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HEARING

BEFORE THE

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

MICHAEL F. STARR, TO BE DIRECTOR OF INTERGOVERNMENTAL, REGIONAL, AND SPECIAL PROGRAMS, FEDERAL ENERGY ADMINISTRATION

SEPTEMBER 27, 1976

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Committee on Interior and Insular Affairs

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THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY

REPORT OF THE
COMMISSIONERS OF THE
UNIVERSITY OF CHICAGO

FOR THE YEAR
ENDING JUNE 30, 1911

CHICAGO
UNIVERSITY OF CHICAGO PRESS
1911

**NOMINATION OF MICHAEL F. STARR TO BE DIRECTOR,
INTERGOVERNMENTAL, REGIONAL, AND SPECIAL
PROGRAMS, FEDERAL ENERGY ADMINISTRATION**

MONDAY, SEPTEMBER 27, 1976

**U.S. SENATE,
COMMITTEE ON THE INTERIOR AND INSULAR AFFAIRS,
*Washington, D.C.***

The committee, pursuant to notice, at 4:05 p.m., in room 3110, Dirksen Office Building, Hon. J. Bennett Johnston, presiding.

Present: Senator Johnston.

Also present: Owen Malone, senior counsel.

**OPENING STATEMENT OF HON. J. BENNETT JOHNSTON, A U.S.
SENATOR FROM THE STATE OF LOUISIANA**

Senator JOHNSTON. The committee will come to order.

The purpose of today's hearing is to consider the President's nomination of Mr. Michael F. Starr of Louisiana to be Director of the Office of Intergovernmental, Regional, and Special Programs of the Federal Energy Administration.

Mr. Starr has been employed at FEA since July 28, as Acting Director of the Office of Intergovernmental, Regional, and Special Programs, the post for which he has been nominated. His previous experience has been in the private sector.

From May 1969, until he entered Federal service he was an executive of the Starr Broadcasting Group located in Kenner, La., a radio and television business with outlets in some 12 States. Prior to that he served in the Judge Advocate Corps of the U.S. Air Force and as a staff attorney for the National Capital Transportation Agency here in Washington.

Welcome to the committee, Mr. Starr. In selecting you to be the Director of FEA's Office of Intergovernmental, Regional, and Special Programs the President has demonstrated his confidence in your capacity to perform effectively in leading one of FEA's most important operations.

As I am sure you know, the directorship of this office is a challenging and demanding post. It requires the incumbent to serve, in effect, as FEA's envoy to the States; to present to the Administrator the views of the States; to reconcile the diverse and sometimes conflicting needs and requirements of the several States and regions; and most importantly, to represent the consumer interest within FEA and to communicate FEA's consumer programs to the Nation's energy consumers.

Besides an understanding of the energy issues that face the Nation, the office calls for industry, diplomacy, and administrative ability.

So, you have been nominated for a demanding assignment that will require high standards of professionalism and good judgment. The committee is looking forward to hearing your statement and to reviewing your qualifications.

I am personally pleased to have you here and to have you, as a man from Louisiana, nominated for this important post.

Mr. STARR. Thank you, Senator.

Senator JOHNSTON. Mr. Butler.

**STATEMENT OF MICHAEL F. BUTLER, ESQ., GENERAL COUNSEL,
FEDERAL ENERGY ADMINISTRATION**

Mr. BUTLER. Thank you, Mr. Chairman.

I would like to say at the outset that I am here representing Frank Zarb, the Administrator of the Federal Energy Administration, who is unable to be here this afternoon.

I have a prepared statement that I would like to submit for the record on behalf of Mr. Zarb.

Senator JOHNSTON. Without objection that will be in the record.

[The prepared statement of Mr. Zarb follows:]

**STATEMENT OF HON. FRANK ZARB, ADMINISTRATOR, FEDERAL ENERGY
ADMINISTRATION**

Mr. Chairman and Members of the Committee. As all of you know, the formulation and implementation of an energy policy for this country involves far more than just the efforts of the Federal Government. The production and consumption of energy is affected by more than just the laws passed in Washington.

The way energy is treated in this country involves the laws, regulatory mechanisms and efforts of people at the local level.

We recognize the importance of a good working relationship between the state and federal governments. And we have consistently tried to maintain an effective liaison between the Federal Energy Administration and the States. Congress too has emphasized the key role of the states by providing for state conservation plans in the Energy Conservation and Production Act.

Because of this, we consider the position of Director of the Office of Intergovernmental Relations to be critical in the implementation of the energy legislation already on the books, in the formulation of new legislation, and in the achievement of a unified national approach to the energy crisis.

The individual who occupies the office under consideration today will play an extremely important role. To play it effectively, he must have an appreciation of the diversity of state interests and regional needs.

In my opinion, Michael Starr is the kind of individual who can meet the requirements of the office to develop and maintain a cooperative relationship with state governments in implementing existing energy legislation and programs.

He is cognizant of the important responsibilities that office already has and could be called upon to shoulder in the future. He is also well qualified to assess problems and opportunities on a state-by-state or regional basis because of his past experience.

I say this because Mr. Starr, before entering government service, was concerned with managing an enterprise whose interests were quite similar to those I described earlier.

He has been involved in commercial endeavors which spanned several states, and so is familiar with the management of organizations that transcend state boundaries. What is more, the business with which he was involved—broadcasting—is one which must be extremely sensitive to the shifting patterns of interests which change from region to region and state to state.

It is my pleasure to introduce him to this Committee. And it is my hope that he will be confirmed, so that the Agency can avail itself of his services.

Thank you.

Mr. BUTLER. I would like to add, for the record, that we deeply appreciate the courtesy of you, Senator Johnston, and the committee in holding this hearing on such short notice to accommodate Mr. Starr's personal situation to get this nomination to the floor before adjournment. We also appreciate the excellent cooperation and assistance of committee counsel Owen Malone.

We thank you very much for what this committee and Mr. Malone have done.

Senator JOHNSTON. Thank you very much, Mr. Butler.

For the record have you, as General Counsel of FEA, reviewed the nominee's financial statement, and, if so, do you think it raises any conflict of interest or apparent conflict of interest or any questions?

Mr. BUTLER. That raises one question.

There are some basic agreements that Mr. Starr has with his former employer, and we have not reviewed the final documents, and we do expect to have them tomorrow. Mr. Starr was going to state that he would like the committee to hold the record open until we can submit those documents to the committee.

At the same time, I will then be able to review them and render an opinion, as you requested it.

Senator JOHNSTON. There seems to me to be no apparent conflict with broadcasting and FEA business.

Mr. BUTLER. That is my conclusion, but out of a sense of caution we should like to review them.

Senator JOHNSTON. We will hold the record open for that purpose.

Earlier today the committee was advised that because of restrictions contained in its appropriation acts, FEA may not employ more than 16 executive-level personnel.

Does this ceiling present any problem in relation to Mr. Starr's taking office as Director of the Office of Intergovernmental, Regional, and Special Programs, should he be confirmed by the Senate?

Mr. BUTLER. No, it will not, Mr. Chairman.

I can here state for the record that upon Mr. Starr's confirmation and swearing in, there will be an executive level 5 position open, and available for him, without any qualifications. I can state that Mr. Zarb has a variety of options open to him to make this arrangement.

I have with me, if the Chair would like to pursue the matter further, our chief administrative officer to discuss those various arrangements. But the short and simple answer is that upon Mr. Starr's confirmation there will be an executive level 5 position available to him without presenting any difficulty.

Senator JOHNSTON. Thank you, very much, Mr. Butler.

Mr. Starr, as is our custom, and requirement, if you'll raise your right hand we will swear you in.

[Whereupon, MICHAEL F. STARR, the nominee, was duly sworn by the chairman.]

Senator JOHNSTON. As you know, concern has been expressed by Members of the Congress over the lack of responsiveness of some executive branch officials in agreeing to appear to testify at committee hearings.

Can you assure me that you will maintain open, free, responsive communications with the committee and see to it that your subordinates do likewise?

Mr. STARR. I will.

Senator JOHNSTON. Will you be available to appear before this committee to discuss pending legislation and respond to committee questions on matters such as the committee may be investigating?

Mr. STARR. I will, Senator.

Senator JOHNSTON. In accordance with the committee rules, Mr. Starr, you provided the committee with a sworn confidential statement of your present financial condition. I understand it has been reviewed and discussed with you by the committee staff.

For the public record I am going to ask if you are aware of any other holdings you may have which may create a conflict with the position for which you are nominee.

Mr. STARR. I am aware of no conflict, Senator.

Senator JOHNSTON. While your financial statement has been given to the committee in confidence, would you have any problem in making that statement public or if the committee decided to do so, and I am not asking you to do so at this point, it is just a question of whether you would have that objection?

Mr. STARR. I have no objection whatsoever.

Senator JOHNSTON. The financial statement you have provided the committee lists as liabilities certain undefined bank notes and mortgages. The lenders are not specified on that and we are going to hold the record open. So if you would specify those lenders, give that information to us, you can do that by tomorrow, it will be helpful.

Now, your financial statement lists a transaction with the Starr Broadcasting Group, Inc., involving the purchase of your employment agreement over a 4-year period.

Please explain what this involves. Does it represent a continuation of your salary by Starr Broadcasting, or payment for past services? You can provide these answers for the record.

Your financial statement also lists the settlement of a bonus agreement with Starr Broadcasting. Please describe this item for the committee when you submit your information for the record.

[The nominee's financial statement and the information in response to the foregoing questions follow:]

FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

September 23, 1976

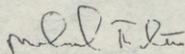
Honorable Henry M. Jackson
Chairman
Interior and Insular Affairs Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

For the use of the Interior and Insular Affairs Committee, I submit herewith my financial statement with appropriate notes and explanations. Additionally, included is a record of recent financial transactions which may have a bearing on your considerations.

The statement concerning values of real estate and personal property is based upon my own estimate and not on actual appraisal. Obviously, I am ready to discuss these matters in detail and supply any further information that the Committee may desire.

Sincerely,

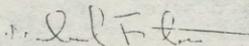


Michael F. Starr
Acting Director
Intergovernmental Relations
and Special Programs

cc: Honorable Paul J. Fannin
United States Senator
Washington, D.C. 20510

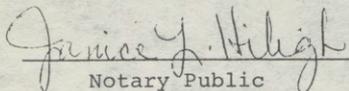
AFFIDAVIT

MICHAEL F. STARR, being duly sworn, deposes and says that he has read and signed the attached letter September 23, 1976, to the Chairman of the Senate Committee on Interior and Insular Affairs, and that the information provided in that letter and the financial statement attached thereto is, to the best of his knowledge and belief, current, accurate, and complete.



Michael F. Starr

Sworn before me
this 23rd day of September 1976


Notary Public

FINANCIAL STATEMENT
AND OTHER PERTINENT INFORMATION
SUBMITTED TO
THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
UNITED STATES SENATE
BY

Michael F. Starr

September 23, 1976

ASSETS

Real estate

5330 Bancroft Drive New Orleans, La.	225,000
29 Snipe Street New Orleans, La.	50,000
Bill's Ace Hardware	275,000

Securities Owned Outright

(# of shares)	(company)	(unit price)	(value)
etc.			

The Starr Broadcasting Group, Inc.			
66,944		3.00	200,832

Tangi Inc.			
600 shares		10.00	6,000.00

Life Insurance Policies

(Name of company and policy #)	(face value)	(cash value)
Insurance Company of North America		
Whole life	100,000	-0-
Travelers Insurance		
Whole life	500,000	-0-

Insurance Company of North America		
Whole life	100,000	-0-

Travelers Insurance		
Whole life	500,000	-0-

Other

Cash		2,000.00
Personal Property		(value)
Furniture, Jewelry, Automobiles, Boat		50,000

TOTAL ASSETS	<u>808,832.00</u>
--------------	-------------------

LIABILITIES

	Amount
Bank Debt & Mortgages	613,500.00
Notes Payable	4,000.00
TOTAL LIABILITIES	<u>617,500.00</u>
NET WORTH	<u>191,332</u>

MATTERS OF INCOME

Purchase of employment agreement of Michael F. Starr by the Starr Broadcasting Group, Inc. 50,000 per year for 4 years beginning July 1, 1976.

Accountants, Peat Marwick & Mitchell

OTHER MATTERS OF INTEREST

1. Property of wife 18 shares IBM, 5 shares Scott Paper
2. Property of children 400.00 in Series E Savings Bond
3. Trusts - None

RECENT TRANSACTIONS

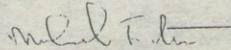
Settlement of bonus agreement with Starr Broadcasting Group, Inc. pending.

OTHER MATTERS OF INTEREST

Board of Directors, The Starr Broadcasting Group, Inc.
May 1969 - March 1976

Advisory Board Volunteers of America, January 1974 to present.

Advisory Board Jefferson Bank & Trust
January to July 1976.



Michael F. Starr

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

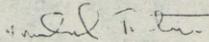
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Honorable Henry M. Jackson
Chairman
Interior and Insular Affairs Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Reference my letter of yesterday with the enclosed financial statement which was referenced by majority staff counsel at the Senate Interior Committee meeting. Enclosed for your review is a resolution of the Board of Directors of the Starr Broadcasting Group, Inc. pertaining to the purchase of my employment agreement. Insofar as any provision of this resolution may create any potential conflict of interest I am prepared to defer any portion or all of the attached resolution for the term of my government service.

Sincerely,



Michael F. Starr
Acting Director
Intergovernmental Relations
and Special Programs

cc: Honorable J. Bennett Johnston
United States Senator
Washington, D.C. 20510

Honorable Paul J. Fannin
United States Senator
Washington, D.C. 20510

WHEREAS, Peter and Michael Starr were for many years the principal officers of The Starr Broadcasting Group, Inc. (the "Company") and worked to build the Company and to promote its success; and

WHEREAS, Peter and Michael Starr have various rights and claims with respect to the Company under their respective Employment Agreements and Bonus Agreements; and

WHEREAS, it has been deemed appropriate for Peter and Michael Starr to resign as officers of the Company; and

WHEREAS, it is to the advantage of the Company to resolve any and all claims of Peter and Michael Starr against the Company without the necessity of litigation or other controversy;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Company hereby adopts and affirms the terms set forth in the annexed memorandum for the settlement of all claims of Peter and Michael Starr under their respective Employment Agreements and Bonus Agreements; and

BE IT FURTHER RESOLVED, that the appropriate officers of the Company, and counsel to the Company, are hereby authorized and directed to prepare and execute formal legal agreements in accordance with the terms set forth in the annexed memorandum.

The following are the proposed final arrangements with Peter and Michael Starr:

1. Peter and Michael Starr shall each be entitled to (\$200,000 in full settlement of all claims under their respective Employment Agreements and Bonus Agreements. Against this amount there shall be charged the items set forth in Paragraph 4 and 6 below.

2. All consultant relationships between Peter and Michael Starr and Starr Broadcasting have been terminated.

3. Conditioned on the opinion from counsel acceptable to Corporation's accountants that rescission will be effective, the corporation has determined that it is appropriate to rescind the transactions by which Peter and Michael Starr obtained 60,000 shares of Starr stock. The transactions were ultimately dealt with in their Bonus Agreements. As the first step in the plan of rescission, Peter and Michael Starr shall execute new notes at the Jefferson Bank of New Orleans to effect an extension of their loan at that bank. Mr. Buckley has agreed to guarantee that loan in order to extend the due date for an additional thirty (30) days while the arrangements which are the subject of the memorandum are completed.

4. From the amounts payable to Peter and Michael Starr, \$75,000.00 plus accrued interest will be paid directly to Jefferson to retire the Jefferson loan, one-half of the payment

to be charged against Peter Starr and one-half against Michael Starr. . These charges shall be deducted from the total amount set forth in Paragraph No. 1.

5. Approximately 40,000 shares of Starr Broadcasting stock will be released as a result of the Jefferson payment, including approximately 15,000 shares which the Company seeks to retrieve pursuant to the plan of rescission. The 15,000 rescission shares shall be returned to Starr Broadcasting. The balance of 25,000 shares shall be exchanged at the Santa Fe Trail State Bank for 25,000 "rescission" shares now held by Santa Fe which rescission shares shall be returned to Starr Broadcasting. Title to 20,000 rescission shares held by Spring Branch Bank shall be transferred to Starr Broadcasting by Peter and Michael Starr. The obligations of Peter and Michael Starr to Starr Broadcasting under their respective Bonus Agreements (and predecessor notes) shall be cancelled. No repayment shall be made to Peter and Michael Starr for payments already made by them on these obligations with funds provided pursuant to their Bonus Agreements.

6. Payments to Peter and Michael Starr of \$4,167.00 per month will be continued to and including December 1976, but not thereafter. All such payments made since July 1, 1976 shall be charged against the total amount set forth in Paragraph No. 1.

7. Aside from the payments made pursuant to Paragraphs 4 and 6 hereof, all sums due to Peter and Michael Starr hereunder will be withheld by Starr Broadcasting pending resolution of

the following claims asserted by or on behalf of Starr Broadcasting against Peter and Michael Starr:

- a) The claim for "excess payables" under the option agreement dated October 18, 1974, as to which claim Peter and Michael Starr shall waive any assertion that Gordon Ryan is solely responsible therefor;
- b) All claims asserted or to be asserted by the Company as the result of a judgment in or settlement of a legal action presently styled, Solomon v. Buckley.
- c) The claim for 9,407 shares of Starr Broadcasting Group, Inc. from Peter H. Starr and 9,407 shares from Michael F. Starr, the value of which 9,407 share blocs as of June 11, 1975 is \$43,507.50. If the shares are tendered by Peter or Michael Starr on or before June 30, 1977 and if there are still amounts due to the tendering party under the terms of this memorandum after full resolution of the claims of the Company which are set out in 7a and 7b above, then such sums shall be paid to the tendering party at his direction; but if such shares are not tendered by June 30, 1977, then the Company shall charge against the amounts due to the non-tendering party under this memorandum the sum of

\$43,507.50, and the non-tendering party shall retain title to the 9,407 shares. However, nothing herein contained shall be construed as a waiver of any of the rights of the Company to said shares if the sums due hereunder are exhausted for any reason other than by application under this subparagraph.

8. Starr Broadcasting does not waive its right to pursue the foregoing or any other claims against Peter and Michael Starr to the extent, if any, that the amount withheld is insufficient to satisfy said claims.

9. Except as modified herein, all the agreements of the Company, Peter Starr, Michael Starr and others made at the Board of Directors meeting of Starr held on June 25, 1976 are ratified and confirmed including but not limited to those items of personal property to be retained by Peter Starr and the arrangements between the various directors and Peter Starr and Michael Starr. The final agreement with Michael Starr will include a covenant not to compete similar to the covenant taken from Peter Starr.

FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

September 27, 1976

Honorable Henry M. Jackson
Chairman
Interior and Insular Affairs Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Reference my letters of Thursday and Friday of last week pertaining to my financial statement insofar as it pertains to my nomination by President Ford to the position of Director of Intergovernmental, Regional and Special Programs of the Federal Energy Administration.

I am currently the holder of 66,944 shares of the common stock of the Starr Broadcasting Group, Inc. 35,000 of those shares will be purchased by Mr. William F. Buckley, Jr. pursuant to either a put or a call by September 30, 1978 or earlier, during which time, they will be subject to a voting trust in favor of Mr. Buckley. Of the remaining shares 30,000 will be returned to the Company in consideration of the bonus agreement pursuant to which they were originally purchased. As the board resolution states the bonus agreement is to be cancelled. The remaining 1,944 shares will be sold by me in the open market to retire a bank debt.

My employment agreement with the Starr Broadcasting Group, Inc. was purchased for \$200,000. Of that \$37,500 plus accrued interest will be paid to the Jefferson Bank and Trust Company of Metairie, Louisiana to retire an existing debt.

Under the agreement I have been receiving monthly compensation for past services at an annual rate of \$50,000 per year since July 1st, 1976, which payments will expire in December

1976 as per the board resolution. Should any further payments be due to me under the existing board resolution I will if necessary defer such payments for the term of my government service.

Sincerely,

Michael F. Starr
Michael F. Starr
Acting Director
Intergovernmental, Regional
and Special Programs

cc: Honorable Paul J. Fannin
United States Senator
Washington, D.C. 20510

FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

September 28, 1976

Mr. Owen Malone
Special Counsel
Committee on Interior and
Insular Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Malone:

At the request of the Senate Committee on Interior and Insular Affairs, attached is the list of creditors and the amounts owed.

The other questions raised in your memorandum on my nomination were answered in my letter of September 27, 1976 to Senator Henry Jackson.

Sincerely,

15/ ^{WSB}
gr

Michael F. Starr
Acting Director
Intergovernmental, Regional
and Special Programs

Addendum to Financial Statement
of
Michael F. Starr

Southern Savings relates to Bill's Ace Hardware	\$196,500
Hibernia Bank relates to Bill's Ace Hardware	\$ 27,500
Hibernia Homestead relates to personal residence	\$ 70,000
United Federal relates to piece of rental property	\$ 30,000
Santa Fe Trail Bank relates to improvements in residence at 5330 Bancroft and equity therein	\$247,000
Continental Bank general purposes	\$ 5,000
Jefferson Bank & Trust relates to repayment Officers Account at Starr Broadcasting	\$ 37,500
Bill's Ace Hardware Note payable	\$ 4,000
	<u>\$617,500</u>

Senator JOHNSTON. You can answer this one now. We would like to know whether Starr Broadcasting, or any of its affiliated companies, is engaged in or has holdings in the energy industry, or in any energy-related businesses.

Mr. STARR. Mr. Chairman, the corporation has no activities related to the energy field whatsoever.

Senator JOHNSTON. Very well.

I understand you have a prepared statement which I will be glad to hear at this time.

STATEMENT OF MICHAEL F. STARR, NOMINEE TO BE DIRECTOR OF INTERGOVERNMENTAL, REGIONAL, AND SPECIAL PROGRAMS, FEDERAL ENERGY ADMINISTRATION

Mr. STARR. Mr. Chairman, members of the committee, I appreciate your invitation to appear before you today. The President's nomination and your consideration of that nomination is indeed an honor.

Senator Johnston has been most kind in his introduction. My appreciation of his remarks is special, not only because I personally have high regard for him but also because I know of the esteem fellow Louisianians have for him. Repeated contacts with those who work for and with Senator Johnston have repeatedly reinforced this observation.

The office to which I have been nominated has a challenging mandate. The Federal Energy Administration enabling legislation of 1974 insisted that State and local governments be afforded every opportunity to impact the development of FEA policies and programs. The efforts undertaken by this office prior to my nomination have won accolades from the public interest groups representing State and local government, and I assure you that my intent is to make an excellent program even stronger.

Regional office linkages are crucial to this endeavor. The intergovernmental efforts at this regional office level are the first line of opportunity in furthering State and local government cooperative efforts with the Federal Energy Administration.

Two special programs that come under the purview of this office are consumer affairs and special impact, and small business. Consumer representation is a high priority item with both the Congress and the administration.

Once again, an excellent record has already been established in dealing with ethnic minorities, the poor, the handicapped, and the elderly. Much remains to be accomplished in this vital area.

My perception is that the groundwork has been laid for even greater achievement levels. The FEA regional offices also provide an invaluable link with FEA, Washington, in assuring that consumer considerations are given a proper hearing in the development of national energy programs and policies.

More than 9 million small and minority businesses have been heavily impacted by the rising cost of energy. A special program in the office which I have been nominated to lead has directed its efforts toward helping small and minority business persons reduce their operating costs through a more judicious use of energy.

I look forward to working with the U.S. Congress in this position of trust that is now before you for consideration.

I appreciate the opportunity to appear before this committee. I will attempt to answer any questions you may have.

[A biographical sketch of Mr. Starr follows:]

MICHAEL F. STARR

Nominee to be

DIRECTOR

Office of Intergovernmental,
Regional and Special Programs

FEDERAL ENERGY ADMINISTRATION

1. Name: Michael F. Starr
2. Address: 5330 Bancroft Drive, New Orleans, Louisiana
3. Date and place of birth: October 4, 1940, St. Paul, Minn.
4. Marital Status: Married to the former Ellen Marie Savage
5. Children: Michael, age 4 and Sian, age 2
6. Education: St Francis College, Loretto, Pa. 1958-1962
BA granted 1962, Georgetown University 1962-1966
LLB granted 1965, LLM granted 1966
7. Employment record: May 1969-July 1976. Executive Vice President, Treasurer, Chief Financial Officer, and Director of Starr Broadcasting Group, Kenner, Louisiana
May 1966-May 1969 - Captain U. S. Air Force
Served as Assistant Staff Judge Advocate, performed as Trial Counsel and Defense Counsel, Strategic Air Command Headquarters, Omaha, Nebraska.
March 1965-May 1966 - Staff Attorney for National Capitol Transit Agency. Conducted legal research on relocation of utilities in connection with METRO
8. Government Service:
July 1976 to present. Acting Director, Intergovernmental Regional and Special Programs. Principal advisor to Administrator on Intergovernmental Relations, Consumer Affairs (particularly as it relates to the impact of policy on special impact groups e.g. aged, handicapped, Indians, migrants.) Also principal advisor to the Administrator on the impact of National energy policy on Small Businesses. Directs these activities at headquarters and in the FEA Regional Offices.

9. Memberships

St. Francis College 1958-1962
 Tau Kappa Epsilon (Social Fraternity)
 Treasurer and President

St. Francis College Honor Society
 President

National Catholic Honor Fraternity

Community

Advisory Board of Directors, Volunteers of America,
 New Orleans, Louisiana

Member, East Bank Advisory Board,
 Jefferson Bank and Trust, Mitaire, Louisiana

Member, American Bar Association
 Admitted to practice - Connecticut and Nebraska

10. Honors and Awards:

1962 BA St. Francis College - Summa Cum Laude
 1962-1965 Academic Scholarship, Georgetown
 University Law Center
 1965-1966 Kewgin Fellowship, Georgetown University
 Law Center
 1964-1965 Vice President Student Law Association,
 Georgetown University Law Center
 1961-1962 Editor Year Book St. Francis College
 1961-1962 Editor, College Literary magazine St Francis
 College
 1961 President St. Francis College Honor Society
 1962 Member, National Catholic Honor Fraternity
 1962 Who's Who in American Colleges and Universities

11. Published writings: None

MICHAEL F. STARR

Nominee to be

DIRECTOR

Office of Intergovernmental,
Regional and Special Programs

FEDERAL ENERGY ADMINISTRATION

Mr. Michael F. Starr has served as Acting Director of the Office of Intergovernmental, Regional and Special Programs, Federal Energy Administration since July 28, 1976.

From May 1969 to July 1976, when he entered Federal Service, Mr. Starr served as Executive Vice President, Treasurer, Chief Financial Officer, and Director for the Starr Broadcasting Group, Kenner, Louisiana. In this capacity, Mr. Starr was responsible for the financial management and community affairs of the corporation with media outlets in twelve states.

In May 1966, Mr. Starr was commissioned as Assistant Staff Judge Advocate in the United States Air Force. He attained the rank of Captain while serving as Trial Counsel and Defense Counsel in various proceedings at the Headquarters of the Strategic Air Command, Omaha, Nebraska.

From March of 1965 until receiving his commission in the U.S. Air Force, Mr. Starr served as a staff attorney with the National Capitol Transit Agency. He conducted legal research on problems involving the relocation of public utilities as a result of the METRO subway project.

Mr. Starr received his B.A. degree summa cum laude from St. Francis College, Loretto, Pennsylvania in 1962. He served as President of the St. Francis College Honor Society and majored in economics. He is a member of the National Catholic Honor Society.

Mr. Starr attended the Georgetown University Law Center from 1962 to 1965 on an academic scholarship. He received his LLB from the Center in 1965. He served as a member of the House of Delegates in the Center from 1963 to 1964, and in 1964, he was elected Vice President of the Student Bar Association.

Mr. Starr was awarded the Kewgin Fellowship by the Georgetown University Law Center and received his Master of Laws (LLM), specializing in Labor Law, in 1966.

Mr. Starr has been active in community affairs. He has served as a member of the Advisory Board of Directors of the Volunteers of America, New Orleans, Louisiana. He is a member of American Bar Association, and has been admitted to practice in Connecticut and Nebraska. Mr. Starr has also served as a member of the East Bank Advisory Board, Jefferson Bank and Trust.

Mr. Starr has also served as a Director of the Institute of Politics at Loyola University of the South, New Orleans.

Mr. Starr was born October 4, 1940 in St. Paul, Minnesota. He is married to the former Ellen Marie Savage of the Bronx, New York. They have two children Michael age 4 and Sian 2 years old. Mr. and Mrs. Starr reside at 5330 Bancroft Drive, New Orleans, Louisiana 70122. Mr. Starr is living temporarily in Washington, D.C.

Senator JOHNSTON. Thank you, very much, Mr. Starr. The questions have already been asked and answered, as I say, and we have a couple here which you can supply the answers in writing, like who the mortgagees are.

We have also several letters which you have provided relative to your financial statement. Without objection we will make those part of the record. In addition, and without objection, and other letters received from FEA relating to Mr. Starr's financial statement will also be made a part of the hearing record.

[Additional letters received by the committee follow:]



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

September 28, 1976

OFFICE OF THE GENERAL COUNSEL

Honorable Henry M. Jackson
Chairman
Committee on Interior and Insular Affairs
United States Senate
Washington D.C. 20510

Dear Mr. Chairman:

On behalf of Administrator Frank G. Zarb I wish to thank you and Senator Johnston for the courtesies extended to FEA and Michael F. Starr in scheduling his confirmation hearing yesterday. We deeply appreciate the actions of the Committee and the excellent cooperation of Senior Counsel Owen J. Malone in trying to obtain confirmation of Mr. Starr prior to adjournment.

It is my understanding that the record of the hearing will remain open for submission by Mr. Starr of the documents setting forth his various agreements with respect to the sale of his stock interests in Starr Broadcasting Company and the termination of his rights under his employment and bonus agreements with the company. It is also my understanding that the Committee will hold open the record for receipt of an opinion letter with respect to the relationship of Mr. Starr's rights under these agreements to the provisions of the conflict of interest laws, particularly 18 U.S.C. 209. As I stated at the hearing, I will furnish this opinion letter to the Committee as soon as possible after I have received the relevant documents from Mr. Starr.

Sincerely,

Michael F. Butler
General Counsel

cc: Honorable J. Bennett Johnston
United States Senate
Washington D.C. 20510

Honorable Paul J. Fannin
United States Senate
Washington D.C. 20510



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

September 30, 1976

OFFICE OF THE GENERAL COUNSEL

Honorable Henry M. Jackson
Chairman
Committee on Interior and
Insular Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In response to the request conveyed by committee counsel, we have examined the circumstances surrounding the decision of the Board of Directors of the Starr Broadcasting Group, Inc. which, in effect, provided Mr. Michael F. Starr termination benefits after his resignation from that company.

This matter has been examined by both my office and the Department of Justice. Our examination was based on corporate documents made available to us as well as factual representations made to us by both Mr. Starr and the counsel to the corporation, which factual representations were uncontradicted by the documents we examined. On the basis of this information, I am satisfied that the circumstances of Mr. Starr's termination arrangements do not suggest any violation of 18 U.S.C. 209(a), a provision of the so-called conflict of interest laws which prohibits supplementation from private sources of the income an employee of the executive branch receives for his services to the Federal government.

I hope this information will be helpful to you and the committee, and I have enclosed for your information a copy of the correspondence between my office and the Department of Justice by which this matter was examined.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael F. Butler".

Michael F. Butler
General Counsel

Enclosures



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

September 30, 1976

OFFICE OF THE GENERAL COUNSEL

Honorable Antonin Scalia
Assistant Attorney General
Office of Legal Counsel
Department of Justice
Washington, D. C. 20530

Dear Mr. Scalia:

I am writing you with regard to certain legal questions which have been brought to my attention in connection with the pending nomination of Mr. Michael F. Starr to be Director of the Office of Intergovernmental, Regional and Special Programs of the Federal Energy Administration, a position which requires appointment by the President by and with the advice and consent of the Senate. These questions concern the relationship of 18 U.S.C. 209(a) to the arrangements whereby Mr. Starr terminated his relationship with the Starr Broadcasting Group, Inc., a corporation organized under the laws of the State of Delaware in which Mr. Starr was both a stockholder and an officer. These matters have been called to my attention by staff counsel to the Senate Committee on Interior and Insular Affairs, which is considering Mr. Starr's nomination to this position in FEA.

From documents provided by Mr. Starr and by counsel to the corporation, it appears that Mr. Starr served as Vice President and Treasurer of the corporation from its formation in 1966. On August 27, 1970 the corporation entered into an agreement with Mr. Starr under which he purchased from the corporation 10,000 shares of its common stock at a price of \$9.00 per share. Mr. Starr paid for this common stock by executing a promissory note dated August 27, 1970 to the corporation in the sum of \$90,000, the terms of which note provided for the payment of the principal on or before August 26, 1975 with interest at the rate of 4% per annum. Approximately a year later, Mr. Starr and the corporation concluded a similar transaction whereby he purchased an additional 20,000 shares of the corporation's common stock in exchange for a promissory note to the corporation in the sum of \$375,000, also bearing interest at the rate of 4% per annum but which matured on September 19, 1978.

The documents provided this office further show that, on December 7, 1973, Mr. Starr and the corporation executed two new agreements, one an employment contract and the other styled a "bonus agreement." Taken together, the employment and bonus agreements provided a scheme of compensation for Mr. Starr, in addition to his regular salary, that would have the effect of cancelling in increments the outstanding indebtedness on these two promissory notes, including the amounts of interest accrued to December 7, 1973, except for an amount equivalent to any income taxes which might be imposed on each of the increments by which the amounts outstanding on the two notes were to be reduced.

From the figures contained in the bonus agreement it does not appear that Mr. Starr had made any payments of principal or interest prior to the execution of the bonus and employment agreements, and under the terms of the bonus agreement the promissory note obligations were "discontinued" and the notes were deemed to have been merged into the bonus agreement. The bonus agreement further provided, in effect, that if Mr. Starr breached the employment agreement by voluntary resignation or termination for cause prior to June 30, 1978, he would be liable on the remaining portion of the principal outstanding on the notes, with interest at 8% per annum from the date of such termination.

On April 6, 1976 Mr. Starr resigned from the corporation with a view to seeking election as a representative to Congress. At a meeting of the Board of Directors of the corporation conducted on May 10, 1976 when Mr. Starr was actively seeking his nomination, the Board resolved that counsel should prepare a "revised employment contract" for Mr. Starr for the period beginning July 1, 1976 through June 30, 1980 at a salary of \$50,000 per annum. The minutes suggest that factors taken into account by the Directors in arriving at this decision included the corporation's obligation to prevent Mr. Starr from competing with a recently sold radio station, and the likelihood that Mr. Starr's "past intimate involvement" with the corporation would require that his "services be retained" on a part-time basis.

Prior to the end of June 1976, circumstances unrelated to Mr. Starr's relationships to the corporation prompted him to abandon his efforts to seek nomination for election as a representative in Congress. Between that time and September 21, 1976 counsel for the corporation prepared documents in order to reflect their understanding of the resolution of the Board of Directors of May 10, as further amplified during

subsequent discussions with members of the Board. On September 21, 1976 the Board of Directors agreed to a resolution which formalized the Board's ultimate decision regarding Mr. Starr's severance from the corporation.

The resolution adopted by the Board on September 21, 1976 retained the concept of a \$200,000 payment to Mr. Starr that had been agreed to at the May 10, 1976 meeting, but did not attempt to characterize that payment as a "salary", and now addressed as well the outstanding indebtedness under the bonus agreement and the common stock acquired by Mr. Starr from the corporation in 1970 and 1971. The basic elements of the arrangements adopted on September 21 included:

- (a) Entitlement to a payment of \$200,000 "in full settlement of all claims under" Mr. Starr's employment and bonus agreements.
- (b) The 30,000 shares of the corporation's common stock acquired by Mr. Starr pursuant to the notes executed in 1970 and 1971 were to be returned to the corporation.
- (c) Mr. Starr's outstanding indebtedness to the corporation on the balance of the notes which had been merged into the bonus agreement was "cancelled."
- (d) From the \$200,000 entitlement, \$37,500 was to be paid immediately to a bank in order to liquidate an outstanding loan for which some of the common stock to be returned to the corporation had been pledged as security. In addition, the resolution provided that the sum of \$4,167.00 would be paid monthly to Mr. Starr from the entitlement through December 1976, but not thereafter. Payment of the balance of the \$200,000 entitlement would be withheld pending resolution of certain contingent claims by the corporation against Mr. Starr.

The legal issue suggested by these termination arrangements is whether the \$200,000 entitlement and the forgiveness of the outstanding indebtedness associated with the stock acquisition, neither action which the corporation was legally bound to take, could properly be considered as subject to the prohibition of 18 U.S.C. 209(a). That subsection reads in pertinent part as follows:

"(a) Whoever receives any salary, or any contribution to or supplementation of salary as compensation for his services as an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, from any sources other than the Government of the United States * * *; or Whoever, whether an individual, partnership, association, corporation, or other organization pays, or makes any contribution to, or in any way supplements the salary of, any such officer or employee under circumstances which would make its receipt a violation of this subsection-" [Emphasis supplied.]

is guilty of a misdemeanor. What must be considered is whether these arrangements could be regarded as a salary supplement in consideration of Mr. Starr's services to the government in the executive branch, which would be prohibited by 18 U.S.C. 209(a).

In order to resolve this question, it is evident that the entirety of the circumstances surrounding these arrangements must be examined with a view to establishing their likely motivation, for calculation of the payment in terms of a lump sum does not necessarily remove it from the reach of the statute, *U.S. v. Gerdel*, 103 F. Supp. 635, 638 (E.D. Mo. 1952), just as the mere incidence of payments during a period of Federal service does not necessarily constitute a violation of the statute, 41 Op. A.G. 217 (1975).

In this case the documentary material, which has been examined by both our staffs, does not by itself establish beyond doubt the entire motivation for concluding these arrangements. Nonetheless, it seems fairly clear from the fact that Mr. Starr was not entertaining employment in the executive branch, and to our knowledge had not been offered such employment and was in fact actively pursuing elective office, that there could have been no intent to supplement any Federal salary for service in the executive branch at the time of the Board resolution on May 10, 1976 to pay Mr. Starr a sum of \$200,000, even though a sum was then described as a "salary" for intermittent services.

The exchange of the 30,000 shares of stock held by Mr. Starr for forgiveness of the amounts owing on the two notes must be considered as well, because during the period between Mr. Starr's acquisition of the stock and rescission of this transaction the market value of the stock had fallen to a

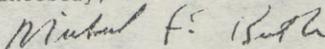
point where it was approximately one-third of the lower of the two acquisition prices on which Mr. Starr's notes were based. The documents provided us reveal only that the Board reached its decision on this matter on September 21, 1976, by which time the President had announced his decision to nominate Mr. Starr to his position in FEA.

Nothing in the language of the Board's resolution, of course, suggests that the purpose of this transaction was to supplement the salary for Mr. Starr's anticipated Federal services. Nothing in any of the documents suggests that the calculation of the benefits conferred on Mr. Starr took into account any expectation that his salary would be reduced by reason of his Federal service, and there is no indication of a relationship of any sort between the Board's action on September 21 and the pendency of Mr. Starr's service in the executive branch. To the contrary, the Board's action by its terms applies in an identical manner to Mr. Starr's brother, who had also previously resigned from the corporation, but who is neither a present nor a prospective employee of the Federal government.

While it is frequently stated that the ad hoc nature of a termination payment arrangement makes it more suspect than when made pursuant to a regularly and uniformly applied plan, in view of the nature of this corporation -- relatively closely held and, in effect, founded by Mr. Starr and his brother -- an ad hoc arrangement would appear not particularly remarkable. Moreover, I have been advised by Mr. J. Daniel Mahoney, a member of the law firm which served as counsel to the corporation through the period in question, that on the basis of his personal familiarity with the Board's action in this case he is certain that these arrangements would have been concluded for Mr. Starr irrespective of the nature of his future employment.

On these facts, and based upon the representations made to us by Mr. Starr and Mr. Mahoney which are uncontradicted by any information brought to our attention, I do not believe that these transactions present any basis for finding the intent to compensate Mr. Starr for his Federal service in the executive branch that would be necessary to establish a violation of 18 U.S.C. 209. In light of the pendency of Mr. Starr's nomination and the request for my opinion made by the Senate Committee on Interior and Insular Affairs, I would appreciate the views of the Department of Justice on this matter.

Sincerely,



Michael F. Butler
General Counsel

DEPUTY ASSISTANT ATTORNEY GENERAL
OFFICE OF LEGAL COUNSEL

Department of Justice
Washington, D.C. 20530

September 30, 1976

Michael F. Butler, Esq.
General Counsel
Federal Energy Administration
Washington, D. C. 20461

Dear Mr. Butler:

This responds to your letter of this date regarding a question in connection with the nomination of Michael F. Starr to be Director of the Office of Intergovernmental, Regional and Special Programs of the Federal Energy Administration. That question concerns the legality under 18 U.S.C. § 209(a) of the arrangements by which Mr. Starr intends to terminate his relationship with the Starr Broadcasting Group, Inc., of which Mr. Starr is a stockholder and previously was an officer.

Under the proposed termination arrangements, as we understand them, Mr. Starr will receive a payment of \$200,000 from the corporation, reduced by the amount of certain claims that the corporation may have against Mr. Starr. It appears that this \$200,000 payment was originally styled by the board of directors as a salary for intermittent consultant work to be performed by Mr. Starr over a four-year period beginning July 1, 1976, and to be payable at the rate of \$50,000 annually. The documents you have made available to us indicate, however, that the consultancy relationship was terminated on or about August 23, 1976, and that, under a resolution adopted by the corporation's board of directors on September 21, 1976, the \$200,000 will now be paid in full settlement of all claims under an Employment Agreement dated December 7, 1973, and a related Bonus Agreement.

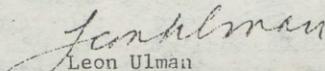
The proposed termination arrangement finalized on September 21 also contemplates the rescission of certain agreements under which the corporation issued to Mr. Starr 30,000 shares of stock in return for his promissory notes

totalling \$467,500. The corporation will cancel the outstanding balance of the obligation, and Mr. Starr will return the 30,000 shares. Because the shares are now worth considerably less than the \$400,000 balance of his obligation to the company, the proposed rescission will result in a sizeable financial benefit to Mr. Starr.

Based solely on the documents that you have given us and representations that your office has informed us have been made by Mr. Starr and counsel to Starr Broadcasting during the period in question, we are not aware of any reason to suppose that the contemplated payment and forgiveness of liability were intended as a supplementation of Mr. Starr's salary as compensation for his services to FEA, which would be prohibited by 18 U.S.C. § 209(a). We rely principally in this regard on the representation to you by Mr. J. David Mahoney, a member of the law firm which served as counsel to the corporation, that on the basis of his personal familiarity with the actions of the board of directors in this case, he is certain that these arrangements would have been concluded for Mr. Starr irrespective of the nature of his future employment. Cf. R. Perkins, The New Federal Conflict-of-Interest Law, 76 Harv. L. Rev. 1113, 1138-39 (1963). Mr. Starr also has stated that there was no intention of supplementing his salary. We agree with your conclusion that these representations are not contradicted by any of the documents, and indeed that the documents tend to corroborate the account of the termination given by Mr. Starr and Mr. Mahoney.

We wish to emphasize, however, that our conclusion is based only on information available to us. Also, we have not reviewed Mr. Starr's financial holdings in any other respect and our letter is confined to the section 209 question.

Sincerely,


Leon Ulman
Acting Assistant Attorney General
Office of Legal Counsel

Senator JOHNSTON. Mr. Starr, I am very pleased, as I say, that a man from Louisiana has been nominated to this post. You have been performing in this job and performing well, and I am certain we are going to confirm you on this committee.

I am very pleased to have you before us.

Mr. STARR. Thank you, sir.

Senator JOHNSTON. Thank you, very much.

The committee stands adjourned subject to the call of the Chair.

[Whereupon, at 4:25 p.m., the hearing was adjourned, subject to the call of the Chair.]

[Subsequent to the hearing on Thursday, September 30, the nomination was ordered reported favorably.]



