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HOUSING AND  
COMMUNITY AFFAIRS



Situation

Many community leaders are afraid that Federal housing policies are directed at breaking up long-established neighborhoods in large cities. Their concerns stem largely from a lack of knowledge of Federal programs and the adverse aspects of the urban renewal and large low-income housing projects employed by prior Administrations.

Current Federal programs eschew arbitrary placement of low-income housing in both cities and suburban areas. The Section 8 program provides opportunities for low-income people to obtain housing without the large projects or minority saturation encouraged by prior programs. The receipt of Community Development Block Grants is predicated on the development of a "housing assistance plan" to provide housing for low-income families expected to reside in a community, but local governments are not forced to accept the grants or their requirements. Nor are they coerced into locating low-income housing in specific neighborhoods when they do accept Community Development Block Grants.

A recent Supreme Court Decision in the Gautreaux Case authorized the Northern Illinois District Court to order remedial action for HUD low-income housing programs in Chicago suburbs. This decision should not have much if any application to urban neighborhoods.

Administration Position

When questioned about Federal Housing programs and the "ethnic purity" issue, the President said:

"In the first place, I would not use that term to describe any of my policies, period. I do feel that an ethnic heritage is a great treasure of this country, and I don't think that Federal action should be used to destroy that ethnic treasure.

Number two, under existing laws as to housing, as to education, as to where you live, there are Federal laws that are on the statute books. I have sworn to uphold the law in any case, all cases, and this Administration will.



In the area of housing, under the 1974 Act, a great deal more local autonomy and responsibility was given as to where housing should be located. If a local community decides that they want housing of one kind or another, or if an individual wants to build in an area under the law, this Administration will uphold the law.

So, that is an explanation of our policies. I just think that the term has created so much controversy is not the way to describe the practical situation."

Presidential Documents  
Vol. 12, No. 16, pg. 650

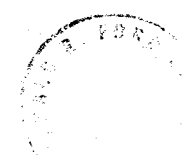
### Administration Action

On August 22, 1974, the President signed the Housing and Community Development Act of 1974, which established the Section 8 Housing Assistance Program and low-income housing criteria for the receipt of Community Development Block Grants (summarized above and in related issue papers).

HUD is preparing its case to go before the District Court following the Gautreaux decision. There is little likelihood that a ruling will take place before the first of the year.

The President also established on June 30, 1976, a Committee on Urban Development and Neighborhood Revitalization to analyze urban problems and develop recommendations to improve Federal programs in order to revitalize urban areas and their neighborhoods. (Please examine the Issue Paper on Neighborhood Revitalization for a more detailed explanation of the Committees' activities.)

FLM  
7/21/76



ISSUE: HOUSING ASSISTANCE

Administration Position

The Policy of the Ford Administration is to assist low-income families in obtaining decent homes and suitable living environments through programs which:

- emphasize the use of existing houses rather than new construction so more families can be assisted with a given amount of Federal resources;
- maximize freedom of choice by offering a subsidy directly to the low-income family;
- rely on the private market for the construction, financing and management of housing for federally-subsidized families.

On February 20, 1976 in response to a question about housing, the President stated:

"Let me say, first, that in the budget that I submitted in January, on the basis of the persuasion of the Secretary of HUD, Carla Hills, I added approximately 400,000 more housing units that rely primarily on the Federal Government to get going. She made a very good case. I agreed, even though money is tight in the Federal budget, but it is a homebuilding program where the Federal Government can really move in and help. So that is one point.

Number two, if we are going to really get a massive nationwide housing program underway we have to make money available to borrowers at reasonable interest rates. We cannot have the Federal Government, therefore, have such a huge deficit and have to borrow so much money that they crowd out the home buyers in the money markets of this country.

So what we are trying to do is hold down Federal expenditures, reduce deficit and make more money available in the money markets of this country.

The net result is we have had the greatest inflow in deposits in savings and loans in the last nine months I think in the history of the country, which means there is money now available in the private market and it has been quite encouraging that there is a slight turndown -- slight, but the trend is right -- in conventional mortgage money rates.



I think with the money available and the optimism concerning the economy you are going to see the homebuilding industry do a great deal better in calendar year 1976 than they did in 1975. I would hope that we would build or start approximately 1,600,000 homes which would be about 300,000 more homes this year than last year, and maybe even better.

If you saw the statistics that came out last week, we had a tremendous upsurge in permits being granted which I think is indicative. So between responsible Federal funding and the management of our expenditures and the kind of programs that I indicated earlier, I think the homebuilding industry is going to be actively moving up."

Presidential Documents  
Vol. 12, No. 8, pg. 260

### Administration Action

President Ford signed the Housing and Community Development Act of 1974 on August 22, 1974. In signing this legislation, the President said that this legislation "...authorizes a more flexible approach to assisting low- and moderate-income families obtain adequate housing."

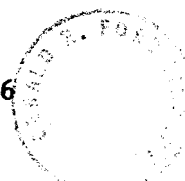
This Act established a new Section 8 program of housing assistance for low-income families which authorized the Federal Government to pay the difference between (i) the fair market rent and (ii) a portion of such rent -- between 15 percent and 25 percent of the gross income -- affordable by the tenant. This new program has the following advantages over the old subsidized programs.

- the lowest income families can be reached since subsidy payments cover the difference between what a family can afford and what it costs to rent the unit;
- freedom of choice is increased because tenants are free to choose their own housing units and are not forced into subsidized housing projects;
- costs can be better controlled through the use of rent levels prevailing in the private market.

President Ford's FY 76 and 77 Budgets authorized HUD to enter into subsidy agreements with over 800,000 families.

The Administration approved HUD's reactivation of a revised homeownership subsidy program (Section 235) which will subsidize over 175,000 new single family units.

FLM/9/29/76



ISSUE: HOUSING FINANCE/HOMEOWNERSHIP

Administration Position

"This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these actions are crucial to our overall economic recovery."

Presidential Documents  
Vol. 11, No. 27, p. 700

In the 1976 State of the Union Message the President said:

"Within the strict budget total I will recommend for the coming year, I will ask for additional housing assistance for 500,000 families. These programs will expand housing opportunities, spur construction and help to house moderate and low income families.

. . . We had a disappointing year in the housing industry in 1975 but it is improving. With lower interest rates and available mortgage money, we can have a healthy recovery in 1976."

Presidential Documents  
Vol. 12, No. 4, p. 46

"Once a good job is secured, it is an American tradition to put some of these earnings toward a family home, but nowadays, with interest rates too high, down payments too high and even monthly payments too high--home ownership is not within the reach of many Americans, particularly young Americans beginning a career or marriage.

My goal is home ownership for every American family that wants to own a home and is willing to work and save for it.

Here is how I will meet that goal: First--I will continue to pursue economic policies, including tight control of unnecessary Federal spending which will hold inflation down, reduce interest rates, cut your taxes, increasing your purchasing power and making more funds available for home mortgages.

Second--it is time we did something more about the down payment requirements, which so many people can't afford. I will recommend changes in the FHA loans to reduce down payments on lower and middle priced homes by up to 50 percent.

Third--I will direct the Department of Housing and Urban Development to accelerate implementation of a new Federal guarantee program to lower monthly payments in the early years of home ownership and gradually increase them as the family income goes up."

Presidential Documents  
Vol.

It is the policy of the Ford Administration to provide a housing finance mechanism that:

- makes available to homebuyers sufficient mortgage credit repayable over an extended term at reasonable interest rates;
- moderates the extreme swings in the availability of mortgage credit.

Administration Actions

President Ford signed the Housing and Community Development Act of 1974 on August 22, 1974. This Act increased the availability of mortgage credit by:

- extending all of the unsubsidized FHA insurance programs until June 30, 1977;
- increasing the size of mortgages that can be insured by the FHA -- from \$33,000 to \$45,000 for single family homes;
- increasing the size of mortgage loans by savings and loan associations -- from \$45,000 to \$55,000 for single family homes;
- increasing the size of mortgage loans that can be purchased by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation -- from \$35,000 to \$55,000 for single family homes;
- increasing the size of mortgage loans that could be purchased by GNMA -- from \$33,000 to \$38,000 for single family homes;
- lowering the down payments required on FHA insured mortgages.





In signing this legislation, the President said:

"This Act will also provide significant assistance to the mortgage market, and those who depend on it -- home buyers, homebuilders, and mortgage lenders. The Act makes FHA mortgage insurance available to a greater number of families by reducing required downpayment, expanding the limits on mortgages eligible for Federal insurance, and enabling FHA on an experimental basis to tailor plans for loan repayment to the unique circumstances of individual home buyers."

Presidential Documents

Vol. 10, No. 34, p. 1059, 1060

- . President Ford signed the Emergency Home Purchase Assistance Act of 1974 on October 18, 1974. This bill authorized the Government National Mortgage Association within the Department of Housing and Urban Development to make commitments up to \$7.75 billion at predetermined interest rates to purchase mortgages on both new and existing homes, which are not insured by the Federal Housing Administration or guaranteed by the Veterans Administration -- the so-called "conventional mortgages" which comprise about 80% of all mortgages. The advantage of the plan is that with the GNMA commitment, the homebuyer, the builder and lender have an insured source of financing at a known, favorable interest rate. The cost to the government is limited to the loss which GNMA realizes if its selling price for the mortgage is less than the original purchase price.
- . President Ford vetoed the Emergency Housing Act of 1975 because its high cost, ineffectiveness and delayed stimulus would damage the housing industry and damage the economy. At the same time, the President urged enactment of alternative emergency housing legislation. The President's veto was sustained.
- . The President signed the Emergency Housing Act of 1975 on July 2, 1975. This Act includes provisions for addressing the mortgage foreclosure problem, and expands the mortgage purchase programs of GNMA recommended by the President at the time of his veto on June 24, 1975.



- . President Ford has proposed the Financial Institutions Act which is now before the Congress. The coordinated and interrelated financial reforms incorporated in this Act, such as the mortgage interest tax credit, will greatly strengthen our financial institutions, offer better financial services and great rewards to savers, and assure a greater and more stable flow of funds into mortgage markets without the need for government intervention.
- . President Ford signed the Tax Reduction Act of 1975 on March 29, 1975. This Act included a provision for every person who buys a new home as his principal place of residence to claim five percent of the purchase price, up to a maximum of \$2,000 as a tax credit on his Federal Income Tax Return.
- . President Ford signed into law S. 1281 on January 1, 1976. This bill:
  - extends until March 1, 1977, the authority of various Federal agencies to regulate interest rates paid on certain deposits in financial institutions;
  - extends the authorization of the National Commission on Electronic Fund Transfers for two years beyond the confirmation date of its chairperson;
  - requires depository institutions making federally-related mortgage loans to compile and make available to the public and federal regulatory agencies certain information regarding the number and dollar amount of mortgage loans originated or purchased by each institution by census tract.
- . President Ford during his Administration has released \$13 billion in mortgage purchases by the Government National Mortgage Association for the purchase of home and multifamily project mortgages at below-market interest rates.
- . The President announced on September 15, 1975 a program to promote homeownership (outlined in above remarks).

ISSUE: NEIGHBORHOOD REVITALIZATION

Situation

Many urban neighborhoods have suffered decline and decay. The inhabitants of these areas, who are largely ethnic or minority groups, have had difficulty in gaining the support of local or Federal officials in their efforts to preserve their neighborhoods. Very often diverse Federal programs with conflicting goals have contributed to this disruption. Recently the leaders of these groups have become more vocal about the need for a national policy for neighborhood revitalization.

Administration Position

The Ford Administration is committed to working with State governments, locally elected officials, community leaders and private industry to restructure Federal programs affecting urban areas to enhance the economic and fiscal viability of cities and promote the revitalization of their neighborhoods.

Administration Action

President Ford has hosted a series of White House meetings with ethnic and minority leaders on the subject of neighborhood regeneration. On June 30, 1976, he established the President's Committee on Urban Development and Neighborhood Revitalization, an interagency committee which is charged with the responsibility of analysis, urban problems and developing recommendations to improve Federal programs in order to revitalize urban areas and their neighborhoods. Specifically the Committee will be responsible for:

1. Conducting a comprehensive review of all major Federal programs which have an impact on the cities and their neighborhoods and reporting results to the President;
2. Seeking the perspectives of local officials and neighborhood groups on Federal programs which affect them;

3. Developing recommendations to the President and the Congress for changes in Federal policies and programs affecting cities and their neighborhoods in order to place maximum decision-making responsibility at the local level, to remove legal and administrative obstacles to exercise this authority, and to provide for better coordination and delivery of Federal programs.

On May 5, the President remarked to assembled ethnic leaders:

"A sense of community has been eroded in some of our largest cities. A sense of neighborhood, a sense of belonging, of cultural identification, are threatened. I can appreciate your deep concern for the future of institutions which you work so very hard to establish. The ethnic church, the school, the credit union, the fraternal lodge, and an increasingly centralized Government in Washington, which has grown more and more powerful and very impersonal is a big part of the problem.

It is time to begin de-emphasizing the bureaucracies in Washington and re-emphasizing the community, the efforts that we can make to improve our American way of life. One way to do this is by extending the general revenue sharing program, which over the past five years has turned the flow of power away from Washington and towards your own cities and your own States.

Another way is through the vigorous enforcement of the anti-redlining bill, which discourages credit discrimination based on neighborhood location and in mortgage and home improvement loans. I signed the law prohibiting that discrimination, and I intend to see it stopped."

On September 24, 1976, the President remarked to the National Quadrennial Convention of the Polish-American Congress:

"Revitalizing our neighborhoods will help preserve your investments in your homes, your churches and your community facilities; it will help keep families together; it will help keep America together. America itself is a wonderful family. We must keep that family close -- closer in the future than it has been in the past."

FLM  
10/15/76

ISSUE:            POSTAL SERVICE

Administration Position

The Ford Administration sanctions the principles of the Postal Reorganization Act of 1970 that the Postal Service support itself on its own revenues and that mail users should pay for mail services. Although severe budget deficits and increased postal rates have led to public criticism of the semi-independent corporate status, the rate structure and the service level of the U.S. Postal Service, the Administration has endorsed the basic structure of the reorganized Postal Service. The Administration has worked closely with the Congress and the Postal Service to develop both short and long term solutions to the fiscal crisis and service difficulties facing the Postal Service.

On April 3, 1976, the President, in response to a question about the condition of the Postal Service, said:

"The Postal Service problem is one of the most perplexing ones we have. We had a system up until about four years ago that was rampant with politics. Democrats abused it, Republicans abused it, and it was in a mess, to be honest with you. The Federal subsidy was growing every year. We went to a Postal Service and supposedly, and I hope it is true, wiped out all politics in the Postal Service. They have been trying to put it on a pay as you go basis. It was recognized that during this transition period there would have to be a subsidy. At the present time the Federal Government is contributing about a billion dollars a year to subsidize the Postal Service plus whatever other revenues they get.

"I must say in many respects I am disappointed the way it has turned out except I think it is better than what it was. Now there are some areas where I think the Postal Service will have to make some adjustments in service; otherwise, it will require more subsidy from the Federal Government.

The President also responded to a question about the proposed employment of private industry to deliver first-class mail:

"Well, it is disallowed by law, but let me tell you what probably would happen. There are some companies that want to, in major metropolitan areas, move in with their postal system which is now precluded by law. Frankly, that is where the Post Office service or Postal Service makes money. So if you take a private delivery system and let it just go into the markets where the Postal Service makes money, the Postal Service will be in worse shape."

Presidential Documents  
Vol. 12, No. 15, pg. 556

#### Administration Actions

The President signed H.R. 8603, the Postal Reorganization Act Amendments of 1976 on September 24, 1976. The bill:

1. Provides \$500 million in additional Federal funding for each of the next two fiscal years, to be applied against the accumulated operating indebtedness of the Postal Service. (It would, therefore, avoid the label of a subsidy).
2. Establishes a Commission on Postal Service to review problems facing the Postal Service and recommend actions to relieve them by March 15, 1977.
3. Establishes restrictions on the closing of post offices and establishes a moratorium on rate increases until March 15, 1977.
4. Requires the Postal Rate Commission to reach a decision within 10 months of receipt of future rate requests. (If no decision is needed during that period, the Postal Service can implement the requested rate on a temporary basis).

Upon signing the legislation, the President issued a statement in which the following remarks were made:

"I am pleased by the responsible and effective bipartisan cooperation that was evident in the drafting and passage of this legislation . . . .

"No one pretends that this bill itself insures the long-term solution to our postal problems. That will evolve over a period of time during and after completion of the Commission's study. But I believe this bill is a positive and constructive step toward this goal."

FLM  
9/28/76

ISSUE: Training and Funding of Future U.S. Olympic Teams

SITUATION

The United States Olympic program has received great criticism for yielding its historical dominance in the last decade to Olympic teams from the Soviet Union and more recently East Germany. While it is generally acknowledged that the selection, funding and training of U.S. Olympic teams is haphazard and chaotic in comparison with the centrally organized and subsidized systems used by many other nations, most interested parties including amateur sports organizations and the athletes themselves have hesitated to recommend adoption of these methods.

Rather, there has been a call for elimination of jealousies and disputes between rival amateur sports organizations, which have often hindered the full development of American potential in many Olympic events, and the establishment of a viable system for the financial support and training of Olympic athletes, which would not violate their amateur status or extend government control over amateur sports.

Administration Position

Addressing members of the U.S. Olympic Team upon their return from the 1976 Summer Games in Montreal, the President said:

"In this country, it has always been up to those with talent to make their own way in training and in preparing for the highest level of competition. Our belief in the independence of the athlete and the importance of the amateur tradition has held us back from all-out Government support.

As one of your teammates said, and said so well, 'I wouldn't trade any of my personal freedom for all the records in the world.' At the same time, I believe the Federal Government can do more to help athletically talented young people achieve their very, very best in the Olympic competition.

Earlier this year, I proposed to provide funding for the permanent winter sports facilities at Lake Placid, New York, to be used for the 1980 Winter Olympics, and thereafter to train future American champions. We can do more than that in the long run. Therefore, I am asking the Congress



to extend the life of my Commission on Olympic Sports until January of next year. In that time I am asking the Commission not only to address the problem of sports organization in the United States, but also to recommend effective mechanisms for funding training and development of our Olympic competitors.

Other countries have found creative ideas other than Government funding. I am confident we will find ways in which American athletes can be provided the means for Olympic training and development, while preserving their bona fide amateur status."

Presidential Documents  
Vol. 12, No. 32, pg. 1245

#### Administration Action

The President's Commission on Olympic Sports was established on June 19, 1975, for the purpose of making recommendations with regard to the current future structure of amateur sports in the United States. It commenced operations on September 9, 1975.

Legislation was introduced to the Congress in the Spring of 1976 to provide financial support for the 1980 Winter Games at Lake Placid, New York. The President signed a bill into law on September 29, 1976, authorizing funding for the construction of permanent sports facilities at Lake Placid.

The President's Commission on Olympic Sports is having its life extended until January 15, 1977, in order that it may make specific recommendations on forms of financial support for training and development of future U.S. Olympic athletes.

FLM  
10/15/76

ISSUE: Urban Community Development

Administration Position

It is the policy of the Ford Administration to deliver Federal resources to State and local governments in a flexible and equitable manner to assist locally-elected officials as they strive to define the needs and priorities of their communities and design policies and programs to address these needs.

Administration Action

President Ford signed the Housing and Community Development Act of 1974 on August 22, 1974. This Act, along with the General Revenue Sharing program, forms the cornerstone of the President's urban policy and marks a complete and welcome reversal in the way the Federal government tries to help urban communities solve their problems. The Act replaces seven rigid categorical grant programs such as urban renewal and model cities with a single "block grant" program for community development. The allocation formula is based on objective criteria of need -- population, the amount of housing overcrowding, and the extent of poverty. This new approach will put Federal funds to work on behalf of cities and towns far more effectively than before by:

- providing communities with greater certainty about the level of Federal funding they can expect;
- distributing Federal funds to communities according to what they need rather than who they know;
- replacing Federal judgments on community development with judgments of the people who live and work in the communities;
- allowing locally-elected officials to concentrate on comprehensive programs for community betterment instead of grant applications for individual projects.

This Act also ties community development and housing together for the first time. That is to say, that when communities submit their application for the block grant funds, they must take into consideration the city's housing needs, as well as

other needs. It is the Administration's policy to make maximum use of the cities' existing housing stock as one approach to revitalizing urban centers.

In signing this legislation, the President said:

"In a very real sense, this bill will help return power from the banks of the Potomac to the people in their own communities. Decisions will be made at the local level. Action will come at the local level. And responsibility for results will be placed squarely where it belongs -- at the local level."

Presidential Documents  
Vol. 10, No. 34, p. 1060

On January 29, 1976, before the Conference of Mayors, he said:

"Let's talk about the community development program. In the budget that I sent up a week or 10 days ago, we recommended \$3.2 billion -- \$450 million more than in the current fiscal year. We recognize that all of you in communities have special problems, and we are trying to make sure, under the Community Development Act of 1974, that you are going to not only get the benefit of the consolidation of categorical grant programs -- what were there -- seven cut down to one -- but we also recognize that with a better way to deliver those services, you are going to get more money.

So, when I hear criticism that this Administration is not responsive to the needs of local units of government, the facts tell a different story."

Presidential Documents  
Vol. 12, No. 5, p. 95

ECONOMIC GROWTH

1950

## ISSUE

Amendment to the Bankruptcy Act to provide voluntary re-organization procedures for the adjustment of debts of municipalities.

## Administration Position

The President had suggested amendments to the Bankruptcy Act as one approach to the New York City financial crisis.

"As you know, the Constitution empowers the Congress to enact uniform bankruptcy laws. Therefore I will submit to the Congress special legislation providing the Federal Courts with sufficient authority to pre-empt over an orderly reorganization of New York City's financial affairs--should that become necessary."

The President went on to say:

"To be effective, the right solution must meet three basic tests:

First, it must maintain essential public services for the people of New York City. It must protect the innocent victims of this tragedy. There must be policemen on the beat, firemen in the station, nurses in emergency wards.

Second, the solution must assure that New York City can and will achieve and maintain a balanced budget in the years ahead.

Third, the right solution must guarantee that neither New York City nor any other American city ever becomes a ward of the Federal Government."

Remarks of the President at the  
National Press Club, October 29, 1975

## Administration Action

The President signed into law HR 10624 on April 8, 1976.

PJD  
4/20/76

ISSUE: Capital Formation

Administration Position

President Ford stated on August 25, 1975:

"As always economic progress depends on our ability as a nation to foster capital investment and increase the productivity of our workers. The share of our gross national product committed to the private sector investment must increase significantly over the next few years if we are to reach our economic potential . . . we must now not permit bottlenecks and shortages to reappear as the economy gains momentum. We must not condemn our fellow citizens to unemployment because the modern tools needed to compete in world markets are lacking. Capital . . . is vital to all segments of our economy to expand agricultural production, to develop domestic resources of energy and raw materials, reducing our dependence on oil imports and to preserve and to improve our economy."

Presidential Documents  
Vol. 11, No. 35, p. 892

On August 30, 1975, the President said:

"Economic progress depends on our ability to foster capital investment and to increase the productivity of our workers the length and the breadth of this country . . . This Administration has proposed some reform to the Congress to stimulate what economists call 'capital formation' through tax incentives. I like a better definition or a better combination of words; I prefer the term 'job creation.' That is what my recommendations are all about."

Presidential Documents  
Vol. 11, No. 35, p. 915

Administration Actions

A recent Council of Economic Advisers Study done in cooperation with the staff of the Commerce Department's Bureau of Economic Analysis estimates that the ratio of business fixed investment to GNP over the remainder of the decade will have to average about 12 percent if the U.S. is to meet its projected capital requirements. This contrasts with the 10.4 percent experience during the 1965-1974 decade. Unless the increased capital is generated, the Council of Economic Advisers believes that the country will not be able to meet the important national goals of full employment, increased domestic energy production and a clean environment. These estimates are quite similar to those made by others who have studied the problem.

The President signed the Tax Reduction Act of 1975 which provided for an increase in the investment tax credit to 10 percent through December 31, 1976, and an increase in the corporate surtax exemption to \$50,000 for 1975. The increased exemption has been extended until August 31, 1976.

In testimony on July 8, 1975, before the House Ways and Means Committee, Secretary of the Treasury William E. Simon:

- Proposed repeal of the withholding tax on interest and dividend payments to foreigners in order to encourage the inflow of foreign capital.
- Supported the Ways and Means Committee's 1974 proposals to lower capital gains taxes.
- Proposed, as a means of stimulating construction of electric utility facilities and creating new construction jobs, several changes in the tax code including a permanent 12 percent investment tax credit for electric utility property except generating facilities fueled by petroleum products and an immediate investment tax credits on progress payments for construction. The changes in the investment tax credit and depreciation would require that the benefits be "normalized" for rate making purposes. These proposals were recommended by the President's Labor-Management Committee.

On July 31, 1975, in testimony before the Ways and Means Committee, Secretary Simon:

- Proposed elimination of the double tax on income from savings invested in corporate equities by a combination of corporate deductions for dividends paid and individual tax credits to be phased in over six years.

The Economic Policy Board has established an interagency task force to develop Administration proposals on international tax issues, some of which will effect capital formation.

The President's 1977 Budget provides for:

- the electric utility proposals;
- the proposed phased integration of corporate and individual taxes effective January 1, 1978;



- a broadened stock ownership plan that would allow low and moderate income individuals to defer taxes on funds invested in common stock;
- a reduction in the maximum corporate tax from 48% to 46%;
- a permanent 10% investment tax credit;
- permanent tax cuts on the first \$50,000 of corporate income;
- a temporary program of rapid amortization for non-residential buildings and equipment placed in new or expanded facilities in areas of high unemployment; and
- establishment of Energy Independence Authority to provide loans, loan guarantees, and other assistance to selected high priority, private sector energy projects.

On March 17, 1976, in testimony before the Senate Finance Committee, Secretary Simon reiterated the Administration's tax proposals designed to stimulate capital formation.

PCL  
8/10/76





ISSUE: Inflation

Administration Position

President Ford in his State of the Union Message January 19, 1976:

"My first objective is to have sound economic growth without inflation."

Presidential Documents  
Vol. 12, No. 4, p. 43

He said on September 2, 1975:

"Even in the midst of recession, inflation continues at an uncomfortably high rate. While some progress has been made, the simple truth is that re-establishment of a durable and noninflationary period of economic growth in the world will not be easy.

"In the United States, recovery is well underway. Each week brings additional evidence of renewed economic health, and I am determined to fight against an acceleration of inflation that could restrain this recovery."

Presidential Documents  
Vol. 11, No. 36, p. 934

Chairman Greenspan of The Council of Economic Advisers stated on September 16, 1975:

". . . I do believe that there are quite significant inflationary risks against which we must guard. At root inflation is a financial problem. This is why moderate fiscal and monetary policies in this period of economic recovery are essential if we are to avoid reigniting strong inflationary pressures; not in the immediate weeks or months ahead, but later in 1976 and more likely, in 1977 and beyond. Stable economic growth would be almost impossible to sustain under such conditions.

"The presumption that we need greater expansionary policies to spur economic activity I believe misreads the nature of the underlying economic forces confronting the U.S. and the other industrial countries of the world. . . Inflationary fears have increased uncertainty and buyer caution. As a consequence the recoveries of many nations abroad have lagged. I believe it is becoming clear to many of us that a necessary condition of sustainable recovery is a restoration of confidence. This in turn can be accomplished only by embarking on steady economic policies which give us a fighting chance to defuse the inflationary pressures which still reside within our economies."

## Administration Actions

The President has proposed limiting Federal Government spending in FY 1977 to \$394.2 billion, up only 5.5 percent from 1976. (Recent budget adjustments have increased this figure to \$400 billion, which is still well below the concurrent Congressional Resolution of \$413 billion).

Even as the economy slid into a very steep recession, the economic policy response to the recession has been carefully balanced to avoid the danger of renewed high rates of inflation which would result from overly stimulative actions. The Administration has strongly supported responsible monetary and fiscal policies designed to avoid a recurrence of excessive inflation. Over the last twelve months inflation has remained in the 5 to 6 percent zone.

Measures designed to reduce the degree of government regulation have been announced. Deregulation will tend to increase efficiency and to reduce prices.

The Administration supported the recent creation of a Congressional Budget Office in the hope that this would lead to more responsible Congressional involvement in fiscal policy and reduced inflation.

To prevent the recurrence of capacity shortages which fuel inflation, the Administration has supported tax reforms to foster capital formation.

The President has ordered executive departments and agencies to conduct inflation impact analysis of major rules and legislative proposals.

The Administration has advocated free trade measures and floating exchange rates as a means of stimulating international trade and increasing the supplies of goods to add to competition and price stability.

The Administration has supported the work of the National Commission on Productivity and Work Quality as one way to promote improved productivity and reduce inflation in the economy.

PCL  
8/10/76



ISSUE: Interest Rates

Administration Position

While the Administration has not announced a position on the level of interest rates per se, it does see high interest rates as a symptom of unwise economic policies which tend to reduce the potential for rapid economic growth.

Treasury Secretary Simon said on January 8, 1975:

"Today's high interest rates are caused by today's high rate of inflation and the tremendous demands that built up for loans. As we reduce this demand along with the rate of inflation, interest rates will come down.

"But we can't reverse that sequence. We cannot cut the inflation rate by driving interest rates down through the process of creating much more money and credit. This would only throw fresh fuel on the inflationary fire. Inflation would speed up and interest rates would be driven still higher."

Administration Actions

The Administration has:

Vigorously supported responsible monetary and fiscal policies designed to return the economy to health without excessive inflation --- with the result that long and short term interest rates have come down considerably over the past several months.

Proposed the Financial Institutions Act which would improve the functioning of financial markets.

Opposed interference with the independence of the Federal Reserve Board because increased political interference would lead to a less responsible monetary policy over time.

Attempted gradually to increase the average maturity of the public debt by sale of more longer-term issues, thereby reducing the adverse impact of Treasury financing on the structure of interest rates.

Supported new legislation increasing the amount of long-term Treasury debt permitted from \$10 to 12 billion and exempting debt with a maturity of less than 10 years (rather than 7 years as was the case) from the 4-1/4 percent interest ceiling.

PCL  
5/24/76

ISSUE:      Job Creation

Administration Position

In the 1976 State of the Union Address the President spoke of the importance of job creation and of the need for the Federal government to create "conditions and incentives for private business and industry to make more and more jobs."

Presidential Documents  
Vol. 12, No. 4, p. 46

Nearly 1.7 million more Americans are employed today than at the low point in March 1975. The economy is improving, but we need still more jobs, especially for the young.

Administration Actions

The President announced in the 1976 State of the Union that he will propose changes in the tax laws that will speed up plant expansion and the purchase of new equipment. Job creation tax incentives will be concentrated in areas where the unemployment rate runs over 7%.

The Administration also continues to support proven job training and employment opportunity programs which benefit millions of Americans.

The Administration's tax cut policy encourages capital formation and increases personal demand which, in turn, stimulates job creation.

DHL  
1/22/76

ISSUE: Price Controls

Administration Position

President Ford said on September 16, 1975:

"I would like to reiterate my firm opposition to wage and price controls. I don't think it is fair to put all of the burden in the battle against inflation on the shoulders of the Federal Reserve Board. I have repeatedly indicated that Federal fiscal policy was as important as monetary policy in the battle against inflation and that is why I have consistently said we had to hold the line on Federal spending. . .

". . . We do have a wage-price council that has on some occasions investigated price increases and, on several occasions, has been helpful in trying to get a moderation of a price increase, but I do not believe on the basis of past history of wage and price controls during peacetime that they worked. I think it is a quick fix that has long-range detrimental repercussions and, therefore, under the current circumstances, I think it would be unwise to even intimate that I would favor wage and price controls. I am still opposed to them and I think there are better remedies."

Presidential Documents  
Vol. 11, No. 38, pg. 1024

Treasury Secretary Simon stated on January 8, 1975:

". . . they are destructive of both our economy and our freedoms. They deal with the results of inflation rather than the causes, like taking aspirin to attack a fever rather than curing the infection.

"In 1972-73 controls proved themselves ineffective in holding down inflation. And where controls did in fact suppress prices and wages, they created severe distortions. In some of our basic industries like steel and paper, as profits were squeezed down by controls, expansion plans were cut back, setting the stage for present shortages of these essential products. Ironically, controls thus eventually increased the pressures on prices rather than lessened them.

". . . Controls, in summary, distort investment decisions and the allocation of resources, distort markets and exports, keep natural forces from reacting against economic defects, and give a false impression of action which delays truly effective remedial action."



## Administration Actions

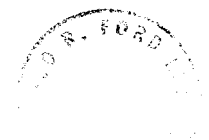
The Cost of Living Council, which operated the last price control program, was allowed to expire in 1974.

Legislation extending price controls on oil was vetoed and the veto sustained in September 1975. Revised legislation to continue controls on petroleum produced domestically was signed in the last days of 1975. This provides some authority to remove controls on the prices of individual petroleum products and on their allocation among consumers.

The Administration supported the creation of the Council on Wage and Price Stability. However, the authorities of the Council have been carefully limited to avoid any controls over wages or prices or even the implication that the Administration is moving in such a direction.

The Administration has proposed legislation to eliminate price controls on new natural gas.

PCL  
8/10/76



ISSUE: Regulatory Reform

Administration Position

For more than a year, President Ford has outlined his regulatory reform program in speeches, messages, and conferences. The President has said;

"My Administration has made the reform of government regulation one of its highest priorities. We have initiated a national debate on the role that government regulation should play in our economy. In the past year, we have achieved the most significant and comprehensive progress toward reform in three decades. At the same time we have moved toward a more open and vigorous free market in which consumers have available a wider range of goods and services to choose from and where businessmen have a greater opportunity to run their own businesses."

Presidential Documents  
Vol. 12, No. 20, pgs. 871-872

"We must reassess, as I see it, the archaic and often times very rigid, regulations which hamper the economy of the United States and directly affect the American consumer. . . . Meaningful reform of our present regulatory system must be part of the current effort to respond to the consumer."

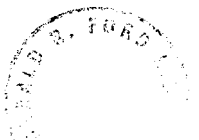
Presidential Documents  
Vol. 11, No. 17, pg. 403

"Let me emphasize, however, that we do not seek to eliminate all regulations. Many are costly, but they are essential to preserve public health and public safety. But, we must know their cost and measure those costs against the good that the regulations seek to accomplish."

Presidential Documents  
Vol. 11, No. 18, pg. 456

"We will establish as national policy this basic fact of economic life, that Government regulation is not an effective substitute for vigorous American competition in the marketplace."

Presidential Documents  
Vol. 11, No. 35, pg. 893



"Agencies engaged in regulatory activities can expect that the Antitrust Division of the Department of Justice will continue to argue for competition and lower consumer prices as a participant in your agency's proceedings. Furthermore the Attorney General will continue to insure vigorous anti-trust prosecution to remove private sector barriers to competition."

Presidential Documents  
Vol. 11, No. 28, pg. 725

"A necessary condition of a healthy economy is freedom from the petty tyranny of massive government regulation. We are wasting literally millions of working hours costing billions of consumers' dollars because of bureaucratic red tape. . . Now, we need reforms in other key areas in our economy - the airlines, trucking, railroads, and financial institutions.

I have concrete plans in each of these areas, not to help that or that industry, but to foster competition and to bring prices down for the consumer.

This Administration will strictly enforce the Federal anti-trust laws for the same purpose."

Presidential Documents  
Vol. 12, No. 4, pg. 43

### Administration Actions

Agenda for Government Reform Act. On May 13, 1976, President Ford sent to Congress proposed legislation which would establish a timetable for the President and Congress to make comprehensive and fundamental changes in Government regulatory activities.

Commission on Federal Paperwork. On December 27, 1974, the President signed into law the bill establishing the Commission on Federal Paperwork; the Commission will report to the President in October 1977. In the interim, the President directed the executive branch agencies to achieve a 10% reduction in the number of federal forms by July 1976. A reduction of 12.5% has been achieved and a new goal for reducing the burden of responses to government forms has been established for the next fiscal year. By the end of FY 1977 executive branch agencies have been directed to reduce the reporting burden by 5% and to recommend ways in which an additional 15% reduction could be achieved by the end of FY 1978.



Energy. Legislation proposing deregulation of natural gas to increase the domestic energy availability was sent to the Congress by President Ford on January 30, 1975. On October 22, 1975 the Senate passed a bill on expected natural gas shortages which included provisions allowing for the gradual deregulation of new natural gas. The House has passed a bill which would deregulate small producers but continue regulation of large natural gas producers. In addition, the bill would extend federal regulation to the intrastate market. (The Federal Power Commission has raised the wellhead prices for new natural gas, but this decision is expected to be subject to lengthy litigation).

In his 1975 State of the Union Address, the President also emphasized the need to decontrol domestic oil prices in order to increase our national energy independence. On December 22, 1975 the President signed into law P.L. 94-163, the Energy Policy and Conservation Act, which will temporarily roll back the price of domestic oil and then gradually end controls over a 40-month period.

Council Wage and Price Stability. On January 16, 1975, the President announced that he would seek to extend the Council on Wage and Price Stability through F.Y. 1976 and on August 11, 1975 he signed into law the extension of CWPS through F.Y. 1977.

Antitrust and Restraint of Trade. On January 29, 1975, the President strongly endorsed legislation which would repeal laws permitting state fair trade laws in order to allow consumers to benefit from discount pricing on "brand name" merchandise. The legislation was passed by the Congress and on December 12, 1975 it was signed by the President.

In February 1975, the Justice Department transmitted to Congress the Antitrust Civil Process Act Amendments to increase the scope and use of civil procedures in antitrust activities. This bill H.R. 13489 has been passed by the House. In the Senate these provisions were incorporated in S. 1284 which was passed on June 10, 1976.

In February 1975, the Administration formed an Antitrust Immunities Task Force to examine laws which exempt various industry rate bureaus and self-policing practices from antitrust law coverage.

Financial Institutions. On March 19, 1975, the President sent a message to Congress resubmitting the modified Financial Institutions Act which is designed to provide competitively set interest payments and more diversified services to all

customers. Most of the bill was passed by the Senate on December 11, 1975. A new tax subsidy for mortgage lenders (a key part of the legislation) must still be considered in the Finance Committee. Similar legislation is under consideration by the House Banking Committee.

Transportation. The President transmitted the Railroad Revitalization Act to Congress on May 19, 1975. This bill allows reasonable price competition and prohibits certain anticompetitive practices in the railroad industry. Provisions of the bill were incorporated into an omnibus rail bill which was signed by the President on February 5, 1976.

On December 30, 1974, the President vetoed the U.S. Tanker Preference Bill, H.R. 8193, because of its inflationary cost and anticompetitive nature.

The President has sent to the Congress the Aviation Act of 1975 and the Motor Carrier Reform Act to achieve reform in the airline, trucking and bus industries. Hearings on the Aviation Act have been held by both the House and the Senate. Bipartisan Congressional sponsors and the CAB have also introduced bills to reform the regulation of the airlines. Hearings on the Motor Carrier Reform Act are scheduled in the House in September. The Senate has asked for written comments on the bill.

Securities. President Ford strongly supported and signed the Securities Act Amendments of 1975, P.L. 94-29, on June 4, 1975 to promote competition in the securities industry and to establish a national market system.

Inflation Impact Analysis. On November 28, 1974, the President issued Executive Order 11821 requiring executive departments and agencies to conduct inflation impact analysis of major rules and legislative proposals. On January 28, 1975, the Office of Management and Budget issues instructions to agencies in OMB Circular A-107. OMB and CWPS are currently conducting an evaluation of the Inflation Impact Statement requirement.

Regulatory Conference. The President met with twenty-four Members of Congress on June 25, 1975, and with the Commissioners of the ten Independent Regulatory Commissions on July 10, 1975, to discuss the importance of regulatory reform. Follow-up report from the Commissions have been sent to the President. The President met again with a group of the regulatory Commissioners on April 8, 1976 to discuss the reports and future reforms. A second progress report is due by September 15, 1976.

ISSUE: Tax Reform

Administration Position

The Administration has consistently advocated basic reforms of the complex Federal tax system to achieve three basic goals as outlined by Treasury Secretary Simon on July 8, 1975 before the House Ways and Means Committee (and reiterated again on March 17, 1976 before Senate Finance Committee):

"Tax equity. We must reinforce taxpayers' confidence that when they pay their fair share everyone else does, too. There is, of course, no single way to define a fair share. Individual opinions differ. Nonetheless, we must have a system which most of the public accepts as fair.

"Simplification. Many provisions of tax law that affect large numbers of individual taxpayers are inordinately complicated. The annual tax return form may never provide pleasure, but it need not be a nightmare.

"Economic growth. The tax system must be conducive to the stable growth of our domestic economy and the long-run improvement of our position in world markets. Any change in the tax law that impedes the productivity of our national economy will risk the loss of the prosperity we now enjoy. We must see that the tax system does not unduly impede the savings and capital investment necessary to economic health."

Administration Action

The Administration:

Proposed a tax on Minimum Taxable Income as a substitute for the current minimum tax to insure that taxpayers with high gross incomes pay a tax which bears some reasonable relation to that income.

Proposed limitations on artificial accounting losses as a means of limiting tax shelters.

Proposed, as steps toward simplification, restructuring the retirement income credit, repealing the sick pay exclusion, repealing the deductibility of State gasoline taxes, restructuring the medical and casualty loss deductions, limiting a miscellaneous deductions and introducing a standard "simplification deduction" for those who itemize.

Proposed repeal of the withholding tax on interest and dividend payments to foreigners in order to encourage inflow of foreign capital.

Supported the Ways and Means Committee's 1974 proposals to lower capital gains taxes.

- \* Proposed as a means of stimulating construction of electric utility facilities and creating new construction jobs, several changes in the tax code including a permanent 12 percent investment tax credit for electric utility property (except generating facilities fueled by petroleum products) and an immediate investment tax credits on progress payments for construction.

(The changes in the investment tax credit and depreciation would require that the benefits be "normalized" for ratemaking purposes. These proposals were recommended by the President's Labor-Management Committee.)

- \* Proposed elimination of the double tax on income from savings invested in corporate equities by a combination of corporate deductions for dividends paid and individual tax credits to be phased in over 6 years beginning January 1, 1978.
- \* Proposed a Broadened Stock Ownership Plan that would allow low- and moderate-income individuals to defer taxes on funds invested in common stock.
- \* Proposed legislation to ease the burden of estate taxes on family farms and small businesses.
- \* Proposed an increase in the estate tax exemption from \$60,000 to \$150,000 and accompanying revisions in estate tax rates to be phased in over 5 years. Also, proposed tax-free interspousal transfers of assets under gift and estate taxes effective January 1, 1977.
- \* Proposed a temporary program of rapid amortization for investments in new and expanded nonresidential buildings, and equipment placed in such buildings, in areas of high unemployment.
- \* Proposed tax cuts that, when fully effective on January 1, 1977, would
  - increase personal exemptions from \$750 to \$1,000
  - set standard deductions at \$2,500 for a couple filing jointly and \$1,800 for single taxpayers (simplification would be fostered by eliminating the percentage standard deduction)


\* These proposals are a part of the 1977 Budget as reflected in the Mid-Session Review of the 1977 Budget.

- reduce individual income tax rate schedules
  - lower maximum corporate rate from 48% to 46%
  - make permanent current, temporary corporate tax reductions on the first \$50,000 of corporate income
  - make the 10% investment tax credit permanent
- \* Proposed, as a part of the Financial Institutions Act, eliminating current deductions for excess bad debt reserves by thrift institutions and introduce a tax credit based on residential mortgage interest income for all financial institutions.

Proposed Federally-subsidized, but fully taxable, municipal bonds as an option to tax-exempt bonds issued by State and local governments.

- \* These proposals are a part of the 1977 Budget

PCL  
8/10/76





ISSUE: AIR QUALITY

President Ford stated on July 3, 1975:

..."We all breath the same air, - or smog. And it is up to us (to solve pollution problems).

"I am convinced that an active partnership between the Federal, State and local agencies is the proper formula for assuring the future success of our environmental efforts. ...Nearly 80 percent of all major stationary sources of air pollution--utility plants, factories, large buildings-- are now complying with emission regulations or are meeting an abatement schedule...

"The result of these and other clean air regulations is very apparent. The citizens of many, many great cities have already benefited from the life-giving improvement in the purity of their air...

"There is much more to be done, but let us not be indifferent to what already has been accomplished"...

Presidential Documents  
Vol. II, No. 27, p. 702

Administration Actions

The President, on June 27, 1975, recommended an extension of the current auto emission standards until 1981, on grounds that such action would achieve the best balance among his directives in energy, environment and economy without compromising public health needs.

On May 30, 1975, Administrator Train reported on the progress of air quality improvements since passage of the Clean Air Act in 1970, including a 25 percent reduction nationwide in sulfur dioxide concentration, a 14 percent reduction in the national average for particulate matter and improvements for photochemical oxidants (smog) in those areas where data are sufficient to define a trend.

Congress has been debating amendments to the basic air pollution laws in recent months. On May 28, 1976, in a letter to Senator Randolph, the President expressed his support for the so-called Dingell-Train compromise amendment to change auto emission standards to those originally proposed by EPA in 1975. The President continued to question the desirability of several other proposed amendments.

The Senate passed version in early August, and the House followed suit on September 15. The House version includes the Dingell-Train amendment on auto emissions, which delays the statutory standards until 1982. The differences on this and other statutory source issues may not be worked out before adjournment.



ISSUE: LAND USE

Administration Position

The Administration is committed to improving existing agency procedures to reduce adverse land use effects of Federal programs. At a December 1974 Cabinet meeting, the President led a discussion concerning the need to better coordinate Federally-assisted planning programs, and assigned the lead responsibility for doing so to HUD.

The President decided to oppose national land use legislation then in the Congress on the grounds that it violated his moratorium on new spending programs, although he took no position on the substantive merits of the legislation. It failed to pass the House.

Administration Actions:

Implementation of a program for coastal areas under the Coastal Zone Management Act of 1972 is being pursued by the Department of Commerce, NOAA. All coastal States are participating. Recent amendments to this Act were passed by Congress and signed by the President.

Presidential Statement

On February 13, 1976, the President said, "I am opposed to (Federal land use legislation), period. I think the State and local units of government can make better decisions as to land use - than the Federal Government can."

Q&A Session  
Local Officials of Broward,  
Dade, Palm Beach Counties  
The Bahia Mar Hotel, Florida

Presidential Documents  
Vol. 12, No. 8, p. 201

## ISSUE: MINING AND THE ENVIRONMENT

### Administration Position

Mineral development on public lands raises a number of environmental issues. Many of the conflicts arise because Congress has failed to adequately update and reform the Mining Law of 1872 and the Mineral Leasing Act of 1920. There is a constant need to balance our requirements for greater energy self-sufficiency and for scarce supplies of other minerals with our continuing efforts to improve environmental quality. Environmental concerns related to mining have arisen in a number of contexts:

- Phase-out of mining in national park units, where the Administration has supported legislative restrictions.
- Surface mine regulation, where the Administration has favored administrative changes to protect public lands, but opposed overly restrictive legislative remedies.
- Coal leasing reforms, where environmentally protective regulations have been issued administratively and legislative changes have been enacted over Presidential veto.

### Administration Actions

- The Administration has supported efforts by the Congress to phase out mining in those few areas under National Park Service jurisdiction where it remained (primarily Death Valley, Mount McKinley, Organ Pipe Cactus, Glacier Bay, Crater Lake, and Coronado units). Legislation has been passed and sent to the president.
- On surface mine regulation, the President sent an Administration bill to Congress in February, 1975. Congress instead passed H.R. 25, which the President vetoed on May 20, 1975, citing as unacceptable the impacts the law would have on coal production and employment. His veto was sustained by the House on June 10, 1975. New bills were reported out of the House Interior Committee in February 1976, and

August 1976, but both failed to obtain a rule for floor consideration. Both were opposed by the Administration for reasons similar to those which led to the veto. No further Administration legislation is planned in this area. However, the Department of the Interior published new regulations for surface mining on public lands in April, 1976. The new rules, supported by EPA and CEQ, set more stringent reclamation and other environment-related requirements than previous regulations.

With respect to coal leasing reforms, the President vetoed in July of this year amendments to the Mineral Leasing Act of 1920 because of their impact on employment and production. Congress enacted the law over the President's veto, in part because the law substantially increased leasing revenues to the States. Meanwhile, coal leasing regulations on public lands have been substantially updated and modified administratively.

GWH 9/22/76

ISSUE: REFORM OF MINING LAWS

Administration Position

Mineral development on public lands has been based on two out-of-date laws: The Mining Law of 1872 and the Mineral Leasing Act of 1920. The Department of the Interior supported legislation that would amend the coal portion of the mineral leasing laws and has had introduced legislation relating to oil shale development. Other than these, there has been no coordinated Administration position on mineral leasing amendments since submission of the proposed Mineral Leasing Act of 1973.

The Council on Environmental Quality proposed a possible Administration initiative to reform the mineral leasing laws, but interagency review has been postponed.

Administration Actions:

In July of this year, the President vetoed a highly controversial set of amendments to the 1920 Mineral Leasing Act (S.391). The veto was overridden on August 5. The effect of the amendments increases the revenues to States, and codifies many of the regulations recently promulgated by Interior.

ISSUE: SOLID WASTE/RESOURCE RECOVERY

Administration Position

The President has not made any policy statements nor taken a public position on this issue. However, the Administration supports the existing Federal role of providing technical assistance to States and localities and has opposed a broader role that would entail a Federal source reduction requirement such as mandatory deposits on non-returnable beverage containers.

Administration Actions

- \* EPA is currently sponsoring four projects to demonstrate advanced technology for recovering energy and materials from solid wastes. About 30 communities have implemented systems patterned after these facilities, and many hundreds of others are contemplating such systems.
- \* On September 12, 1975, the President and Administrator Train visited the EPA-funded St. Louis demonstration project to become more knowledgeable about resource recovery and to lend their strong support to resource recovery and recycling in general.
- \* Federal agencies, especially GSA and DOD, have taken strong action to stimulate resource recovery and conservation.
- \* EPA, in November 1975, published proposed guidelines that suggest a five-cent returnable deposit on beverage containers. When promulgated, these guidelines will become mandatory on Federal facilities.

ERDA is currently sponsoring a project to convert solid waste to methane gas.

EPA published final guidelines for procurement January 1976 and for storage and collection of solid waste February 1976; proposed guidelines on resource recovery facilities were published January 1976 and on source separation September 1975. These guidelines are applicable to Federal installations.

The Senate has passed a solid waste bill; a different bill is being marked up in the House. EPA doubts that a bill will be enacted by this Congress.



GWH 8/4/76

ISSUE: STRIP MINING

Administration Position

President Ford stated on May 20, 1975: "The bill I sent to the Congress in February would have also entailed production losses estimated between 33 and 80 million tons. Even though these losses would have been substantial, we could have accepted them if Congress had enacted the comprehensive energy program I proposed. But, now the potential losses of H.R. 25 are intolerable.

"I favor action to protect the environment, to prevent abuses that have accompanied surface mining of coal, and to reclaim land disturbed by surface mining. I believe that we can achieve those goals without imposing unreasonable restraints on our ability to achieve energy independence, without adding unnecessary costs, without creating more unemployment and without precluding the use of vital domestic energy resources."

Presidential Documents  
Vol. 11, No. 21, p. 536

Administration Actions

In February, 1975, the President sent an Administration bill to Congress, but Congress instead passed H.R. 25, the "Surface Mining Control and Reclamation Act of 1975", which the President vetoed on May 20, 1975. His veto was sustained by the House on June 10, 1975. No further Administration legislation has been proposed and there are no present plans to take the initiative in this area.

Legislation to reform laws and procedures for Federal coal resources is under consideration in both Houses. A new proposal was reported out in February by the House Interior Committee, but failed to obtain a rule for floor consideration. New Department of the Interior regulations for coal on public lands were published in April 1976, although attacked by environmental groups. Both EPA and CEQ supported the regulations which are more stringent than previous drafts.

Currently, there is another new bill in the House Interior Committee. The Administration has recommended against enactment, stating in a June 22, 1976 letter that, "the Administration remains firmly convinced that imposition of a major new all-embracing Federal surface mining program could have a devastating effect on coal production..."

Administration Position

The Administration continues to support legislation that would control the introduction of toxic substances into the environment. This is particularly true with respect to Kepone, PCB's, and other substances known to be carcinogenic or otherwise dangerous to human health. The Administration, however, has opposed provisions which would require extensive pre-market notification and testing of all new chemicals.

Administration Actions

On November 13, 1975, Mr. Lynn responded to a request from Congressman McCollister to clarify the Administration position on toxic legislation. He stated that the Administration had reassessed previous positions and that with some necessary amendments, would support the McCollister bill (H.R. 7664). Mr. Train, on February 5, forwarded to Chairman Staggers the Administration's amendments.

Our proposed amendments to H.R. 7664 would (1) provide for toxic substance control without duplicating other regulatory authorities; (2) require regulatory authority, including the pre-market notification list, to be aimed at substances that may pose an unreasonable risk; (3) permit control of toxic substances without hindering technological innovation; and (4) empower the regulatory agency to obtain information that would facilitate regulation and permit updating of the pre-market notification list.

Both the House and the Senate passed bills. The House version was supported by industry, labor, consumer, and environmental groups. The Office of Management and Budget advised the Congress that the pre-market testing provisions of the House version were unacceptable. A House-Senate compromise bill was agreed to September 21. While it follows the House version for the most part, the Administration has taken no position on this final bill.

ISSUE: WATER QUALITY

Administration Position

In a July 3 speech in Cincinnati, President Ford emphasized the continuing commitment of the Administration to clean air and water:

"I pursue the goal of clean air and pure water, but I must also pursue the objective of maximum jobs and continued economic progress."

Presidential Documents  
Vol. 11, No. 27, p. 702

On February 7, 1976, at a budget briefing for New Hampshire elected officials, the President said: "...We are recommending some changes (to the FWPCA). We don't think Federal money should go in to a local water treatment plant (to fund) a ten-year growth factor. ...The Federal responsibility should be to catch up so that the local community ... is able to handle the sewage treatment problem up to the standards at the present time..."

"I can assure you that we believe a Federal contribution is right, but it has to be tailored to meet the needs at the end of this law, ...not just the same amount that we have had for the last four or five years."

Administration Actions

The 1972 Amendments to the FWPCA authorized \$18 billion in Federal aid for construction of municipal sewage systems. On January 24, 1975, President Ford directed Administrator Train to allot \$4 billion of the \$9 billion originally withheld by the Nixon Administration; the remainder of the funds were released in February 1975. To improve the review of grant applications, the President in 1975 authorized a 250-position increase in the EPA staff.

To further improve the review of grant applications and increase the role of State governments in the construction grant process, the Administration has supported an amendment to the FWPCA which would enable EPA to delegate a number of responsibilities to the States and would allow States to use some of their grant money to pay the resulting higher administrative costs.



ISSUE: WATER QUALITY (cont'd)

The Administration has conducted an intensive review of how well the grant process is working under present statutory requirements and administrative procedures and to determine what changes may be needed to improve the planning of cost-effective projects. Legislation embodying these changes was submitted to the Congress on January 29, 1976. This proposal will reduce the long-term Federal commitment from \$333 billion to \$45 billion. This includes a reduction in the Federal percentage, as well as eliminating Federal funding for future growth.

The National Committee on Water Quality, of which the Vice President was chairman, issued recommendations to the Congress to make "mid-course corrections" in the Water Act. All of these recommendations imply an easing of efforts to attain the stringent 1983 requirements and 1985 goals. Congress will not take up these before January, 1977.

Meanwhile, both houses have enacted interim amendments to the Water Act. The House version is more extensive and includes authority in EPA to delegate to states. The Senate version is more of a simple extension. Both versions include language to clarify the jurisdiction of the U.S. Army Corps of Engineers over wetlands through its §404 permits. The Administration's position on this complex and controversial issue lies between the House version with its "Wright Amendment" to give most authority to the states, and the Senate version, which splits the authority between the Corps and EPA. A Conference Committee is attempting to reach a resolution.

ISSUE: WATER RESOURCES

Administration Position

Section 80 of the Water Development Act of 1974 provided for a Presidential study of major water resources policy by the President and called for recommendations to the Congress within one year after funds are appropriated. The President on September 23, 1974, assigned responsibility for the conduct of the study of the Water Resources Council (WRC) in a letter to then Chairman Rogers Morton. The study was also highlighted by a statement in the 1976 budget document.

Administration Actions

The Water Resources Council has created a task force to prepare options for water policy changes to be presented to the President for decisions. The WRC held a National Conference on Water in April 1975 to provide a public forum for the discussion of Federal water resources issues. The task force's study is complete and has been forwarded to the President. OMB and CEQ have reviewed the WRC's study and recommendations; CEQ has sent its recommendations to the President. The Budget Document commits the Administration to respond to the study during calendar year 1976.

AGRICULTURE, RURAL  
DEVELOPMENT, AND  
COMMERCE

U.S. GOVERNMENT PRINTING OFFICE

ISSUE: Farm Policy

Administration Position

The Administration supports farm policies that lead to fair returns to farmers from market-oriented production and assures consumers plentiful supplies of food and fiber.

The President said on August 18, 1975:

"Be assured -- and I say this with emphasis -- this Administration's national farm policy is and will continue to be one of full production. It is good for everybody. It is a policy of fair prices and darn good income for farmers through commercial sales of their products on a worldwide basis."

Presidential Documents  
Vol. 11, No. 34, pg. 866

In contrast, for nearly 40 years American agriculture was dominated by government production controls --- cutbacks and curtailment of growth in the agricultural plant -- all in the name of stability. The farmer was "stabilized" with an income only about two-thirds of the income level of his urban neighbors. And most of the help from government price-support and acreage diversion went to those whose incomes were already above the average, rather than to the smaller farmer.

However, we now have a policy that offers maximum incentive to those who produce food. The combination of market orientation and unrestricted production permits farmers to use their resources fully.

The American farmer has now been freed from dependence on Federal Treasury payments not to produce. Under the high price support structure of earlier years, the government -- instead of the marketplace -- was the highest bidder for farmers' crops. In 1969 farmers received 27 percent of their realized net income from government payments. Now, they receive only about 2 percent, principally disaster and conservation program payments.

While per-bushel/per-bale payments have been discontinued, provisions have been retained in farm legislation for government loans on the major crops; for payments to farmers if prices fall sharply, and for standby acreage diversion. Loan rates on major U.S. farm commodities have been set at levels which provide government financing for farmers who cannot get it from private sources, but which preclude widespread government acquisition and permit



these commodities to compete in domestic and world markets. While government retains a backup role in agriculture, it is no longer cast in the leading role of farm manager. Farmers are now producing at record or near record levels with high farm income because government has finally moved out of the farmer's way.

In the past few years, the American farmer has shown what he can do without government controls. He produces enough to feed more than 215 million Americans, plus millions more overseas. The government has not curbed the production of wheat or feed grains since 1973, or cotton since 1972. Sixty million acres, previously held idle, have been released, and 38 million acres have been brought back into production. Total acreage planted for major crops has climbed from about 291 million acres in 1969 to an estimated 335 million acres planted by farmers for 1976.

What we are really talking about is food security, both here and abroad. The best food security arises from a policy which encourages profits in agriculture; a policy that gives farmers the economic incentive to maintain and increase production; and a policy that permits farmers and the trade -- instead of government -- to carry food reserves. The facts speak for themselves;

- Realized net income from farming averaged \$26.8 billion from 1973 through 1975. This compares with an average of \$12.1 billion in the 1960's.
- Responding to signals from the marketplace instead of from government planners., U.S. farmers are growing more grain than ever before. In 1975 they produced 5.8 billion bushels of corn and 2.1 billion bushels of wheat.
- Privately-held wheat stocks on July 1, 1976 totaled an estimated 540 million bushels, exceeding the previous high on July 1, 1975 by more than 200 million bushels. On July 1, 1976, the government owned no stocks of wheat or corn and held only 17 million bushels of wheat and 59 million bushels of corn under loan.

Coupled with significant improvements in farm income and changes in production is a pronounced turnaround in the rural demographic profile. The average age of U.S. farmers -- which was long thought to be too high while going higher -- is now going down.

In 1970 only 14.6 percent of all farmers were under 35 years of age. At the start of this year, 20.8 percent were below that age level.

Another trend that has been virtually halted in the decline in U.S. farm population. The mass exodus of nearly 30 million people from farms since the beginning of World War II has been called the greatest migration of its kind in history. It seems to be nearly over. The business of farming has again become economically attractive. Rural communities are thriving. This has given younger people a greater incentive to remain on farms and to choose careers in agriculture. Between 1970 and 1974 the average annual decline in farm population was only 1.2 percent. Such a low rate has not been observed since the end of World War II when returning veterans poured back onto farms.

The rate of decline of the number of farms has also slowed significantly. The total decline in the number of farms over the last four years is less than the decline in 1968 alone.

In the 1970's, under the impetus of a market oriented policy, U.S. farm exports have continued year after year to surpass all previous annual export totals. U.S. farm exports have jumped from \$6.7 billion in 1970 to over \$22 billion this fiscal year. Consumers as well as farmers benefit from these exports, which strengthen the dollar in relation to foreign currencies, making overseas purchases, including petroleum, easier to afford. The United States is in the farm export business to stay.

In discussing the importance of exports, the President said on January 5, 1976:

"I want to remind those who would minimize our national strength that over one-half of the grain moving across international boundaries throughout the world is grown by you, the American farmer, and we are proud of your efforts and your results . . . It is imperative that you maintain the freedom to market crops and to find customers wherever you can. Strong agricultural exports are basic to America's farm policy and the freedom of every farmer to manage his own farm.

"You should be rewarded . . . for producing each year much more than we consume at home. You must -- and I emphasize must -- export two-thirds of each year's wheat crop or cut back production. You must export 50 percent of our soybeans or cut back production. You must be able to export more than 55 percent of your rice crop or cut back production. You must be able to export 40 percent of your cotton or cut back production. You must export at least one-fourth of your feed grain or cut back production.

"In short, you must export to keep farming profitable in America. You must export if we are to keep a favorable balance of United States international trade. You must export if you are to prosper and the world is to eat. This is the farm policy that is bringing new life to our rural countryside.

"Food, as all of you know, is now our number one source of foreign exchange. Farm exports last year totaled nearly \$22 billion. Our favorable \$12 billion balance in international agricultural trade offsets deficits in non-agricultural trade. It strengthens the American dollar abroad. This helps to pay for the petroleum and other imports that are vitally essential to maintain America's high standard of living . . .

"Last summer, the Soviets suffered another extremely short crop. They, again, turned to the United States' farmers for supplemental grain supplies. A temporary hold on new sales to the Soviets was made only after they had become our largest foreign customer by purchasing 9.8 million metric tons of grain -- 375 million bushel. There was, as you know, deep concern at that time about our own corn crop. Although the wheat harvest was nearly completed by July, our feed grain crop was still somewhat uncertain . . . Pressures in the Congress were increasing to halt all private grain sales and put agricultural exports in the hands of a Government management and control board. I did not, and do not, want the Government running your business 365 days a year, year in and year out."

"It was a unique situation that required corrective action and long term solution. A temporary hold on the new sales permitted us to work out a five-year agreement with the Russians. Since then, in the open market we have made substantial new sales to the Soviet Union and to Poland. . . .

"This new agreement now assures that the Russians will purchase at least 6 million metric tons of U.S. corn and wheat each year for the next five years. . . In addition to the annual Russian purchase commitment of 228 million bushels of wheat and corn, this agreement provides an option to purchase an additional 76 million bushels annually. All purchases will be at market prices through the private sector. If the Russians wish to purchase more than 304 million bushels in any year, it is possible under the agreement. There is no arbitrary and inflexible ceiling.

". . . This agreement is in the interest of both the American farmer and the American consumer. It prevents the Soviets from disrupting our markets. As we have seen over the years, disruptive and unpredictable purchases lead to such problems as Congressional demands for export control and the refusal of unions to handle grain shipments. We have now assured American grain producers that at planting time they will have a much more reliable indication of how large an export market there will be at harvest time, and that is good for all of us.

"This American livestock producer will have a better idea of his feed supply. The American consumer will know that grain will be moving overseas in a regular flow and be assured there will be adequate food at home.

"We have transformed occasional and erratic customers into regular customers. We have averted an outcry every year that the Russians are coming to make secret purchases in our markets. The private marketing system has been preserved. Record exports are moving right now. . . ."

Presidential Documents  
Vol. 12, No. 2, Pg. 23

#### Administration Actions

Agricultural Policy Making. On March 5, 1976, President Ford created a new Agricultural Policy Committee with Secretary Butz as chairman. This Committee replaced two prior committees and consolidated and streamlined domestic and international food policy making under a single group.

General Farm Policies. The Administration supports farm policies which foster a market-oriented agriculture to return basic management responsibilities to farmers as they produce for domestic and export markets.

The Administration supports the Agriculture and Consumer Protection Act of 1973, which extended and amended the Agricultural Act of 1970 to assure consumers plentiful supplies of food and fiber at reasonable costs by allowing for a more market-oriented production.

There have been no acreage restrictions for cotton since 1972 and none for wheat or feed grains since 1973. This has been done to insure adequate supplies to meet both domestic and export demands while avoiding significant inflationary pressures on food prices. The Administration started a similar program for rice in 1976 as a result of new rice legislation signed by the President in January 1976.



On May 1, 1975, President Ford vetoed the Emergency Agricultural Act of 1975 because of provisions that would have jeopardized the U.S. competitive advantage in world markets, led to government-held surpluses and, ultimately, resulted in production cut-backs and greatly increased costs to consumers and taxpayers.

Taxpayer Savings. Government farm program payments have plummeted from an average of \$3.4 billion for calendar years 1966-1969 to \$278 million in calendar year 1975. (In addition to that total, \$490 million was paid to farmers in 1975 for losses sustained due to natural disasters.) The cost of operating the Commodity Credit Corporation was more than \$3 billion in FY 1969; it was \$709.6 million in FY 1975. Under current farm programs which emphasize private grain storage, the taxpayer no longer is paying to keep as much as 60 million acres of farmland out of production or up to \$3 million per day in storage and storage-related costs to carry huge amounts of government-owned stocks. These commodities are now held -- where they should be held -- in the hands of farmers and the private trade.

Commodity Loan Programs. In February 1976, USDA increased the loan rates from \$1.10 to \$1.25 per bushel for corn and from \$1.37 to \$1.50 for wheat. And the soybean loan program was reinstated, with the loan rate set at \$2.50 per bushel.

Disaster Insurance. The Ford Administration has recommended that the current disaster program be replaced by a national, multi-peril insurance program available to all farmers on all major crops. This new program, if adopted, will replace current farm programs which aid farmers who, because of natural disaster, are prevented from planting or have low yields. Payments under the disaster program for 1974 crops amounted to \$557.1 million, and as of June 30, 1976 farmers had received about \$283 million in disaster payments for 1975 crops. Distribution of these funds, however, has not been equitable and an improvement is needed.

Agricultural Trade. The USDA implemented an export monitoring system as required by the Agriculture and Consumer Protection Act of 1973 in September 1973. In view of the weather-induced shortfall in U.S. grain and soybean production, Secretary Butz announced in October 1974 a voluntary export prior approval system as a means of developing current information on export demand. On March 6, 1975, the USDA announced the termination of the voluntary approval system, but retained the weekly export monitoring system and daily reporting for large sales of grain.

On July 24, 1975, the Department asked grain exporters to notify the USDA before negotiating further grain sales to the Soviet Union pending clarification of the U.S. grain crop situation and

and negotiation of a long-term agreement on grain sales to the Soviets. On October 20, 1975, the President announced an agreement with the Soviet Union on grain purchases and resumption of grain sale negotiations. This agreement, which relates to five crop years, commencing October 1, 1976, and running to September 30, 1981, is designed to benefit American farmers and consumers by providing a framework for regular sales of wheat and corn. Under this agreement, the Soviet Union is committed to purchase a minimum of six million metric tons of corn and wheat annually at market prices. This assures the American farmer that the Soviet Union will be a regular grain buyer and calmed consumer unrest over erratic soviet purchases.

On August 12, 1975, Secretary Butz and Japan's Agriculture Minister announced an informal agreement whereby the Japanese are expected to purchase approximately 3 million tons of wheat, 3 million tons of soybeans, and 8 million tons of feedgrains in each of the following three years at market prices.

The Trade Act of 1974 provides the President with the negotiating tools needed to seek further liberalization of world trade. The first general round of Multilateral Trade Negotiations is underway in Geneva with a major goal being a freer trade system which could benefit American agriculture through increased exports of farm products. The Administration holds the position that trade concessions should be negotiated for industrial and agricultural goods simultaneously.

In early 1976 the President took a position against restraints on trade in asparagus and again in early September he took a similar position on trade in honey.

Palm Oil Policy. On July 29, 1976, the USDA announced that henceforth the United States would oppose financing by the World Bank and similar international agencies for the expansion of palm oil production in other nations for export.

Food Grain Reserves. On September 1, 1975, Secretary of State Kissinger outlined to the UN General Assembly the U.S. proposal for an international food grain reserve that would allocate responsibility for holding reserves based on wealth, production and trade; provide quantitative triggers for the release and acquisition of reserves; give assured access to supplies to nations which fully participate; and grant special assistance to developing countries.

Milk. On March 26, 1976, the President signed a proclamation that stops the evasion of import quotas in nonfat dry milk. The proclamation establishes a zero import quota on mixtures of nonfat dry milk and other ingredients.

Secretary Butz on January 3 and October 1, 1975 and again on April 1, 1976, announced increases in the support price for milk which provided 80 percent of parity at those times. This was done to encourage dairy farmers to increase production and continue dairy farming in the face of higher input costs.

On January 30, 1976, President Ford vetoed S.J. Res. 121, which provided for milk price supports at 85 percent of parity with quarterly adjustments in the support levels. The President stated that the higher supports would saddle taxpayers with additional spending, would stimulate excessive production of milk and lead to larger surpluses and would increase consumer prices. This veto was sustained on February 4 in the Senate. The President has directed the Secretary of Agriculture to review dairy price supports quarterly.

Wheat. The Secretary of Agriculture on April 10, 1976, increased the wheat crop allotment to 61.6 million acres for 1976 from 53.3 million acres in 1975. This measure gives farmers additional income and disaster protection without disrupting production for commercial markets.

Sugar. President Ford issued a proclamation on the Establishment of Tariffs and Quotas of Certain Sugars, Syrups and Molasses on November 18, 1974, increasing the sugar import quota effective January 1, 1975, to 7 million short tons in order to encourage the import of additional sugar for domestic consumption and thus moderate sugar prices.

In the beginning of August 1976 the interagency task force on sugar reconvened to investigate causes of sugar price decline and prospects for domestic sugar producers.

Coffee. The Administration supported the International Coffee Agreement negotiated in the winter of 1975/76 and ratified by the Senate in the summer of 1976.

Fuel and Fertilizer Supplies. Fuel and fertilizer monitoring activities were instituted by USDA in the Spring of 1973 so that scarce supplies could be reallocated and maximum food production maintained during a period of scarce input supplies. An Interagency Fertilizer Task Force continues to monitor fertilizer exports, plant capacity, and inventories. Fertilizer prices are down sharply from 1974-75 levels.

Beef and Cotton Promotion. The President signed the Beef Research and Information Act in May 1976 and the Cotton Promotion Act in July 1976 to facilitate producers' efforts to pool their resources for marketing and research activities.

PCL  
9/15/76



ISSUE: Rural Development

Administration Position

Rural development means making rural America a better place to live and to work. To achieve this, rural areas must provide:

- Improved conditions for economic development (including a prosperous agriculture and increased non-farm job opportunities);
- opportunities for human resource development (including better community, health and education resources and programs);
- more adequate community facilities and improved physical environment; and
- and equitable distribution of these benefits among the population.

Early in the 1970's the long outmigration of millions of rural and smalltown people to urban centers reversed. Rural areas are now growing at a faster rate than metropolitan areas. Nonmetropolitan non-farm job opportunities are increasing at a rate twice as fast as job opportunities in city areas. The principal forces generating changes in rural areas during the last half of the 1970's will continue to be local community leadership and the free enterprise system. Governmental financial and technical assistance can supplement, but cannot substitute for, those two factors. Federal assistance will not be available in sufficient quantities to determine the course of development in rural areas. Nor can Federal officials effectively coordinate developmental processes. State and local governments and leadership must provide the primary coordination and direction for community development.

Administration Actions

The Administration policies for a market-oriented agriculture to meet domestic and export food needs have contributed significantly to the welfare of rural people. Under these policies, since passage of the 1973 Farm Bill, average net farm income has more than doubled over the level of the 1960's. This has had a major multiplier impact on rural businesses and employment.

The Administration favors efforts by FmHA to supplement credit available from the private sector and wants to assure that resources will be provided for a balance of growth between rural and urban sectors of American society. In this regard, the Administration is supporting enactment of H.R. 14641, a

bill which substantially increases the Farmers Home Administration loan limits for farm operating and ownership loans, and expands eligibility to include family farm partnerships and corporations.

On July 12, 1976, the President signed the Department of Agriculture Appropriation Bill for fiscal year 1977, which increases farm ownership and other agriculture assistance loans by \$150 million over this year, and signed PL 94-305, which makes it clear that the SBA shall provide financial assistance to small agricultural enterprises which cannot obtain financial assistance on reasonable terms from non-Federal sources. This latter action makes the SBA business loan and disaster loan programs available to help farmers to finance growth and modernization, to rehabilitate property damaged by natural disasters and to comply with certain health, safety and environmental statutes and regulations.

In addition to major new programs instituted to assist community development and to stimulate business and industrial growth in rural America, the Administration has greatly expanded existing Department of Agriculture programs to provide housing, electricity, community facilities and other benefits to rural citizens.

In addition to its regular REA loans to help rural areas meet electric and telephone service needs, the Administration has implemented the REA loan guarantee program to assure financing for construction of power generation facilities in rural areas. During fiscal year 1975, the commitment level for guaranteed electric loan was \$1.2 billion.

The Administration's housing policy for small towns and rural areas, as well as for urban and suburban neighborhoods, is to facilitate the development of housing in the private market. Direct Federal assistance is also provided for low-income families to enable them to obtain decent housing and suitable living environments. Three major Federal agencies--the Farmers Home Administration in the USDA, HUD, and the VA--administer housing programs which assist rural families of modest means gain access to ownership or rental of adequate housing. Although HUD is often depicted as an "urban" oriented agency 20-25 percent of its subsidized housing assistance is earmarked for non-metropolitan areas by law. In furtherance of this mission, the President recently signed the USDA Appropriations Bill for fiscal year 1977, which provides for over \$3.7 billion in housing loans and grants--an increase of \$500 million from the fiscal 1976 appropriated level.

Our total Farmers Home Administration and Rural Electrification loan and grant programs were an estimated \$8 billion in 1976 versus \$1.9 billion 1969. Those FmHA and REA programs break out this way: Agricultural credit programs in 1976 were an estimated \$1.8 billion, more than twice as large as the \$710 million in 1969. Housing loans were over \$2.5 billion versus \$498 million in 1969; Community programs, \$767 million vs. \$189 million; Business and Industrial programs, \$350 million vs. none; Rural Electrification programs, \$2.6 billion vs. \$470 million.

In 1975, the Administration allocated \$9.65 million to the Rural Highway Public Transportation Demonstration Program as a new grant program under the Federal-Aid Highway Act of 1973 to improve the quality and effectiveness of public transportation in rural areas. Under this two year demonstration program the full amount was obligated for 1976 and 1977 programs along with \$15 million of FY 1976 funds.

The Administration has proposed a comprehensive Rural Transportation Assistance Program in a highway bill that would consolidate several existing programs and give State and local governments increased program flexibility.

The President has also made two important transportation regulatory reform proposals which will be very helpful to rural areas: (1) The Administration's proposed Aviation Act of 1975 will yield major benefits to the nation's air travelers. It will be especially important to small communities who have suffered a continuous erosion in the availability of air service, largely because of the presently overly restrictive regulatory system; and (2) the proposed Motor Carrier Reform Act will improve service to small communities by relaxing regulatory restrictions on entry and pricing which currently make small community freight unattractive to some carriers.

The Department of Agriculture has established a program to provide one-stop Agricultural Service Centers to improve delivery of agricultural conservation and community development programs for rural areas. As of July 30, 1976, over 1119 centers have been designated and about 456 were operational.

Several other departments and agencies of the Federal government devoted major resources to rural development. These include the Department of Commerce, the Department of Health, Education and Welfare, the Department of Housing and Urban Development

and the Small Business Administration. Among other Administration programs which make significant contributions to growth and the quality of life in the rural sector are programs flowing from the Housing and Community Development Act, the National Health Planning and Resource Development Act, and the Comprehensive Employment and Training Act. On the whole, the Administration has substantially expanded the scope and the funding levels of federal programs providing rural development assistance.

PCL  
9/1/576



LABOR, EDUCATION,  
AND VETERANS

Administration Position

The President has said, "Although I am a product of public schools, I strongly believe that our nonpublic schools are vitally important in our society. Public schools are better when they have competition from nonpublic schools. Therefore, it has always been my view that we should find a way under our Federal tax policy to give ... those who want to send their children to nonpublic schools ... some tax relief."

Presidential Documents  
Vol. 12, No. 41, p. 1437

Administration Actions

On March 1, 1976, the President sent to Congress the Financial Assistance for Elementary and Secondary Education Act. This proposal would consolidate 24 separate categorical programs into one. As regards children in nonpublic schools, the President's proposal would essentially require they be given an equitable opportunity to participate in programs assisted by the proposal to the extent that they reside in areas served by the programs, and have the needs addressed by those programs.

If the State is legally unable, or fails to provide for participation of children as required by the legislation, the Commissioner of Education would arrange for services to such children by contract or otherwise, and deduct the cost thereof from the State's allocation.

Background

There are presently 30 programs administered by the Office of Education in which nonpublic schools can participate. Approximately \$100 million of "in kind" services flow to children in nonpublic institutions.

No Federal money flows directly to nonpublic schools, with two exceptions --

- (1) Under the Handicapped Act nonpublic schools which have been certified as handicapped educational facilities by the State may receive funds.
- (2) The Commissioner's discretionary funds are allocated under a competitive program and the best proposals are funded regardless if the submitting school is public or nonpublic.

ISSUE: Common Situs Picketing

Administration Position

Because the construction industry had been particularly hard hit by the recession, it had been the President's hope that a solution could be found to the problems of labor-management relations in the construction industry. A solution acceptable to all parties would stimulate building activity and employment, would curtail excessive building costs and would reduce labor-management discord.

The Common Situs Bill did not produce a consensus. The President indicated that his reasons for vetoing the bill focused "primarily on the vigorous controversy surrounding the measure, and the possibility that this bill could lead to greater, not lesser, conflict in the construction industry."

Presidential Documents  
Vol. 11, No. 52, p. 1393

Administration Actions

The President vetoed H.R. 5900 on January 2, 1976. In doing so he stated he had concluded "that neither the building industry nor the Nation can take the risk that the bill, which proposed a permanent change in the law, will lead to loss of jobs and work hours for the construction trades, higher costs for the public, and further slowdown in a basic industry."

Presidential Documents  
Vol. 12, No. 1, p. 16

DHL  
1/6/76

ISSUE: Education Block Grant Program

Administration Position

Law and tradition place the responsibility for providing free and universal public education with the States and local governments. In an effort to assure that children with special needs have an equal educational opportunity, the Federal government has over the last decade increased its assistance to State and local governments. However, the Federal government still provides only 8% of the total cost of elementary and secondary education. Most Federal funds are channeled through specific and narrow categorical grant programs.

Increased Federal categorical assistance has meant Federal regulations and burdensome paperwork at the local level. Commenting on this problem, the President said, "Too often we have found ourselves asking whether Federal forms have been properly filled out not whether children have been properly educated."

Presidential Documents  
Vol. 12, No. 10, p. 318

The Administration believes that the present system is an inefficient way of providing Federal funds. It believes that maximum flexibility should be provided at the State and local level and that Federal funds should be used for support of programs helping children with special needs.

Administration Actions

On March 1, 1976, the President proposed to Congress the financial assistance for Elementary and Secondary Education Act. This block grant proposal would:

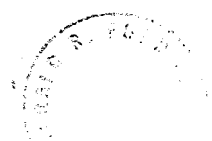
- minimize Federal intrusion in local decisions
- consolidate 24 distinct programs (about 60 exist) into one
- continue targeting funds on populations with special needs
- provide for \$200 million additional funding for each of the 3 years after enactment

Under the President's proposal no State would receive less money in FY 1977 than it did in FY 1976 for the programs to be consolidated. Each local educational agency would be assured of at least 85% as much money as it received in the previous year.



Hearings were held in the House on the President's proposal on June 9 and 15, 1976. Testifying or submitting testimony in support of the block grant concept were the Education Commission of the States, National Association of Secondary Principals, National Association of Elementary School Principals, Senators Bellmon and Domenici, Pennsylvania Secretary of Education Pittenger, and Secretary Mathews.

WMD  
6/18/76



ISSUE: Elementary and Secondary Education

Administration Position

By law and tradition, State and local governments have the responsibility for providing free and universal public education. Over time, the Federal government has furnished increasing assistance to the State and local governments to support elementary and secondary education. The Federal effort helps assure that children are provided equal educational opportunity.

The increasing Federal effort, channeled into categorical programs, has been accompanied by a growing number of Federal regulations. Although Federal, State and local efforts overlap, the rules often earmark Federal funds for specified purposes. As a result, the test becomes not whether children are helped but whether the State meets the rules.

In his 1976 State of the Union Address the President announced he will propose consolidation of education programs to "do the job better and do it closer to home."

Presidential Documents  
Vol. 12, No. 4 , p. 50

Administration Actions

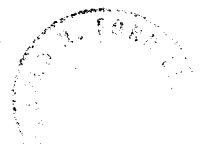
The Financial Assistance for Elementary and Secondary Education Act will consolidate Federal programs and minimize Federal regulation while continuing Federal support for education. Federal funds will continue to be targeted on populations having special needs.

The Act will consolidate 27 distinct programs into one block grant. These programs fall under four main headings:

- Elementary and Secondary Education
- Education for the Handicapped
- Occupational, Vocational and Adult Education
- Library Resources

The budget authority requested for the block grant will be \$3.3 million.

DHL  
1/22/76



Administration Position

The Administration has supported in testimony before Congress the termination of G.I. Bill Education Benefits for new entrants into the all Volunteer Army to make, as the President has stated, "an equitable distinction between those who have been required to perform military service" in times of armed conflict and those who have not. The Veterans Administration has also supported raising G.I. Bill Benefits commensurate with increases in the consumer price index.

Presidential Documents  
Vol. 12, No. 43, p.

Administration Actions

On October 15, 1976, President Ford signed into law S. 969, the Veterans Education and Employment and Assistance Act of 1976. The President hailed this event as "a new era in our Nation's programs of education assistance for veterans."

Presidential Documents  
Vol. 12, No. 43, p.

Background

Although S. 969 did terminate the existing G.I. Bill program, it also creates a peacetime equivalent which the Administration opposed. The significant portions of S. 969 are summarized below.

- Eliminates the current G.I. Bill for all who enter the Armed Forces after December 31, 1976. (Administration Supported)
- Creates a 5-year experimental peacetime program which requires the veteran to share in the cost through payroll deductions during his period of service. (Administration Opposed)
- Increases by 8 percent the benefits for all participants except those enrolled in flight training schools. (Administration Supported)
- Extends benefit eligibility to 45 months for all those who were previously eligible for 36 months of benefits. (Administration Opposed)
- Terminates as of June 1, 1977, prepayment and limited advance payment of benefits, except that limited advances can be made if the veteran

requests, and his school agrees, to handle such transactions. (Administration Supported)

- Limits use of benefits for correspondence courses to those courses exceeding 6 months in length. (Administration Supported)
- Requires that veterans personally sign benefit checks. (Administration Supported)
- Increases the maximum G.I. Bill loan to \$1,500. (Administration Opposed)
- Includes administration measures to tighten up the operation and management of the G.I. Bill program. (Administration Supported)

WMD  
10/18/76





ISSUE: Hatch Act

Administration Position

The Hatch Act, which was enacted in 1939, is designed to provide an impartial and efficient civil service in which partisan political activity is not allowed. The President has stated: "I believe that the concerns that have been valid for the last four decades are still valid today."


Presidential Documents  
Vol. 12, No. 16, p. 643

Administration Actions

On April 12, 1976, the President vetoed enrolled bill H.R. 8617 (Hatch Act Amendments) and in doing so he stated: "The amendments which this bill make to the Hatch Act would deny the lessons of history . . . The Hatch Act is intended to strike a delicate balance between fair and effective government and the first amendment rights of individual employees. It has been successful, in my opinion, in striking that balance." The House of Representatives on April 29, 1976 sustained the President's veto of the Hatch Act (243-160).

Presidential Documents  
Vol. 12, No. 16, p. 643

WMD  
5/5/76



ISSUE: Medical Care for Veterans

Administration Position:

In the State of the Union the President announced he would "take further steps to improve the quality of medical and hospital care for those who have served in our armed forces."

Presidential Documents  
Vol. 12, No. 4, p. 48

Administration Actions:

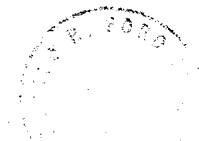
In 1974 the Veterans Administration conducted a thorough review of the quality of care throughout its hospital system. That review led to recommendations for additional staff and funds to correct fire and safety hazards. The Administration has been implementing those recommendations.

The 1977 budget provides funds for all of the Quality Care medical staff not already hired -- an increase of over 1,700 full-time staff.

The 1977 budget includes over \$200 million for high priority construction projects, some of which are Quality Care projects which were not started in 1975 or 1976 when money for most of the recommended Quality Care construction work was appropriated.

On a space available basis, VA facilities are used to treat veterans with non-service connected disabilities. Many of these non-service connected veterans have health insurance coverage. The Administration proposes to require health insurers to reimburse the VA for the care provided to non-service connected veterans. At present, these insurance companies benefit when a veteran decides to seek care at a VA facility and they do not have to reimburse for expenditures for which they would otherwise be legally obligated.

DHL/1/22/76



ISSUE: Public Employee Collective Bargaining

Administration Position

I. Federal Government Employees

This is an issue which warrants careful consideration and not rash action. Executive Order 11491 is based on a concept of evolutionary change in labor-management relations in the Federal Government. Recent amendments to that Order are designed to increase significantly the scope and level of union-management negotiations by expanding the range of matters that can be bargained. Experience under these amendments is limited and further observation and evaluation of that experience is warranted.

II. State and Local Government Employees

Speaking in Wisconsin the President recently said "...I don't believe that the Federal Government either has the authority on the one hand or should exercise it on the other to pass comprehensive legislation involving the labor-management relations of State...county...city employees and their government. Those are decisions that ought to be made at the local or State level and the Federal Government should not get involved in them."  
Presidential Documents  
Vol. 12, No. 15, p. 568

Administration Actions

The Administration does not contemplate specific action at this time.

Background

On June 24, 1976 the U.S. Supreme Court held in National League of Cities vs. Usery that the Fair Labor Standards Act could not be constitutionally applied to those State and local government activities which provide integral parts of the government services which states and their political subdivisions have traditionally afforded. This case centered on the issue of Federally established minimum wage rates and the applicability of such rates to State and local governments. If the Federal government cannot constitutionally prescribe the minimum wage rates to be paid by State and local government employers the power of the Federal government to set collective bargaining standards for States and local governments is highly suspect.



WMD/7/20/76

ISSUE: Right to Work

Administration Position

The President has stated "I think if a State wishes to have the right to work, as 19 States do, ... that is a right that they ought to be able to exercise..."

Presidential Documents  
Vol. 12, No. 15, p. 567

Administration Actions

No specific action is necessary, but if an effort were mounted to repeal Sec 14(b) of the Taft-Hartley Act, the President has announced he would vigorously oppose it.

Presidential Documents  
Vol. 12, No. 15, p. 567

WMD/4/21/76



ISSUE: Termination of the GI Bill

Administration Position

With the ending of the Vietnam-era and the creation of an all volunteer army we believe it is appropriate to terminate GI Bill benefits for those who enter the service now and serve only in peacetime. Such action is consistent with steps taken after the conclusion of World War II and the Korean War.

As the President has said, this action would "primarily concern future peacetime volunteers who are neither disabled nor die in service. I want to emphasize that the termination actions will in no manner impair the eligibility for full wartime benefits of the more than seven million Vietnam-era veterans already discharged,..."

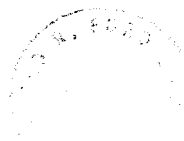
Presidential Documents  
Vol. 11, No. 19, p. 498

We are pleased that so many Vietnam-era veterans have already availed themselves of the benefits of the GI Bill.

Administration Actions

On May 7, 1975 the Administration transmitted to the Congress a bill to terminate veterans educational benefits. All of the major veterans organizations support our position. The House has passed a bill which would terminate the educational benefits for new entrants into the armed services. The Senate has taken no action to date.

DHL/1/22/76



ISSUE: Unemployment Insurance

Administration Position

In the Spring of 1975, because of concern for high national rates of unemployment and the well-being of those unemployed the President recommended extensions of the Federal Supplemental Benefits (FSB) and Special Unemployment Assistance (SUA) programs. The combination of the Regular Unemployment Benefit program with the SUA and FSB programs extended to 65 weeks (from 39 weeks) the maximum period of time an unemployed person could receive benefits. In recommending extension the President said, ". . . I will ask the Congress that these extended programs have a built-in procedure, which is vitally important, to reduce or to terminate the program when the unemployment rate decreases to a specified level."

Presidential Documents  
Vol. 11 No. 15 p. 343

Administration Actions

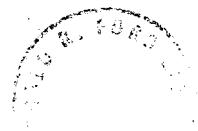
Special Unemployment Assistance - This program terminates March 31, 1977 and DOL has recently testified in Congress recommending further extension for one year.

Federal Supplemental Benefits - This program terminates March 31, 1977. The Administration opposes any attempts to extend this program. The Administration expects the strong economic recovery to continue for the remainder of this calendar year and on into 1977. Therefore, it is felt by March 31, 1977 the economy will have recovered to the extent that continuation of FSB would not be warranted.

Background

FSB - This is a temporary program to provide additional U. I. benefits to persons who have exhausted regular and Federal-State extended benefits payments.

SUA - This is a temporary program which provides U. I. to the 11.3 million workers in the U. S. who are not covered under the regular benefit program or its temporary extension (FSB).



The House Committee on Ways and Means has postponed any action on FSB or SUA until the full House has considered H. R. 10210, a bill containing several Administration proposals, which deals primarily with restructuring the financing apparatus of the U. I. system and expansion of coverage of U. I. system.

WMD  
6/1/76



ISSUE: Youth Employment

Administration Position

The President has said that constructive work experience for the Nation's youth builds good work habits. The President feels youth employment experience is "an excellent way to help guarantee that our disadvantaged youths won't grow up to be disadvantaged adults."

Presidential Documents  
Vol. 12, No. 15, p. 580

In his address at the University of Michigan, the President stated his belief that programs similar to those grant, loan and scholarship programs available to students pursuing college education could be created, "for young people who choose not to go to college but want a job at which they can learn a trade, a craft or practical business skills."

Presidential Documents  
Vol. 12, No. 38, p. 1343

Administration Actions

On April 15, 1976, the President signed into law H.R. Res. 890 which appropriated \$528.4 million, which the President had requested, to finance 888,100 jobs through CETA Summer Youth Employment Program.

In a memorandum to all heads of Departments and Agencies, "requesting that Federal managers give their full support to the Federal Summer Employment Program for Youth," the President set "a general goal of one needy youth for every forty regular employees."

Presidential Documents  
Vol. 12, No. 15, p. 588

On June 30, 1976, the Administration allocated \$35 million in additional monies to the CETA Summer Youth Employment Program to be used in 45 designated cities having populations over 150,000 and greater than 9 percent unemployment.





Background

Federal related youth summer employment programs are as follows:

1. CETA Summer Youth Employment Program -- 948,100 jobs for disadvantaged youth.
2. Federal Summer Employment Program -- 54,000 jobs for disadvantaged youth. (An additional 30,000 young people are expected to be hired for the summer under merit staffing procedures.)
3. Youth Conservation Corps -- 26,000 youth (not restricted to disadvantaged) will do conservation work under Department of Agriculture and Interior Department.
4. National Alliances of Businessmen (NAB) -- NAB has pledged 200,000 jobs for disadvantaged youth.
5. State Employment Service -- has set goal of placing 335,000 disadvantaged youth.
6. CETA Title I -- Last summer 143,000 jobs provided from these funds. No estimate as yet on number that will be provided this year.

While youth employment remains high, there is considerable evidence to indicate that the periods of unemployment are shorter than those for adults, although more frequent. This indicates some job "experimentation" is taking place.

Unemployment Rate  
(Seasonally Adjusted)

<u>Total</u>	<u>Aug.</u> <u>1975</u>	<u>July</u> <u>1976</u>	<u>Aug.</u> <u>1976</u>
Both sexes, 16-19 years old	20.7%	18.1%	19.7%
<u>White</u>			
Both sexes, 16-19 years old	18.9%	16.3%	17.3%
<u>Black</u>			
Both sexes, 16-19 years old	37.6%	34.1%	40.2%

WMD  
10/18/76

ISSUE: Youth Minimum Wage Differential

Administration Position

In responding to a question concerning youth unemployment and work experience for the young, the President said, "I always supported a youth differential, because I think it is very important to get good work habits established with the young people. And an employer needs to have some incentive to employ a young person who is inexperienced, who has virtually no expertise in the particular job."

Presidential Documents  
Vol. 12, No. 9, p. 287

Administration Actions

President Ford has encouraged Congress to enact a meaningful youth differential. "... I hope the Congress, if and when they pass any changes in the Fair Labor Standards Act, ... will include a youth differential proposal. It's very meaningful." The Administration has taken no formal action on this matter.

Presidential Documents  
Vol. 12, No. 9, p. 287

WMD/4/21/76