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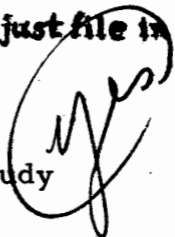
Jim -

We received this  
from Nell - who received it  
from OMB --

The action has already  
been taken and the President's  
question was answered by the  
Lynn memo that we received  
back in outbox yesterday --  
Letters were signed yesterday.

Can we just file in  
handwriting?

Trudy

A handwritten signature, likely "Trudy", is written in black ink. The signature is enclosed within a large, hand-drawn oval. The signature itself is stylized and somewhat cursive.

OFFICE OF MANAGEMENT AND BUDGET  
TRANSMITTAL FORM

EXECUTIVE ASSISTANT  
TO THE DIRECTOR

DATE

7/22

TO :

*nee*

FROM:

*Gretchen*

*Returned for*

*your files.*

DO NOT USE FOR PERMANENT RECORD INFORMATION

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THE WHITE HOUSE  
WASHINGTON

July 19, 1975

MR. PRESIDENT:

Attached is the proposed letter to the Speaker of the House and the President of the Senate concerning executive level pay. It has been signed off on by everyone, and if you approve it, we will have it typed first thing Monday morning for your signature so that it can go to the Hill on Monday.

*Dick*  
Dick Cheney

Attachment

OK but we don't  
say anything about my  
address to 5% cap

**THE WHITE HOUSE**  
**WASHINGTON**

July 19, 1975

Dick:

Jim Lynn's office called and said that Lynn has discussed the letter with both Henderson and Derwinski who both approve and agree that it is an extremely diplomatic and appropriate letter.

Kathie

DRAFT

Dear Mr. President (Mr. Speaker):

As you are aware from discussions we have had over the past few months, a serious problem has been developing in the recruitment and retention of senior-level executives and judges in the Federal Government.

This problem has now reached the critical stage. Essentially, it stems from the fact that there has been no pay raise for executive level managers or judges for six years. As a result:

--Notwithstanding the clear intent of our Federal pay system that the varying levels of responsibility should be reflected in salaries, we now have a situation where some 15,000 employees in top grades (Executive Level V, GS-18, GS-17, GS-16 and even GS-15) all receive the same pay. The reason is that, as employees have received pay increases over the past six years, more and more of them come up against the six-year-old statutory pay ceiling of Executive Level V.

--More than 20 percent of the Government's top officials are either quitting their jobs or retiring early. From 1969 to the present, the rate of executive resignations and retirements has more than doubled. In fact, employees whose salaries are frozen are retiring early at three times the rate of all Government employees, mostly in the 55-59 age range, depriving the Government of five or ten years of additional service by these experienced workers.

--Several dozen of the Government's top posts are unfilled at this time simply because many of the executives we want to bring into Federal Service cannot, in fairness to their families, accept the huge cut in compensation that would be involved.

--Key Government officials are turning down offers to move into Federal positions of greater responsibility in new localities. They cannot afford to uproot their families and bear the expense of moving at no increase in salary. There are hundreds of instances of this problem.

Since March, 1969, when pay for upper echelon Federal employees was last adjusted, the salaries of those not subject to the freeze have risen 50 percent. During this same period, a rise in the cost of living of 47.5 percent has reduced the purchasing power of those with frozen salaries by nearly one-third.

The same problem applies to the judicial and legislative branches. The Chief Justice advises me that as a result of such frozen compensation schedules, a number of Federal judges have left the bench to return to private law practice and many others are planning to do so.

While the salaries fixed in 1969 quite understandably seem more than adequate to many, we must face the fact that such salaries are today far out of line with comparable salaries in the private sector -- and indeed in a growing number of State and local governments -- for skilled, experienced administrators, senior professionals and judges. Actually, executive pay in the private sector and earnings of private attorneys have both increased by about 44 percent since 1969.



The Civil Service Commission has conducted an extensive survey and I am enclosing a summary of its report which contains specifics on this problem. I urge you to read it.

As you know, the Senate Civil Service Committee has reported out H.R. 2559 to extend to employees of the Executive, Judicial and Legislative branches whose pay has been frozen so long, increases commensurate with those granted to other employees whose salaries are not frozen.

This statutory change will not result in any "catch-up" for the last six years and will not solve all of the inequities we now have. But I feel we must move at once in this direction. I consider H.R. 2559 as a vital first step. Further action to solve the problem will be addressed by the Panel on Federal Compensation which I established recently and by the next Quadrennial Commission on Executive, Legislative and Judicial salaries.

The added cost of the compensation adjustments of H.R. 2559 will come to a fraction of one percent of the Federal payroll. In my judgment, this action is essential if we are to recruit and retain qualified and competent senior-level people to conduct our Government's business. I, therefore, urge the Congress to enact this bill promptly.

Sincerely,