

WITHDRAWAL SHEET

Ronald Reagan Library

Collection: CICCONI, JAMES W.: Files
 OA/Box: ~~OA 10792~~ Box 2
 File Folder: JW Cicconi Memos, Jan-Jun 1983 (1 of 11)

Archivist: dlb/bcb
 Date: 2/18/1998
 (withdrawal sheet revised 10/18/00)

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Cicconi to Craig Fuller, re Vietnam Veterans Memorial, 1p	1/5/83	P5
2. memo	Danny Boggs to RR, re procedures for developing a natural gas bill, 3p incl. notes on back	1/7/83	P5
3. memo	Cicconi to James Baker, re Today's Cabinet Lunch – Unemployment Proposals, 4p	1/12/83	P5
4. staffing memo	Cabinet Affairs, 1p	1/10/83	P5
5. memo	Roger Porter to Cabinet Council on Economic Affairs, 1p	1/10/83	P5
6. agenda	for CCEA meeting, 1p	n.d.	P5
7. issue paper	Structural Unemployment, 18p	n.d.	P5
8. memo	William Brock to Porter, re structural unemployment, 2p	n.d.	P5
9. report	The Unemployed and Unemployment Compensation, 3p	n.d.	P5
10. issue ppr	CCEA to RR, re tax incentives for education savings, 7p	1/6/83	P5
11. memo	original of item 3, with notations, 4p	1/12/83	P5

LLB 10/18/00

RESTRICTIONS

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.

B-1 National security classified information [(b)(1) of the FOIA].
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Cicconi
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Date: 2/18/98

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1. memo	JW Cicconi to Craig Fuller re Vietnam Veterans Memorial, 1p.	1/5/83	P5
2. letter	Danny J. Boggs to RR re Procedure for Developing a Natural Gas Bill, 2p.	1/7/83	P5
3. memo	JW Cicconi to James A. Baker, III re Today's Cabinet Lunch --Unemployment Proposals, 4p.	1/12/83	P5
4. staffing memo	Cabinet Council on Economic Affairs - Tuesday, January 11, 1983, 8:45 in Roosevelt Room	1/10/83	P5
5. memo (5) - (10)	Roger B. Porter to The Cabinet Council on Economic Affairs re Agenda and Papers for the January 11 Meeting, 32p.	1/10/83	P5
6. memo (11)	Same as Item # 3 (annotated), 4p. <div style="border: 1px solid black; padding: 5px; display: inline-block; margin-top: 10px;"> <i>original withdrawn</i> </div>	1/12/83	P5

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE
WASHINGTON

3 January 1983

TO: DICK HAUSER

RE: Deportation Case

I would appreciate it if someone from the Counsel's office could check on the status of the deportation case described in the attached letter from Jim Billington.

(Since this is a pending case, I assume your office is the proper channel.)

If they can let me know the situation, as well as what might properly be done to help, I will then respond to Billington.

Thanks for your help.


Jim Cicconi

THE WILSON CENTER

JAMES H. BILLINGTON, *Director*

December 28, 1982

Mr. James W. Cicconi
Special Assistant to the
President and to the
Chief of Staff
The White House
Washington, D.C. 20500

Dear Jim:

I am writing to suggest that you and Jim Baker, if he can, take an interest in the case of Angel Rama, a Fellow of the Center in 1980.

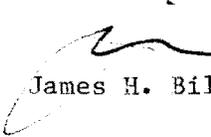
I did not get to know Rama well, and he was not the most engaged of the Fellows in terms of his interactions with others here. But he did finish a couple of good books here, and he has a highly-regarded record as a literary critic, cultural historian, and as an impresario of Latin American culture. He is now a professor of Latin American literature at the University of Maryland, and is also the recent recipient of a Guggenheim Fellowship.

For some months now, I gather, Professor Rama has been fighting a possible deportation, apparently under provisions of the McCarran-Walters Act. I am not informed on all the details, and I have not been able to immerse myself in the case. But as Director of this Center, I am concerned about the welfare of Fellows and Alumni and anxious that our "Embassy of Ideas" here help protect the ambience for the free expression of ideas.

The Washington Post and the New York Times report that President Betancur of Colombia brought the specific case of Professor Rama to the personal attention of President Reagan at their recent lunch in Bogotá. I imagine that the appropriate staff members are now following up on the matter, and I would like to weigh in, in any way you consider appropriate, among those who believe a generous and prompt resolution of this case would be a significant contribution to improving U.S.-Latin American cultural exchange. Let me know if I can be helpful.

With best wishes for the New Year.

Yours,


James H. Billington

THE WHITE HOUSE
WASHINGTON

3 Jan 1983

TO: JAB III

RE: Contract Sanctity/CFTC Bill

As you know, the President will be making a sign-or-veto decision on this, with the main controversy being on the contract sanctity provision.

Right now, the recommendations are:

<u>Sign:</u>	OMB	<u>Veto:</u>	State
	CFTC		NSC
	SEC		DOC
	USDA		

(Treasury cited some concerns, but did not make a formal recommendation.)

The key political concern, of course, is the effect a veto would have on farmers and the farm vote. On this point, I'd like to visit further with you.

A handwritten signature or set of initials, possibly "Jm", written in dark ink. It consists of a large, loopy initial 'J' with a smaller 'm' or similar character to its right.

THE WHITE HOUSE

WASHINGTON

January 4, 1983

MEMORANDUM FOR RED CAVANEY

FROM: Jim Cicconi *gc*
SUBJECT: Martin Luther King Salute

If it is not too late, I think it would be appropriate to invite both the Attorney General and Ed Schmults to the Martin Luther King Salute on January 15.

The Attorney General has given a few speeches defending the Administration's civil rights record, and Schmults is well liked and trusted by many black leaders.

If you have any questions on this, I would be happy to discuss it with you.

THE WHITE HOUSE

WASHINGTON

December 23, 1982

MEMORANDUM FOR MUFFIE BRANDON

FROM: RED CAVANEY 

SUBJECT: Martin Luther King Salute, Saturday, January 15, 1983

It is my understanding that you will be sending invitations for a 5:00 p.m. reception on January 15. I have asked Mel Bradley to provide you with the name and number of the contact person of the Harlem Boys Choir who has confirmed that they will be able to participate.

Attached is a list of approximately 150 suggested invitees which is within the framework of my discussion with you and Linda. Pages 1-5 were developed by Mel Bradley and Thelma Duggin; pages 6-10 are the suggested invitees from the University of Rochester. As you may be aware, the University of Rochester is hosting a special salute to Dr. King on Saturday evening and had invited the President and Mrs. Reagan to attend. It was decided by the Scheduling meeting members that it would be better to host a pre-reception here and, therefore, the opportunity for University of Rochester suggestions. Also attached is a copy of their pamphlet.

As you will note on the University of Rochester section of recommended invitees, there are a number of Administration members and Members of Congress. Please coordinate with the respective offices prior to inviting these people to insure no potential problem develops in that regard. If any of the University of Rochester suggested invitees are dropped from the list, please contact Mel Bradley, since it is important he keep track of these matters.

Via separate cover, Steve Rhodes of Rich Williamson's office will be submitting some names of state and local officials for consideration. Our contact with the University of Rochester is Don Hess (716-275-5566). You may wish to contact him directly. If you have any questions, please contact our office.

cc: Duberstein
Cicconi ✓
Sitmann
Bradley

file

THE WHITE HOUSE

WASHINGTON

SCHEDULE PROPOSAL

December 16, 1982

TO: WILLIAM SADLEIR
DIRECTOR OF SCHEDULING

FROM: EDWIN L. HARPER/ELIZABETH H. DOLE *EW*
ASSISTANTS TO THE PRESIDENT

REQUEST: WH Concert/Reception on Martin Luther King's Birthday

PURPOSE: To commemorate Dr. Martin Luther King's Birthday with a performance by the Boys Choir of Harlem with the Eastman Philharmonia as special guests.

BACKGROUND: The Boys Choir of Harlem began in 1968. Members are from all parts of New York, however, a large number are from central Harlem, ranging in age from 9 to 15 years. The Boys Choir of Harlem's purpose is to help youngsters realize their creative potential through performance of various kinds of music. The program is designed to provide a creative outlet, to educate and broaden the children's aesthetic perception. The boys are introduced to a wide variety of music from the strictly classical repertoire of music for Boys' voices to the contemporary to gospel and spirituals. Special emphasis is given to the works of Black composers.

The Eastman Philharmonia will give the world premiere of a work in Dr. King's honor by Pulitzer Prize-winning composer Joseph Schwantner at the Kennedy Center that evening, starting at 8:30 p.m. The work, scored for narrator and orchestra, uses texts from the writings of Dr. King. Guest narrator will be Willie Stargell, first baseman for the Pittsburgh Pirates. It will be Mr. Stargell's first appearance as a performer on the concert stage.

PREVIOUS PARTICIPATION: None

DATE: January 15, 1983 DURATION: 30 min./1 hour

LOCATION: The East Room

PARTICIPANTS: Prominent citizens (150-175), particularly those associated with the civil rights movement and Black Republicans. (A suggested list will be provided).

OUTLINE OF
EVENT:

An abbreviated concert by the Boys Choir of Harlem
(25 minutes), followed by remarks from the President
(5 minutes) and a reception (30 minutes - optional).

REMARKS
REQUIRED:

Brief remarks by the President.

MEDIA
COVERAGE:

Open

RECOMMENDED
BY:

Elizabeth Dole, Ed Harper, Jim Cicconi, Mel Bradley,
Thelma Duggin

OPPOSED BY:

PROJECT
OFFICER:

Mel Bradley and Thelma Duggin

THE WHITE HOUSE

WASHINGTON

January 4, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM: Jim Cicconi 
SUBJECT: Auto Industry

The following points were made in a recent CCCT briefing on the auto industry:

1. Car sales, while up, are still 9.3% below 1981 sales levels. CEA feels that recently improved sales are simply a selling off of 1982 models.
2. Truck sales are actually 16.7% above 1981 levels. However, the Japanese are becoming more aggressive here since the voluntary restraint agreement with Japan only applies to cars.
3. Imports have increased their share of the U.S. market by 0.7% to a total share of 27.7%. Of this, 81% are Japanese (they are slowly crowding out other imports).
4. Only GM made a profit in 1982, and it was from non-auto sales sources.
5. Organized labor is resisting further cost reduction measures. This means that the industry's only real choice is increased automation (which, of course, eliminates workers).
6. Ford will close its California "Escort" plant. The reason is that the Japanese now have 50% of the California market. The firm will concentrate more on its Midwest base.
7. Regarding domestic content legislation, DOC feels we have cause for optimism: it passed the House by a lesser margin than its sponsors predicted, and not all of its co-sponsors voted for it.
8. The financial problems facing the industry mean that it does not have the capital for needed modernization, robotics, etc. Thus, the U.S. auto industry will become even less competitive in the future.

cc: Richard Darman

THE WHITE HOUSE

WASHINGTON

January 4, 1983

MEMORANDUM FOR HELENE VON DAMM

FROM: Jim Cicconi 
SUBJECT: African Development Foundation

Attached is a memo from Chase Untermeyer expressing the Vice President's desire that Thadd Garrett be named to a slot on the African Development Foundation board, even if this means we will have to renege on a commitment we have already made to one of our prospective nominees. Chase had asked that I convey this message to Jim Baker, and I requested that he first put it in writing. I have also attached two previous memos received on the subject.

After receiving Chase's memo, I called Tad Tharp to convey the information and to suggest that the matter be taken up at the next personnel meeting.

THE VICE PRESIDENT
WASHINGTON

December 14, 1982

MEMORANDUM FOR HELENE VON DAMM

INFORMATION: JAMES BAKER

SUBJECT: AFRICAN DEVELOPMENT FOUNDATION/THADD GARRETT, JR.

I very much want my assistant for Domestic Policy, Thadd Garrett, to be named to the African Development Foundation Board as either Chairman or Vice Chairman.

Thadd was extremely helpful to the President in the Black community during the 1980 campaign. In addition to being my assistant, he is a respected clergyman (with a pulpit in Ohio he regularly fills) and has excellent credibility for the Administration among Blacks. Thadd has great interest in foreign affairs and accompanied me on my recent trip to Africa.

For many reasons, then, Thadd would be an effective member of the Board, and I urge his selection.

Thanks.



See: Schrote (cu called - gave full background)

WASHINGTON, D.C.

Date 12=21-82

TO: JAB III

FROM: THE VICE PRESIDENT

Thadd will be going into private consulting (foreign interests)- a great deal for him.

This will keep him involved (African Development Foundation..)

GB

THE VICE PRESIDENT
WASHINGTON

December 14, 1982

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Thanks.



see: Schirok (cu called - gave full background)

MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

23 December 1982

To: Jim Cicconi

From: Chase Untermeyer

Re: THADD GARRETT/African Development Foundation

The Vice President requests that room be made on the African Development Foundation board for Thadd Garrett to be nominated, as per previous memos on this subject.

Thadd would like the vice-chairmanship and a six-year term. I promised I would express his desire. However, I feel I can say the VP does not insist on this, only that Thadd be named to one of the slots -- preferably one which would cause the person already selected for it the least amount of disappointment and embarrassment.

Thanks.

OFFICE OF THE VICE PRESIDENT
WASHINGTON

22 December 1982

To: Jim Cicconi
From: Chase Untermeyer
Info: John Schrote/Thadd Garrett

Re: AFRICAN DEVELOPMENT FOUNDATION

John Schrote tells me that for Thadd Garrett to be named to the African Development Foundation board (and Thadd would like either the chairmanship or vice-chairmanship), the entire board will have to be brought back before Senior Staff.

The Vice President has already sent memos and spoken with JAB and Helene, expressing his strong desire that Thadd be named. John says the Senior Staff's original selectees have not yet been contacted, so there is time to add him to the board.

We would appreciate your recalling the ADF matter for the Senior Staff's attention.

Thanks,

Chase

[Faint handwritten notes and signatures in the bottom right corner, including a checkmark and illegible text.]

THE WHITE HOUSE

WASHINGTON

January 5, 1983

MEMORANDUM FOR CRAIG FULLER

FROM: Jim Cicconi 
SUBJECT: Vietnam Veterans Memorial

I hate to revisit this subject, but, as I understand it, we could still face a minor flap regarding the Vietnam Veterans Memorial.

Secretary Watt has apparently not yet made a final decision regarding the placement of the statue and flagpole which are to be added to the Memorial site per earlier agreements. While there is some disagreement over aesthetics of placement, I am certain a compromise can easily be worked out. The problem, apparently, is that Ross Perot and some vocal opponents of the Memorial design may have been seeking a delay in Watt's decision in order to refight the original design controversy (possibly by persuading some Congressman to call for a hearing on the subject).

My concern is this: if a delay in Watt's decision enhances prospects of renewing the Memorial controversy, we may not be lucky enough to sidestep it a second time.

Most people feel the December 3 dedication of the Memorial was a real success and "healed the wounds." I do not think we should even indirectly abet a reopening of them.

I would suggest we make a decision of some sort soon on placement of the statue and flagpole, and thus get this matter behind us. A delay only feeds the rancor that has built up on both sides of this controversy.

Thanks.

cc: Elizabeth Dole

JC
memos

Natural Gas
Policy

THE WHITE HOUSE
WASHINGTON

1-8-83

The President is concerned about reports that gas prices are slated to increase significantly this year, and is especially concerned about the impact this may have on some Americans already hard-hit by the recession.

(Mention Carter policy, connect to current price increases)

(Mention Low Income Energy Assistance Program, money set aside for it)

Sec. Hodel will be working to develop the best options for natural gas legislation that will correct the problems caused by the current gas control system under NGPA, and move us toward a system that will deal with the twin problems of price and supply in a way that benefits both consumers and the nation.

THE WHITE HOUSE
WASHINGTON

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(Mention Carter policy, connect to current price increases)

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Sec. Hodel will be working to develop the best options for natural gas legislation that will correct the problems caused by the current gas control system under NGPA, and move us toward a system that will deal with the twin problems of price and supply in a way that benefits both consumers and the nation.

WHITE HOUSE STAFFING MEMORANDUMDATE: January 8 ACTION/CONCURRENCE/COMMENT DUE BY: NOON TUESDAY,JANUARY 11thSUBJECT: MEMO FOR PRESIDENT RE PROCEDURE FOR DEVELOPING
A NATURAL GAS BILL

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MEESE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	GERGEN	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HARPER	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	WILLIAMSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DOLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VON DAMM	<input type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

Please provide your comments/recommendations by Noon, Tuesday,
January 11, 1983.

Thank you.

Richard G. Darman
Assistant to the President
(x2702)

Response:

THE WHITE HOUSE

WASHINGTON

January 8, 1983

MEMORANDUM FOR RICHARD DARMAN

FROM: EDWIN L. HARPER

SUBJECT: Memo for the President on Natural Gas
De-regulation

The Cabinet Council on Natural Resources and Environment is recommending that the President authorize Secretary Hodel to consult with the Hill and private groups in an attempt to develop a bill with broad based support.

Would you please process the memo and forward it to the President?

cc: Edwin Meese III
Craig Fuller

THE WHITE HOUSE

WASHINGTON

January 7, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: DANNY J. BOGGS, EXECUTIVE SECRETARY
CABINET COUNCIL ON NATURAL RESOURCES
AND ENVIRONMENT

SUBJECT: Procedure for Developing a Natural Gas Bill

At yesterday's Cabinet Council meeting on natural gas, most attention focused on the issue of strategy, since there was general agreement that moving to decontrol gas and correct the market distortions caused by the Natural Gas Policy Act was the proper policy choice. A consensus was reached that Secretary Hodel should consult with Congress and private groups to develop a bill with the broadest possible support.

The discussion revealed that there was a delicate question involved in the characterization of the effort led by Secretary Hodel. Since you have not made an affirmative decision that a specific natural gas decontrol bill will be submitted, it would be inappropriate to state it in that fashion. At the same time, if it is totally uncertain as to whether Hodel's effort has a Presidential blessing, or as to whether the Administration is serious in its search for the best possible bill, then it will prove absolutely impossible to achieve meaningful discussions with our potential supporters in industry and in the Congress. We, therefore, seek an agreement on the form of words or concept under which legislation is being prepared.

The underlying intention should be that the Secretary will be trying to fashion the best possible bill with the broadest possible support and that the Administration will introduce and support the successful result of such efforts. The word "successful" in that formulation leaves us an out for the final recommendation by the Cabinet Council and decision by the President as to proceeding.

Option I

The statement that we feel best expresses the situation, is the following:

"Secretary Hodel, with the President's knowledge and confidence, is working with Congress and with non-governmental groups to shape an optimal bill to correct

the problems caused by the natural gas control system under the Natural Gas Policy Act and move us to a free and decontrolled system. Such a system, as shown in the case of petroleum decontrol, will bring substantial benefits to consumers and to the Nation."

It would be intended to be used in conversations or statements by the Secretary and others, not for formal White House issuance.

Being able to use this language should ensure that Secretary Hodel will be taken seriously as the leader of a substantial Administration effort to arrive at a unified position of all those who can perceive the substantial difficulties being caused by the current natural gas control system.

Option II

Other formulations are possible. The phrase "with the President's knowledge and confidence" could be deleted. This would distance the entire effort further from you, but would correspondingly ensure that it would be taken less seriously, if Hodel has no good answer to the question "Why are you doing this?"

Option III

Another possible formulation would be "Secretary Hodel will be working to develop the best options for natural gas legislation. These proposals would be submitted to the Cabinet Council and the President for a final decision by the end of January."

While this accurately reflects the current formal procedural position, use of this formulation would make it extremely difficult to be as vigorous or successful in forging a unified position, especially in light of our marching up and down the same hill in 1981 and 1982.

DECISION

Option I _____

Option II _____

Option III _____

Use alternative wording as follows _____

Disapprove Hodel Effort _____

THE WHITE HOUSE

WASHINGTON

January 10, 1983

*Jim C.
acts decisions*

MEMORANDUM FOR MICHAEL DEEVER

FROM: Jim Cicconi *Jim*

SUBJECT: Martin Luther King Reception (January 15)

It would probably be good if, at the Martin Luther King Reception, the President could make some sort of symbolic gesture to indicate regard for Dr. King. Such a gesture might also help to deflect the inevitable questions about making King's birthday a federal holiday.

The particular gesture I would suggest we consider is for the President to indicate that he has commissioned a portrait of Dr. King which he intends to hang in the White House. There is no portrait of Dr. King in the collection at present, and to the best of our knowledge, none has been loaned to the White House in the past.

cc: James A. Baker, III
Elizabeth Dole

THE WHITE HOUSE
WASHINGTON

11 January 1983

TO: CRAIG L. FULLER

The attached article from today's Post (by Philip Geyelin) makes the same point I was trying to make in my recent memo.

We are risking some political embarrassment over a very minor matter.

Thanks.


Jim Cicconi

some inequality and teach our children the survival techniques of dulled sensibilities. We walk around certain people, drive around "bad" neighborhoods and comfort ourselves with the notion that our government is helping, and besides, America is better than. . . .

But there is a point, a moment—and I think this is one—when we wonder whether we've become too good at not noticing. We see again all the contrasts,

have a government that is not muting inequalities but sharpening them. How dulled a sensibility could be immune to the news that the government has been considering more cuts in food stamps and school lunch and child nutrition?

Suddenly America is not better than. . . . Every day now, European journalists call Nancy Amidei of the Food Research and Action Center asking whether it is true that unemployed

feeding. There is nothing like hunger to sharpen the senses, and the consciences.

My own file has a collection of the gaps between haves and have-nots. But in real life, poverty isn't a gap. It's a sinkhole. Untended, the ground will collapse under a wider and wider number of people. We know the sound it makes, a noise as ominous as the rumbling of an empty stomach.

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Philip Geyelin

The Vietnam Memorial (Cont'd.?)

As any devout environmentalist can testify, Interior Secretary James Watt is not much given to leaving well enough alone. But what he does to wilderness, clean air and clear waters is at least well within an interior secretary's proper sphere of influence. Only up to a point can the same be said of what Watt is now doing to undo all the hard work and painful compromise that went into the creation of the Vietnam War Memorial.

Perhaps you thought the issue had been put to rest. From the time a lone former infantryman, Jan Scruggs, first walked in unannounced to broach the idea to Sen. Charles Mathias in 1979, the pace was swift. Mathias soon had the full Senate as cosponsors of a resolution that also swept through the House.

It set aside two acres in Constitution Gardens (a piece of parkland under Interior's custody) as the memorial site. The Vietnam Veterans' Memorial Fund raised the necessary construction money from private sources. An open competition attracted 1,400 would-be designers.

The winner was a young Chinese-American architectural student, Maya Ying Lin. Her design was provocative and instantly controversial: a sunken V-shaped wall of black marble, bearing the names of all the war's 57,000-plus dead and missing. Critics saw it as a "black gash," memorializing the dead without honoring those who served and survived—an anti-war statement. Before he saw it, Watt proclaimed it "an act of treason."

The rest of the story is tangled and controversial. Suffice it to say that after many special panels and committees and much impassioned argument,

a bargain was struck. To Maya Lin's memorial would be added a conventional, heroic sculpture of three fighting men and an American flag.

But the infighting did not end there. It came down to a question of how to integrate all three elements in a way that would somehow reconcile the reasonable and profound ambivalence with which Americans continue to read the lessons and the meaning of Vietnam—without compromising the artistic integrity of the winning design.

By last October, you would have been justified in thinking that a solution was at hand. The Commission of Fine Arts, whose final approval is required by law, unanimously accepted in principle the addition of the flagpole and the sculpture. But it suggested that they be placed a short distance away from the open end of the memorial to "help enhance the entrance experience." Watt and a vociferous group of conservative critics, including a few strong voices in Congress, wanted them at the point of the V as an integral, symmetrical appendage.

In the course of a moving Salute to Vietnam Veterans' Week in November, you would have thought the issue was, well, incidental. Watt allowed the dedication of the monument to go forward, while reserving his right to stick by his own view of how the memorial should be laid out. But the nice aesthetic distinctions between his view and that of the Fine Arts Commission seemed lost in the outpouring of warmth and long overdue thanksgiving that found its expression in that November week.

If Watt does what he now says he intends to do, however, the rift over the

monument's design may well widen—and in a way that can only rub raw the deeper Vietnam wounds. For Watt seems determined to set himself up as the final arbiter of what—aesthetically, artistically, symbolically—would constitute a proper memorial statement on the Vietnam War.

To recent visitors, he makes no bones about it: the issue is political. Under right-wing political pressure, he intends to propose to the next Fine Arts Commission meeting precisely the design that the commission seems determined to disapprove.

A compromise is still possible. Conciliatory forces are working on Watt to discharge his obligations by giving the commission freedom to choose among clearly defined options, including a design that the commission would be likely to approve.

If this fails, the closing days of the lame-duck session offer a foretaste of things to come. Only by the intervention of Sen. Mathias was a House resolution headed off in the Senate that would have legislated the layout favored by the so-called "militarist" conservatives. One of its promoters, Rep. Don Bailey, was himself a lame duck. But its cosponsor in the House, Rep. Duncan Hunter, is back, and likely to renew the effort.

One result could be congressional hearings—a sure way to rekindle the war over the Vietnam War in a mindless and impassioned way. Ultimately, Watt may force the Reagan administration and perhaps even the president himself into taking a position in an argument that would add nothing to the healing of wounds and still less to any useful effort to learn from the Vietnam experience.

THE WHITE HOUSE

WASHINGTON

January 12, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM:

Jim Cicconi *JC*

SUBJECT:

Today's Cabinet Lunch--Unemployment Proposals

The following is a brief update on the unemployment options that will be discussed in today's Cabinet lunch:

Long-Term Unemployed

Option 1: Extend FSC with tighter eligibility.

Option 2: Extend FSC with tighter eligibility and a wage subsidy option.

Option 3: Extend FSC with tighter eligibility, a wage subsidy option, and a workfare/training requirement.

Discussion: Both Regan and Feldstein made a strong case that extension of FSC had to be included since Congress is likely to extend it anyway. Almost the entire Cabinet Council supported the wage subsidy option (except for OMB), and 4 of the 9 members also favored a workfare requirement. Thus, the main discussion today will likely be on whether to require workfare/training as a condition for receiving FSC benefits.

Regarding workfare, Regan spoke strongly against it yesterday on political and timing grounds. Duberstein is prepared to convey congressional realities on the issue today. Ed Harper and others will favor the concept. Marty Feldstein made the point that this is not what Reagan did in California: there, workfare was imposed on welfare recipients, not unemployment recipients. Its inclusion in this package would likely undercut any political gains from the FSC extension and wage subsidy without any chance of congressional passage.

Displaced Workers

Option 4: Permit states to use unemployment funds for retraining and relocation.

Discussion: The CCEA was evenly split on this option. It is important to note that this permits states to allocate 2% of UI taxes to such assistance; it does not require it.

The main argument against this is that it may increase state UI fund debts; this would then add to pressure for Congress to forgive such debts. Donovan said that labor unions would oppose it for fear that it would somehow affect the stability of unemployment benefits. It was also argued that too few states would take advantage of such an option, though that argument seems to contradict the others. Arguments for doing this are its consistency with federalism, and the need to address the growing problem of displaced workers.

Option 5: Provide funding for displaced workers under the Job Training Partnership Act.

Discussion: It is proposed that \$240M be allocated to a federal-state matching program for displaced workers in the JTPA. There is no FY '84 funding for this at present. Under law, 25% of such funds would be set aside in a DOL discretionary fund to assist workers displaced by major plant closings. Most funds would be used for new on-the-job training. Over 160,000 workers will be helped by this. Only OMB opposes this option.

Option 6: Provide displaced workers with the option of receiving training and other job assistance along with regular UI benefits.

Discussion: This option has been put forward by Bill Brock, though a majority of CCEA feels it needs further study.

In short, an unemployed displaced worker would choose whether to use the current UI benefits (26 weeks plus 13 weeks if eligible), or opt for up to 52 weeks of benefits which is coupled

with retraining, job search and relocation assistance. This would replace the FSC program, and Brock would fund it through a 1¢ per hour contribution by employers and employees with the government contributing a similar amount. Federal outlays could run over \$1B a year, though reliable estimates are not complete. This would, in effect, be a tax increase, though Brock would characterize it as an insurance fund for displaced workers akin to UI.

This has some real problems, though it merits further study. It would offer several advantages not contained in other options: it could replace FSC, it would address the displaced worker problem in a more systematic way, and it would require employers and employees to share in its cost.

Youth Unemployment

Option 7: Establish a "youth differential minimum wage" for summer employment.

Discussion: You are already familiar with this, and it has unanimous support of CCEA. We can anticipate problems on the Hill, especially from labor, and should consider how we market this. We should, for example, probably call it a "teenage jobs program"; we can stress that it would create half a million summer jobs (particularly helping the horrible unemployment rate among black teenagers), and thereby put organized labor in a more awkward position.

Option 8: Create tax incentives for employing "school leavers."

Discussion: This is only supported by CEA. Ed Harper says he would support it if it were restricted to high school graduates.

Problems with this are that 5 of every 6 people helped by it would secure jobs without the program. Further, we would risk accusations from education groups that we are inadvertently providing an incentive for students to drop out of school (most current dropouts do so for economic reasons).

Memorandum for James A. Baker, III
January 12, 1983
Page 4 of 4

Increase Work Opportunities for Mainstream Unemployed

Option 9: Mandate state standards to encourage part-time work by UI beneficiaries.

Discussion: This would encourage those on UI to take part-time work (if full-time jobs are not available) by allowing them to keep partial UI benefits. This would also permit partial UI benefits to workers who take shorter hours as an alternative to lay-off.

Several states do this now, and there is sentiment on CCEA to simply encourage more states to do so rather than requiring it.

cc: Richard Darman
Ken Duberstein

workfare
youth diff.
IEA's / get both / cap
Energy - Nat Gas
Clean Air
Coord Op
- Regan
- MPO

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 1-10-83 NUMBER: 077716CA DUE BY: _____

SUBJECT: Cabinet Council on Economic Affairs - Tuesday, January 11, 1983

8:45 a.m. in the Roosevelt Room

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The Cabinet Council on Economic Affairs will meet Tuesday, January 11, 1983 at 8:45 a.m. in the Roosevelt Room. The agenda and background papers are attached.

Regan: workfare won't fly

Feldstein: must accept ext. of FSC

(1) agree to extend FSC, tighten eligib, option to receive in form of wage subsidy (option 2 = OMB "no" = workfare 5-4 against)

(2)

RETURN TO: Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

THE WHITE HOUSE

WASHINGTON

January 10, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*

SUBJECT: Agenda and Papers for the January 11 Meeting

The agenda and papers for the January 11 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 8:45 a.m. in the Roosevelt Room.

The first agenda item is a review of the structural unemployment options. Since the Council's meeting with the President last Thursday, the Working Group has met and revised the structural unemployment issue paper. The revised paper includes three options to extend and modify the Federal Supplemental Compensation (FSC) Program along the lines discussed at the Thursday meeting. It also includes the latest cost estimates developed over the weekend.

In the second section of the paper dealing with assistance for displaced workers, there is a new option submitted by Ambassador Brock. The cost estimates for this option have not yet been reviewed by the Working Group.

At last Thursday's meeting there was also much discussion about the characteristics of the unemployed and of those receiving unemployment compensation. The Department of Labor has prepared a short paper outlining the characteristics of these two groups and on the effects of increasing the duration of benefits.

The second agenda item is tax incentives for education saving. A revised paper, reflecting the latest estimates developed by the Working Group and indicating agency positions, is also attached.

Attachments

THE WHITE HOUSE

WASHINGTON

THE CABINET COUNCIL ON ECONOMIC AFFAIRS

January 11, 1983

8:45 a.m.

Roosevelt Room

AGENDA

1. Structural Unemployment (CM#303)
2. Tax Incentives for Education Saving (CM#327)

January 10, 1983

CABINET COUNCIL ON ECONOMIC AFFAIRS

Issue Paper

Structural Unemployment

This paper outlines a series of options to deal with structural unemployment that the Cabinet Council has discussed over the last several weeks. A working group, including representatives from the Departments of Labor, Treasury, and Commerce, the Council of Economic Advisers, the Office of Management and Budget, the Office of Policy Development, and the Office of the U.S. Trade Representative, have divided these potential proposals into four groups -- assisting the long-term unemployed, assisting displaced workers, addressing youth unemployment, and increasing work opportunities for the mainstream unemployed. These proposals share a common theme -- seeking to expand opportunities and incentives for individuals to secure employment.

I. Assistance for the Long-Term Unemployed

While many of the unemployed find jobs or withdraw from the labor force relatively quickly, a sizeable fraction of unemployment is due to persons who suffer long-term joblessness. During 1983 an estimated five million persons will experience unemployment for longer than six months. It is likely that somewhat over 3 million people will exhaust all unemployment compensation benefits during 1983.

The Council has concentrated on three options for assisting the long-term unemployed. All three options would extend Federal Supplemental Compensation (FSC) for six months with tighter eligibility requirements. The second option would add a wage subsidy alternative and the third option would add a community service work requirement.

The Federal Supplemental Compensation (FSC) program expires on March 31, 1983. The original FSC program provided 10 additional weeks of benefits in states that paid extended benefits after June 1, 1982, 8 additional weeks in remaining states with insured unemployment rates of over 3.5 percent, and 6 additional

weeks in all other states. Benefits are payable to those who use up all their weeks of UI and, where available, extended benefits (EB).

The duration of benefits under FSC was extended during the lame duck session and now provides five different tiers of benefit duration ranging from 16 weeks of additional benefits in high unemployment states to 8 weeks of additional benefits in low unemployment states.

The cost of extending the current program beyond the March 31, 1983 expiration date is \$2.4 billion through the end of FY 1983.

Option 1: Extend Federal Supplemental Compensation (FSC) for Six Months with Tighter Eligibility Requirements

This proposal would tighten up FSC by:

- o Requiring that claimants have worked 30 weeks out of the 52-week period used to determine their entitlement of UI, rather than 20 weeks now required.
- o Denying FSC to those who voluntarily quit their last job or were fired for good cause.
- o Reducing benefit durations by 50 percent if the unemployment rate falls below 10 percent.

Required Legislation

Federal legislation would be required. No state legislation is required; governors would have to sign an agreement to implement FSC in their states. All did the last time.

Costs and Coverage

The tighter eligibility criteria would save an estimated \$550 million.

Advantages

- o This proposal provides cash benefits to the long-term unemployed with past demonstrated workforce attachment, who lost jobs through no fault of their own.

- o It provides unemployment benefits beyond the regular 26 weeks, thus reducing pressure to rollback the 1981 EB trigger rate changes.
- o Congress is virtually certain to extend the FSC expiration date.

Disadvantages

- o Extending FSC will likely raise the measured unemployment rate. Additional weeks of cash benefits encourage beneficiaries to relax their search for work, or to remain in the labor force when they otherwise would have dropped out.
- o It provides additional weeks of benefits at unemployment rates below those now required for EB, undercutting the trigger rates for the long run.
- o It does nothing to put people back to work.

Option 2: Extend FSC with tighter eligibility requirements and permit recipients the option of receiving their benefits in the form of a wage subsidy.

This proposal would allow FSC recipients to receive the equivalent of their FSC benefit in the form of weekly vouchers which they could give to employers. Each voucher could be redeemed by the employer to subsidize part of the worker's wages for each week of full-time employment. The value of each voucher would be one half the amount of the worker's regular weekly UI benefit entitlement. Each weekly voucher would be worth an average of about \$60 a week, and would last twice as many weeks as FSC benefits. Benefits would last from 16 to 32 weeks depending on whether the worker was from a high or low unemployment state.

Employers would turn in the vouchers to the U.S. Treasury as a credit against their tax liability. Employers could not receive a credit for employees they previously laid off. Workers would need to begin redeeming these vouchers within 6 months after exhausting their benefits.

The wage subsidy component of this proposal would be available to eligible workers for one year beginning April 1, 1983.

Required Legislation

Federal legislation would be required. No state legislation is believed necessary, but agreement by state governors would be needed to implement.

Costs and Coverage

The cost of this program depends on how many of those eligible use the wage subsidy. Unfortunately, there is little existing evidence on which to base an estimate. Assuming 30 percent of those eligible use the wage subsidy during the first six months when FSC benefits are available and 50 percent use the wage subsidy during the next six months after FSC benefits have expired, the program would cost an estimated \$2.2 billion.

But dispute → "close to a wish" per Pater, Legem

Advantages

- o The program would be targeted at experienced workers with very serious employment problems.
- o The program would offer a productive alternative to continuing federal supplemental benefits.
- o The proposal could be implemented relatively quickly since it only requires federal legislation.

Disadvantages

- o Workers nearing the end of their regular or extended UI benefits may delay taking employment until they are eligible for the wage subsidy.
- o The wage subsidy will provide a windfall to employers who would have hired eligible workers absent the subsidy.
- o Many of those subsidized under this program may simply displace unsubsidized workers who will either remain on regular UI or go on unemployment insurance.

Option 3: Extend FSC with tighter eligibility requirements and permit recipients the option of receiving their benefits in the form of a wage subsidy and impose a community service work requirement as a condition for FSC cash assistance.

No FSC if you don't work in some way (or approved thing)

Under this option, eligible individuals could receive unemployment assistance in one of two forms:

- o A wage subsidy for private sector employment; or
- o FSC cash assistance providing that they work in a community service job or participate in an approved training program.

The U.S. Employment Service and state or local agencies would jointly administer the cash assistance component of the program. The Employment Service would have responsibility for certifying individuals as eligible. Local and state agencies would submit requests for individuals to temporarily perform needed community services. The Employment Service would match recipients and community service jobs.

Individuals would be required to devote 20 hours per week to qualify for benefits. This would allow recipients sufficient time to search for permanent employment. An individual's weekly benefit would equal his or her benefit under the current FSC program or approximately half of their former wage. Thus an individual's hourly benefit would be roughly comparable to his former wage level.

Required Legislation

Federal legislation would be required. No state legislation is required; governors would have to sign an agreement to implement FSC in their states. All did the last time.

Costs and Coverage

The cost of the program depends on how many of those eligible are willing to perform community service work. Unfortunately, there is little existing evidence on which to base an estimate. Assuming 35 percent of those eligible use the wage subsidy, 50 percent receive FSC cash benefits while performing community service work, and 15 percent choose not to participate in the program, the program would cost an estimated \$1.9 billion.

Advantages

- o This program will provide work opportunities for the approximately 380,000 individuals who receive Federal Supplemental Compensation in any given week.
- o By imposing a modest community service work requirement, this proposal will concentrate benefits on those willing to work.
- o This program will provide additional manpower resources to local governments for useful community service projects.

Disadvantages

- o This program may be criticized as simply requiring "make work" jobs as a condition for receiving unemployment insurance benefits.
- o This program may be criticized as imposing the same type of workfare requirements for individuals unemployed because of the recession as we are proposing for welfare recipients.
- o Some critics of the program may claim that it will require more time and effort than it is worth to properly place and supervise a large number of relatively short time workers.

Decision

- Option 1: _____ Extend Federal Supplemental Compensation (FSC) for Six Months with Tighter Eligibility Requirements.
- Option 2: _____ Extend FSC with tighter eligibility requirements and permit recipients the option of receiving their benefits in the form of a wage subsidy.
- Option 3: _____ Extend FSC with tighter eligibility requirements and permit recipients the option of receiving their benefits in the form of a wage subsidy and impose a community service work requirement as a condition for FSC cash assistance.

II. Assistance for Displaced Workers

After the economy recovers, there will still be an important structural unemployment problem for some experienced workers. These workers are from declining industries whose employment is unlikely to rebound fully during the recovery. A central problem for these workers is that their skills do not match those needed by many growth industries.

In recognition of this "displaced" worker problem, the Job Training Partnership Act includes a separate program for these workers. The Council has three options under consideration for assisting displaced workers.

not mandating -7-
4 favor
oppose
HUD, IEA, USTR, CPD, STATE, DCC
OMB, DCL, TREAS, D-T,

Option 4: Permit States to use Unemployment Insurance Trust Funds to Provide Retraining and Relocation Assistance

Under current law, states can use UI trust funds only to provide cash assistance to unemployed workers. The proposal, which has been recommended by the National Productivity Advisory Committee, would permit states to use UI trust funds to provide assistance to unemployed workers in the form of retraining and relocation assistance. The proposal includes two specific provisions:

- o A limitation of 2 percent of annual state UI tax receipts would be placed on the amount of UI assistance that could be paid by the state in the form of training or relocation assistance.
- o States running a deficit in their UI programs could borrow from the U.S. Treasury to finance training and relocation assistance at a rate of interest equal to the 3-month Treasury bill rate.

Required Legislation

Both federal and state legislation would be required to implement the proposal. Because most state legislatures meet irregularly and only for a portion of the year, it is unlikely that the proposal could be adopted on a widespread basis until calendar year 1984.

Cost and Coverage

It is unclear how many, if any, states would aggressively pursue this option. If all states adopted the proposal, the maximum outlays for FY 1984 under the 2 percent limitation would be \$436 million. Assuming an average cost per individual served of \$1,500, the program would serve 290,000 individuals.

Advantages

- o Provides a means whereby states can encourage individuals who have been permanently separated from their jobs to retrain or relocate themselves.
- o States could tailor their assistance to the specific needs of long-term structurally unemployed workers.

Disadvantages

- o It is not clear that many states would adopt this option. Under current law, states can provide retraining and relocation assistance and finance such assistance in a very similar manner to that provided in the proposal. Nothing in current law prevents a state from levying a payroll tax or borrowing from the general public to finance such assistance. Yet, only one state, California, has implemented a program of this type. California finances their program through a payroll tax surcharge.
- o The large industrial states experiencing a severe displaced worker problem are also states with large UI trust fund debts. These states are unlikely to raise state taxes to finance the program. Rather, they are likely to borrow from the trust fund, thereby raising their indebtedness. Currently, pressure is building in Congress to forgive state debts. Further indebtedness would only increase this pressure. Since the UI trust fund is part of the federal budget, any state borrowing will increase the federal deficit.

Support: DCL, DOC, CEA, USTR, Treas, CPD, etc.
Oppose: CMB

Option 5: ^{Provide} ~~Increase~~ Funding for Displaced Workers Under the Job Training Partnership Act (JTPA)

The recently enacted Job Training Partnership Act (JTPA) includes a federal-state matching program to provide assistance for displaced workers. Under the Act, several kinds of assistance can be offered:

- o Private sector retraining or approved schooling;
- o Relocation allowances for workers who wish to move; or
- o Wage subsidies for firms hiring displaced workers.

The Department of Labor has requested an additional \$240 million for FY 1984 to implement the program. Under current law, 75 percent of the money is allocated on a formula basis to the states subject to the condition that states provide a certain amount of their own funds to the program. The remaining 25 percent is allocated at the discretion of the Secretary of Labor for the purpose of assisting workers displaced because of plant closings.

The option would:

- o Establish \$240 million as the Administration's official FY 1984 request to Congress. (FY 1983 Congressional funding is \$25 million under the Continuing Resolution.)

- o Increase the proportion of funds that could be allocated at the Secretary of Labor's discretion and permit these funds to be spent on displaced workers who have been permanently separated from their jobs for reasons other than plant closings.

Required Legislation

No additional legislation is required. Only a budget appropriation is needed.

Cost and Coverage

The cost per person is estimated at \$1,500. The additional funds would be targeted at on-the-job training in growth industries by providing wage subsidies for experienced workers. Approximately 160,000 individuals would be assisted in this program.

Advantages

- o Since training provided under JTPA is offered primarily through the private sector, it is job oriented and often leads to a permanent job.
- o Increased expenditures on JTPA would be limited by a budget appropriation enabling the government to anticipate and control outlays.
- o When an individual receives on-the-job training, he is no longer counted among the unemployed.

Disadvantages

- o This proposal adds to a discretionary program that is just beginning and has not yet proven itself.
- o Even if the proportion of funds allocated at the Secretary's discretion is raised to 50 percent, \$120 million would be available to states. They need not spend these funds for on-the-job training.
- o Since the Administration has requested scaling down appropriations for all JTPA programs, asking for additional displaced worker funding might be viewed as a policy reversal.

1¢/hr
\$20/yr for avg wkr =
gets pool of retraining
funds

- o States are required to allocate funds for the program as a condition for the receipt of federal funds. While this incentive could lead to better programs leveraging more resources, it could also inhibit use in states with large budget deficits.

could be self-funding
support = USTR
Study further though

Option 6: Provide displaced workers with the option of receiving Federally funded certified training and other job search and relocation assistance along with unemployment benefits while in training for up to 52 weeks.

(Brock option)

This proposal would provide displaced workers with a two-track approach to unemployment assistance. The unemployed worker would choose, within four weeks of being certified as a displaced worker, which track to pursue.

Track 1 would be the existing unemployment insurance program of 26 weeks of regular UI and 13 weeks of extended benefits if eligible. Track 2 would allow the displaced worker to receive certified training and other job search and relocation assistance, along with continued unemployment benefits while in training, for up to 52 weeks.

A displaced worker is defined as anyone who has served in covered employment for at least four years and 1) has received a certificate from his employer that there is little likelihood of his being recalled within the next 6 months or 2) the industry in which he works has been certified by the International Trade Commission as having suffered serious import injury. Workers in this latter group of industries suffering import injury would almost by definition need to be undertaking major adjustment efforts.

An eligible displaced worker would be provided vouchers of a specified value which he could use to finance training at a certified institution.

This program could be funded in a tripartite manner through roughly equal contributions from management, labor, and government. The first year the federal government might well be required to finance the effort with subsequent year funding coming from industry, employees, and general revenues.

This two-track program would be advanced to replace the Federal Supplemental Compensation (FSC) program which expires on March 31, 1983. Although this proposal appears more limited in coverage than FSC, it directs itself to the same people -- the long-term unemployed. The distinct difference is that such a long-term unemployed worker must enter training and pursue other

- novel approach (tax?)

-11-

job oriented efforts in order to continue receiving income benefits. Because of its method of funding, it could be presented as an insurance fund for experienced workers threatened with the prospects of long-term unemployment.

Required Legislation

Federal legislation would be required to increase the employer contribution to UI and to initiate a comparable contribution from employees. State legislation would be required if it is decided not to establish a federal tax to cover both employer and employees.

Cost and Coverage

Cost would depend on how many displaced workers were able and willing to accept certification from their employer that they had little likelihood of being reemployed or were in industries found to be suffering serious import injury.

Although there has been insufficient time to calculate costs in detail, first year costs could be between \$2-4 billion, which could be funded by requiring employers and employees to each contribute 1¢/hr, with a comparable contribution from government.

Advantages

- o The program would be targeted at experienced workers with very serious employment problems. Only those with little likelihood of returning to their old jobs could participate.
- o The program would offer a productive alternative to regular UI income maintenance and to FSC, but would be targeted to, and require training for, those most in need of assistance.
- o Companies, workers, and the government would share directly in its costs and in the concept of maintaining a trained, employable workforce.

Disadvantages

- o If this program replaces FSC, it would eliminate FSC's extra benefits otherwise available to everyone exhausting regular UI benefits.

Decision

- Option 4: _____ Permit States to use Unemployment Insurance Trust Funds to Provide Retraining and Relocation Assistance.
- Option 5: _____ Increase Funding for Displaced Workers Under the Job Training Partnership Act.
- Option 6: _____ Provide Displaced Workers with the Option of Receiving Federally funded certified training and other job search and relocation assistance along with unemployment benefits while in training for up to 52 weeks.

III. Youth Unemployment

Youth unemployment is a serious labor market problem. Approximately thirty percent of the current unemployed are youths under 21. Increasing our ability to absorb the surge of new workers, mostly youths, that enter the labor market each year is essential. Experience suggests that youths who have difficulty in the first year or two in securing employment run a higher risk of becoming part of the long-term unemployed.

The Council has concentrated on two basic approaches -- a summertime youth differential minimum wage and tax incentives for on-the-job training of school leavers -- which are not mutually exclusive.

support = 31%
in minimum

Option 7: Establish a Youth Differential Minimum Wage for Summer Employment

Under current law, a single Federal minimum wage of \$3.35 exists for all workers independent of their age. The proposal would establish a youth differential minimum wage with the following provisions:

- o The lower minimum would be established at 75 percent of the current minimum, i.e., at \$2.50 per hour.
- o Only youth under the age of 22 would be eligible for this lower minimum.
- o The lower minimum would be available only during the period May 1 through September 30 each year.

Background

You endorsed the concept of a youth differential several times during the 1980 campaign. On August 5, 1980, before the National Urban League, you said: "We have a special need to expand the job opportunities for young people, through enactment of a youth differential in the minimum wage...Permitting young people to work at less than the legal minimum wage would allow them to get what they need most -- a job and the work experience it provides."

The minimum wage has risen 15 times since it was first enacted in 1938. The last legislated increase in the general minimum wage took effect January 1, 1981 when the minimum rose to \$3.35 an hour. This level has increased from \$3.10 in 1980, \$2.90 in 1979, and \$2.65 in 1978. The increases from 1978 until now were specified in the 1977 amendments to the Fair Labor Standards Act. Since these amendments did not specify any increase beyond 1981, the \$3.35 rate will remain fixed unless new amendments are enacted.

A youth minimum wage is not a new concept. A youth differential was recommended by the Nixon Administration in 1973, and the President based his veto of the minimum wage bill passed by the Congress that year in part on the failure to include a youth wage provision (the House vote to override the veto failed by 23 votes). At the time of the 1977 minimum wage revisions, an amendment was rejected by only one vote in the House (211 to 210) that would have permitted employers to pay 85 percent of the minimum to youths 18 or under for the first six months of employment.

The mayors of the two largest cities in the nation, Mayor Koch of New York and Mayor Bradley of Los Angeles, have strongly supported a youth differential minimum wage. One reason is that it would benefit many inner city youths.

Required Legislation

Modifying the minimum wage would require amending the Fair Labor Standards Act.

Cost and Coverage

No additional Federal outlays would be required. It would reduce the cost of the summer youth programs by \$75 million. It would create an estimated 300,000 to 600,000 new summer jobs.

Advantages

- o The minimum wage is particularly harmful for many youths because they lack sufficient skills and experience to earn a wage at or above the current minimum. If enacted, a youth differential minimum wage would increase teenage employment.
- o Opposition to a general youth subminimum stems from concern that employers would substitute youths for older workers. Such substitution is much less likely if the lower minimum is restricted to the summer months. Thus, congressional support is more likely for this proposal than for a general reduction in the minimum wage. The proposal is consistent with your previous commitments supporting a youth differential minimum wage.

Disadvantages

- o A youth differential minimum wage might generate pressure for an increase in the general minimum wage.
- o Organized labor vehemently opposes lowering the minimum wage. Major political opposition can be expected from those who wish to benefit from the support of organized labor.

Option 8: Create Tax Incentives for Temporary Private Sector Employment for School Leavers

only PEA supports / CRT supports if restricted to high school grads

Youth who have recently dropped out of school or graduated from high school and are not attending post-secondary school would be eligible for the program.

Private sector employers would receive a tax credit for employing certified school leavers equal to 40 percent of wages, up to a total credit of \$1,600 over a six month period. For administrative simplicity, schools would certify eligibility for the program. Tax credits would be claimed through the Federal tax system.

Background

For American youth the transition from formal schooling to full-time employment is characterized by high unemployment. In periods of full employment, the unemployment rate of high school graduates not enrolled in college is about 20 percent. For high school dropouts the comparable unemployment rate is over 30 percent. During a recession these unemployment rates rise sharply. Unlike youth enrolled in school, most school leavers are in the

market for full-time jobs that provide employer training. The minimum wage and the lack of entry level positions for apprentices and craft training make it difficult for youth to find jobs that provide private sector skill training and an opportunity to develop good work habits. The Federal government provides substantial direct and indirect support to individuals who enroll in some form of higher education, but provides few financial incentives for individuals to acquire and firms to provide skill training on-the-job.

Required Legislation

The proposal would require Federal legislation -- perhaps as an amendment to the Targeted Jobs Tax Credit (TJTC), which provides tax credits for employing disadvantaged youth.

Cost and Coverage

If the program could be administered in such a way to restrict it only to those graduates who do not go on to college, then the working group estimates that the proposal could subsidize jobs for 250,000 young people at a cost of approximately \$300 million in 1984. Of these 250,000 subsidized jobs, roughly five of every six would be for youths who would secure employment without the wage subsidy.

Advantages

- o The tax credit would mitigate the negative effect of the minimum wage on employment and on employer provision of job training.
- o The program attempts to improve the employability of school leavers before they experience serious labor market problems. The "preventive" approach to assisting unemployed youth may be more cost effective than the remedial approach characteristic of past training programs.
- o There may be long run benefits to the program if access to jobs with training opportunities reduces job turnover.

Disadvantages

- o Although the unemployment rates of school leavers are high, many youth who would have worked in the absence of the program will receive a subsidy.

- o The program may induce employers to substitute youth eligible for the credit for other potential workers. As a result, adults and youth not eligible for the program may experience increased unemployment.
- o This is a more expensive way of mitigating the negative effect of the minimum wage than establishing a youth differential minimum wage.

Decision

- Option 7: _____ Establish a Youth Differential Minimum Wage for Summer Employment
- Option 8: _____ Create Tax Incentives for Temporary Private Sector Employment for School Leavers

IV. Increasing Work Opportunities for the Mainstream Unemployed

The Council has also considered structural reforms of the unemployment insurance system that would increase work opportunities for the mainstream unemployed.

Background

At the present time, in many states workers who have been laid off but take part-time jobs lose many or all of their unemployment benefits. This tends to reduce individuals' incentives to help themselves by taking part-time work. In addition, it causes employers and employees not to take advantage of part-time worksharing arrangements in times of temporary economic distress.

not ready = some prefer "encourage"

Option 9: Mandate Uniform State Standards to Encourage Part-Time Work by Unemployment Insurance Beneficiaries

This proposal involves mandating a uniform set of UI benefits for partially employed workers. The plan has two parts:

- o States would be required to establish a uniform benefit formula for unemployed individuals who are unable to find

suitable full-time employment and who accept part-time work. The formula would allow workers to work (earn) up to certain threshold without losing employment benefits.

- o States would be required to adopt legislation that permits the payment of partial UI benefits to workers who take shorter weekly hours as an alternative to being laid off. The formula would make the partial UI benefits proportional to the reduction in work hours. Such arrangements already exist in California, Arizona, and Oregon.

Required Legislation

Both Federal and state legislation is required.

Cost and Coverage

- o An estimated 100,000 unemployed workers would take part-time employment if a partial-benefit structure similar to that now used by Pennsylvania (where an unemployed individual may take a job and earn up to 40 percent of his weekly UI payment without penalty) were adopted by all states. An estimated 40,000 layoffs would be saved by establishing uniform partial UI benefits for workers who would otherwise be laid off if a plan similar to that in California were adopted (where UI benefits are in strict proportion to the reduction in work days).
- o The total cost of this program is estimated to be about \$450 million.

Advantages

- o It would encourage more stable employment in the form of worksharing in plants undergoing temporary reductions in output.
- o It encourages continued attachment to the labor force in the form of part-time jobs for workers who might otherwise refuse such employment.

Disadvantages

- o By setting a Federal standard for state UI benefit structures this proposal may pave the way for Federal minimum UI standards.

- o This proposal expands the Federal role in unemployment insurance contrary to the general thrust of the Administration's federalism proposals.

Decision

Option 9: _____ Mandate Uniform State Standards to
Encourage Part-Time Work by Unemployment
Insurance Beneficiaries

OFFICE OF
POLICY DEVELOPMENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

1983 JAN -7 P 3:02

MEMORANDUM FOR: ROGER PORTER
FROM: WILLIAM E. BROCK
SUBJECT: An Option for Structural Unemployment

Option: A Two-Track Program for Assisting
Displaced Workers

This proposal would provide displaced workers with a two-track approach to unemployment assistance. The unemployed worker would choose, within four weeks of being certified as a displaced worker, which track to pursue.

Track 1 would be the existing unemployment insurance program of 26 weeks of regular UI and 13 weeks of extended benefits if eligible. Track 2 would allow the displaced worker to receive certified training and other job search and relocation assistance, along with continued unemployment benefits while in training, for up to 52 weeks.

A displaced worker is defined as anyone who has served in covered employment for at least four years and 1) has received a certificate from his employer that there is little likelihood of his being recalled within the next 6 months or 2) the industry in which he works has been certified by the International Trade Commission as having suffered serious import injury. Workers in this latter group of industries suffering import injury would almost by definition need to be undertaking major adjustment efforts.

An eligible displaced worker would be provided vouchers of a specified value which he could use to finance training at a certified institution.

This program could be funded in a tripartite manner through roughly equal contributions from management, labor and government. The first year the federal government might well be required to finance the effort with subsequent year funding coming from industry, employees and general revenues.

This two-track program would be advanced to replace the Federal Supplemental Compensation (FSC) program which expires on March 31, 1983. Although this proposal appears more limited in coverage than FSC, it directs itself to the same people--the long-term unemployed. The distinct difference is that such a long-term unemployed worker must enter training and pursue other job oriented efforts in order to continue receiving income benefits. Because of its method of funding, it could be presented as an insurance fund for experienced workers threatened with the prospects of long-term unemployment.

Required Legislation

Federal legislation would be required to increase the employer contribution to UI and to initiate a comparable contribution from employees. State legislation would be required if it is decided not to establish a federal tax to cover both employer and employees.

Costs and Coverage

Costs would depend on how many displaced workers were able and willing to accept certification from their employer that they had little likelihood of being reemployed or were in industries found to be suffering serious import injury.

Although there has been insufficient time to calculate costs in detail, first year costs could be between \$2-4 billion, which could be funded by requiring employers and employees to each contribute 1¢/hr, with a comparable contribution from government.

Advantages

- o The program would be targeted at experienced workers with very serious employment problems. Only those with little likelihood of returning to their old jobs could participate.
- o The program would offer a productive alternative to regular UI income maintenance and to FSC, but would be targeted to, and require training for, those most in need of assistance.
- o Companies, workers and the government would share directly in its costs and in the concept of maintaining a trained, employable workforce.

Disadvantages

- o If this program replaces FSC, it would eliminate FSC's extra benefits otherwise available to everyone exhausting regular UI benefits.

The Unemployed and Unemployment Compensation

CHARACTERISTICS

All Unemployed Individuals:

- 42 percent are females
- 41 percent are youth, ages 16 to 24
- 52 percent are prime age, 25 to 54
- 7 percent are 55 or older

Regular State and Extended Benefits Recipients: UI recipients constitute one-half of the unemployed. Most of those not receiving unemployment compensation are either seeking their first job or are reentrants to the labor force, and lack the work experience needed to qualify for UI. Characteristics of those receiving extended benefits are generally similar to those on regular state UI programs.

- Females are a slightly lower proportion of the insured unemployed (38 percent).
- Youths ages 16 to 24 account for 17 percent of the insured unemployed.
- 68 percent of the insured unemployed are prime age, 25 to 54 years.
- 15 percent are 55 years and over, more than twice their share of the unemployed.

Federal Supplemental Benefits Recipients: Characteristics of FSC recipients are not yet available, but earlier studies of the FSB program found the following:

- 47 percent were females, a share much higher than their share of the insured unemployed.
- 20 percent were youths ages 16 to 24.
- 58 percent were 25 to 54 years old.
- A high proportion were older workers; 22% were age 55 and over, and almost 9% were 65 and over.

DURATION

All unemployed individuals:

- On average, the unemployed are out of work for about 16 weeks during the year.
- 25 percent of the unemployed experience 27 or more weeks of joblessness during a year.

Regular UI recipients:

- The average number of compensated weeks is about 15, and typically occurs in two spells.
- Most states provide 26 weeks of benefits; about one-third of UI recipients exhaust.

Extended Benefits Recipients: The Extended Benefits program (EB) provides up to 13 weeks of benefits to exhaustees of regular UI in states with high unemployment.

- On average, EB recipients collect benefits for 10 consecutive weeks
- About 65 percent of EB recipients exhaust benefits.

Federal Supplemental Benefits Recipients: During the 1974-75 recession, FSB provided 13 to 26 weeks of benefits to EB exhaustees.

- FSB recipients collected benefits for an average of more than 15 weeks under this program, most of which occurred during the economic recovery.
- About 60 percent of FSB recipients exhausted benefits.

EFFECTS OF INCREASING THE DURATION OF BENEFITS

The longer the time period over which an individual can collect unemployment compensation, the longer will be the actual duration of unemployment. An additional week of benefit entitlement increases the duration of unemployment by roughly half of a week. It has been estimated, using extremely conservative assumptions, that the existence of FSB increased the unemployment rate in 1975 by .6 percentage points.

High rates of reemployment and labor market withdrawal in the post-exhaustion period also provide evidence of disincentive effects. Unemployment continuation rates show marked changes by weeks of duration: during the early weeks of unemployment, the fraction of UI recipients remaining unemployed at least one more week rises rapidly, approaching unity; but following exhaustion it declines sharply. Of the thirteen percent who leave unemployment in the week immediately following exhaustion, about half withdraw from the labor force and half find jobs.

The experiences of FSB recipients are also illustrative. Following exhaustion their rates of reemployment or labor force withdrawal increased sharply. About a fourth of FSB exhaustees left the labor force, with many retiring. About a fourth of those exhaustees who became reemployed did so within four weeks of exhaustion and about half became reemployed within ten weeks. Exhaustees under regular programs are also more likely to find employment or leave the labor force soon after exhaustion.

THE WHITE HOUSE

DRAFT

WASHINGTON

January 6, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: THE CABINET COUNCIL ON ECONOMIC AFFAIRS

SUBJECT: Tax Incentives for Education Saving

The Department of Education has advanced a possible initiative for the 1983 legislative program that would provide a tax incentive for education savings. The impetus behind this proposal is the Department's concern over the rising Federal share of support for higher education and the desire to achieve a tradeoff between incentives for greater family support in exchange for lower Federal outlays and subsidies.

Since this initiative involves a major change in the tax system, it was referred to the Cabinet Council on Economic Affairs. A working group including representatives from the Departments of Education and the Treasury, the Office of Management and Budget, the Council of Economic Advisers, and the Office of Policy Development has identified two issues requiring the Council's consideration: whether the Administration should propose a new tax incentive for education savings and, if so, what form that tax incentive should take.

Issue 1: Should the Administration propose a new tax incentive for saving to pay post secondary education costs?

Background

Modest programs conceived in the late 1960s to assist the needy in obtaining a college education have grown dramatically over the past decade. This year's appropriation set a new record for federal aid for post-secondary education. The growth in federal assistance has far outstripped the growth in college education costs.

As these programs have expanded, they have been transformed from assistance for the needy to include heavily subsidized education assistance for middle income American families. For example, the data below show the proportion of student beneficiaries in Federal Student Financial Aid programs who come from families with incomes above \$25,000.

"Pell" grants	23.9% of student beneficiaries
Supplementary grants	2.1%

College work study	20.0%
National direct student loans	20.6%
Guaranteed student loans	61.9%

In recent years the family share of higher education costs has actually declined. Between 1978 and 1981, annual college costs at a four-year public institution increased slightly less rapidly than disposable family income which rose approximately 10 percent a year. However, virtually none of this increase in family income went toward the increased college costs. The difference was made up by federal and other assistance.

This decline in parental responsibility for post secondary education costs is in large part a response to the availability of public assistance. In general Congress has chosen not to act on Administration proposals to tighten eligibility criteria and reduce the level of federal support.

At the present time there are approximately 12.5 million degree seeking students in institutions of higher education. Just over five million of them, or roughly forty percent, are receiving assistance from one or more of the six major federal loan or grant programs. The budget impact of a tax incentive for education savings depends on four variables:

1. What portion of the 60 percent of students not currently receiving any federal assistance would take advantage of the tax incentive program, and what would be the associated revenue loss?
2. What portion of the 40 percent of students receiving federal assistance would take advantage of the tax incentive program, and what would be the associated revenue loss?
3. What outlay savings would occur, assuming current eligibility criteria, because students would have higher savings and thus be eligible for aid or eligible for reduced levels of aid?
4. What outlay savings might reasonably be expected to occur because the Congress would agree to Administration proposals for tightened grant and loan program eligibility criteria in return for the education savings tax incentive program?

There are essentially two options: go forward with an education saving tax incentive proposal as part of the 1983 legislative program; or withhold support and continue to seek tighter eligibility criteria and lower funding limits with the Congress for current higher education assistance programs.

Option 1: Propose an education saving tax incentive as part of the 1983 legislative program.

Advantages

- o This proposal would encourage private family saving for education costs and reduce federal outlays for post secondary education costs.
- o Within five years it would help relieve the demand for highly subsidized federal assistance to post secondary education, if the funds in these savings plans reduced eligibility for federal assistance.
- o An education saving tax incentive is among the most popular initiatives the Administration could undertake.

Option 2: Withhold support for an education saving tax incentive and continue to seek tighter eligibility criteria and lower funding levels with the Congress for federal assistance to post secondary education.

Advantages

- o An education tax incentive may do little to increase overall saving but reward those savers who would save in any case for their children's education.
- o A new proposal would create a tax preference that would primarily benefit middle and upper income taxpayers and that other groups would seek to emulate for housing, etc.
- o The Congress may accept the education saving tax incentive proposal but fail to make corresponding cuts in current higher education assistance programs.

Decision

Option 1 _____ Propose an education saving tax incentive as part of the 1983 legislative program.

Supported by: Education, Labor, Transportation, U. S. Trade Representative, Council of Economic Advisers.

The CEA supports this option if and only if the proposal is for an Education Savings Account.

Option 2 _____ Withhold support for an education saving tax incentive and continue to seek tighter eligibility criteria and lower funding levels with the Congress for federal assistance to post secondary education.

Supported by: Treasury, Commerce, Office of Management and Budget.

Issue 2: If the Administration supports a new tax incentive for education savings, what form should that tax incentive take?

There are a variety of alternative ways a tax incentive could be structured. The principal features involve what tax treatment initial contributions receive, what tax treatment interest and dividends in the account receive, and how withdrawals both for education and noneducation uses are treated. The Cabinet Council has discussed two basic alternatives. The principal features of these alternatives are as follows:

<u>Principal Features</u>	<u>Individual Education Account (IEA)</u>	<u>Education Savings Account (ESA)</u>
<u>Creation of Trust</u>		
Eligible Contributors		Parents or Guardian.
Maximum Annual Contribution		\$1,000 per child.
Income Limitation on Contributors		Contributors may not have adjusted gross incomes over \$50,000 during the year they make a contribution.
Tax Treatment of Contribution	25 percent immediate tax credit.	No deduction or credit when contributed.
Purpose of Trust		Post Secondary Education.
<u>Rules Governing Trust Prior to Withdrawal</u>		
Tax Treatment of Interest and Dividends	No deferral of taxes.	Exempt from Taxation.
Investment Restrictions		No contribution after age 18 of beneficiary.
<u>Rules Governing Trust During Payout Period</u>		
Tax Treatment of Distributions		No tax on amount used for higher education.
Maximum Annual Payout		Total Cost of attendance.
Maximum Payout Period		To age 26.
<u>Non-Education Use</u>		
Early Non-Educational Withdrawal	25 percent tax on amount withdrawn. (Recapture tax credit.)	Accumulated interest and dividends are taxable.
Unused Funds Withdrawn after age 26.	25 percent tax on amount withdrawn.	Remaining accumulated interest and dividends are taxable.

Option 1: Propose creation of an Individual Education Account (IEA) Program which would provide a 25 percent tax credit for contributions made by eligible contributors.

This option would have the following estimated revenue impacts over the 1983-1988 period:

<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
-0.6	-1.8	-2.0	-2.2	-2.3	-2.6

Advantages

- o Provides the same dollar value to contributors regardless of their marginal tax rate. It would be perceived as equitable to low and middle income taxpayers.
- o Provides a strong immediate incentive to establish an Individual Education Account. Since interest and dividends are taxed, the incentive is strongest for contributions made in the years closest to when the funds are withdrawn.
- o The tax credit feature of this proposal is likely to appeal to families of students eligible for federal assistance under current law.

Option 2: Propose creation of an Education Savings Account (ESA) Program which would exempt from taxation interest and dividend income on contributions made by eligible contributors.

This option would have the following estimated revenue impacts over the 1983-1988 periods:

<u>(\$ Billions)</u>					
<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
*	-0.1	-0.2	-0.3	-0.5	-0.7

Since the tax benefit of this proposal is an exemption from taxes on interest and dividend income the losses in Federal revenues would increase substantially in the period following 1988.

Advantages

- o By relying on exempting interest and dividends from taxation, the benefit to contributors increases the longer the funds are in the account. Thus, this proposal would encourage families to establish an account early in the child's life and contribute to it over an extended period of time.
- o The revenue costs to the Federal Government would be minimal in the early years following the Program's establishment.
- o Revenue costs would increase at a time more closely matching the hoped for savings in education outlays from fewer families qualifying for current federal assistance programs.

Decision

Option 1

Propose creation of an Individual Education Account (IEA) Program which would provide a 25 percent tax credit for contributions made by eligible contributors.

Supported by: Education, Transportation, Labor, U. S. Trade Representative.

Option 2

Propose creation of an Education Savings Account (ESA) Program which would exempt from taxation interest and dividend income on contributions made by eligible contributors.

Supported by: Commerce, Treasury, Office of Management and Budget, Council of Economic Advisers.

*Regan strongly opposes
reverses deficit sev. billion*

Support educ. savings inst. (E-3 support)

(1)

(3)

Donald T. Regan
Chairman Pro Tempore

THE WHITE HOUSE

WASHINGTON

January 12, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM: Jim Cicconi *Jim*

SUBJECT: Today's Cabinet Lunch--Unemployment Proposals

The following is a brief update on the unemployment options that will be discussed in today's Cabinet lunch:

Long-Term Unemployed

Option 1: Extend FSC with tighter eligibility.

RR Option 2: Extend FSC with tighter eligibility and a wage subsidy option.

Option 3: Extend FSC with tighter eligibility, a wage subsidy option, and a workfare/training requirement.

Discussion: Both Regan and Feldstein made a strong case that extension of FSC had to be included since Congress is likely to extend it anyway. Almost the entire Cabinet Council supported the wage subsidy option (except for OMB), and 4 of the 9 members also favored a workfare requirement. Thus, the main discussion today will likely be on whether to require workfare/training as a condition for receiving FSC benefits.

*Pres.: try option 2,
see how it
works.*

Regarding workfare, Regan spoke strongly against it yesterday on political and timing grounds. Duberstein is prepared to convey congressional realities on the issue today. Ed Harper and others will favor the concept. Marty Feldstein made the point that this is not what Reagan did in California: there, workfare was imposed on welfare recipients, not unemployment recipients. Its inclusion in this package would likely undercut any political gains from the FSC extension and wage subsidy without any chance of congressional passage.

Displaced Workers

Option 4: Permit states to use unemployment funds for retraining and relocation.

Discussion: The CCEA was evenly split on this option. It is important to note that this permits states to allocate 2% of UI taxes to such assistance; it does not require it.

agree

The main argument against this is that it may increase state UI fund debts; this would then add to pressure for Congress to forgive such debts. Donovan said that labor unions would oppose it for fear that it would somehow affect the stability of unemployment benefits. It was also argued that too few states would take advantage of such an option, though that argument seems to contradict the others. Arguments for doing this are its consistency with federalism, and the need to address the growing problem of displaced workers.

Option 5: Provide funding for displaced workers under the Job Training Partnership Act.

Discussion: It is proposed that \$240M be allocated to a federal-state matching program for displaced workers in the JTPA. There is no FY '84 funding for this at present. Under law, 25% of such funds would be set aside in a DOL discretionary fund to assist workers displaced by major plant closings. Most funds would be used for new on-the-job training. Over 160,000 workers will be helped by this. Only OMB opposes this option.

agree

Option 6: Provide displaced workers with the option of receiving training and other job assistance along with regular UI benefits.

Discussion: This option has been put forward by Bill Brock, though a majority of CCEA feels it needs further study.

further study

In short, an unemployed displaced worker would choose whether to use the current UI benefits (26 weeks plus 13 weeks if eligible), or opt for up to 52 weeks of benefits which is coupled

with retraining, job search and relocation assistance. This would replace the FSC program, and Brock would fund it through a 1¢ per hour contribution by employers and employees with the government contributing a similar amount. Federal outlays could run over \$1B a year, though reliable estimates are not complete. This would, in effect, be a tax increase, though Brock would characterize it as an insurance fund for displaced workers akin to UI.

This has some real problems, though it merits further study. It would offer several advantages not contained in other options: it could replace FSC, it would address the displaced worker problem in a more systematic way, and it would require employers and employees to share in its cost.

Youth Unemployment

Option 7: Establish a "youth differential minimum wage" for summer employment.

Discussion: You are already familiar with this, and it has unanimous support of CCEA. We can anticipate problems on the Hill, especially from labor, and should consider how we market this. We should, for example, probably call it a "teenage jobs program"; we can stress that it would create half a million summer jobs (particularly helping the horrible unemployment rate among black teenagers), and thereby put organized labor in a more awkward position.

agree

Option 8: Create tax incentives for employing "school leavers."

Discussion: This is only supported by CEA. Ed Harper says he would support it if it were restricted to high school graduates.

no

Problems with this are that 5 of every 6 people helped by it would secure jobs without the program. Further, we would risk accusations from education groups that we are inadvertently providing an incentive for students to drop out of school (most current dropouts do so for economic reasons).

Memorandum for James A. Baker, III
January 12, 1983
Page 4 of 4

Increase Work Opportunities for Mainstream Unemployed

Option 9: ^{Encourage}~~Mandate~~ state standards to encourage part-time work by UI beneficiaries.

Discussion: This would encourage those on UI to take part-time work (if full-time jobs are not available) by allowing them to keep partial UI benefits. This would also permit partial UI benefits to workers who take shorter hours as an alternative to lay-off.

agree

Several states do this now, and there is sentiment on CCEA to simply encourage more states to do so rather than requiring it.

unanimous w/ change to "encourage" instead of "mandate"

cc: Richard Darman
Ken Duberstein