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THE WHITE HOUSE

WASHINGTON

June 7, 1983

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

DATE: June 8, 1983
LOCATION: Cabinet Room
TIME: 2:00 P.M. (60 minutes)

FROM: Craig L. Fuller CF

I. PURPOSE

To discuss two management initiatives recommended by the Cabinet Council on Management and Administration.

II. BACKGROUND

Federal Employees Health and Safety/CM160
The Department of Labor will present its recommendation for the upcoming year to improve the health and safety of federal employees.

Cash Management of Federal Funds in State Accounts/CM380
A proposed Administration initiative to improve cash management practices with the States will be presented, discussed and a decision to proceed will be requested.

III. PARTICIPANTS

Members of the Cabinet Council on Management and Administration (List attached to the Agenda)

IV. PRESS PLAN

None

V. SEQUENCE OF EVENTS

° Ed Meese will present the management initiatives.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: Edwin Meese, Chairman Pro-Tempore
Cabinet Council on Management and Administration

SUBJECT: Federal Occupational Safety and Health (CM#308)

ISSUE

Should a goal be established to reduce Federal employee injuries by 3% a year for five years, beginning in FY1984.

BACKGROUND

The cost of compensating Federal workers injured on the job is approaching $1 billion, having steadily increased from $179 million in 1973 to $830 million in 1982. (Chart 1)

While the injury rate of 14 major agencies has been increasing at a rate of 1.7% per year since 1977 (8.3% in 4 years), pushing costs up by 12.7% per year (62.6% in 4 years), the Postal Service has gone the other direction. With top level attention, the Postal Service has managed its injury rate down by 4.6% per year, holding the cost increase to only 5.2% per year. (Charts 2 and 3)

CCMA agreed six months ago that the key to an effective Federal safety and health program is the top management support it receives. A Presidential Policy Statement was issued as the cornerstone of OSHA's program and OSHA reached agreement with OPM to have safety and health criteria considered as a part of managerial performance appraisals.

PROPOSED GOAL

OSHA is proposing that CCMA approve and support OSHA's inclusion in its New Federal Initiatives Program, a five year goal (applicable to agencies covered by Executive Order 12196) to begin in FY 1984. The goal will be to reduce the Federal Government's injuries 3% per year for 5 years. The goal would be applicable to all agencies, but selected larger agencies and other agencies to be identified in OSHA's Targeting System would receive special consultation assistance from OSHA.

TOOLS TO ACCOMPLISH THE GOAL

Targeting

By using actual workers' compensation injury and cost data, OSHA will identify the agencies and worksites with the greatest need of attention.

(Using <u>their new targeting system</u>, OSHA identified TVA as a high hazard agency and reviewed its program. OSHA's principal recommendation was that top management become more directly involved in their safety and health program. In 1981, TVA had the highest injury rate in the Federal Government.

OSHA has just received TVA's 1982 injury statistics, and they speak for themselves; in the last year TVA has reduced their serious injury rate by 40%. TVA projects that this year's reduction will save the Agency approximately $9,000,000.)

<u>Evaluation</u>

OSHA evaluations will assess the effectiveness of all aspects of an agency's safety and health program, in order to pinpoint areas for action.

<u>Consultation and Training</u>

OSHA safety and health services to agencies will begin in July, and will include data analysis, training, hazard identification and recommendations for hazard elimination. This fiscal year, OSHA's Training Institute will provide training for 2300 Federal employees in a wide variety of occupational safety and health topics.

<u>Enforcement</u>

OSHA will apply new procedures for conducting unannounced inspections.

<u>Interagency Coordination</u>

The Federal Advisory Council on Occupational Safety and Health has identified three major Government-wide issues, which OSHA will emphasize. They are: Fleet Safety, Hazard Abatement, and Education and Involvement in Safety and Health.

<u>Incentive Program: President's Award</u>

Based on the President's Policy Statement, OSHA will use a Presidential Award Program to recognize those Federal agencies with the greatest improvement in their safety and health record.

DECISION: INJURY REDUCTION GOAL -- 3%/YR FOR 5 YRS (FY1984 START)

______APPROVED ______APPROVED AS AMENDED ______DISAPPROVED

Office of Workers' Compensation Programs, Chargeback Cost to All Federal Agencies

Fiscal Years 1973 - 1982

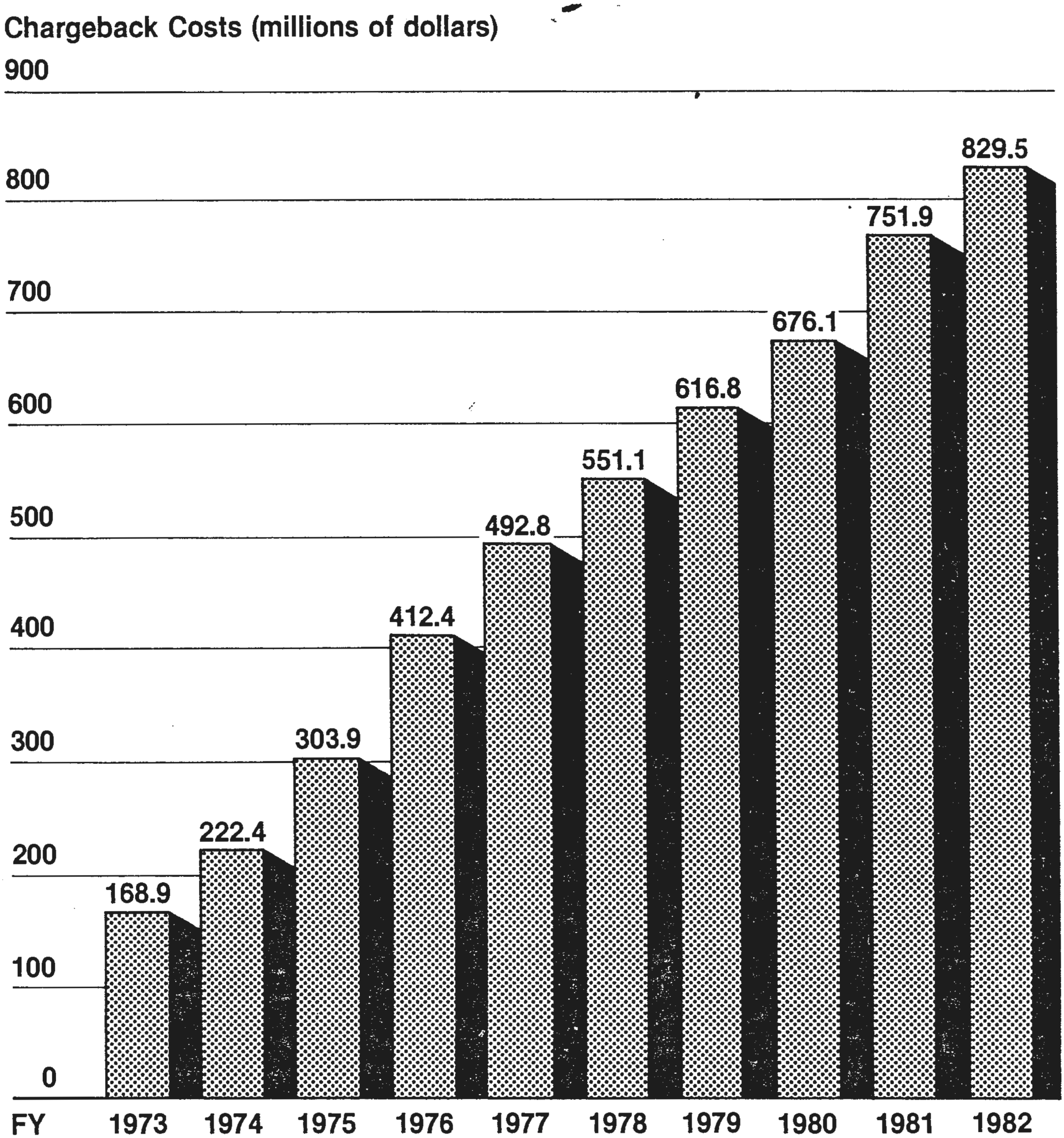


CHART #2

Percent Change in Workers' Compensation Claims 1977 - 1981

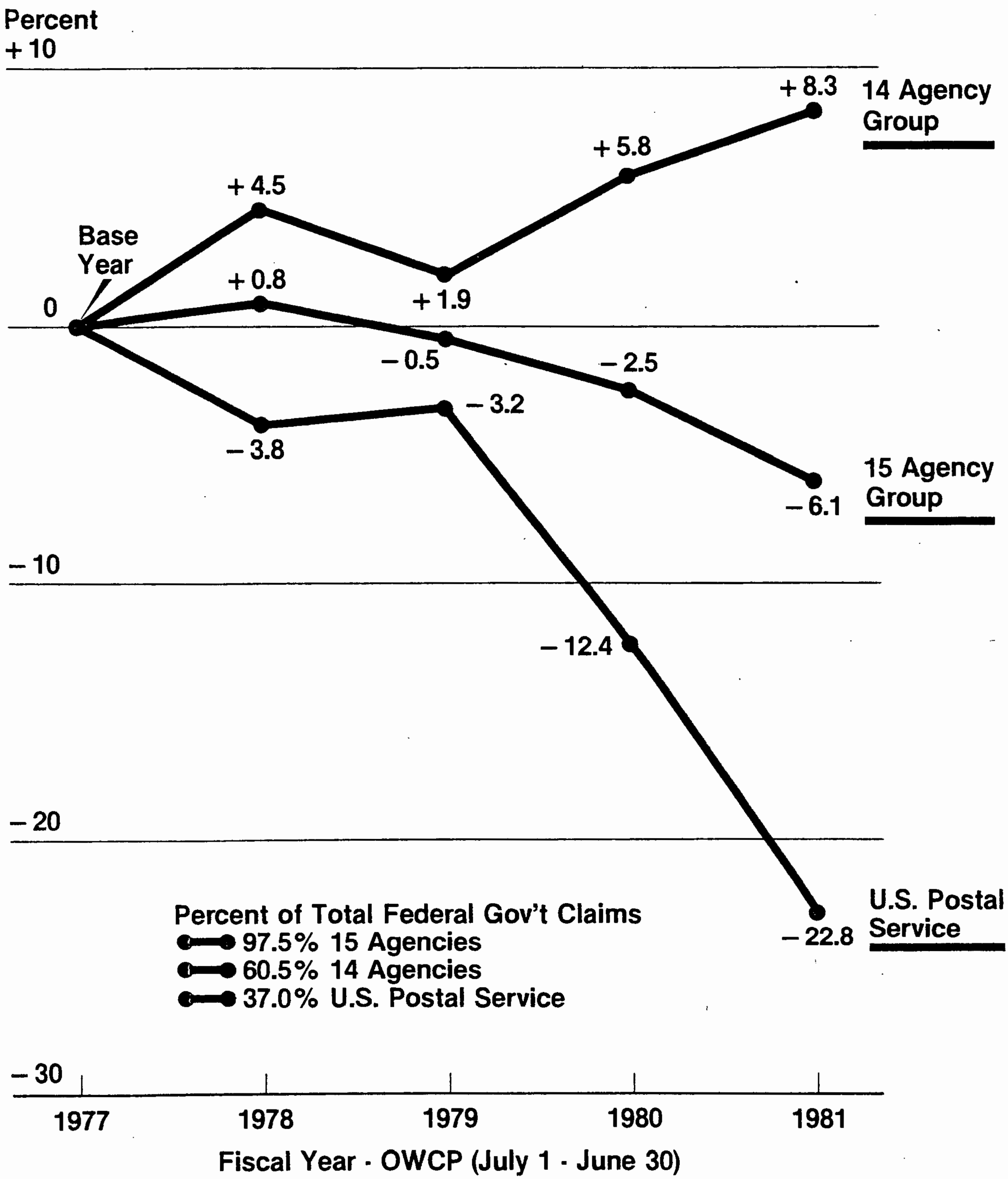
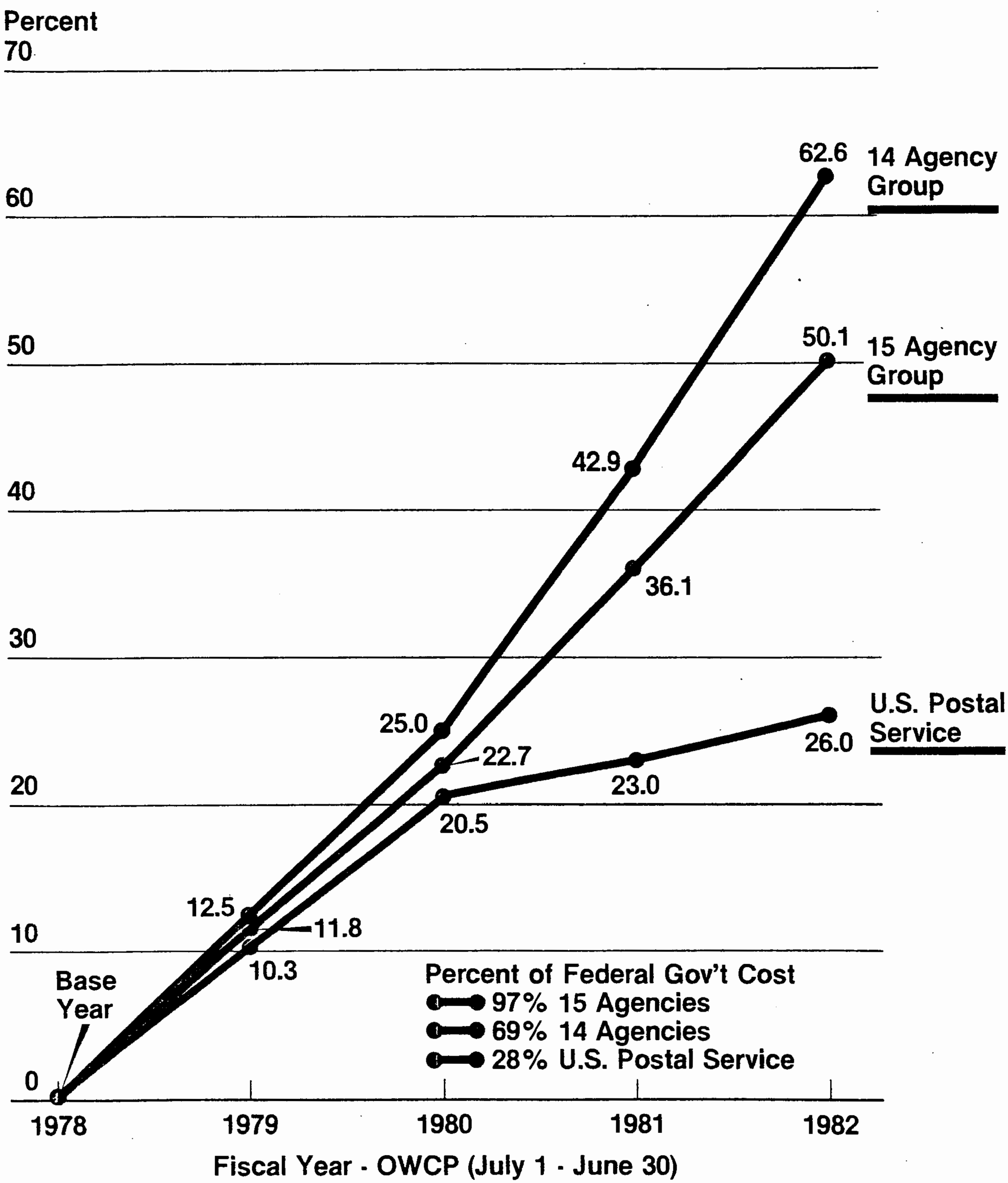


CHART #3

Percent Growth in Workers' Compensation Costs 1978-1982



THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: Ed Meese, Chairman Pro-Tempore
Cabinet Council on Management and Administration

SUBJECT: Financing of Federal Assistance

Attached is a paper prepared by OMB requesting approval to proceed with a new method for financing Federal assistance programs to States. The proposed changes have been discussed with State representatives (budget officers, auditors, controllers, treasurers). They agree with the general direction of the proposal.

FINANCING OF FEDERAL ASSISTANCE PROGRAMS TO THE STATES

The following report describes the Administration's initiative to improve cash management practices with the States and requests approval to proceed.

BACKGROUND:

The Federal Government disburses approximately $84 billion to the States each year for Federal assistance programs. The General Accounting Office, the Inspectors General, the Joint Financial Management Improvement Program, and the President's Private Sector Survey on Cost Control have criticized the Federal Government's methods for disbursing these funds. They claim that such methods result in the accumulation of large balances of excess Federal cash in the States, and that this costs the Federal Government millions of dollars annually in unnecessary interest costs. OMB estimates that the excess balances total over $900 million.

In order to reduce this excess Federal cash held outside the Treasury, the Department of Health and Human Services (HHS) initiated a "delay-of-draw method" for financing the Medicaid and the Aid to Families with Dependent Children (AFDC) programs. With this method, a State issues warrants or checks for program purposes. Since, however, it can take seven or more days before the warrants or checks are presented for payment, the State does not obtain Federal funds to cover the warrants or checks until just before they are estimated, according to historical patterns, to be presented for payment. HHS estimates that excess Federal cash for the Medicaid and AFDC programs was reduced by $411 million in the 30 States in which it was able to initiate the delay-of-draw method.

The method, however, is not without disadvantages. As many as 26 States claim bitterly of constitutional or statutory restrictions that require cash to be physically on hand in State bank accounts prior to the issuance of warrants or checks, and that the delay-of-draw method forces them to use their own funds or to borrow to cover the issuance of warrants or checks. From the Federal Government's perspective, the method does not completely eliminate excess cash. Residual balances representing a one- to two-day supply of cash remain in the States' bank accounts.

The method is also time-consuming and administratively burdensome to operate, particularly for the States who have to develop and monitor a separate check clearance pattern for each Federal program. Finally, the method is untested outside of the AFDC and Medicaid programs. In fact, it is probably not feasible for programs that have small numbers of large disbursements and/or for which the check clearance patterns are sporadic, e.g., highway construction, sewer construction.

As a result of objections raised by the States to the delay-of-draw method, nine Senators (Baker, Dole, Thurmond, Durenberger, Lugar, Quayle, Boren, Hawkins, and Cranston) entered into a colloquy on the Senate floor in December 1982, expressing concern with this method and noting the need for a uniform, equitable, and Government-wide cash management system for funding all grant programs to the States. The Senators agreed not to pursue legislation if the Administration would work jointly with the States to obtain a uniform and equitable system for financing grant programs.

Accordingly, OMB, Treasury, and HHS officials entered into negotiations with representatives of the National Association of State Budget Officers (NASBO) and the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) to develop mutually agreeable policies for financing Federal grant programs to States. These negotiations could have major implications for the Federal Government and this Administration. They will decide how over $84 billion in Federal assistance funds will be disbursed to States each year. If the negotiations are successful, the Federal Government could recover as much as $900 million in excess cash held by the States, and save close to $200 million each year in interest costs.

At the same time, the negotiations have New Federalism implications. Federal officials are taking a flexible posture by giving the States a number of financing options to choose from. If the negotiations are successful, it will prove that New Federalism and cash management improvement are not conflicting objectives of this Administration.

PRESENT STATUS:

OMB, Treasury, and HHS have already met twice with representatives of NASBO and NASACT to develop equitable policies for financing Federal assistance programs. A copy of these policies, which have been reviewed and accepted by OMB, HHS, Treasury, Education, and Transportation, is attached. The key point of the policies is that we are offering the States three options for receiving Federal assistance funds. These are:

- Checks-paid method. Under this method, the State issues warrants/checks against an operating account and the warrants/checks are processed according to normal bank procedures. At a predetermined time each day, the State's commercial bank totals the warrants/checks presented against the account that day, initiates a drawdown of Federal funds, and receives almost instantaneously funds from the Federal Government. While this method is similar to the "zero balance" concept used in the private sector by most large corporations, it would be constitutionally or statutorily prohibited or otherwise unacceptable in most States.

- Delay-of-draw method. Under this method, the State issues warrants or checks for program purposes against its operating account. The warrants or checks are processed according to normal bank procedures. Using historical warrant/check clearance patterns, the State requests its commercial bank, as often as daily, to draw down funds from the Federal Government to cover the warrants or checks it expects will be presented for payment the next business day.

- Checks-issued method (with funds maintained in a separate bank account and interest credited to the U.S. Treasury on the account balances). Under this method, the State prepares warrants or checks for program purposes but holds issuance of the warrants or checks until the Federal Government transfers funds to cover the warrants/checks. The funds are placed in a separate bank account and the warrants/checks are processed through normal banking procedures. Interest is credited to the U.S. Treasury monthly on the average daily balance in the account at the Federal funds rate.

The checks-issued/interest-earned method is the most advantageous for all parties and will probably be accepted by the majority of the States. The reasons are as follows.

° It provides a viable alternative for States that have constitutional or statutory limitations or administrative difficulties implementing the checks-paid or delay-of-draw method.

° It can be used for all programs, even those with small numbers of large disbursements and/or sporadic check clearance patterns. Thus, one system can be used for all programs.

° A separate bank account greatly improves the ability of Federal agencies to monitor and audit cash held by States.

° The Federal Government earns interest on 100 percent of the Federal funds in State accounts.

° It is the simplest and least burdensome for Federal and State Governments.

Our next meeting with representatives of NASBO and NASACT is scheduled for June 22, 1983. It is expected that at this meeting they will accept the proposed policies for financing Federal assistance programs. Officials from OMB, Treasury, and HHS can then begin to develop with the State representatives a memorandum of understanding to guide implementation of the proposed policies. Since the checks-issued/interest-credited option is new, Treasury will test this method in three or four States in order to resolve any procedural or operational matters that may arise.

<u>REQUEST TO PROCEED:</u>

___ As stated, this initiative has the potential of saving close to $200 million a year in interest costs. It also has very positive Federalism implications. We thereby request approval to proceed with the policies and approach as described.

_____ YES _____ NO

___ Approval to provide background and information materials to White House Communications and Speechwriters, after acceptance of policies by NASBO and NASACT, so that the President can get recognition.

_____ YES _____ NO

Attachment

POSSIBLE CASH MANAGEMENT POLICIES

1. Intergovernmental cash management practices are such that neither the Federal nor State Governments benefit financially or are penalized financially as a result of the transfer of cash in support of Federal assistance programs.

2. A State is considered to benefit when it possesses cash provided by the Federal Government prior to the time the cash is needed to redeem a presented warrant or honor a presented check. The Federal Government is considered to benefit when its share of a disbursement is redeemed by a State using its own funds. The Federal Government is considered to be penalized when it provides cash that is not needed by a State at that time to cover the Federal share of a disbursement. A State is considered to be penalized when it pays from its own funds the Federal Government's share of a disbursement.

3. The Federal Government shall make grant allocations and awards expeditiously, and shall process bills and release and transfer cash in an expeditious manner so that funds are available to meet States' cash needs.

4. States shall bill based on actual cash needs or a close approximation of expected cash needs (plus the allowances for depreciation, amortization, and other similar costs, if allowed), and shall bill as close as possible to the time of actual or expected cash needs.

5. The preferred technique for making disbursements to States for all Federal assistance programs is one that provides results closest to the policies set forth in this paper--that is, funds are available at exactly the time they are needed to redeem a presented warrant or honor a presented check.

   However, due to the variety of constitutional, statutory, and administrative restrictions existing among the 50 States, several techniques for transferring cash between Federal agencies and State governments shall be made available for selection by each State. These techniques are:

   -- Checks paid letter of credit.

   -- Estimated checks cleared letter of credit.

   -- Checks issued letter of credit (with Federal funds maintained in a separate bank account and interest paid on the average daily balance).

6. States selecting the checks issued letter of credit option shall:

   -- Draw down Federal funds as close as possible to the time of release of warrants or checks by the State;

   -- Maintain all Federal funds in a separate bank account, with accountability by program; and

   -- Pay or credit the U.S. Treasury interest on the average daily balance of Federal cash on hand computed at the Federal funds rate.

7. Since the checks issued letter of credit option is new, there should first be a pilot test in three or four States in order to resolve any initial procedural or operational matters that may arise.

8. Each State will use the same cash management technique for all Federal programs in which it is participating.

9. Federal agencies and each State government will move as quickly as possible to adopt the technique chosen by the States.

10. All transfers of funds between the States and the Federal Government shall be accomplished by wire transfer to ensure quick delivery of funds.

11. Except where constrained by statute, the Federal Government will move to revise those regulations requiring that States disburse their own cash prior to seeking reimbursement from the Federal Government.

12. States will apply sound businesslike practices when disbursing Federal funds to secondary recipients and contractors, and not disburse or handle such cash at a faster rate or in a different manner than it handles its own cash.

13. Disbursements to retainage accounts (i.e., the amount retained under progress payments for construction and other contracts) maintained under the control of a State are not considered disbursements for the purposes of determining benefits and penalties.

14. For Supplemental Security Income State supplement payments, the same cash management procedures shall be followed except the State will be considered the disbursing agent and the Federal Government the payee.

15. The Federal Government is willing to work with States and State organizations to consider other financing systems or methods proposed by the States as long-range or future alternatives.

16. Each State will assign the name and title of a specific State official(s) with the statutory and administrative authority to bind all State agencies and to review, approve, and/or enter into an agreement with the U.S. Government for the purpose of implementing these cash management policies.

The President has seen ____

THE WHITE HOUSE

WASHINGTON

June 7, 1983

PRESIDENTIAL STATEMENT ON ARMS CONTROL

DATE: Wednesday, June 8, 1983
LOCATION: Rose Garden
TIME: 11:00 a.m. (10 minutes)

FROM: William P. Clark WPC
Kenneth M. Duberstein Ken D.

I. PURPOSE

To make a public statement on your arms control initiatives emphasizing and focusing on the potential benefits of your decisions.

II. BACKGROUND

You have received a separate briefing paper on your meeting with the bipartisan Congressional leadership concerning the U.S. position at the Geneva START talks. Immediately following the Congressional meeting, you will make a public announcement in the Rose Garden on your decisions. Your statement will also emphasize your commitment to arms control and your plan to extend the bipartisan Commission on Strategic Forces. Aram Bakshian is sending the statement directly to you.

III. PARTICIPANTS

All those who participated in the bipartisan Congressional leadership meeting, plus Scowcroft Commission Members, Senior Administration officials and NATO Ambassadors are invited. See attached list.

IV. PRESS PLAN

TV and radio coverage. No plans for questions and answers.

V. SEQUENCE OF EVENTS

Immediately following the bipartisan Congressional leadership meeting in the Cabinet Room, participants will proceed to the Rose Garden to join the other guests. As soon as the entire distinguished group is assembled, you will join them and make a public announcement on arms control, followed by your immediate departure.

PARTICIPANTS

The President
The Vice President
Secretary of Defense Caspar Weinberger
Deputy Secretary of State Kenneth Dam
General John Vessey, Chairman-Joint Chiefs of Staff

WHITE HOUSE STAFF

Ed Meese, Jim Baker, Make Deaver, Bill Clark, Ken Duberstein, Bud McFarlane, Dick Darman, Craig Fuller, Dave Gergen, Larry Speakes, Jennifer Fitzgerald, Joe Hagan

LEGISLATIVE AFFAIRS STAFF

M.B. Oglesby, Pam Turner, Nancy Risque, Lynn Skolnick, Dave Swanson, Nancy Kennedy, Bob Kabel, Randy Davis, Dave Wright, John Dressendorfer, John Scruggs, Charlie Ponticelli, Ron Sable

PRESIDENT'S COMMISSION ON STRATEGIC FORCES

Secretary Alexander M. Haig, Jr.
Ambassador Richard Helms
Vice Admiral Levering Smith
Mr. John Lyons
Thomas Reed

SENIOR COUNSELORS

Lloyd N. Cutler
Melvin R. Laird
James P. Schlessinger

CHIEFS OF STAFF

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Admiral James D. Watkins
General Charles Gabriel
General John Meyer

NSC STAFF

Ron Lehman
Charles Tyson
Peter Sommer
Allan Myer
Sven Kraemer
Bob Linhard
Bob Lilac
Robert Helm
Robert Sims
Horace Russell
Don Fortier
Bob Kimmitt
Tom Shull

OFFICE OF THE SECRETARY OF DEFENSE

The Honorable Richard D. DeLauer
The Honorable Fred C. Ikle
The Honorable Richard N. Perle
The Honorable Russell Rourke, Assistant Secretary of Defense

OFFICE OF THE SECRETARY OF STATE

The Honorable Powell Moore
Admiral Jonathan T. Howe
Ambassador Selwa Roosevelt
Bob Dean
Mark Palmer
Alexander Vershbow
Chris Lehman
John Gordon
Louise Hoppe
Richard Gookin
Tim Towell

ARMS CONTROL AND DISARMAMENT AGENCY

Kenneth Adelman
David Emery
Tom Graham
Joe Lehman
Lou Nosenzo
Jim Timbie
Charles Kupperman
Mike Guhin
William Graham

SERVICE SECRETARIES

The Honorable Verne Orr
The Honorable John Lehman
The Honorable John O. Marsh

NATO AMBASSADORS OR REPRESENTATIVES

Otto E. Reich, Ambassador--Denmark
Knut Hedemann, Ambassador--Norway
Peter Hermes, Ambassador--Federal Republic of Germany
Rinaldo Petrignani, Ambassador--Italy
Allan E. Gottlieb, Ambassador--Canada
Bernard Vernier-Palliez, Ambassador--France
Leonardo Mathias, Ambassador--Portugal
Paul Schuller, Charge d'Affaires ad interim--Luxembourg
Alonso Alvarez de Toledo, Charge d'Affaires ad interim--Spain
Herman J. du Marchie Sarvaas, Minister--Netherlands
Derek M.D. Thomas, C.M.G., Minister--Great Britain
Georges Sioris, Minister-Counselor--Greece
Pierre Champenois, Minister-Counselor--Belgium
Numan Hazar, Counselor--Turkey
Haukur Olafsson, First Secretary--Iceland

THE WHITE HOUSE

WASHINGTON

June 8, 1983

CLARK BRIEFING
DATE: June 8, 1983
LOCATION: Oval Office
TIME: 3:00 p.m. (15 minutes)

FROM: WILLIAM P. CLARK WPC

I. PURPOSE

To present for signature a National Security Decision Directive (NSDD) on the international debt situation.

II. BACKGROUND

In NSSD-3-83, the President ordered that a study be undertaken on the international debt situation. The NSDD being presented for signature sets forth the findings of the study.

III. PARTICIPANTS

Ed Meese
James Baker
Michael Deaver
William P. Clark
Martin Feldstein
Norman Bailey

IV. PRESS PLAN

No press coverage.

V. SEQUENCE OF EVENTS

A discussion of the study and findings by the participants and presentation of the NSDD to the President for signature.

cc: Ed Meese
Jim Baker
Mike Deaver
Martin Feldstein

Prepared by:
Norman A. Bailey

THE WHITE HOUSE

WASHINGTON

MEETING WITH: PBS Taping
DATE: June 8, 1983
LOCATION: South Lawn
TIME: 3:30

FROM: Gahl Hodges

I. PURPOSE

To conclude taping of "Young Artists in Performance at the White House" which was rained out on Monday, June 6

II. BACKGROUND

Final program of spring series of "Young Artists in Performance at the White House -- A Salute to Broadway"

III. PARTICIPANTS

The President
Mrs. Reagan

IV. PRESS PLAN

V. SEQUENCE OF EVENTS

3:30pm The President arrives the South Lawn and takes his seat beside Mrs. Reagan in the front row.

The President and Mrs. Reagan listen to final two numbers of program.

3:40pm The President makes his remarks concluding the program and thanking the entertainers.

~~Attachment:~~

3:45pm The President is free to depart.