

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual
collections.

Collection: President, Office of the: Presidential
Briefing Papers: Records, 1981-1989

Folder Title: 03/18/1982 (Case File: 069108)
(1)

Box: 15

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library
inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at:

reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection: PRESIDENTIAL BRIEFING PAPERS: Files
OA/Box: CFOA 742
File Folder: March 18, 1982 (casefile 069108)

Archivist: jas/jas
FOIA ID: F2000-048, Conley
Date: 10/12/2000

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Schedule	1p. partial	3/17/82	F7

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].
B-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
B-3 Release would violate a Federal statute [(b)(3) of the FOIA].
B-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

WHITE HOUSE
OFFICE OF RECORDS MANAGEMENT
WORKSHEET

☐ X - MEDIA☐ H - INTERNAL

Name of Document: BRIEFING PAPERS FOR
PRESIDENT'S SCHEDULED
APPOINTMENTS FOR

MAR 18 82

Subject Codes:

PR 007.01

Subject: Meeting with The Cabinet to discuss:

FG 010.01

1) Agriculture Day Proclamation

FE 009.

2) Balanced Budget Amendment

AG

3) Tuition Tax Credits

FE 002

FI 004.

✓ Schedule of the President's trip to
The Sheraton Washington Hotel to
speak to the National Association
of Manufacturers Convention

FI 010.02

ED

TR 001.

SP 598.

3 Meeting with National Newspaper
Publishers Association

PR 016.

HU 013.30

4 Meeting with Senators Howard Baker
and James McClure regarding the
Standby Petroleum Allocation Act

CM 011.

LE

BE 002.

BE 003.11

5 Meeting with Congressmen Jim
BROYHILL, CLARENCE BROWN, and
Tom CORCORAN regarding the
Standby Petroleum Allocation Act.

Continued

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMMATT		RSZ	1 / 1			1 / 1

Referral Note:

WHITE HOUSE
OFFICE OF RECORDS MANAGEMENT
WORKSHEET

☐ X - MEDIA

☐ H - INTERNAL

Name of Document: BRIEFING PAPERS FOR
PRESIDENT'S SCHEDULED
APPOINTMENTS FOR

MAR 18 82

Subject Codes:

6 Subject: Reception for Republican
Congressional Leadership Council

30 004.
PL 005.04
FG 031.
CO 054.02

7 List of inviters/attendees at
meeting with Franz-Josef STRAUSS
of the Federal Republic of Germany

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
RMMATT	RSZ	/ /		/ /

Referral Note:

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S SCHEDULE
Thursday, March 18, 1982

9:00 am (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
9:30 am (15 min)	<u>NSC Photo Opportunity</u> (William P. Clark)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (45 min)	<u>Personal Staff Time</u>	Oval Office
10:45 am (60 min)	<u>Cabinet Meeting (Agriculture Day Resolution to be signed at beginning)</u> (Craig Fuller) (Tab A)	Cabinet Room
11:45 am (35 min)	<i>Amendment Mexico</i> <u>Personal Staff Time</u>	Oval Office
12:20 pm	Depart South Grounds to speak at Luncheon Meeting of Annual Washington Policy Conference of National Associa- tion of Manufacturers (Stephen Studdert) (Tab B)	Sheraton Wash- ington Hotel
1:15 pm	<u>Return White House</u>	South Grounds
1:15 pm (60 min)	<u>Lunch and Personal Staff Time</u>	Oval Office
2:00 pm	<i>Halvick</i> ↓	
3:30 pm (20 min)	<u>Dropby Meeting with Black Editors</u> (Karna Small) (Tab C) (draft remarks attached)	450 EOB
4:00 pm (15 min)	Meeting with Bavarian Minister-Presi- dent and CSU Leader Franz-Josef Strauss, FRG (William P. Clark) (distributed separately)	Oval Office
4:30 pm (15 min)	<u>Meeting with Senators Baker and McClure</u> (Ken Duberstein) (Tab D)	Oval Office
4:45 pm (15 min)	<u>Meeting with Cong. Broyhill, Brown and Corcoran</u> (Ken Duberstein) (Tab E)	Oval Office
5:00 pm (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
5:30 pm (30 min)	The President and Mrs. Reagan join Reception for GOP Congressional Leadership Council Brandon/Rollins (Tab F) (Draft Remarks Attached)	East Room

THE WHITE HOUSE
WASHINGTON
THE PRESIDENT'S SCHEDULE
Thursday, March 18, 1982

REVISED
UNPUBLISHED
March 17, 1982
7:30 pm

9:00 am (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
9:30 am (15 min)	<u>NSC Photo Opportunity</u> (William P. Clark)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (45 min)	<u>Personal Staff Time</u>	Oval Office
10:45 am (60 min)	<u>Cabinet Meeting (Agriculture Day Resolution to be signed at beginning)</u> (Craig Fuller) (Tab A)	Cabinet Room
11:45 11:45 am (35 min)	AMB MARWAN (Mexico) <u>Personal Staff Time</u>	Oval Office
12:20 pm	Depart South Grounds to speak at Luncheon Meeting of Annual Washington Policy Conference of the National Association of Manufacturers <u>(Stephen Studdert) (Tab B)</u>	Sheraton Washington Hotel
1:15 pm	<u>Return White House</u>	South Grounds
1:15 pm (2 hours)	<u>Lunch and Personal Staff Time</u>	Oval Office
2:00 3:30 pm (20 min)	INTG. W/ HABIB <u>Dropby Meeting with Black Editors</u> (Karna Small) (Tab C) (draft remarks attached)	450 OEOB
4:00 pm (15 min)	<u>Meeting with Bavarian Minister-President and CSU Leader Franz-Josef Strauss, FRG</u> (William P. Clark) (distributed separately)	Oval Office
4:30 pm (15 min)	<u>Meeting with Senators Baker and McClure</u> (Kenneth Duberstein) (Tab D)	Oval Office
4:45 pm (15 min)	<u>Meeting with Congressmen Broyhill, Brown and Corcoran</u> (Kenneth Duberstein) (Tab E)	Oval Office
5:00 pm (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
5:30 pm (30 min)	The President and Mrs. Reagan join Reception for GOP Congressional Leadership Council <u>(Brandon/Rollins) (Tab F) (draft remarks attached)</u>	East Room

THE WHITE HOUSE
WASHINGTON
THE PRESIDENT'S SCHEDULE
Thursday, March 18, 1982

9:00 am (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
9:30 am (15 min)	<u>NSC Photo Opportunity</u> (William P. Clark)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (45 min)	<u>Personal Staff Time</u>	Oval Office
10:45 am (60 min)	<u>Cabinet Meeting (Agriculture Day Resolution to be signed at beginning)</u> (Craig Fuller)	Cabinet Room
11:45 am (10 min)	<u>Courtesy Call by Mexican Ambassador Hugo Margain</u> (William P. Clark)	Oval Office
11:55 am (25 min)	<u>Personal Staff Time</u>	Oval Office
12:20 pm	<u>Depart So. Grounds to speak at Lunch Meeting of Annual Washington Policy Conference of the National Association of Manufacturers</u> (Stephen Studdert)	Sheraton Washington Hotel
1:15 pm	<u>Return to White House</u>	South Grounds
1:15 pm (45 min)	<u>Lunch and Personal Staff Time</u>	Oval Office
2:00 pm (15 min)	<u>Meeting with Ambassador Philip Habib</u> (William P. Clark)	Oval Office
2:15 pm (1hr15min)	<u>Personal Staff Time</u>	Oval Office
2:54 - 2:58 3:30 pm (20 min) 3:13 - 3:15	68 <u>Dropby Meeting with Black Editors</u> (Karna Small) DD, JAB	450 OEOB
4:00 pm (15 min)	<u>Meeting with Bavarian Minister-President and CSU Leader Franz-Josef Strauss, FRG</u> (William P. Clark)	Oval Office
4:30 pm (15 min)	<u>Meeting with Senators Baker and McClure</u> (Kenneth Duberstein)	Oval Office
4:45 pm (15 min)	<u>Meeting with Cong. Broyhill, Brown and Corcoran</u> (Kenneth Duberstein)	Oval Office
5:00 pm (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
5:30 pm (30 min)	<u>The President and Mrs. Reagan Join Recep- tion for GOP Congressional Leadership Council</u> (Brandon/Rollins)	East Room

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S SCHEDULE

Thursday, March 18, 1982

9:00 am (30 min)	<u>Staff Time 9:02</u> (Baker, Meese, Deaver)	Oval Office
9:30 am (15 min)	<u>NSC Photo Opportunity 9:40-9:53</u> (William P. Clark)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u> <i>WEINBERGER, VESSEY, WATKINS, GABRIEL</i>	Oval Office
10:00 am (45 min)	<u>Personal Staff Time 10:00</u>	Oval Office
10:45 am (60 min)	<u>Cabinet Meeting (Agriculture Day Resolution to be signed at beginning) 10:51-11:57</u> (Craig Fuller)	Cabinet Room
11:45 am (10 min)	<u>Courtesy Call by Mexican Ambassador Hugo Margain</u> (William P. Clark)	Oval Office
11:55 am (25 min)	<u>Personal Staff Time</u>	Oval Office
12:20 pm	<u>Depart So. Grounds to speak at Lunch Meeting of Annual Washington Policy Conference of the National Association of Manufacturers</u> (Stephen Studdert)	Sheraton Washington Hotel
1:15 pm	<u>Return to White House 1:30</u>	South Grounds
1:15 pm (45 min)	<u>Lunch and Personal Staff Time</u>	Oval Office
2:00 pm (15 min)	<u>Meeting with Ambassador Philip Habib</u> (William P. Clark) 2:08-2:31	Oval Office
2:15 pm (1hr15min)	<u>Personal Staff Time 2:54-2:58 YPBUSH</u> 3:13-3:15 - JB, Danner	Oval Office
3:30 pm (20 min)	<u>Dropby Meeting with Black Editors</u> (Karna Small) 3:34-4:00	450 OEOB
4:00 pm (15 min)	<u>Meeting with Bavarian Minister-President and CSU Leader Franz-Josef Strauss, FRG 4:06-4:32</u> (William P. Clark)	Oval Office
4:30 pm (15 min)	<u>Meeting with Senators Baker and McClure</u> (Kenneth Duberstein) 4:35-4:57	Oval Office
4:45 pm (15 min)	<u>Meeting with Cong. Broyhill, Brown and Corcoran</u> (Kenneth Duberstein) 5:02-5:21	Oval Office
5:00 pm (30 min)	<u>Staff Time</u> (Baker, Meese, Deaver)	Oval Office
5:30 pm (30 min)	<u>The President and Mrs. Reagan Join Reception for GOP Congressional Leadership Council 5:35-6:00</u> (Brandon/Rollins)	East Room

CABINET MEETING PARTICIPANTS

Thursday, March 18, 1982 -- 10:45 a.m.

Brock
Rago
Donora
Edward
Casey
Bell
Watt
Baldridge
Lewis
Stallman
Brock
Meese

The Cabinet -- All Members *

- ✓ Walter J. Stoessel, Jr., Deputy Secretary of State, for Secretary Haig
- ✓* Donald L. Hovde, Under Secretary of the Department of Housing and Urban Development, for Secretary Pierce
- ✓* Fred Bush, Deputy Chief of Staff, for The Vice President
- ✓* Ted Olson, Assistant Attorney General, for the Attorney General

✓ Ed Rollins

✓ Fred Fielding

✓ James A. Baker

~~Michael K. Deaver~~

✓ Richard G. Darman

✓ Kenneth Duberstein

✓ Craig L. Fuller

✓ David Gergen

~~Edwin L. Harper~~

✓ Murray Weidenbaum

✓ Rich Williamson

✓ Roger Porter

✓ Annaliese Anderson

✓ Ken Cribbs

✓ Jim C'leoni

For Presentation:

Item #3 - ✓ Robert Carleson

To: Officer-in-charge
Appointments Center
Room 060, OEOP

for THE PRESIDENT of _____:
(NAME OF PERSON TO BE VISITED) (AGENCY)

Bus McFarland

Date of request March 18, 1982

SSF 2037 (08-78)

THE WHITE HOUSE

WASHINGTON

March 17, 1982

MEETING WITH CONGRESSMEN JIM BROYHILL (R-NC),
CLARENCE "BUD" BROWN (R-OH), AND
TOM CORCORAN (R-IL)

DATE: Thursday, March 18, 1982

LOCATION: The Oval Office

TIME: 4:45 P.M. (15 minutes)

FROM: Kenneth M. Duberstein *Ker D.*

I. PURPOSE

To allow the House Members to discuss with you their reasons for urging that you veto S. 1503--the Standby Petroleum Allocation Act of 1982, which has passed the Senate and House. S.1503 must be acted upon by midnight Saturday, March 20, 1982.

II. BACKGROUND

The Administration has consistently opposed enactment of any oil price and allocation program that would replace the Emergency Petroleum Allocation Act of 1973, which expired September 30, 1981.

The House Energy and Commerce Committee's Fossil and Synthetic Fuels Subcommittee began work on such legislation early in the 97th Congress. The primary sponsor of the House bill (H.R.4700) was Phil Sharp (D-IN), chairman of the subcommittee. The Administration maintained a "no bill" position throughout each phase of House (and Senate) consideration of the legislation. We did so based upon conclusions that:

- Your general energy policies have resulted in an improved domestic energy environment that did not exist in the 70's.
- Sufficient authority exists to enable the Administration to deal with emergency situations.
- A "clean" bill, one that would provide for simple, but explicit, allocation and price authority in one statute, could never be adopted in the face of special interest concerns and lobbying.

Congressman Broyhill (ranking on full committee), Brown (subcommittee ranking) and Corcoran (committee member who managed the bill on the floor) also believe that enactment of such

legislation would cause a regulatory entity that the Administration is endeavoring to get rid of, to be rebuilt.

136 Members voted against H.R.4700, 144 voted against the conference report (S.1503). Messrs. Broyhill, Brown, and Corcoran feel that they did their best to advance the Administration's position and persistently refused to negotiate any compromise with proponents of such legislation. They believe that there are enough votes to sustain a veto and will recommend that you veto S.1503.

146 votes are required to sustain the veto if all 435 Members were present and voting. A veto is sustained by $1/3 + 1$ votes of those Members present.

III. PARTICIPANTS

— The President

— The Vice President

— Secretary James Edwards

— David Stockman

— Edwin Meese III

— Congressman Jim Broyhill

— Congressman ~~Clarence "Bud" Brown~~

— Congressman Tom Corcoran

— Kenneth M. Duberstein

Present Lott

IV. PRESS PLAN

— White House photographer only.

V. SEQUENCE OF EVENTS

The Members will be brought into the Oval Office, the President will open with a few remarks and then ask for the Members to present their views.

Attachment: Talking Points

THE WHITE HOUSE

WASHINGTON

March 17, 1982

MEETING WITH SENATOR HOWARD BAKER AND
SENATOR JAMES A. MCCLURE

DATE: MARCH 18, 1982
LOCATION: OVAL OFFICE
TIME: 4:30 P.M. (15 minutes)
FROM: Kenneth M. Duberstein *K. D.*

I. PURPOSE

To allow the Senators to discuss their concerns regarding your decision to veto or sign the Standby Petroleum Allocation Act (S. 1503).

II. BACKGROUND

The Congress has completed action on S. 1503. The bill passed the Senate on October 29, 1981 on a vote of 85-7. The Conference report was adopted in the Senate 86-7 on March 2, 1982. The Administration has consistently opposed the legislation and the Senate was told that both Secretary Edwards and the senior staff would recommend a veto.

Senator McClure has requested an opportunity to discuss reasons why you should not veto the bill. For several years he has been a strong advocate of the view that government needed to be prepared to intervene in the energy marketplace to assure certain consuming sectors (including energy and agriculture) that adequate supplies would be available in the event of a severe energy supply interruption. This bill is the embodiment of that belief and you should know that he feels very strongly about it.

He will argue that this is an improvement on the previous allocation law in that there is total Presidential discretion as to when the authority should be used. That is true, but he avoids mentioning the problems created in preparing the regulation prior to triggering use of the authority. Our prime motivation is to signal to the energy community that they should prepare themselves for a shortage, and not sit back and rely on the government.

He will emphasize it improves on prior law because the authority is only temporary and expires in 1984. But once in place political forces will require its extension just as they produced the standby regulation in the first place.

He will argue that the extension of the antitrust immunity for oil companies participating in a worldwide International Energy Agency (IEA) emergency oil sharing agreement is critical for stable world oil markets in an emergency. He is right, but you have asked for such an extension in free-standing legislation and there is no reason why it needs to be tied to this standby control legislation. The Administration has sent such legislation to the Hill already.

He will argue that federal preemption of separately mandated state emergency allocation or price control programs is essential to preserve order in the petroleum marketplace. He is right, at least in part, but such authority need not be accompanied by the other detrimental features of the legislation.

Finally, he will argue that he is backed by a large group of powerful special interests that support the bill. Once again he is right. But those same groups would do much better for their membership if they encouraged them to prepare for any emergency themselves, rather than leave it to the government to fix a problem if and when it occurs.

III. PARTICIPANTS

- The President
- The Vice President
- Secretary James Edwards
- Director OMB David Stockman
- Senator Howard Baker
- Senator James A. McClure

Staff

- Edwin Meese
- Kenneth Duberstein

IV. PRESS PLAN

White House Photographer only

V. SEQUENCE OF EVENTS

Senators Baker and McClure and Secretary Edwards will arrive thru the Northwest Gate into the West Lobby and be escorted into the Oval Office.

Attachment: Talking Points

~~— [Signature]~~
— Dole
— Dominici
— Durenberger

THURSDAY, March 18, 1982 -- 4:00 p.m. -- Oval Office

Meeting with Bavarian Minister-President and CSU Leader
Franz-Josef Strauss

Participants: US: ✓ The President
 Deputy Secretary Stoessel
 - Ambassador Arthur Burns
 ~~William P. Clark~~ H.
 Acting Assistant Secretary Allen Holmes
 - James Rentschler, NSC

 possibly: ~~James Baker~~
 ~~Edwin Meese~~
 ~~Michael Deaver~~

FRG: Franz-Josef Strauss
 Ambassador Peter Hermes
 - Friederich Zimmermann

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
 Appointments Center
 Room 060, OEGB

Please admit the following appointments on March 17¹⁸, 19 82

for William P. Clark of National Security Council
(NAME OF PERSON TO BE VISITED) (AGENCY)

MEETING FOR 2:00 with the President - Thurs. March 18, 1982

Ambassador Philip Habib, State

~~Secretary Alexander M. Haig~~

~~Judge William P. Clark~~

Walter J. Stoessel, Jr. State

Nicholas Veliotes, State

Morris Draper, State

Raymond Tanter, NSC

Bob McFarland

Ed Meese

MEETING LOCATION

Building The White House

Room No. The Oval Office

Time of Meeting 2:00 p.m.

Requested by Raymond Tanter/Jennie D'Amico

Room No. 351 Telephone 395-5697

Date of request March 17, 1982

Additions and/or changes made by telephone should be limited to three (3) names or less.


APPOINTMENTS CENTER: SIG/OEOB - 395-6000 WHITE HOUSE - 456-6742

THE WHITE HOUSE

WASHINGTON

March 17, 1982

MEETING WITH THE CABINET

DATE: MARCH 18, 1982
TIME: 10:45 PM (60 MINUTES)
LOCATION: CABINET ROOM
FROM: CRAIG L. FULLER 

I. PURPOSE

This Cabinet meeting has been called to discuss two issues that have been reviewed by Cabinet Councils and to provide you with a forum for signing the Agriculture Day Bill and Proclamation.

II. BACKGROUND

Agriculture Day: We have a bill and a Proclamation declaring Thursday, March 18th "Agriculture Day." Both of these documents should be signed by you at the beginning of the meeting. The text of the Proclamation you will sign is attached. Secretary Block will be photographed with you at the signing.

Balanced Budget Amendment: Don Regan has had a working group within the Cabinet Council on Economic Affairs working on a paper that describes in detail the considerations related to the Balanced Budget Amendment. The working group has been working rapidly over the last several days to develop the presentation which is attached.

The Tuition Tax Credit Working Group from the Cabinet Council on Human Resources has finalized the paper discussed with you several days ago. They are recommending the introduction of tuition tax credit legislation with a restriction of the tax credit to parents of students in private, non-profit, elementary and secondary schools. Options with respect to the timing, phase-in and level of the credits are presented with a recommendation that your Budget Review Board (made up of Messrs: Meese, Stockman and Baker) be asked to make decisions on these questions. A draft bill for the tuition tax credit proposal is available if you wish to review it prior to the meeting.

III. PARTICIPANTS

A final list will be attached to the agenda.

IV. PRESS PLAN

White House photographer only.

V. SEQUENCE

As you enter the room, you may wish to invite Jack Block to join you at your place in the Cabinet Room for the signing of the bill and the proclamation which make March 18th "Agriculture Day." The next item on the agenda, Balanced Budget Amendment, is Don Regan's to introduce.

THE WHITE HOUSE

WASHINGTON

CABINET MEETING AGENDA

March 18, 1982

10:45 a.m.

- | | |
|------------------------------------|-----------------|
| 1. National Agriculture Day | The President |
| 2. Balanced Budget Amendment/CM219 | Donald Regan |
| 3. Tuition Tax Credits/CM136 | Robert Carleson |

NATIONAL AGRICULTURE DAY, 1982

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

The production, distribution, and preservation of America's food and fiber supply is basic to this nation's economic, physical, and social well-being.

American agriculture has achieved a record of productivity unmatched by any other food and fiber system on earth. In 1820, a farmer in this country produced enough food to feed himself and three other persons. By 1940, that same farmer was feeding himself and eleven other people. Today a single American farmer is capable of satisfying the food requirements of seventy-seven individuals -- a sevenfold increase in the course of forty years. This quantum leap in the productivity of our agricultural community makes it possible for the United States to respond to the demand of a burgeoning international population without imposing unnecessarily high food prices on American consumers.

The contributions of this nation's agricultural sector are not limited to its capacity to produce a plentiful supply of food. Once agricultural commodities leave the farmgate, they generate economic activity which creates job opportunities for 19 million nonfarm workers. The success of our farmers in marketing their production abroad has enabled this nation to sharply reduce its balance of trade deficit and to pay for its energy imports. Our farmers are the critical link in a food production chain that consistently yields the most wholesome and varied range of foodstuffs known to man. In addition, the farm community enhances our quality of life by helping preserve the family and the individual as meaningful components of modern American society.

To recognize agriculture's contribution to the nation and create a better understanding of each person's stake in a reliable food and fiber supply, the 97th Congress has by S.J. Res. 148 proclaimed March 18, 1982, as National Agriculture Day.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, do hereby call upon the people of the United States to observe Thursday, March 18, 1982, as National Agriculture Day with appropriate ceremonies and activities.

IN WITNESS WHEREOF, I have hereunto set my hand this
day of March, in the year of our Lord
nineteen hundred and eighty-two, and of the Independence of
the United States of America the two hundred and sixth.

QUESTIONS AND ANSWERS REGARDING THE "EDUCATIONAL OPPORTUNITY AND EQUITY ACT OF 1982"

1. WOULD THE TAX CREDIT BENEFIT INDIVIDUALS OR INSTITUTIONS?

A. A tuition tax credit is meant to provide a direct benefit to individuals -- primarily parents of children enrolled in private schools as a matter of tax equity. These parents have already paid one school bill -- in the form of local taxes. Because they are paying a second bill for private school, they are in need of some relief.

2. WON'T THIS BILL GET THE FEDERAL GOVERNMENT INVOLVED IN DICTATING POLICY IN PRIVATE SCHOOLS?

A. Because the bill would not make available any Federal financial assistance to the schools themselves, but would only provide tax credits to parents, it would create no Federal jurisdictional nexus which would enable the Federal government to dictate policy to the schools.

3. WILL THIS BILL PROMOTE "WHITE FLIGHT" AND EMPTY OUT THE PUBLIC SCHOOLS?

A. To the contrary.

The Congress of Racial Equality stated on behalf of tuition tax credits before the Senate Finance Committee: "the presence of even a fairly small number of alternatives, even just the potential of parents being able to reject a school that is not doing its job, can work great changes in the public schools."

4. ISN'T THIS A TAX CREDIT FOR THE RICH?

A. First of all a majority (54%) of all parents who have children in private elementary and secondary schools have incomes of less than \$25,000. These parents currently pay average tuition costs of \$900. The bill tends to provide the greatest relief for this "marginal" taxpayer.

5. HOW CAN THE ADMINISTRATION JUSTIFY A COSTLY TAX CREDIT PROPOSAL WHEN IT IS PROPOSING MAJOR REDUCTIONS IN THE EDUCATION BUDGET, ESPECIALLY FOR PUBLIC SCHOOLS?

A. Reductions in the education budget are a part of the Administration's economic recovery program that is aimed at limiting Federal spending.

Some portion of the education reductions will be offset by consolidation, deregulation and other Administration proposals currently before the Congress that would limit the burdens imposed by the Federal government on public schools.

Tax credits are consistent with the Administration's priority to reduce taxes and promote tax equity.

The diversity that tax credits promote will strengthen both public and private schools alike.

6. WON'T TAX CREDITS ENCOURAGE THE ESTABLISHMENT AND SUPPORT OF SCHOOLS THAT SYSTEMATICALLY DISCRIMINATE AGAINST MINORITY STUDENTS?

A. No.

Under this proposal, schools must not deny admission to any person on account of race, color, national or ethnic origin. The Administration strongly supports these provisions and considers them an essential element of the proposed tuition tax credit bill.

7. WON'T TUITION TAX CREDITS SIMPLY RESULT IN INCREASED PRIVATE SCHOOL TUITION?

A. The tuition tax credit is unlikely to result in increased private school tuitions, because:

It will only cover 50 percent of tuition. Thus, if a school raised tuition, the credit would cover, at most, half of the increase and parents would have to pay the other half.

This should be a major disincentive for schools to try to "capture" the credit by raising tuition.

8. WHAT ABOUT COVERAGE FOR THE HANDICAPPED?

Tuition tax credits would provide some monetary relief to those parents who choose to place their child in a school other than the school or facility recommended by the school district.

Assisting parental choice is particularly critical in the case of handicapped children because of the potential controversy surrounding the question of an appropriate placement for each child.

THE WHITE HOUSE
WASHINGTON

CABINET MEETING AGENDA

March 18, 1982 -- 10:45 a.m.

1. National Agriculture Day The President
2. Balanced Budget Amendment Donald Regan
3. Tuition Tax Credits Robert Carleson

CABINET MEETING PARTICIPANTS

Thursday, March 18, 1982 -- 10:45 a.m.

The Cabinet -- All Members *

- * Walter J. Stoessel, Jr., Deputy Secretary
of State, for Secretary Haig
- * Donald L. Hovde, Under Secretary of the
Department of Housing and Urban
Development, for Secretary Pierce
- * Fred Bush, Deputy Chief of Staff, for
The Vice President
- * Ted Olson, Assistant Attorney General,
for the Attorney General

James A. Baker
Michael K. Deaver
Richard G. Darman
Kenneth Duberstein
Craig L. Fuller
David Gergen
Edwin L. Harper
Murray Weidenbaum
Rich Williamson

For Presentation:

Item #3 - Robert Carleson

CONSTITUTIONAL BALANCED BUDGET
TAX LIMITATION AMENDMENT
(Revised Draft)

Cabinet Council on Economic Affairs

March 17, 1982

I. Background and Current Status

A. Background

There are two principal objectives behind the "balanced budget" amendment efforts:

- o A widespread concern about the rate of growth of Federal spending in relation to the size of the economy.
- o A similar concern about persistent budget deficits.

B. Current Status: Call for a Constitutional Convention

- o On January 18, 1982, Alaska became the 31st State to pass a resolution calling for a Constitutional convention to draft an amendment requiring a balanced budget.

Article V of the Constitution requires passage by 34 States before a convention must be called.
- o Since some of the resolutions counted among the 31 may be invalid due to a lack of similarity in wording, approval by three more States might not legally require calling a convention. But, should three more States pass resolutions, it would generate significant political pressure to call a convention.
- o More likely, Congress will act before the 34-State limit is reached.

C. Current Status: S.J. Res. 58 and H.J. Res. 350

- o There is a resurgence of interest in the Congress in support of a tax limitation-balanced budget amendment, S.J. Res. 58 and H.J. Res. 350.
 - Reportedly, the amendment has picked up about 40 co-sponsors since Christmas, bringing the total to 173 co-sponsors in the House and 67 in the Senate.
 - The bill has been reported out of committee in the Senate, but is not yet scheduled for floor debate. The House is unlikely to act until the Senate has voted.
- o Since the amendment would not go into effect until the second fiscal year beginning after its ratification, it is unlikely that it would take effect until 1986.
- o There is reportedly some discussion among Senate proponents of attaching the amendment to the debt ceiling bill this spring. They argue that this would allow them to demonstrate their concern over the need for a balanced budget at the time they are voting for increasing the debt limit.

II. Provisions of S.J. Res. 58

A. Principal Features

- o In advance of each fiscal year, Congress would adopt a budget statement under which outlays would not exceed receipts.
- o The annual increase in planned or budgeted receipts over actual receipts would be limited to the rate of growth in national income in the preceding calendar year.
- o As the year progressed, actual receipts would not necessarily equal budgeted receipts, nor would they be required to do so. But actual outlays could not exceed budgeted outlays. If implemented, this would limit the growth in Federal spending to the growth in national income.
- o The Congress and the President would be charged with ensuring that actual outlays do not exceed budgeted outlays.

B. Exceptions

- o In any year, projected outlays could exceed receipts (Congress could plan a deficit) on the vote of three-fifths of the whole membership in each House.
- o The increase in planned tax receipts could exceed the rate of growth of national income by a vote of a majority of the whole membership in each House, and approval by the President.
- o The provisions of the article could be waived for any fiscal year in which a declaration of war is in effect.

III. Problems and Objections

The various balanced budget or spending limitation amendments to the Constitution drafted in recent years are designed to try to counter what proponents see as incentives built into our system for ever-increasing government spending and deficits. The potential benefits of such an amendment are to:

- o Increase fiscal responsibility; and
- o Limit government spending in relation to the size of the economy.

The following sections of this paper consider the objections or concerns that might be raised with respect to such an amendment, both philosophical and practical, and some possible remedies.

A. Generic Concerns

- 1) Some are concerned that the Constitution is not an appropriate vehicle for economic policy prescriptions (fiscal norms) nor should it be cluttered with potentially inflexible fiscal mechanisms that may not be appropriate to unforeseeable future circumstances.
- 2) An inflexible annual balanced budget policy rule may not be compatible with the business cycle "facts of life" which tend to produce automatic, large deficits during recessions. During FY 82, the projected deficit increased by \$40 billion due to the recession-induced fall of receipts and the rise of unemployment-related outlays. As drafted, S.J. Res. 58 requires a super majority (60 percent) to agree in advance to a deficit -- yet consensus opinion for several decades has held that recession-induced deficits are either desirable or at least tolerable.

Since business cycle contractions and expansions are inherent in a free economy, the proposed policy rule would create artificial policy choices and political conflicts on a recurring basis, i.e, whether in the face of a contracting economy to:

- o Raise taxes;
 - o Radically reduce spending until recovery raises receipts; or
 - o Achieve super-majorities to validate recession deficits.
- 3) A balanced budget requirement would exacerbate pressure for indirect fiscal spending and other novel budget devices outside the scope of any settled definition of "outlays". While S.J. Res. 58 covers conventional off-budget outlays such as those incurred by the FFB, it would not cover:
- o Loan guarantees (\$87.7 billion in FY 82);
 - o Schemes to mandate fiscal outlays by private sector entities such as:
 - o Mandatory employer-provided health insurance;
 - o Mandatory employer-provided pension benefits in lieu of Social Security expenditures;
 - o Tax subsidy induced outlays to the extent that leveraging features exceed revenue losses.

- 4) Due to the difference in lag-time between policy action and cash impact, an annual balanced budget rule by itself would be, as the framers of S.J. Res. 58 realized, inherently biased toward higher taxes rather than lower spending because:
- o Cash flow changes relating to tax policy can be enacted, implemented and realized in three months (e.g., 5 percent income tax surcharge);
 - o In most cases, cash flow changes relating to spending policy require three months to three years to enact, implement and realize -- or even longer.
 - o The inherent dynamics of Congress would delay action on the balanced budget rule until close to the applicable fiscal year -- thus steadily strengthening the case for a tax increase rather than spending cut solutions to comply with the balanced budget rule.

B. Concerns Specific to S.J. Res. 58

- 5) S. J. Res. 58 seeks to overcome this inherent bias by merging a balanced budget rule with a tax limitation rule. However, the specific tax limitation rule (no automatic increase in taxes in excess of the previous year's growth in national income) would have a limiting effect only in the case of an un-indexed tax system. This is shown by comparing the applicable revenue increase/national income relationships for the late 1970's and prospectively for the 1980's when indexing takes effect:

	(percent change) ^{1/}					Average Annual Growth Rate
<u>Old Tax Law</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	
Actual receipts.....	6.8	15.2	12.4	16.0	11.6	12.5
Base year GNP ^{2/}	8.1	8.0	10.9	11.6	12.4	10.2
<u>Current Tax Law - ERTA</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	Average Annual Growth Rate
Projected current law receipts..	4.3	7.7	10.0	8.4	7.5	7.6
Projected base year GNP ^{2/}	11.5	7.9	11.5	10.2	9.7	10.2

^{1/}Annual rate of growth.

^{2/}The base year GNP growth rate under S. J. Res 58 is the growth in GNP during the preceding calendar year. For fiscal year 1983, for example, the receipt growth would be limited to the rate of growth in GNP (or some other measure of national income) during calendar year 1981.

The tax limitation rule proposed in S.J. Res. 58 is comparable to shifting indexing from the IRS code to the Constitution.

6) The tax limitation and balanced budget rules in S.J. Res 58 are seriously asymmetrical:

- o Deficit creation or increases require a super-majority (60 percent) of the full body;
- o Tax raising requires only an ordinary majority of the full body.

Consequently, a 41 percent minority for tax raising will have Constitutionally granted parliamentary superiority over a 59 percent majority favoring some combination of spending cuts and/or deficits.

7) Given the current uncontrollability of spending for many income support programs, S.J. Res. 58 could have, but would not necessarily have, a bias against defense. By FY 86, defense outlays will account for \$311 billion of projected total controllable outlays of \$442 billion (excluding undistributed offsetting receipts) or 70 percent. If entitlements were not cut, the 47 percent share of controllable outlays would be the first target if outlay reductions were required to achieve the balanced budget rule or enforce the outlay ceiling within the single fiscal year time frame called for by the amendment.

8) Differences in the budget and economic outlook between the initial submission of the President's budget and the actual fiscal year results have been substantial in recent years. Once the budget year has started, offsetting outlay increases attributable to economic factors or volatile accounts -- such as the Commodity Credit Corporation, Farmers Home Administration, insurance funds such as FSLIC, grant payment mechanisms like the Departmental Federal Assistance Financing System -- would require draconian program cuts. This is illustrated in Appendix A. In fact, uncontrollables and prior-year commitments make it extremely difficult to counteract outlay overruns within a fiscal year, whatever the reason for them.

IV. Remedial Suggestions

There are several possible alternatives for modifying S.J. Res. 58 that could help address these concerns. They fall into three main groups: (1) measures to ease the problems and consequences of controlling outlays within a given fiscal year; (2) measures to redress the asymmetry between enacting tax increases and permitting deficits; and (3) measures which would increase the enforceability of the amendment by enhancing the President's ability to control outlays.

A. Controlling Outlays Within a Given Fiscal Year.

The purpose of the balanced budget amendment is to impose discipline on the legislative and executive branches with regard to discretionary policy actions. Certain government outlays are not discretionary and can vary substantially depending on economic conditions which are difficult to forecast with precision. A classic and recurring example is interest payments on the Federal government's debt. There are a number of alternative ways of permitting some relief for such circumstances while maintaining discipline with regard to discretionary policy actions.

- 1) Permitting an ordinary majority of both Houses to increase the outlay ceiling for interest payments on the national debt in excess of that estimated in the statement of outlays.
- 2) A second, broader option would provide an escape clause for outlay overruns attributable to unforeseen economic changes (e.g. higher interest rates, higher unemployment, changes in oil prices or crop forecasts).
- 3) A third approach would allow modest flexibility in any single fiscal year by permitting a small percentage overrun in actual outlays over budgeted outlays.
- 4) A fourth approach would permit multi-year budgeting by allowing balancing the budget over a time period longer than one fiscal year. In this instance, a deficit in one year could be carried forward and offset by surpluses in one of the next two years.

- 5) Finally, the amendment could be modified to include a clause providing for implementing legislation:

"The Congress is authorized to provide for the faithful and flexible implementation of this amendment through such legislation as may be necessary."

B. Asymmetry Between Increasing Taxes and Permitting Deficits

S.J. Res. 58, as currently drafted, makes tax increases rather than spending cuts -- the more likely vehicle for balancing the budget over time.

Increasing planned tax receipts in excess of the rate of growth of national income would require an ordinary majority of the whole membership in each House. Once tax receipts were increased in a single year, the base for calculating allowable tax receipts for future years would increase as well. This would provide a powerful incentive for those desiring higher future levels of spending to support increased taxes.

Allowing outlays to exceed receipts, with the resulting deficit, however, would require three-fifths of the full membership in each House. When a deficit is permitted in one year, the base for calculating allowable receipts and outlays in future years remains unaffected.

Thus, the asymmetry between the percentages required for enacting tax increases and allowing deficits would probably result in higher spending, in the long-run, than if both tax increases and deficits required the same percentage in each House.

There are three basic alternatives for rectifying this asymmetry:

- 1) Require 60 percent of the whole membership of each House for increasing taxes as well as for permitting a deficit.
- 2) Require 60 percent of those present and voting in both Houses for either a tax increase or a deficit.
- 3) Require a 50 percent majority of the whole membership of both Houses for both tax increases and deficits.

C. Line Item Veto

The value of a balanced budget-tax limitation amendment depends in the end on the capacity to enforce it. Providing the President with line item veto authority would more clearly focus responsibility for the rate of growth in Federal spending. There is ample precedent and widespread acceptance of this approach to controlling spending in State constitutions.

- o Presently, 43 State Governors have line item veto powers.
- o In addition, Governors in 13 States can reduce the amounts in line items in appropriations bills.
- o The Governor of Wisconsin can even veto language as well as money in appropriations bills.

D) Statutory Implementation Tools

Establishing outlay control measures can occur through statutory as well as constitutional changes. A package of statutory implementation tools to enhance the Federal government's capability for dealing with the requirements of S.J. Res. 58 might include:

- 1) Presidential powers to suspend or limit indexed benefit increases modeled after the current method for determining Federal pay increases;
- 2) Enhanced Presidential rescission powers with a two-House veto;
- 3) Establishing an Independent Budget Concepts Commission to help ensure that the amendment is not circumvented through off-budget techniques. The commission could issue non-binding opinions, similar to the accounting standards issued by the Financial Accounting Standards Board (FASB) in the private sector;
- 4) Changing civil service procedures to provide greater flexibility in reducing the size of the Federal workforce.

Appendix A

Changes in economic conditions after the original budget submission can affect outlays for interest, unemployment insurance, and other programs dramatically beyond the point where compensating outlay reductions can be easily identified.

Increase in Outlays From the Initial Budget Submission Due to Changed Economic Factors (In Billions of Dollars)

FY 80 (actual).....	27.1
FY 81 (actual).....	32.3
FY 82 (estimated).....	25.9

- o After even one quarter of the fiscal year has elapsed, the following annual rates of program reduction are needed (on average) to achieve a \$10 billion reduction in current year outlays from controllable programs.

	<u>Outlay Cut (B.A.)</u>	<u>Program Cut (B.A.)</u>	<u>Ratio</u>
Defense.....	\$10	\$33	3.3:1
Defense (excluding military pay)...	\$10	\$40	4.0:1
Non-defense.....	\$10	\$30	3.0:1

- o The table below illustrates that as the year progresses, increasingly more drastic program cuts are needed to achieve fixed outlay reductions.

Illustrative \$10 Billion Reduction in Discretionary Programs ^{1/} (In Billions of Dollars)				
	<u>Beginning of Year</u>	<u>1/4 of Year Gone</u>	<u>1/2 of Year Gone</u>	<u>Total Outlays</u>
National Defense				
Controllable outlays ^{2/}	117.4	88.0	58.7	182.8
Percent of controllable outlays affected by \$10 billion cut.....	8.5%	11.4%	17.0%	N.A.
Budget Authority deferred or rescinded associated with \$10 billion outlay cuts.....	17.4	28.9	52.0	N.A.
Civilian Programs				
Controllable outlays ^{2/}	71.5	53.6	35.7	542.5
Percent of controllable outlays affected by \$10 billion cut.....	14.0%	18.7%	28.0%	N.A.
Budget authority deferred or rescinded associated with \$10 billion outlay cut.....	14.1	24.1	43.4	N.A.

In the real world, there is probably no way to rationally enforce an S.J. Res. 58 type outlay limit if actual fiscal year outlays exceed planned ceiling outlays to any appreciable extent. For instance, if the \$695 billion outlay ceiling voted for FY 82 is taken as a test case, the January re-estimate of \$729.3 billion would present the following choices and options:

<u>Outlay Reductions Necessary</u>	<u>1982</u>
Estimated FY 82 outlays.....	729.0
Resolution outlay ceiling for FY 82.....	695.0
Outlay reduction necessary.....	34.3
<u>To achieve necessary outlay reductions:</u>	
Start from estimated FY 82 outlays, 2nd-4th quarter.....	535.1
Exclude from candidate list of possible outlay reductions:	
a) Debt service requirements.....	62.5
b) Outlays from prior year obligations.....	90.2
c) UI compensation.....	21.2
d) CCC -- dollars already out the door.....	5.1
e) IRS on the grounds that massive RIFs would cause a revenue hemorrhage.....	
f) Veterans hospital funding on the basis of the impact of cutting in such a personnel-intensive operation.....	8.0
g) Payments for Federal prisons.....	
h) FAA air traffic control (again a personnel intensive operation).....	
Subtotal, items that must be excluded from candidate list of possible outlay reductions.....	<u>187.0</u>
Remaining "available" outlays for reduction.....	348.1

<u>Policy Iterations to Achieve Reductions (48% of estimated total FY 82 spending):</u>		<u>1982</u>
a) Cancel general revenue payments beginning the 2nd quarter.....		3.4
b) Freeze all benefit indexes for the remainder of the year.....		5.1
c) Medicare -- limit the annualized level to three fourths of the increase from 1981 to estimated 1982.....		1.8
d) Medicaid -- limit the annualized level to three-fourths of the increase from 1981 to estimated 1982.....		<u>0.2</u>
Subtotal.....		<u>10.5</u>
Remaining reductions needed.....		<u>23.8</u>
Remaining "available" outlays for reduction (gross of offsetting receipts)		156.8
Defense.....		-92.4
Nondefense.....		-64.4
Pro-rated 15.2% reduction in remaining outlays:		
Defense.....		14.0
Nondefense.....		9.9

Illustrative Impacts:

- o Revenue sharing accounts for 43 percent of total revenue in Arkansas;
- o Disruption of hospital cash flow (Medicare) could cause massive shut-downs;
- o Dollar defense program cuts (TOA) of \$46 billion would be needed resulting in grounding of ships, planes, and most other operations;
- o Approximately 200,000 or about 18 percent of the Federal non-defense workforce would be furloughed;
- o Most defense and civilian procurement and capital spending projects (highways, water projects, etc) would be suspended or drastically reduced.

THE WHITE HOUSE

WASHINGTON

March 17, 1982

DECISION MEMORANDUM FOR THE CABINET

FROM: ROBERT CARLESON, EXECUTIVE SECRETARY,
HUMAN RESOURCES CABINET COUNCIL

SUBJECT: Tuition Tax Credits

SUMMARY

The Working Group on Tuition Tax Credits of the Cabinet Council on Human Resources has reviewed alternative ways to fulfill the President's commitment to enact a tuition tax credit bill in the 97th Congress.

A proposed draft Administration bill, "The Educational Opportunity and Equity Act of 1982", has been developed and forwarded by the Working Group. The major elements of the bill include:

- Tax Equity: The purpose of the Act is to provide tax relief to parents who bear the double burden of public and private school costs.
- Limited Coverage: The credit is restricted to parents of children in private, non-profit, elementary or secondary schools.
- A Phase-In of Credits: The policy decisions are the subject of this meeting; a decision on the ultimate size, and phase-in of credits should be referred to the Budget Review Board for recommendation to the President.
- Policy of Non-Discrimination: The tax credit is subject to a policy against discrimination.
- A Limited Federal Presence: Because the tax credit does not constitute a form of direct Federal financial assistance to institutions, it does not open a window for future intrusive Federal action.

STATEMENT OF THE ISSUE

The right of parents to direct the education of their children is a firmly established policy in American jurisprudence. More than half a century ago, in the landmark case of Pierce v. Society of Sisters, the Supreme Court decided that the Constitution protects parents' choice to have their children educated at private schools rather than in public institutions. However, economic, social, and political changes have occurred since Pierce which, in many instances, have rendered this constitutional protection effectively meaningless.

On the one hand, parents who choose to have their children educated at a non-public school must bear the constantly escalating tuitions which those schools must charge to survive. On the other hand, these same parents must support public education through taxes which are paid by all citizens.

For many parents, this dual financial burden is too great to permit them to exercise the right to send their children to a non-public school of their choice. Therefore, tax relief for non-public school tuition expenses is necessary as an issue of equity if American families are to continue to have a meaningful choice between public and private education at the elementary and secondary level.

BACKGROUND

Constitutionality:

Courts which have confronted state tuition tax credit legislation have displayed the uncertainty which characterizes this issue: five courts have found such legislation to be unconstitutional, whereas two others have found no constitutional deficiencies.

The courts which have invalidated tuition tax benefit programs have done so on the basis of an inability to discern a "secular effect" in the legislation. Therefore it is crucial for the administration to build a case for the secular purposes served by a tuition tax credit bill. The Working Group has inserted specific language in the preamble to the Act which meets this test. (refer to Section 2 in the attached bill).

Refundability:

The Working Group believes that although refundability would provide assistance to needy families who are not now taxpayers, this feature is not desirable. It would be costly to make the credit refundable to families who have no tax liability.

Moreover, refundability of tuition tax credits could set a forceful precedent for the use of the tax system to deliver other types of Federal assistance programs.

One way to delay the revenue impacts from a tuition tax credit program is to phase the program in by grade increments. This alternative would extend the phase-in period, but would require a higher initial level of credit in order to be credible. The Working Group believes that this proposal carries a built-in growth dynamic during the legislative process to extend credits to post-secondary schools, and therefore believes it would be more advantageous to initiate a smaller credit which covers all intended beneficiaries from the beginning.

4. RECOMMEND THAT THE TAX CREDIT PROGRAM NOT BE PHASED-IN BY GRADE.

_____ Approve _____ Disapprove

One further way to control costs would be to limit the credit to those under a certain income level. Such targeting would insure that the benefits of the program would be received by those most in need.

The Working Group rejected this option because it converts a tax equity proposal into a program for income redistribution. When a similar initiative was introduced by Senator Metzenbaum in 1978 4 Republicans (Griffin, Hatfield, Javits and Stafford) joined 35 Democrats in voting for the proposal, and 34 Republicans joined 24 Democrats in voting against.

5. SET A RESTRICTION OF THE TAX CREDIT BY INCOME LIMITS.

_____ Approve _____ Disapprove