

August 8, 1987

TO: Joe Califano

FROM: Jim Gaither

RE: HEW proposal for OEO reorganization.

Wilbur Cohen has three proposals designed to avert Presidential defeat of the OEO bill and avoid undesirable Congressional action:

(1) Transfer OEO to HEW and make Shriver an Undersecretary for economic development.

-- This could be done by reorganization plan, would keep OEO intact and would relate OEO more closely to other poverty programs (HEW spends \$17.3 of the \$25.6 billion on poverty).

(2) Delegate or transfer Headstart, Legal Services, Upward Bound and VISTA from OEO to HEW.

-- The delegation would not involve legislation.

-- The number of programs transferred or delegated could be increased or reduced.

-- These programs would be combined in a new Community Services Administration and be part of the proposed Social and Rehabilitative Service (which will combine the Welfare, Vocational Rehabilitation and Aging agencies).

(3) Delegate or transfer CAP from OEO to HEW

-- This would include all the community action programs, including Headstart, and differs little from proposal No. 2.

-- CAP would be renamed Community Services Administration.

Under any of the above schemes, Wilbur would recommend a substantial concentration of the OEO funds in the Nation's largest cities.

As Wilbur admits, none of these proposals have been staffed out -- they are merely his ideas at this point.

Obviously, any of the above would represent a significant defeat for the President. Before any such change were proposed, I would recommend that we:

- Make sure that defeat is certain.
- Ascertain whether the defeat will mean a break-up of OEO which is worse than the above.
- Have these ideas thoroughly staffed out.