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THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

November 3, 1983

8:45 a.m.

Roosevelt Room

AGENDA

1. Conservation & Renewable Energy Tax Credits (CM#390)

2. Report of the Working Group on Pension Policy (CM#112)

CABINET COUNCIL ON ECONOMIC AFFAIRS

November 3, 1983

PARTICIPANTS

The Vice President

Secretary Regan, Chairman Pro Tempore

Secretary Baldrige
Secretary Donovan
Secretary Hodel
Chairman Feldstein
Jack Svahn
Deputy Secretary Lyng
(Representing Secretary Block)
Ambassador Lighthizer
(Representing Ambassador Brock)

Roger B. Porter, Executive Secretary
Thomas Gibson, Associate Director, Office of Cabinet Affairs

For Presentation:

John Chapoton, Assistant Secretary, Department of the Treasury
William Niskanen, Member, Council of Economic Advisers

Additional Attendees:

Michael Baroody, Deputy Assistant to the President and Director of Public Affairs
Rick Neal, Deputy Assistant to the President for Intergovernmental Affairs
Jim Cicconi, Special Assistant to the President and to the Chief of Staff
David Platt, Assistant Domestic Advisor to the Vice President

Allen Wallis, Under Secretary, Department of State
Thomas Healey, Assistant Secretary of Treasury for Domestic Affairs
Ronald Pearlman, Deputy Assistant Secretary of Treasury for Tax Policy
Daniel Benjamin, Assistant Secretary for Policy, Department of Labor

THE WHITE HOUSE

WASHINGTON

November 1, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER RBP

SUBJECT: Agenda and Papers for the November 3 Meeting

The agenda and papers for the November 3 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 conservation and renewable energy tax credits. The Cabinet Council considered this issue at its July 28 meeting and asked the Office of Policy Development to work with the Department of the Treasury, the Department of Energy, and the Office of Management and Budget and other interested members in developing a catalog of all conservation and renewable energy related tax credits, and developing a series of options, based on all the various types of energy related credits, ranging from allowing the credits to expire under current law to supporting a five year extension of the existing credits. An issue paper outlining these options is attached.

The second agenda item is a report of the Working Group on Pension Policy regarding recent legislative developments with respect to single employer pension plans. A memorandum from the Working Group is attached.

Attachments

November 1, 1983

CABINET COUNCIL ON ECONOMIC AFFAIRS

Issue Paper

Conservation and Renewable Energy Tax Credits

At its July 28 meeting the Cabinet Council on Economic Affairs considered the question of whether to permit existing business energy tax credits to expire on December 31, 1985 as scheduled or seek a five year extension of the credits through 1990. Rather than make a decision at that time regarding only the business energy tax credits, the Cabinet Council asked for: (1) a catalog of all conservation and renewable energy related tax credits, according to purpose and use (Appendix A); and (2) several decision options based on all of the various types of energy-related credits (excluding synfuels).

An Admininistration position is needed to either encourage or discourage impending Congressional action on this issue. S. 1939, which would extend most of the renewable energy tax credits has been introduced and cosponsored by key members of the Senate (Senators Wallop, Baker, Domenici, Durenberger, Hatfield, McClure, Byrd, Ford, and Matsunaga). There is a possibility that this bill will be attached to tax legislation currently pending before the Senate Finance Committee. Similar legislation has been introduced in the House.

Background

In the Energy Tax Act of 1978 and the Crude Oil Windfall Profit Tax Act of 1980, a series of energy tax credits were enacted or modified to encourage investment in conservation and renewable energy technologies. The expiration date of the residential conservation and renewable tax credits and most of the business energy supply investment tax credits was set as December 31, 1985. The excise tax exemption for alcohol fuels was set as December 31, 1992. The business energy conservation tax credits and parts of the business energy supply investment tax credits expired December 31, 1982.

As part of the Fiscal Year 1983 Budget, the Administration proposed to repeal all business energy tax subsidies and to repeal special provisions allowing States and localities to issue tax-exempt industrial development bonds to finance certain energy property, effective January 1, 1983. In response to this proposal, both Houses of Congress adopted resolutions supporting the energy tax credits, with 265 Representatives and 63 Senators supporting the respective resolutions.

Summary of the Options

This paper presents four options for the Cabinet Council's consideration:

(1) Oppose all legislation that would modify or extend in any fashion existing tax credits;

(2) Propose to extend for five years all existing energy tax credits that are currently due to expire on December 31, 1985;

(3) Selectively modify or extend some of the existing energy and conservation credits by:

(a) extending for five years the renewable business energy tax credits (15 percent) for solar, wind, geothermal and ocean thermal properties and providing affirmative commitments for projects which begin before December 31, 1990;

(b) opposing extending the remaining business energy tax credits that do not involve innovative or new technologies, e.g. hydro, biomass and intercity buses.

(c) extending for five years the renewable residential supply (renewable) credits (currently 40 percent credit) at a 15 percent rate;

(d) opposing extending the 15 percent residential conservation credits;

(4) Selectively modify or extend most of the existing energy and conservation credits by:

(a) (i) extending the renewable business energy supply credits for solar, wind, geothermal, and ocean thermal properties for a period of five years; (ii) increasing the tax credits for solar, wind, and geothermal (currently 15%) to 20% effective January 1, 1984; and (iii) providing affirmative commitments for projects which begin before December 31, 1990.

(b) opposing extending the remaining business energy tax credits that do not involve innovative or new technologies, e.g. hydro, biomass, and intercity buses.

(c) extending the renewable residential energy supply credits for a period of five years but at a reduced percentage (currently 40%): 30% in 1986; and 20% in 1987-1990.

(d) (i) extending the residential energy conservation credit for a period of five years; (ii) increasing the tax credit (currently 15%) to 20% effective January 1, 1984; (iii) increasing the tax credit ceiling (currently $300) to $400; and (iv) allowing homes that were completed before January 1, 1983 (currently April 20, 1977) to be eligible.

Discussion of the Options

Option 1: Opposing all legislation which would modify or extend in any fashion existing tax credits.

This option would not result in any reduction in Federal receipts compared to current law.

Advantages:

- Eliminating subsidies is consistent with the Administration's philosophy (underlying the enactment of ERTA and the decontrol of oil and gas prices) that the free market promotes the most efficient use of resources and thus maximizes productivity. When fuel prices increase, such as from increases in the world price of oil, the market will allocate the increased investments in conservation and energy technologies.

- In general, targeted tax credits such as the current energy credits create market distortions. To the extent they encourage investments that would not be economic absent the subsidy, the productivity of the capital stock is lowered by diverting investments away from more productive uses in the economy.

- Extending the conservation and renewable energy tax credits would result in an estimated reduction of Federal revenues losses of up to $1.3 billion in a single year and could result in much larger losses if credits are increased. Further, tax credit programs typically receive less scrutiny than on-budget direct outlay programs.

- Failure to oppose all energy credits may encourage Congress to seek more and larger tax subsidies by weakening the Administration's principal criticism of such credits: they are unnecessary because the market responds to price signals.

- Tax incentives to encourage conservation and renewable energy often involve as much government interference in the marketplace as do spending programs. In order to control the costs of the program, and to assure that tax-favored investments are limited to those with the primary purpose and effect of reducing consumption of fossil fuels, it is necessary to have detailed and often arbitrary rules to determine eligibility for the credits.

- Credits are an inferior means of reducing oil imports. If reducing oil imports below free market levels were a policy goal, a more cost effective way of achieving this objective would be a tax on oil imports or oil consumption.

Option 2: Propose extending for five years all existing energy tax credits that are currently due to expire on December 31, 1985.

This option would lead to a reduction in Federal tax receipts compared to current law of $2.5 billion over 1984-88 and $5.3 billion over 1984-90.

Advantages:

- The energy policy goal of this Administration is to foster an adequate supply of energy at reasonable costs by promoting a balanced and mixed energy resource system and by minimizing Federal control and involvement in energy markets while maintaining public health and safety and environmental quality.

  Energy tax credits to stimulate increased conservation and renewable energy support this goal by diversifying our sources of energy and by providing additional incentives to the private sector to reduce overall energy demand and imported oil, thereby further reducing the Nation's vulnerability to an oil supply disruption.

- The existing energy tax credits represent less intrusion into the private sector decisionmaking process than most Federal energy regulatory or expenditure programs designed to achieve the same goals.

- The recent decline in energy prices, and energy prices anticipated through the late 1980's, have discouraged investment in conservation and alternative energy technologies. Many businesses in these emerging energy industries argue that they will fold unless conservation and renewable energy tax credits are extended. Tax credits provide investors in relatively high risk projects the potential for reasonable rates of return.

- There has not been a predictable climate for investment in conservation and renewable energy projects: (1) the December 31, 1985 expiration date is too proximate to permit the credits for multi-year renewable energy investments to be effective; (2) some credits were proposed for repeal in FY 1983; and (3) important provisions of the Public Utility Regulatory Policies Act

of 1978 (PURPA), dealing with congeneration and small power producer interconnection with utilities, were resolved only recently by the Supreme Court.

- o Extending the tax credits would maintain the growing but fragile renewable energy industry, thereby increasing export potential in this industry during a period in which conventional energy prices are likely to remain relatively low, while other countries are supporting their similar industries.

- o These credits have strong Congressional support. By supporting extension of the credits, the Administration would be better able to shape the legislation.

Option 3: Selectively modify or extend some of the existing energy and conservation credits by continuing to provide incentives for the development of newer and more innovative technologies, treating business and residential credits in a consistent manner, but minimizing the general subsidy to nonfossil fuel energy sectors.

a) Extend the renewable business energy tax credits (15 percent) for solar, wind, geothermal, and ocean thermal property.

b) Oppose extending the remaining business energy tax credits that do not involve innovative or new technologies, e.g., hydro, biomass and intercity buses.

c) Extend the renewable residential supply credits (currently a 40 percent credit) at a 15 percent rate.

d) Oppose extending the 15 percent residential conservation credit, which is for home insulation and store windows.

This option would lead to a reduction in Federal tax receipts compared to current law of $442 million over 1984-88 and $988 million over 1984-90.

Advantages

- o This option would signal some Administration support for renewable energy investments.

- o Residential and business investment in renewable energy property would be treated in a similar manner; investment in more innovative measures such as solar, wind, and geothermal technologies would be eligible for a 15 percent tax credit; more conventional investments such as insulation or small hydro would not receive a credit.

- o This option would be less costly than extending all energy tax credits for five years.

Disadvantages

- o This option would not provide as great an incentive for residential investment in renewable energy as current law. In addition, tax credits for home insulation and storm windows would be eliminated.

- o Biomass and small hydro projects would no longer be eligible for tax credits, yet they are two renewable sources that could make a significant energy contribution in the next five years.

Option 4: Selectively modify or extend most of the existing energy and conservation credits by continuing to provide incentives for business to invest in new and innovative technologies; treating business and residential credits in a consistent manner; and providing increased subsidies for conventional energy saving investment by the residential sector.

a) Extend the renewable business energy supply credits for solar, wind, geothermal, and ocean thermal properties for a period of five years (allowing credits for biomass and hydro to expire); increasing the tax credits for solar, wind, and geothermal (currently 15%) to 20% effective January 1, 1984; and providing affirmative commitments for projects which begin before December 31, 1990.

b) Oppose extending the remaining business energy tax credits that do not involve innovative or new technologies, e.g. hydro, biomass, and intercity buses.

c) Extend the renewable residential energy supply credits for a period of five years but at a reduced percentage (currently 40%): 30% in 1986 and 20% in 1987-1990.

d) Extend the residential energy conservation credit for a period of five years; increasing the tax credit (currently 15%) to 20% effective January 1, 1984; increasing the tax credit ceiling (currently $300) to $400; and allowing homes that were completed before January 1, 1983 (currently April 20, 1977) to be eligible.

This option would lead to a reduction in Federal tax receipts compared to current law of $2.5 billion over 1984-88 and $4.1 billion over 1984-90.

Advantages

- o This option would signal some support for conservation and renewable energy investments.

- The phasedown of residential supply credits would limit revenue losses for that category and would provide an additional incentive to the industry to accelerate product improvements.

- The residential conservation tax credit rate would provide some increased incentives to homeowners to invest in conventional technologies having a relatively high cost effectiveness.

Disadvantages

Biomass and small hydro projects would no longer be eligible for tax credits, yet these are two renewable sources which could make a significant energy contribution in the next five years.

Effect on Receipts of Several Residential and Investment Energy Credit Options

Fiscal Years 1984-1990

Compared to Current Law

($ millions)

	Fiscal Years							Total
	1984	1985	1986	1987	1988	1989	1990	1984-1990
Option 1: Current law								
Total	—	—	—	—	—	—	—	—
Option 2: Extend (at current rates) renewable business credits and residential credits:								
Business:								
Conservation	—	—	—	—	—	—	—	—
Supply:								
Solar, wind, ocean and geothermal*	—	—	-50	-90	-94	-95	-100	-429
Other renewable:								
Biomass	—	—	-108	-177	-173	-174	-183	-815
Qualified hydroelectric	—	-3	-8	-11	-11	-14	-21	-68
Subtotal, other supply	—	-3	-116	-188	-184	-188	-204	-883
Subtotal, supply	—	-3	-166	-278	-278	-283	-304	-1,312
Total, business	—	-3	-166	-278	-278	-283	-304	-1,312
Residential:								
Conservation	—	—	-46	-288	-274	-261	-248	-1,117
Supply	3	35	24	-525	-718	-783	-859	-2,823
Total, residential	3	35	-22	-813	-992	-1,044	-1,107	-3,940
Grand total, Option 2	3	32	-188	-1,091	-1,270	-1,327	-1,411	-5,252
Option 3: Extend business solar, wind, ocean and geothermal at 15 percent; extend residential renewable at 15 percent:								
Business:								
Conservation	—	—	—	—	—	—	—	—
Supply:								
Solar, wind, ocean and geothermal*	—	—	-50	-90	-94	-95	-100	-429
Total, business	—	—	-50	-90	-94	-95	-100	-429
Residential:								
Conservation	—	—	—	—	—	—	—	—
Supply	1	15	32	-113	-143	-166	-185	-559
Total, residential	1	15	32	-113	-143	-166	-185	-559
Grand total, Option 3	1	15	-18	-203	-237	-261	-285	-988
Option 4: Extend business solar, wind, ocean and geothermal at 20 percent; extend residential conservation at 20 percent ($400 cap); extend residential supply to 30 percent in 1986 and 20 percent for 1987-1990: 1/								
Business:								
Conservation	—	—	—	—	—	—	—	—
Supply:								
Solar, wind, ocean and geothermal*	-10	-29	-70	-122	-127	-130	-137	-625
Total, business	-10	-29	-70	-122	-127	-130	-137	-625
Residential:								
Conservation	-32	-211	-235	-473	-430	-401	-372	-2,154
Supply	1	20	20	-309	-445	-315	-281	-1,309
Total, residential	-31	-191	-215	-782	-875	-716	-653	-3,463
Grand total, Option 4	-41	-220	-285	-904	-1,002	-846	-790	-4,088

Office of the Secretary of the Treasury
Office of Tax Analysis

November 1, 1983

1/ Increases are effective January 1, 1984. Affirmative committment rule is provided for business projects which begin before January 1, 1991.

Note: Assumes current energy price scenario. Plausible projections of higher oil prices would level to substantially higher losses in the later part of the 1980s.

*Assumes certain currently planned pilot projects which are not price effective under current oil prices; go forward for nonprice reasons.

EXISTING TAX CREDITS

Under current law, there are special tax credits available to households and business firms to encourage investments in conservation and renewable energy technologies. These credits can be grouped into three major categories:

- Business Energy Credits: Renewable Energy. Under present law, solar, wind, or geothermal property and ocean thermal property qualify for a 15 percent energy investment tax credit. In addition, certain hydroelectric generating property qualifies for an 11 percent credit and qualified intercity buses, and biomass property qualify for an 10 percent energy investment tax credit. Biomass gnerally includes animal waste, wood, sewage, sludge, oceanic and terrestial crops, and municipal and industrial waste. Biomass property is generally defined as equipment used to burn biomass as well as equipment used to convert biomass into a synthetic solid fuel. Equipment used to convert biomass into alcohol fuel also constitutes biomass property, but only where the primary source of energy for this equipment is neither oil, natural gas nor one of their by-products. The energy credits for all of the above mentioned categories of property are scheduled to terminate on December 31, 1985.

- Business Energy Credits: Conservation and other Alternative Energy Sources. In addition to the renewable energy credits, the Congress in 1978 and 1980 provided 10 percent energy investment tax credits to a wide range of investments in property used to produce energy from alternative sources (other than conventional oil or natural gas), boilers or burners that use fuel other than oil or natural gas, and investments believed to increase the energy efficiency of existing agricultural, commercial, and industrial processes. The credits for alternative energy include credits for equipment to produce synthetic fuel from alternate substances and coal conversion and related equipment.

  This 10 percent energy investment tax credit for the above mentioned types of energy property expired on December 31, 1982, except for certain categories of expenditures that qualified under the "affirmative commitment rules." In general, under the affirmative commitment rules, such property that is a part of a project with a normal construction period of two years or more qualifies for an energy credit until December 31, 1990 if (i) before January 1, 1983, all engineering studies in connection with construction of the project have been completed and

all environmental and construction projects have been applied for; and, (ii) before January 1, 1986, the taxpayer has entered into binding contracts for the acquisition, construction or erection of equipment for the project that represents at least 50 percent of the estimated cost of the project.

- Residential Energy Credits: Renewable Energy. Households are allowed a 40 percent credit on the first $10,000 of expenses for renewable energy property, for a maximum credit of $4,000. Renewable energy property includes solar, wind, and geothermal investments used in heating, cooling, and providing hot water for use in a taxpayer's principal residence. The residential credits for renewable energy are also scheduled to expire on December 31, 1985.

- Residential Energy Credits: Conservation. For households, a 15 percent tax credit is available on the first $2,000 of expenses for qualifying energy conservation property, for a maximum credit of $300. Energy conservation property includes items such as insulation, storm windows, caulking, and clock thermostats installed for use in a taxpayer's principal residence. The residential conservation credits are scheduled to expire on December 31, 1985.

THE WHITE HOUSE

WASHINGTON

November 2, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER

SUBJECT: Supplemental Paper for the November 3 Meeting

Several key Senators have introduced legislation that would extend most of the renewable energy tax credits. The Treasury Department has just completed an analysis of the bill, which would be very helpful in tomorrow's Cabinet Council discussion of conservation and renewable energy tax credits. Treasury's description of the bill, and its effect on Federal receipts, is attached.

November 2, 1983

CABINET COUNCIL ON ECONOMIC AFFAIRS

SUPPLEMENTAL PAPER - S. 1939

S. 1939, which may be attached to tax legislation currently pending before the Senate Finance Committee, contains the following significant provisions:

1. Residential Renewable Energy Credits

The 40 percent renewable energy credit is extended from 12/31/85 to 12/31/90. the credit is phased down to 30 percent on 1/1/86 and 20 percent on 1/1/89.

2. Business Energy Tax Credits

(a) Increase in credit rates

- Solar (except for photovoltaics), wind, geothermal and ocean thermal credits are increased from 15 percent to 20 percent.
- Photovoltaic property credit is increased from 15 percent to 30 percent.

(b) Changes in expiration dates

- Solar, wind, geothermal, ocean thermal, hydroelectric and biomass credits which terminate on 12/31/85 are extended to 12/31/90.
- Cogeneration property credit which expired on 12/31/82 is reinstated and extended to 12/31/90.

(c) Long-term projects and affirmative commitments

- Credits which expired on 12/31/82 but which are available until 12/31/90 if part of long-term (two year construction) project and if certain prerequisites are met by 12/31/82, will now qualify if prerequisites are met before 1/1/88. Effect is to reinstate all of terminated credits (alternative energy property, specially defined energy property,

recycling equipment, shale oil equipment, equipment for producing natural gas from geopressured brine) if they are for long-term projects.

- Renewable, biomass, etc., credits which expire on 12/31/85 (extended by S. 1939 to 12/31/90) may be extended to 12/31/95 if certain commitments for construction are made before 12/31/90. There is no requirement that property be part of a long-term project.

(d) Changes in definition of eligible property

- Cogeneration equipment qualifies even if fueled by oil or natural gas.
- Biomass property includes methane for fuel or electricity produced by aerobic digestion of agricultural matter.
- Shale oil property includes equipment used for hydrogeneration and similar processes.
- Tar sands property, currently not eligible, added to the list of qualified property.

(e) Special rules for photovoltaic property

- Limitations applicable to other credits (use by exempt organizations and governmental units, basis of property leased by related parties, reduction in credit for IDB-financed property, and basis reduction for investment credit) will not be applicable to photovoltaic property.
- Credit for photovoltaic property not available if of foreign manufacture or if less than 75 percent of basis in property is attributable to value added in the U.S.

3. Revenue Estimates

Revenue estimates are shown in the attached table.

The Effect on Fiscal Year Receipts of S. 1939
(Energy Credit Extension and Revision)

(Estimates Assume Current Oil Price Scenario)

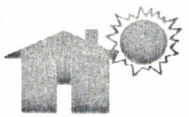
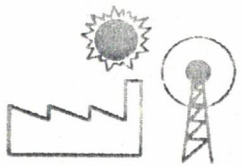
($ millions)

	Fiscal Years							Tota
	1984	1985	1986	1987	1988	1989	1990	1984-
Investment credits:								
Business:								
Conservation:								
Cogeneration	-42	-34	-38	-42	-46	-52	-62	-31
Total, business conservation	-42	-34	-38	-42	-46	-52	-62	-31
Supply:								
Renewable (including geothermal):								
Solar, wind, ocean and geothermal except photovoltaic	-18	-17	-56	-84	-89	-91	-97	-45
Photovoltaic	-1	-9	-38	-68	-77	-82	-85	-36
Low temperature geothermal	-2	-1	-1	-1	-2	-2	-2	-1
Subtotal, business, solar, wind, ocean and geothermal	-21	-27	-95	-153	-168	-175	-184	-82
Other renewable:								
Biomass	--	--	-49	-82	-83	-86	-94	-39
Hydro	--	-3	-8	-11	-11	-14	-21	-6
Subtotal, other renewable	--	-3	-57	-93	-94	-100	-114	-46
Other supply:								
Affirmative committments and expansion of credits for synthetic fuel								
Synthetic Fuel Corporation	-1	-22	-76	-113	-113	-90	-33	-44
North Dakota	-18	1	1	*	*	--	--	-1
Other	*	*	*	*	*	*	*	*
Subtotal, other supply	-19	-21	-75	-113	-113	-90	-33	-46
Total, business supply.	-40	-51	-227	-359	-375	-365	-331	-1,74
Total, business credits	-82	-85	-265	-401	-421	-417	-393	-2,06
Residential:								
Renewable:								
Extend credit at rates of 30, 30, 30, 20, 20	2	20	20	-308	-444	-492	-324	-1,52
Add low temperature geothermal	-2	-2	-2	-2	-2	-1	-1	-12
Total, residential	0	18	18	-310	-446	-443	-325	-1,53
Total credits	-82	-67	-247	-711	-867	-910	-718	-3,602
Depletion for tar sands	--	--	*	*	*	*	*	*
Grand total	-82	-67	-247	-711	-867	-910	-718	-3,602

ENERGY TAX CREDITS CONTRIBUTE TO

- Balanced and Mixed Energy Resource System
- Growing Conservation and Renewable Energy Industries
- A Better Environment
- Reducing Oil Imports

ENERGY TAX CREDIT OPTIONS

	Cabinet Council Paper				Senate S. 1939	Orig. DOE	Industry
	Option 1	Option 3	Option 4	Option 2			
 Conservation	Terminated	Terminated	20%/$400 '77 TO '83	15%/$300	——	40%/$400 '77 TO '83	50%/$500 '77 TO '83
 Renewables	Terminated	15%	22%	40%	24%	24%	40%
 Renewables	Terminated	15%	20%	15%+	20%+	20%+	30%+
 Conservation	0	0	0	0	0	0	25%
Annual Revenue Loss (Millions $)	0	200	700	1100	600	1800	3900

THE WHITE HOUSE

WASHINGTON

September 24, 1983

MEMORANDUM FOR MIKE MCMANUS

FROM: MIKE DEAVER

SUBJECT: Environmental Out-Reach

JAB, RD, CF, and DG joined me for lunch on Friday to discuss the Environmental Out-Reach program.

The general guidelines that came for the discussion were:

1) Don't make it a concentrated campaign like the education issue.

2) Work it into the schedule on a regular basis.

3) Utilize the SOU for a list of accomplishments in the area and future programs.

Some specific ideas discussed were:

1) Inviting out-door editors to the ranch for a working lunch.

2) Honor TR as a theme to visit National Parks.

3) When we announce ACID RAIN program -- visit a poluted lake to show concern.

4) Visit Aransas National Wildlife Refuge in Texas -- Home of the Endangered Whooping Crane.

Scheduling

THE WHITE HOUSE
WASHINGTON

September 12, 1983

TO: MICHAEL K. DEAVER

FROM: *CRAIG L. FULLER*

- ☐ FYI
- ☐ Comment
- ☒ Action

This could be a good opportunity.

Put together with the other ideas we have & return to me

artment of the Interior

THE SECRETARY
TON, D.C. 20240

AUG 29 1983

IDENT FOR CABINET AFFAIRS

dorse the attached
ife Management Institute to
e keynote, opening address at
ife and Natural Resources
in Boston, Massachusetts. We
ion in your scheduling
action on this request.

additional information.

Jim Watt
SECRETARY

Attachment

9/12

Mike Deaver

This could be a good opportunity

Craig

Scheduling

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 29 1983

NOTE TO CRAIG FULLER
ASSISTANT TO THE PRESIDENT FOR CABINET AFFAIRS

Craig, we enthusiastically endorse the attached recommendation from The Wildlife Management Institute to have the President deliver the keynote, opening address at the 49th North American Wildlife and Natural Resources Conference on March 26, 1984, in Boston, Massachusetts. We have prepared our recommendation in your scheduling proposal format to facilitate action on this request.

We'd be happy to provide any additional information.

Jim Watt
SECRETARY

Attachment

9/12
Mike Deaver
This could be a good opportunity
Jay

SCHEDULE PROPOSAL

TO:	Fred Ryan, Director Presidential Appointments and Scheduling
FROM:	Secretary of the Interior
REQUEST:	To deliver the keynote address at the 49th North American Wildlife and Natural Resources Conference, March 26, 1984, Boston, Massachusetts.
PURPOSE:	To discuss the Administration's numerous accomplishments in the wildlife and natural resources conservation area.
BACKGROUND:	The North American Wildlife and Natural Resources Conference is America's oldest and most respected conservation meeting. The conference is attended by resource administrators from federal and State agencies as well as officers and members of prominent national conservation and environmental organizations.
DATE AND TIME:	March 26, 1984 (opening general program session in the morning); the conference runs from March 23-28, 1984.
LOCATION:	Park Plaza Hotel Boston, Massachusetts
PREVIOUS ADMINISTRATION PARTICIPATION:	Secretary Watt's first speaking engagement was the keynote address at the North American on March 23, 1981, here in Washington. His remarks were extremely well received. The President sent a brief message to the 1982 North American (copy attached). Although no former Presidents have personally participated, President Theodore Roosevelt sent a message to open the <u>first</u> meeting.
PARTICIPANTS:	1000-1500 federal, State and private conservation officials.

ENV Mgmt

THE WHITE HOUSE

WASHINGTON

March 12, 1982

I am delighted to send my warm greetings to all those gathered for the 47th North American Wildlife and National Resources Conference.

This event provides a welcome opportunity to express my high regard for your work as professional resource managers, adminstrators, researchers, and conservationists. Your knowledge and experience are a valuable source of information in our efforts to manage resources thoughtfully and productively for all Americans.

My Administration is committed to balancing intelligently the competing needs of economic growth and natural resource conservation in the 1980's. We gratefully acknowledge the major role natural resources have played not only as part of our nation's strength but also as a significant contribution to the quality of our lives. It is our goal to manage these resources in a manner that reflects the best in the American character.

You have my best wishes for a successful and productive conference and my hope that it may contribute to improved management of our nation's natural resources and wildlife.

Ronald Reagan

Daniel A. Poole
President

DAP:lbb

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Wildlife Management Institute

Suite 725, 1101 14th Street, N.W., Washington, D.C. 20005 • 202/371-1808

June 14, 1983

Honorable James G. Watt
Secretary of the Interior
c/o Ms. Emily S. DeRocco
Assistant to the Secretary
Department of the Interior
Washington, D.C. 20240

Dear Jim:

I understand that the Administration is giving thought to an appropriate forum for the President to make a major conservation/environmental statement.

The 49th North American Wildlife and Natural Resources Conference, scheduled for March 23-28, 1984, in Boston's Park Plaza Hotel, may offer an appropriate setting. The best time would be at the opening general program session on Monday morning, March 26.

The Conferences, as you know, are attended by many resource administrators from federal and state agencies as well as officers and members of prominent national conservation/environmental organizations. The Conference is America's oldest and most respected conservation meeting. The meeting regularly is attended by persons from Canada, Mexico and other countries.

With best wishes.

Sincerely,

Daniel A. Poole
President

DAP:lbb

Bill

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TO: James A. Baker, III

FROM: Richard B. Wirthlin

DATE: June 24, 1983

SUBJECT: Environment

Jim, you mentioned to me yesterday the possibility of having the President give some major speeches on the environment. I believe this would be both premature and unwise:

- We need to give Ruckelshaus some time to get his EPA house in order and time to establish some favorable accomplishments before we hype the issue with the President.

- There are other issues we need to address now:

  - Success in reducing inflation
    - . A strength issue we need to reinforce
    - . Rationale for vetoing (if it comes to this) some of the spending bills
  - The good news coming with the recovery.
  - Americans' optimism--contrast with Carter's malaise emphasis of four years ago.

I'd be happy to chat with you further about this if you desire.

cc: Michael D. Deaver
Edwin Meese III

THE WHITE HOUSE

WASHINGTON

June 22, 1983

- LAXALT
W. Newton

MEMORANDUM FOR: MICHAEL A. MCMANUS, JR.

FROM: FREDERICK J. RYAN, JR. FJR

SUBJ: ENVIRONMENTAL EVENTS (Preliminary List)

I. INTRODUCTION

We must recognize that any concerted effort to reach out on environmental issues will be met with a great deal of skepticism, if not down right opposition, from the so-called environmental groups. This means that even greater scrutiny than usual is necessary before we commit ourselves to addressing a particular topic or group. I think EPA and/or Interior will have to be included in this decision-making process.

In general, our best bet would be to pick one or two national forums for presidential address, and keep the rest of our focus on created events.

Bill Ruckelshaus is the Administration spokesperson with the most credibility in the environmental community. I think the President should do all he can to show his support for Ruckelshaus, and to associate closely with him.

II. EVENTS

1) Present the World Wildlife Fund Prizes to the 1983 winners

The World Wildlife Fund is the principal private group in the U.S. which finances conservation projects around the world. It works to strengthen laws and policies affecting threatened species and habitats, and promotes public awareness of enrivonmental priorities. WWF is well-respected within the environmental community. The President could present the awards in a brief Rose Garden ceremony or other appropriate site in the

Washington area. The winners are two men who have established Costa Rica as the center for environmental protection in Central America.

2) National Wildlife Federation

The Executive Vice President, Jay Hair, has offered to work with the White House to set up a meeting or forum for the President to discuss policy issues with members of the environmental community. This could be done at the White House or at an appropriate site out on the road.

3) Attend a "Save the Condors" Fundraiser in California

The rare condor is facing extinction and a major effort is being put together by the San Diego Zoological Society to save this bird. They have asked the President's assistance in helping to raise funds for a special condor breeding program.

We could put together a great people oriented event, such as a casual barbeque, on one of the game preserves near San Diego. There are a few young condors that are being raised by the Zoological Society that would provide good visuals for the event.

This event could be put on anytime we would like. I suggest we do it during the August trip to the Ranch.

III. SITE VISITS

1) Visit the "New E.P.A"

The President could briefly drop-by the E.P.A. and commend Ruckleshaus and his staff on the good job they are beginning to do.

2) Visit the Albright Training School for Forest Rangers

All U.S. Forest Rangers receive their training at the Albright School, located on the South Rim of the Grand Canyon in Arizona. The President could address this group about their responsibilities as forest rangers and commend them for choosing this profession. Such a trip could also include a visit to the Grand Canyon.

3) Visit to Site of Endangered Species

Secretary Watt has recently been getting excellent coverage of his program to save the American Eagles.

We should get the President involved in this or, perhaps, another endangered species. This would emphasize the good job that this Administration has done in helping to save endangered species.

4) Visit a Coal Fired Plant with a Clean Scrubber System

These plants are thought to be a cause of acid rain. If we were to go to one with a clean scrubbing system, it would draw attention to our concern about acid rain and the need to take steps to prevent it. Apart from the environmental aspects, this could be a good blue collar event involving the plant workers.

5) Visit a good Toxic Waste Disposal Site

Although this is something that we would certainly want to consult E.P.A. about, it seems that a visit to an exemplary site would calm the fears many people have about waste disposal. Such a visit would show the Presidents concern about toxic waste and demonstrate that it can be safely disposed of.

6) Visit a National Park

There are numerous options available for the President to visit a National Park in a key political state. He could visit with the Park Rangers, or just make it a site seeing trip.

Possible Options:

Florida	- Everglades National Park
Arizona	- Grand Canyon
	- Petrified Forrest
Texas	- Big Bend
Wyoming	- Yellowstone Natonal Park
California	- Point Reyes National Seashore
	- Kings Canyon National Park
	- Big Sur
	- Sequoia National Park
	- Redwood National Park (This year is its 15th anniversary)
	- Yosemite National Park
	- Muir Woods (This year is its 75th Anniversary)
Montana	- Glacier National Park

7) National Hunting and Fishing Day - September 24, 1983

This is the national day set aside for recognizing sportsmen's role in conservation.

The President could visit a local fishing site and talk with the fishermen.

8) Participate in 75th Anniversary Commemoration at Theodore Roosevelt Dam
This summer marks the 75th Annivesary of Theodore Roosevelt Dam, located just outside of Phoenix, Arizona. (It's not far from Mrs. Reagan's mother's home).

III. THEODORE ROOSEVELT EVENTS

Theodore Roosevelt has the reputation as a strong conservationist and aligning with him could improve the President's image with respect to conservation. His 125th birthday will be October 27 of this year. We could mark this event with a visit to Theodore Roosevelt National Park in North Dakota. Or, if you prefer a local event, we could arrange a visit to Theodore Roosevelt Island off the Potomac River.

IV. PRIVATE SECTOR INITIATIVES

There are numerous examples across the country of private sector activities to clean-up or maintain the environmental quality of our communities. Examples are:

- Tan Oak Whole Access Nature Trail, La Honda, CA
The idea began in 1979 with a student who was doing a senior thesis on this concept of providing access to a natural environmental area for the disabled. A special limited trail has been constructed so the blind and handicapped can take a nature walk through an area of Redwoods.

- Children's Park, Los Angeles, CA
Elementary school children raised $96,000 to buy and convert a dump in their neighborhood into a children's park. Many people, in addition, contributed time and laor to the project.

- Natural Beauty Program of San Bernardino, CA
This program was organized 24 years ago by a man who is now 65 years old and is still the President of the program. It is designed to provide the citizens of the community with a program through which they can volunteer their time to preserve and protect the environmental quality of their community.

- Sea Urchins Program, Stamford, Connecticut
This is a summer environmental awareness day program designed especially for elementary school children.

Children are provided with a recreational program in addition to an optional tutorial program in basic skills of elementary education. The goal of the program is to make children more aware of their environment while involving them in various activities which include marine science environmental crafts and shore projects. The local senior citizens are included in some outdoor recreation such as picnics and entertainment.

- Future Farmers of America, Building Our American Community Project, Bunnell, Florida
  This project began in 1980 and is aimed at preserving the beach dunes along Flagler Beach. The most significant accomplishment during the past year was the reduction of erosion in a 2.5 mile area of beach dunes by an estimated 95 percent. This FFA chapter has raised and transplanted more than 1200 dune plants on the beach, planted more than one million seeds, and monitored the progress of the revegetation project. They also collected and transported more than 100 trees donated by local citizens for use in the dunes stabilization program.

- The Community Environmental Council in Santa Barbara, CA
  The prime objective of the group is environmental education and sponsorship of public service projects. Current projects are: two recycling centers; community gardens; a prototype residential complex emphasizing appropriate technologies and offering agriculture training courses and workshops on solar energy. (We have not been able to gain details about the funding, etc., of this group.)

V. OTHER ENVIRONMENTAL FORUMS

The following environmentally oriented conferences and meetings will be taking place in the near future. We should consult with E.P.A. and the Department of the Interior for recommendations as to their legislative agenda and compatibility with Administration goals.

1) Isaak Walton League of America
   July 12-16, 1983 -- Harrisburg, Pennsylvania

2) World Conference on Smoking and Health
   July 10-15, 1983 -- Winnipeg, Manitoba, Canada

3) Soil Conservation Society of America
   July 31 - August 3, 1983 -- Hartford, Connecticut

4) American Fisheries Society
   August 1983 -- Milwaukee, Wisconsin

5) National Audubon Society
   August 20 - September 2, 1983 -- Estes Park, Colorado

6) Water Pollution Control Federation
October 2-7, 1983 -- Atlanta, Georgia

7) 50th Anniversary of the Civilian Conservation Corps Convention
September 20-23, 1983 -- Eagle River, Wisconsin

8) Florida Pollution Control Association
October 25-29, 1983 -- Miami Beach

9) Oklahoma Water & Pollution Control Association
October 31 - November 4, 1983 -- Oklahoma City

10) Future Farmers of America
November 10-12, 1983 -- Kansas City

NATIONAL WILDLIFE FEDERATION, 1412 Sixteenth Street, N.W., Washington, D.C. 20036 (202) 797-6842

Office of the Executive Vice President

June 15, 1983

WS, CT
14/4 hold
for Thurs. Breakfast

Mr. Michael Deaver
The White House
Washington, D. C. 20500

Dear Mike:

We were disappointed that the President gave such short shrift to environmental concerns in his radio message last Saturday. The message seemed to be that the entire controversy over Administration policies is just a tempest in a teapot, altogether lacking in merit. Because we believe there are serious substantive issues underlying the admittedly overheated debate, we felt we had to respond. Accordingly, the enclosed statement was released to the media today.

I want to stress our continuing desire to find some common ground on the issues we have previously raised with you. And we still believe a comprehensive Environmental Message and a meeting with the President are needed. But we are frankly troubled by the lack of any substantive response thus far. I hope you are in a position to advance the dialogue toward some meaningful outcome.

Thank you and I look forward to hearing from you at your earliest convenience.

Sincerely,

Jay

JAY D. HAIR

NATIONAL WILDLIFE FEDERATION
1412 Sixteenth Street, N.W., Washington, D.C. 20036 202—797-6800

STATEMENT OF PATRICK A. PARENTEAU

VICE PRESIDENT FOR RESOURCES CONSERVATION

NATIONAL WILDLIFE FEDERATION

June 15, 1983

Several weeks ago, when word of an impending Presidential Message on the Environment first leaked out of the White House, the National Wildlife Federation developed a list of twelve priority issues and urged the President to address them in detail. Copies of this document are available here today. As you will see, the topics cover a wide spectrum of complex and pervasive environmental problems, as well as recommended changes in the Administration's current approach to them.

It came as something of a disappointment, then, when the President chose his weekly 5-minute radio broadcast as the forum to defend the policies of Interior Secretary James Watt, and to downplay the very serious errors that have been made by this Administration in its apporach to environmental protection and natural resource management. You have heard Senator Mitchell and the other speakers talk about some of these misguided policies -- the wasting of EPA, the assault on the Wilderness System, the shirking of responsibility to abate the acid rain hazard. I intend to focus on a set of

Administration policies -- policies which in some cases have directly involved White House staff -- that deal with the management of our public lands and the resources they contain, including some of the most unique fish and wildlife habitat found anywhere in the country.

Stated simply, this Administration is pursuing a course of action designed to reduce the size of the Federal resource estate, and in the process divest the public, both present and future, of a wide array of uses and benefits derived from public ownership of and access to these resources. Proof of this is found in three major programs initiated or expanded by this Administration: (1) the land sales program operating under the euphemism of the "Asset Management Program"; (2) the accelerated mineral leasing program under the principal direction of Secretary Watt; and, (3) the water rights transfer program being carried out by the Bureau of Land Management. Following is a brief description of each program.

Asset Management Program

Created by President Reagan's Executive Order 12348, this effort is overseen by the Property Review Board housed in the White House. It sets land sale quotas based on maximizing the dollar return to the Federal Treasury regardless of resource values or public benefits from retention of the lands in question. Federal land management agencies are

expected to meet these quotas. For example, the quota for FY 1984 is $1 Billion (the original proposal called for $13 billion over 5 years). The Forest Service, which needs Congressional authority to sell large tracts, has proposed the sale of over 6 million acres of national forests, most of it in the eastern United States, where public recreation lands are at a premium. The BLM proposes to sell an additional 4.2 million acres, some of which contains scarce wildlife habitat. For example, in Montana, BLM has proposed a 16,000 acre sale in the Dillon resource area, half of which, according to the State Department of Fish, Wildlife and Parks, has "high public values as wildlife habitat or recreation use in their present location."

The Administration's land sale program has generated a firestorm of opposition from state and local officials throughout the country. Nowhere has the opposition been stronger than in the West, where the Administration had been counting heavily on support from the so-called Sagebrush rebels. It seems the President has badly misread the mandate he thought he received from his Western constituents. Indeed, the Asset Management Program seems to have done for President Reagan what the "Water Projects Hit List" did for President Carter.

Mineral Leasing Program

The Administration's mineral leasing program represents a more subtle but no less harmful effort to shift public resources into the hands of private speculators. Though mineral leasing covers a variety of fuel and nonfuel minerals, including oil and gas (both onshore and offshore), oil shale, phosphate, and molybdenum, perhaps the most notorious example of this Administration's approach to leasing is Secretary Watt's giveaway policy on Federal coal reserves. Over the next 18 months, in a soft market, the Department of Interior has proposed to lease 20 billion tons of coal, much of it overlain by wildlife habitat, agricultural land, historic and archaeological sites and public recreation areas. To meet this industry-oriented goal, the Department must leap-frog over the land use planning and environmental analysis requirements of Federal law. Yet, there is no need for this pell-mell rush to sell all this coal at bargain basement prices. There are already over 16 billion tons of Federal coal under lease. The Office of Technology Assessment estimatee that 95% of this is recoverable consistent with environmental safeguards. This means that, at existing rates of use, industry already has enough coal under lease to last us for over 100 years. The obvious question: why not wait for environmental planning to catch up with coal leasing so that sensitive areas (i.e., those

that cannot be reclaimed) can be excluded or given special protection from the not-so-gentle impacts of stripmining?

The old maxim "You don't have to own it to control it," applies with special force to the effects of the Administration's expanded and accelerated leasing programs. Unless it is redirected -- and soon -- the real Watt legacy will be firmly in place, and present and future generations will have lost critical options for using and conserving public land resources.

Water Rights Transfers

One of the least discussed aspects of the Administration's approach to public resource management is its Federal water rights policies. In the West, where water is king, over 61% of the rivers, streams and springs rise on Federal land. The semi-arid conditions make water a life or death factor for many species of fish and wildlife as well as for human populations. Historically, western state water laws did not consider wildlife to be a "beneficial use" and failed to provide any protection for instream flows. Though that is changing, it is still true that in many western watersheds, the only real protection for fish and wildlife habitat lies in the exercise of various Federal claims for water. Yet this Administration is moving in exactly the opposite direction. The Department of Interior has all but halted the effort to quantify

and assert Federal Reserved Water Rights, and it has sought to exclude fish and wildlife from the protection of these rights wherever possible. It has also disavowed any authority to assert so-called "non-reserved water rights" (despite an Attorney General's Opinion that sanctions the exercise of some Federal water use prerogatives over state objections). And it has adopted a policy of transferring stockwatering rights to holders of grazing permits on BLM land. This last change in policy may pose the most serious long-term threat to public lands management since he who owns the water controls the land.

These policies are not only unfortunate from an environmental standpoint, they are unnecessary and shortsighted from an economic standpoint as well. Evidence is mounting that, just as in the energy conservation field, there are strong economic arguments to be made for making better use of existing water supplies through pricing and technology improvements and dedicating minimum streamflows for recreational, fish and wildlife, and water quality benefits. In its rush to turn over as much control over public water resources to private interests as possible, the Administration is missing a golden opportunity to provide leadership in an area of public policy that is approaching crisis proportions.

In conclusion, the Federation calls upon the President to reconsider his blanket endorsement of the misguided policies of James Watt, to take seriously the constructive criticisms and suggestions that have been made for redirecting the Administration's environmental policies, and to deliver a comprehensive Environmental Message to the American people laying out a positive program to address the public health and resource conservation issues that we have been discussing today.