# WITHDRAWAL SHEET
## Ronald Reagan Library

**Collection:** Cicconi, James W.: Files

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**File Folder:** JW Cicconi Memos to Mr.Baker, Jul-Dec 1984[1 of 3]

**Date:** 2/17/98

~~OA 10792~~ Box 4

| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 1. ~~memo~~ Case File | ~~James W.Cicconi to James A.Baker III~~ re Secondary Market Legislation, 10p. total | ~~7/6/84~~ 7-1-84 | ~~P5~~ |
| 2. memo | Cicconi to Baker re Hoover Powerplant Act of 1984, 1p. | 8/16/84 | ~~P5~~ |
| 3. memo | David A.Stockman to RR re Hoover Powerplant Act of 1984, ~~5p.~~ 6p. | 8/14/84 | ~~P5~~ CC13 10/18/00 |

**RESTRICTION CODES**

**Presidential Records Act - [44 U.S.C. 2204(a)]**
- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

**Freedom of Information Act - [5 U.S.C. 552(b)]**
- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statue [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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THE WHITE HOUSE

WASHINGTON

July 2, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JIM CICCONI

SUBJECT: Yigael Yadin's Funeral

I called Justice Arthur Goldberg back this morning to let him know that we had been unable to send a delegation to Yigael Yadin's funeral, which was held yesterday. I explained that the State Department's procedure is to send delegations only for current office holders, and that, instead, Ambassador Sam Lewis represented the President.

Goldberg understood and was appreciative for the call. He also asked that I pass on to you the additional suggestion that the President send a short personal note to Yadin's widow. If you want to pursue this, I will forward the suggestion to NSC.

7/3
JC
No need
I think.
Thanks
JAB

Bill Martin 3440
checking...

THE WHITE HOUSE
WASHINGTON

6/29/84 - 10:25 a.m.

JAB:

Former Supreme Court Justice Arthur Goldberg called.

He read the attached obituary of General Yigael Yadin in today's paper and was recommending that the President send an official delegation to his funeral.

Goldberg pointed out that Yadin was the Chief of Staff during Israel's War of Independence. He felt that an official delegation would reinforce the President's support for Israel, etc.

No need to call. Any follow-up required?

KC

Amb Lewis went as
offl
policy to not send deleg when
person not in office

**KATHERINE J. CAMALIER**
**Office of James A. Baker III**
**456-6797**

OBITUARIES

# Archaeologist Yigael Yadin Dies in Israel

YIGAEL YADIN

TEL AVIV (AP)—Yigael Yadin, 67, a hero of Israel's War of Independence who left the battlefield to follow his passion for archaeology, died Thursday at the Hillel Yaffe Hospital in Hadera after a heart attack. He was visiting his brother, Yossi, in the fishing village of Michmoret when he was stricken.

The soft-spoken Mr. Yadin was Israel's military chief of staff from 1949 to 1952 and a deputy prime minister from 1977 to 1981. His devotion to rediscovering the roots of Jewish history made him the man who helped open the Dead Sea Scrolls to modern biblical scholarship and to excavate the ancient sites of Masada and Hazor.

Mr. Yadin was born in Jerusalem and grew up in the strong Zionist atmosphere of Palestine under British rule. At the age of 15, he joined the Hagana, the Jewish underground army that was the forerunner of the modern Israeli army.

Archeology was as great a passion for him as military affairs. Throughout his military career he tried to draw every possible connection between military affairs and archaeology.

The balding, pipe-smoking Mr. Yadin once said, "The topography of war doesn't change very much." He used his knowledge of archaeology while serving as the Hagana's chief of operations. He found long-lost roads built in the Roman period and used them to fight the 1948 War of Independence.

When the state declared independence in May 1948 and the army became a legally constituted body, Mr. Yadin was passed over for the top job as chief of staff. But he was acting chief of staff much of the time because his predecessor, Yaakov Dori, was ill.

Mr. Yadin became chief of staff when the war was over. He coined the phrase, "Every Israeli citizen is a full-time soldier who is on leave 11 months of the year."

Three years later, in 1952, he resigned to protest cuts in defense spending and returned to digging up the country's history and teaching archaeology at the Hebrew University of Jerusalem.

Through complex negotiations in Arab countries still at war with Israel, he acquired the Dead Sea Scrolls. And he explored the wadis and caves in the Judean Desert for scroll fragments that contained parts of nearly every book of the Old Testament.

From 1963 to 1965, Mr. Yadin drew thousands of volunteers from all over the world to work at Masada, the 1,900-year-old fortress of Herod. It was the stronghold where the Jewish Zealots made their last stand against the Romans.

In one of the most extensive excavations ever carried out in Israel, Mr. Yadin led the work at Hazor in the Galilee. The site contains more than 20 levels representing the remains of cities built one on top of the other over a span of 3,000 years. One of the cities was built by Solomon.

Mr. Yadin remained involved in Labor Party politics, but in 1977 he set up a new party called the Democratic Movement for Change. The party won a surprising 16 seats in the 120-member Knesset and helped end Labor's 29-year domination of Israeli government. The party became a coalition partner in Menachem Begin's first government and Mr. Yadin was named deputy

Dr. Krause was born in Fort Collins, Colo. He graduated from Reed College and earned his degree in medicine from the University of Oregon. He moved to Washington in 1952. He was an Army psychiatrist in Korea and attained the rank of major.

At the Washington School of Psychiatry, he was the founding chairman of the group therapy program.

Dr. Krause was a member of the Washington Psychoanalytic Society.

Survivors include his wife, Margaret Ellingsworth Krause of Washington, and a sister, Augusta Jackson of Zaria, Nigeria.

THE WHITE HOUSE

WASHINGTON

July 10, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Today's Judicial Meeting

At today's Judicial Meeting, you will take up recommendations for a number of new Circuit Court judgeships created by the Bankruptcy Reform Act Amendments. We can fill 11 of the 24 new Circuit judgeships this year.

The names to be put forward by the Justice Department include a number of women and minorities. White House Personnel also plans to offer some suggestions. In summary, the recommendations are as follows:

| Circuit Court | Candidate | Comments |
|---|---|---|
| DC | Paul Bator | Deputy Solicitor General, DOJ |
| 1st | Juan Torruella, II | U.S. District Judge, Puerto Rico |
| 3rd | Carol Mansmann | U.S. District Judge, W.D. PA. |
| 4th | Emory Sneeden | Former Chief Counsel, Senate Judiciary Committee; recommended by Thurmond. |
| 5th | Edith Jones | Andrews & Kurth, Houston |
| 6th | Sallyanne Payton (under review) | University of Michigan law professor; with WH Domestic Council and UMTA during Nixon-Ford Administrations; black. |
| 7th | Frank Easterbrook (WH Personnel) | University of Chicago law professor; Deputy Solicitor General under Carter. |
| 8th | Larry Thompson (WH Personnel) | U.S. Attorney in Atlanta; Reagan appointee; black. |
| 9th | Cynthia Hall | U.S. District Judge, C.D. Calif. |
| | Charles Wiggins | Former GOP congressman, 1967-79. |

| | |
|---|---|
| Delbert Spurlock (under review) | Assistant Secretary of the Army; formerly General Counsel for the Army; Reagan appointee; black. |
| Pam Rymer (WH Personnel) | U.S. District Judge, S.D. Calif. |
| Samuel Conti (WH Personnel) | U.S. District Judge, N.D. Calif.; 62 years old. |

The above list must, of course, be narrowed to 11 names, appropriately distributed. On the whole, this is a quality list. In those circuits where there is conflict between Justice's and WH Personnel's suggestions, I would give the edge to DOJ. The 9th Circuit is one where choices must be made (we have 5 vacancies on the 9th Circuit for 1984-85, but should not use all 5 now since that would constitute almost half of the 11 we are alloted this year. I would opt for Wiggins over Conti due to his congressional service, and the assist it could provide in confirmation; also, Conti is 62 years old. Hall has an edge on Rymer due to her 12 years of experience on the bench; Rymer was just appointed to a judgeship last year.

THE WHITE HOUSE

WASHINGTON

July 6, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: SECONDARY MARKET LEGISLATION

I hope you will try to take a close look at the attached bill report upon your return. A Presidential decision will need to be made on Tuesday.

SBA recommends the bill be signed. Treasury and OMB recommend veto. There are no direct budget implications, but OMB argues that there would undoubtedly be pressure for more loans in the future since this will make them more attractive.

As you know from your previous meetings with small business reps, they are totally committed to this bill, which was one of their top legislative priorities.

If we were to veto this bill, we would risk alienating small business at a time when they are being courted actively by the Democrats. In addition, we would probably have a difficult time sustaining a veto on the Hill since the bill passed both Houses by voice vote. Needless to say, a messy override fight would not be helpful before the convention.

I think this is an instance where we should swallow hard, and then sign.

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

JUL 5 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2375 - Small Business Secondary Market Improvements Act of 1984
Sponsors - Sen. Weicker (R) Connecticut and 3 others

Last Day for Action

July 10, 1984 - Tuesday

Purpose

To improve the operation of the secondary market for loans guaranteed by the Small Business Administration.

Agency Recommendations

| | |
|---|---|
| Office of Management and Budget | Disapproval (Veto message attached) |
| Department of the Treasury | Disapproval (Veto message attached) |
| Securities and Exchange Commission | Cites serious concerns |
| Department of Justice | No objection (Informally) |
| Small Business Administration | Approval (Signing statement attached) |

Discussion

The congressional intent in enacting S. 2375 is to provide a statutory basis for, as well as to improve the operation of, the Small Business Administration's (SBA) secondary market program, which was established administratively in 1972. The secondary market program is part of an SBA loan guarantee program, whereby SBA guarantees long-term loans made by lenders to small businesses that might not otherwise be able to obtain the loans. The secondary market program, in turn, permits the lender to sell the SBA-guaranteed portion of a loan to another investor, rather than retaining the loan in his portfolio. Once sold, the lender then has additional funds with which to make other loans to small businesses.

S. 2375 would facilitate the increased pooling of these loans for secondary market sales by guaranteeing prompt payment of principal and interest in the case of default on a loan in the pool. This will enhance the attractiveness of SBA-guaranteed loans as investments.

Major Provisions of S. 2375

In addition to providing a statutory basis for SBA's existing secondary market program, and requiring SBA to facilitate and promote secondary market operations, S. 2375 would:

-- authorize SBA to (1) guarantee blocks (pools or trusts) of SBA-guaranteed loans and (2) approve arrangements made by lenders for the sale of such pools or trusts;

-- authorize an agent of SBA to collect fees from issuers of pools or trusts to cover the agent's costs for registration and issuance of such pools or trusts in the form of trust certificates;

-- require SBA to establish a central registry to facilitate transactions in the secondary market and to better determine the marketplace value of the trust certificates; and

-- require the disclosure of information by issuers of trust certificates to investors to permit prudent decisions on such investments.

SBA would also be required to report annually to Congress on the volume and other financial characteristics (e.g., interest rates) of SBA-guaranteed loans sold in the secondary market.

Finally, S. 2375 provides SBA with authority to regulate brokers and dealers in SBA-guaranteed loans and trust certificates issued pursuant to this enrolled bill. SBA would be required, however, to consult with the Securities and Exchange Commission (SEC) before promulgating regulations governing the exercise of such authority.

Agency Views

-- Securities and Exchange Commission

The SEC has expressed serious concerns about the authority given to SBA to regulate broker-dealers trading in SBA-guaranteed loans and trust certificates. SEC believes that this regulatory authority is contrary to three primary objectives of the SEC and the Vice President's Task Group on Regulation of Financial Services: (1) functional regulation -- e.g., persons in the securities business should be regulated by only the SEC; (2) consolidation of overlapping and duplicative regulation; and (3) elimination of excessive regulations within and between agencies.

In its enrolled bill views letter, the SEC advises that it has "serious concerns about the bill and believes that whether the President signs it into law should depend on a determination of

whether the benefits of this legislation outweigh the costs of imposing an additional regulatory authority over registered broker-dealers engaged in this ancillary activity."

-- Small Business Administration

SBA recommends approval of S. 2375. SBA believes that the pooling of guaranteed loans into large units, and the Government guarantee of the timely payment of principal and interest, will substantially increase secondary market liquidity in SBA-guaranteed loans. This enhanced liquidity should provide small businesses with greater access to capital. Informally, SBA also stresses that this additional secondary market guarantee will not of itself increase Federal expenditures, nor will it significantly increase contingent liabilities, since only loans that have already been guaranteed will be pooled. In short, SBA believes that this secondary market guarantee program will increase the private funds available for small business investment by overcoming the current costliness of trading small, individual loans.

In testimony before the Congress, SBA estimated that currently less than 25 percent of its guaranteed loans are sold through the secondary market. This has, nevertheless, enabled financial institutions to increase their lending to small businesses by an estimated $400 million in recent years. SBA believes that your approval of S. 2375 will greatly facilitate an expanded secondary market, to the benefit of small businesses throughout the Nation.

In its enrolled bill views letter, SBA states that an appropriate ceremony publicizing the signing of this enrolled bill would give the President a chance to recognize the contribution of new jobs by the small business sector and the efforts of this Administration to create a better business climate. SBA has prepared a signing statement for your consideration, which is attached to its views letter. In light of the veto recommendations on this bill, however, we do not believe that a signing ceremony would be appropriate should you decide to approve the enrolled bill.

-- Department of the Treasury

The Treasury Department recommends disapproval of the enrolled bill. Treasury notes that S. 2375 is contrary to Administration policy to reduce Federal activity in the secondary financial market. More specifically, Treasury finds S. 2375 objectionable because it will result in (1) pressure for an expansion in the volume of SBA-guaranteed loans, (2) unnecessary and undesirable Government preemption of private market credit functions, and (3) a market for direct Government securities -- i.e., the pools or

trusts of SBA-guaranteed loans -- which will compete directly with Treasury and other Federally-based securities in the bond markets.

Finally, Treasury believes that S. 2375 is directly contrary to Administration policy to consolidate financing of obligations backed by the full faith and credit of the United States through the Federal Financing Bank.

Treasury has prepared a veto message, which is attached to its enrolled bill views letter.

Conclusion

We share Treasury's concern about the potential for increased Federal involvement in the secondary market; this is the principal reason the Administration opposed this legislation while it was before the Congress. S. 2375 is simply contrary to the Administration's continuing efforts to reduce Federal involvement in the private credit market.

While the enrolled bill does not represent a direct budget threat, since it does not appropriate funds or authorize appropriations, the indirect budget threat is real. The rapid and sizable growth in the secondary market for SBA-guaranteed loans that is envisioned by the supporters of S. 2375 will create significant pressures to increase the size of SBA's primary loan guarantee program, which in turn will result in growing Federal borrowing in the credit market. Finally, we believe that the concern raised by the SEC about extending regulatory authority to SBA is a valid one. Accordingly, we join Treasury in recommending your disapproval of S. 2375.

We have revised the veto message prepared by Treasury to also reflect the concerns expressed by the SEC, and it is attached for your consideration.

S. 2375 was passed by voice vote in both the House and Senate.

David A. Stockman
Director

Enclosures

TO THE SENATE:

I am returning without my approval S. 2375, a bill "To amend the Small Business Act to improve the operations of the secondary market for loans guaranteed by the Small Business Administration."

The bill would authorize the Small Business Administration (SBA) to issue trust certificates backed by pools of the Federally-guaranteed portions of loans made by banks and other lending institutions under the Small Business Act, and to guarantee timely payment of principal and interest on such trust certificates. The full faith and credit of the United States would also be expressly pledged to payment of such amounts.

This legislation would lead to a significant increase in the interest rate subsidy to small businesses, pressure for an expansion in the volume of SBA-assisted loans, and an unnecessary Government preemption of private market functions. Moreover, this legislation could transform the secondary market for SBA-guaranteed obligations into a market for direct Government securities which, despite their similarity to Treasury securities, would be financed in the securities market at a much higher interest rate than Treasury securities and would compete directly with Treasury securities and other Federally guaranteed obligations. The expansion of the SBA guarantee program and market financing of the proposed trust certificates would run

directly counter to this Administration's efforts to curtail Federal credit assistance and to finance, where feasible, all obligations which are backed by the full faith and credit of the United States through the Federal Financing Bank.

Rather than financing small business credit needs with 100 percent guaranteed Government securities in the bond market, the Administration seeks to encourage the development of private markets for the financing of small business loans and to remove any regulatory impediments which may inhibit such development.

I am also concerned about the provision in S. 2375 that would give the Small Business Administration authority to regulate brokers and dealers in SBA-guaranteed loans and the trust certificates that would be issued pursuant to this bill. Such authority is directly contrary to this Administration's efforts to consolidate overlapping and duplicative regulation and to eliminate excessive regulation within and between agencies.

Accordingly, I must disapprove S. 2375.

SUGGESTED SIGNING STATEMENT FOR THE PRESIDENT

The signing into law of S. 2375 is an especially auspicious occasion because it shows that Government can listen to and act upon advice from the private sector.

This legislation had its origin as a recommendation from a private sector committee commissioned by Jim Sanders, the Administrator of the Small Business Administration to explore various ways to improve small business's access to capital. The committee consisted of a distinguished group of businessmen drawn from various institutions who finance small business. They recommended the enactment of legislation to permit the pooling of SBA guaranteed loans and the issuance of certificates representing all or part of the pool. Based upon their expertise in the financial field they projected it would enhance the efficiency of the guaranteed loan program by increasing the liquidity of the lender, enabling him to make further loans to the small business sector by leveraging the amount of debt capital available in the marketplace. Because of the existence of a ready market for these loans, the lenders are encouraged to make longer term, larger loans at a more favorable rate of interest.

This concept was fashioned into legislation, supported by both Republican and Democrats in both chambers and passed on to me in about 20 months after this original recommendation was made. For Washington, that is a pretty prompt response on a call to action.

This legislation will benefit small business and therefore the economy at large since small business is our main provider of new jobs and the vanguard of the economic recovery. It expands the private sector partnership between financial institutions and the Federal Government to include the investment community as well. By permitting the institutional investors to buy these attractive "pools" from banks and other lenders, it frees up the funds under the lending limit and permits the money to be recycled into additional loans - at a more attrative rate of interest.

In this way some of our largest businesses, like insurance companies and pension funds, can help finance small business, the most dynamic sector of our economy.

It is with pleasure, therefore, that I sign this legislation which will improve our partnership with the private sector and help our liveliest growth sector become even more productive.

THE WHITE HOUSE

WASHINGTON

July 12, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Former Senator Margaret Chase Smith

This morning, Faith raised the idea of perhaps devising some role at the convention for former Senator Margaret Chase Smith. Assuming she has not been critical of Administration policies (and we would need to verify that), I think the suggestion is a good one.

In light of the Ferraro announcement, it would probably be good to highlight the fact that the prominent role of women in the GOP is not just a recent development. Some small recognition of Margaret Chase Smith at the convention would reinforce that point: she was the first woman whose name was placed in nomination for President, and the first woman elected to the Senate who was not initially appointed to the post.

cc: Faith Ryan Whittlesey

THE WHITE HOUSE

WASHINGTON

July 24, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Today's CCEA Meeting

This morning's CCEA meeting discussed legislation to regulate corporate takeovers, and a proposed insider trading law.

Tender Offer Legislation

The main vehicle here is the Wirth Bill, which was passed out of subcommittee on June 29. It is based on an SEC proposal for regulating corporate takeovers, but exceeds it in several significant areas. For example, the bill:

-- extends current tender offer disclosure requirements from ten days after, to two days before, acquisition of 5% of a company;

-- requires, in effect, community and labor union impact statements with regard to any plans the bidder has for the target company;

-- bars corporations from increasing the pay of officers or directors, or acquiring any of their own stock, during a tender offer;

-- prohibits corporations from issuing new stock amounting to more than 5%, except with shareholder approval; and

-- prevents corporations from repurchasing stock at a premium from holders of more than 3%, except with shareholder approval.

The SEC has concerns about the current form of the Wirth Bill, but apparently prefers to work with Congress to tone down objectionable parts. The SEC supports those portions of the Wirth Bill that restrict stock issues and repurchases during tender offers, arguing that there has been a great deal of abuse in such areas.

OMB feels that the Administration should oppose new regulation of tender offers, especially as proposed by the Wirth Bill (and, in fact, the Administration has already testified to that effect). DeMuth, in particular, feels that steps such as this might eventually lead to a federal corporation law.

The CCEA agreed to continue its opposition to the Wirth Bill and similar legislation.

Insider Trading Bill

Both the House and Senate have passed versions of a bill that would further tighten civil penalties for insider trading. The House bill passed on suspension, and the Senate bill (D'Amato and Garn) passed this month on a voice vote. The SEC supports both bills, and OMB concedes that the securities industry is not opposed. The Administration has not previously indicated opposition to either bill.

OMB, however, argued that the Senate version is objectionable because of the phrase used to describe insider information ("material nonpublic information"). DeMuth feels the phrase, along with certain other language, greatly broadens the insider trading prohibition.

Regan and Baldrige, however, felt that it was best for the Administration to take no position, at least until a bill reaches the President's desk. Regan cited the possibility that an insider trading scandal might soon break as an added argument for staying out of the Hill debate, and CCEA agreed.

cc: Richard G. Darman

THE WHITE HOUSE
WASHINGTON

July 24, 1984

TO: JAB III

Per Lee Verstandig, Mayor Israel intends to try and raise the attached issue with you while you are in Atlanta. (He is the mayor of Macon, which is a party to one of the cases, and the head of the Georgia Municipal Association.)

The Supreme Court has apparently asked that these two pending cases be reargued on the point of whether National League of Cities v. Usery should be reversed. The cities, of course, prefer that the case not be overruled.

According to the Counsel's Office, the Solicitor does not plan to seek the overruling of National League of Cities, but will instead suggest deciding these two cases on narrower grounds. Our brief must be filed by July 30.

JC

7/26 JC
He did. I told him - pending
case I couldn't get into.
JAB

THE WHITE HOUSE
WASHINGTON

7/24/84

TO: KEN CRIBB
JIM CICCONI

Mayor Israel has spoken to me twice since I received this letter. He will probably bring this matter to JAB's attention when he travels to Atlanta with the President this week.

LEE L. VERSTANDIG

THE WHITE HOUSE
WASHINGTON

7/24/84

TO FRANK LILLY

Ken Cribb suggested that I send the attached letter to you for a draft response for my signature.

If at all possible, we would like a prepared draft by Wednesday noon.

Thanks.

LEE L. VERSTANDIG
456-7007

EORGIA
UNICIPAL
SSOCIATION
ITE 2300
PEACHTREE STREET, N.W.
TLANTA, GEORGIA 30303
04)688-0472





July 18, 1984

Hon. Ronald Reagan
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: San Antonio v. Donovan, No. 82-1913 (U.S.S.Ct.)
City of Macon v. Joiner, No. 82-1974 (U.S.S.Ct.)

Dear President Reagan:

The Cities of Macon, Georgia and San Antonio, Texas are presently engaged in litigation with certain employees of their local transit system concerning the applicability of overtime provisions of the Fair Labor Standards Act. In National League of Cities v. Usery the Supreme Court held that the 1974 extension of coverage under the Fair Labor Standards Act to states and local government was impermissible in light of the Tenth Amendment. However, this ruling applies only to so-called "traditional government functions."

In both cases the transit union and city employees are taking the position that the mass transit is not a traditional government function. They have been successful thus far and both cases are now pending in the Supreme Court on a Petition for Writ of Certiorari. These cases were briefed and argued this term but were not decided by the Supreme Court. Rather, an order was entered on July 5 restoring the cases to the calendar for re-argument next term and requesting that the parties brief and argue a question which had not previously been raised concerning whether or not the principles established in National League of Cities v. Usery should be reconsidered. In light of the position taken by the Solicitor General thus far in this litigation, it is not inconceivable that he will argue for a very restrictive interpretation of National League of Cities or even that it be overruled entirely and reversed.

We believe that such a position would be directly contrary to your commitment to Federalism and to local governments and the philosophy of your administration that local problems should be left to cities and states for resolution as they might see fit in light of local desires and concerns. We strongly urge that you take immediate steps to insure that the position taken by the Solicitor General in the Supreme Court is consistent with the policies and philosophy of your administration.

The Clerk's Office in the Supreme Court has established a briefing schedule whereby the Solicitor General is to file his brief on July 30. We understand he may file prior to that date. This means that time is of the essence, and that the government's position could very well be decided upon and stated to the Court before there is time for an adequate review of the issue in consultation with various governors and mayors. I respectfully urge that you ask the Solicitor General to request additional time prior to the filing of his brief so that all persons interested in this issue may be heard. This is an extremely important question, not only in terms of the philosophy and direction of our Federal system of government but also in terms of the very severe financial impact upon local governments throughout our nation if National League of Cities is overruled.

Sincerely,

George Israel, III
President

GI,III:jb
cc: GMA Board of Directors
Alan Beals, National League of Cities
State Municipal League Directors

THE WHITE HOUSE

WASHINGTON

July 24, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Human Events Article on Lobbying

Attached is a memo from Mike Horowitz of OMB regarding the use of federal funds for lobbying. It responds to the Human Events article on the subject which drew the President's attention (also attached).

Please let me know if you need anything more on this subject.

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

MEMORANDUM July 24, 1984

To: Jim Baker

From: Mike Horowitz MH

Subject: Use of Federal Funds for Lobbying Activities: Citizen/Labor Energy Coalition ["C/LEC"]

I. "C/LEC"

A casual reader of a recent Human Events article might assume that the Administration has given substantial grant funds to an anti-market organization, "C/LEC," which then used the funds for lobbying and partisan purposes. In the case of "C/LEC":

- o It has received no grants during this Administration;
- o CSA, its previous major grant source, has largely been folded into block grants, and the Energy Department program from which it received Carter grants has been zeroed out; and
- o Future grants to its constituent members will be subject to OMB's "A-122" revision, which for the first time establishes strict rules barring the use of federal funds for lobbying or partisan purposes.

II. THE OVERALL ISSUE

"C/LEC" aside, problems with the use of federal funds for lobbying/partisan purposes have been enormously troublesome. Despite considerable pressure against taking any action, we have achieved major gains in three needed areas of reform:

A. Reforming the Award Process:

1. The Administration has refused to use "friends lists" that give preference to less qualified supporters, or to use "enemies lists" that deny monies to otherwise qualified opponents. This record is in sharp contrast to Carter policies which channeled tax funds to friendly "consumer" and other "public interest" groups through such agencies as Labor, Energy, CSA (and the Legal Services Corporation). A notorious example

was the November 1980 - January 1981 award of $115 million in "midnight specials" by a Carter campaign official who rejoined the Labor Department after the election. Similar grants were made by other agencies -- with the barely disguised intention of providing tax funds to oppose the incoming Administration.

2. It is impossible to keep meticulous watch on all federal grant activities -- we estimate that more than 110,000 new grants are given per year. Still, we believe that agencies have followed a 1982 Stockman memo which directed them to "review existing procedures and standards to assure that Federal funds are not ... utilized [for partisan or political advocacy purposes]." The memo:

> "noted that the Administration will continue to award grants and contracts to those parties ... most effective in fulfilling statutory purposes. Thus, political advocacy groups may continue to receive grant and contract awards. At the same time, however, meticulous attention should be paid to ensure that if and when awards are made to such groups, that Federal funds are only used to fulfill specific grant and contract purposes."

3. In light of the above, and given the large number of organizations affiliated with "C/LEC's" directors, some named in the Human Events story still receive federal funds. (While most do not, the National Council of Senior Citizens still does under Title V of the Older Americans Act, discussed in Part C of this memo.) As discussed elsewhere in this memo, however, grant funds are now subject to lobbying activity restrictions and many high-abuse grant programs operate with fewer funds.

4. Under Joe Wright's direction, an OMB task force is now working on a grant management initiative to assure that accountable officials review the grant process, and that grants are based on pre-established categories consistent with both legal requirements and Administration priorities.

B. Enforcing Prohibitions Against Use of Federal Funds for Lobbying/Partisan Purposes.

1. In the past, while more than 40 appropriations riders sought to bar the use of federal funds for lobbying or partisan purposes, most were vaguely worded and few were taken seriously. Many recipients of federal funds asserted that it was their right to use those funds to pursue policy and political objectives.

2. Revisions to OMB Circular A-122 went into effect on May 29, 1984, and established tough definitions of lobbying and political activities for which federal funds could not be used. In addition, it mandated disclosure of the private lobbying expenditures of most grantees and cost-plus contractors. The

revision was supported by the Comptroller General, the Inspectors General, most of the business community and key Senators such as Durenberger -- and was opposed by many in the non-profit sector and by House Democrats led by Jack Brooks. Public and editorial support for the rule has been widespread; of 94,000 letters received by OMB in response to the proposal (a record), more than 87,000 were strongly favorable. (Although some conservatives have attacked the rule for not flatly denying federal grants to any organization that engages in lobbying -- in my opinion a legally indefensible position -- your friend Jim Dobson has been the rule's most active and public supporter.)

3. OMB is now setting up A-122 briefings for local and regional auditors and is making it clear that the rule is to be taken seriously. From now on, most recipients of federal funds will be at risk of prosecutable perjury if they use those funds for lobbying or partisan purposes.

C. Eliminating and Reducing Unnecessary Federal Programs.

1. In the end, problems will continue to exist as long as appropriations continue for low-priority federal programs. This is particularly true of many Great Society grant programs which were implicitly (and at times explicitly) created to finance advocacy and "public interest" activities. Our record in reducing appropriations for low-priority grant programs is hardly perfect but -- considering all circumstances -- quite good:

- o Override of the FY 83 Urgent Supplemental veto (by one vote in the Senate) assured high-level funding of Title V of the Older Americans Act, which now provides more than $50 million per year in administrative support for organizations heavily engaged in political advocacy; here, fully effective auditing will be difficult.

- o On the other hand, as noted, many programs which gave grants to political advocacy organizations for ambiguous and low-priority purposes have been eliminated or sharply reduced.

2. As indicated, many categorical grant programs which previously financed lobbying/partisan activity have been consolidated into the OBRA block grants. We have deliberately placed few strings on the States in their administration of block grant funds, and those funds now appear to be used to provide services to intended beneficiaries. If evidence is found to the contrary, we may need to redress the balance between our commitment to federalism and our obligation to ensure that no tax dollars are spent for lobbying/partisan purposes.

# Federally Aided Non-Profits Organize Around Energy Issues

By PHYLLIS D. SWECKER

"Robert Brandon, a lobbyist for the Citizen/Labor Energy Coalition (C/LEC), cornered Sen. Ernest F. Hollings (D.-S.C.) just outside the Senate chamber on Nov. 1, 1983, shortly after the Senate began trying to debate S 1715 [a bill designed to decontrol natural gas prices]. Immediately, Brandon, whose group opposes gas decontrol, pushed a sheet of paper into Hollings' hands and urged him to vote against the measure."[1]

"C/LEC was responsible for drafting the major legislative alternative (S 996, HR 2154) to the Administration's deregulation bill.... The bills take a completely different approach from the Administration measure, by extending price controls over natural gas rather than lifting them over the next three years." [2]

These are just two examples of the activities of this federally funded group, founded in 1978 by "leaders of more than 70" activist groups.[3] C/LEC's original officers included Executive Director Heather Booth of the Midwest Academy, president William Winpisinger of the International Association of Machinists and Aerospace Workers (IAM), and Secretary/Treasurer Bill Hutton of the National Council of Senior Citizens (NCSC).[4]

C/LEC has been composed of "approximately 220 'trade union, senior, consumer, citizen, environmental, neighborhood, housing, religious, and minority groups.' " [5] Among these 220 groups are the National Education Association, the National Council of La Raza, Operation PUSH, the Association of Community Organizations for Reform Now (ACORN), Massachusetts Fair Share, the Campaign for Economic Democracy, the United Auto Workers, the Democratic Socialist Organizing Committee, the New American Movement, and Americans for Democratic Action.

C/LEC obtained at least $288,490 in federal grants and contracts between 1979 and 1981, as well as the services of eight VISTA volunteers for the same period, according to grant documents obtained from the federal government.[6]

A 1980 grant from the Department of Energy was provided for a C/LEC project entitled "Citizen Participation in the Implementation of PURPA." [7] PURPA stands for the Public Utility Regulatory Policies Act, and is "intended to develop a national utility data base to allow comparison of utilities on a continuing basis."

PURPA would require utilities to maintain records on the "cost of serving each electric consumer class.... Daily kilowatt demand load curves for all electric consumer classes.... Annual capital, operating, and maintenance costs.... Costs of purchased power...." [8]

**This sort of record-keeping could only increase the cost of providing power to consumers, while providing no return. By obtaining a grant to help implement this legislation, C/LEC shows clearly its desire to increase government control over utilities.**

These same grant documents show that projects undertaken by C/LEC with these tax dollars include a 1981 project through the Department of Energy called the "Petroleum Data Consortium," another Energy Department project in 1979, titled the "Jobs through Energy Education Project," and a 1979 VISTA project "to organize 300–500 low-income consumers into energy activists." Four additional grants were obtained from ACTION to implement C/LEC's VISTA program.[9]

More significant than C/LEC's direct federal funding are the tax subsidies which have been assigned to the groups involved in its anti-free market coalition.

C/LEC's Board of Directors reads like a directory of the federally funded liberal-left, with at least two of its senior officers also serving in other groups that are heavily funded through the federal government.[10]

**William Winpisinger**, who has been C/LEC's president, is also president of IAM, which, according to federal grant documents, has received at least $1,515,024 in federal dollars since 1979.[11]

The IAM was an active sponsor of both the Aug. 28, 1983, "Solidarity Day" march which attacked President Reagan's economic and defense policies,[12] and the August 27 Martin Luther King "March for Jobs, Peace and Freedom" which included calls for a nuclear freeze, support for "employment legislation — specifically the Hawkins Community Renewal Employment Act... freedom legislation, from the Fair Housing Amendments Act of 1983 to the ERA and a national holiday for Martin Luther King." [13] The IAM is also a member of the Leadership Conference on Civil Rights [14] and PeacePAC.[15]

Described as a "self-professed 'seat-of-the-pants socialist' who has restored an element of radicalism to the American labor movement," [16] Winpisinger feels that "Capitalism and democracy are not inseparable" [17] and the government should "Nationalize anybody who won't compete." [18]

**William Hutton**, C/LEC's secretary/treasurer, is president of the National Council of Senior Citizens, which according to federal grant documents has received at least $212,643,857 from the federal government since 1976.[19]

An NCSC project lasting from 1980 to 1982 was funded with a total of $225,000 in federal tax dollars by the Administration on Aging, to "enlist grass-roots resource persons to identify and analyze the key issues of concern to the elderly poor, in order to formulate long-term policy recommendations...."

Six additional disbursements in the form of intervenor fees were provided by the Federal Trade Commission between 1976 and 1979 (for "Public Participation in Rule-Making") at a total cost of $122,370 to the taxpayers.[20]

Other federally subsidized NCSC programs pay the salaries of persons 55 and older "placed in employment positions at non-profit community agencies." [21] The Community Services Administration even granted $12,247 to the NCSC to pay for 2,000 annual subscriptions to the Washington Weekly Newsletter.[22]

The NCSC lobbies at the federal level for increases in social welfare programs. They have been active in opposing any cuts in Great Society spending programs, and in cooperation with six other groups, published in 1982 a 51-page booklet entitled "Warning: Reaganomics Is Harmful to Consumers." [23] Three thousand delegates to the July 1982 NCSC convention "voted unanimously for a nuclear arms freeze and transfering [sic] funds from the Pentagon to social needs." [24]

The NCSC also co-sponsored Solidarity Day and "launched a newspaper advertisement campaign against the proposed constitutional amendment to require a balanced federal budget." [25]

Additional members of C/LEC's Board of Directors include:

**The National Council of La Raza**, which has received at least $7,577,563 since 1978 from the federal government,[26] engages in "advocacy at the national level to promote administrative and legislative decisions which will benefit Hispanics." [27]

**Massachusetts Fair Share** has received at least $522,011 since 1979 from ACTION and the National Science Foundation, plus the services of 34 VISTA volunteers.[28] More than three-quarters of its budget goes for "program expenses" (i.e. advocacy, organizing and lobbying), administrative costs, and fundraising, with only 10 per cent going for "Membership Services," such as their newspaper, training and travel.[29]

This group, which has built its own reputation by attacking asserted abuses of corporations and utility companies, is presently confronted "with its own failure to pay taxes as well as massive unpaid debts." [30]

**The Association of Community Organizations for Reform Now** (ACORN) (at least $330,740 from the Community Services Administration, National Endowment for the Humanities, ACTION, and the Federal Trade Commission, as well as four VISTA volunteers),[31] "considers its principal activity to be organizing."

ACORN "campaigns generally involve demonstrations, confrontations with industry and government officials, and significant media coverage." According to ACORN's Community Organizing Handbook, "ACORN is organizing change-of-government initiative campaigns.... ACORN members have always known and believed that such control [of local government] is one of the goals of the organization." [32]

A number of federally funded labor unions are members of C/LEC. They include: the **United Auto Workers** (at least $7,092,345 since 1979), the **Association of Federal, State, County and Municipal Employees** (at least $710,866 since 1979), the **Amalgamated Clothing and Textile Workers** (at least $3,707,287 since 1977), the **United Food and Commercial Workers** (at least $888,470 since 1981).[33]

**Rural America** (which has received at least $1,531,548 since 1979 from the Departments of Labor, Energy, Housing and Urban Development, and Transportation, the Environmental Protection Agency, the National Endowment for the Humanities, and the Community Services Administration) [34] seeks to expand the federal subsidies of the Great Society to include land redistribution and "public" control over where private enterprise may locate energy development projects.[35]

**Ohio Public Interest Campaign** (at least $49,680 since 1981 from the Department of Health and Human Services (HHS) and 12 VISTA volunteers) [36] is characterized by Bob Ruth in the October 1980 edition of *Ohio Magazine* as "an organization dominated by radicals which attempts to pit one class of Ohioans against another."

The **National Education Association** (which received a grant for $855,282 from HHS in 1981),[37] the **National Clients Council, Solar Lobby** and **Oregon Fair Share**.[38]

The Citizen/Labor Energy Coalition has maintained offices in Baltimore, Milwaukee, New York and San Francisco, with headquarters in Chicago and a legislative office in Washington.[39]

It is interesting to note that the Chicago headquarters shares the same address as the Midwest Academy, which itself received $67,092 in 1977.[40] This led ACTION personnel to question the relationship between the two groups.

An ACTION memorandum suggests that "a complete review of the relationships between the staff of Midwest Academy vis a vis C/LEC be performed so that clear lines of authority and responsibility are understood.... While the commonality of address deserves some consideration, the substantive question is whether or not there is in fact genuine organizational separa-

*Mrs. Swecker is director of research for The Conservative Caucus Research, Analysis and Education Foundation, Vienna, Va. This article is reprinted with permission from their newsletter,* Eye on Bureaucracy.

tion between C/LEC and the Midwest Academy...." [41]

*Public Interest Profiles* quotes sources which state: "The Coalition's goal is to organize a grass-roots citizen's force which can meet... the power of the oil companies and the utilities. It fights... to win a national energy policy for the development of jobs and safe, clean renewable sources of energy." [42]

C/LEC's activities have centered on "calls for reimposition of controls on oil and natural gas, tax reform of the oil industry and the establishment of a solar and conservation development bank." [43] They have waged lobbying campaigns at all levels — grass-roots organizing, state and local campaigning, and national legislation.[44]

The heaviest hand has been felt at the state level, where C/LEC has waged campaigns to prevent utility companies from stopping service for nonpayment. Their actions have resulted in rulings or legislation in 16 states.[45]

"Eleven of the 14 congressional candidates backed by the Citizen / Labor Energy Coalition (C/LEC) were winners. [The Public Records office of the Federal Election Commission notes that C/LEC is registered with the Federal Election Commission."] C/LEC canvassers were able to use the issue of natural gas deregulation as an extremely effective weapon." [47]

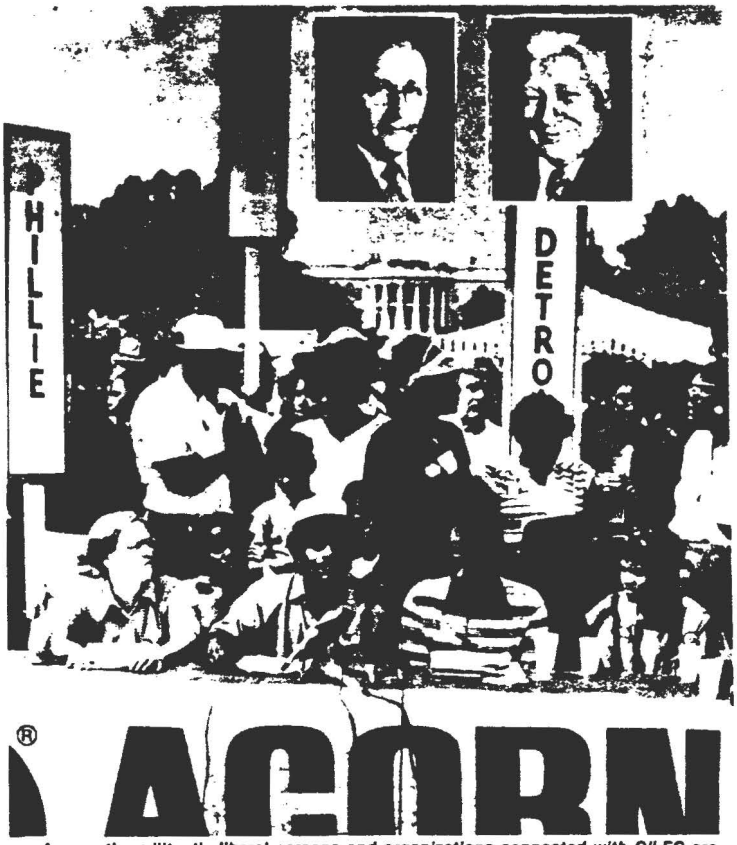
At the grass-roots level C/LEC "announced a nationwide grass-roots education and lobbying campaign aimed at winning written pledges from members of Congress to oppose any effort to decontrol natural gas prices." [48]

They have "been attempting to exert pressure on members of Congress by sending out people to knock on doors in their home states and urging angry gas customers to demand action aimed at easing next winter's gas bills." These efforts have been aimed particularly at those members who do not support HR 2154, "the C/LEC bill introduced March 16 by Rep. Richard A. Gephardt (D.-Mo.)," a resolution aimed at slowing down decontrol of natural gas."

Milton Copulos, director of energy studies at the Heritage Foundation, questions the method of analysis in many of C/LEC's studies, and argues that "the documents' contents seem to warrant fully the unabashedly alarmist tones of their titles... [however] the most frequent criticism is that... [they] 'hype' their figures to prove their points and frequently ignore basic economic principles in computing these figures.... It appears...that garnering headlines by issuing sensational reports is of far more importance to C/LEC... than is reasonable and economically sound analysis of the facts." [50]

"The forces represented by the Citizen's Labor Energy Coalition [sic] insist that decontrol of all natural gas would work a terrible hardship in the form of rapidly surging prices on householders and industries that use the gas for warmth or industrial power...."

"If natural gas is decontrolled, it will have to compete against oil for use in both homes and industry. This would put a natural cap on energy prices... the C/LEC alternative... might hold gas prices down briefly, but would inevitably lead to 'severe domestic gas shortages and a serious increase in imported gas'...." [51]




*Among the militantly liberal persons and organizations connected with C/LEC are (inset, left) William Winpisinger, president of IAM, William R. Hutton (right), executive director of the National Council of Senior Citizens, and ACORN (shown above during a protest demonstration in Washington in June 1982).*

**Energy Action** was a leading opponent of oil decontrol, and a producer of large quantities of "information," much of which has turned out to be inaccurate. It was founded in 1975 "to research energy issues from a consumerist perspective." However, its membership was never very large and, in testimony before a House subcommittee, its former director, James Flug, "was forced to reveal that most of the group's funds came from only a few large donors." [52] This did not help Energy Action's credibility with the consumers they were supposedly representing. In 1982 C/LEC merged with Energy Action.[53]

C/LEC also participated in the 1983 Consumer Assembly, advocating "repeal of the Natural Gas Protection Act... [in which] consumers were urged to participate in the fight against deregulation by intervening in state utility regulatory proceedings and by using the initiative process to legislate against automatic price increases." [54]

According to *In These Times* writer David Moberg, C/LEC exists because "Energy supplies and prices are too important to leave in corporate hands. Both must be controlled by government in the public interest to assure equity, to minimize disruption of communities, to promote conservation and renewable energy sources, and to minimize monopoly power." [55]

C/LEC's most recent activities included a "nationwide grass-roots protest against further decontrol of natural gas prices.... Gas Protest Days... held in 65 cities in 35 states September 24–25 to protest" decontrol and "demand that Congress put a stop to it." [56] C/LEC members were going "door-to-door... to tell residents that their heating bills could rise 12 per cent over last winter unless [Congress votes] to pass the gas price measures now being considered..." and urging them to contact their legislators to urge continued controls.[57]

"While officially clothed in relatively polite language such as 'energy prices must be just, reasonable and affordable,' or 'concentrated economic power in the energy industry must be broken up,' C/LEC represents a fundamental challenge to the whole capitalist structure of the American economy, an orientation made clear in the organization's publications." [58]

A group with such a collectivist bias, actively involved in lobbying, propaganda and political activities, is hardly an appropriate recipient of the hard-earned tax dollars that have been funnelled to its advantage directly, and indirectly. ■

**FOOTNOTES**

[1] *Congressional Quarterly*, 11/5/83.
[2] *Congressional Quarterly*, 4/23/83.
[3] *Communities*, Oct/Nov. 1983.
[4] *Ibid.*
[5] *Public Interest Profiles*, The Foundation for Public Affairs, 1982.
[6] Federal Government Grant/Contract Computer Printouts: Department of Energy — 1979, 1980, 1981; Community Services Administration — 1980; ACTION — 1980; VISTA — 1979.
[7] *Ibid.*
[8] *Federal Register*, 12/13/83.
[9] *Loc. cit.* footnote 6.
[10] *Op. cit. Public Interest Profiles.*
[11] Federal Government Grant/Contract Computer Printouts: Department of Labor — 1979, 1980, 1981; Department of Health and Human Services — 1979–1983.
[12] *Christian Science Monitor*, 9/2/83.
[13] *Wall Street Journal*, 8/26/83.
[14] *Congressional Record*, 4/27/83.
[15] Peace PAC brochure.
[16] *Current Biography*, 1980, p. 435.
[17] *Business & Society Review*, Summer 1982.
[18] Chicago Sunday *Sun-Times*, Aug. 13, 1978.
[19] *Op. Cit. Public Interest Profiles.*
[20] Federal Government Grant Contract Computer Printouts: Department of Labor — 1978–1981; Department of Health and Human Services — 1980, 1981; Department of Justice — 1978–1980; Community Services Administration — 1978, 1980; Federal Trade Commission — 1976, 1977, 1979.
[21] Community Action Agency of New Haven, Inc., Program Fact Sheet, July 1982.
[22] Federal Government Grant/Contract Computer Printout: Community Services Administration — 1978.
[23] *Op. Cit. Public Interest Profiles.*
[24] *Daily World*, 7/28/82.
[25] *Older American Reports*, 7/16/82.
[26] Federal Government Grant/Contract Computer Printout: Department of Housing and Urban Development — 1978, 1980; Department of Commerce — 1982, Department of Labor — 1978–1981; Department of Health and Human Services — 1980, 1981; National Endowment for the Humanities — 1979–1980; Department of Justice — 1978; Community Services Administration — 1981.
[27] *Op. Cit. Public Interest Profiles.*
[28] Federal Government Grant/Contract Computer Printout: National Science Foundation — 1980; ACTION — 1979, 1980; VISTA — 1980.
[29] Massachusetts Fair Share brochure.
[30] *Boston Globe*, 9/24/83.
[31] Federal Government Grant/Contract Computer Printout: Community Services Administration — 1981; National Endowment for the Humanities — 1981; ACTION — 1980; VISTA — 1978; Federal Trade Commission — 1976.
[32] *Op. Cit. Public Interest Profiles.*
[33] Department of Health and Human Services — 1980, 1981; Department of Labor — 1977, 1978, 1979, 1980, 1981, 1982, 1983; National Endowment for the Humanities — 1979; Department of Transportation — 1981; ACTION — 1979, 1980; Department of Education — 1980; Federal Mediation and Conciliation Service — 1981.
[34] Federal Government Grant/Contract Computer Printout: Department of Labor — 1980, 1981; Department of Energy — 1980, 1981; Community Services Administration — 1981; Department of Housing and Urban Development — 1980; Environmental Protection Agency — 1980; Department of Transportation — 1982; National Endowment for the Humanities — 1979.
[35] Rural America brochure.
[36] Federal Government Grant/Contract Computer Printout: Department of Health and Human Services — 1981; VISTA — 1979.
[37] Federal Government Grant/Contract Computer Printout: Department of Health and Human Services — 1981.
[38] C/LEC source material.
[39] *Op. Cit. Public Interest Profiles.*
[40] Federal Government Grant/Contract Computer Printout: ACTION — 1977.
[41] ACTION Memorandum to John Lewis from G. Pasymowski, 2/15/79.
[42] *Op. Cit. Public Interest Profiles*
[43] *Op. Cit. Communities.*
[44] *Op. Cit. Public Interest Profiles.*
[45] *Ibid.*
[46] Public Records office, Federal Election Commission, (202) 523-4181.
[47] *Citizen Participation*, Jan/Feb 1983.
[48] *News from C/LEC*, 6/24/81.
[49] *Congressional Quarterly*, 4/23/83.
[50] *Reason*, July 1983.
[51] Washington *Times*, 5/10/83.
[52] *Op. Cit. Reason.*
[53] *Op. Cit. Public Interest Profiles.*
[54] *Policy Networks*, 2/83.
[55] *In These Times*, 12/80.
[56] Washington *Times*, 9/16/83.
[57] *The Journal*, 9/26/83.
[58] *Persuasions At Work*, Dec. 1981.

THE WHITE HOUSE

WASHINGTON

July 27, 1984

MEMORANDUM FOR JAMES A. BAKER, III
MICHAEL K. DEAVER

FROM: JAMES W. CICCONI

SUBJECT: Marketing Order on Oranges

Background

The marketing order on California and Arizona oranges has been in effect, with periodic changes, since 1954. In short, the order helps maintain the price of oranges by restricting the supply reaching the market.

The terms of the order are set by USDA, and subject to approval by vote of the orange growers covered by it. The current order provides for an Administrative Committee of growers which has responsibility for ongoing implementation of the order. Since a majority of growers are affiliated with Sunkist, that cooperative has dominated the board.

Administration Policy

Last year, the Cabinet Council on Food and Agriculture confronted the question of Administration policy toward marketing orders, largely because of an OMB desire to end such orders altogether. At a meeting with the President, it was decided that the anti-competitive aspects of marketing orders would be reformed over a period of years, providing greater flexibility and a less restricted flow of crops for sale.

Changes in the Orange Marketing Order

In accord with the above policy decision, USDA has proposed a series of over twenty amendments to the marketing order on oranges. These would be voted on by the growers during a month-long referendum in August. The current controversy mainly involves two changes which Sunkist finds objectionable:

-- generic advertising: This amendment would allow the Administrative Committee to permit and conduct generic advertising (such as that conducted by Florida orange growers). This is now prohibited. Sunkist objects because they feel generic advertising would reduce the value of the Sunkist trade name.

-- allocation of Committee seats: Another amendment would provide for a more proportional allocation of seats on the Administrative Committee if Sunkist's share of the market drops below 50%. Sunkist now has around 52% of of the market, yet it controls 70% of the Committee seats.

The changes proposed by USDA have been presented as a package, i.e. on an all-or-nothing basis. If the changes are voted down, the marketing order would be terminated. Since voting is proportional to market share, Sunkist could normally kill any changes it dislikes by bloc voting its 52% share (a 25% negative defeats any change). However, this procedure forces Sunkist to choose between accepting the changes or ending the marketing order altogether, a prospect which bothers most of its member growers. Sunkist has protested against this voting procedure, but has vowed to end the marketing order, if necessary, in order to protect its trade name. Independent growers are, for the most part, supportive of the changes proposed by USDA.

Recent Developments

Yesterday, Secretary Block offered, through Congressman Pashayan, to modify the voting procedure in order to allow each amendment to be voted on separately. In return, Block is seeking a commitment from Sunkist that it will not bloc-vote its shares, but will instead let its member growers vote individually. USDA expects that Sunkist will accept this offer since the procedure allows it to kill the changes it dislikes without jeopardizing the marketing order. In my opinion, the bloc-voting concession is relatively meaningless, and simply allows USDA to save face.

If Sunkist accepts this offer (and we should know by next week), the controversy may be over, though some grumbling can still be expected from independent growers.

Document No. 216337SS

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/5/84 ACTION/CONCURRENCE/COMMENT DUE BY: c.o.b. FRIDAY, 7/6/84

SUBJECT: Enrolled Bill S. 2375 - Small Business Secondary Market Improvements Act of 1984

| | ACTION | FYI | | ACTION | FYI |
|---|---|---|---|---|---|
| VICE PRESIDENT | ☐ | ☐ | McMANUS | ☑ | ☐ |
| MEESE | ☐ | ☑ | MURPHY | ☐ | ☐ |
| BAKER | ☐ | ☐ | OGLESBY | ☑ | ☐ |
| DEAVER | ☐ | ☑ | ROGERS | ☐ | ☐ |
| STOCKMAN | ☐ | ☐ | SPEAKES | ☐ | ☑ |
| DARMAN | ☐P | ☑SS | SVAHN | ☑ | ☐ |
| FELDSTEIN | ☐ | ☐ | VERSTANDIG | ☑ | ☐ |
| FIELDING | ☑ | ☐ | WHITTLESEY | ☑ | ☐ |
| FULLER | ☑ | ☐ | _____ | ☐ | ☐ |
| HERRINGTON | ☐ | ☐ | _____ | ☐ | ☐ |
| HICKEY | ☐ | ☐ | _____ | ☐ | ☐ |
| McFARLANE | ☐ | ☐ | _____ | ☐ | ☐ |

REMARKS:

Please provide any comments/recommendations on the attached enrolled bill by c.o.b. FRIDAY, JULY 6, as well as the signing statement or VETO MESSAGE.

S. 2375: APPROVAL _____ DISAPPROVAL _____

VETO MESSAGE: APPROVAL _____ DISAPPROVAL _____

RESPONSE:

Richard G. Darman
Assistant to the President
Ext. 2702

Document No. 216730SS

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 8/14/84 ACTION/CONCURRENCE/COMMENT DUE BY: 4:00 p.m. WEDNESDAY, 8/15

SUBJECT: ENROLLED BILL S. 268 - HOOVER POWERPLANT ACT OF 1984

| | ACTION | FYI | | ACTION | FYI |
|---|---|---|---|---|---|
| VICE PRESIDENT | ☐ | ☐ | MURPHY | ☐ | ☐ |
| MEESE | ☐ | ☑ | OGLESBY | ☑ | ☐ |
| BAKER | ☐ | ☑ | ROGERS | ☐ | ☐ |
| DEAVER | ☐ | ☑ | SPEAKES | ☐ | ☑ |
| STOCKMAN | ☐ | ☐ | SVAHN | ☑ | ☐ |
| DARMAN | ☐P | ☑SS | VERSTANDIG | ☑ | ☐ |
| FIELDING | ☑ | ☐ | WHITTLESEY | ☑ | ☐ |
| FULLER | ☑ | ☐ | _____ | ☐ | ☐ |
| HERRINGTON | ☐ | ☐ | _____ | ☐ | ☐ |
| HICKEY | ☐ | ☐ | _____ | ☐ | ☐ |
| McFARLANE | ☐ | ☐ | _____ | ☐ | ☐ |
| McMANUS | ☐ | ☐ | _____ | ☐ | ☐ |

REMARKS:

Please provide any comments/recommendations regarding the attached enrolled bill by 4:00 p.m. WEDNESDAY, AUGUST 15.

Thank you.

RESPONSE:

Richard G. Darman
Assistant to the President
Ext. 2702

THE WHITE HOUSE

WASHINGTON

August 16, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Hoover Powerplant Act of 1984

This legislation, sponsored by Sen. McClure, is now on the President's desk for decision by August 18 (Saturday). OMB, Interior, and Energy have recommended approval, but Treasury has urged a veto.

In short, the bill extends for 30 years the low cost contracts for hydroelectric power supplied by Hoover Dam. These contracts, which have been in effect since the dam was built nearly 50 years ago, are set to expire in 1987.

During congressional consideration, the Administration supported this bill on Interior's recommendation. OMB feels we should sign the legislation more because of the politics and the need for consistency with our previous statements.

Treasury, on the other hand, recommends a veto because they feel that federal hydroelectric power should be sold at market rates (a move also recommended by the Grace Commission). Further, they argue that such an extension for Hoover would lead to similar requests from Bonneville and other power authorities. OMB concedes the latter point, but maintains that we have virtually no chance of reforming the low-cost power system due to the politics involved.

If we were to follow the Treasury recommendation to veto this bill (which I do not expect will occur), we risk a political firestorm in the West, and a possible override. The bill passed 64-34 in the Senate, and 279-95 in the House.

All White House offices have recommended the bill be signed.

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

AUG 14 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 268 - Hoover Powerplant Act of 1984
Sponsor - Senator McClure (R) Idaho

Last Day for Action

August 18, 1984 - Saturday

Purpose

(1) Specifies the terms of new contracts for use of Hoover Dam power and revenues; (2) authorizes the Secretary of the Interior to increase the power capacity of the Hoover Powerplant and to improve the safety of visitor facilities and roadways at the Dam; (3) authorizes the Secretary of the Interior to construct fish passage facilities within the Yakima River Basin and to accept funds for these projects from any public or private entity; and (4) requires that future long-term power contracts entered into by the Secretary of Energy (through the Western Area Power Administration) assure the development and implementation of an energy conservation program.

Agency Recommendations

| | |
|---|---|
| Office of Management and Budget | Approval |
| Department of the Interior | Approval |
| Department of Energy | Approval |
| Department of Justice | Defers to other interested agencies |
| Department of the Treasury | Disapproval |

Summary and Recommendation

This bill extends for another thirty years the low-cost contracts for hydroelectric power from the Hoover Dam which were established nearly fifty years ago and which are scheduled to expire in 1987. The Administration, under the lead of the Interior Department, supported this legislation during consideration in both Houses of Congress. S. 268 should therefore be approved in order to maintain consistency with this position.

You should be aware, however, that this bill fundamentally contradicts a major cost-saving recommendation of the Grace Commission. The Commission contended that the Federal government is seriously violating sound business practices by continuing to sell hydroelectric power from Hoover, Bonneville and many other Federal dams at rates which reflect only a fraction of the economic or marketplace value of the power being generated. The Commission recommended that user charges for Federal hydroelectric dams be raised substantially and that the actual power generating stations and transmission facilities be sold to the private sector. They estimated three-year savings of $19 billion -- an amount equal to 5 percent of the Commission's total $424 billion savings recommendations.

I believe the Commission has significantly underestimated the practical and political problems of reversing fifty years of Federal policy based on cheap hydroelectric power. In the case of the Hoover Dam, for instance, nearly two-thirds of the power output is supplied to California where it is averaged in with other higher cost sources of electricity. Any attempt to suddenly raise Federal hydroelectric power rates to marketplace levels and turn over control to private industry would unleash a firestorm of opposition in California, Nevada, Arizona and other hydroelectric user states. The fact that not one Senator from west of the Missouri voted against this bill to continue the status quo is ample evidence of this point.

On the other hand, by extending the current cheap rates for another thirty years, this legislation will pose insuperable obstacles to a more gradual, phased implementation of the Grace Commission recommendation. It will be argued by representatives from other hydroelectric regions, particularly the Bonneville region in the Northwest, where the largest Federal facilities are located, that what is good for the goose (California, Arizona, Nevada) is good for the gander, and that they too are entitled to an indefinite extension of low-cost Federal pricing policies. Thus, while we will continue to evaluate this Grace Commission recommendation and search for some long-term implementation option, it should be recognized that finding a viable approach to significant cost savings over the next ten years will be extremely difficult, if not improbable, after the enactment of this legislation.

## Discussion

### Hoover Dam

The Hoover Dam is the principal feature of the Boulder Canyon project, which was authorized in 1928. The Dam, its powerplant, and Lake Mead, the reservoir created by the Dam, are among the largest in the world and have become a major tourist attraction. The energy available for sale from the Hoover Powerplant was allotted in the 1930's under 50 year contracts, starting June 1, 1937, which gave approximately 64 percent of the power to California users and 18 percent each to users in the States of Arizona and Nevada.

The Western Area Power Administration (WAPA) of the Department of Energy is responsible for marketing power available from Hoover Dam. In 1979, WAPA began to develop marketing criteria for reallocating the power from Hoover when the existing contracts expire on May 31, 1987. The WAPA process to develop these criteria gave rise to numerous disputes which led to the States of Nevada and Arizona filing suit against the United States, the Secretary of Energy, and all other present purchasers of Hoover power. In order to avoid the prospect of continued, costly litigation and uncertainties as to the allocation and availability of Hoover power after May 31, 1987, all of the non-Federal parties involved in the suit reached an agreement to resolve the dispute. Title I of S. 268 basically reflects and ratifies this agreement and includes language to prohibit the Secretary of Energy from executing power contracts with any entity that has not agreed to dismiss its pending law suit.

A key element of Title I is the uprating program to increase the generating capacity of the existing generators at the Hoover Powerplant to make more capacity available for allocation under the post-1987 arrangements. Specifically, Title I provides for 30 year renewal contracts (1987-2017) to the existing allottees, based on existing allocations of power. The new power also would be divided among users in Arizona, Nevada, and California, under 30 year contracts. On a combined basis, the States of Arizona and Nevada would receive nearly 50 percent more energy than they now receive from Hoover. The State of California would receive approximately five percent more energy from Hoover.

The renewal contracts (including the new capacity from the uprating program) would continue to use, with minor modifications, the cost-of-service methodology for ratemaking purposes that has been in effect since the enactment of the Boulder Canyon Project Adjustment Act of 1940. This method of ratemaking charges users for the cost of producing the power rather than any

market based rates, and was the center of controversy during the legislative process. A very vocal but small minority in both the House and Senate argued that cost of service rates do not reflect today's costs and that they encourage wasteful use of a precious resource.

The minor modifications in S. 268 to the cost-of-service ratemaking method include a number of surcharges to be dedicated to specific purposes. A surcharge of 2 1/2 mills per kilowatt-hour on energy sold in Nevada and California would be added to the power rate and deposited in the Lower Colorado River Basin Development Fund to provide revenues for assistance in repayment of the non-Federal share of costs for salinity control. A surcharge of 4 1/2 mills per kilowatt-hour would be added to energy sales in Arizona to assist in repayment of the Central Arizona Project (CAP). After repayment of the CAP, the surcharge in Arizona would be reduced to 2 1/2 mills per kilowatt-hour to provide additional assistance in repayment of salinity control.

Title I would authorize a total of $77 million--Interior informally advises that $54 million would be used for the uprating program and $23 million would be used to improve visitor facilities and roadways at the Dam. Appropriations for the visitor facilities program would be reimbursable, with interest, from power revenues and thus repaid by purchasers of Hoover power. The uprating program would be financed in advance by the three States and the institutions which purchase power from Hoover, thus obviating the need for Federal appropriations.

In addition to the provisions explained above, the Hoover-related amendments of S. 268: (1) include a number of other technical provisions relating to the disposition of Hoover power and (2) would authorize construction at Federal expense of a new highway bridge across the Colorado River to alleviate traffic congestion and reduce safety hazards for visitors at the Hoover Dam.

Yakima Fish Facilities

Since the early 1900's a number of Federal and non-Federal dams have been constructed in the Yakima River Basin in the State of Washington. Many of these dams do not have fish passage facilities adequate to allow returning adult salmon to spawn or to allow juvenile salmon to migrate downstream. During the last 25 years, the fish runs in the Yakima Basin have decreased from 19,000 fish per year to an estimated 2,000 fish.

Section 109 of S. 268 is designed to mitigate the fisheries problems in the Yakima Basin by authorizing the Secretary of the Interior to design, construct, operate, and maintain fish passage facilities within the Yakima River Basin and to accept funds for these facilities from any public or private entity, including the Bonneville Power Administration (BPA). Section 109 is necessary because there has been some question concerning whether the Interior Department's Bureau of Reclamation could accept BPA funds for fish mitigation facilities in the Yakima Basin.

Energy Conservation Program

Title II of S. 268 stipulates that the Secretary of Energy acting through WAPA, require the development and implementation by the customer of an energy conservation program for each long-term power service contract entered into or amended subsequent to one year from the date of enactment of the bill. These energy conservation programs must have definable goals, schedules, and penalties for non-achievement. Title II embodies in legislation an existing energy conservation program established by WAPA on November 14, 1981. Enactment of this title will require the existing energy conservation program to be reconsidered through the public hearing and comment process. To date WAPA has conservation plans for over 60 percent of its customers and anticipates the balance will be completed over the next several years as each customer's contract is renewed or modified.

Agency Views

The Department of the Interior recommends that you approve S. 268, noting its strong historical support for the Hoover Dam and Yakima Fish Facilities provisions of the bill. The Department of Energy also recommends approval, pointing out that the Hoover provisions of S. 268 represent an equitable compromise that will terminate pending litigation over the allocation of Hoover power. The Department of Justice, while deferring to other interested agencies, points out that any litigation undertaken pursuant to this legislation should be conducted by the Attorney General.

Notwithstanding Administration support for S. 268 throughout the 98th Congress, Treasury is recommending that you veto the bill. Treasury argues in its enrolled bill letter that Hoover power should not be sold at below market rates and that this practice would set an unwarranted precedent for the renegotiation of other long-term hydroelectric power contracts that are due to expire in the coming years.

Conclusion

As enrolled, S. 268 is consistent with positions taken by the Administration in both Houses of the Congress. Accordingly, we recommend that you sign S. 268.

S. 268 passed the House by 279-95 and the Senate by 64-34.

David A. Stockman
Director

THE WHITE HOUSE

WASHINGTON

August 16, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Meeting Request from AIPAC

Bob Asher, president of the American-Israeli Public Affairs Committee, has called and requested a meeting with you during the Dallas convention. Asher wants to discuss the Israel Free Trade Area legislation, and would also like to include Tom Dine and several others.

As you know, Dine, AIPAC's executive director, had previously requested a meeting with you on this subject, but we decided to put him off. AIPAC, of course, is seeking a stronger Administration push behind the legislation when Congress reconvenes.

Asher indicated that if a Dallas meeting is not possible, they would like to set one up in Washington soon after.

My own thought is that AIPAC is making it very difficult for us to dodge this bullet. I feel we should put off a meeting till after the convention. However, we may want to schedule one after Labor Day when, hopefully, we will have made a decision on how to pursue this issue.

I will follow-up with Asher based on whatever you decide.

Thanks.

THE WHITE HOUSE

WASHINGTON

August 16, 1984

8/17

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Yes

I will follow-up with Asher based on whatever you decide.

Thanks.

Tom Dine
638-2256

Meeting held 9/14
(JC, MBO, Breger incl.)

THE WHITE HOUSE

WASHINGTON

August 16, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Status of the U.S. Embassy in Israel

For your information:

As I understand it, Congressmen Ben Gilman and Tom Lantos are considering sending a letter to the President indicating that they will not bring up the proposed embassy switch to Jerusalem this year provided the President commits not to oppose a sense of the Congress resolution next year. This was apparently discussed during a two-hour closed meeting of the committee around August 10.

This seems to indicate what you already know: namely that, absent some sort of quid pro quo, the issue will probably come up in the House this year, and may well reach the Senate.

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8/17 JC: We won't do this. JAB III

THE WHITE HOUSE

WASHINGTON
August 17, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: James Cicconi

SUBJECT: Yesterday's Judicial Selection Meeting

Per your request, the following is a summary of the action taken in yesterday's Judicial Meeting:

1. 3rd Circuit: Mansmann is ready to go, but is being held in order to be sent up with Whittlesey. Sen. Roth's wife was discussed, and is felt to be qualified, but may be held for a rumored departure of a Delaware judge from the Circuit next year.

2. 7th Circuit: Sue Shields does not check out well in terms of philosophy and other points. Meese was also opposed. Oglesby is to talk to Lugar about the situation.

3. 9th Circuit: Laxalt's suggestion, Brunetti, was felt to be qualified by DOJ. However, Herrington asked for a "hold" till Tuesday in order to check on him.

4. 10th Circuit: Finesilver and Erickson (pushed by Joe Coors) were not approved. There was no decision on Williams, Moore, or another candidate whose name is being forwarded by Coors.

5. Dist of Mass: Wolf and Young were approved.

6. Dist of NJ: Rodriguez, one of Gov. Kean's aides, was approved.

7. S.D. of Fla: Sorrentino was decided against. No action was taken on the other suggestions from Sen. Hawkins until we can talk further with her. For one thing, we need to be sure she will find Dick Hauser acceptable.

8. W.D. of La: Walter and Little were approved per suggestion of the delegation.

9. W.D. of Tex: Smith was approved per Sen. Tower's suggestion.

10. N.D. of Ohio: Though Markus was felt to have superior credentials, Alice Batchelder was chosen. Markus will be kept in mind, though, due to the possibility of ABA problems with Batchelder.

11. S.D. of Ohio: Weber was approved per the delegation's list.

12. N.D. of Ill: Ann Williams, a black, was felt to be very well qualified by DOJ based on her years in the US Attorney's office. Percy is reviewing her qualifications, and Herrington asked for a chance to do the same. (Since she is viewed as more of a moderate, John may come back to the committee with concerns.)

13. Dist of Mont: Diane Barz, suggested by WH Personnel, was placed on hold since she was not on the delegation's list. We will check with them re whether she is acceptable.

14. Dist of Nev: Laxalt's suggestion of McKibben was approved, though Herrington asked for a hold till next Tuesday.

15. C.D. of Cal: Keller and Moore were approved, though Meese objected to Sen. Wilson's other nominees, Wilson and Fernandez. We will approach Sen. Wilson for more names.

16. E.D. of Tenn: Edgar was approved per Sen. Baker's suggestion.

17. W.D. of Ark: Bethune and Hammerschmidt have pushed Arnold. However, they have now forwarded new names on being told that Arnold had no chance of ABA approval due to lack of trial experience.

On other subjects, it was agreed that Meese and Fielding would speak with Bill Casey to explain the reason for failure to push harder on Sporkin's nomination. (Goldwater and Denton are opposed, and the former has threatened a hearing on Casey if we go forward.)

Also, it was agreed that we would not show Sen. Byrd a list of our proposed judicial nominees, but would instead have Howard Baker explore the subject with him in general terms.

THE WHITE HOUSE

WASHINGTON

August 17, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: JAMES W. CICCONI

SUBJECT: Copper Petition

Background

As you know, the International Trade Commission investigated a 201 petition filed by the copper industry, and found substantial injury. The ITC could not agree on a remedy, though, splitting between tariffs, quotas, and no relief.

Options are currently being reviewed by a working group of the Trade Policy Committee, which expects to forward recommendations to the President by September 4. A decision must be made by September 14.

Analysis

There seems to be agreement, at least internally, that tariffs or quotas should be avoided. Either action would raise the price of copper for U.S. fabricators, driving much of their business to foreign competitors. Lehman Li of OPD noted in a recent memo that U.S. copper fabricators employ 106,000 people, versus 28,000 employed by copper producers. He also pointed out that fabrication employment is largely located in Indiana, Pennsylvania, New York, Illinois, California, and Connecticut; copper production employment is mostly in Arizona, Utah, and New Mexico.

Our options boil down to this:

1. Impose quotas or tariffs.
2. Attempt to negotiate production restraints among copper producing nations.
3. Do nothing.

The domestic copper producers are advocating the negotiation with other nations of production restraints in order to raise world copper prices (the only action they feel would truly help U.S. producers in the long-run).

This idea has some attraction, but runs into several problems:

-- it is unlikely that Chile, a major producer which continues to undercut world prices, would agree to production restraint;

-- there are fears of aiding a cartelization among copper producers; and

-- we would have to commit to some sort of action (quota or tariff) if the negotiations fail.

U.S. copper fabricators prefer no relief. However, if faced with a choice, they would probably prefer production restraints to quotas or tariffs.

Current Situation

At this point, almost all departments represented on the working group favor no relief. The alternative of production restraints is opposed in principle by a majority; others are opposed because of the very low probability of success.

We have asked that the group, regardless of its recommendation, fully assess the consequences for the U.S. copper industry if no relief is granted. We have also requested a detailed report on the prospects for successful production restraint negotiations, and the implications of that course of action.

THE WHITE HOUSE

WASHINGTON

August 21, 1984

MEMORANDUM FOR JAMES A. BAKER, III

FROM: James Cicconi

SUBJECT: Public Broadcasting Amendments Act

This legislation authorizes funding levels for public broadcasting from 1987 through 1989. According to public broadcasters, the funding is at the minimum level at which operations could be sustained. They also point out that funding would still be below 1978 levels.

OMB. on the other hand, is very concerned that the funds authorized are still much higher than our budgeted figures. The comparison is as follows:

| Fiscal Year | Legislation | RR Budget |
|---|---|---|
| 1987 | $238 M | $100 M |
| 1988 | 253 M | 85 M |
| 1989 | 270 M | 70 M |

As a result of the above, plus other, lesser concerns, the Administration has told the House that it was strongly opposed to this legislation. Commerce will probably recommend a veto, and OMB may do the same.

The legislation passed quickly and unanimously in the Senate, with 55 co-sponsors. The vote was 302-89 in the House. However, a better indication of veto strength there is a vote on a floor amendment to reduce funding, which failed 176-217.

This bill has been received at the WH, with a decision due by August 29. OMB has not yet circulated a views memo, though that will be done shortly.