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THE WHITE HOUSE

WASHINGTON

John Carlson of Press Office says that OMB and Pres. discussed this point when they were preparing the '76 Budget. They were having a discussion with the whole DOD budget and one area that they reviewed was the commissary prices.

There will be more information on this when the budget is produced.

FYI and not for publication --In the budget, they are going to reduce the federal subsidy which will have an effect of raising commissary prices but not up to the level of the civilian prices.

Neta
1/16/75

FEBRUARY 1975



A GUIDE TO BUDGET TERMS AND CONCEPTS



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

PREFACE

Financing the diverse activities of the Federal Government is a complicated and technical process. Like many of our institutions, the present budgeting system was not invented at any one time but has evolved over the years. Publications that attempt to explain the ins and outs of the system inevitably become complicated themselves.

This pamphlet is an effort to explain today's budgeting terms and concepts in non-technical language. It is in the form of an alphabetical glossary with:

- . cross-references to related terms,
- . sources of additional information on concepts, and
- . references to the location of various kinds of budget data in the 1976 budget documents.

A brief step-by-step narrative explanation of the budget process may be found in Part 6 of the Budget, "The Budget System and Concepts."



taken to provide cash to pay these obligations is called an "appropriation to liquidate contract authority" and is not counted as budget authority.

Appropriations are categorized in a variety of ways, such as by their period of availability (one-year, multiple-year, no-year), the manner in which they become available (current, permanent), and the manner in which the amount of the appropriation is determined (definite, indefinite). (For detailed estimates of appropriations, see Part 8 of the Budget, "The Federal Program by Agency and Account," and Part I of the Budget Appendix. For summary of this data, see summary table 6 in Part 9 of the Budget.)

AUTHORITY TO SPEND DEBT RECEIPTS: Statutory authority that permits Federal agencies to incur obligations and make payments for specified purposes out of borrowed moneys, composed of:

-- public debt authority (derived from the sale by Treasury of public debt securities of the Federal Government) and

-- agency debt authority (derived from the sale of agency debt securities, the issuance of mortgages, etc.).

(For detailed estimates of authority to spend debt receipts, see Part 8 of the Budget, "The Federal Program by Agency and Account," and Part I of the Budget Appendix. For a summary of this data, see summary table 6 in Part 9 of the Budget.)

AUTHORIZATION: Basic substantive legislation enacted by the Congress that sets up a Federal program or agency either indefinitely or for a given period of time. Such legislation is a prerequisite for the subsequent enactment of budget authority and may set limits on the amount that can be appropriated. In some instances, authorizing legislation may provide authority to incur debts or to mandate payment to particular persons or political subdivisions of the country. (See also BACKDOOR AUTHORITY)

BACKDOOR AUTHORITY: Legislative authority to obligate funds provided outside the normal appropriation process. The most common forms of backdoor authority are borrowing authority and contract authority. In other cases, a permanent appropriation is provided that becomes available without current action by the Congress.

BACKDOOR SPENDING: Backdoor authority as well as mandatory spending legislation, i.e., legislation that mandates the payment of benefits or entitlements, such as increases in veterans' compensation or pensions. Such mandatory legislation requires the subsequent enactment of appropriations.

BALANCES OF BUDGET AUTHORITY: The amount of budget authority that is unspent at the end of the fiscal year and that is still available for conversion into outlays in the future. Such amounts are called "unexpended" or "undisbursed" balances.

Balances of budget authority result from the fact that not all budget authority enacted in a fiscal year is obligated and paid out in that same year. Unexpended balances are normally presented in the budget as either "obligated" or "unobligated" balances. The obligated balance is that portion of the unexpended balance that has been committed (obligated) but not yet paid. The unobligated balance is that portion that is carried forward and is still available for obligation. (See Balances of Budget Authority, an analysis of unobligated and obligated balances of the Federal Government. The information therein is derived from Part I of the Budget Appendix. This document is issued separately from the budget and is available by request to OMB.)

BORROWING AUTHORITY: See AUTHORITY TO SPEND DEBT RECEIPTS

BUDGET AMENDMENT: A proposal, submitted by the President after his formal budget transmittal, that increases or decreases the amount of budget authority previously requested in the budget. Amendments are transmitted prior to completion of appropriation action by both Houses of Congress.

BUDGET AUTHORITY (BA): Authority provided by law that permits Government agencies to incur obligations, requiring either immediate or future payment of money. The amount authorized by the Congress to become available for obligation in a given fiscal year is called budget authority for such year.

There are three basic kinds of budget authority-- appropriations, contract authority, and authority to spend debt receipts. Although the amount of budget authority is usually specified in the legislation that makes it available (definite authority), the amount is left indefinite in some instances and is determined by subsequent circumstances (indefinite authority), e.g., percentage of specified receipts. Most authority to obligate funds requires action by the Congress each year (current authority). However, under some laws, budget authority becomes available from time to time without further action by the Congress (permanent authority). (For detailed estimates of budget authority, see Part 8 of the Budget, "The Federal Program by Agency and Account," and Parts I and III of the Budget Appendix. For a summary of this data, see Part 9 of the Budget, "Summary Tables.")

BUDGET DEFICIT: For any given year, an excess of budget outlays over budget receipts. The amount of the

deficit is the difference between outlays and receipts. Deficits are financed primarily by borrowing from the public. See also FEDERAL DEBT. (For further information, see Part 2 of the Budget, "Perspectives on the Budget," and summary tables 1.2.10, and 20 in Part 9.)

BUDGET RECEIPTS: Collections from the public that result from the sovereign or other compulsory powers of the Government. They consist primarily of tax revenues, but also include receipts from court fines, regulatory requirements for certain licenses, and war reparations. (See Part 4 of the Budget, "Budget Receipts," and summary tables 1.2.11, 16, 19, and 20 in Part 9.)

BUDGET SURPLUS: For any given year, an excess of budget receipts over outlays. The amount of the surplus is the difference between receipts and outlays. (See summary table 20 in Part 9 of the Budget for a historical presentation of budget surpluses and deficits.)

BUDGET UPDATE: A statement summarizing amendments to or revisions in the budget authority requested, the estimated outlays, and the estimated receipts for a fiscal year that has not been completed. Pursuant to the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), the President is required to transmit such statements to the Congress by April 10 and July 15 of each year (beginning in 1976); however, he may also prepare and publish them on his own initiative.

CAPITAL OUTLAYS: Outlays that yield benefits over several years and consist of Federal outlays for investments in:

- Federal assets of both a physical and financial nature;
- State, local, and private physical assets; and
- developmental expenditures that add to the Nation's capacity for better education, technical innovation, and health services.

(For further information on capital outlays, see Special Analysis D, "Investment, Operating, and Other Budget Outlays.")

CONTINUING RESOLUTION: Legislation enacted by the Congress to provide authority for agencies to continue operations until their regular appropriations are enacted. Continuing resolutions are enacted when action on appropriations is not completed by the beginning of a fiscal year.

CONTRACT AUTHORITY: A type of budget authority that permits an agency to incur specific obligations in advance of an appropriation. Contract authority does not provide the money to pay the obligation; therefore, it must be followed by an "appropriation to liquidate" (pay) any obligations incurred. (For detailed estimates of contract authority, see Part 8 of the Budget, "The Federal Program by Agency and Account," and Part I of the Budget Appendix. For summary of this data, see summary table 6 in Part 9 of the Budget.)

CONTROLLABILITY: The ability of the Congress and the President to increase or decrease outlays in the year in question, generally the current or budget year. "Relatively uncontrollable" refers to spending that the Government cannot increase or decrease without changing existing substantive law. Such spending is usually the result of open-ended programs and fixed costs (e.g., social security, veterans benefits) and payments coming due under commitments made earlier. (See Part 2 of the Budget, "Perspectives on the Budget," for more discussion and summary table 14 in Part 9 of the Budget for figures showing outlays by degree of controllability.)

CURRENT AUTHORITY: See BUDGET AUTHORITY

CURRENT SERVICES BUDGET: Information required by the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) to be transmitted by the President to the Congress, by November 10 of each year. The current services budget is required to show the estimated outlays and proposed appropriations that would be necessary to continue existing programs at their current operating levels (without policy changes) in the ensuing fiscal year, together with the economic and programmatic assumptions underlying them.

DEFERRAL: Any executive branch action or inaction--including the establishment of reserves under the Antideficiency Act--that delays the availability of funds. Pursuant to the Congressional Budget and Impoundment Control Act (P.L. 93-344, Title X), the President is required to report each deferral to the Congress in a special message, published in the Federal Register. (For a further discussion of deferrals and the congressionally-established system for monitoring and regulating such actions, see Part 6 of the Budget, "The Budget System and Concepts.")

DEFICIENCY APPORTIONMENT: A distribution of available budgetary resources for the fiscal year that anticipates the need for supplemental budget authority. Such apportionments may only be under certain specified conditions provided for in law (31 U.S.C. 665, 665a). In such instances, the need for additional budget authority is usually reflected by making the amount apportioned for the fourth quarter less than the amount

that will actually be required. (See also APPORTIONMENT)

DEFINITE AUTHORITY: See BUDGET AUTHORITY

DEPOSIT FUNDS: Accounts, outside the budget, established to record receipts that are either:

-- held in suspense and later refunded or paid into some other fund, or

-- held by the Government as banker or agent for others and paid out at the discretion of the owner.

Deposit funds include savings accounts for military personnel, State and local income taxes withheld from Federal employees' salaries, and payroll deductions for the purchase of savings bonds by civilian employees of the Government.

DIRECT LOANS: Any disbursement of funds (from any source)-- all or part of which is contracted to be repaid with or without interest. This term also includes sales of Federal assets on credit terms of more than 90 days duration. (See Special Analysis E, "Federal Credit Programs," and the table on "Loan Disbursement, Repayments, and Net Outlays" in Part IV of the Budget Appendix.)

EXPENDITURES: See OUTLAYS

FEDERAL DEBT, GROSS: The sum of all borrowings by the Federal Government from both the public and Federal agencies. The gross Federal debt represents the cumulative effect of all debentures issued by the Treasury and by other agencies that have been provided "authority to spend debt receipts." The annual budget deficit or surplus and the activities of off-budget agencies are the principal determinants of changes in the gross Federal debt. (For data on the gross Federal debt, see summary tables 1, 10, and 19 in Part 9 of the Budget. For further discussion, see Part 2 of the Budget, "Perspectives.")

FEDERAL FUNDS: Funds collected and used by the Federal Government and available for the general purposes of the Government. The major federally-owned fund is the general fund, which is derived from general taxes and borrowing and is used for the general purposes of the Government. Federal funds also include certain earmarked receipts, such as those generated by and used for the operations of Government-owned enterprises. (For information on Federal fund transactions, see Part 2 of the Budget, "Perspectives," and Special Analysis B, "Funds in the budget.")

FISCAL YEAR: Currently, the year running from July 1 to June 30; and designated by the calendar year in which it ends. Beginning with fiscal year 1977, it will be defined as the year running from October 1 to September 30 and will be designated by the calendar year in which it ends. (For a further discussion of the change, see Part 6 of the Budget, "The Budget System and Concepts.")

FULL-EMPLOYMENT BUDGET: The estimated receipts, outlays, and surplus or deficit that would occur if the economy were continually operating at full capacity (conventionally defined as a 4% unemployment rate for the civilian labor force). The differences between "full-employment" receipts and outlays are called "full-employment budget margins." Changes in these margins from one year to the next provide a rough measure of the impact of fiscal policy on the economy-- a measure that is less obscured by the impact of changes in unemployment rates on the budget.

Although the 4% figure is used in the budget, any other rate could be substitute. For example, if 4.9% (the 1974 level of unemployment) were used, the actual 1974 deficit would be the full-employment margin for 1974. Computations on this basis would show an increase in the deficit for 1975 and 1976. This pattern of year-to-year change is similar to that estimated on the basis of a 4% unemployment level. (See Part 3 of the Budget, "Economic Assumptions and Long Range Budget Projections," for further discussion and for budget estimates on a full-employment basis.)

FUNCTIONAL CLASSIFICATION: A means of presenting budgetary data in terms of the major purposes being served. Each program or activity is placed in the single category (e.g., national defense, health, agriculture) that best represents its major purpose, regardless of the spending agency or department. (For a presentation of budget totals in terms of functional categories, see Part 5 of the Budget, "The Federal Program by Function," and summary tables 2, 13, and 17 in Part 9. For further discussion of the concept, see Part 6 of the Budget, "The Budget System and Concepts.")

GOVERNMENT-SPONSORED ENTERPRISES: Agencies established and chartered by the Federal Government to perform specialized functions needed to achieve national objectives (e.g., Federal land banks and Federal home loan banks). The earlier enterprises were all created with partial or full Government ownership, and direct Government control. Some of these have been converted to private ownership, and some new Government-sponsored enterprises have been established as privately owned institutions. The privately owned Government-sponsored enterprises in which the Government has no equity are excluded from the budget totals. However,

information for these agencies is included in Part IV of the Budget Appendix.

GUARANTEED LOANS: Loans made by private or State and local government lenders for which the Federal Government covers part or all of any defaults. (See Special Analysis E, "Federal Credit Programs.")

IMPOUNDMENT: A term used to characterize any executive branch action that precludes the obligation of funds appropriated by the Congress. (See DEFERRAL and RESCISSION)

INDEFINITE AUTHORITY: See BUDGET AUTHORITY

INTERFUND TRANSACTIONS: A subcategory of intragovernmental transactions (see OFFSETTING RECEIPTS), consisting of all payments from the Federal fund group to trust funds or vice versa. These are shown as payments or outlays by one fund group and receipts by the other. To avoid double counting of these amounts, which are also shown initially as receipts in the paying fund group and subsequently as outlays in the receiving fund group. Interfund transactions are deducted from the sum of all Federal fund and trust fund transactions in arriving at unified budget totals. (See Part 6 of the Budget, "The Budget System and Concepts," for a further discussion of the concept. See summary table 12 in Part 9 of the Budget, for Government-wide estimates of offsetting receipts.)

INTRAGOVERNMENTAL TRANSACTIONS: See OFFSETTING RECEIPTS

LAPSED FUNDS: Budget authority that, by law, ceases to be available for obligation.

LOANS: See DIRECT LOANS or GUARANTEED LOANS

MANDATORY SPENDING LEGISLATION: See BACKDOOR SPENDING

MULTIPLE-YEAR APPROPRIATION: An appropriation that is available for a specified number of years.

NATIONAL DEBT: See FEDERAL DEBT, GROSS

NATIONAL INCOME ACCOUNTS (NIA): A social accounting system maintained by the Department of Commerce, in which the income and expenditures of households, corporations, and other sectors of the national economy are estimated and published quarterly and annually. (See Special Analysis A, "Federal Transactions in the National Income Accounts," for a discussion of the budget as

measured in NIA terms. For a summary of NIA data, see summary table 18 in Part 9 of the Budget.)

NO-YEAR APPROPRIATION: An appropriation made available for obligation until the objectives have been obtained (e.g., appropriations for major construction, procurement, research and development.) Accordingly, there is no time limit set on the availability of the funds for obligation.

OBJECT CLASSIFICATION: A means of analyzing the obligations incurred by the Federal Government in terms of the nature of the goods or services purchased (e.g., personnel compensation, supplies and materials, equipment, etc.), regardless of the agency involved or purpose of the programs for which they are used. (See also the Introduction to Part I of the Budget Appendix and the Object Class Analysis, a summary of object classification information compiled by OMB and issued separately from the Budget. This analysis is available upon request to OMB. For detailed estimates of obligations by object class for each account in the Budget, see Part I of the Budget Appendix.)

OBLIGATED BALANCE: See BALANCES OF BUDGET AUTHORITY

OBLIGATIONS: Contracts or other binding commitments made by Federal agencies to pay out money for products, services, or other purposes--as distinct from actual payments. Obligations incurred may not be larger than available budget authority. (For detailed estimates on obligations by account, see Part I of the Budget Appendix. For a summary of such data by major agency, see summary table 7 in Part 9 of the Budget and table B-3 in Special Analysis B, "Funds in the budget.")

OFF-BUDGET AGENCIES: Federally owned and controlled agencies whose transactions have been excluded from the budget totals under provisions of law (e.g., Rural Telephone Bank, Postal Service, Federal Financing Bank). The fiscal activities of these agencies are not reflected in either budget outlays or the budget surplus or deficit, and the appropriation requests for their off-budget activities are not included in the totals of budget authority. (See Part 2 of the Budget, "Perspectives on the Budget," and Part IV of the Budget Appendix, "Annexed Budgets.")

OFFSETTING RECEIPTS: Composed of (1) proprietary receipts from the public derived from Government activities of a business-type or market-oriented nature that are offset against related budget authority and outlays; and (2) intragovernmental transactions. Intragovernmental transactions are payments from governmental accounts to budgetary receipt accounts. Since they are payments from the Government to itself, they are offset against outlays rather than being counted as budget receipts.

(See Part 6 of the Budget, "The Budget System and Concepts," for further discussion of the concept. See summary table 12 in Part 9 of the Budget for Government-wide estimates of offsetting receipts.)

ONE-YEAR APPROPRIATION: An appropriation made available for obligation for one year.

OPEN-ENDED PROGRAMS: Programs for which the law places no limit on the amount of obligations that may be incurred. They are programs for which eligibility standards are established by law, and outlays are determined by the number of eligible persons who apply for benefits. Thus, for example, veterans' benefits programs and Medicaid are open-ended programs. (For estimates of outlays for such programs, see summary table 14 in Part 9 of the Budget.)

OUTLAYS: Checks issued, interest accrued on the public debt, or other payments made, offset by refunds and reimbursements. (For detailed estimates of outlays by account, see Part 8 of the Budget, "The Federal Program by Agency and Account," and Part I of the Budget Appendix. For a summary of this data, see Part 9 of the Budget, "Summary Tables.")

PERMANENT AUTHORITY: See BUDGET AUTHORITY

PROPRIETARY RECEIPTS: See OFFSETTING RECEIPTS

PUBLIC DEBT: The total of all direct borrowings of the United States Treasury, as opposed to borrowings of other Federal agencies. See also FEDERAL DEBT. (For estimates on the public debt, see summary tables 1, 10, and 19 in Part 9 of the Budget.)

PUBLIC ENTERPRISE FUND: A type of revolving fund authorized by law to finance a continuing cycle of business-type operations with receipts from such operations. Receipts are primarily derived from outside the Government and are available in their entirety for use by the fund. Examples are the Tennessee Valley Authority and the Commodity Credit Corporation. (For summary data on public enterprise fund transactions, see Special Analysis B, "Funds in the budget." For detailed estimates see Part 8 of the Budget, "The Federal Program by Agency and Account" and Part I of the Budget Appendix.)

REAPPROPRIATION: Authority provided by the Congress to continue the availability of unobligated balances that have lapsed.

RECEIPTS: Collections during the year. Receipts are classified into two types. (See BUDGET RECEIPTS and OFFSETTING RECEIPTS)

REIMBURSEMENTS: Sums received that are authorized by law to be credited directly to specific appropriation accounts. These amounts are deducted from the total obligations incurred to determine the outlays for such accounts.

RESCISSION: Enacted legislation that cancels (rescinds) budget authority previously granted by the Congress that otherwise would remain unused and available for obligation. Pursuant to the Congressional Budget and Impoundment Control Act (P.L. 93-344, Title X), the President is required to transmit a special message to the Congress whenever he proposes rescission of budget authority. These special messages are also required to be published in the Federal Register. (For a further discussion of rescissions, see Part 6 of the Budget, "The Budget System and Concepts.")

RESERVES: Portions of obligational authority set aside under the authority of the Antideficiency Act (31 U.S.C. 665) for contingencies or to effect savings whenever savings are made possible by or through changes in requirements or greater efficiency of operations. (See DEFERRAL and RESCISSION)

REVOLVING FUND: A fund established to finance a continuing cycle of operations in which expenditures generate receipts. Outlays for revolving funds are regularly stated net of receipts collected by the fund. There are three types of revolving funds--public enterprise, intragovernmental, and trust revolving funds. (See PUBLIC ENTERPRISE FUND and TRUST FUND. See also Part 6 of the Budget, "The Budget System and Concepts" for further discussion on the concept.)

SPENDING AUTHORITY: See BACKDOOR AUTHORITY

SUPPLEMENTAL APPROPRIATIONS: Appropriations made by the Congress, after an initial appropriation, to cover expenditures beyond original estimates. (For information on supplementals requested in the budget, see Part III of the Budget Appendix, "Supplemental and Amended Appropriation Requests." Supplementals previously requested are shown with the appropriate account in Part I of the Appendix.)

TAX EXPENDITURE: Tax revenue losses attributable to laws of the United States which provide tax exclusions, tax deductions, preferential tax rates, or tax deferrals. (For more information, see Parts 2 and 5 of the Budget and Special Analysis F, "Tax Expenditures.")

TRANSITION PERIOD: The 3-month period (July 1 to September 30, 1976) between fiscal year 1976 and fiscal year 1977 that is designed to bridge the gap resulting from the change from a July to June fiscal year for 1976 to an October to September fiscal year for 1977. This period

is also referred to as the "transition quarter." (For a summary of budget estimates for this period, see Part 7 of the Budget, "Transition to the New Fiscal Year.")

TRUST FUNDS: Funds collected and used by the Federal Government, for specified purposes in accordance with the terms of a trust agreement or statute (e.g., social security and unemployment trust funds). Receipts held in trust are not available for the general purposes of the Government. Trust fund receipts that are not anticipated to be used in the immediate future are generally invested in Government securities and earn interest. (For summary information on trust fund transactions, see Part 2 of the Budget, "Perspectives," and Special Analysis B, "Funds in the budget." For detailed estimates, see Part 8 of the Budget, "The Federal Program by Agency and Account" and Part I of the Budget Appendix.)

UNDISTRIBUTED OFFSETTING RECEIPTS: Composed of (1) payments to trust funds by Government agencies, as employer, for their employees' retirement; (2) interest paid to trust funds on their investments in Government securities; and (3) proprietary receipts from rents and royalties on the Outer Continental Shelf lands. (For a more detailed discussion, see Part 6 of the Budget, "The Budget System and Concepts." For data, see Part 8 of the Budget, "The Federal Program by Agency and Account," and summary table 12 in Part 9 of the Budget.)

UNIFIED BUDGET: The budget of the Federal Government. In the Federal Budget, the receipts and outlays for Federal funds and trust funds are combined, and the various interfund transactions that occur between them are deducted before arriving at the totals. (For summary data, see Part 9 of the Budget, "Summary Tables.")

UNOBLIGATED BALANCE: See BALANCES OF BUDGET AUTHORITY

WARRANT: Document (Treasury Form 523) that must be issued by the Secretary of the Treasury before appropriated moneys can be withdrawn from the Treasury.

THE BUDGET DOCUMENTS:

Data and analyses relating to the budget for 1976 are published in four documents.

The Budget of the United States Government, 1976 contains the information that most users of the budget would normally need, including the Budget Message of the President. The Budget presents an overview of the President's budget proposals and includes explanations of spending programs and estimated receipts. This document also contains a description of the budget system and various summary tables on the budget as a whole.

The Budget of the United States Government, 1976-- Appendix contains detailed information on the various appropriations and funds that comprise the budget.

The Appendix contains more detailed information than any of the other budget documents. It includes for each agency: the proposed text of appropriation language, budget schedules for each account, explanations of the work to be performed and the funds needed, proposed general provisions applicable to the appropriations of entire agencies or groups of agencies, and schedules of permanent positions. Supplemental proposals for the current year and new legislative proposals are identified separately. Information is also provided on certain activities, whose outlays are not part of the budget totals.

Special Analyses, Budget of the United States Government, 1976 contains 17 special analyses that are designed to highlight specified program areas or provide other significant presentations of Federal budget data.

This document includes analytical information about: Government finances and operations as a whole and how they affect the economy; Government-wide program and financial information for Federal education, manpower, health, income security, civil rights, and crime reduction programs; trends and developments in the areas of Federal aid to State and local governments, research and development, and environmental protection.

The United States Budget in Brief, 1976 provides a more concise, less technical overview of the 1976 Budget than the above volumes. Summary and historical tables on the Federal budget and debt are also provided, together with graphic displays.

SUPPLEMENTARY BUDGET BACK-UP MATERIAL:

Balances of Budget Authority: Budget for Fiscal Year 1976
(Office of Management and Budget, February 1975)

Object Class Analysis: Budget for Fiscal Year 1976
(Office of Management and Budget, February 1975)

OMB Circular No. A-11, "Preparation and submission of budget estimates"

OMB Circular No. A-34, "Instructions on budget execution"

OTHER REFERENCE MATERIAL:

Budget Concepts and Terminology: The Appropriations Phase
(Congressional Research Service, November 21, 1974)

The Federal Budget Process (Revised)
(Congressional Research Service, December 29, 1972)

Financial Management Functions in the Federal Government
(The Joint Financial Management Improvement Program, September 1974)

Report of the President's Commission on Budget Concepts
(GPO, Washington, D.C., October 1967)

THE WHITE HOUSE
WASHINGTON

Date 2-5-75

TO: NETA

FROM: CHARLES LEPPERT

Please Handle _____

For Your Information _____

Per Our Conversation _____

Other: **PLEASE FILE FOR
BUDGET INFO ON WATER
RESOURCES PROJECTS.**

U.S. BUREAU OF RECLAMATION
BUDGET FY 1976 AND TRANSITION QUARTER

SUMMARY APPROPRIATION TOTALS

Project	Type of Project	FY 1976 PROGRAM					FY 1976 Total	Transition Quarter
		General Investigations	Advance Planning	Construction	Operation and Maintenance	Other		
GENERAL ADMINISTRATIVE EXPENSES						21,420,000	21,420,000	5,600,000
EMERGENCY FUND						1,000,000	1,000,000	200,000
GENERAL INVESTIGATIONS		20,485,000					20,485,000	6,660,000
LOAN PROGRAM						15,515,000	15,515,000	3,355,000
CONSTRUCTION AND REHABILITATION			3,400,000	295,281,000			298,681,000	91,050,000
OPERATION AND MAINTENANCE					131,810,000		131,810,000	33,665,000
UPPER COLORADO RIVER STORAGE PROJECT			1,648,000	38,512,000			40,160,000	15,590,000
COLORADO RIVER BASIN PROJECT				29,240,000		17,440,000	46,680,000	10,310,000
COLORADO RIVER BASIN SALINITY CONTROL PROJECTS			1,585,000	18,085,000			19,670,000	7,130,000
GRAND TOTAL		20,485,000	6,633,000	381,118,000	131,810,000	55,375,000	595,421,000	173,560,000
						+	25,290.	
						+	17,400.	
Construction					AVAILABLE	1976	638,000.	
CONSTRUCTION: \$403.3 million is provided in fiscal year 1976 to continue construction on 69 projects or major units or divisions of projects, throughout the 17 western states. These include 8 loan program projects* and four new construction starts that were deferred from fiscal year 1975. These four projects are Dallas Creek, Colorado; Fruitland Mesa, Colorado; Savery-Pot Hook, Colorado-Wyoming; and the Jensen Unit, Utah, of the Central Utah Participating Project.					"	1975	507,000.	(-25.)
					"	1974	431,000.	
					"	1973	524,000.	
					"	1972	404,000.	
					"	1971	326,000.	
					"	1970	275,000.	
					"	1969	280,000.	

*On-going loan projects; no newly approved loan project is pending [many are in pipeline]

[1]
[2]
[3]
[2]



- [1] For transition to new budget-fiscal year; covers July 1 - Sept. 30, 1976.
- [2] Funds deferred from FY 1975, to be released for 1976.
- [3] Liquidation of contract authority (thermal power- Colo.River)

DEPARTMENT OF THE ARMY - OFFICE, CHIEF OF ENGINEERS
PROGRAM OF ARMY ENGINEERS CIVIL WORKS FOR FISCAL YEAR 1976
AND THE 1976 TRANSITION QUARTER (1 JULY-30 SEPTEMBER 1976)

For Fiscal Year 1976, under "Construction, General," funds are requested for 235 continuing construction projects, 2 continuing land acquisition projects, 3 reimbursements, and 3 rehabilitation projects. In the 1976 transition quarter, funds also are requested for one continuing project not included in the Fiscal Year 1976 request. Construction will be completed on 24 projects with the funds requested for Fiscal Year 1976 and on one project with funds requested for the 1976 transition quarter. Funds also are requested for continuation of planning on 99 projects, initiation of planning on 15 others, and one special project. The funds requested for the Mississippi River and Tributaries project will provide for continuation of construction on 13 features of the project. See pages 81 through 84 for a detailed listing.

The program amount and the funds requested for Fiscal Year 1976 and the Transition Quarter are as follows:

	<u>Appropriation Request</u>	
	<u>Fiscal Year 1976</u>	<u>1976 Transition Quarter</u>
	\$	\$
General Investigations	62,200,000	15,550,000
Construction, General	1,092,700,000	360,000,000
Operation and Maintenance	547,700,000	136,900,000
General Expenses	42,700,000	10,675,000
Flood Control, Mississippi River and Tributaries	153,600,000	53,000,000
Flood Control and Coastal Emergencies	40,400,000	3,750,000
Special Recreation Use Fees	1,900,000	-
Permanent Appropriations (Estimated)	4,500,000	1,102,000
Subtotal Appropriation	1,945,700,000	580,977,000
Add deferred FY 1975 funds budgeted for use in 1976	+ 58,448,000 *	
TOTAL - CORPS	2,004,148,000	

* Funds deferred from 1975 used to finance construction in 1976 in addition to 1976 appropriation request.

WESTERN STATES APPROPRIATIONS - CIVIL WORKS - 1976

ARIZONA	\$ 3,172,000	MONTANA	17,675,000	OREGON	89,284,000
CALIFORNIA	91,837,000	NEBRASKA	15,966,000	S. DAKOTA	8,149,000
COLORADO	22,937,000	NEVADA	210,000	TEXAS	82,155,000
HAWAII	3,817,000	NEW MEXICO	8,363,000	UTAH	105,000
IDAHO	12,287,000	NORTH DAKOTA	8,130,000	WASHINGTON	128,779,000
KANSAS	38,628,000	OKLAHOMA	58,176,000	WYOMING	600,000
TOTAL				\$ 590,270,000	

April 30, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

This week the Congress has an opportunity to show the American people where they stand on fiscal responsibility.

Under a new procedure established by the Congress last year, Budget Committees have been established in both the House and the Senate. These Committees have been hard at work since the 94th Congress convened. Each Committee has now produced a resolution calling for a ceiling on Federal spending for fiscal year 1976 and these resolutions will come before the Members for a vote this week.

As you know, when I signed the tax cut bill, I drew my line on the Federal deficit at \$60 billion. I reaffirm my commitment to that \$60 billion ceiling and urge in strongest possible terms its acceptance by Congress.

Both the House and the Senate resolutions would raise my ceiling. The Senate resolution would approve a deficit of \$67 billion; the House \$73 billion. I strongly believe my limit is far preferable to either alternative.

Until now, there has been no mechanism for instilling discipline in the total spending actions of the Congress. Instead, the legislative process has proceeded in a piecemeal fashion, each Committee acting on its own. As a result, no one in Congress was responsible for assuring that we could afford everything that was enacted.

Our economic circumstances cannot tolerate such a haphazard approach. Therefore, I urge, in the strongest possible terms, that both Houses of Congress adopt a spending ceiling resolution. The national interest requires that Congress draw a firm spending and deficit line.

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, WEDNESDAY, MAY 14, 1975

No. 77

House of Representatives

CUTTING THE BUDGET: A SUMMARY

Mr. CRANE. Mr. Speaker, for a number of years now, I have been concerned about the growing deficits in the Federal budget and the impact of these deficits on inflation and capital investment. Release of the President's budget for fiscal 1976, with its \$52 billion deficit, heightened my apprehension and the steady escalation of the estimated budget deficit since then has done nothing to allay my fears about the direction in which our economy is headed. At the time the House budget resolution was considered, a number of Congressmen, myself included, made an effort to stipulate that expenditures should not exceed revenue in fiscal year 1976, but, unfortunately, that effort was defeated 311 to 94.

Ultimately, however, such an effort raises two important questions, namely, what specific programs are to be cut to reduce the fiscal year 1976 deficit to zero and how likely is it that such cuts will be approved given the present disposition of Congress.

Answering the second question first, it is obvious that, at the moment, Congress is disinclined to opt for a balanced budget because most members seem to be preoccupied with recession despite the fact that inflation is the root cause of recession. However, if the coming budget deficit of \$70, \$80, or \$100 billion sets off another inflationary spiral as many people are persuaded it will, that mood may change and Members of Congress may be willing to look at possible alternatives, particularly if they are set out in specific terms. Therefore, for that reason, if for no other, specific alternatives providing for a balanced budget should be presented.

However, there is another consideration—the role Government should play in the economic life of this country. As one who has long believed in the concepts of free enterprise and limited Government, I not only want to see deficit

spending curtailed but Government subsidization and regulation reduced. History clearly shows that increasing the role of Government not only decreases personal liberty but, through intervention in the free market system, hampers economic growth. Understandably, all Americans want a larger piece of the economic pie, but governmental regulation of the size of the slices is far less likely to produce that result than letting the free enterprise system bake a bigger pie.

Therefore, I have prepared a proposal that would not only produce a balanced budget in fiscal 1976, but would reduce Government intervention in, or control over, various aspects of American life. Frankly, this proposal represents what I would like to see happen, politically and philosophically as well as financially, but I recognize that, given the makeup of the present Congress, the chances for adoption of all, or parts of it, are minimal at best. However, I would hope that, by making these suggestions, I will stimulate interest in and discussion of a balanced budget and how it may be achieved.

I should also note that this proposal represents a rough outline rather than a polished final draft. I would hope that, as discussion of it proceeds, criticisms will be made, refinements will be suggested and imperfections will be worked out. Unfortunately from a research standpoint, and fortunately from the standpoint of the taxpayer, the resources of an individual Congressman are not comparable to that of the Budget Committees, the executive branch or OMB, so there are bound to be some things that need to be corrected or improved. However, even organizations like OMB have had difficulty estimating expenditures and revenue, especially the latter, so that problem should not constitute a fatal drawback.

When the President proposed this fiscal year 1976 budget last February 3, he stated revenues would be \$297.5 billion, he suggested outlays of \$349.4 billion and he proposed a deficit of \$51.9 billion. Using the figures in the President's proposed budget and postulating opposition to spending programs that either have increased or will increase the deficit, my feeling is that we cannot only cut approximately \$52.5 billion from the President's original budget, but that we can keep the revised budget in balance for fiscal 1976.

To achieve this, I am recommending that approximately \$6 billion be cut from the defense budget in the areas of personnel support facilities and military assistance, that \$4¼ billion be trimmed from foreign aid, that \$190 million be cut from space and technology, that approximately \$3 billion be trimmed from natural resources, environment and energy, that just over \$800 million be chopped from agriculture, that \$4.6 billion be taken from community development, that over \$8¼ billion sliced from commerce and transportation, that over \$4 billion be taken out of education, manpower and social services, that over \$700 million be trimmed from health, that \$10.5 billion be cut from public assistance and income security, that \$269 million come out of veteran's benefits, that \$1.15 billion be cut from law enforcement and justice, that \$800 million come out of general government and that \$7½ billion be subtracted from budget allowances.

In proposing these cuts, I have not left any sacred cows. All 14 functional areas of Government have come in for attention, with the nature and size of the cuts being determined by 6 basic premises.

The first premise is that any program vital to national security not be cut. However, as you will notice, this is not intended to provide a blanket exemption for the defense budget; in fact the \$6 billion in defense cuts I am proposing are



larger than either of those proposed by the House and Senate Budget Committees and will enable us to shift \$1 billion to badly needed weapons research and development.

The second premise is that businesses, agricultural interests, and individuals should rely on their own skills and initiative and not on the Government. Consequently I am proposing that, wherever possible, Government subsidies to the able-bodied—corporate and otherwise—be eliminated.

The third premise is that excessive Government regulation has had much to do with businesses and others getting into the kind of economic difficulty that results in requests for subsidies. Furthermore, such regulation, while intended to promote competition and help the consumer, has had just the opposite effect. Therefore, I am calling for the elimination of a number of Government regulatory agencies on the grounds that they are counterproductive for the businessman, expensive for the consumer, and hard on taxpayers. Proof of that may be found in recent White House estimates to the effect that unnecessary and ineffective Government regulations are costing the average American family \$2,000 a year.

The fourth premise is that programs that have not worked, or can easily be delayed, should be either dropped or postponed. Certainly foreign aid falls into this category; we have been Santa Claus to the world for years now and the world could not seem to care less.

The fifth premise is that, as a matter of equity, all groups should be treated alike. Accordingly, I am suggesting that special interest group programs either be eliminated or cut back to a per capita level no higher than that being provided to all other Americans.

The sixth and last premise is that all other program reductions be as uniform as possible. Therefore, I am recommending that all programs that seem desirable but are not vital to national security, be rolled back to fiscal year 1974 levels. Surely, on these programs, we can get by with what we spent less than 2 years ago. And, by instituting such a rollback policy, we will encourage, if not force, greater administrative efficiency and an effort to eliminate waste and duplication.

Included in the cuts I am suggesting is: A 200,000-man troop reduction for the U.S. Army; the phaseout of unneeded military bases, the elimination of the food-for-peace program; reduction of our contribution to the United Nations and to multilateral assistance programs; elimination of funding for the Agency for International Development, the Peace Corps, and the Job Corps; foregoing participation in the special financing facility program that would help other countries with their balance-

of-payments problems; postponing construction of waste treatment plants and the Interstate Highway System for at least 1 year and, elimination of subsidies for airlines, railroads, buslines, shipping, agricultural interests, the Postal Service, students, and individuals who are perfectly able to take care of themselves.

In addition, my proposal would cut out funding for programs such as urban renewal, Model Cities, subsidized housing, and for regulatory agencies such as the ICC, the CAB, and the FTC. Moreover, the proposal would not only eliminate the food stamp program but also envisions the amendment of the welfare program and the unemployment compensation program so that those who are not really in need do not become a burden on those who are working. And, finally, these proposals envision acceptance of the President's 5 percent cap on entitlement programs while rejecting his call for energy cost rebates to individuals, State, and Federal agencies.

All in all, these cuts, coupled with the other terminations and rollbacks contained in this proposal, offer what I believe to be a reasonable way of balancing the budget and buttressing the free enterprise system without endangering national security. Obviously, a certain amount of subjectivity is involved in these proposed cuts and, just as obviously, not everyone will agree with all the premises developed in making them, but they do represent a starting point from which I hope discussion will proceed.

Such discussion is certainly needed. If we do not do something to reduce Federal spending for fiscal year 1976, the deficit we will face will not only require government at all levels to soak up better than 80 percent of the available capital in this country, but it will also set off another inflationary spiral. Such a combination can only lead to a follow-up onslaught of recession and unemployment, which is the very thing that so many people are concerned about today.

Congress should realize that it cannot spend the country out of the recession without rekindling inflation and driving up interest rates, which in turn, will retard both investment and future economic growth as well as compound all the present problems that have given us our current 8.9 percent unemployment rate.

Therefore, it only makes sense for all Americans to consider any and all ways of cutting the budget. Imperfect though it may be, I invite my colleagues to evaluate my proposal in this light and pass along any suggestions they might have for improving it. Copies are available in my office and a printed copy should be out in a matter of weeks for all those who are interested. For those who believe, as I do, that "inflexion" is still the number one domestic enemy against which we must intensify the fight, time is of the essence.



United States
of America

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MID-SESSION REVIEW OF THE 1976 BUDGET

May 30, 1975

NOTE: Detail may not add to totals
due to rounding.



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This review of the 1976 budget transmits to the Congress the supplemental budget information required by section 221(b) of the Legislative Reorganization Act of 1970 (P.L. 91-510). It also provides additional information that will further aid the Congress and the public in assessing the budget outlook.

Part 1 contains revised budget summaries for fiscal years 1975 and 1976. It also includes data for the transition quarter, extending from July through September of 1976, that results from the change in the fiscal year under the Congressional Budget Act of 1974.

The estimates reflect changes that have occurred since the 1976 budget was sent to the Congress in February. In view of Congressional inaction thus far on the President's energy program, the starting date assumed has been changed to September 1. The budget as submitted in February included proposals to limit automatic cost-of-living increases in benefit programs to 5% through June 30 of next year. That limit was also proposed for civil service and military pay increases. The revised estimates assume that these "caps" will be enacted by the Congress except for increases effective on or before July 1. Thus, the full effect of the 8% social security benefit increase effective on June 1 is included in the estimates.

Part 2 presents 5-year projections of: Outlays and budget authority by agency and by function; receipts by major source; outlays for open-ended programs and fixed costs; and outlays from balances of budget authority for non-mandatory programs available at the end of fiscal year 1976.

Because Congressional action has not been completed on any of the 1976 appropriations bills and on much substantive legislation, the estimates shown in this review are necessarily tentative.

Part 1. The Budget Outlook for 1975, 1976, and
the Transition Quarter

Budget Totals

The 1975 deficit is now expected to be \$42.6 billion, \$7.9 billion above the February estimate. Outlays are now estimated to be \$323.6 billion, \$10.2 billion more than in February, and receipts are estimated to be \$281.0 billion, \$2.2 billion above the February estimate.

The estimated deficit for 1976 has increased by \$8.0 billion since February, to \$59.9 billion. Outlays are up by \$9.5 billion from the February estimate to \$358.9 billion, and receipts have been revised upward by \$1.5 billion, to \$299.0 billion.

These figures reflect Congressional turndowns of \$9.3 billion in deferrals and \$2 billion in rescissions, adding outlays of \$0.7 billion in 1975 and \$1.3 billion in 1976. Unless early action is taken by the Congress on other budget reductions proposed by the President, this estimate of the deficit for 1976 will rise still further. Should the Congress fail to take action on any of these reduction proposals, over \$8-1/2 billion will be added to outlays.

The following table compares the current estimates of budget totals with the estimates shown in the February budget.

Table 1

BUDGET TOTALS
(fiscal years; in billions of dollars)

Description	1974 Actual	1975		1976		Tr. Qtr.	
		February estimate	Current estimate	February estimate	Current estimate	February estimate	Current estimate
Budget receipts.....	264.9	278.8	281.0	297.5	299.0	84.4	86.8
Budget outlays.....	268.4	313.4	323.6	349.4	358.9	94.3	95.8
Deficit (-).....	<u>-3.5</u>	<u>-34.7</u>	<u>-42.6</u>	<u>-51.9</u>	<u>-59.9</u>	<u>-9.8</u>	<u>-9.0</u>
Full-employment receipts.....	282.2	323.1	323.0	351.8	357.0	98.4	100.0
Full-employment outlays.....	267.3	306.5	316.7	340.2	349.8	91.9	94.2
Full-employment surplus or deficit (-).....	<u>14.9</u>	<u>16.6</u>	<u>6.3</u>	<u>11.6</u>	<u>7.2</u>	<u>6.5</u>	<u>5.8</u>
Budget authority.....	<u>313.9</u>	<u>395.1</u>	<u>408.9</u>	<u>385.8</u>	<u>383.8</u>	<u>88.2</u>	<u>88.8</u>
Outstanding debt, end of year:							
Gross Federal debt.....	486.2	538.5	544.5	605.9	617.5	616.8	627.6
Debt held by the public.....	346.1	389.6	396.9	453.1	470.9	465.6	482.8
Debt subject to limit.....	476.0	528.9	534.0	596.4	607.1	607.3	617.2

Economic Assumptions

The economic assumptions through calendar year 1976 reflect a changed economic forecast, based on experience since the budget assumptions were developed. They are subject to considerable uncertainty, since economic forecasting is imprecise. In this context, it should be noted that the changes from the February budget in the growth of real GNP are minor relative to the uncertainties involved.

Table 2

ECONOMIC ASSUMPTIONS
(calendar years; dollar amounts in billions)

<u>Item</u>	<u>Actual</u>		<u>Forecast</u>	
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Gross national product:				
Current dollars:				
Amount.....	\$1,295	\$1,397	\$1,474	\$1,680
Percent change.....	11.8	7.9	5.5	14.0
Constant (1958) dollars:				
Amount.....	\$839	\$821	\$792	\$842
Percent change.....	5.9	-2.1	-3.6	6.3
Incomes (current dollars):				
Personal income.....	\$1,055	\$1,150	\$1,231	\$1,351
Wages and salaries.....	\$692	\$751	\$787	\$871
Corporate profits.....	\$123	\$141	\$106	\$148
Prices (percent change) ¹ :				
GNP deflator:				
Year over year.....	5.6	10.3	9.5	7.1
Fourth quarter over fourth quarter.....	7.4	12.0	7.8	6.5
CPI:				
Year over year.....	6.2	11.0	9.1	7.1
December over December.....	8.8	12.2	7.8	5.8
Unemployment rates (percent):				
Total.....	4.9	5.6	8.7	7.9
Insured ²	2.8	3.8	7.7	6.4
Federal pay raise, October (percent).....	4.77	5.52	5.00	12.25
Interest rate, 91-day Treasury bills (percent) ³	7.0	7.9	5.1	5.1

¹ The 1975 and 1976 figures reflect the impact on prices of the President's energy program.

² Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

³ Average rate of new issues within period; the rate shown for 1975 and 1976 was the current market rate at the time the estimates were made.

Budget Receipts

Receipts in 1975 are now estimated to be \$281.0 billion, \$2.2 billion above the February estimate. The current estimate for 1976 is \$299.0 billion, compared with \$297.5 billion in February. These estimates are based on the economic assumptions presented in Table 2.

These receipt estimates -- including the 1975 estimates -- are tentative. There is still considerable uncertainty as to what tax collections will be in June, especially because large corporation income tax payments are made in that month.

Changes in budget receipts.--Receipts in 1975 are estimated to be \$281.0 billion, \$2.2 billion higher than the February estimate. The Tax Reduction Act of 1975 reduced 1975 receipts by \$4.3 billion more than the tax reduction proposals in the February budget. This amount is more than offset by reestimates -- particularly of nonwithheld individual income taxes -- reflecting a significant underestimate of calendar year 1974 income tax liabilities in the budget. The data are not yet available to assess accurately the reasons for this underestimate.

Fiscal year 1976 receipts are currently estimated at \$299.0 billion, \$1.5 billion above the February estimate. The Tax Reduction Act reduced 1976 estimated receipts by \$0.6 billion more than the President's February tax proposals, and the revised effective date of the President's energy program that is assumed in these estimates increases 1976 receipts by \$1.8 billion from the amount proposed in the budget.¹ The remaining \$0.2 billion change results from reestimates and changes in economic assumptions.

¹ Exclusive of "plowback" and associated provisions, the effect of which will be neutral on the budget deficit.

The following table shows the changes in receipts by major source and indicates the reasons for these changes.

Table 3
CHANGES IN BUDGET RECEIPTS
(in billions of dollars)

	<u>February estimate</u>	<u>Changes due to:</u>			<u>Current estimate</u>
		<u>Revised tax reduction</u>	<u>Delayed energy program¹</u>	<u>Reestimates and revised economic assumptions</u>	
<u>Fiscal year 1975</u>					
Individual income taxes.....	117.7	-4.5	+1.4	+7.1	121.6
Corporation income taxes.....	38.5	+0.2	+1.8	+0.5	41.0
Social insurance taxes and contributions....	86.2	---	---	+0.3	86.5
Other.....	<u>36.3</u>	<u>---</u>	<u>-3.7</u>	<u>-0.7</u>	<u>31.8</u>
Total.....	<u>278.8</u>	<u>-4.3</u>	<u>-0.5</u>	<u>+7.1</u>	<u>281.0</u>
<u>Fiscal year 1976</u>					
Individual income taxes.....	106.3	-0.9	+12.4	+3.5	121.3
Corporation income taxes.....	47.7	+0.3	-6.8	-3.4	37.8
Social insurance taxes and contributions....	91.6	---	---	-0.7	90.9
Other.....	<u>52.0</u>	<u>---</u>	<u>-3.8</u>	<u>+0.8</u>	<u>49.0</u>
Total.....	<u>297.5</u>	<u>-0.6</u>	<u>+1.8</u>	<u>+0.2</u>	<u>299.0</u>

¹ Exclusive of "plowback" and associated provisions, the effect of which will be neutral on the budget deficit.

Receipts in the transition quarter are estimated at \$86.8 billion, \$2.4 billion above the February estimate.

Budget Outlays

Tables 8 and 9 compare the current outlay estimates by agency and by function with those made in February.

Fiscal year 1975.--Total outlays for 1975 are currently estimated to be \$323.6 billion, \$10.2 billion above the February estimate. The major changes now estimated are shown in the following table.

Table 4

1975 OUTLAYS:
MAJOR CHANGES FROM THE FEBRUARY BUDGET ESTIMATES
(in billions of dollars)

February budget estimate of 1975 outlays..... \$313.4

	<u>Congressional action or inaction</u>	<u>Other changes</u>	<u>Total changes</u>
Offshore oil receipts (an offset to outlays).....	---	2.7	2.7
DOD Military and MAP.....	0.1	1.8	1.9
HEW.....	0.9	1.4	2.3
Treasury.....	1.7	-0.2	1.6
Veterans Administration.....	0.2	1.1	1.3
Food stamp outlays.....	0.2	1.1	1.3
Special unemployment assistance.....	---	-1.5	-1.5
All other (net).....	<u>-0.1</u>	<u>0.8</u>	<u>0.6</u>
Total.....	3.0	7.2	10.2

Current estimate of 1975 outlays..... \$323.6

The \$2.7 billion decrease in estimated offshore oil receipts (which are an offset to outlays) resulted primarily from a large shortfall in receipts from the February 1975 South Texas sale and indicates the difficulty of projecting what bidders will pay for leases of uncertain value.

Outlays for DOD Military and military assistance are \$1.9 billion higher than in February as inflation and a drawdown in purchase backlogs have increased spending rates above what was originally anticipated. HEW spending is up by \$2.3 billion, with \$1.1 billion in health, \$0.3 billion in education, and \$0.8 billion in income security. About \$0.6 billion of the HEW increase resulted from inaction on the President's reduction proposals.

The Tax Reduction Act of 1975 provided a \$50 bonus to social security and certain other beneficiaries. This provision increases 1975 Treasury outlays by \$1.7 billion. Veterans Administration outlays are \$1.3 billion higher than in the budget because of inaction on the President's reduction proposals, deferred VA asset sales, and greater participation in the GI bill program than earlier anticipated. Food stamp outlays are \$1.3 billion higher because of greater than anticipated participation and because of actions taken by the Congress to reject the President's food stamp reform proposals.

The major decrease in 1975 outlays results from a reestimate of outlays associated with unemployment assistance for those not covered by the regular unemployment insurance. The participation in this new program has been below the levels originally anticipated, reducing estimated outlays by \$1.5 billion.

Fiscal year 1976.--The current estimate of total 1976 outlays is \$358.9 billion, \$9.5 billion above the February estimate. About \$3.8 billion of this increase results from additions by the Congress, inaction on the President's reduction proposals, or from failure to support

rescissions and deferrals proposed in the budget. The major changes are summarized in the table below.

Table 5

1976 OUTLAYS:
 MAJOR CHANGES FROM THE FEBRUARY BUDGET ESTIMATES
 (in billions of dollars)

February budget estimate of 1976 outlays..... \$349.4

	<u>Congressional action or inaction</u>	<u>Other changes</u>	<u>Total changes</u>
HEW.....	2.6	1.4	4.0
Department of Labor:			
Summer Youth and public sector employment.....	---	1.8	1.8
Extended unemployment benefits.....	---	1.2	1.2
Reestimates.....	---	-3.0	-3.0
Highway trust fund.....	0.4	1.0	1.4
Food stamp program.....	0.6	2.3	2.9
Veterans Administration.....	---	1.5	1.5
Energy tax equalization payments.....	---	-1.2	-1.2
Petrodollar financing facility.....	---	-1.0	-1.0
All other (net).....	<u>0.2</u>	<u>1.7</u>	<u>1.9</u>
Total.....	3.8	5.7	9.5

Current estimate of 1976 outlays..... \$358.9

Compared with the February budget, estimated spending of HEW is up by \$4.0 billion in 1976. About \$2.2 billion of this results from inaction on the Administration's proposal to put a 5% ceiling on social security and supplemental security income benefit increases.

There are two major increases in employment-related outlays: First, the increased supplemental request for Summer Youth Employment and public

service employment still pending before the Congress would add \$1.8 billion in outlays; and second, the Administration's proposal to provide extended unemployment benefits through the end of calendar year 1976 adds another \$1.2 billion. These increases are largely offset by major decreases in estimates based on experience with two new programs: unemployment assistance for those not covered by regular unemployment insurance (\$-1.9 billion) and lower unemployment trust fund outlays, primarily for unemployment benefits extended beyond their regular duration (\$-1.1 billion).

Highway trust fund outlays are \$1.4 billion higher, resulting from releases of additional spending authority (\$1.0 billion from Presidential release and \$0.4 billion from Congressional releases). As in 1975, food stamp outlays are higher -- by \$2.9 billion -- because of higher participation rates and the Congressional action rejecting the President's proposed reforms of the food stamp program. Veterans Administration outlays are higher due to expected participation in the GI bill program greater than anticipated in the budget, and increases in compensation and pensions.

These increases are partially offset by reduced energy tax equalization payments, which result from the delayed effective date of the Administration's energy program and by a shift in the petrodollar financing facility proposal from a direct loan program to a loan guarantee program.

Transition quarter.--Outlays in the transition quarter are estimated at \$95.8 billion, \$1.6 billion more than in February.

The Budget by Fund Group

Tables 10 and 11 contain figures on changes since February in 1975 and 1976 budget totals by fund group. Most of the changes in both 1975 and 1976 have occurred in the Federal funds.

Since February, estimates of Federal funds receipts for 1975 increased by about \$2.5 billion, while outlays increased by \$8.1 billion, resulting in a \$5.7 billion increase in the anticipated 1975 Federal funds deficit. For 1976, the Federal funds receipts estimate has increased by \$2.5 billion; estimated outlays have increased by about \$5.5 billion; and the anticipated Federal funds deficit has increased by \$3.0 billion.

Budget Authority

Tables 12 and 13 show the February estimates of 1975 and 1976 budget authority and changes since then, by agency and by major function.

Fiscal year 1975.--Total budget authority for 1975 is estimated at \$408.9 billion, \$13.8 billion above the February estimate. The major changes are shown in the following table.

Table 6

1975 BUDGET AUTHORITY:
MAJOR CHANGES FROM THE FEBRUARY ESTIMATE
(in billions of dollars)

February estimate of 1975 budget authority.....	\$395.1
EPA - sewage plant construction grants.....	+4.3
Offshore oil receipts (an offset to budget authority)	+2.7
Treasury - \$50 bonus to social security and certain other beneficiaries.....	+1.7
HEW.....	+2.7
Department of Labor - employment-related budget authority.....	+1.0
Food stamps.....	+0.9
All other (net).....	+0.5
Current estimate of 1975 budget authority.....	\$408.9



The largest single increase in budget authority since February resulted from court action to release EPA funds not previously available for obligation. This action increased 1975 budget authority by \$4.3 billion. The reduction in offshore oil receipts cited earlier increases budget authority by an additional \$2.7 billion, and the \$50 bonus payment to social security and certain other recipients increases budget authority by \$1.7 billion. HEW spending authority is up by \$2.7 billion, and Department of Labor authority is up by \$1.0 billion due to the request for additional Summer Youth and public sector jobs. Budget authority for food stamps is up by \$0.9 billion, providing funds for a larger number of participants and higher payments than anticipated in February.

Fiscal year 1976.--Total budget authority for 1976 is currently estimated at \$383.8 billion, \$2.0 billion below the February estimate. The major changes are shown in the table below.

Table 7

1976 BUDGET AUTHORITY:
MAJOR CHANGES FROM THE FEBRUARY ESTIMATE
(in billions of dollars)

February estimate of 1976 budget authority.....	\$385.8
Petrodollar financing facility.....	-7.0
Energy equalization payments.....	-1.2
Veterans Administration.....	+1.7
Food stamps.....	+3.4
All other (net).....	+1.1
Current estimate of 1976 budget authority.....	\$383.8

The change in the petrodollar financing facility from a loan basis to a loan guarantee basis reduces 1976 budget authority by \$7.0 billion.

The revised effective date of the Administration's energy program reduces budget authority by \$1.2 billion. A major increase in 1976 budget authority is \$3.4 billion for food stamps, reflecting increased participation rates. Estimated budget authority required for veterans benefits is also up by \$1.7 billion.

Transition quarter.--Budget authority in the transition quarter is estimated at \$88.8 billion, \$0.6 billion above the February estimate.



Table 8

CHANGES IN BUDGET OUTLAYS BY AGENCY
(fiscal years; in billions of dollars)

	1974 <u>Actual</u>	1975			1976		
		<u>February estimate</u>	<u>Current estimate</u>	<u>Change</u>	<u>February estimate</u>	<u>Current estimate</u>	<u>Change</u>
Defense and military assistance.....	78.4	84.8	86.7	1.9	92.8	92.8	---
Agriculture.....	9.8	8.8	10.3	1.6	9.7	13.0	3.4
(CCC and P.L. 480).....	(1.7)	(2.1)	(2.3)	(0.2)	(1.6)	(1.8)	(0.2)
Commerce.....	1.5	1.6	1.6	*	1.8	1.8	0.1
Health, Education, and Welfare.....	93.7	109.9	112.2	2.3	118.4	122.4	4.0
(Social security trust funds).....	(67.2)	(78.4)	(79.3)	(0.9)	(86.1)	(89.1)	(3.0)
Housing and Urban Development.....	4.8	5.5	5.7	0.2	7.1	7.6	0.5
Interior.....	1.8	2.2	2.2	*	2.5	2.5	*
Justice.....	1.8	2.1	2.1	---	2.2	2.2	---
Labor.....	9.0	19.0	17.4	-1.5	22.6	22.8	0.1
(Unemployment trust fund).....	(6.1)	(13.0)	(13.0)	(---)	(15.9)	(15.7)	(-0.2)
State.....	0.7	0.9	1.0	0.1	1.0	1.2	0.2
Transportation.....	8.1	9.1	9.3	0.2	10.0	11.5	1.5
Treasury.....	36.0	39.7	41.2	1.6	43.5	43.5	0.1
(General revenue sharing).....	(6.1)	(6.2)	(6.1)	(*)	(6.3)	(6.4)	(0.1)
(Interest on the public debt).....	(29.3)	(32.9)	(32.8)	(-0.1)	(36.0)	(36.0)	(---)
Corps of Engineers.....	1.7	1.9	2.1	0.2	2.0	1.9	-0.1
Energy Research and Development Administration..	2.3	3.1	3.1	*	3.8	3.8	---
Environmental Protection Agency.....	2.0	2.9	2.9	---	3.1	3.2	0.1
General Services Administration.....	-0.3	-1.0	-0.8	0.2	-0.5	-0.4	0.1
National Aeronautics and Space Administration..	3.3	3.2	3.3	0.1	3.5	3.5	---
Veterans Administration.....	13.3	15.4	16.7	1.3	15.6	17.1	1.5
Foreign economic assistance.....	2.1	2.7	2.5	-0.2	3.0	3.0	*
Other agencies.....	15.1	17.7	17.9	0.2	19.6	18.8	-0.8
Allowances ¹	---	0.7	---	-0.7	8.0	6.8	-1.3
Undistributed offsetting receipts.....	<u>-16.7</u>	<u>-16.8</u>	<u>-14.1</u>	<u>2.8</u>	<u>-20.2</u>	<u>-20.1</u>	<u>0.1</u>
Total.....	268.4	313.4	323.6	10.2	349.4	358.9	9.5

¹ Includes allowances for civilian agency pay raises and contingencies.

* Less than \$50 million.

NOTE: Detail may not add to totals due to rounding.

Table 9

CHANGES IN BUDGET OUTLAYS BY FUNCTION
(fiscal years; in billions of dollars)

	1974 Actual	1975			1976		
		February estimate	Current estimate	Change	February estimate	Current estimate	Change
National defense ¹	78.6	85.3	87.4	2.1	94.0	94.1	0.1
International affairs.....	3.6	4.0	5.0	0.1	6.3	5.5	-0.8
General science, space, and technology.....	4.2	4.2	4.3	0.1	4.6	4.6	---
Natural resources, environment, and energy.....	6.4	9.4	9.7	0.3	10.0	10.3	0.2
Agriculture.....	2.2	1.8	1.8	*	1.8	2.0	0.2
Commerce and transportation.....	13.1	11.8	12.6	0.8	13.7	15.7	1.9
Community and regional development.....	4.9	4.9	4.6	-0.3	5.9	6.1	0.2
Education, manpower, and social services.....	11.6	14.7	15.0	0.3	14.6	16.8	2.2
Health.....	22.1	26.5	27.6	1.1	28.0	29.0	1.0
Income security.....	84.4	106.7	109.1	2.4	118.7	122.8	4.1
Veterans benefits and services.....	13.4	15.5	16.7	1.3	15.6	17.1	1.5
Law enforcement and justice.....	2.5	3.0	3.0	*	3.3	3.3	---
General government.....	3.3	2.6	2.7	*	3.2	3.2	*
Revenue sharing and general purpose fiscal assistance.....	6.7	7.0	7.0	---	7.2	7.3	*
Interest.....	28.1	31.3	31.2	-0.1	34.4	34.4	---
Allowances ²	---	0.7	---	-0.7	8.0	6.8	-1.3
Undistributed offsetting receipts:							
Employer share, employee retirement.....	-3.3	-4.1	-4.0	0.1	-3.9	-3.9	*
Interest received by trust funds.....	-6.6	-7.8	-7.8	*	-8.3	-8.1	0.2
Rents and royalties on the Outer Continental Shelf lands.....	-6.7	-5.0	-2.3	2.7	-8.0	-8.0	---
Total outlays.....	268.4	313.4	323.6	10.2	349.4	358.9	9.5

¹ Includes allowances for civilian and military pay raises for Department of Defense.

² Includes allowances for energy tax equalization payments, civilian agency pay raises, and contingencies.

* Change of less than \$50 million.

Table 10

CHANGES IN BUDGET RECEIPTS AND OUTLAYS BY FUND GROUP
(fiscal years; in billions of dollars)

	1974 <u>Actual</u>	1975			1976		
		<u>February estimate</u>	<u>Current estimate</u>	<u>Change</u>	<u>February estimate</u>	<u>Current estimate</u>	<u>Change</u>
Receipts							
Federal funds.....	181.2	186.0	188.4	2.5	199.3	201.8	2.5
Trust funds.....	104.8	118.7	117.3	-1.4	126.5	125.4	-1.1
Intragovernmental transactions.....	<u>-21.1</u>	<u>-25.9</u>	<u>-24.7</u>	<u>1.2</u>	<u>-28.3</u>	<u>-28.2</u>	<u>*</u>
Total.....	<u>264.9</u>	<u>278.8</u>	<u>281.0</u>	<u>2.2</u>	<u>297.5</u>	<u>299.0</u>	<u>1.5</u>
Outlays							
Federal funds.....	198.7	229.0	237.1	8.1	254.2	259.7	5.5
Trust funds.....	90.8	110.3	111.2	0.8	123.4	127.4	4.0
Intragovernmental transactions.....	<u>-21.1</u>	<u>-25.9</u>	<u>-24.7</u>	<u>1.2</u>	<u>-28.3</u>	<u>-28.2</u>	<u>*</u>
Total.....	<u>268.4</u>	<u>313.4</u>	<u>323.6</u>	<u>10.2</u>	<u>349.4</u>	<u>358.9</u>	<u>9.5</u>
Surplus or deficit (-)							
Federal funds.....	-17.5	-43.0	-48.7	-5.7	-54.9	-57.9	-3.0
Trust funds.....	<u>14.0</u>	<u>8.3</u>	<u>6.1</u>	<u>-2.3</u>	<u>3.1</u>	<u>-2.0</u>	<u>-5.1</u>
Total.....	<u>-3.5</u>	<u>-34.7</u>	<u>-42.6</u>	<u>-7.9</u>	<u>-51.9</u>	<u>-59.9</u>	<u>-8.0</u>

* Less than \$50 million.

NOTE: Detail may not add to totals due to rounding.

Table 11

BUDGET SURPLUS OR DEFICIT (-) BY FUND GROUP AND TYPE OF TRANSACTION
(fiscal years; in billions of dollars)

	1974 Actual	1975			1976		
		February estimate	Current estimate	Change	February estimate	Current estimate	Change
Federal funds							
Transactions with the public.....	-2.8	-23.7	-30.5	-6.9	-33.3	-36.3	-3.0
Transactions with trust funds.....	-14.7	-19.4	-18.2	+1.2	-21.6	-21.6	*
Total.....	-17.5	-43.0	-48.7	-5.7	-54.9	-57.9	-3.0
Trust funds							
Transactions with the public.....	-0.7	-11.0	-12.1	-1.0	-18.5	-23.6	-5.1
Transactions with Federal funds.....	14.7	19.4	18.2	-1.2	21.6	21.6	*
Total.....	14.0	8.3	6.1	-2.3	3.1	-2.0	-5.1
Budget total							
Federal funds.....	-17.5	-43.0	-48.7	-5.7	-54.9	-57.9	-3.0
Trust funds.....	14.0	8.3	6.1	-2.3	3.1	-2.0	-5.1
Total.....	-3.5	-34.7	-42.6	-7.9	-51.9	-59.9	-8.0

* Less than \$50 million.

NOTE: Detail may not add to totals due to rounding.

Table 12

CHANGES IN BUDGET AUTHORITY BY AGENCY
(fiscal years; in billions of dollars)

	1974 Actual	1975			1976		
		February estimate	Current estimate	Change	February estimate	Current estimate	Change
Defense and military assistance.....	88.9	90.8	90.2	-0.6	106.3	106.3	---
Agriculture.....	13.1	13.8	15.0	1.2	11.9	15.3	3.5
(CCC and P.L. 480).....	(3.9)	(4.9)	(4.9)	(---)	(4.3)	(4.3)	(---)
Commerce.....	1.5	1.7	1.8	0.1	1.8	1.7	*
Health, Education, and Welfare.....	100.9	114.0	116.6	2.7	120.4	119.9	-0.4
(Social security trust funds).....	(73.1)	(82.9)	(83.6)	(0.7)	(88.8)	(88.0)	(-0.8)
Housing and Urban Development.....	8.1	51.0	51.4	0.5	30.3	31.0	0.7
Interior.....	2.0	3.9	3.9	*	2.5	2.5	*
Justice.....	1.9	2.1	2.1	---	2.1	2.1	---
Labor.....	10.6	19.9	20.9	1.0	11.3	11.0	-0.3
(Unemployment trust fund).....	(7.5)	(9.7)	(7.6)	(-2.1)	(9.8)	(9.3)	(-0.5)
State.....	0.8	0.9	1.2	0.3	1.0	1.0	*
Transportation.....	17.6	19.1	19.2	0.1	4.4	4.4	0.1
Treasury.....	36.0	39.7	41.4	1.7	43.6	43.6	---
(General revenue sharing).....	(6.1)	(6.2)	(6.2)	(---)	(6.4)	(6.4)	(---)
(Interest on the public debt).....	(29.3)	(32.9)	(32.8)	(---)	(36.0)	(36.0)	(---)
Corps of Engineers.....	1.8	1.7	1.7	---	1.9	1.9	---
Energy Research and Development Administration.....	2.5	3.6	3.6	---	4.2	4.2	---
Environmental Protection Agency.....	6.0	4.2	8.5	4.3	0.7	0.7	---
General Services Administration.....	-0.5	-0.9	-0.7	0.2	-0.3	-0.2	0.1
National Aeronautics and Space Administration..	3.0	3.2	3.2	---	3.5	3.5	---
Veterans Administration.....	13.9	16.0	16.8	0.8	16.1	17.8	1.7
Foreign economic assistance.....	3.8	3.1	2.6	-0.5	3.0	3.7	0.7
Other agencies.....	18.5	23.5	23.4	-0.1	32.9	26.1	-6.8
Allowances ¹	---	0.8	---	-0.8	8.3	7.1	-1.2
Undistributed offsetting receipts.....	-16.7	-16.8	-14.1	2.8	-20.2	-20.1	0.1
Total.....	313.9	395.1	408.9	13.8	385.8	383.8	-2.0

¹ Includes allowances for civilian agency pay raises and contingencies.

* Less than \$50 million.

NOTE: Detail may not add to totals due to rounding.

Table 13

CHANGES IN BUDGET AUTHORITY BY FUNCTION
(fiscal years; in billions of dollars)

	1974 Actual	1975			1976		
		February estimate	Current estimate	Change	February estimate	Current estimate	Change
National defense ¹	89.3	91.3	90.9	-0.4	107.7	107.8	0.1
International affairs.....	5.3	4.9	4.7	-0.2	12.6	6.3	-6.3
General science, space, and technology.....	3.9	4.3	4.3	---	4.7	4.7	---
Natural resources, environment, and energy.....	10.7	11.5	16.0	4.5	12.2	12.3	0.1
Agriculture.....	4.5	5.9	5.9	*	4.3	4.3	---
Commerce and transportation.....	23.5	28.9	29.5	0.5	6.6	7.0	0.4
Community and regional development.....	4.0	5.1	5.2	0.1	5.2	5.4	0.3
Education, manpower, and social services.....	13.2	14.6	16.9	2.4	13.7	13.8	0.1
Health.....	26.4	28.4	29.6	1.2	31.0	31.0	*
Income security.....	95.2	156.1	158.9	2.8	135.3	138.1	2.7
Veterans benefits and services.....	14.0	16.0	16.8	0.8	16.2	17.8	1.7
Law enforcement and justice.....	2.6	3.1	3.1	*	3.2	3.2	---
General government.....	3.1	2.7	2.7	*	3.2	3.2	*
Revenue sharing and general purpose fiscal assistance.....	6.7	7.1	7.1	---	7.3	7.3	*
Interest.....	28.1	31.3	31.2	-0.1	34.4	34.4	---
Allowances ²	---	0.8	---	-0.8	8.3	7.1	-1.2
Undistributed offsetting receipts:							
Employer share, employee retirement.....	-3.3	-4.1	-4.0	0.1	-3.9	-3.9	*
Interest received by trust funds.....	-6.6	-7.8	-7.8	*	-8.3	-8.1	0.2
Rents and royalties on the Outer Continental Shelf lands.....	-6.7	-5.0	-2.3	2.7	-8.0	-8.0	---
Total budget authority.....	313.9	395.1	408.9	13.8	385.8	383.8	-2.0

¹ Includes allowances for civilian and military pay raises for Department of Defense.

² Includes allowances for energy tax equalization payments, civilian agency pay raises, and contingencies.

* Change of less than \$50 million.

Part 2. Longer-Range Projections

The February budget presented longer-range (through 1980¹) projections in greater detail than was the case in earlier budgets. In addition, the budget provided detailed economic assumptions on which the projections were based. This section of the Mid-Session Review presents revisions of these longer-range data.

Economic Assumptions

The current state of the economic forecasting art is much too crude to attempt forecasts for the years beyond 1976. Indeed, as mentioned earlier, the 1976 forecasts also involve a large degree of uncertainty. Therefore, in Table 14, economic data for the years 1977 to 1980 are derived using a simple extrapolation based on the 1976 forecast. The projection assumes that real GNP grows at a rate of 6.5% a year -- the same rate that was used in the February budget. While the data derived from this assumption are provided in detail and as exact numbers, they are based on extrapolation and are not, therefore, forecasts.

There is no intent to imply that the economy will follow this exact path, nor that it is an ideal path. It may grow less rapidly in some periods and more rapidly in others, and it is hoped that -- in general -- it will average better than is assumed by these data. The purpose of

¹ Due to the change in the fiscal year established by the Congressional Budget and Impoundment Control Act of 1974, fiscal year 1977 and subsequent fiscal years will begin on October 1 of one calendar year and end on September 30 of the following calendar year. Prior fiscal years, ending with fiscal year 1976, began on July 1 and extended through June 30 of the following calendar year.

presenting these assumptions is solely to provide a base for projecting the budget. The projections indicate what will result under present law and Presidential proposals if the economy follows a 6-1/2% growth path -- one that is not unreasonable judged by historical standards.

Budget Projections

The revisions in budget outlays, budget authority, and receipts through 1980 reflect:

- the out-year effects of the changed economic forecast for 1976;
- actions by the Congress and the President since February; and
- program experience since February.

Also presented in this section are two sets of projections required by section 221(b) of the Legislative Reorganization Act of 1970: Projections of outlays under open-ended programs and fixed costs; and projected outlays from balances of budget authority available at the end of fiscal year 1976 for non-mandatory programs.

The receipts projections in Table 16 reflect the economic assumptions presented in Table 14 and assume current tax law, except for the proposed modifications under the President's energy program. The outlay and budget authority estimates in Tables 17 through 19 indicate the degree to which resources would be committed by the continuation of existing and currently-proposed programs at the levels currently recommended for 1976. These projections are not intended as forecasts of future receipts, outlays, or budget authority because no attempt is made

to predict future decisions or their effects. Nor are the projections intended as recommendations for future-year funding, since the continuation of Federal programs and taxes is a matter properly subject to continuous review in light of changing conditions.

Table 14

ECONOMIC ASSUMPTIONS FOR BUDGET PROJECTIONS¹
(calendar years; dollar amounts in billions)

<u>Item</u>	Assumed for Purposes of Budget Projections			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Gross national product:				
Current dollars:				
Amount.....	\$1,891	\$2,107	\$2,335	\$2,586
Percent change.....	12.6	11.4	10.8	10.8
Constant (1958) dollars:				
Amount.....	\$897	\$956	\$1,018	\$1,084
Percent change.....	6.5	6.5	6.5	6.5
Incomes (current dollars):				
Personal income.....	\$1,515	\$1,689	\$1,874	\$2,078
Wages and salaries.....	\$978	\$1,092	\$1,211	\$1,344
Corporate profits.....	\$173	\$193	\$214	\$237
Prices (percent change):				
GNP deflator:				
Year over year.....	5.7	4.6	4.1	4.0
Fourth quarter over fourth quarter.....	5.2	4.3	4.0	4.0
CPI:				
Year over year.....	5.3	4.4	4.0	4.0
December over December.....	4.8	4.2	4.0	4.0
Unemployment rates (percent):				
Total.....	7.2	6.5	5.8	5.1
Insured ²	6.1	4.7	4.0	3.2
Federal pay raise, October (percent).....	6.75	6.50	6.00	5.50
Interest rate, 91-day Treasury bills (percent) ³	5.1	5.1	5.0	5.0

¹ Based on extrapolations using a 6.5% rate of real growth in GNP for 1977-1980.

² Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

³ Average rate of new issues within period.

In general, the outlay projections assume that program levels remain constant except where they would change under current law or where there is an explicit Administration recommendation to increase or decrease program levels over time. One example is the anticipated increase in energy research and development programs between 1976 and 1977. Similarly, while defense manpower requirements are assumed to remain constant, other defense purchases are assumed to rise by 4% a year in real terms. The projections allow for changes in beneficiary populations for programs such as social security. Allowances are also made for future cost-of-living adjustments to benefit levels, Federal pay raises, and other cost increases. These allowances are consistent with the economic assumptions outlined in Table 14 and with the effect of the proposed temporary 5% ceiling on automatic cost-of-living and comparability pay increases between 1975 and 1976.

Table 15

THE FISCAL OUTLOOK, 1977-1980
(in billions of dollars)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Outlays under current programs.....	388.4	417.4	443.0	467.3
Outlays under proposed programs.....	<u>9.9</u>	<u>14.3</u>	<u>15.1</u>	<u>15.5</u>
Total projected outlays.....	398.4	431.6	458.1	482.8
Receipts under current law.....	364.0	416.4	466.4	517.2
Effects of energy tax proposals.....	<u>+0.4</u>	<u>-4.2</u>	<u>-9.4</u>	<u>-12.4</u>
Total projected receipts.....	364.4	412.2	457.0	504.8
Budget margin or deficit (-).....	-34.0	-19.4	-1.1	+22.0

Table 15, above, compares projected total receipts and total outlays. The difference between these figures -- the budget margin -- is the potential budget surplus or deficit that would be expected to occur if there were to be no tax changes, no new programs created, and no discretionary program increases or decreases other than those currently recommended.

Table 16

RECEIPTS BY MAJOR SOURCE, 1977-1980
(in billions of dollars)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Individual income taxes.....	151.3	174.2	197.5	222.9
Corporation income taxes.....	52.7	59.3	62.6	68.8
Social insurance taxes and contributions...	106.3	121.8	136.9	150.0
Other.....	<u>54.3</u>	<u>56.9</u>	<u>60.0</u>	<u>63.1</u>
Total receipts.....	<u>364.4</u>	<u>412.2</u>	<u>457.0</u>	<u>504.8</u>

Table 17

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
(in billions of dollars)

<u>Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Budget authority:				
National defense.....	119.0	128.8	138.8	147.6
International affairs.....	9.0	8.9	8.5	8.1
General science, space, and technology..	4.8	4.6	4.2	3.7
Natural resources, environment, and energy.....	8.0	8.1	7.5	7.4
Agriculture.....	2.0	1.9	2.1	2.1
Commerce and transportation.....	14.5	14.9	27.9	15.1
Community and regional development.....	5.8	5.6	5.8	5.9
Education, manpower, and social services.....	13.2	13.2	13.2	13.3
Health.....	35.1	41.1	46.7	51.7
Income security.....	178.0	191.4	203.8	214.8
Veterans benefits and services.....	17.0	16.2	15.7	15.3
Law enforcement and justice.....	3.3	3.3	3.4	3.5
General government.....	3.6	3.6	3.7	3.9
Revenue sharing and general purpose fiscal assistance.....	7.4	7.5	7.7	7.8
Interest.....	38.9	40.4	41.4	42.4
Allowances.....	13.8	16.7	19.6	22.5
Undistributed offsetting receipts.....	-21.4	-22.2	-23.0	-23.8
Total budget authority.....	<u>452.0</u>	<u>484.0</u>	<u>527.0</u>	<u>541.1</u>
Outlays:				
National defense.....	105.5	120.5	131.6	141.5
International affairs.....	7.4	7.6	7.5	7.3
General science, space, and technology..	4.7	4.6	4.3	3.9
Natural resources, environment, and energy.....	12.7	14.1	13.4	11.2
Agriculture.....	2.5	2.2	2.9	2.9
Commerce and transportation.....	16.1	16.5	15.8	15.5
Community and regional development.....	6.7	6.9	5.9	5.9
Education, manpower, and social services.....	13.6	13.3	13.3	13.2
Health.....	32.6	36.1	40.2	44.7
Income security.....	135.2	145.6	156.4	167.0
Veterans benefits and services.....	16.8	16.0	15.5	15.1
Law enforcement and justice.....	3.4	3.3	3.4	3.5
General government.....	3.5	3.5	3.6	3.7
Revenue sharing and general purpose fiscal assistance.....	7.5	7.5	7.6	7.7
Interest.....	38.9	40.4	41.4	42.4
Allowances.....	12.6	15.5	18.4	21.2
Undistributed offsetting receipts.....	-21.4	-22.2	-23.0	-23.8
Total outlays.....	<u>398.4</u>	<u>431.6</u>	<u>458.1</u>	<u>482.8</u>

Table 18

BUDGET AUTHORITY BY AGENCY
(in billions of dollars)

<u>Department or other unit</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Budget authority:				
Legislative and judicial branches.....	1.4	1.3	1.3	1.3
Executive Office of the President.....	.1	.1	.1	.1
Funds appropriated to the President.....	7.4	7.0	6.6	5.9
Agriculture:				
Food stamps and other nutrition programs..	9.0	9.2	9.7	10.0
Other Agriculture.....	4.4	4.5	4.9	5.0
Commerce.....	1.9	1.9	1.9	2.1
Defense-Military:				
Military retired pay.....	7.7	8.3	9.5	10.3
Defense less retired pay.....	97.4	100.8	103.7	106.0
Pay and price increases.....	9.0	14.8	20.9	26.7
Defense-Civil.....	2.2	2.2	2.1	2.0
Health, Education, and Welfare:				
Social security.....	77.7	86.2	95.4	105.1
Medicare.....	21.5	26.5	30.8	34.5
Other Health, Education, and Welfare.....	33.9	35.0	36.4	38.1
Housing and Urban Development.....	54.3	54.1	54.0	54.0
Interior.....	2.2	2.5	2.5	2.6
Justice.....	2.2	2.2	2.3	2.3
Labor:				
Unemployment trust fund.....	11.1	13.8	13.9	12.2
Other Labor.....	4.0	3.7	3.8	3.8
State.....	1.1	1.2	1.3	1.4
Transportation.....	10.0	10.2	23.3	10.5
Treasury:				
Interest on the public debt.....	40.5	42.0	43.0	44.0
General revenue sharing.....	6.5	6.7	6.8	7.0
Other Treasury.....	1.3	1.4	1.5	1.6
Civil Service Commission.....	14.4	16.4	18.5	20.7
National Aeronautics and Space Administration	3.6	3.4	3.1	2.7
Veterans Administration.....	17.0	16.2	15.7	15.3
Other agencies.....	18.0	17.8	17.4	17.4
Allowances:				
Energy tax equalization payments.....	7.0	7.0	7.0	7.0
Other pay, price, and contingencies.....	6.8	9.7	12.6	15.5
Undistributed offsetting receipts.....	<u>-21.4</u>	<u>-22.2</u>	<u>-23.0</u>	<u>-23.8</u>
 Total budget authority.....	 <u>452.0</u>	 <u>484.0</u>	 <u>527.0</u>	 <u>541.1</u>
 MEMORANDUM				
Federal funds.....	339.8	355.8	384.8	387.4
Trust funds.....	145.9	160.8	177.8	193.9
Interfund transactions.....	<u>-33.7</u>	<u>-32.7</u>	<u>-35.6</u>	<u>-40.2</u>
 Total.....	 452.0	 484.0	 527.0	 541.1

Table 19

BUDGET OUTLAYS BY AGENCY
(in billions of dollars)

<u>Department or other unit</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Outlays:				
Legislative and judicial branches.....	1.4	1.3	1.3	1.3
Executive Office of the President.....	.1	.1	.1	.1
Funds appropriated to the President.....	6.0	6.0	5.7	5.4
Agriculture:				
Food stamps and other nutrition programs..	9.0	9.2	9.7	10.0
Other Agriculture.....	4.9	5.2	5.8	5.9
Commerce.....	2.1	1.9	1.9	2.1
Defense-Military:				
Military retired pay.....	7.7	8.3	9.5	10.3
Defense less retired pay.....	87.4	96.0	100.0	103.4
Pay and price increases.....	6.7	12.5	18.4	24.2
Defense-Civil.....	2.1	2.2	2.2	2.0
Health, Education, and Welfare:				
Social security.....	83.5	92.2	100.6	109.3
Medicare.....	18.3	21.0	24.0	27.2
Other Health, Education, and Welfare.....	34.9	35.7	36.9	38.3
Housing and Urban Development.....	8.2	9.3	9.6	10.7
Interior.....	2.0	2.2	2.2	2.3
Justice.....	2.3	2.2	2.3	2.3
Labor:				
Unemployment trust fund.....	14.6	13.7	12.7	11.4
Other Labor.....	4.1	3.7	3.8	3.8
State.....	1.1	1.2	1.3	1.4
Transportation.....	12.1	12.9	12.3	12.2
Treasury:				
Interest on the public debt.....	40.5	42.0	43.0	44.0
General revenue sharing.....	6.6	6.7	6.8	7.0
Other Treasury.....	1.3	1.5	1.5	1.7
Civil Service Commission.....	9.2	10.3	11.4	12.7
National Aeronautics and Space Administration	3.6	3.4	3.1	2.7
Veterans Administration.....	16.8	16.0	15.5	15.0
Other agencies.....	20.6	21.6	21.2	18.8
Allowances:				
Energy tax equalization payments.....	7.0	7.0	7.0	7.0
Other pay, price, and contingencies.....	5.6	8.5	11.4	14.2
Undistributed offsetting receipts.....	<u>-21.4</u>	<u>-22.2</u>	<u>-23.0</u>	<u>-23.8</u>
Total outlays.....	<u>398.4</u>	<u>431.6</u>	<u>458.1</u>	<u>482.8</u>

MEMORANDUM

Federal funds.....	289.9	310.0	327.4	343.2
Trust funds.....	142.2	154.3	166.3	179.8
Interfund transactions.....	<u>-33.7</u>	<u>-32.7</u>	<u>-35.6</u>	<u>-40.2</u>
Total.....	398.4	431.6	458.1	482.8

Projections of Outlays for Open-Ended Programs and Fixed Costs

Section 221(b) of the Legislative Reorganization Act of 1970 requires that the President transmit to the Congress "summaries of the estimated expenditures for the first four fiscal years following fiscal year [1976], which will be required under continuing programs which have a legal commitment for future years or are considered mandatory under existing law." Table 20 contains these estimates.

Table 20 indicates that benefit payments to individuals under existing legislation are projected to grow by roughly \$16 billion a year from 1977 to 1980. Although legislation to renew the program is pending, outlays for the existing general revenue sharing program are shown in this table as dropping from \$6 billion in 1975 and 1976, to \$3 billion in 1977, and to zero in 1978 because the current statutory authorization expires after December 1976 and only the existing program is currently "relatively uncontrollable." (In Tables 17, 18, and 19, however, the program is shown as continuing uninterrupted through 1980.) Outlays for other open-ended programs and fixed costs are projected to be relatively stable.

As the footnote on Table 20 states, the estimates represent simple projections of outlays under existing law. They are not intended to predict future economic conditions; nor do they reflect possible increases or decreases in the scope or quality of the program. Further, the resources that might appropriately be applied in later years will require a reexamination of the relative priorities of these and other Government programs in the light of economic and other circumstances then prevailing. Thus, the estimates do not represent a commitment as to amounts to be included in future budgets.

Table 20

PROJECTIONS OF OUTLAYS FOR OPEN-ENDED PROGRAMS AND FIXED COSTS UNDER EXISTING LAW¹
(in billions of dollars)

<u>Category</u>	<u>1976</u>	<u>Tr. qtr.</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Relatively uncontrollable under present law:						
Open-ended programs and fixed costs:						
Payments for individuals:						
Social security and railroad retirement.....	76.3	20.9	87.9	96.8	105.3	114.1
Federal employees retirement and insurance.....	16.0	4.3	18.6	20.8	22.8	24.9
Unemployment assistance.....	16.8	3.2	15.4	14.3	13.2	11.9
Veterans benefits.....	13.4	3.0	12.6	11.8	11.2	10.7
Medicare and medicaid.....	24.6	6.6	29.2	33.4	38.0	43.0
Housing payments.....	2.6	0.7	3.1	4.0	5.6	6.9
Public assistance and related programs.....	<u>18.4</u>	<u>4.9</u>	<u>19.3</u>	<u>19.9</u>	<u>20.4</u>	<u>21.0</u>
Subtotal, payments for individuals.....	168.2	43.6	186.2	200.9	216.5	232.5
Net interest.....	26.3	8.6	29.7	30.7	31.2	31.7
General revenue sharing (existing law only).....	6.4	1.6	3.4	---	---	---
Other open-ended programs and fixed costs.....	<u>9.8</u>	<u>2.8</u>	<u>10.7</u>	<u>10.1</u>	<u>10.7</u>	<u>9.6</u>
Total, open-ended programs and fixed costs, current law.....	210.6	56.7	229.9	241.8	258.3	274.8

¹ This table is supplied pursuant to the requirements of section 221(b) of the Legislative Reorganization Act of 1970 (P.L. 91-510). The estimates represent simple projections of outlays under existing law. They are not intended to predict future economic conditions; nor do they reflect possible increases or decreases in the scope or quality of the program. Further, the resources that might appropriately be applied in later years will require a reexamination of the relative priorities of these and other Government programs in the light of economic and other circumstances then prevailing. Thus, the estimates do not represent a commitment as to amounts to be included in future budgets.

NOTE: Detail may not add to totals due to rounding.

Outlays from Balances of Budget Authority Available at the End of
Fiscal year 1976: Non-Mandatory Programs

Section 221(b) of the Legislative Reorganization Act of 1970 also requires that the President shall transmit to the Congress "summaries of estimated expenditures, in fiscal years following fiscal year [1976], of balances carried over from . . . fiscal year [1976]." Table 21 contains these estimates.

The current estimate of the balances at the end of fiscal year 1976 for programs -- the outlays for which are controllable -- is \$187 billion, roughly \$2 billion below the budget estimate. About \$15 billion of this total is in guarantee and insurance program balances, very little of which is expected ever to be spent.

The spending pattern from the balances in other programs, which amount to \$173 billion, is fairly consistent among the programs. Not surprisingly, the bulk of the spending takes place in the transition quarter and in 1977, and declines rapidly thereafter. On the average, more than 14% is expected to be spent in the transition quarter, 37% in 1977, and almost 16% in 1978.

Of the 1976 end-of-year balances in programs other than guarantee and insurance programs, about 14% (\$26 billion) is expected to remain unexpended at the end of fiscal year 1980. Slightly more than \$1 billion of the 1976 end-of-year balances are expected to expire (without being spent) during the transition quarter and fiscal years 1977 through 1980.

Table 21

ESTIMATED SPENDING FROM END OF FISCAL YEAR 1976 BALANCES OF BUDGET AUTHORITY:
NON-MANDATORY PROGRAMS
(in billions of dollars)

	Federal guarantee and insurance programs: Reserves for losses and <u>standby and backup authority</u>	Other unexpended balances, <u>June 30, 1976</u>	<u>Total</u>
Total balances, end of 1976 (current estimate).....	<u>14.6</u>	<u>172.7</u>	<u>187.3</u>
Spending from balances in:			
Transition quarter.....	.1	26.8	26.9
1977.....	.4	63.6	64.0
1978.....	.2	29.1	29.4
1979.....	.2	17.2	17.4
1980.....	.2	9.0	9.2
Expiring balances, transition quarter through 1980....	*	1.2	1.3
Unexpended balances as of end of 1980.....	13.3	25.8	39.1

* Less than \$0.5 billion.

Note: Detail may not add to totals due to rounding.

STATUS REPORT ON THE BUDGET DEFICIT
(In billions)

	<u>1976</u>	<u>TQ</u>	<u>1977</u>
<u>February budget estimate</u>	51.9	9.8	30.6
Changes to date:			
Congressional action or inaction.....	8.3	1.1	1.6
Other changes.....	<u>3.1</u>	<u>-0.6</u>	<u>4.4</u>
<u>Current estimate</u>	63.2	10.3	36.6
<u>Possible congressional Changes:</u>			
<u>Failure to act on reduction proposals</u>	6.1	2.5	8.3
<u>Appropriations bills: 1/</u>			
Education 2/.....	0.4	0.1	0.8
Labor-HEW.....	0.5	0.1	0.3
Public Works.....	0.1	0.1	0.1
All other.....	<u>0.3</u>	*	<u>0.3</u>
Subtotal, appropriations.....	1.2	<u>0.4</u>	<u>1.5</u>
<u>Authorizations bills:</u>			
Extension of 1975 Tax Reduction Act.....	4.1	2.2	12.9
School lunch and child nutrition.....	1.3	0.3	1.5
Health insurance for unemployed.....	1.6	0.2	0.4
Countercyclical assistance for State and local governments.....	1.4	0.4	1.4
Public Service employment.....	--	0.3	2.2
Public works employment.....	0.5	0.2	1.8
Change in funding for naval petroleum reserve.....	0.3	0.5	2.5
Education of the Handicapped.....	---	---	1.0
Postal Service increases.....	1.9	0.5	1.9
Military procurement reductions.....	-1.3	-0.5	-1.0
Other.....	<u>3.4</u>	<u>1.2</u>	<u>3.8</u>
Subtotal, authorizations bills.....	13.2	<u>5.3</u>	<u>28.4</u>
Total, possible congressional increases.....	<u>20.5</u>	<u>8.2</u>	<u>38.2</u>

1975

Potential deficit.....	44.2	83.7	18.5	74.8
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1/ Includes only bills on which some Congressional action has been taken. Excludes DOD-Military, Military construction, Foreign aid, and District of Columbia.

2/ Vetoed. Awaiting further Congressional action.

* Less than fifty million.



POTENTIAL CONGRESSIONAL CHANGES
TO FIRST CONCURRENT RESOLUTION

(In billions of dollars)

	<u>Outlays</u>	<u>Deficit</u>
Congressional concurrent resolution (5/14/75).....	<u>367.0</u>	<u>68.8</u>
Action completed or underway.....	216.4	
Balance of Administration request under review..	<u>153.4</u>	
1976 levels if action underway and balance of Administration request is approved.....	369.8	
Congressional concurrent resolution level.....	<u>-367.0</u>	68.8
Amount currently above concurrent resolution level.....	2.8	<u>2.8</u>
<u>Current estimate.....</u>		71.6
Changes under consideration by Senate in authorizing bills:		
Military procurement (S. 920).....	-1.6/-1.0	
Public Service employment assistance (S. 1695)..	3.0/3.0	
Postal Service subsidy (H.R. 8603).....	1.7/1.7	
Countercyclical assistance for State and local governments (S. 1359).....	1.0/1.5	
Public Works Employment Act (S. 1587/H.R. 5247)..	0.5/1.0	
Energy programs (S. 677, S. 1883, S. 622, S. 598).....	0.8/0.8	
Medical research.....	0.7/0.7	
Nurse training (S. 66).....	0.6/0.6	
Veterans benefits (S. 969).....	0.6/0.6	
Special education programs (S. 6, S. 462).....	0.5/0.5	
SSI/Black lung programs (H.R. 8).....	0.4/0.4	
Other changes under consideration.....	<u>2.3/2.8</u>	
Subtotal, changes under consideration by Senate.....		<u>10.5/12.6</u>
Potential deficit under consideration in Senate.....		82.1/84.2
Further action under consideration in the House:		
Moratorium on Offshore Oil and leasing (H.R. 5588).....		<u>2.3</u>
Potential deficit under consideration by the Congress (range as of 7/21/75).....		84.4/86.5

July 22, 1975

STATUS REPORT ON THE BUDGET DEFICIT
(in billions)

	<u>1976</u>	<u>TQ</u>	<u>1977</u>
<u>February budget estimate</u>	51.9	9.8	30.6
Changes to date:			
Congressional action or inaction.....	5.8	0.9	1.0
Other changes.....	<u>2.3</u>	<u>-1.0</u>	<u>1.9</u>
<u>Current estimate</u>	60.0	9.7	33.5
<u>Possible congressional increases:</u>			
<u>Failure to act on reduction proposals</u>	7.6	2.5	8.3
<u>Appropriations bills: 1/</u>			
Education.....	0.5	0.1	0.8
Labor-HEW.....	0.5	0.1	0.3
Public Works.....	0.1	0.1	0.1
All other.....	<u>-0.1</u>	<u>-0.1</u>	<u>-0.2</u>
Subtotal, appropriations.....	1.0	0.2	1.0
<u>Authorizations bills:</u>			
Extension of 1975 Tax Reduction Act.....	4.1	2.2	12.9
Moratorium on OCS leasing.....	6.3	1.6	7.4
School lunch and child nutrition.....	1.0	0.2	1.1
Health insurance for unemployed.....	1.6	0.2	0.4
Countercyclical assistance for State and local governments.....	1.4	0.4	1.4
Public Service employment.....	---	0.3	2.2
Public works employment.....	0.5	0.2	1.8
Change in funding for naval petroleum reserve.....	0.3	0.5	2.5
Education of the handicapped.....	0.4	0.3	1.0
Postal Service increases.....	1.9	0.5	1.9
Military procurement reductions.....	-1.3	-0.5	-1.0
Other.....	<u>3.1</u>	<u>1.3</u>	<u>4.9</u>
Subtotal, authorizations bills.....	19.3	7.3	36.6
Total, possible Congressional increases..	<u>27.8</u>	<u>9.9</u>	<u>45.9</u>
	<u>1975</u>		
Potential deficit.....	43-45	87.9	19.6
			79.4

1/ Includes only bills on which some Congressional action has been taken. Excludes DOD Military, Military construction, Foreign aid, and District of Columbia.

July 22, 1975

POTENTIAL CONGRESSIONAL CHANGES
TO FIRST CONCURRENT RESOLUTION

(In billions of dollars)

	<u>Outlays</u>	<u>Deficit</u>
Congressional concurrent resolution (5/14/75).....	367.0	68.8
Action completed or underway.....	216.4	
Balance of Administration request under review..	<u>153.4</u>	
1976 levels if action underway and balance of Administration request is approved.....	369.8	
Congressional concurrent resolution level.....	<u>-367.0</u>	68.8
Amount currently above concurrent resolution level.....	2.8	<u>2.8</u>
<u>Current estimate</u>		71.6
Changes under consideration by Senate in authorizing bills:		
Military procurement (S. 920).....	-1.6/-1.0	
Public Service employment assistance (S. 1695)..	3.0/3.0	
Postal Service subsidy (H.R. 8603).....	1.7/1.7	
Countercyclical assistance for State and local governments (S. 1359).....	1.0/1.5	
Public Works Employment Act (S. 1587/H.R. 5247)..	0.5/1.0	
Energy programs (S. 677, S. 1883, S. 622, S. 598).....	0.8/0.8	
Medical research.....	0.7/0.7	
Nurse training (S. 66).....	0.6/0.6	
Veterans benefits (S. 969).....	0.6/0.6	
Special education programs (S. 6, S. 462).....	0.5/0.5	
SSI/Black lung programs (H.R. 8).....	0.4/0.4	
Other changes under consideration.....	<u>2.3/2.8</u>	
Subtotal, changes under consideration by Senate.....		<u>10.5/12.6</u>
Potential deficit under consideration in Senate.....		82.1/84.2
Further action under consideration in the House:		
Moratorium on Offshore Oil and land leasing (H.R. 5588).....		<u>2.3</u>
Potential deficit under consideration by the Congress (range as of 7/21/75).....		84.4/86.5

July 22, 1975

File Copy

July 25, 1973

Dear Phil:

I sincerely appreciate your sending me the copy of your proposal for an Alternative Balanced Budget for FY 74. It is apparent that you have made an in-depth study and I intend to review it carefully at the earliest opportunity.

In the meantime, I have directed my fiscal advisers to study your recommendations carefully. Fiscal restraint is a cornerstone of my Administration and I appreciate having your suggestions for reaching that goal.

With warmest personal regards,

Sincerely,

MR

The Honorable Philip M. Crane
House of Representatives
Washington, D.C. 20515

cc: w/incoming to Alan Kranowitz for further handling. Director Lynn reply if appropriate. Please advise this office of handling.

CKF:MLP:VO:rg



AUG 4 - 1975

Honorable Philip M. Crane
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Crane:

The Director has asked me to thank you for sending him a copy of your thoughtful and interesting study on how to cut the budget. He always appreciates any ideas he can get in controlling the budget, and your thoughts are most appreciated particularly because they encompass such an extensive review of the budget.

In his fiscal year 1976 Budget, the President attempted to curtail the long-run growth of Federal spending, while at the same time providing the appropriate amount of stimulus to the economy. While the Administration does not agree with all of your specific proposals, we share your concern about the need to control Federal spending. As you suggest, we must examine the budget on a program-by-program basis and eliminate inefficient and unnecessary spending. We all recognize that such cuts are difficult to achieve and we share your hope that your study will stimulate further interest in and discussions of this subject.

The Administration appreciates your support of the reductions proposed by the President. Thank you for your continued interest in budget reform.

Best regards,

Sincerely,

(Signed) Alan M. Kranowitz

Alan M. Kranowitz
Assistant to the Director
for Congressional Relations

cc:

DO Records -Official file copy
Director's Chron

Director

Deputy Director

✓ Mr. Kranowitz

BRD File (Rm. 6025)

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SLind

PHILIP M. CRANE
MEMBER OF CONGRESS
12TH DISTRICT, ILLINOIS

WAYS AND MEANS COMMITTEE

SUBCOMMITTEES:
HEALTH
SOCIAL SECURITY

Congress of the United States

House of Representatives

Washington, D.C. 20515

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WASHINGTON, D.C. 20515
202/225-3711

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OFFICE OF MANAGEMENT & BUDGET

July 16, 1975

The Honorable James T. Lynn
Director, Office of Management & Budget
Executive Office Building
Washington D.C. 20503

Dear Mr. Lynn:

I am enclosing for your consideration and review a copy of my Alternative Balanced Budget for FY 76. This extensive study was prepared by my staff due to my strong feelings that our economy can not survive the continuing stresses of ever increasing inflation brought on by uncontrolled government spending.

To prove that "zero deficit" is possible, I have completed an extensive study of the Federal Budget, which I am enclosing for your consideration. My proposals call for across the board spending cuts based on the premises that any programs vital to our national security should not be cut; that government subsidies to the able-bodied--corporate and otherwise--should be eliminated; that programs that have not worked or can be easily delayed should be dropped or postponed; that all groups should be treated alike; and that all program reductions should be as uniform as possible. I also have worked under the assumption that there are NO sacred cows in the Federal Budget. My balanced budget proposal calls for cuts in all areas from \$6 billion in defense spending to \$4.6 billion in community development.

I know that you share my views on the necessity of responsible fiscal policy, and hope that you will find this study of interest.

Kind personal regards.

Cordially,

Philip M. Crane, M.C.

PMC/tjp





Congressional Record

United States
of America

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, WEDNESDAY, MAY 14, 1975

No. 77

House of Representatives

CUTTING THE BUDGET: A SUMMARY

Mr. CRANE. Mr. Speaker, for a number of years now, I have been concerned about the growing deficits in the Federal budget and the impact of these deficits on inflation and capital investment. Release of the President's budget for fiscal 1976, with its \$52 billion deficit, heightened my apprehension and the steady escalation of the estimated budget deficit since then has done nothing to allay my fears about the direction in which our economy is headed. At the time the House budget resolution was considered, a number of Congressmen, myself included, made an effort to stipulate that expenditures should not exceed revenue in fiscal year 1976, but, unfortunately, that effort was defeated 311 to 94.

Ultimately, however, such an effort raises two important questions, namely, what specific programs are to be cut to reduce the fiscal year 1976 deficit to zero and how likely is it that such cuts will be approved given the present disposition of Congress.

Answering the second question first, it is obvious that, at the moment, Congress is disinclined to opt for a balanced budget because most members seem to be preoccupied with recession despite the fact that inflation is the root cause of recession. However, if the coming budget deficit of \$70, \$30, or \$100 billion sets off another inflationary spiral as many people are persuaded it will, that mood may change and Members of Congress may be willing to look at possible alternatives, particularly if they are set out in specific terms. Therefore, for that reason, if for no other, specific alternatives providing for a balanced budget should be presented.

However, there is another consideration—the role Government should play in the economic life of this country. As one who has long believed in the concepts of free enterprise and limited Government, I not only want to see deficit

spending curtailed but Government subsidization and regulation reduced. History clearly shows that increasing the role of Government not only decreases personal liberty but, through intervention in the free market system, hampers economic growth. Understandably, all Americans want a larger piece of the economic pie, but governmental regulation of the size of the slices is far less likely to produce that result than letting the free enterprise system bake a bigger pie.

Therefore, I have prepared a proposal that would not only produce a balanced budget in fiscal 1976, but would reduce Government intervention in, or control over, various aspects of American life. Frankly, this proposal represents what I would like to see happen, politically and philosophically as well as financially, but I recognize that, given the makeup of the present Congress, the chances for adoption of all, or parts of it, are minimal at best. However, I would hope that, by making these suggestions, I will stimulate interest in and discussion of a balanced budget and how it may be achieved.

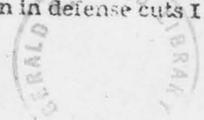
I should also note that this proposal represents a rough outline rather than a polished final draft. I would hope that, as discussion of it proceeds, criticisms will be made, refinements will be suggested and imperfections will be worked out. Unfortunately from a research standpoint, and fortunately from the standpoint of the taxpayer, the resources of an individual Congressman are not comparable to that of the Budget Committees, the executive branch or OMB, so there are bound to be some things that need to be corrected or improved. However, even organizations like OMB have had difficulty estimating expenditures and revenue, especially the latter, so that problem should not constitute a fatal drawback.

When the President proposed this fiscal year 1976 budget last February 3, he stated revenues would be \$297.5 billion, he suggested outlays of \$349.4 billion and he proposed a deficit of \$51.9 billion. Using the figures in the President's proposed budget and postulating opposition to spending programs that either have increased or will increase the deficit, my feeling is that we cannot only cut approximately \$52.5 billion from the President's original budget, but that we can keep the revised budget in balance for fiscal 1976.

To achieve this, I am recommending that approximately \$6 billion be cut from the defense budget in the areas of personnel support facilities and military assistance, that \$4¼ billion be trimmed from foreign aid, that \$190 million be cut from space and technology, that approximately \$3 billion be trimmed from natural resources, environment and energy, that just over \$800 million be chopped from agriculture, that \$4.6 billion be taken from community development, that over \$8¼ billion sliced from commerce and transportation, that over \$4 billion be taken out of education, manpower and social services, that over \$700 million be trimmed from health, that \$10.5 billion be cut from public assistance and income security, that \$269 million come out of veteran's benefits, that \$1.15 billion be cut from law enforcement and justice, that \$300 million come out of general government and that \$7½ billion be subtracted from budget allowances.

In proposing these cuts, I have not left any sacred cows. All 14 functional areas of Government have come in for attention, with the nature and size of the cuts being determined by 6 basic premises.

The first premise is that any program vital to national security not be cut. However, as you will notice, this is not intended to provide a blanket exemption for the defense budget; in fact the \$6 billion in defense cuts I am proposing are



larger than either of those proposed by the House and Senate Budget Committees and will enable us to shift \$1 billion to badly needed weapons research and development.

The second premise is that businesses, agricultural interests, and individuals should rely on their own skills and initiative and not on the Government. Consequently I am proposing that, wherever possible, Government subsidies to the able-bodied—corporate and otherwise—be eliminated.

The third premise is that excessive Government regulation has had much to do with businesses and others getting into the kind of economic difficulty that results in requests for subsidies. Furthermore, such regulation, while intended to promote competition and help the consumer, has had just the opposite effect. Therefore, I am calling for the elimination of a number of Government regulatory agencies on the grounds that they are counterproductive for the businessman, expensive for the consumer, and hard on taxpayers. Proof of that may be found in recent White House estimates to the effect that unnecessary and ineffective Government regulations are costing the average American family \$2,000 a year.

The fourth premise is that programs that have not worked, or can easily be delayed, should be either dropped or postponed. Certainly foreign aid falls into this category; we have been Santa Claus to the world for years now and the world could not seem to care less.

The fifth premise is that, as a matter of equity, all groups should be treated alike. Accordingly, I am suggesting that special interest group programs either be eliminated or cut back to a per capita level no higher than that being provided to all other Americans.

The sixth and last premise is that all other program reductions be as uniform as possible. Therefore, I am recommending that all programs that seem desirable but are not vital to national security, be rolled back to fiscal year 1974 levels. Surely, on these programs, we can get by with what we spent less than 2 years ago. And, by instituting such a rollback policy, we will encourage, if not force, greater administrative efficiency and an effort to eliminate waste and duplication.

Included in the cuts I am suggesting is: A 200,000-man troop reduction for the U.S. Army; the phaseout of unneeded military bases, the elimination of the food-for-peace program; reduction of our contribution to the United Nations and to multilateral assistance programs; elimination of funding for the Agency for International Development, the Peace Corps, and the Job Corps; foregoing participation in the special financing facility program that would help other countries with their balance-

of-payments problems; postponing construction of waste-treatment plants and the Interstate Highway System for at least 1 year and, elimination of subsidies for airlines, railroads, buslines, shipping, agricultural interests, the Postal Service, students, and individuals who are perfectly able to take care of themselves.

In addition, my proposal would cut out funding for programs such as urban renewal, Model Cities, subsidized housing, and for regulatory agencies such as the ICC, the CAB, and the FTC. Moreover, the proposal would not only eliminate the food stamp program but also envision the amendment of the welfare program and the unemployment compensation program so that those who are not really in need do not become a burden on those who are working. And, finally, these proposals envision acceptance of the President's 5 percent cap on entitlement programs while rejecting his call for energy cost rebates to individuals, State, and Federal agencies.

All in all, these cuts, coupled with the other terminations and rollbacks contained in this proposal, offer what I believe to be a reasonable way of balancing the budget and buttressing the free enterprise system without endangering national security. Obviously, a certain amount of subjectivity is involved in these proposed cuts and, just as obviously, not everyone will agree with all the premises developed in making them, but they do represent a starting point from which I hope discussion will proceed.

Such discussion is certainly needed. If we do not do something to reduce Federal spending for fiscal year 1976, the deficit we will face will not only require government at all levels to soak up better than 80 percent of the available capital in this country, but it will also set off another inflationary spiral. Such a combination can only lead to a follow-up onslaught of recession and unemployment, which is the very thing that so many people are concerned about today.

Congress should realize that it cannot spend the country out of the recession without rekindling inflation and driving up interest rates, which in turn, will retard both investment and future economic growth as well as compound all the present problems that have given us our current 8.9 percent unemployment rate.

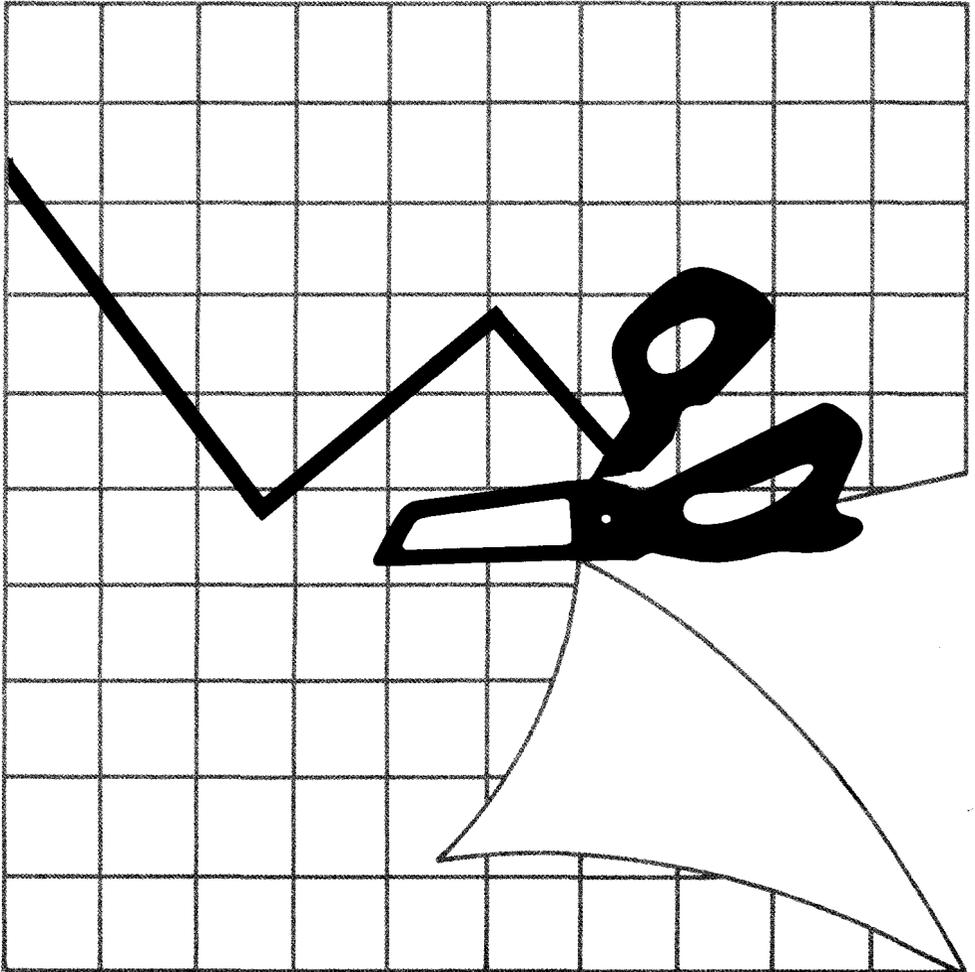
Therefore, it only makes sense for all Americans to consider any and all ways of cutting the budget. Imperfect though it may be, I invite my colleagues to evaluate my proposal in this light and pass along any suggestions they might have for improving it. Copies are available in my office and a printed copy should be out in a matter of weeks for all those who are interested. For those who believe, as I do, that "inflation" is still the number one domestic enemy against which we must intensify the fight, time is of the essence.



How to Cut the Budget: A Program for Fiscal Reform

Representative Philip M. Crane

ACU Education and Research Institute



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ACU Education and Research Institute

Additional copies of this report may be obtained from:

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422 First Street, S.E.
Washington, D. C. 20003
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Published July, 1975

BIOGRAPHICAL NOTE

Rep. Philip M. Crane (R-Ill.) was first elected to the United States House of Representatives in November, 1969. He was re-elected to a full two-year term in 1970 and currently serves on the Committee on Ways and Means.

Rep. Crane is one of only eight members in the House of Representatives with a doctorate degree, having earned his Ph.D. in history at Indiana University, where he also earned his M.A. His undergraduate years were spent at DePauw University, Hillsdale College, the University of Michigan and the University of Vienna.

Between his undergraduate years and graduate years, he spent two years on active duty as a personnel management specialist with the U.S. Army in Europe.

Rep. Crane taught history at Indiana University for three years and at Bradley University for four years before becoming director of schools at Westminster Academy in Northbrook, Illinois.

He is the author of one book, *The Democrat's Dilemma*, published in 1964, and has a second work in progress.

The Congressman currently is a trustee of Hillsdale College, a director of the Intercollegiate Studies Institute, a member of the advisory board of the Young Americans for Freedom and the Charles Edison Youth Fund, and a member of the board of directors of the American Conservative Union.

Introduction

As federal spending and the budget deficit have escalated dramatically in recent years, more and more people have asked me how we can cut the budget. In turn, I have asked the same question of others in government and frequently have gotten the answer that, since nearly three quarters of the budget is defined as uncontrollable, cutting it substantially is difficult if not impossible.

My answer to that has been, and still is, that the budget is uncontrollable only because Congress has made it so. Furthermore, whatever Congress has done, it has the power to undo. Therefore, Congress *can* cut the budget; doing so is simply a matter of willpower.

The difficulty then lies in deciding which programs should be cut. Simply to advocate a 5% or a 10% across-the-board cut is tempting, but legal obstacles would make it difficult and getting people to agree to cut Social Security, Medicare, Veterans Benefits or National Defense that much would be well-nigh impossible. Therefore, the only reasonable way to go, and a route which I feel stands a far better chance of eliminating the least desirable or most wasteful expenditures, is to cut the budget on a program-by-program basis.

The proposal that follows is an attempt to do just that. However, due to time and resource limitations, it is but a rough draft, a compilation of ideas on how the budget *might* be cut rather than a precise alternative budget. As such, it is subject to imperfections, and perhaps errors, for which I take full responsibility. However, it is my hope that, as a result of this outline, discussion of cutting the budget will be stimulated, suggestions will be made in the nature of corrections or improvements, and impetus will be developed for translating words into legislative action.

While the ideas included herein are my own, as is the responsibility for them, I would like to express my thanks to Mr. Dan Larkins of the American Enterprise Institute, Dr. Charles Moser of the Heritage Foundation, Mr. Randall Teague of Congressman Jack Kemp's staff, and the staff of the Republican Study Committee for their help in evaluating early drafts of the manuscript and in offering suggestions for its improvement. I only wish I had more time and resources to go into certain areas in greater detail for I have the feeling that there is a lot more fat that can be cut out of the federal budget, but with the deficit climbing rapidly there comes a time when one must set the wheels in motion and hope to work out procedural details as things develop.

In view of what a \$70 billion to \$100 billion deficit would do in terms of soaking up investment capital, triggering an increase in interest rates, and setting off another inflation-recession cycle, I think that time has come.

CUTTING THE BUDGET: A SUMMARY*

For a number of years now, I have been concerned about the growing deficits in the Federal budget and the impact of these deficits on inflation and capital investment. Release of the President's budget for fiscal 1976, with its \$52 billion deficit, heightened my apprehension and the steady escalation of the estimated budget deficit since then has done nothing to allay my fears about the direction in which our economy is headed. At the time the House budget resolution was considered, a number of Congressmen, myself included, made an effort to stipulate that expenditures should not exceed revenue in fiscal year 1976, but, unfortunately, that effort was defeated 311 to 94.

Ultimately, however, such an effort raises two important questions, namely, what specific programs are to be cut to reduce the fiscal year 1976 deficit to zero and how likely is it that such cuts will be approved given the present disposition of Congress.

Answering the second question first, it is obvious that, at the moment, Congress is disinclined to opt for a balanced budget because most Members seem to be preoccupied with recession despite the fact that inflation is the root cause of recession. However, if the coming budget deficit of \$70, \$80, or \$100 billion sets off another inflationary spiral as many people are persuaded it will, that mood may change and Members of Congress may be willing to look at possible alternatives, particularly if they are set out in specific terms. Therefore, for that reason if for no other, specific alternatives providing for a balanced budget should be presented.

However, there is another consideration—the role government should play in the economic life of this country. As one who has long believed in the concepts of free enterprise and limited government, I not only want to see deficit spending curtailed but government subsidization and regulation reduced. History clearly shows that increasing the role of government not only decreases personal liberty but, through intervention in the free market system, hampers economic growth. Understandably, all Americans want a larger piece of the economic pie, but governmental regulation of the size of the slices is far less likely to produce that result than letting the free enterprise system bake a bigger pie.

Therefore, I have prepared a proposal that would not only produce a balanced budget in fiscal 1976, but would reduce government intervention in, or control over, various aspects of American life. Frankly, this proposal represents what I would like to see happen, politically and philosophically as well as financially, but I recognize that, given the makeup of the present Congress, the chances for adoption of all, or parts of it, are minimal at best. However, I would hope that, by making these suggestions, I will stimulate interest in and discussion of a balanced budget and how it may be achieved.

I should also note that this proposal represents a rough outline rather than a polished final draft. I would hope that, as discussion of it proceeds,

* This section originally appeared in the CONGRESSIONAL RECORD, May 14, 1975.

criticisms will be made, refinements will be suggested and imperfections will be worked out. Unfortunately from a research standpoint, but fortunately from the standpoint of the taxpayer, the resources of an individual Congressman are not comparable to those of the Budget Committees, the executive branch or OMB, so there are bound to be some things that need to be corrected or improved. However, even organizations like OMB have had difficulty estimating expenditures and revenue, especially the latter, so that problem should not constitute a fatal drawback.

When the President proposed this fiscal year (FY) 1976 budget last February 3, he stated revenues would be \$297.5 billion, he suggested outlays of \$349.4 billion and he proposed a deficit of \$51.9 billion. Using the figures in the President's proposed budget and postulating opposition to spending programs that either have increased or will increase the deficit, my feeling is that we can not only cut approximately \$52.5 billion from the President's original budget, but that we can keep the revised budget in balance for FY 76.

To achieve this, I am recommending that approximately \$6 billion be cut from the defense budget in the areas of personnel support facilities and military assistance, that \$4¼ billion be trimmed from foreign aid, that \$190 million be cut from space and technology, that approximately \$3 billion be trimmed from natural resources, environment and energy, that just over \$800 million be chopped from agriculture, that \$4.6 billion be taken from community development, that over \$8¼ billion be sliced from commerce and transportation, that over \$4 billion be taken out of education, manpower and social services, that over \$700 million be trimmed from health, that \$10.5 billion be cut from public assistance and income security, that \$269 million come out of veteran's benefits, that \$1.15 billion be cut from law enforcement and justice, that \$800 million come out of general government and that \$7½ billion be subtracted from budget allowances.

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The second premise is that businesses, agricultural interests, and individuals should rely on their own skills and initiative and not on the government. Consequently I am proposing that, wherever possible, government subsidies to the able-bodied—corporate and otherwise—be eliminated.

The third premise is that excessive government regulation has had much to do with businesses and others getting into the kind of economic difficulty that results in requests for subsidies. Furthermore, such regulation, while intended to promote competition and help the consumer, has had just the opposite effect. Therefore, I am calling for the elimination of a number of government regulatory agencies on the grounds that they are counterproductive for the businessman, expensive for the consumer, and hard on taxpayers. Proof of that may be found in recent White House estimates to the effect that unnecessary and ineffective government regulations are costing the average American family \$2,000 a year.

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aid falls into this category; we have been Santa Claus to the world for years now and the world could not seem to care less.

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The sixth and last premise is that all other program reductions be as uniform as possible. Therefore, I am recommending that all programs that seem desirable but are not vital to national security, be rolled back to FY 74 levels. Surely, on these programs, we can get by with what we spent less than two years ago. And, by instituting such a rollback policy, we will encourage, if not force, greater administrative efficiency and an effort to eliminate waste and duplication.

Included in the cuts I am suggesting are: a 200,000-man troop reduction for the U.S. Army; the phaseout of unneeded military bases; the elimination of the food-for-peace program; reduction of our contribution to the United Nations and to multilateral assistance programs; elimination of funding for the Agency for International Development, the Peace Corps, and the Job Corps; foregoing participation in the special financing facility program that would help other countries with their balance-of-payments problems; postponing construction of waste treatment plants and the Interstate Highway System for at least one year and, elimination of subsidies for airlines, railroads, bus lines, shipping, agricultural interests, the Postal Service, students, and individuals who are perfectly able to take care of themselves.

In addition, my proposal would cut out funding for programs such as urban renewal, Model Cities, subsidized housing, and for regulatory agencies such as the ICC, the CAB, and the FTC. Moreover, the proposal would not only eliminate the food stamp program but also envisions the amendment of the welfare program and the unemployment compensation program so that those who are not really in need do not become a burden on those who are working. And, finally, these proposals envision acceptance of the President's 5 percent cap on entitlement programs while rejecting his call for energy cost rebates to individuals, state, and federal agencies.

All in all, these cuts, coupled with the other terminations and rollbacks contained in this proposal, offer what I believe to be a reasonable way of balancing the budget and buttressing the free enterprise system without endangering national security. Obviously, a certain amount of subjectivity is involved in these proposed cuts and, just as obviously, not everyone will agree with all the premises developed in making them, but they do represent a starting point from which I hope discussion will proceed.

Such discussion is certainly needed. If we do not do something to reduce Federal spending for FY 76, the deficit we will face will not only require government at all levels to soak up better than 80 percent of the available capital in this country, but it will also set off another inflationary spiral. Such a combination can only lead to a follow-up onslaught of recession and unemployment, which is the very thing that so many people are concerned about today. Congress should realize that it cannot spend the country out of the recession without rekindling inflation and driving up interest rates, which in turn will retard both investment and future economic growth as well as compound all the present problems that have given us our recent 8.9 percent unemployment rate.

Therefore, it only makes sense for all Americans to consider any and all ways of cutting the budget. Imperfect though it may be, I invite my colleagues to evaluate my proposal in this light and pass along any sugges-

tions they might have for improving it. Copies are available in my office and a printed copy should be out in a matter of weeks for all those who are interested. For those who believe, as I do, that "inflation" is still the number one domestic enemy against which we must intensify the fight, time is of the essence.

SUMMARY SHEET

Budget deficit as proposed by the President for FY 76 on February 3, 1975		\$51.9 billion
Proposed reductions by function		
National Defense	\$5.75 billion	
Foreign Affairs	\$4.963 billion	
Space and Technology	\$190 million	
Natural Resources, Environment and Energy	\$3.07 billion	
Agriculture	\$812 million	
Community Development	\$4.62 billion	
Commerce and Transportation	\$8.29 billion	
Education, Manpower & Social Services	\$4.05 billion	
Health	\$723 million	
Public Assistance/Income Security	\$10.62 billion	
Veterans Benefits	\$269 million	
Law Enforcement & Justice	\$1.156 billion	
General Government	\$801 million	
Budget Allowances	\$7.55 billion	
Total budget savings under Crane proposals		\$52.864 billion

THE FISCAL 1976 BUDGET

Overview:

On February 3, 1975, President Ford presented to the Congress and the American people the largest budget—and the largest peacetime budget deficit—in our nation's history. In so doing, the President recommended an increase in spending of \$36 billion over fiscal 1975, despite the fact that the inflation rate rose to 12.2% in 1974, double what it was in 1969.

Getting down to the bottom line, on February 3, 1975 the President called for expenditures of \$349.4 billion in FY 76 while estimating revenues at \$297.5 billion. The resulting deficit of \$51.9 billion was expected to go even higher (to about \$70 billion) if Congress did not go along with rescissions the President proposed along with this budget. Moreover, if some or all of the energy taxes the President proposed are not adopted, the deficit will be higher still. As a matter of fact, by April 1975, the estimated deficit had already grown to \$58.6 billion.

Thus, we are faced with a fiscal predicament of the most serious nature. Not only will the federal government be spending nearly \$1 billion a day but, as it spends such sums of money, it increases its influence and control over the life of every American.

By far the most insidious of these influences is inflation because inflation increases not only the cost-of-living but also the tax level for most Americans. As wages rise along with prices, Americans under our graduated income tax system move into higher tax brackets and, thus, must pay a larger percentage of their incomes to the federal and state government. Thus, inflation is a hidden tax, not directly voted upon by the repre-

sentatives of the people, which makes it a form of taxation without representation.

For those who think this analogy farfetched, let me point out that Members of Congress not only do not vote on the tax increases brought about by inflation, but they do not even get to vote on most of the program increases that are producing the deficits that, in turn, fuel the fires of inflation. Charts prepared in connection with the presentation of the FY 76 budget indicate that 74.7% of the total outlays for that budget are considered "relatively uncontrollable under present law." To put it another way, 74.7% of the budget consists of fixed costs (such as interest on the national debt), open ended programs (such as social security), and carry-over programs enacted in previous years but for which we are still obligated. All will continue without any action by Congress unless, in the case of carry-over programs, Congress refuses to extend a program that has happened to expire. In effect, then, the only way these "relatively uncontrollable" expenditures can be controlled is for Congress to take the initiative and amend the enabling legislation in such a fashion so as to reduce, or hold the line, on cost.

However, since Congress took the initiative passing the legislation in the first place and since the Budget Control and Impoundment Act of 1974 now gives Congress a co-equal responsibility for developing a budget, it behooves Congress to take the initiative and control the "relatively uncontrollables" at least to the extent that federal income and outgo do not get out of balance.

What people tend to forget is that the federal government is no different from the ordinary citizen. When the latter's expenses exceed his income, he has to borrow and, if he borrows too much, he finds himself in a hole that is increasingly difficult to escape. Interest on his debts increase, credit becomes harder to obtain and, after a while, he just cannot make ends meet. The same holds true for the federal government; if we do not curb these programs which are developing a cost momentum all their own, we will reach a point of financial exhaustion. Taxes to support these programs will have to go up so much that both the capital and the incentive needed to keep productivity up will be sorely lacking. And, if productivity declines, recession will worsen or inflation will go up higher, or both.

A look at some figures is illustrative of how far down that road we have come. According to a recent study by *U.S. News and World Report* it took us 60 years of national history to spend as much money as the federal government plans to spend each day in 1976. Even as recently as 1940, the federal budget came to only \$9 billion a year and during the twelve years of FDR (including the war years) total spending came to only \$17 billion more than we will spend in fiscal 1976.

But since then, budget figures have been rapidly escalating, with the most shocking increases coming in the last 10 years. While it took us 174 years to reach the \$100 billion budget level (1963), it only took us 8 years to add on another \$100 billion and it was only 4 years after that before we crossed the \$300 billion a year barrier. And, if we keep going at this rate, the budget should hit \$400 billion by fiscal 1978, if not before.

Not surprisingly, this tremendous increase in spending has resulted in a tremendous increase in the national debt. In FY 63, when we had our first \$100 billion budget, the national debt stood at \$306.1 billion; now President Ford is requesting an increase in the debt ceiling to \$613 billion, over double what it was 12 years ago. Interest on that debt will cost the

American taxpayer \$34.5 billion in FY 76, or roughly 10% of the total budget, and to pay the debt off would require that every American contribute \$2,750 to the Federal Treasury.

Equally unsurprising has been the effect that this increase in the national debt has had on inflation. From 1965 to 1974, while the debt was going up by 50%, the cost-of-living went up 53%, with the greatest increases coming in the last 5 years. A budget deficit of \$70 billion in FY 76, which would be \$3.2 billion more than the total budget deficits of the Nixon Administration, will not reduce inflation from the 12.2% level of 1974; rather it is likely to push it up to the 15% to 20% range.

Such an inflation rate is clearly unacceptable. It is bad enough that a family of four has to earn \$28,800 to buy what \$20,000 bought back in 1967; more rapid erosion in purchasing power will be disastrous to Americans of all walks of life. Therefore, the Congress must take decisive action to see to it that the root cause of inflation—excessive federal spending—is brought under control.

Of course, this suggestion is not especially novel, but usually it is expressed in glittering generalities that avoid the obvious questions about which programs should be cut. However, in view of the importance of the objective and need to offer a specific program for achieving it, I intend not to duck the obvious questions, but to anticipate them by listing the programs that I think should be cut in order to bring the budget into balance.

But, before doing so, let me set forth the premises that lie behind these cuts I have proposed.

First of all, on the premise that those who are able should depend on their own energies and not those of their fellow Americans, I am proposing that, wherever possible, government subsidies to the able-bodied be eliminated. That rule of thumb, as you will note, has been applied to businesses and agriculture as well as to individuals.

Second, on the premise that government regulation is, in many (if not most) cases, both expensive and counter-productive, I am proposing that many government regulatory agencies be cut back or cut out altogether. All too often, these agencies have lessened competition, increased paperwork and inhibited the development of badly needed business expansion programs. As a consequence, productivity and employment have gone down, while costs for the producer and prices for the consumer have gone up, further contributing to what some people have begun calling "inflation."

Third, on the premise that programs which have not worked or have contributed little to our society should be sacrificed for the sake of the economy, I am proposing a cutback in a number of so-called humanitarian programs that have primarily benefited people other than our own. In times like these, we cannot go on being Santa Claus to the world; if we do there won't be much in our stockings here at home.

Fourth, on the premise we should be moving away from special interest programs that benefit some groups far more than others, I am proposing that certain programs having high levels of benefits for certain people be reduced so that the per capita amount being spent on those people does not exceed the per capita amount being spent on Americans as a whole.

Fifth, on the premise that delay of certain expensive programs can help the economy more than it will hurt the average citizen, I am proposing

at least a one year moratorium on construction of interstate highways and water treatment plants. With the need to conserve gasoline and energy, both of these steps can be justified not only on economic grounds but on other grounds as well.

And, finally, on the premise that program reductions should be as uniform as possible, I am proposing that, on programs we wish to continue, but which do not vitally affect national security, spending levels be reduced to those in effect in fiscal 1974. Certainly, in these instances, we can get by on what we did less than two years ago and the savings that can be achieved in this manner are considerable.

Obviously, a certain amount of subjectivity is involved in these proposed cutbacks. Just as obviously, not everyone will agree with either specific cuts or certain of the criteria I developed in the process. However, this program does provide a reasonable way for America to work itself out of its economic dilemma and, in the process, to get back to some of the principles and practices that made this country great.

Certainly, the time has come for action and I hope, and believe, that specific proposals will help us get down to brass tacks and nail the lid on "inflation."

NATIONAL DEFENSE

Whenever cutting the budget becomes a topic of conversation, the focus usually shifts to that portion of it dealing with national defense. The reasons for this are twofold: first, defense spending is easiest to cut (defense outlays account for 68.5% of the relatively controllable portion of the FY 76 budget) and second, Americans traditionally have been susceptible to the argument that times of peace should be accompanied by periods of greatly reduced defense expenditures.

When America was protected from attack by two oceans, this argument had much to be said for it but, as weapons have become more sophisticated to the point of where they can cross oceans in a half hour, it has lost its validity. Nonetheless, it has been a truism in recent years to say that liberals who take an idealistic view of world affairs look to cut the defense budget at every opportunity while conservatives, concerned with maintaining national security, have tended to view the defense budget as being inviolate. Thus, the issue of national security versus social responsibility is joined and debates in recent years have been fierce. However, this year, conditions are such that I feel both points of view need a certain amount of amendment.

While I still wholeheartedly agree with those who believe we must keep our military guard up if national security is to be maintained, the need for fiscal responsibility is such that no area of the federal budget may remain sacrosanct. However, since 53% of our defense dollars will go for personnel in FY 76, and not for weapons development and procurement, I think that cuts can be made in the defense budget without compromising the deterrent capability upon which our national security depends.

With recent Soviet development of two MIRV systems, a bigger version of their Delta class submarine, a new intercontinental bomber, and a program for hardening their missile silos, the need to upgrade that deterrent capability has never been more apparent. Consequently, it would, in my estimation, be an unwise economy to reduce any of the weapons development and procurement programs and I believe it would be danger-

ous to cut back or delay either the B-1 bomber or the Trident submarine. In fact, owing both to the level of Soviet investment in research and development and the critical importance of this category of investment, we should increase R&D spending on new weapons systems by at least one billion dollars and this proposal contemplates just such an increase. The recent post-Vietnam experiences have proven the need once again to become the strongest military power on earth. SALT agreements notwithstanding, history has shown us that the only thing communists respect is strength and weakness is an invitation to aggression.

With these thoughts in mind, let me suggest the following changes in the defense budget for FY 76, changes that, if implemented, would mean an overall reduction of \$5.75 billion in defense spending.

First of all, President Ford's budget indicates an intention to increase the number of Army divisions on active service from 13 to 16 without increasing overall manpower or cost. This would be accomplished by reducing the combat-to-support ratio and by eliminating and/or streamlining headquarters facilities.

However, in light of the War Powers Act and the experience of fighting a no-win land war in Southeast Asia, I would suggest that, while greater efficiency in the use of manpower is needed, more active duty divisions are not. In effect, the mission of the Army has been reduced by the flow of events.

Since the Army's position is that it would prefer Congress to set a troop level rather than dictate how those troops should be used in fulfillment of the mission, I would suggest that the authorized troop strength be reduced, in FY 76, from 785,000 to 585,000. With a force this size, we should be able to maintain at least 12 active duty army divisions (only one less than we have at present) and save almost \$2.5 billion dollars a year. This estimate is based on Army figures indicating that it presently costs \$12,389 a year to keep a man on active duty.

However, it must be recognized that it would take time to reduce the Army by 200,000 men and it may not be possible to do so in time to achieve that great a savings in FY 76. Moreover, such a force reduction would mean an increase in payments to retired military personnel. To compensate, I would suggest that a parallel effort be made to reduce the number of Pentagon civilian personnel. A recent study by the American Enterprise Institute (*Public Claims on U.S. Output: Federal Budget Options in the Last Half of the Seventies*, p. 41), which suggests that \$300 million could be saved by forcibly retiring high level personnel who have reached the minimum age and length of service requirements for retirement, certainly helps point the way. In addition, another \$263 million can be saved in FY 76 by delaying planning and construction of new military housing units and by postponing, for a while, construction improvements on older units. Moreover, it may be possible, with a 200,000 man reduction, to reduce some of the operating expenses for those family housing units already in existence. And, finally, we can save another \$230,000 by eliminating the National Board for the Promotion of Rifle Practice. While I strongly believe in the right of each citizen to keep and bear arms, I just as strongly believe that the taxpayers should not be asked to promote civilian interest in small arms marksmanship.

Another way in which we could save a lot of money is by closing bases and streamlining facilities. In 1971, then-Deputy-Secretary of Defense David Packard estimated that \$1 billion a year could be saved by closing unnecessary bases in the United States. That same year, Admiral Elmo

Zumwalt, then Chief of Naval Operations, suggested that the Navy alone could save \$250 million per year by closing unneeded facilities. Since then, a number of bases have been closed, but implicit in the President's proposal to pay for the cost of the extra divisions by economizing on bases and facilities is the thought that still more could, and should, be closed. Moreover, with a personnel reduction of 200,000, there might be even more opportunities for base reductions. Therefore, I think that a target of \$1 billion in savings accruing from base closings and consolidations is still reasonable and that we should attempt to achieve it in FY 76.

Moreover, a 1972 Brookings Institution study by Martin Binkin (*Support Costs in the Defense Budget; The Submerged One-Third*, Washington, D. C., 1972) suggests that further savings can be achieved by extending tours of duty for servicemen. According to Binkin, for every month the average tour of duty is extended, \$200 million a year can be saved. While I suspect his estimate for an average tour of duty (10.4 months in 1972) is now a bit low, if we could add 10 months to the average tour of duty for a given assignment the eventual savings could reach \$2 billion. To do this would require a minimum military hitch of at least three years, but Secretary of Defense James Schlesinger has already suggested the possibility of three year hitches. Moreover, with the pay increases given to military personnel and with an adequate number of volunteers coming into the ranks, there is no reason to think that longer tours of duty should be a hardship for either the servicemen or for armed forces personnel management. In fact, longer tours of duty may make things easier for both.

Consistent with the 25.4% reduction in size suggested for Regular Army, I think we can effect a similar 25% reduction in manpower for the Army Reserve and the Army National Guard. By so doing, we could save perhaps \$250 million out of the estimated \$1.1 billion the Army expects to spend for Reserve and National Guard personnel in FY 76. In addition, the weekend drills, which are at the core of our reserve training program, need tightening up. There are too many instances of personnel standing around reserve centers, playing softball, getting off early or doing little in the way of useful training, to think that we are getting full value for our tax dollar. It seems to me that we could be more selective anent personnel requiring weekend training and that we could put more emphasis on summer camps and training exercises with regular army units. In FY 75, the Army alone spent approximately \$553 million on weekend drills; in FY 76 I'd like to see less than that spent—perhaps \$200 million less for all services, with the services themselves determining how best to make the reductions.

Finally, there is the ever controversial matter of military assistance. For FY 76, President Ford has requested \$3 billion (\$1.2 billion more than is expected to be spent in FY 75), \$975 million of which was supposed to go to South Vietnam. However, in view of the fall of South Vietnam, I see no reason to approve such an increase, preferring instead that \$405 million of it go to refugee relief for the South Vietnamese who fled to this country and that the other \$800 million be saved.

All in all, the cuts I have suggested, if adopted now and implemented quickly, would add up to approximately \$6.75 billion. Subtract from that the \$1 billion that I would like to see added to expenditure for weapons research and development and we are left with a total budget reduction of \$5.75 billion. Out of a proposed defense budget of \$94 billion that may not seem like much, but it should underline the fact that we need to look not only at how much we spend but what we spend it on in relation to our objectives. In this day and age, manpower can contribute less to national

security than the deterrent power of strategic weapons. This is particularly true in light of the prevailing attitude in Congress and the nation about the advisability of getting drawn into another Korean or Vietnam type of military adventure.

Accomplishing the goal of a balanced budget can only be successful if all programs are subjected to careful scrutiny, not just those we particularly dislike. I have always been, and always will be, a proponent of a national defense second to none, but, as I hope my colleagues who are more interested in domestic programs will agree, tough times require tough solutions. These defense cuts I am proposing simply recognize the realities of the times in which we live—the inflation, the growing Soviet menace, the passage of the War Powers Act, and the lingering effects of Vietnam. The likelihood of our becoming involved in another protracted ground war has been significantly reduced—not because the possibilities aren't still there but because the American people are not in a mood to get involved. Thus, cutting out personnel and personnel support facilities that would be used mainly for a long ground war seems to be the best compromise, the best way to maintain a defense posture capable of deterring the Soviets, while helping to put the country on a firm financial footing.

Such choices are not easy but they must be made. If they aren't, the consequences could be serious indeed.

FOREIGN AFFAIRS

Since the end of World War II, the cornerstone of American foreign policy has been foreign aid. Starting with military assistance to Greece and Turkey to keep communism at bay, continuing with the \$12 billion Marshall Plan that enabled Europe to get back on its feet economically, and expanding over the years to help a multitude of nations deal with innumerable crises both military and economic, America's foreign aid program has been unparalleled in world history both in terms of its generosity and its humanitarianism.

Yet, after almost 30 years and expenditures in excess of \$150 billion, the U.S. has little to show for its efforts. Aside from the "Miracle of Europe" economic assistance has not had the desired effect. And, despite huge grants of arms, food and money, many nations would as readily slap us in the face as pat us on the back. In fact, some nations are only too willing to slap us with one hand at the very same time they have the other hand out asking for money.

Nowhere is this trend better demonstrated than in the United Nations which the U.S. has so strongly supported, financially and otherwise. Over the years, we have contributed some \$5.1 billion to support that organization, yet its membership, in violation of the U.N. charter and in opposition to U.S. wishes, has been willing to admit Red China while expelling Nationalist China, to recognize the Palestine Liberation Organization (PLO) while suspending South African membership in the General Assembly; to give the PLO leader speaking privileges, while denying the full right of reply to Israel, to condone expropriation, without compensation, of foreign property and to expel Israel from the European UNESCO program. Furthermore, many of the nations voting in favor of these things have been major recipients of U.S. aid, above and beyond what help they may have gotten from the U.N.

Given this "take and be damned" attitude on the part of other nations

and given the current economic plight of the United States, it is obvious that expenditures for foreign aid should be drastically cut and new criteria for future foreign aid developed.

Henceforth, foreign aid should go only where it will promote the national security interests of the United States and where it will be reciprocated.

Consistent with the basic premises developed in my opening section, I would suggest the following cuts in the budget for foreign aid and the conduct of foreign affairs.

First of all, security supporting assistance funds, which are used to help negotiate a peace in the Middle East, should be cut back to FY 74 levels. This would take \$16 million off the FY 76 budget, yet would provide \$63 million more than is expected to be spent in FY 75.

In view of recent developments, Indochina Postwar reconstruction should be eliminated entirely and the \$762 million allocated for it saved. There is absolutely no point in providing economic assistance to our enemies in Southeast Asia.

Moving on to multilateral development assistance, the part that represents U.S. contributions to international financial institutions should be cut back to FY 74 levels, while the part that goes to support activities of the U.N. should be cut back approximately 80%. Put together, these two steps would save another \$506 million in FY 76.

The reason for cutting contributions to the U.N. back more than contributions to international financial organizations lies in the fact that, for too long now, the U.S. has been paying more than its fair share. Despite the fact that all nations have equal voting strength in the U.N. General Assembly (except the Soviet Union, which has three votes to everyone else's one), and despite the fact that the U.S. has only 5.6% of the total population of U.N. member nations, the U.S. is paying over 30% of all U.N. expenses. Such an outlay cannot be justified on the grounds of either equity or results, so I have introduced a bill that would reduce our annual U.N. contributions to the same percentage as our population—or in this case 5.6%. If passed, as it should be, this bill would bring about the 80% reduction in U.N. contributions referred to earlier.

The next item on the agenda is bilateral development assistance which is funded through the Agency for International Development (AID). Since the money goes for education and economic development programs overseas that are in no way essential to U.S. national security, I think the money could be better used here at home. Therefore, I suggest that the AID program be terminated for FY 76, thus bringing about a *net* saving of \$1.133 billion.

Another item that can be terminated is the Food for Peace Program. It hardly makes sense to spend American tax dollars to send food abroad (thus helping nations like India develop nuclear weapons), when prices are spiraling here at home. By repealing PL 83-480, we could cut the FY 76 budget by another \$1.07 billion.

Still other programs that could be eliminated as unnecessary extravagances include the Peace Corps (\$83 million) and the special financing facility to help industrialized nations with balance-of-payments difficulties brought on by high oil prices (\$1 billion). This last item is particularly significant; with the balance of payments problems we are having now, it seems strange that we should consider making them worse by helping

NATURAL RESOURCES, ENVIRONMENT AND ENERGY

This is an area where cuts are difficult because of our need to conserve both our energy and our environment. Inadequate attention to this area now will only make it more difficult to balance the budget in succeeding years, but we must make the effort to cut back to a certain extent. Again, the basic premises set forth in the opening section apply.

Since energy research and development are so important, the best bets for savings come in the field of energy regulation. Much of our energy problem has come about due to delays in the construction of nuclear power plants and due to excessive regulation of energy prices—such as natural gas. Therefore, it would be my suggestion, consistent with others I have made, that we simply eliminate the Federal Power Commission and the Nuclear Regulatory Commission, steps that would cut the FY 76 budget by \$234 million.

Likewise, we can do away with a \$23 million item being proposed for the Fish and Wildlife Service to improve sport fishing. I enjoy fishing as much as anybody, but if inflation keeps going up, nobody will be able to afford the gear, much less the travel, to find those improved sport fish.

The same reasoning applies to the purchase of new recreational areas. \$292 million is budgeted in FY 76 for such purchases, but I think they should be put off for at least a year or two until we get our economic problems under control.

Since these cuts are still a relative drop in the bucket when one looks at what needs to be cut, I think we also should postpone a much more expensive line item in the FY 76 budget—the \$2.3 billion for construction of waste treatment plants as provided for in the Water Pollution Control Act of 1972.

At the risk of saying “I told you so,” I should point out that I voted against this program three years ago on the grounds of cost and feasibility. All of us want clean water, and as soon as possible, but to do the job by 1985 at the same time we are battling a runaway budget is unrealistic and irresponsible. What we need to do is delay the \$2.3 billion and spread the program out so that it puts less drain on our other resources. Also, we should ask for the cooperation of the American people—businesses and individuals alike—in undertaking private sector programs to help get the job done.

Finally, using the “reduce to FY 74” rule of thumb, I would recommend that Forest Service expenditures be cut \$44 million, the Bureau of Land Management \$120 million, and that spending for agricultural conservation programs be reduced \$55 million.

Even with all these cuts, the total reduction in the area of Natural Resources, Environment and Energy only comes to \$3.07 billion—which represents only 6% of the proposed budget deficit. There is obviously a long way to go.

AGRICULTURE

The President's budget for FY 76 calls for just over \$1.8 billion to be spent on a wide variety of agricultural programs. This is one of the few areas of the budget where spending has decreased sharply in recent years. In FY 69, we spent almost \$6 billion on farm programs and just two years ago, we spent over \$2.2 billion. A great deal of this money

others with the same problem. If we do so, we encourage other nations not to adopt the energy conservation measures so essential if the world is to make a smooth transition to the next generation of energy sources.

In other areas, the operating budget for the State Department (exclusive of payments to international organizations) should be reduced to FY 74 levels (after deducting 80% of the money spent that year on the U.N.) and the money earmarked for the U.N. from the State Department should be reduced 80% as it was in the multilateral assistance area. These two moves would save \$130 million and \$144 million respectively.

Finally, I would recommend cutting back the U.S. Information Agency to FY 74 levels, which would save \$53 million and the elimination of the Board for International Broadcasting, which would save another \$66 million.

All told, these steps would save \$4.963 billion. Moreover, by cutting foreign aid this amount we put the world on notice that our generosity and patience have their limits.

SPACE AND TECHNOLOGY

Since space exploration and space technology are vital to our national security, not only from a military standpoint but also from the standpoint of harnessing new sources of energy (such as solar energy), excessive cutbacks in spending for these items would be false economy. However, consistent with the premises underlying this entire budget-cutting proposal, a few reductions could be made without undermining efforts to build up our military preparedness and cut down on our energy dependence, both of which are essential to the future of America.

For instance, the National Science Foundation, which has stirred up considerable controversy with some of the courses of study it has been pushing in the schools, could be cut back to FY 74 levels, which would save \$73 million in FY 76. Also, the Geological Survey could be cut back in a similar fashion, thus saving another \$88 million. Finally, programs included in the category “supporting space activities” could be reduced by \$29 million, thus bringing them in line with the FY 74 level.

In all, these cuts amount to \$190 million, which isn't much dollarwise, but it's quite a bit considering the need to develop newer and cheaper sources of energy. The space shuttle, for instance, could be used to build and maintain solar energy collection platforms that could convert the rays of the sun into microwave energy and beam it back to earth where, by the year 2020, it is estimated solar energy could take care of 35% of this nation's heating and cooling needs. Furthermore, ERTS satellites have been, and should continue to be, useful in discovering and mapping potential new sources of energy here on earth, to say nothing of their usefulness in charting crops and other resources. Weather and communications satellites are two more, of many, spinoffs that underscore the value of investing in the space program which may ultimately discover still other sources of energy on other planets. Already our Pioneer and Mariner space explorations have begun investigating this possibility which should not be left to the Soviets to pursue exclusively.

If America is to move into the 21st Century as a world power, it cannot afford to neglect space research and development (R&D) any more than it can afford not to invest in military R&D. Instead, the two should go hand in hand.

has gone into direct subsidy payments to help farmers keep up farm income.

With the exception of last year, farm income has increased dramatically in recent years. As a result, the previous Administration was able to reduce farm price support payments and to do away with most payments for keeping land idle. The emphasis, and I think it has been a healthy one, has been on getting the government out of the agriculture business and on letting free market forces control the situation.

For FY 76, the nation's financial situation makes it imperative that the trend towards reduced government expenditure for agriculture not only continue but accelerate. The President's budget for FY 76 contains \$417 million for price supports and related programs, all of which I think can, and should, be eliminated. Furthermore, I am opposed to any new farm bill (such as the one passed by Congress but vetoed by the President) which could have added \$1.8 billion to the federal budget deficit in FY 76, much of it in the form of increased price supports. Such legislation would not only reverse the free market trend in U.S. agriculture but would cost the American consumers millions of dollars in higher food prices.

Another area that can be cut is disaster payments for farm crops. Under terms of the Agriculture Act of 1973, a farmer is entitled to automatic reimbursement for loss of part or all of his crop if more than one-third of it is wiped out by a disaster and, for FY 76, \$254 million has been budgeted to meet those claims. However, the Administration has proposed, and I support, a bill that would make available all-peril crop insurance, the premiums for which would be paid by the farmers themselves. This would save roughly \$240 million in FY 76 and more later since the program would be run on a sound financial basis. I certainly hope that Congress will enact this program although I would hope it would not contain coercive provisions similar to those included in the Federal Disaster Protection Act of 1973. Farmers who want all-peril crop insurance should be able to buy it and be covered without burdening the taxpayer; those who do not want it should not have it forced down their throats, but neither should they expect a federal bailout if they do not sign up and disaster strikes.

Other agricultural areas in which spending might be reduced include agricultural research, extension, consumer protection, marketing, regulation and economic intelligence programs. All should be cut back to FY 74 levels consistent with similar cuts in other segments of the budget. Totaled up, those cutbacks would mean a savings of another \$155 million.

When you add up all these cuts for agriculture, the total comes to \$812 million. Not much, but it does represent almost 45% of the budget for agriculture in FY 76 and it all helps to reduce what is a truly horrifying budget deficit.

EDUCATION, MANPOWER & SOCIAL SERVICES

As one who has been involved in education, not only as a student but as a university professor and an administrator, I have long been concerned about federal aid to education both from the standpoint of cost and of equity.

Putting aside, for a moment, the questions of how much we can afford to spend and whether we are getting our dollar's worth for what is spent, I cannot help but question the fairness of a program that takes from those states which "have" and gives to those states which "have not." For

instance, in 1974 my own state of Illinois contributed just over \$20 billion in tax dollars to the federal treasury. Since 2.2% of the FY 74 budget went for education, it may be assumed that 2.2%, or \$440 million of the tax dollars Illinoisans paid out in 1974, went also for education. However, when federal aid to education funds were dispensed, it turns out that Illinois only got \$127.4 million back for educational programs plus another \$100 million or so in revenue sharing funds that it chose to spend on education. In short, for every education dollar Illinoisans put in, the state only got 52¢ back which is hardly equitable in anybody's book.

Instead of trying to spread the wealth around, federal aid to education should be guided by the contribution each state makes except where the federal government itself is responsible for the cost of education being higher than it otherwise would be. In the latter instance extra federal aid, or impact aid as it is called, is justified; in all other cases federal education aid should be in keeping with the basic principles of equity and fair play on which this nation was built.

Then, once it has been decided where federal education dollars will go, it is time to re-examine the quality of education they are producing and the relevance of that education to today's job market. The latter is particularly significant since it is difficult to justify educational expenditures if the product resulting from those expenditures does not result in more, or better, jobs for those being educated.

For years, Americans have believed in the maxim that a good education means a good job. But now, increasing numbers of well-educated Americans are finding that it is not necessarily true. More to the point, they are discovering that, to get a good job, the education must not only be qualitatively excellent but, even more importantly, relevant to the current job market. In many cases finding a vocational or technical training program in a trade school may be more relevant than a liberal arts education at a university.

Not too long ago, various studies were done on the relevance of education in America today. One such study, done in 1971, indicated that 5.1% of the masters degree holders and 8.5% of the bachelors degree holders were unable to get a job and, of those that did, 22.9% of the graduates took jobs in no way related to their educational specialty while another 19% got jobs only somewhat related to their area of study. In the humanities and social sciences, the problem was even worse; 55.6% of the humanities graduates and 64.9% of the social science graduates wound up in jobs "not directly related to what they had been taught in school." At a higher educational level, still another study done by Dr. Allen M. Cartter, projected that, by 1980, only one Ph.D. graduate in 10 would be able to find a job in his specialty.

While not all educators believe that the job market for Ph.D.'s will be that bad in years ahead, it is an inescapable fact that higher education, in particular, has not adapted to the needs of a changing America and that Americans have not adapted to the idea that to get ahead not everyone needs to go to college. But if one needs to be convinced, he should look at the average annual income for carpenters, bricklayers, plasterers, auto mechanics, plumbers, electricians, welders and even garbage collectors. A street cleaner in San Francisco, for instance, makes an average annual salary in excess of \$17,000 a year—which is about twice what the average schoolteacher makes in most places.

All these examples are provided to illustrate the fact that higher

education is not the panacea it was once thought to be, that the equation of higher education and higher earning power is not necessarily valid, and that deemphasizing it is not the sacrifice that might be supposed. In fact, there is every reason to believe that reduced emphasis on higher education plus a more realistic attitude toward vocational-technical training might reap greater rewards for most Americans in the long run.

As a consequence, I am recommending that the \$857 million in outlays for educational opportunity grants in FY 76 be eliminated. Furthermore, I think we should eliminate subsidized insured loans (thus saving another \$452 million), incentive grants for state scholarships (thus saving \$44 million more), and direct loans (thereby cutting out another \$8.9 million). The only student-help program I would continue is the work-study program, which will cost \$250 million in FY 76, and even this could be eliminated. However, in view of the fact that students would at least be working for their money, and recognizing that there simply aren't enough part-time jobs near major college and university campuses, I am reluctant to take this step at the same time other grant or loan programs not requiring work from the student in return are being phased out.

When you get right down to it, these grants and loans are a subsidy and, in view of the declining relevance of a college education to the job market, they no longer have the value they once did. Therefore, consistent with my position on subsidies, I feel these grants and loans should be phased out, particularly in cases where the recipients are not working for their money.

Moving on to elementary and secondary education, I think we can make some cuts and rollbacks without endangering the quality of education for our nation's children. First off, we can drop the innovative and experimental programs completely, thus saving \$5.8 million, on the grounds that things like educational television, while nice, are not essential to educational development. Second, we can put off spending the \$20 million budgeted for inter-library cooperation and demonstration until a time we can better afford it. This is a new program; we have gotten along without it so far, and we can get along without it a while longer. Third, the \$84.3 million in funding for the National Institute of Education should be eliminated as being non-essential and unjustified by past results. And finally, the \$101.7 million in emergency school aid funds, which is the misnomer applied to money being used to speed school desegregation, should be eliminated. School desegregation should be a matter for the states and the courts to decide and federal funds should not be injected into the issue. Taken together, these terminations would save \$211.8 million.

In other areas of education, I think administrative costs should be cut to FY 74 levels, as should the Adult Education programs, funds for educational statistics, the Indian Education program, and the program to aid the handicapped. All these programs have merit but we must insist on getting the same level of performance for fewer dollars if we are to get out of the financial morass we face. Cutting these programs back to FY 74 levels would save \$92.4 million.

In addition, a number of other programs, included under the broad category of Elementary and Secondary Education should be rolled back to FY 74 levels. This would save an additional \$431 million and perhaps more.

Another savings that should be made is to cut off funding for the National Foundation on the Arts and Humanities. Most of this spending

involves taxing the poor to subsidize the cultural and artistic taste of the rich; but beyond this, at the time of an economic crisis we need to place a moratorium on spending for non-essentials. The savings achieved by such a cut would amount to \$183 million.

Continuing on to the area of social services, I am pleased to see that the President, in his FY 76 budget, talks about legislation that would cut federal expenditures by \$47 million by increasing the state share of the program. However, my approach is simpler: merely cut back to the FY 74 level, which would save \$59 million, and would not just shift the added tax burden from the federal government to the states.

Likewise, administrative expenses for these social service programs should be cut back to FY 74 levels, thus saving another \$43 million. However, I will not advocate a similar cut for rehabilitation services until such time as there is a demonstrable alternative for training those who are not able to help themselves.

In fact, expenditures in this area are much more justified than providing public service or make-work jobs for those completely capable of working. As long as there are ads in the paper, and we are paying out unemployment compensation, I see no reason to provide make-work jobs and would recommend that the \$1.3 billion proposed for them in the President's FY 76 budget be dropped. Furthermore, I would urge that the Congress continue to reject proposals for spending some \$5.3 billion on public service jobs over and above what is called for in the FY 76 budget. If we want to make people work for their unemployment compensation money—those who need it that is—then I'm all for that; but to create public service jobs on top of unemployment compensation strikes me as being the type of extravagance we cannot afford.

Likewise, I do not believe we should be showing favoritism in our special manpower programs by helping some groups more than others, particularly if the program hasn't been all that successful as in the case of the Job Corps. Therefore, I am recommending that the \$370 million going for migrant workers, Indians, and the Job Corps be dropped entirely.

If all these cuts were put into effect, we would be able to save another \$4.05 billion which, while it is less than 10% of the budget deficit, would certainly contribute to the battle to put our financial house in order.

COMMUNITY DEVELOPMENT

Ever since the federal government got into the housing business, there has been controversy surrounding both the financial and the social costs involved. Programs such as urban renewal and model cities have had, as objectives, the commendable goal of providing inner-city Americans with a better place to live. However, in practice, these programs have often resulted in the replacement of row house tenements with high rise slums having ever spreading concentric rings of urban blight around them. Worse yet, these urban renewal programs have meant community disaster: familiar neighbors, facilities, and landmarks have been replaced by impersonal structures and an unfamiliar, dehumanizing environment.

Instead of life getting better, new surroundings more often than not have meant no improvement in living standards. Without the familiar gathering point, such as the old corner store or the neighbor's front porch, the inner city criminal has had a heyday lurking in the dark corners of some highrise waiting for a victim whose identity is often unknown to any other resident in the building.

Recently, there have been indications that the social planners have begun to realize that a sense of community and opportunity for human diversity are essential for a truly effective urban renewal program to function. However, in all too many instances they have yet to realize that the answer does not lie in another federal program that will change their lives, but in doing away with the disruptive or unproductive programs now in effect.

In accordance with these observations, I feel that we can do away with much of the community development program which has been such a boon for a few builders and such a boondoggle for all the American taxpayers. For instance, the community development grant program, which includes money for Model Cities, should be cut out entirely, thus saving the taxpayers \$1.3 billion in FY 76. Also, the \$1.7 billion for the categorical programs being phased out should not be spent either, particularly since \$1.3 billion of that is going for urban renewal which has not worked in the past and which, for the reasons just mentioned, will not work in the future. Having made those cuts, one can then cut the \$121 million for planning and development and the \$117 million that would otherwise go to departmental management. Also, we can do without the ACTION program, which is the most recent name for VISTA and other related "volunteer" activities that will otherwise cost the taxpayers \$105 million in FY 76. Likewise, OEO, which administered the so-called war on poverty so effectively that there are far more people on welfare now than when it started, should also be dispensed with—at a savings of \$376 million.

In area and regional development, it is my feeling that we should do away with those programs that benefit only a special interest group. Under such a formula, Indian programs and aid to Appalachia would be eliminated at a savings of \$840 million to the taxpayer. Indians are already being assisted by a variety of other programs while the best thing we could do for Appalachia would be to encourage, rather than discourage, the area from developing its major resource which is, of course, coal.

With the shortage of oil and natural gas, there is every reason for this nation to do everything it can to develop our nation's ample coal supply. By processes of liquefaction and gasification, coal can be converted to clean burning gasoline and natural gas. Furthermore, with some common sense care and reclamation, increased coal mining need not mean permanent environmental damage to areas where such damage would be harmful. What we do not need, from either the standpoint of energy or the economy, is more regulation that stifles the coal mining industry followed by more federal aid because the coal mining industry is depressed.

Consistent with the philosophy of cutting back to FY 74 levels wherever possible, I further recommend that the water-sewer grant program which falls into the category of community development be cut \$32 million, that money for area and regional development being spent by the Department of Commerce be cut \$24 million and that miscellaneous community development funding be cut \$7 million.

Were it not for home rule and the financial considerations relating to it, I would also recommend a \$95 million cut in the funds going to the District of Columbia. But, because of the new form of government, that may not be possible, which leads me to suggest that, without putting a dollar figure on it, here is another potential area for cuts to be made. I would also be tempted to roll back flood insurance to FY 74 levels except that by having a federal flood insurance program we may be able to reduce disaster spending in the agricultural area where large sums of money have been

going for disaster relief. Certainly, communities should not be forced to join a federal flood insurance program against their own will, but if they decide against protecting themselves with either federal or private flood insurance, both of which are now available, they should not expect to come to the government for a handout every time disaster strikes.

If we add all these proposed savings up, the federal budget for FY 76 would be reduced by over \$4.62 billion. That would help a lot in these days of mounting budget deficits.

COMMERCE AND TRANSPORTATION

Just as public assistance is the biggest functional area involving subsidies to individuals, the field of commerce and transportation has become the most fertile functional area for subsidies to businesses. Since subsidies are just as detrimental to businessmen's incentive as they are to that of the individual, the objective should be to cut them out wherever possible.

In addition, the coming of the energy crisis has brought up the need to conserve fuel whenever possible. Since the automobile ranks behind the bus and the train in fuel efficiency (32 passenger miles per gallon compared to 80 for the train and 125 for the bus), means of travel should be carefully examined from an economy standpoint.

It logically follows that more highways, particularly superhighways, will encourage rather than discourage the use of fuel, to say nothing of their cost, so I am proposing that highway improvement and construction funds be cut back to FY 74 levels, which would mean a savings of \$393 million in FY 76. In addition, I would suggest that we postpone further construction on the Darien Gap Highway in Panama until such time as the Panamanians give up their dreams of taking over the U.S. Canal Zone. If the Torrijos government wants to exercise sovereignty over an area we have paid \$166 million to buy and over \$7 billion to develop, then it can build its own highway and save the U.S. taxpayer another \$11.2 million in FY 76. Furthermore, I would suggest that additional construction on our interstate highway system be postponed at least one year, which would mean a savings of another \$3 billion.

Hopefully, with the balancing of the budget through these suggestions I am making here, inflation and the economy would improve sufficiently so that the interstate system could eventually be completed. However, with deficits in both the budget and the energy supply, I think saving what we can now is essential so that things *can* improve later.

Critics of these two cutbacks will claim that Highway Trust Fund money can be used only for highways and to cut back on expenditures in this area would have little effect on the overall deficit. However, we "busted" the highway trust fund last year to include mass transit and, although the law states that the money in the highway trust fund can be used only for highways, it also says that the government must borrow from its own trust funds with surpluses before it borrows from the private sector. So, if the Highway Trust Fund develops a larger surplus as a result of these cutbacks, there will be more money available for the government to borrow from itself for other purposes. Any legal obstacle that might be in the way of such a transfer should be waived until we can get our fiscal house back in order.

Moving on to other areas, I think we can save some money in the mass transit area by eliminating subsidies for the purchase and operation of

buses and bus lines. Not only have these subsidies been shown to encourage inefficient use and premature retirement of buses, but they also have been used to promote public ownership of mass transit, with the resultant loss of incentive to operate at optimum efficiency and cost levels.

In FY 76, it is estimated that \$120 million of the total capital facilities grants and \$125 million of the formula grants made by DOT will go for the purchase of buses. In addition, a part of an additional \$375 million available under the formula grants program will go for operating assistance. Eliminating this subsidy would save at least another \$75 million and perhaps more. Such reductions would encourage bus transit systems to use their equipment longer, to make greater use of mini-buses on sparsely settled or off-hour routes, and to move towards a pay-as-you-go system.

Likewise, I believe we should eliminate operating subsidies to railroads, bankrupt and otherwise. Not only would that take care of the rest of the aforementioned \$375 million in operating assistance grants, but it would encourage Amtrak to put itself on a pay-as-you-go basis and would put an end to government bailouts of bankrupt railroads. Combined, these steps would save at least \$700 million more in FY 76. However, to compensate for the fact that government regulation has helped cause many of the financial problems the railroads are facing, I would further suggest that the Interstate Commerce Commission (ICC), which regulates railroad and truck lines, be eliminated and the \$50 million allocated to it saved. Originally established in 1887 to promote competition and prevent rate fixing, it has become quite obvious that the ICC is now doing just the opposite. Rail and truck routes are controlled, rigs are often forced to return empty and new routes are hard for competing firms to get, all of which are detrimental to both industry and the consumer. President Ford, in his FY 76 budget message, indicated he will propose legislation to reform railroad and truck regulation and support has been building on Capitol Hill. Just getting ICC approval for railroads, such as the Rock Island, to sell all or parts of their lines to other railroads would do far more to help the railroads than any subsidy would.

In addition to eliminating rail subsidies, I think we should cut rail research and development back for FY 74 levels consistent with the rollback policy I have applied to all but the most pressing programs. That would save another \$16 million. Aeronautical research and technology also should be cut back, which would save still another \$24 million.

While on the subject of the airlines, they have gotten into the subsidy habit as well. Eliminating airline subsidies in FY 76 would have \$66 million and cutting funds for airways and airports back to FY 74 levels would add another \$418 million to projected savings. However, to offset the economic consequences of the removal of these subsidies, it is again necessary to do away with the regulatory body responsible for so much of the problem the airlines have gotten into. As a consequence, I am suggesting that the Civil Aeronautics Board be eliminated, which would save another \$86 million.

As far as sea transportation is concerned, the same rules should apply. First, a \$6 million item for boating safety should be eliminated as unessential. Second, the remaining appropriation for the Coast Guard should be cut back, as a non-priority item, to FY 74 levels thus saving \$171 million. And, finally, federal maritime programs which, in actuality, are simply

subsidies to the shipping companies, should be terminated, resulting in the saving of another \$685 million.

And while on the subject of subsidies, we should not overlook the \$730 million in Federal Housing Administration funds that are set aside in the FY 76 budget for mortgage insurance for those supposedly able to handle a mortgage but who allegedly are not adequately served by the private mortgage market. However, high default rates are responsible for much of the cost suggesting that neither of the premises on which this program is based is accurate. Under the circumstances, this program resembles a straight out subsidy more than anything else and its continuation cannot be justified on either a cost or consistency basis.

Similarly, continuing the subsidy to the U.S. Postal Service cannot be justified. Not only is it totally inconsistent to have government prosecuting monopolies on the one hand while operating one on the other, but case after case has shown that private enterprise can deliver the mail quicker and cheaper than the Postal Service. Competition is already permitted in the delivery of second-, third-, and fourth-class mail, and firms like United Parcel have thrived on it. Therefore, there is every reason to expect that private enterprise would do even better with first-class mail which the Postal Service charges the most to deliver.

The most effective way to end this Postal Service subsidy would, in my opinion, be to amend the private carriage statutes to allow private companies to compete with the Postal Service in the delivery of first-class mail. I have introduced a bill into the 94th Congress that would do just that and, I am happy to say, ten other Congressmen, six Republicans and four Democrats, have joined me in the effort. Then, since alternative service would become available, the subsidy could be ended in time to cut the FY 76 budget by another \$1.49 billion.

Furthermore, I think we can do without the \$33 million in items for international trade and travel promotion, and, in the spirit of economy, I think we should cut funds for technology utilization and economic and demographic statistics back to FY 74 levels. These last two steps would save another \$44 million.

Finally, in an effort to remove some of the regulatory strings that have shackled business and contributed to the present slump, I would suggest the elimination of the Federal Trade Commission. Its functions could, without any loss of effectiveness, be taken over by the Antitrust Division of the Justice Department since their mutual efforts, as demonstrated by the recent report on the possible monopolistic practices by the oil companies, are often duplicative. The savings would amount to \$46 million.

Admittedly, these cuts will be tough to swallow at a time when jobs are scarce. But, unless we take some tough measures, inflation will worsen and, as recent experience has shown, jobs will get even more scarce. There are no easy solutions, but these suggestions in the area of Commerce and Transportation would move us almost \$8.29 billion closer to the goal of a balanced budget.

HEALTH

It is difficult to recommend cuts in the health field, because everyone values good health so highly. It is one of the last items that people would term unessential. However, some cuts can be made, consistent with the premises previously set forth, without compromising the principle of equity or the goal of quality health care for all Americans.

Medicare and Medicaid comprise the biggest part of the health budget and, while I support the 5% cap the President has recommended for these and other entitlement programs, I am not recommending further cuts at this time. However, all Americans should recognize that continually raising benefits to keep up with inflation only aggravates inflation and doesn't provide long-term relief for the beneficiary.

As far as cuts are concerned, the FY 76 budget proposes that \$437 million be spent on Alaskan natives, American Indians and merchant seamen. However, as the budget also admits, the health expenditures for the first two groups are four times as high per capita as they are for all other Americans. And, as far as merchant seamen are concerned, I see no reason to provide them with special funds; adequate care should be made available to them under the same programs for which other Americans are eligible.

Therefore, to reduce per capita expenditures for these groups to levels comparable to those received by other citizens, I am recommending that this item in the budget be cut by 75%—for a savings of \$327 million.

Then, in order to make sure that quality health care, not rulebook medicine, is given to our Medicare and Medicaid patients, I am recommending that the \$50 million that will otherwise be spent establishing Professional Standards Review Organizations (PRSO's) be dropped from the budget. This, of course, is in line with the legislation I have introduced (HR 5404) to repeal altogether those sections of the Social Security Amendments Act of 1972 that provided for PRSO's in the first place. The last thing we need to do is decrease the incentive for doctors to give quality health care while adding another layer of federal bureaucracy that will put undue pressure on doctors and patients alike.

Beyond that, there is no need, particularly in times when unemployment is rising, to spend \$228 million on federal occupational safety and health programs. Ever since its enactment in 1970, the Occupational Safety and Health Act has made life miserable for the employer while doing little for the employee other than perhaps costing him his job. In this day and age, employers and employees alike know the value of safety and such matters should be left to them to decide or, as was the case before this legislation, determined by the states.

In the 93rd Congress I co-sponsored a bill that would have repealed the Occupational Safety and Health Act of 1970. A similar bill has been reintroduced into the 94th Congress and, consistent with the aforementioned recommendation, I have co-sponsored it again.

While expenditures for disease prevention control may be justified under the rationale of the "neighborhood effect," health research, education and training is not a legitimate function of the Federal government except under the loosest construction of the general welfare clause of the Constitution. Even here the case can be made that Federal expenditures work at cross purposes with the general welfare. A Federal commitment to the research of Dr. Jonas Salk delayed for several years the acceptance in the United States of the superior Sabine vaccine against polio. So at the very least, I think we should cut back to 1974 levels in the areas of health planning and construction. This is particularly in order at a time when we have underutilization of hospitals and are producing new MDs three times faster than our population is growing. By doing so, we can reduce the budget another \$118 million in FY 76.

All these reductions I have suggested total up to \$723 million—which is less than 3% of our entire health budget. Yet, there are those who would

increase expenditures in this area rather than make any attempt to decrease them during this critical period.

The first indication of this tendency has been legislation which would provide extended health insurance coverage for the unemployed at an initial cost of at least \$1 billion to the American taxpayers.

While I sympathize with the person who is unemployed, it is my feeling that rather than provide another benefit for not working, we should place our primary emphasis on creating the kind of climate that will get him back to work in the shortest possible time. And we can't do that by rolling up the kind of deficit that will dry up all the capital businesses need for improvement, expansion, retooling or whatever, and simultaneously increase the inflation tax on consumers and thus reduce demand. As I have noted before, an \$80 billion deficit in FY 76, which is what some, including Secretary of the Treasury Simon, are predicting, would mean governments would soak up almost 90% of the capital available for this country. The competition for what is left would be fierce, interest rates would soar, inflation would be refueled with a vengeance, some businesses would fail, many firms which might have expanded and provided more jobs would do without, and unemployment would rise beyond its already unacceptable level.

For all of these reasons and more, it would be incredibly foolish to consider proposals for national health insurance. Not only would it add another \$10 to \$100 billion to the deficit, depending on the proposal chosen, but it would create a demand for still more health care which, in turn, would mean spiraling health care costs, additional strains on our health care delivery system, and a significant deterioration of the quality of health care in the U.S. As we have seen with programs such as Medicare and Medicaid a vicious cycle is set into motion; the increase in health care benefits drives up costs by driving up demand (whether or not the care is necessary) and as costs go up so does the demand for more health benefits. However, there is no indication that the quality of health care improves simply because more money is being spent; rather the evidence suggests that, generally speaking, qualitative improvements come on the heels of scientific breakthroughs or changes in lifestyle.

Rather than womb to tomb insurance or increased federal regulation over the health care industry, what is needed most right now is a healthy economy that would enable people to purchase the private health insurance they either want or need. And the best way to do that is to cut federal spending, not to increase it.

PUBLIC ASSISTANCE — INCOME SECURITY

Of all the areas of the federal budget, the section labeled income security, of which public assistance makes up a considerable part, offers the most promising opportunity for cutbacks from both a fiscal and a moral point of view.

Looking at the 1976 budget by function, it appears to me that approximately \$10.62 billion can be saved by ending subsidies to those who are perfectly capable of taking care of themselves. In making this statement, I propose no cuts in social security, SSI, medicare or medicaid programs beyond the 5% cap on benefit increases that the President has recommended. Given the fact that the 5% figure is just slightly less than what federal employees received in comparability increases last year, such a cap seems reasonable. Moreover, unless some sort of restraint is put on

these entitlement programs like social security, they will dispense in benefits far more than has been paid in, or can be paid in, without ruining the economy. In short, this part of the budget is developing a momentum of its own that threatens to put us on the road to national bankruptcy.

The biggest problem in making cuts is the issue of humanitarianism. To talk of reducing unemployment compensation, low cost housing subsidies, welfare, or food stamps, is to be accused of hating people. However, unless the emphasis is put on providing incentives to those who produce and disincentives to those who will not, we will reach a point where more and more people are sharing fewer and fewer goods and we will all be worse off. Like it or not, subsidizing those who are able to produce but who, for whatever reason, are not inclined to do so does no one a favor. The recipient of such subsidies is encouraged not to work because he knows he will be taken care of and the giver of those subsidies is discouraged because he knows he will not receive the full reward for his labor but will have to share it with those getting subsidies. Such a system is morally wrong and economically shortsighted.

The big problem, of course, comes in differentiating between those who are capable of earning their own living but won't work and those who can't work and are in need. No one is suggesting that we cut off assistance to the aged, blind or disabled, or that we renege on the promise that we made to our senior citizens who, for many years, have diligently paid into social security expecting a decent retirement in return. Nor am I suggesting that we put an end to the unemployment compensation program altogether. What I am suggesting is that we cut out these payments to people who can find work but won't take it or who do not really need assistance in the first place.

How could this be accomplished?

First of all, the various public assistance programs run by the Department of Agriculture and the Department of Health, Education, and Welfare, provide a number of benefits to many people who don't need them.

For instance, the Child Nutrition Program could be cut back \$6.7 million simply by having the states pay the cost of administering their own programs (this is a cash grant to states program). This could be accomplished by repealing Section 7 of PL 89-642 which requires that the Secretary of Agriculture pay state administrative expenses.

Another cut which could be made would be to eliminate commodity procurement which is now just another form of agricultural subsidy. This program provides "quality foods" to recipients while broadening agricultural markets, which is hardly the purpose of public assistance. Eliminating it altogether would involve the repeal of Section 6 of PL 79-396, and Section 3 (3) of PL 91-248 and would save another \$64.3 million.

A third cut that makes good sense would eliminate the state option of serving free lunches to children whose households are as much as 25% above the poverty guidelines and reduced price lunches to those whose families are as much as 75% above the poverty level. To do this would require the repeal of Section 5 (b) of PL 92-433 and Section 9 of PL 93-150. According to the Congressional Research Service, this would have meant a savings of \$228 million in FY 74. No doubt the savings now would be closer to \$250 million and taking this step would bring the child nutrition program back to its original focus—helping children who are truly needy.

Finally, controllability over the child nutrition program could be improved by removing the cost-of-living escalator clause from PL 93-150 and

making all reimbursements subject to Congressional review. From the standpoint of consistency, I support the President's proposal for reimbursements to the states instead of having such reimbursements plugged into the cost-of-living index. Along similar lines, elimination of performance funding, which bases funding on the number of meals served the previous year instead of on the basis of minimum eligibility, would bring about an undetermined savings plus would add a little bit of control into what is a "relatively uncontrollable" program.

All told, these changes would save the American taxpayer at least \$320 million. Such a cut would in no way deny needy children who, because their families cannot afford it, would not otherwise get decent meals at school. However, one would hope that the time will come when this program can be done away with altogether; indeed one could argue for its elimination now on the grounds that impoverished families are already covered by other programs. But, rather than go that far now, this reduction would serve the needs of the economy while returning the child nutrition program back to the principle of aiding those genuinely in need.

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Another Department of Agriculture program that has, up until this year, been included in public assistance calculations is the special milk program. In FY 75 \$120,000 is to be spent on it but no funds are provided for it in FY 76. Since it is a duplicative program, it is my hope that Congress will see fit not to appropriate any money for it in FY 76 and thus not add any more expenditures to the FY 76 budget.

* * *

Probably the most controversial of all public assistance programs has been the food stamp program. Despite the fact that President Ford's effort to cut back on its rapidly mounting cost was overwhelmingly defeated, I have come to conclude that the program should be done away with altogether. Eliminating it would save \$3.6 billion from the proposed FY 76 budget and close to \$6.6 billion in actuality (given the action Congress has taken).

If eliminating food stamps altogether is not possible, my alternative suggestion would be to eliminate food stamps for college students, strikers and others who are not truly needy. I have already co-sponsored bills that would accomplish these objectives and am pleased to note that the National Food Stamp Reform Act, which would save the taxpayer over \$2 billion in FY 76, has been sponsored by more than 75 Congressmen and Senators.

* * *

Moving along to welfare, otherwise known as Aid to Families with Dependent Children (AFDC), the latest report indicates that approximately 11 million people are receiving benefits from this program and the estimate is that about \$4.7 billion in federal funds will be spent on it during fiscal 1976. In addition, the states spend almost as much on this program in matching funds (the ratio is 55% Federal to 45% State on average), as the federal government. However, eligibility for benefits, as with most of these public assistance programs, is almost exclusively up to the states which, while good from one standpoint, causes a problem when it comes to controlling federal spending.

At the very least, AFDC should be cut back so as to eliminate the 9.3% who are estimated to be ineligible and to cut payments for the 20.3%

who are estimated to be receiving over payments. However, I propose to go a step further and eliminate payments to all those who, although unemployed, are not incapacitated and who are not needed full time in the home to look after children. According to an AFDC study 28.9% of all AFDC mothers and 32.4% of all AFDC fathers fall into this category. Since that averages out to about 30% of all recipients, it seems to me that a 30% cutback in this program could be contemplated without upsetting anything but the recipient's life of leisure. Such a reduction would mean a savings of at least \$1.41 billion and this is the direction in which I think we should be headed.

Personally, I would hope that such reductions would be only a first step towards eliminating this program altogether. Study after study has shown that AFDC, the way it presently operates, encourages people to stay unemployed (83.9% of all AFDC mothers and 87.7% of all AFDC fathers are unemployed), to break up their homes and families (in order to get more benefits), and to do nothing to improve their lot. This is an intolerable situation and, to correct it, I am co-sponsoring a national welfare reform proposal that will not only save at least \$1.1 billion a year in federal funds but will also provide more benefits to the truly needy, thus eliminating the arguments in favor of overlapping programs such as the aforementioned food stamp program and the next-to-be-mentioned subsidized housing program.

* * *

The subsidized housing program is another form of public assistance that has been badly abused. In FY 76, it is estimated to cost \$2.6 billion. Since the track record for public housing indicates that, within a few years, the units are in as bad or worse shape than the occupants' previous residences, it is my feeling that these subsidies should be discontinued, particularly if a trimmed down AFDC program is retained. Supplementing one's rent gives the recipient no pride of ownership and no incentive to keep the place up. Programs like the Indianapolis "sweat equity" program and the \$1 homesteading programs that have sprung up in some cities like Baltimore offer a much better solution to the problem.

* * *

Finally, we come to the problem of unemployment compensation which, with the coming of recession, has tripled in the last two years insofar as federal outlays are concerned. This year, an estimated 14.4 million persons are expected to collect some \$17.5 billion in unemployment compensation benefits.

Contrary to what many people believe, unemployment benefits are not something a worker has already paid for (like social security) out of taxes or withholding. Instead, unemployment benefits are paid, according to state eligibility standards, out of a trust fund administered by the federal government and contributed to exclusively by employers. In general, economic stability rather than *individual need* is the criterion for determining who does, and does not, get benefits.

Another misconception is that the unemployment rate is comparable to the total of those receiving unemployment benefits. The fact is that the unemployment rate, as compiled by the Bureau of Labor Statistics (BLS), is comprised of everyone who is looking for work, while the number receiving benefits is determined by state eligibility standards which vary widely. However, by comparing the two sets of figures, one can make some educated guesses about who is, and who is not, really in need of benefits.

As of March, 1975, the unemployment rate, overall, was 8.7% or 7,980,000 workers. But, of these, 798,000 (10.2%) had quit their last job and are thus not deserving of help. 1,854,000 (23.8%) were people, such as housewives, who were looking to re-enter the job market and may not really need to work. Another 773,000 (9.9%) were teenagers, and many more (57.1% in the last group and 35.6% in the next-to-last group) were seeking part time employment, which suggests that most of those in the last two categories had other means of support and did not need employment, or unemployment benefits, in order to make ends meet.

So, if you take the 4.37 million (56.1%) who lost their last job, subtract from that total about 314,000 who were looking for part time work or who were teenagers (437,000), and then add those who were looking to re-enter the job force full time (1.2 million), plus another 90,000 or so non-teenagers looking for full time employment and you come up with about 4.87 million who may have real need for unemployment benefits. If anything, this figure may be generous in that only slightly over 3 million heads of households were unemployed as of March 1975.

Compared to that, the number of people receiving unemployment compensation benefits during the week of March 22, 1975 was 5,868,300 which suggests that almost 17% of those receiving unemployment benefits do not really need them. Therefore, if one tightened up the Federal Unemployment Tax Act eligibility provisions (for instance, do away with the provision that says one may not be denied benefits if one refuses a job that has a lower salary or a less favorable location than the job he or she had previously), to get those 17% off the rolls, a savings of almost \$3 billion, and perhaps more, would be realized. As a matter of fact, using the same formula with January 1975 figures, it appears that as many as 21% of those who received benefits may not have needed them.

Personally, I feel that in view of our economic hard times this is a very modest proposal. Like social security and other entitlement programs, unemployment compensation can develop a built-in momentum all its own unless something is done to restrict it to those who are authentically in need. In days gone by Americans used to "save for a rainy day" to take care of contingencies such as unemployment and I see no reason why employers' dollars, which could go to capital expansion (which, in turn would mean more jobs for everybody) should go to those who want to take a paid vacation or who do not need the benefits in order to make ends meet. In fact, one might go further and eliminate benefits for those who could have saved for a rainy day but didn't.

The problem with all these public assistance and unemployment compensation programs is that they take away incentive—both from the person who is receiving the benefits and the one who has to pay for them. They add to the cost of doing business, which means higher consumer costs and hurts America's competitive position in world markets; they retard growth of our economy by wastefully consuming precious capital necessary to create new jobs; they put pressure on interest rates; and to the extent they contribute to the deficit they are inflationary.

The fact of the matter is that we, as a people, have become so used to the good life that we have come to take it for granted. Rather than take any job at hand, in preference to welfare or unemployment, we have come to look on these programs as staples, even though somebody has to pay for them and everybody is hit by inflation when they get out of hand. Such an attitude has been encouraged by our government ever since the days of the New Deal even though history has shown, in this country and

elsewhere, that prosperous nations are built by people who do not expect to get something for nothing or view handouts as a matter of right.

What is needed, instead of more handouts, is a new infusion of the work ethic and a rebirth of the pride on which it is based. Productivity and profit must become guideposts of our society, not dirty words. And the best way to rekindle the work ethic and restore faith in the free enterprise system is to reward those who produce and discourage those who don't produce when they are perfectly capable of doing so.

VETERANS' BENEFITS

One of the hardest areas in which to make cuts is in the area of benefits for veterans. Not only have many of these people risked their necks and given their blood for their country, but many of these programs are open-ended. As a result it is difficult to establish dollar limits.

However, for the same reason I favor a cap on Social Security, Medicare and Medicaid benefits, I also favor the President's proposal to put a 5% cap on any increases in veterans' benefits. This would not reduce the FY 76 budget any further but would help keep it from going up as high as many of us fear it will.

Aside from that, about the only areas where veterans' spending can be reduced is hospital and extended care facilities construction, medical research and administration, and VA administrative expenses. If funds for construction of hospital and extended care facilities were cut back to FY 74 levels, the savings would be \$80 million. Likewise if medical research and administration and VA administrative expenses were similarly cut back, we could save \$64 million and \$125 million respectively.

All in all, the budgetary savings in the veterans' benefits area would come to \$269 million which is relatively speaking a drop in the bucket, but it was drops in the bucket that, taken altogether, built up this huge deficit in the first place. As former Senator Everett Dirksen once facetiously remarked, "A billion here, a billion there, begins to add up to real money." So, too, a few hundred millions here, a few hundred millions there, can add up to the unprecedented \$100 billion deficit we may be facing if we don't begin economizing at once.

LAW ENFORCEMENT & JUSTICE

With crime and drug traffic on the increase, as they have been lately, another area that is difficult to cut is law enforcement and justice. However, here also, certain economies can be made without seriously undermining our efforts to reduce crime and drug usage. In fact, the argument can be made that inflation is a stimulant to crime and the best thing we could do to fight crime right now is cut down on the causes of inflation.

While I have long been a believer that individuals, rather than society, are responsible for their own behavior, there are those individuals whose strength of character is found wanting when times get tough. So, while society should not blame itself for the misdeeds of individuals, a return to economic prosperity through sound financial policy does offer the hope that a reduction in the crime rate will follow.

Consequently, I am recommending that two programs which have eroded local responsibility, and have caused a lot of waste in the process, be eliminated. They are the Law Enforcement Assistance Administration,

for which \$887 million is budgeted in FY 76, and the Legal Services Corporation that will cost another \$72 million. I also think, in view of the recent excessive expenditures involving former Presidents and Vice-Presidents, that we are spending more than necessary on Secret Service protection. Certainly, the FY 74 level should be adequate and reducing to that level would knock another \$29 million off the FY 76 budget.

Also, if we cut the Customs Service and the Bureau of Alcohol, Tobacco, and Firearms back to FY 74 levels we could save another \$112 million and still not cut into funds for the Drug Enforcement Administration, the FBI, the Immigration and Naturalization Service, and the Justice Department—all of which are hard pressed with the duties they now have. Still another item that could be cut back to FY 74 levels would be funding for federal correctional and rehabilitative activities. This would save \$56 million more.

Total all the possible cuts and reductions up and the overall budgetary savings in the law enforcement and justice area come to \$1.15 billion. It is possible that another \$62 million might be added to this figure by cutting various miscellaneous programs back to FY 74 levels. However, when people's lives and property are at stake, cuts must be made most judiciously.

GENERAL GOVERNMENT

Here is an area where those of us calling for cuts in the budget really get a chance to practice what we preach.

The White House has already set an example in this regard by proposing to cut its 1974 staff level by one-third by June 30, 1976. Accordingly, the budget request for the White House, the Executive Office of the President and related activities has been cut from \$117 million in FY 74 to \$71 million in FY 76. That is good and I think it should be matched by a similar percentage cut in the legislative branch, which would mean a budget reduction of \$250 million.

Also, I would hope that the \$35 million allocated for public financing of Presidential nominating conventions and primary campaigns would be cut from the budget. The bill providing for such expenditures is already under legal challenge on constitutional grounds and even if it is ruled constitutional I would hope that the Congress, in its wisdom, would see fit to repeal it. As it stands, public financing of Presidential campaigns and nominating conventions, along with campaign spending limitations, not only curtails a person's right to speak out in favor of a candidate, but it also gives an incumbent a major advantage, to say nothing of the danger posed by an unelected bureaucracy, rather than the people themselves, determining who is eligible for campaign money and how much of it they are entitled to. Furthermore, it forces people to support financially, through the use of their tax dollars, candidates they do not favor or would not otherwise contribute to—which is highly questionable on political, moral, and philosophical grounds.

Speaking of taxes, another agency that can finally do something to help the taxpayer by cutting back to FY 74 levels is the Internal Revenue Service. Such a cutback would shear approximately \$440 million from the budget and I don't think the additional tax audits President Ford's budget suggested will be missed a bit.

I also think that the Civil Service Commission should make do on what it did two years ago and, if it were required to, another \$24 million could be cut from the budget.

Even though I am an historian by training and believe that the Bicentennial celebration should mean a great deal to every American, I also feel that it cannot be an exception to the budget cutting effort. Accordingly, I would suggest that it be cut back to FY 74 levels, which would reduce the federal budget for 1976 by \$14 million. Likewise, I feel our expenditure for trust territories and possessions should be reduced to FY 74 levels which would save \$38 million more.

All in all, savings in the general government area could reach \$801 million without undue strain. I certainly hope that these cuts will be implemented, if for no other reason, as an example to other government agencies and to the American people.

BUDGET ALLOWANCES

The President's budget proposal for FY 76 also contains a section, albeit somewhat buried, termed budget allowances. But, buried or not, it adds over \$8 billion to overall outlays.

Since the budget was presented, a lot of changes have been made in the President's energy proposals from which most of these budget allowances are derived. Only two thirds of the \$3 per barrel oil import fee has been implemented so far, the excise tax on domestic crude oil has not yet been enacted and, instead of a windfall profits tax, we have seen the end of the oil depletion allowance for the "major" oil companies and the beginning of the end of that allowance for the "independents." In addition, the tax cut package the President proposed was both altered and enlarged by Congress. As a result, the proposed budget allowances, which were part of an interdependent package, no part of which can stand alone, may well be altered. Frankly, I think it is a mistake to increase, artificially, the cost of energy. If it were not done, this section of the budget discussion would not be included.

But, for purposes of discussing the proposed budget deficit, these allowances must be a part of that discussion. Briefly speaking, they would provide \$2 billion to compensate non-taxpayers for higher energy costs, \$2 billion to state and local governments to compensate them for higher energy costs and \$3 billion to federal agencies as compensation for higher energy costs. \$550 million would go for federal civilian agency pay raises and \$500 million would go for contingencies.

Except for the contingency fund, I see no reason not to cut all the rest of these budget allowances thus saving \$7.55 billion. The \$7 billion in energy compensation payments is simply another subsidy to people and governments who are able, if not especially willing, to take care of themselves. They will simply have to tighten their belts and make do, just as the rest of us. As for the \$550 million for civilian agency employee pay raises, I feel that the government must take the lead in any austerity program, so as to set an example for the rest of the country. If the federal government is not willing to make the necessary sacrifices to defeat inflation *first*, then it is hardly fair to expect the private sector to do so on its own.

Given the difficulty in cutting the budget, with all its built-in momentum and uncontrollables, it is essential that we eliminate these non-essential budget allowances. Not only will we save \$7.55 billion, but we will be establishing a healthy precedent for fighting inflation in the future.

CONCLUSION

As previously noted, the President's budget proposal for FY 76 contains the largest proposed deficit in peacetime history—\$51.9 billion. Subsequent enactments by Congress have caused the White House to revise the estimate of the deficit up to \$58.6 billion and legislation pending is likely to increase it to nearly \$80 billion. As a matter of fact, if all the House committee recommendations were enacted the FY 76 budget would come to \$396.4 billion and the deficit to \$98.9 billion.

Inasmuch as I have opposed the budget-increasing measures that have come before the House so far and inasmuch as I expect to oppose other budget-expanding proposals in the future, to suggest that we not go through with a multitude of additional spending programs is belaboring the obvious. Therefore, we are left with the twin tasks of enacting those proposals the President made to keep the deficit down to \$51.9 billion and then finding ways to do away with the deficit itself.

As I have indicated, I support the idea of a 5% cap on social security, medicare, medicaid, civil service retirement and veterans' benefit increases, for without it, as the President noted, close to \$17 billion will be added to the deficit. Moreover, I would hope that if we are going to take steps to conserve oil by government intervention, that we utilize the price allocation method rather than quotas, mandatory allocations or gasoline rationing, and thus make up the difference between the tax cut proposed by the President and the one just enacted by Congress. Finally the cuts and reductions I have proposed will reduce federal spending in FY 76 by the considerable sum of \$52.86 billion, which, coupled with my other recommendations, would mean a *budget surplus* of over \$900 million in fiscal 1976, assuming that revenues remain at the predicted level.

Of course, it is possible that revenues will drop as a result of the measures I have suggested. However, it is my hope that the impetus given to individuals and businesses by the dampening of inflation and the loosening of excess regulatory restraints will produce enough tax revenue to offset whatever other revenue losses might occur. In this context, the *type* of cuts I have suggested are as important as the size of the surplus that is projected.

While such a surplus is not large, it would be a refreshing and constructive change from recent federal fiscal policies. Furthermore, it is entirely consistent with the concept of a mandatory balanced budget that a number of Congressmen, myself included, have endorsed. Without a balanced budget, and the fiscal restraint that it entails, America is doomed to continuing inflation, high unemployment, high interest rates, more business failures, and possibly even a depression. At some point, we have to pay the price for our previous extravagances and every year we delay it means that the final price will be dearer and more tragic for millions of Americans.

If adopted, my proposal would turn this trend around and, by balancing the budget, get us back on the road to fiscal responsibility.

Coverdesign:
Sheila Freeman



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

1/15/76

TO: Charlie Leppert
FROM: Assistant to the Director
for Congressional Relations

FYI.

Attachment

A faint, circular stamp is visible in the bottom right corner of the page, but its text is illegible.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C.O.B. Thursday,
January 15, 1976
(This schedule
supersedes all
prior editions).

CONGRESSIONAL BUDGET BRIEFING SCHEDULE

Wednesday, January 21

- 10:00 a.m. Senate Budget Committee
Room 357 Russell Senate Office Building
Mr. Lynn, et. al.
- 11:30 a.m. Senate and House Appropriations Committees
Room H-140 Capitol
Mr. Lynn, et. al.
- 1:30 p.m. Members of the House of Representatives
Caucus Room -- Cannon House Office Building
(All 435 Members have been invited, but there will
be a separate briefing on Thursday for the House
GOP Conference).
Mr. Lynn, et. al.
- 3:30 p.m. House Budget Committee
Room 210 Cannon House Office Building
Mr. Lynn, et. al.
- 5:00 p.m. Members of the United States Senate
Room 1114 Dirksen Senate Office Building
Mr. Lynn, et. al.

Thursday, January 22

- 9:30 a.m. House Republican Conference
Room 2168 A&B (The Gold Room)
Rayburn House Office Building
Mr. Lynn, et. al.
- 11:00 a.m. House Committee Staff
Room 2168 A&B (The Gold Room)
Rayburn House Office Building
Mr. Lynn, et. al.
- 12:00 noon House Office Staff
Room 2168 A&B (The Gold Room)
Rayburn House Office Building
Mr. Lynn, et. al.
- 2:30 p.m. Senate Office Staff
Room 457 Russell Senate Office Building
Mr. O'Neill, et. al.
- 3:30 p.m. Senate Committee Staff
Room 457 Russell Senate Office Building
Mr. O'Neill, et. al.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 15, 1976

TO: Members of the House of Representatives

We are pleased to invite you to a one-hour briefing on the FY 1977 Budget (FOR MEMBERS ONLY) on Wednesday, January 21, 1976, at 1:30 p.m. in the Caucus Room of the Cannon House Office Building. The briefing will be conducted by OMB Director James Lynn, with participation from other Administration officials.

A special briefing for House Committee staff will be conducted on Thursday, January 22, 1976, at 11:00 a.m. in Room 2168 A&B (The Gold Room) Rayburn House Office Building; and a special briefing for your office staff will be held on Thursday, January 22, 1976, at 12:00 noon in Room 2168 A&B (The Gold Room) Rayburn House Office Building.

We look forward to having you and your staff members with us.

With all best wishes.

Sincerely yours,

A handwritten signature in black ink that reads "Alan M. Kranowitz". The signature is written in a cursive style.

Alan M. Kranowitz
Assistant to the Director
for Congressional Relations

LETTERS SENT TO STAFF DIRECTOR AND MINORITY COUNSEL EACH HOUSE
COMMITTEE.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 15, 1976

Dear:

I am very pleased to invite you and your staff to a one-hour briefing on the FY 1977 Budget on Thursday, January 22, 1976, at 11:00 a.m. in Room 2168 A&B (The Gold Room) Rayburn House Office Building. The briefing will be conducted by OMB Director James Lynn, with participation from other Administration officials.

We look forward to having you and your staff with us.

With all best wishes.

Sincerely yours,

Alan M. Kranowitz
Assistant to the Director
for Congressional Relations

THE WHITE HOUSE
WASHINGTON
January 20, 1976

*Note:
Remind me
if I'm
there Th.
Alan*

FROM: WARREN HENDRIKS *WH*
SUBJECT: PRESIDENTIAL BRIEFING

You are invited to attend a special State of the Union, Budget and Economic Briefing for Presidential Appointees in the East Room at 3:45 p.m. on Wednesday, January 21.

In addition to the President's and Vice President's participation, Paul O'Neill, Alan Greenspan and Jim Cannon will address their areas of responsibility.

THE WHITE HOUSE

WASHINGTON

January 19, 1976

MEETING WITH BIPARTISAN CONGRESSIONAL LEADERS

Tuesday, January 20, 1976
5:00-6:00 p.m. (60 minutes)
The Blue Room

From: Max L. Friedersdorf *MLF*

I. PURPOSE

To brief the Congressional leaders on the President's 1977 budget recommendations.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: The President's 1977 Budget message will be released on Wednesday, January 21, 1976.
- B. Participants: See TAB A
- C. Press Plan: Press Office to announce the meeting - White House photographer only.

III. TALKING POINTS

See TAB B

PARTICIPANTS

The President
The Vice President

SENATE

Jim Eastland
Mike Mansfield
Bob Byrd
Bob Griffin
John McClellan
Milt Young
Ed Muskie
Henry Bellmon
Russell Long
Carl Curtis
Frank Moss
Bob Stafford
John Tower

HOUSE

Carl Albert
Tip O'Neill
John McFall
John Rhodes
Bob Michel
George Mahon
Al Cederberg
Brock Adams
Del Latta
Al Ullman
Herm Schneebeli
John Anderson
Phil Burton
Barber Conable

STAFF

Bob Hartmann
Jack Marsh
Rog Morton
Dick Cheney
Jim Lynn
Jim Cannon
Max Friedersdorf
Ron Nessen
Alan Greenspan
Brent Scowcroft
Bill Baroody
Paul O'Neill
Vern Loen
Bill Kendall

Pat O'Donnell
Alan Kranowitz
Charles Leppert
Tom Loeffler
Russ Rourke
Bob Wolthuis

REGRETS

Senator Hugh Scott
Secretary Simon
Bill Seidman

TALKING POINTS

I am pleased that you could be here. The 1977 budget has unusual importance. In a procedural sense, it is a landmark budget.

- . It is the first budget under the October to September Fiscal Year, and
- . It is the first budget for which rules of the Congressional Budget Act of 1974 are mandatory.

Every one of us here is completely dedicated to helping make that Act a resounding success. I pledge to you again the full cooperation of my Administration in your work toward that objective.

The substance of the 1977 Budget is also unusually important. The Budget Message states the philosophy and goals of the budget as clearly and as succinctly as I know how.

- . The budget for 1977 and the direction it proposes meet the test of responsible fiscal policy. Its combination of tax and spending changes sets a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path that can be sustained.

This prudent, balanced approach has already begun to prove itself, and it will continue to prove itself-if we stick with it.

- . Over the years, the trend toward bigger and bigger government has been unmistakable. While the predominant growth has been at the State and local level, the Federal Government has contributed its share. Continued drift in the direction will sap the initiative and vitality of our private sector.
- . The budget for 1977 proposes to reverse this trend by cutting the rate of growth in Federal spending to 5-1/2% between 1976 and 1977 -- less than half the average growth rate of the last 10 years. At the same time, the budget proposes further, permanent income tax reductions so that individuals and businesses can spend and invest these dollars.
- . The 1977 budget achieves fairness and balance among the allocation of resources between the private sector and the public sector, the allocation of resources within the public sector, and the manner and timing of the choices it proposes.

Over the past two decades, there have been diverging, largely offsetting trends within the budget totals, with --nondefense spending increasing rapidly in both absolute and relative terms, and --defense spending declining in both real terms and as a share of the total.

Continuation along this path for several more years would erode our military strength and our foreign policy.

The 1977 budget would not allow this erosion to continue and, in fact, provides for a necessary increase in real resources provided for defense. There is no realistic alternative.

The budget also meets our urgent domestic needs. In the domestic area, my objective has been to achieve a balance between all the things we would like to do and those things we can realistically afford to do.

My budget is a tough one, but it is a compassionate one, too. Let me illustrate this point.

- . It proposes that, to help slow down the runaway increases in federally funded medical expenses, Medicare beneficiaries contribute more for the care they receive--

and it proposes that we take steps to dispel the haunting fear of our elderly that a prolonged illness would cost them and their children everything they have.

- . It proposes grant consolidation and spending in the fields of health, education, child nutrition, and social services--

but, in every case, it makes certain that the disadvantaged, the handicapped, and the needy are cared for.

I do not expect you to agree with every detail in my budget. But I do hope that you can accept its direction and the basic priorities that it reflects. It is a tough budget, a compassionate one, and -- above all -- a responsible one.

I look forward to working closely with you on it and to persuading you that it is the proper budget for our Nation at this time.