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A

THE WHITE HOUSE

WASHINGTON

BRIEFING MEMORANDUM FOR THE PRESIDENT

SUBJECT: BUDGET APPEAL RE EPA

Tuesday, December 15, 1981
10:30 a.m. (45 minutes)
The Cabinet Room

FROM: RICHARD G. DARMAN *R.G.D.*
CRAIG L. FULLER

I. PURPOSE

This is the second of the Presidential budget appeal meetings. It deals exclusively with appeals involving the Environmental Protection Agency (EPA).

NOTE: Your briefing book (distributed separately) includes both EPA and NASA appeals. The NASA appeals have been settled since the briefing book was prepared. A memo reporting on the NASA settlement has been provided to you independently -- for your approval.

II. AGENDA/SEQUENCE

You should ask Ann Gorsuch to lead off. Dave Stockman will follow. Then the meeting should proceed issue-by-issue through the book.

III. PARTICIPANTS

The President
The Vice President
Secretary Regan
David A. Stockman
James A. Baker III
Michael K. Deaver
Martin Anderson
Richard G. Darman
Elizabeth Dole
Max L. Friedersdorf
Craig L. Fuller
David R. Gergen
Edwin Harper
Daniel J. Murphy
James W. Nance
Edward J. Rollins
Murray L. Weidenbaum
Richard Williamson

For EPA

Ann Gorsuch
Dr. John Hernandez

B

THE WHITE HOUSE

WASHINGTON

MEETING WITH THE PRESIDENTIAL ADVISORY COMMITTEE ON FEDERALISM

DATE: December 15, 1981

LOCATION: Cabinet Room

TIME: 2:05 - 2:30 p.m.

FROM: Richard S. Williamson

*BW
by Rick Neal*

I. PURPOSE

To provide the President the opportunity to have a dialogue with the members of the Presidential Advisory Committee on Federalism.

II. BACKGROUND

The Advisory Committee will have met in the morning (8:30 - 11:30 a.m.) to discuss the "sorting out" process and revenue source return. As you know, the Governors have proposed that the Administration join with them in a "sorting out" process to determine appropriate areas of federal and state responsibility. Prior to your meeting with the Advisory Committee, Rich Williamson will brief you on the morning's discussions.

III. PARTICIPANTS

See attached list.

IV. PRESS PLAN

White House Photographer.

V. SEQUENCE OF EVENTS

1:50 p.m. - Vice President Bush administers the oath to the Committee members

2:00 p.m. - President Reagan arrives
(Talking Points attached)

2:10 p.m. - President Reagan participates in a dialogue with Committee members

2:30 p.m. - President Reagan departs

Attachments - (1) List of Participants
(2) Talking Points

LIST OF PARTICIPANTS IN DECEMBER 15, 1981, MEETING

Governor Matheson
Governor Alexander
Governor du Pont
Governor Snelling
Senator Domenici
Senator Boren
Senator Hollings
Senator Laxalt
Congressman Fountain
Congressman Brown
Congressman Horton
Congressman Brooks
Rep. Stivers
Chuck Hardwick
Rep. Cardin
Rep. Hainkel
Assemblyman Rhoads
Mayor Koch
Mayor Hudnut
Mayor Cisneros
Commissioner Orr
Supervisor Smoley
Mr. W. J. Murphy
Assembly Smith
C. D. Ward
Clifford Hansen
Clifton White
Robert Hawkins
Commissioner Conder (To be confirmed)
Supervisor Nestande
Senator Durenberger
Secretary Bell (To be confirmed)
Secretary Schweiker
Secretary Watt
Secretary Regan (To be confirmed)
James A. Baker, III
Robert Carleson
Richard Williamson

TALKING POINTS FOR PRESIDENT REAGAN
PRESIDENTIAL ADVISORY COMMITTEE ON FEDERALISM
December 15, 1981

- I want to thank Vice President Bush for administering your oath of office and congratulate you on your commission. Your participation on the Presidential Advisory Committee on Federalism is public service of the highest order.

- I understand that you have been meeting this morning with Senator Laxalt and that the dialogue has been lively and productive. I intend to keep my remarks short, so that we can continue the dialogue. I believe that you are in a far better position to know and understand the needs of the people than officials at the national level. I want to hear from you.

- I don't need to tell you that these are not easy times for state and local government. The transition of fiscal policy will not be painless, but I hope we can work as partners in solving our problems. By working together, we can restore our government to its proper balance ... A partnership among federal, state, and local government.

- Last week before the detailed budget review began, Richard Williamson sat down with me for an extensive briefing on the present fiscal condition of state and local governments and the impact the budget cuts have had on you. I want to assure you that I am sensitive

to the impact of the budget cuts, and I would like to take a moment and speak to you about the FY '83 budget.

- The budget will not be balanced on the backs of states and cities.
- The consolidation of categorical grant programs into a comprehensive system of block grants is an important part of my program to return authority and responsibility to state and local governments. I do not intend to use present or future block grants as a smokescreen for severe or excessive cuts.
- I recognize the importance of revenue sharing to local governments and assure you that it will not be phased out until alternative revenue sources are identified and made available.
- Finally, I know you were talking about Revenue Source Return and the Sorting Out process this morning. I would like to hear your thoughts now on these as well as other subjects.
- Call on Senator Laxalt to begin the discussion.

C

THE WHITE HOUSE

WASHINGTON

INTERVIEW WITH U.S. NEWS AND WORLD REPORT

DATE: Tuesday, December 15, 1981

TIME: 2:30 pm (45 minutes)

PLACE: Oval Office

FROM: Larry Speakes/David Gergen

I. PURPOSE

To be interviewed by U.S. News and World Report for a year-end piece reviewing the President's first year.

II. BACKGROUND

U.S. News and World Report will run an authorized interview with the President in Q&A form for their December 21 issue. It will look at the President's first year in office, and gives an opportunity to outline the accomplishments of the Administration.

You will recall that you also were interviewed by U.S. News and World Report in July, for their piece on A Day in the Life of the President.

III. PARTICIPANTS

The President	
Lester Tanzer	Managing Editor
Bob Kittle	White House correspondent
Sara Fritz	White House correspondent
Gerald Parshall	Assistant Managing Editor

IV. PRESS PLAN

U.S. News will have a photographer to take pictures. The White House photographer will also take pictures.

V. SEQUENCE OF EVENTS

After the picture taking, the interview will proceed.

D

THE WHITE HOUSE

WASHINGTON

MEETING WITH THE CABINET COUNCIL
ON NATURAL RESOURCES AND ENVIRONMENT

DATE: December 15, 1981
LOCATION: Cabinet Room
TIME: 3:30 p.m. (90 min.)

FROM: CRAIG L. FULLER 

I. PURPOSE

Review options for dismantling the Department of Energy.

II. BACKGROUND

For several weeks a working group and the CCNRE have reviewed options for dismantling the Department of Energy. During the process of reviewing dismantlement options, the various individual functions of the Department were analyzed. After reducing and eliminating certain functions, you are left with the need to determine where the remaining functions will be transferred.

The attached decision memo and the Cabinet Council meeting will address the following issues:

1. Federal role in energy (consensus reached)

- supporting national defense needs
- protect against energy supply disruption
- support long-term high-risk research on energy technology
- perform specific governmental tasks as authorized (i.e., Naval Petroleum Reserve, Power Marketing Administration, regulation of certain gas and electric functions.

2. Structure and Transfer of Functions
(consensus within cabinet council)

-- Interior

Would receive resource management and functional.

- Power Marketing Administration
- Naval Petroleum Reserve
- Strategic Petroleum Reserve

-- Federal Energy Regulatory Commission

Should become independent.

-- Justice

Would pick up residual enforcement functions.

-- Energy Research and Technology Administration (ERTA)

The proposal being advanced would create this organization and have it report to a Cabinet officer. ERTA would perform the following:

- Defense weapons program
- Research and development (as now constituted in Energy Department) in nuclear, non-nuclear, environment, safety and health

-- "Designated Department" (agreement on concept, disagreement on which department)

The Cabinet department designated to receive ERTA would be responsible for:

- ERTA oversight
- energy policy planning, analysis
- energy information
- nuclear energy program

3. Dismantlement options

The decision memorandum indicates the two basic options recommended by the Cabinet Council.

-- designate Commerce to receive ERTA and energy policy

-- designate Interior to receive ERTA and energy policy

III. PARTICIPANTS (principals only)

IV. PRESS PLAN (White House photographer only)

V. SEQUENCE

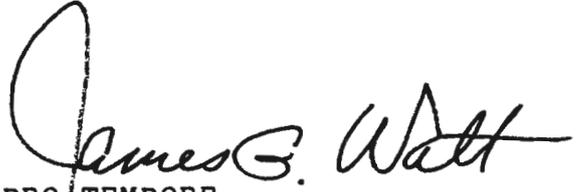
Secretary Watt is the Chairman Pro Tempore of the Cabinet Council. He will review their efforts and turn to Secretary Edwards for a presentation.

THE WHITE HOUSE

WASHINGTON

December 11, 1981

MEMORANDUM FOR THE PRESIDENT



FROM: JAMES G. WATT, CHAIRMAN PRO TEMPORE
CABINET COUNCIL ON NATURAL RESOURCES AND ENVIRONMENT

ISSUE: What organizational functions should the President propose to Congress to dismantle the Department of Energy and carry on appropriate government energy functions?

Background

President Reagan, during his campaign for President and again in his televised address of September 24, 1981, announced his intention to dismantle and abolish the Department of Energy. The basic reason for this position is that the Department as originally constituted represents a fundamentally misguided view of the government's role in energy matters. Any program for dismantling DOE must address this error, and provide a new structure consistent with a proper understanding of the government's role in energy.

There is general agreement in the Administration that such a role should be limited to:

- 1) supporting national defense needs through civilian-controlled capability for research, design, production and testing in the field of nuclear weapons and devices;
- 2) protecting against energy supply disruption through contingency planning capability and maintenance of a strategic petroleum reserve;
- 3) supporting long-term high-risk, potentially high-payoff basic research on energy technologies; and
- 4) performing specific governmental tasks, where authorized, such as operation of the Naval Petroleum Reserve and Power Marketing Administrations, governmental tasks in connection with the nuclear fuel cycle, and regulation of certain gas and electric functions.

The creation of a new Department of Energy in 1977 by President Carter indicated that the government would go far beyond these roles, and take over the control of energy in our society. In dismantling the Department of Energy, we emphasize that the government will now no longer exercise such control.

After a series of working group meetings to develop options for carrying out the President's intentions to dismantle the Department of Energy, the Cabinet Council met on December 8, and discussed this issue extensively, leading to a number of items of consensus and two major options.

Discussion

There is a consensus in the Cabinet Council on Natural Resources and Environment on several aspects of dismantling the Department of Energy:

- 1) Resources management functions, including the Power Marketing Administrations, the Naval Petroleum Reserve, and the operation of the Strategic Petroleum Reserve, should be transferred to the Interior Department.
- 2) The Federal Energy Regulatory Commission should become independent.
- 3) Any residual enforcement functions should be transferred to the Department of Justice.
- 4) There should be established an Energy Research and Technology Administration (ERTA) which would encompass the Defense weapons program, all of the current research and development activities of the Energy Department, both nuclear and non-nuclear, as well as research in areas of environment, safety, and health. ERTA should report to a Cabinet Officer. Energy policy functions, such as planning and analysis, energy information, and emergency preparedness, should be transferred to the Department with jurisdiction over ERTA.
- 5) Finally, it is agreed that nuclear energy should remain part of the total energy program, rather than being placed in a separate organization.

The remaining question is: To which Department should ERTA and energy policy functions be transferred? The Cabinet Council has developed two options -- the Commerce Option and the Interior Option.

The decision as between the Commerce and Interior options should be made bearing in mind the traditional mission of the two Departments. Over the years, Commerce has been responsible for fostering domestic and international business and technological advancement in the private sector. Over the years, Interior has been responsible for the stewardship, preservation, and development of the nation's natural resources.

THE COMMERCE OPTION

Under this option, ERTA and energy policy would be transferred to the Department of Commerce.

The advantages of housing ERTA and energy policy in Commerce are:

- o Recognizes that commercial energy development should be driven by user requirements and market factors, rather than by needs of resource developers.
- o Provides an opportunity to integrate more closely energy policy with general economic policy.
- o 2/3 of DOE consists of nuclear R&D and manufacturing. This option puts these business type activities in the Department most responsible for working closely with business.
- o Meshes with Commerce's management experience as a Department composed of a number of semi-independent agencies.
- o Locates energy, an important international growth business, in the Department most responsible for the promotion of international business. Also, strengthens Department and thereby enhances Secretary's ability to represent U.S. private sector interests in the international arena.

The disadvantages are:

- o Separates energy research and development, as well as policy functions, from the primary source of energy in future years -- the public lands and resources of the United States. This separation may hinder development of a coherent energy policy.
- o Puts responsibility for nuclear weapons in a business-oriented department, possibly raising old fears about a "military-industrial complex."
- o Could provide too much practical, commercial emphasis in place of scientific inquiry in research and development.

THE INTERIOR OPTION

Under this option, ERTA and energy policy functions would be transferred to the Department of the Interior.

The advantages of this arrangement are:

- o Places all aspects of energy within one organization, including research and technology, nuclear energy and the

energy resources of the public lands. This has the best possibility of preserving all energy options by having them balanced within one organization.

- o Research and development and policy functions would be blended with the primary source of energy in the years ahead -- the public lands and resources. The public lands under Interior are believed to contain 85% of the nation's oil, 40% of the natural gas, 40% of the uranium, 35% of the coal, 85% of the tar sands, 80% of the oil shale, and 50% of the geothermal resources.
- o The competing demands of development and conservation of energy resources can best be balanced if all energy aspects, including both government-owned energy sources and future developments through R&D, are within one Department.

The disadvantages are:

- o Maintains a high-profile federal role in energy through single planning organization for both government and private energy resources, research and development.
- o Congress has in the past rejected similar arrangements, but those proposals to consolidate government functions involved controversial transfers not contemplated here, such as transfer of the Forest Service from USDA to Interior.

OTHER ASPECTS

- o Either option would both combine and separate preservation and environmental interests on the one hand and development interests on the other. In the case of Commerce, the presence of the National Marine Fisheries Service and the National Oceanic and Atmospheric Administration might serve to retard energy development, but the same would be true of the role of the Fish and Wildlife Service and the National Park Service in Interior. Placement of the energy functions in Commerce would be strengthened by the other private business activities of that Department, but the other resource management activities in Interior would similarly aid energy development there.
- o The Congressional Affairs office will be prepared to discuss implications of both options for congressional relations.

DECISION: PROCEED WITH

COMMERCE OPTION _____

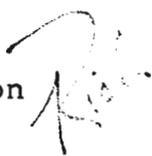
INTERIOR OPTION _____

E

THE WHITE HOUSE

WASHINGTON

MEETING WITH GOVERNOR RICHARD SNELLING (R-VERMONT)

DATE: Tuesday, December 15, 1981
LOCATION: Oval Office
TIME: 4:45 - 5:00 p.m.
FROM: Richard S. Williamson 

I. PURPOSE

- (1) To discuss the Governor's ideas regarding the direction of the Economic Recovery Plan and the "New Federalism."
- (2) To express disappointment with the political rhetoric recently used by Governor Snelling in his criticism of Administration initiatives.

II. BACKGROUND

Governor Snelling is Chairman of the National Governors' Association. He is in his third term as Governor of Vermont and has announced he will not be seeking re-election.

You should recall that Governor Snelling was highly critical of you during the campaign and led the last-ditch effort to draft Gerald Ford to enter the primaries. Governor Snelling is bright and articulate, but fair men would say he is somewhat difficult to deal with.

While initially giving support to the Administration's Economic Recovery Program, in recent weeks he has become increasingly critical. He has stated:

- (1) That he had been "shocked to the core" by some of the President's "New Federalism" approaches;
- (2) That "the President's programs are leading the country to an economic Bay of Pigs;"
- (3) That "the problem with this potpourri (the Administration's Economic Recovery Plan) is that it is, in fact, not an economic policy."

The nation's Governors remain uneasy about the direction the Administration may be taking with regard to federal spending. Projections of large out year budget deficits have caused many of them to believe that significant cuts in federal grants to the states will be forthcoming.

While this meeting will not guarantee the continued bipartisan support the the National Governors' Association, it may neutralize some of Governor Snelling's criticism and, thereby, reduce the likelihood of media reports of an impending split between the Administration and the nation's Governors.

III. PARTICIPANTS

Governor Richard Snelling
Richard S. Williamson

IV. PRESS PLAN

White House Photographer

V. SEQUENCE OF EVENTS

Rich Williamson will escort Governor Snelling to the Oval Office. Governor Snelling will express his concerns.

THE WHITE HOUSE

WASHINGTON

BILL SIGNING CEREMONY FOR H.J. RES. 370
(THE CONTINUING RESOLUTION)

DATE: December 15, 1981
LOCATION: The Oval Office
TIME: 3:15 p.m. (15 minutes)
FROM: Max L. Friedersdorf *m.l.f.*

I. PURPOSE

To sign the Continuing Resolution in ceremony, and to thank the Republican Senate Majority Leader Howard Baker, House Republican Leader Bob Michel, Senate Appropriations Chairman Mark Hatfield, and Congressman Silvio Conte, ranking Republican on the House Appropriations Committee for the leadership role in this successful legislative strategy.

II. BACKGROUND

The House, by a vote of 222 - 194, and the Senate, by a vote of 60 - 35, passed the Continuing Resolution providing for spending at levels acceptable to the Administration. Senator Baker and Hatfield and Congressmen Michel and Conte were the principal negotiators for the package and architects of the strategy of its successful implementation.

III. PARTICIPANTS

The President
The Vice President
~~Director of OMB Dave Stockman~~

Senator Howard Baker
Senator Mark Hatfield
~~Congressman Bob Michel~~
Congressman Silvio Conte

Staff

Max Friedersdorf
Ken Duberstein
Powell Moore
Dick Darman
Jim Baker

IV. PRESS PLAN

Press and White House photographer

V. SEQUENCE OF EVENTS

Participants enter Oval Office and are greeted by the President. President makes statement, signs bill, and present members with signing pens.

Attachment: Talking Points