The original documents are located in Box C6, folder "Presidential Handwriting, 11/11/74" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

November 11, 1974

Responses to OMB Questions on
Secretary's Appeal Memorandum

Question 1. Regarding the Statement in the Secretary's memorandum concerning the pledge not to reduce any State or local Title I allocation more than 10% below its FY 1974 level: where was the pledge made, by whom, and in what form?

Response The pledge was an understanding among those involved from the Administration and the Congress in the final negotiations on the language in Title I regarding allocations. These negotiations included, in addition to Department of Labor staff, Paul O'Neill of OMB, Jim Cavanaugh of the Domestic Council and Congressmen Quie, Daniels, Steiger and Esch. It was clear that if members of the Conference Committee had thought that cities would lose more than 10% of their pre-CETA allocation levels, the formula would never have been agreed to. The provision limiting prime sponsor allocations to 150 percent of their previous allocations was introduced in part to limit the upward adjustments in FY 1975 it was realized might have to be made.

Question 2. Explain why the Secretary's proposal requests a $280 million increase above the President's budget rather than $165 million, which would meet the 90% hold harmless objective if the deficit could be made solely with discretionary funds.

Response. The total requirement to hold prime sponsors harmless at 90% of their FY 1974 allocations amounts to $1,293 million. All but $166 million could be made available within the President's Budget from the basic allocation ($1,042 million) and available discretionary funds ($84 million). The latter amount consists of $15 million from the consortia incentive setaside (the balance available after allocating 10% bonuses to eligible consortia) and $69 million from the Secretary's discretionary account (after allocating $10 million for rural CEPs).

The remaining deficit, $166 million, could be financed by amending the CET Act, or possibly through appropriation language amendment to permit the entire amount to be added only to those grantees which are under 90% of the FY 1974 allocation. This option places the Department in the position of contravening the allocation formula in the first year of the program's existence, and was rejected for that reason.

<u>Question 3</u>. Provide a listing of prime sponsors indicating the amount each would receive at the allocation level prescribed in the President's Budget and the additional amount required to achieve 90% of the FY 1974 level.

<u>Response</u>. See listing attached. Column 1 is the FY 1974 allocation; column 2 is the amount allocated from the formula at the $2,050 million appropriation level; column 3 is the amount required to achieve 90% of the FY 1974 allocation; column 4 is the difference between columns 3 and 2.