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THE WHITE HOUSE
WASHINGTON

July 1, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN

FROM: JAMES E. CONNOR *JEC*

SUBJECT: Proposed Rescissions and Deferrals
of increases contained in the Second
Supplemental Appropriations Act,
1976

This will confirm that the President reviewed your memorandum of June 21 on the above subject and decided to defer or rescind the following items:

	<u>1976</u>	<u>T.Q.</u>
Food and Nutrition Service:		
Child Nutrition programs	10,800	9,350
Health Resources Administration:		
Health resources (Rogers Memorial Hospital)	4,000	
Office of Education:		
State equalization	--	3,000
School assistance in Federally affected areas	24,000	
Education for the Handicapped	90,000	
Energy Research and Develop Administration:		
Operating expenses, fossil fuels	16,000	
Legal Services Corporation:		
Payment to the Legal Services Corp.	4,330	

We understand you have already undertaken the necessary follow-up action.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Date: 6/29

TO: Jim CONNOR

FROM: Deputy Director

Attached is your file from the meeting we had with the President today. The items the President decided to defer or rescind are marked on the memo with an X and the amounts have a box ☐ drawn around them. We will take needed follow-up action.

A handwritten signature, likely of the Deputy Director, is located at the bottom right of the page.

THE WHITE HOUSE
WASHINGTON

June 25, 1976

*Can 2 see Paul 8/11
Jim J. Tuss?!*

MR PRESIDENT:

Proposed Rescissions and Deferrals of Increases
contained in the Second Supplemental Appropriations
Act, 1976

Attached is OMB's memorandum of June 21 which Paul O'Neill discussed with you earlier today.

Staffing of this memorandum resulted in the following comments and recommendations from your staff:

Jack Marsh, Max Friedersdorf and Jim Cannon recommend Option 2 (OMB's recommendation).

Ed Schmults (Counsel's Office) supports the OMB recommendation with two reservations (see TAB C).

Paul McAvoy (CEA) Suggests some further rescissions or deferrals (see TAB D).

In addition, Jim Mitchell believes that you should be aware of Secretary Butz's strong opposition to proposing rescission of:

\$4 million for a Plum Island (N. Y.) facility that would provide foot and mouth disease diagnostic services for imported animals, and

\$15 million increase for the agricultural Conservation Program to provide technical assistance and conservation cost-sharing to minimize wind erosion damage in the Great Plains area.

Secretary Butz believes that you should not be on record as opposing assistance for the drought affected areas of the Great Plains or as blocking facilities to accommodate import of breeding stock to improve herds in the cattle industry.

After you have had an opportunity to review this package, we understand you will meet with Paul O'Neill to discuss individual items before making your decision.

Jim Connor



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

JUN 21 1976

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

James T. Lynn, Director

SUBJECT:

Proposed rescissions and deferrals
of increases contained in the
Second Supplemental Appropriations
Act, 1976

BACKGROUND

The purpose of this memorandum is to seek your guidance on whether to propose rescissions and report deferrals of funds provided in excess of your requests in the Second Supplemental Appropriations Act. That Act contained numerous increases (totaling \$1.3 billion) to your 1976 and transition quarter requests. 1/ While the increases include several that are necessary due to reestimates of program activity, other increases are for undesirable program expansions. The two lists that are attached provide an explanation for each item increased above your request. 2/

DISCUSSION

At Tab A you will find a list of amounts that, I believe, should remain available because funds are needed to cover program reestimates or are merely provided in advance of your requests. Tab B contains the bulk of the items. These items include funding in excess of your requests for particular programs and funds to begin new programs. As might be expected, different circumstances affect the undesirability of the add-ons. In some cases, funds may be used effectively or may provide appropriate financing under current circumstances.

1/ These increases were more than offset, however, because Congress deferred consideration of several requests and reduced others.

2/ We have not included the Congressional addition of \$250,000 for the Office of Drug Abuse Policy in either listing since you have already decided to propose rescission of these funds.

If you decide to propose rescissions or deferrals of all or any of the items in Tab B, we will need to report the proposals quickly. In most cases, we do not have the usual thirty days provided by the Antideficiency Act to consider whether the funds should be apportioned or reserved. The increases, as part of a fourth quarter supplemental, are generally automatically available to the agencies to begin using until we reappportion the accounts to place funds in reserve in connection with reporting a deferral or requesting a rescission. In addition, if rescissions are transmitted on July 1, 1976, the 45 day withholding period will extend until mid-September because of Congressional rescissions. This would allow three weeks for obligation of any annual funds not approved for rescission and may result in Congressional criticism because some of the funds will lapse whether Congress approves or not.

The options are:

- Option 1 Propose rescission or, if appropriate, deferral of all increases not related to reestimates of program activity or provided in advance of a request (TAB B).
- Option 2 Propose rescission or defer increases on a selective basis focusing on items that can be programmatically justified in order to increase the likelihood of Congressional acceptance. The Congressional additions that would be recommended for rescission or deferral if this option is selected are footnoted under TAB B.
- Option 3 Accept the increases.

RECOMMENDATION

I recommend that you propose rescissions and defer increases on a selective basis (Option 2)

- ☐ Option 1 Propose rescission or deferral of all increases not related to reestimates of program activity or funds provided in advance of a request. (TAB B)
- ☐ Option 2 Propose rescission or defer increases on a selective basis. (Footnoted items in TAB B)
- ☐ Option 3 Accept the increases.
- ☐ Option 4 See me.

ADD-ONS THAT SHOULD
REMAIN AVAILABLE
(in thousands of dollars)

Congressional Increase to the President's Request	
1976	T.Q.

Agriculture

Food and Nutrition Service:

Food stamp program.....	---	200,000
-------------------------	-----	---------

The current USDA projection estimates a shortfall of up to \$200 million for the transition quarter so the requirement for this program may be as high as the Congress suggests.

Commerce

National Oceanic and Atmospheric Administration:

Operations, research, and facilities.....	---	1,000
--	-----	-------

The increase is an addition to the President's request of \$1 million to begin implementation of the 200 mile fisheries management program (P.L. 94-265). The \$1 million would be used for refurbishing the research vessel Albatros IV to conduct extended resource assessment surveys. While the \$1 million was not included in the President's request, the work to be done is consistent with the 1977 budget amendment that the President subsequently forwarded to the Congress.

Health, Education, and Welfare

Food and Drug Administration:

Salaries and expenses.....	---	1,200
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This appropriation would provide a start in the transition quarter on a program to monitor industry testing of drugs and food additives. The Administration has recommended a \$16.4 million 1977 budget amendment for this program.

Alcohol, Drug Abuse, and Mental

Health Administration:

Saint Elizabeths Hospital.....	---	632
--------------------------------	-----	-----

The increase is for 175 additional positions for patient care and support services in order to meet staffing deficiencies identified by the Joint Committee on Accreditation.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.Q.</u>

Health, Education, and Welfare (continued)

Office of Education:

Higher Education.....	387,550	---
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The increase of \$387,550,000 is for Basic Opportunity Grants. This is an Administration initiative for which we proposed a different method of financing based on reprogramming and appropriation transfers. It would be awkward to attempt to resist an increase that is largely a technical one.

Social and Rehabilitation Service:

Public assistance.....	248,033	1,000
------------------------	---------	-------

The increase is on the basis of a later estimate of the cost of this uncontrollable program, with which HEW agrees.

Interior

Bureau of Land Management:

Construction and maintenance.....	400	---
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The increase is for survey and design of an office building in Alaska. Funds for this project are requested in the 1977 budget.

Fish and Wildlife Service:

Construction and anadromous fish..	1,605	---
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The increase of \$1.6 million for construction and anadromous fish would be used for the Presidentially-endorsed Cedar Point Wildlife Refuge.

National Park Service:

Planning and construction.....	242	---
--------------------------------	-----	-----

These funds are for the design of a memorial to Franklin Delano Roosevelt. The Administration had planned to request the funds at a later date.

Bureau of Indian Affairs:

Construction.....	1,500	---
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These funds are for repair and rehabilitation of Indian school facilities in the Navajo area. This accelerates needed repair work that would otherwise be done at a later date.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.Q.</u>

Interior (continued)

Office of Territorial Affairs:

Administration of Territories.....	1,000	---
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This increase covers road construction and restoration of some programs approved by OMB to make up for economic setbacks in American Samoa.

Transportation

Coast Guard:

Acquisition, construction and improvements.....	10,000	---
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These funds are to provide for the expeditious reactivation of Coast Guard resources to enforce the expanded fisheries zone. The Administration is also preparing a 1977 budget amendment to accomplish the reactivation/renovation of aircraft and facilities.

Treasury

Secret Service:

Salaries and expenses.....	1,000	---
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This increase of \$1 million for the Secret Service is to reimburse State and local governments (primarily New York City) for protection of foreign ministers under extraordinary circumstances. The Administration planned to begin this type of reimbursement in FY 1977 but did not voice strong objections when earlier funding was proposed by Congress.

Other Independent Agencies

National Commission on Supplies and

Shortages:

Salaries and expenses.....	125	---
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This supplemental appropriation for the Advisory Committee to the National Commission on Supplies and Shortages was initiated by the Congress. There is some possibility that the funds will be needed by the Committee in order to accomplish its mission.

INCREASES THAT MIGHT BE
RESCINDED OR DEFERRED
(in thousands of dollars)

		Congressional Increase to the President's Request	
		<u>1976</u>	<u>T.Q.</u>
Agriculture			
. Agricultural Research Service:			
✓ Research (meat research, Clay Center, Nebraska).....	1,200	---	
The funds provided can be used effectively.			
✓ Plum Island facilities <u>1</u> /.....	4,000	---	
This amount is for construction at the Plum Island facility that provides foot-and-mouth disease diagnostic services on imported animals. Construction on a similar import center at Fleming Key, Florida, is now underway. Although the Plum Island construction would facilitate the import of animals via Fleming Key, it is not vital to the operation.			
Agricultural Stabilization and Conservation Service:			
✓ Agriculture conservation program (ACP) <u>1</u> /.....	15,000	---	
This amount is part of an appropriation to provide technical assistance and conservation cost-sharing to minimize wind erosion damage in the Great Plains area. The present level of ACP funds (\$175 million), the \$90 million recommended by the Administration for a "reformed" 1977 ACP, and the additional funds provided for Conservation Operations (\$.8 million) and the Great Plains Conservation Program (\$2 million) are sufficient to handle the problem in the Great Plains area.			
✓ Soil Conservation Service:			
Conservation operations.....	750	---	
The funds would be used to provide some relief from conditions caused by the drought in the Great Plains area.			

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.Q.</u>

Agriculture (continued)

✓ Soil Conservation Service (continued):

Watershed and flood prevention

operations..... 12,327

The funds would eventually be used for emergency work to damaged watersheds. The additional funds will not cause an expansion in the program level since other constraints will serve to limit program activity.

✓ Great Plains conservation

program.....

2,000

The funds would be used to provide some relief from significant erosion problems.

X Food and Nutrition Service:

Child nutrition programs 1/.....10,8009,350

The increases include \$14.4 million for school food service equipment and \$5.8 million for State administrative expenses.

Equipment:

The recently enacted amendments to the School Lunch Act reduced the amount of equipment funds that must be reserved to reach nonparticipating schools in needy areas and further expanded the proportion of benefits for the nonpoor. The funding that has been provided for equipment assistance since 1946 has failed to provide adequate financial inducements for some 16,000 schools to participate. The FY 1977 Budget and the subsequent supplemental request did not contain funding for equipment assistance.

State administrative expenses:

The President's budget included \$7.7 million for State administrative expenses in FY 1977; an increase of \$1 million over FY 1976.

We do not feel that a further increase can be justified until the completion of the State Staffing Study mandated by P.L. 94-105 (enacted 10/7/75), which is to provide a basis for future funding decisions.

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase
to the President's Request
1976 T.O.

Agriculture (continued)

✓ Food and Nutrition Service:

✓ Special Milk 1/..... --- 24,000

Congress added \$24 million in order to finance the Special Milk Program--presently mandated in authorizing legislation--during the TQ. The FY 1977 Budget proposed elimination of the Special Milk Program in FY 1976 and requested no funding for the TQ.

✓ Forest Service:

Forest land management.....	8,837	3,770
Forest research.....	1,925	589
State and private forestry cooperation.....	164	60
Construction and land acquisition.....	389	195
Youth Conservation Corps.....	98	56
Assistance to States for tree planting.....	7	5

The 1976 Agriculture Appropriation Act was enacted very late in FY 1976. The Administration insisted that the Forest Service absorb the 1975 pay increase provided last October. Since research funds were not increased much by the 1976 appropriation, pay increases reduced actual research activities performed below the 1976 budget level. The increases above are primarily for restoration of these pay increases. However, since salary increases are already being paid, the funds will be used largely to expand the programs over what they would have been. More than half of these funds are now obligated and, hence, cannot be retrieved.

Department of Defense - Civil

✓ Corps of Engineers:

Construction, general..... --- 4,000

The funds would allow resumption of small unauthorized projects suspended because funds were not included in the 1977 budget.

✓ Health, Education, and Welfare

Health Services Administration:

Indian health services..... 3,000 ---

This increase provides additional funds for in-patient care of Indians on a contract basis with non-Indian Health Service hospitals.

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase
to the President's Request
1976 T.Q.

✓ Health, Education, and Welfare (continued)

Health Services Administration (continued):

Indian health facilities..... 250 ---

This is for first phase planning of a new health facility to Nome, Alaska.

Health services..... --- 18,300

The Congress provided these funds in order to continue, during the transition quarter, maternal and child health formula and project grants for which 1976 funds were provided as an unbudgeted increase to the 1976 Labor-HEW- bill and with respect to which a rescission was rejected by the Congress.

✓ National Institutes of Health:

National Institute of Environmental Health Sciences..... --- 1,000

This increase is to permit continuation funding of research grants and environmental health center grants through the transition quarter.

✓ Alcohol, Drug Abuse and Mental Health Administration:

Alcohol, drug abuse, and mental health..... --- 20,600

These funds have been provided to support continuation costs of alcoholism community project grants that are scheduled for renewal in the transition quarter at the 1976 appropriation level.

X X Health Resources Administration:

Health resources (Rogers Memorial Hospital) 2/..... 4,000 ---

The Federal Government has already provided \$17.7 million for this project. The additional \$4 million would bring the Federal share of the project to 96% of \$21.7 million. The Administration has opposed inequitable and preferential individual awards through the legislative process in the light of existing national programs for construction and renovation in which all institutions compete for Federal support. The funds should be reprogrammed to the nationally available program.

2/ Under option 2, this item would be deferred.

Congressional Increase to the President's Request
<u>1976</u> <u>T.Q.</u>

✓ Health, Education, and Welfare (continued)

Office of Education:

Elementary and Secondary education.....	8,000	3,000
Bilingual education.....	(1,200)	(---)

This amount would be used for payment of State administration costs related to Bilingual education. The States and local governments have primary responsibility for this program.

Reading improvement.....	(6,800)	(---)
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Funds amounting to \$4.8 million are for State Education Agency leadership training projects and \$2 million is for Reading is Fundamental--a program that distributes books to disadvantaged students.

X State equalization <u>1/</u>	(---)	(3,000)
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These transition quarter funds are to pay States to plan intra-State equalization. The Administration has never accepted this effort as a proper Federal role.

X School assistance in Federally affected areas <u>1/</u>	24,000	---
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This additional amount would fully fund the hold-harmless provisions of the program. Nothing in the law requires full funding of these provisions. Currently no part of the program is fully funded. Sufficient amounts are available without the \$24 million to prorate the hold-harmless provisions at 75% of full funding.

✓ Emergency school aid.....	30,000	3,000
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These funds are targeted to cities under desegregation court orders, such as Boston, Louisville, and Detroit.

X Education for the Handicapped <u>1/</u> ..	90,000	---
--	--------	-----

These funds are for State grants for diagnostic and prescription services, direct support and other services. HEW believes that States are currently unable to spend effectively their allotments of current funds authorized

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase
to the President's Request
1976 T.Q.

Health, Education, and Welfare (continued)

Office of Education (continued):

Education for the Handicapped (continued)

for these services by the Mathias amendments contained in P.L. 93-380. To add an additional \$90 million to the \$110 million presently available may indeed exacerbate that problem. Further, the \$100 million currently available represents full funding of the program that reflects an appropriate level of Federal support.

✓ Higher education..... --- 1,000

This increase would be used to help process applications for the basic grant program during the transition quarter.

✓ Salaries and expenses 1,575 635

These funds are provided for studies stemming from the Education for All Handicapped Children Act (S.6) and for 65 positions--50 Handicapped and 15 Impact aid. Sufficient funds and staff are already available for the studies and staffing of new S.6 responsibilities. Further, the Administration has proposed the Financial Assistance for Elementary and Secondary Education Act, which would repeal most of the additional S.6 requirements. Sufficient staff is available to perform the additional Impact Aid responsibilities.

✓ Assistant Secretary for Human Development:

Human development..... 43,400 24,256

The Congress has provided additional funds for the programs authorized by the Older Americans Act Amendments of 1975--community services area planning and social services, and research and training. Funds were also provided for a new vocational training service project, for construction of a recreation complex for the handicapped in West Virginia and for a Statewide aging demonstration project in the State of Washington.

Congressional Increase
to the President's Request
1976 T.Q.

✓ Housing and Urban Development

Housing for the Elderly or
Handicapped* (Increase in
limitation on loan fund) 1/..... -- 375,000

This increase would double the level requested for housing for the elderly or handicapped ("Section 202") loans from \$375 million to \$750 million. On programmatic grounds, this doubling of the loan level is unwarranted and undesirable. Elderly housing sponsors have little problem securing FHA-insured financing, so these direct loans are unnecessary. The subsidy provided with these loans makes little or no difference in the rents elderly tenants must pay since the Section 8 rental assistance program will subsidize their rents down to 25 percent of their income.

An increase of \$375 million in the loan level would have no direct impact on budget outlays in the 1976-1977 period, but would raise outlays in 1978 and 1979 by \$200 million and \$75 million, respectively, if House-passed legislation to put this account back on-budget is approved.

Release of the 1976 add-on would also guarantee another \$375 million increase in 1977 since you proposed to maintain the program at its 1976 level. This item is the subject of a decision memorandum sent to you on June 15, 1976

✓ Interior

Bureau of Outdoor Recreation:

Land and water conservation fund.. 8,900 --

These increases are for land acquisition at Big Thicket, Sleeping Bear Dunes, and other areas. The funds for Big Thicket are to acquire lands before the landowners cut timber. The Sleeping Bear Dunes funds are to buy out "hardship" cases.

1/ Under option 2, this item would be recommended for rescission.

* 1977 outlays would be off-budget but those in subsequent years are likely to be on-budget.

Congressional Increase
to the President's Request
1976 T.Q.

Interior (continued)

✓ Fish and Wildlife Service:
✓ Resource management..... 267 ---

The resource management funds are for (1) management of three wildlife refuges transferred to the Service from the Bureau of Land Management and (2) for the migratory waterfowl conservation program.

✓ Mining Enforcement and Safety
✓ Administration:
Salaries and expenses..... 947 ---

These funds would be used for State grants, a training center in Kentucky, and costs incurred as a result of the Scotia mine disaster.

Labor

✓ Departmental Management:
Salaries and expenses (Mountain-
Plains Family Education and
Employment Program) 1/..... 5,000 ---

This was included at Senator Mansfield's behest and provides training for individuals whose families accompany them to the training center at the old Glasgow AFB, Montana. Because the families live in, per trainee cost of \$17,000 is very high and no evidence has been provided to show that results merit the costs. Once funded by the National Institute of Education as a Career Education demonstration model, no funds for this program were requested in the FY 1977 budget. The Administration's position has been that the States concerned should decide whether they wish to continue the project, and if so, to use CETA or other funds.

✓ Employment Standards Administration:
✓ Salaries and expenses..... 45 135

Funds were provided for 30 positions to reduce backlog. The Administration has already reallocated current funds to use temporary personnel to accomplish the same purpose.

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase
to the President's Request

	1976	T.O.
--	------	------

Treasury

✓ U.S. Customs Service:

Salaries and expenses.....	5,600	3,100
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This is an increase of \$8.7 million and 300 positions for the Customs Service to (1) handle additional travellers from foreign countries expected during the Bicentennial and Canadian Olympics and (2) open new ports of entry and expand service at existing ports. In order to preserve the personnel plan underlying the 1977 request, OMB could request Customs to hire temporary personnel until the 1977 budget level is determined.

Energy Research and Development
Administration

X Operating expenses, fossil

X fuels 2/.....

16,000

The increase is for fossil fuels R&D activity. Currently, the program is experiencing difficulty in obligating funds as quickly as was anticipated. Even though energy is a high-priority area of effort, it appears that these funds cannot be used until late FY 1977 or FY 1978.

Other Independent Agencies

✓ Corporation for Public Broadcasting:

Public Broadcasting fund 1/.....	8,500	---
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This amount represents an unnecessarily high increase to base (27% over FY 1975), which will be used at the discretion of CPB for new programming, various grants under existing categorical programs, and direct formula aid to public TV and radio licensees. There is no specific program rationale for increases at this time. The add-on is a low priority for increased spending.

- 1/ Under option 2, this item would be recommended for rescission.
2/ Under option 2, this item would be deferred.

Congressional Increase
to the President's Request
1976 T.O.

Other Independent Agencies (continued)

Federal Communications Commission:

✓ Salaries and expenses..... 225 110

This represents increased allowances for the October 1975 pay raise. These increases add cash (1) to a base unexpectedly depleted in the second half of FY 1976 by the sudden CB radio workload, and (2) to fund hiring of needed temporary personnel.

Legal Services Corporation:

X Payment to the Legal Services Corporation.....

4,330

--

This increase provides \$1.5 million for a study of existing staff attorney programs and of alternative means of delivering legal assistance (both required by law), \$1.0 million for continuing programs formerly funded by the Labor Department for migrants, and \$1.8 million to continue programs formerly supported by local initiative funds from community action agencies. Since the Corporation is a private (not Federal) agency, it will not defend a rescission proposal before the Congress.

U.S. Postal Service:

✓ Payment to the Postal Service

Fund..... 18,589

3,000

This increase reflects additional funding to provide for the extended phase-in of postage rates under the new rate levels put into effect on December 31, 1975. While the Administration is opposed to extended phasing, under the Postal Reorganization Act of 1970 (P.L. 91-375), we are precluded from apportioning any funds appropriated to the Postal Service and thus cannot defer the funds. While the President could propose rescission of the funds, his right to do so might be challenged. In view of the sensitivity of current negotiations with the Congress on pending Postal Service legislation, it is recommended that the rescission right not be tested now.

Congressional Increase
to the President's Request
1976 T.Q.

Other Independent Agencies (continued)


Smithsonian Institution:

✓ Salaries and expenses.....	300	--
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Certain contributions to the Folklife Festival from other Federal agencies (American Revolution Bicentennial Administration, Department of Labor, and the Department of the Interior) and private sources are running in the aggregate about \$800,000 below the amounts previously projected by the Smithsonian. This appropriation could help solve the overall shortfall in expected funding for the Festival.

THE WHITE HOUSE
WASHINGTON

June 22, 1976

MEMORANDUM FOR: JIM CONNOR
FROM: ED SCHMULTS 
SUBJECT: James Lynn memo 6/21/76 re
Proposed Rescissions and deferrals
of increase contained in the Second
Supplemental Appropriations Act, 1976

Counsel's office supports the recommendation of OMB with two reservations:

(1) Special attention should be devoted to the political aspects of the rescissions or deferrals affecting farming, nutrition, mining enforcement and safety and legal services.

(2) The proposed rescission of \$8.5 million appropriated for the Corporation for Public Broadcasting could be interpreted as a reversal of our position on the underlying legislation. It is my understanding that the organic act provides a federal match for private funds raised by CPB and that this appropriated money brings that commitment forward. Although the appropriation exceeded the budget request, it is consistent with the concept contained in the authorizing bill.

D

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

June 22, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: Paul W. MacAvoy *pm*

SUBJECT: Proposed Rescission and Deferrals

OMB has provided a list of rescissions and deferrals and we agree with those decisions. However, there appear to be others for which OMB did not suggest rescissions or deferrals which nonetheless might be considered. These are as follows:

1. (A-3). National Commission on Supplies and Shortages -- It is not clear why this money is needed and given the Administration commitments to deregulation and administrative efficiency it may be a good idea to recommend this for rescission.
2. (B-5). Emergency School Aid -- The purpose of these funds is obscure. Desegregation costs are not obviously a responsibility of the Federal Government.
3. (B-6). Office of Education, Salaries and expenses -- The discussion under this item seems to imply the funds are not needed.
4. (B-6). Assistant Secretary for Human Development: Human Development -- These special projects for particular states are not justified on the basis of significant regional net benefits.



THE WHITE HOUSE

WASHINGTON

June 26, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JERRY JONES

FROM:

JIM CONNOR

SUBJECT:

Proposed Rescissions and Deferrals of
Increases contained in the Second
Supplemental Appropriations Act, 1976

The President returned the package prepared by OMB on the above subject with the following notation:

"Can I see Paul and/or Jim L. Tuesday?"

Please follow-up with appropriate action.

cc: Dick Cheney
Jim Lynn
Bill Nicholson

THE WHITE HOUSE
WASHINGTON

July 1, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN

FROM: JAMES E. CONNOR *JE C*

SUBJECT: Proposed Rescissions and Deferrals
of increases contained in the Second
Supplemental Appropriations Act,
1976

This will confirm that the President reviewed your memorandum of June 21 on the above subject and decided to defer or rescind the following items:

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School assistance in Federally affected areas	24,000	
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Energy Research and Develop Administration:		
Operating expenses, fossil fuels	16,000	
Legal Services Corporation:		
Payment to the Legal Services Corp.	4,330	

We understand you have already undertaken the necessary follow-up action.

STAFFING

June 25, 1976

MR PRESIDENT:

**Proposed Rescissions and Deferrals of Increases
contained in the Second Supplemental Appropriations
Act, 1976**

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Staffing of this memorandum resulted in the following comments and recommendations from your staff:

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\$15 million increase for the agricultural Conservation Program to provide technical assistance and conservation cost-sharing to minimize wind erosion damage in the Great Plains area.

Secretary Butz believes that this should not be on record as opposing assistance for the drought affected areas of the Great Plains or as blocking facilities to accommodate import of breeding stock to improve herds in the cattle industry.


After you have had an opportunity to review this package, we understand you will meet with Paul O'Neill to discuss individual items before making your decision.

Jim Connor

cc Paul O'Neill

THE WHITE HOUSE
WASHINGTON

June 22, 1976

MEMORANDUM FOR: JIM CONNOR
FROM: ED SCHMULTS 
SUBJECT: James Lynn memo 6/21/76 re
Proposed Rescissions and deferrals
of increase contained in the Second
Supplemental Appropriations Act, 1976

Counsel's office supports the recommendation of OMB with two reservations:

- (1) Special attention should be devoted to the political aspects of the rescissions or deferrals affecting farming, nutrition, mining enforcement and safety and legal services.
- (2) The proposed rescission of \$8.5 million appropriated for the Corporation for Public Broadcasting could be interpreted as a reversal of our position on the underlying legislation. It is my understanding that the organic act provides a federal match for private funds raised by CPB and that this appropriated money brings that commitment forward. Although the appropriation exceeded the budget request, it is consistent with the concept contained in the authorizing bill.

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

June 22, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: Paul W. MacAvoy *pm*

SUBJECT: Proposed Rescission and Deferrals

OMB has provided a list of rescissions and deferrals and we agree with those decisions. However, there appear to be others for which OMB did not suggest rescissions or deferrals which nonetheless might be considered. These are as follows:

1. (A-3). National Commission on Supplies and Shortages -- It is not clear why this money is needed and given the Administration commitments to deregulation and administrative efficiency it may be a good idea to recommend this for rescission.

2. (B-5). Emergency School Aid -- The purpose of these funds is obscure. Desegregation costs are not obviously a responsibility of the Federal Government.

3. (B-6). Office of Education, Salaries and expenses -- The discussion under this item seems to imply the funds are not needed.

4. (B-6). Assistant Secretary for Human Development: Human Development -- These special projects for particular states are not justified on the basis of significant regional net benefits.



THE WHITE HOUSE
WASHINGTON

Jim Mitchell wants this added to
the package - per Jim Jura

Addendum to JTL's memo of 6/21/76 on proposed rescissions and referrals -- Second Supplemental Appropriations Act, 1976.

Jim Mitchell believes that the President should be aware of Secretary Butz's strong opposition to proposing rescission of

- o \$4 million for a Plum Island (N.Y.) facility that would provide foot and mouth disease diagnostic services for imported animals, and
- o \$15 million increase for the Agricultural Conservation Program to provide technical assistance and conservation cost-sharing to minimize wind erosion damage in the Great Plains area.

Secretary Butz believes that the President should not be on record as opposing assistance for the drought affected areas of the Great Plains or as blocking facilities to accomodate import of breeding stock to improve herds in the cattle industry.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 21, 1976

Time:

FOR ACTION:

cc (for information):

✓ Phil Buchen
 Jim Cannon
 ✓ Mwx Friedersdorf

✓ Jack Marsh
 ✓ Alan Greenspan
 ✓ Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, June 23

Time: 3 P.M.

SUBJECT:

James Lynn memo 6/21/76 re
 Proposed Rescissions and deferrals
 of increase contained in the Second
Supplemental Appropriations Act, 1976

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

See Addition from OMB -

Marsh - Option 2
 Greenspan (McAnay) - see comments
 Buchen - see comments
 Seidman (Horag) see comments
 Friedersdorf - Option 2
 Cannon - Option 2

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a
 delay in submitting the required material, please
 telephone the Staff Secretary immediately.

Jim Connor
 For the President



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

JUN 21 1976

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

James T. Lynn, Director

SUBJECT:

Proposed rescissions and deferrals
of increases contained in the
Second Supplemental Appropriations
Act, 1976

BACKGROUND

The purpose of this memorandum is to seek your guidance on whether to propose rescissions and report deferrals of funds provided in excess of your requests in the Second Supplemental Appropriations Act. That Act contained numerous increases (totaling \$1.3 billion) to your 1976 and transition quarter requests. 1/ While the increases include several that are necessary due to reestimates of program activity, other increases are for undesirable program expansions. The two lists that are attached provide an explanation for each item increased above your request. 2/

DISCUSSION

At Tab A you will find a list of amounts that, I believe, should remain available because funds are needed to cover program reestimates or are merely provided in advance of your requests. Tab B contains the bulk of the items. These items include funding in excess of your requests for particular programs and funds to begin new programs. As might be expected, different circumstances affect the undesirability of the add-ons. In some cases, funds may be used effectively or may provide appropriate financing under current circumstances.

1/ These increases were more than offset, however, because Congress deferred consideration of several requests and reduced others.

2/ We have not included the Congressional addition of \$250,000 for the Office of Drug Abuse Policy in either listing since you have already decided to propose rescission of these funds.

If you decide to propose rescissions or deferrals of all or any of the items in Tab B, we will need to report the proposals quickly. In most cases, we do not have the usual thirty days provided by the Antideficiency Act to consider whether the funds should be apportioned or reserved. The increases, as part of a fourth quarter supplemental, are generally automatically available to the agencies to begin using until we reapportion the accounts to place funds in reserve in connection with reporting a deferral or requesting a rescission. In addition, if rescissions are transmitted on July 1, 1976, the 45 day withholding period will extend until mid-September because of Congressional rescissions. This would allow three weeks for obligation of any annual funds not approved for rescission and may result in Congressional criticism because some of the funds will lapse whether Congress approves or not.

The options are:

- Option 1 Propose rescission or, if appropriate, deferral of all increases not related to reestimates of program activity or provided in advance of a request (TAB B).
- Option 2 Propose rescission or defer increases on a selective basis focusing on items that can be programmatically justified in order to increase the likelihood of Congressional acceptance. The Congressional additions that would be recommended for rescission or deferral if this option is selected are footnoted under TAB B.
- Option 3 Accept the increases.

RECOMMENDATION

I recommend that you propose rescissions and defer increases on a selective basis (Option 2)

- ☐ Option 1 Propose rescission or deferral of all increases not related to reestimates of program activity or funds provided in advance of a request. (TAB B)
- ☐ Option 2 Propose rescission or defer increases on a selective basis. (Footnoted items in TAB B)
- ☐ Option 3 Accept the increases.
- ☐ Option 4 See me.

ADD-ONS THAT SHOULD
REMAIN AVAILABLE
(in thousands of dollars)

Congressional Increase to the President's Request	
1976	T.Q.

Agriculture

Food and Nutrition Service:

Food stamp program.....	---	200,000
-------------------------	-----	---------

The current USDA projection estimates a shortfall of up to \$200 million for the transition quarter so the requirement for this program may be as high as the Congress suggests.

Commerce

National Oceanic and Atmospheric Administration:

Operations, research, and facilities.....	---	1,000
--	-----	-------

The increase is an addition to the President's request of \$1 million to begin implementation of the 200 mile fisheries management program (P.L. 94-265). The \$1 million would be used for refurbishing the research vessel Albatros IV to conduct extended resource assessment surveys. While the \$1 million was not included in the President's request, the work to be done is consistent with the 1977 budget amendment that the President subsequently forwarded to the Congress.

Health, Education, and Welfare

Food and Drug Administration:

Salaries and expenses.....	---	1,200
----------------------------	-----	-------

This appropriation would provide a start in the transition quarter on a program to monitor industry testing of drugs and food additives. The Administration has recommended a \$16.4 million 1977 budget amendment for this program.

Alcohol, Drug Abuse, and Mental

Health Administration:

Saint Elizabeths Hospital.....	---	632
--------------------------------	-----	-----

The increase is for 175 additional positions for patient care and support services in order to meet staffing deficiencies identified by the Joint Committee on Accreditation.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.O.</u>

Health, Education, and Welfare (continued)

Office of Education:

Higher Education.....	387,550	---
-----------------------	---------	-----

The increase of \$387,550,000 is for Basic Opportunity Grants. This is an Administration initiative for which we proposed a different method of financing based on reprogramming and appropriation transfers. It would be awkward to attempt to resist an increase that is largely a technical one.

Social and Rehabilitation Service:

Public assistance.....	248,033	1,000
------------------------	---------	-------

The increase is on the basis of a later estimate of the cost of this uncontrollable program, with which HEW agrees.

Interior

Bureau of Land Management:

Construction and maintenance.....	400	---
-----------------------------------	-----	-----

The increase is for survey and design of an office building in Alaska. Funds for this project are requested in the 1977 budget.

Fish and Wildlife Service:

Construction and anadromous fish..	1,605	---
------------------------------------	-------	-----

The increase of \$1.6 million for construction and anadromous fish would be used for the Presidentially-endorsed Cedar Point Wildlife Refuge.

National Park Service:

Planning and construction.....	242	---
--------------------------------	-----	-----

These funds are for the design of a memorial to Franklin Delano Roosevelt. The Administration had planned to request the funds at a later date.

Bureau of Indian Affairs:

Construction.....	1,500	---
-------------------	-------	-----

These funds are for repair and rehabilitation of Indian school facilities in the Navajo area. This accelerates needed repair work that would otherwise be done at a later date.

Congressional Increase to the President's Request		
<u>1976</u>	<u>T.Q.</u>	

Interior (continued)

Office of Territorial Affairs:

Administration of Territories.....	1,000	---
------------------------------------	-------	-----

This increase covers road construction and restoration of some programs approved by OMB to make up for economic setbacks in American Samoa.

Transportation

Coast Guard:

Acquisition, construction and improvements.....	10,000	---
---	--------	-----

These funds are to provide for the expeditious reactivation of Coast Guard resources to enforce the expanded fisheries zone. The Administration is also preparing a 1977 budget amendment to accomplish the reactivation/renovation of aircraft and facilities.

Treasury

Secret Service:

Salaries and expenses.....	1,000	---
----------------------------	-------	-----

This increase of \$1 million for the Secret Service is to reimburse State and local governments (primarily New York City) for protection of foreign ministers under extraordinary circumstances. The Administration planned to begin this type of reimbursement in FY 1977 but did not voice strong objections when earlier funding was proposed by Congress.

Other Independent Agencies

National Commission on Supplies and Shortages:

Salaries and expenses.....	125	---
----------------------------	-----	-----

This supplemental appropriation for the Advisory Committee to the National Commission on Supplies and Shortages was initiated by the Congress. There is some possibility that the funds will be needed by the Committee in order to accomplish its mission.

INCREASES THAT MIGHT BE
RESCINDED OR DEFERRED
(in thousands of dollars)

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.O.</u>

Agriculture

Agricultural Research Service:

Research (meat research, Clay Center, Nebraska).....	1,200	---
---	-------	-----

The funds provided can be used effectively.

Plum Island facilities <u>1/</u>	4,000	---
--	-------	-----

This amount is for construction at the Plum Island facility that provides foot-and-mouth disease diagnostic services on imported animals. Construction on a similar import center at Fleming Key, Florida, is now underway. Although the Plum Island construction would facilitate the import of animals via Fleming Key, it is not vital to the operation.

Agricultural Stabilization and
Conservation Service:

Agriculture conservation program (ACP) <u>1/</u>	15,000	---
---	--------	-----

This amount is part of an appropriation to provide technical assistance and conservation cost-sharing to minimize wind erosion damage in the Great Plains area. The present level of ACP funds (\$175 million), the \$90 million recommended by the Administration for a "reformed" 1977 ACP, and the additional funds provided for Conservation Operations (\$.8 million) and the Great Plains Conservation Program (\$2 million) are sufficient to handle the problem in the Great Plains area.

Soil Conservation Service:

Conservation operations.....	750	---
------------------------------	-----	-----

The funds would be used to provide some relief from conditions caused by the drought in the Great Plains area.

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.Q.</u>

Agriculture (continued)

Soil Conservation Service (continued):

Watershed and flood prevention operations.....	12,327	---
---	--------	-----

The funds would eventually be used for emergency work to damaged watersheds. The additional funds will not cause an expansion in the program level since other constraints will serve to limit program activity.

Great Plains conservation program.....	2,000	---
---	-------	-----

The funds would be used to provide some relief from significant erosion problems.

Food and Nutrition Service:

Child nutrition programs <u>1</u> /.....	10,800	9,350
--	--------	-------

The increases include \$14.4 million for school food service equipment and \$5.8 million for State administrative expenses.

Equipment:

The recently enacted amendments to the School Lunch Act reduced the amount of equipment funds that must be reserved to reach nonparticipating schools in needy areas and further expanded the proportion of benefits for the nonpoor. The funding that has been provided for equipment assistance since 1946 has failed to provide adequate financial inducements for some 16,000 schools to participate. The FY 1977 Budget and the subsequent supplemental request did not contain funding for equipment assistance.

State administrative expenses:

The President's budget included \$7.7 million for State administrative expenses in FY 1977; an increase of \$1 million over FY 1976.

We do not feel that a further increase can be justified until the completion of the State Staffing Study mandated by P.L. 94-105 (enacted 10/7/75), which is to provide a basis for future funding decisions.

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase
to the President's Request
1976 T.O.

Agriculture (continued)

Food and Nutrition Service:

Special Milk 1/..... --- 24,000

Congress added \$24 million in order to finance the Special Milk Program--presently mandated in authorizing legislation--during the TQ. The FY 1977 Budget proposed elimination of the Special Milk Program in FY 1976 and requested no funding for the TQ. .

Forest Service:

Forest land management.....	8,837	3,770
Forest research.....	1,925	589
State and private forestry cooperation.....	164	60
Construction and land acquisition.....	389	195
Youth Conservation Corps.....	98	56
Assistance to States for tree planting.....	7	5

The 1976 Agriculture Appropriation Act was enacted very late in FY 1976. The Administration insisted that the Forest Service absorb the 1975 pay increase provided last October. Since research funds were not increased much by the 1976 appropriation, pay increases reduced actual research activities performed below the 1976 budget level. The increases above are primarily for restoration of these pay increases. However, since salary increases are already being paid, the funds will be used largely to expand the programs over what they would have been. More than half of these funds are now obligated and, hence, cannot be retrieved.

Department of Defense - Civil

Corps of Engineers:

Construction, general..... --- 4,000

The funds would allow resumption of small unauthorized projects suspended because funds were not included in the 1977 budget. .

Health, Education, and Welfare

Health Services Administration:

Indian health services..... 3,000 ---

This increase provides additional funds for in-patient care of Indians on a contract basis with non-Indian Health Service hospitals.

1/ Under option 2. this item would be recommended for rescission.

Congressional Increase
to the President's Request
1976 T.Q.

Health, Education, and Welfare (continued)

Health Services Administration (continued):

Indian health facilities.....	250	---
-------------------------------	-----	-----

This is for first phase planning of a new health facility to Nome, Alaska.

Health services.....	---	18,300
----------------------	-----	--------

The Congress provided these funds in order to continue, during the transition quarter, maternal and child health formula and project grants for which 1976 funds were provided as an unbudgeted increase to the 1976 Labor-HEW- bill and with respect to which a rescission was rejected by the Congress.

National Institutes of Health:

National Institute of Environmental Health Sciences.....	---	1,000
--	-----	-------

This increase is to permit continuation funding of research grants and environmental health center grants through the transition quarter.

Alcohol, Drug Abuse and Mental Health Administration:

Alcohol, drug abuse, and mental health.....	---	20,600
---	-----	--------

These funds have been provided to support continuation costs of alcoholism community project grants that are scheduled for renewal in the transition quarter at the 1976 appropriation level.

Health Resources Administration:

Health resources (Rogers Memorial Hospital) 2/.....	4,000	---
---	-------	-----

The Federal Government has already provided \$17.7 million for this project. The additional \$4 million would bring the Federal share of the project to 96% of \$21.7 million. The Administration has opposed inequitable and preferential individual awards through the legislative process in the light of existing national programs for construction and renovation in which all institutions compete for Federal support. The funds should be reprogrammed to the nationally available program.

2/ Under option 2, this item would be deferred.

Congressional Increase
to the President's Request
1976 T.O.

Health, Education, and Welfare (continued)

Office of Education:

Elementary and Secondary education.....	8,000	3,000
Bilingual education.....	(1,200)	(---)

This amount would be used for payment of State administration costs related to Bilingual education. The States and local governments have primary responsibility for this program.

Reading improvement.....	(6,800)	(---)
--------------------------	---------	-------

Funds amounting to \$4.8 million are for State Education Agency leadership training projects and \$2 million is for Reading is Fundamental--a program that distributes books to disadvantaged students.

State equalization <u>1</u> /.....	(---)	(3,000)
------------------------------------	-------	---------

These transition quarter funds are to pay States to plan intra-State equalization. The Administration has never accepted this effort as a proper Federal role.

School assistance in Federally affected areas <u>1</u> /.....	24,000	---
--	--------	-----

This additional amount would fully fund the hold-harmless provisions of the program. Nothing in the law requires full funding of these provisions. Currently no part of the program is fully funded. Sufficient amounts are available without the \$24 million to prorate the hold-harmless provisions at 75% of full funding.

Emergency school aid.....	30,000	3,000
---------------------------	--------	-------

These funds are targeted to cities under desegregation court orders, such as Boston, Louisville, and Detroit.

Education for the Handicapped <u>1</u> /..	90,000	---
--	--------	-----

These funds are for State grants for diagnostic and prescription services, direct support and other services. HEW believes that States are currently unable to spend effectively their allotments of current funds authorized

Congressional Increase
to the President's Request
1976 T.O.

Health, Education, and Welfare (continued)

Office of Education (continued):

Education for the Handicapped (continued)

for these services by the Mathias amendments contained in P.L. 93-380. To add an additional \$90 million to the \$110 million presently available may indeed exacerbate that problem. Further, the \$100 million currently available represents full funding of the program that reflects an appropriate level of Federal support.

Higher education.....	---	1,000
-----------------------	-----	-------

This increase would be used to help process applications for the basic grant program during the transition quarter.

Salaries and expenses	1,575	635
-----------------------------	-------	-----

These funds are provided for studies stemming from the Education for All Handicapped Children Act (S.6) and for 65 positions--50 Handicapped and 15 Impact aid. Sufficient funds and staff are already available for the studies and staffing of new S.6 responsibilities. Further, the Administration has proposed the Financial Assistance for Elementary and Secondary Education Act, which would repeal most of the additional S.6 requirements. Sufficient staff is available to perform the additional Impact Aid responsibilities.

Assistant Secretary for Human

Development:

Human development.....	43,400	24,256
------------------------	--------	--------

The Congress has provided additional funds for the programs authorized by the Older Americans Act Amendments of 1975--community services area planning and social services, and research and training. Funds were also provided for a new vocational training service project, for construction of a recreation complex for the handicapped in West Virginia and for a Statewide aging demonstration project in the State of Washington.

Congressional Increase
to the President's Request
1976 T.Q.

Housing and Urban Development

Housing for the Elderly or
Handicapped* (Increase in
limitation on loan fund)1/..... -- 375,000

This increase would double the level requested for housing for the elderly or handicapped ("Section 202") loans from \$375 million to \$750 million. On programmatic grounds, this doubling of the loan level is unwarranted and undesirable. Elderly housing sponsors have little problem securing FHA-insured financing, so these direct loans are unnecessary. The subsidy provided with these loans makes little or no difference in the rents elderly tenants must pay since the Section 8 rental assistance program will subsidize their rents down to 25 percent of their income.

An increase of \$375 million in the loan level would have no direct impact on budget outlays in the 1976-1977 period, but would raise outlays in 1978 and 1979 by \$200 million and \$75 million, respectively, if House-passed legislation to put this account back on-budget is approved.

Release of the 1976 add-on would also guarantee another \$375 million increase in 1977 since you proposed to maintain the program at its 1976 level. This item is the subject of a decision memorandum sent to you on June 15, 1976

Interior

Bureau of Outdoor Recreation:

Land and water conservation fund.. 8,900 --

These increases are for land acquisition at Big Thicket, Sleeping Bear Dunes, and other areas. The funds for Big Thicket are to acquire lands before the landowners cut timber.. The Sleeping Bear Dunes funds are to buy out "hardship" cases.

1/ Under option 2, this item would be recommended for rescission.

* 1977 outlays would be off-budget but those in subsequent years are likely to be on-budget.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.O.</u>

Interior (continued)

Fish and Wildlife Service:

Resource management.....	267	---
--------------------------	-----	-----

The resource management funds are for (1) management of three wildlife refuges transferred to the Service from the Bureau of Land Management and (2) for the migratory waterfowl conservation program.

Mining Enforcement and Safety

Administration:

Salaries and expenses.....	947	---
----------------------------	-----	-----

These funds would be used for State grants, a training center in Kentucky, and costs incurred as a result of the Scotia mine disaster.

Labor

Departmental Management:

Salaries and expenses (Mountain- Plains Family Education and Employment Program) <u>1</u> /.....	5,000	---
--	-------	-----

This was included at Senator Mansfield's behest and provides training for individuals whose families accompany them to the training center at the old Glasgow AFB, Montana. Because the families live in, per trainee cost of \$17,000 is very high and no evidence has been provided to show that results merit the costs. Once funded by the National Institute of Education as a Career Education demonstration model, no funds for this program were requested in the FY 1977 budget. The Administration's position has been that the States concerned should decide whether they wish to continue the project, and if so, to use CETA or other funds.

Employment Standards Administration:

Salaries and expenses.....	45	135
----------------------------	----	-----

Funds were provided for 30 positions to reduce backlog. The Administration has already reallocated current funds to use temporary personnel to accomplish the same purpose.

1/ Under option 2, this item would be recommended for rescission.

Congressional Increase to the President's Request	
<u>1976</u>	<u>T.O.</u>

Treasury

U.S. Customs Service:

Salaries and expenses.....	5,600	3,100
----------------------------	-------	-------

This is an increase of \$8.7 million and 300 positions for the Customs Service to (1) handle additional travellers from foreign countries expected during the Bicentennial and Canadian Olympics and (2) open new ports of entry and expand service at existing ports. In order to preserve the personnel plan underlying the 1977 request, OMB could request Customs to hire temporary personnel until the 1977 budget level is determined.

Energy Research and Development
Administration

Operating expenses, fossil fuels <u>2</u> /.....	16,000	---
---	--------	-----

The increase is for fossil fuels R&D activity. Currently, the program is experiencing difficulty in obligating funds as quickly as was anticipated. Even though energy is a high-priority area of effort, it appears that these funds cannot be used until late FY 1977 or FY 1978.

Other Independent Agencies

Corporation for Public Broadcasting:

Public Broadcasting fund <u>1</u> /.....	8,500	---
--	-------	-----

This amount represents an unnecessarily high increase to base (27% over FY 1975), which will be used at the discretion of CPB for new programming, various grants under existing categorical programs, and direct formula aid to public TV and radio licensees. There is no specific program rationale for increases at this time. The add-on is a low priority for increased spending.

- 1/ Under option 2, this item would be recommended for rescission.
2/ Under option 2, this item would be deferred.

Congressional Increase
to the President's Request
1976 T.Q.

Other Independent Agencies (continued)

Federal Communications Commission:

Salaries and expenses.....	225	110
----------------------------	-----	-----

This represents increased allowances for the October 1975 pay raise. These increases add cash (1) to a base unexpectedly depleted in the second half of FY 1976 by the sudden CB radio workload, and (2) to fund hiring of needed temporary personnel.

Legal Services Corporation:

Payment to the Legal Services

Corporation.....	4,330	--
------------------	-------	----

This increase provides \$1.5 million for a study of existing staff attorney programs and of alternative means of delivering legal assistance (both required by law), \$1.0 million for continuing programs formerly funded by the Labor Department for migrants, and \$1.8 million to continue programs formerly supported by local initiative funds from community action agencies. Since the Corporation is a private (not Federal) agency, it will not defend a rescission proposal before the Congress.

U.S. Postal Service:

Payment to the Postal Service

Fund.....	18,589	3,000
-----------	--------	-------

This increase reflects additional funding to provide for the extended phase-in of postage rates under the new rate levels put into effect on December 31, 1975. While the Administration is opposed to extended phasing, under the Postal Reorganization Act of 1970 (P.L. 91-375), we are precluded from apportioning any funds appropriated to the Postal Service and thus cannot defer the funds. While the President could propose rescission of the funds, his right to do so might be challenged. In view of the sensitivity of current negotiations with the Congress on pending Postal Service legislation, it is recommended that the rescission right not be tested now.

Congressional Increase
to the President's Request
1976 T.Q.

Other Independent Agencies (continued)

Smithsonian Institution:

Salaries and expenses.....	300	--
----------------------------	-----	----

Certain contributions to the Folklife Festival from other Federal agencies (American Revolution Bicentennial Administration, Department of Labor, and the Department of the Interior) and private sources are running in the aggregate about \$800,000 below the amounts previously projected by the Smithsonian. This appropriation could help solve the overall shortfall in expected funding for the Festival.

THE WHITE HOUSE
WASHINGTON

June 22, 1976

TO JIM CONNOR

FROM Bill Gorog

I recommend Option 2 -- Tab B is
difficult to understand == I suggest
that titles be underlined in color
(red, green, etc. - to indicate recission,
deferral, etc.)

W.F. Gorog for L. Wm.
Seidman

per handwritten note.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 21, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jack Marsh

Jim Cannon

Alan Greenspan

Mwx Friedersdorf

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, June 23

Time: 3 P.M.

SUBJECT:

James Lynn memo 6/21/76 re
Proposed Rescissions and deferrals
of increase contained in the Second
Supplemental Appropriations Act, 1976

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

I recommend Option 2 —
Tab B is difficult to
understand — I suggest that
titles be underlined in color
(red, green, etc. — to indicate rescission,
deferral, etc.) *at Connor for LWS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate
delay in submitting the required material, please
telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE

WASHINGTON

June 23, 1976

MEMORANDUM FOR:

JIM CONNOR

FROM:

MAX FRIEDERSDORF 

SUBJECT:

James Lynn memo 6/21/76 re Proposed
Rescissions and deferrals of increase contained
in the Second Supplemental Appropriations Act, 1976

The Office of Legislative Affairs recommends Option 2.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 21, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jack Marsh

Jim Cannon

Alan Greenspan

~~Mwx Friedersdorf~~ *m 6*

Bill Seidman

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REMARKS:

Recommended OPT, in # 2

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Jim Connor
For the President

THE WHITE HOUSE

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SUBJECT:

James Lynn memo 6/21/76 re
Proposed Rescissions and deferrals
of increase contained in the Second
Supplemental Appropriations Act, 1976

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

Optimistic
g
Jim

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate
delay in submitting the required material, please
telephone the Staff Secretary immediately.

Jim Connor
For the President