The original documents are located in Box C47, folder "Presidential Handwriting, 8/26/1976" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

August 26, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: BRENT SCOWCROFT
DONALD G. OGILVIE

FROM: JAMES E. CONNOR JEC

SUBJECT: Transition Quarter Foreign Military Credit Sales Program

The President reviewed your memorandum of August 19 on the above subject and made the following decisions:

Category A

Korea

Approve the State request ($10 million for Korea)

Category B

Kenya

Approve the State request ($15 million FMS)

Zaire

Approve the State request ($10 million FMS)

Morocco

Approve no FMS credit in the TQ (OMB recommendation).

Tunisia

Approve the State request ($.10 million FMS)

Category B (Continued)

Indonesia

Approve no FMS credit in the TQ
(OMB recommendation)

Jordan **

Approve no FMS credit in the TQ
(OMB recommendation)

** In the case of the President's decision on Jordan, his approval of the above option was followed with "?".

Please follow-up with appropriate action.

cc: Dick Cheney

4661

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

~~CONFIDENTIAL~~-GDS

ACTION
August 19, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: Brent Scowcroft
Assistant to the President
for National Security Affairs

Donald G. Ogilvie
Acting Director
Office of Management and Budget

SUBJECT: Transition Quarter Foreign Military Credit Sales Program

Statement of Issue

State Department is proposing to increase the FMS credit program in the TQ by about $145 million by utilizing excess budget authority carried over from 1976 (Tab A). State proposes to rescind the additional $40.3 million in budget authority which would remain after these expenditures.

OMB believes that any such expenditure of the excess funds is inadvisable following so shortly after the strong position you took against increasing TQ aid to Israel. Accordingly, OMB recommends that you propose rescission of the entire excess budget authority. Attached for signature is the special message proposing rescission of $140.3 million and the related rescission report (Tab B).

NSC believes that the State Department proposal includes worthwhile programs which deserve funding, unless you perceive that expenditure of these funds would cause serious problems in our relations with Congress. If you choose this option, a modified rescission for $40.3 million is attached for signature (Tab C).

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KR 5/17/88

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Analysis

The State proposal is based on a windfall in program authority resulting from two unique developments:

-- The blanket Congressional authorization for the TQ at one-quarter of the 1976 level, seen by Congress as a means for getting more FMS credits to Israel.

-- The unanticipated savings in 1976 budget authority resulting from the shift from direct credits to guarantees (requiring only 10% budget authority) and the subsequent carry-over of the unused authority into the TQ.

It is unlikely the Congress is aware that this coincidence of factors has made substantial sums available in excess of the President's full FMS request for FY 1976 and the TQ.

The following table shows the amount of available program and budget authority after allowing for the increased aid to Israel in the TQ ($200 million) and the approved 1976 programs that have slipped into the TQ ($155 million for Turkey, Ethiopia, and Peru).

FMS Credit Availabilities in the TQ
($ millions)

	Program	Budget Authority
TQ Authorized/Appropriated	593.7	140.0
1976 BA Carryover	---	134.8
Total Available	593.7	274.8
Less Approved 1976/TQ Programs	355.0	134.5
Balance Available	238.7	140.3

Legally, you may allocate all of the $238.7 million in FMS program ceiling and the $140.3 million in FMS budget authority to eligible recipient countries. This would not require any increases in the budget, but would necessitate additional federal borrowing of about one-quarter billion dollars.

Alternatively, you may propose to the Congress rescission of all or a portion of the balance of the budget authority. Any such rescission request must be transmitted promptly in order that Congress have sufficient time in which to act before the funds lapse at the end of the TQ.

The Case for Rescission

OMB believes that the benefits from increasing the FMS program would be less than the resultant damage to your credibility and our relations with Congress on security assistance. Over the past year you have gone on record publicly, and in private meetings with key Congressional leaders, as opposing any increase over your FMS request for FY 1976 and TQ. You made this point very strongly in your dealings with Congressman Passman and others on the compromise package for Middle East assistance. Since Congress approved your entire FMS budget request for the TQ, any additional expenditures from funds inadvertently available from 1976 might be seen by Congress as a violation of your commitments and an attempt to bypass Congressional oversight of security assistance. We would risk retaliatory action on the FY 1977 appropriation bill, and perhaps new impetus for another Congressional attempt to limit your authority in this area by legislative fiat.

These risks are unjustified. The State recommendations are not emergency requests, and those for which there is some urgency--Kenya, and possibly Tunisia--can almost certainly be funded by reprogramming. Even a supplemental budget request where circumstances warrant would be preferable to use of these excess funds.

You should be aware, however, that rescission has certain drawbacks. Congress must approve any rescission and it is possible that pro-Israeli forces on the Hill would work to prevent this acceptance and bring pressure to bear for additional FMS for Israel. It may, therefore, be desirable to accompany a rescission proposal with a strong public statement that these fiscal 1976 funds are available because of our efforts over the past year to keep expenditures to a minimum, and that to spend them would be considered contrary to your policy of fiscal austerity.

The 45 day period for Congressional consideration of this proposed rescission runs beyond September 30, 1976, when the funds lapse. If the Congress did not present to you for approval a rescission enactment on or before September 30, we would have to allow obligation of these funds on that date to stay within the intent of the Impoundment Control Act. We could then allocate the balance to meet the highest priority needs at that time. We could expect strong pressures to allocate as much as $175 million in additional FMS credit to Israel bringing the transition quarter program for Israel up to $375 million, one-quarter of the 1976 program as authorized by Congress. Even the partial rescission recommended by State would be sufficient to provide Israel approximately $94 million in additional FMS and could give rise to a fight on the Hill.

NSC believes we are faced with a unique situation, with an opportunity to fund needed programs which should not simply be rejected. Aside from the small dollar outlays involved, the critical issue in deciding whether to expend the funds or ask for rescission is the attitude of the Congress. Were it not for the possibility of a sharply negative Congressional reaction, the case for allocating the funds would be overwhelming. Therefore, unless the perception is that expenditure would cause serious problems in Congressional relations, NSC supports the State proposal.

There is no question that we must anticipate some Congressional pressure to utilize the funds for Israel. This pressure is likely to develop whether the decision is to utilize all or part of the funds or to ask for a full rescission, although it may be easier to develop a logic for resistance in the latter case.

Estimates of Congressional attitudes on this issue are mixed. Max Friedersdorf believes Congressional reaction would not be so severe as to dictate against utilizing the funds. Jack Marsh is less sanguine. He feels there is a substantial threat from Israel supporters and recommends soundings on the Hill before taking formal action.

Recommendation

OMB recommends rescission of the entire FMS surplus.

NSC recommends that, unless it is perceived that expenditure of the funds would cause serious problems in our relations with Congress, the State Department proposal be approved.

However, to enable you to consider the merits of the particular country proposals, they are presented below.

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Analysis of Country Proposals

State is proposing increases for eight countries. The increases fall into three different categories as indicated in the following table:

($ Millions)

	Program	BA
A. To restore 1976-77 MAP Reductions		
Korea	10.0	1.0
B. To meet new requirements		
Indonesia	10.0	1.0
Kenya	15.0	1.5
Zaire	10.0	10.0
Tunisia	10.0	1.0
Morocco	5.0	.5
C. Special Jordan situation	85.0	85.0
Total	145.0	100.0
Unallocated balance to be rescinded	93.7	40.3

Category A

Korea

State proposes to allocate $10 million of FMS credit to Korea in the TQ to compensate for a Congressional cut of $13.5 million in the 1976 MAP. OMB believes that the proposed additional FMS credit is marginal in relation to the $275 million Korea FMS program in 1977. There would be strong Congressional criticism of any increase for Korea.

Decision

Approve the State request ($10 million for Korea) — MRF

Approve no FMS credit in the TQ (OMB recommendation) — ________

Category B

Kenya

State proposes $15 million for Kenya in the transition quarter to enable Kenya to meet the payment schedule for the purchase of 12 F-5E aircraft which we have agreed to deliver on an accelerated basis. While Kenya's need for the F-5E's is urgent, the required additional $15 million to meet the accelerated payment schedule could be provided by reprogramming in 1977 or, if that is not feasible, by a supplemental budget request. However, this takes time; the Kenyans, more aware than ever of their vulnerability, need the reassurance which could be provided by quick action.

Decision

Approve the State request
($15 million FMS) ________

Approve no FMS credit in the TQ
(OMB recommendation) ________

Zaire

State proposes $10.0 million for Zaire in the TQ to serve both political and security purposes. Politically, State believes the additional FMS credit would reassure Mobutu and other African leaders of U.S. resolve to help its friends, particularly in the wake of the recent visits by Secretaries Kissinger and Rumsfeld. Militarily, the additional assistance would strengthen Zaire's military deterrent in the face of uncertain security conditions in central and southern Africa. NSC concurs.

State has provided no specific justification for the amount of additional FMS credit requested which would be in addition to the $28 million fiscal 1977 program. However, we understand the request is based upon an Impact Package recommended in the report of a DOD team (Rockwell Report) that visited Zaire in May to assess the security situation there. Because Defense has not completed its review of nor released the Rockwell Report and Impact Package, we are unable to evaluate the proposal.

OMB believes that approval of additional FMS credit at this time could be misinterpreted as a tacit commitment to support a multi-year program of substantial proportions. If, upon completing the assessment, additional assistance is justified, the proposal can be considered in reviewing the 1978 FMS budget.

Decision

Approve the State request ($10 million FMS) — NRF

Approve no additional FMS credit in the TQ (OMB recommendation) ______

Morocco

State proposes $5 million for Morocco in addition to $30 million each in 1976 and 1977 as a contribution to a multi-year modernization program that will approximate $800 million in purchases from the U.S. There are no apparent new factors that would justify increasing the Morocco FMS program over the budget.

Decision

Approve State request ($5 million in FMS) ______

Approve no FMS credit in the TQ (OMB recommendation) — NRF

Tunisia

State proposes $10 million for Tunisia in the transition quarter to "demonstrate our sincerity and our interest in helping Tunisia meet its priority defense needs," and on the grounds that Tunisia was informed that the State Department would attempt to program $25 million in FMS financing in 1977. Tunisia fears a Libyan attack or Libyan-sponsored subversion and would welcome a material indication of our support.

Both the 1976 and 1977 budgets included $15 million in FMS credit for Tunisia, a three-fold increase over the 1975 program of $5 million. Tunisia is planning to use the $30 million in FY 76-77 FMS credit as progress payments for the Chaparral missile system. If an additional $10 million is required, it can be provided through reprogramming or a supplemental. However, such assistance would not be as timely or as valuable in terms of political support at a time when the Tunesians fear that Libyan overt or covert aggression is imminent.

Decision

Approve the State request ($10 million FMS) — RR

Approve no FMS credit in TQ (OMB recommendation) — ______

Indonesia

State proposes $10 million in TQ FMS for Indonesia because of Indonesia's disappointment with the $23 million in FMS financing provided in 1976, to assist in approving its defensive capability, and to promote our overall military relationship with Indonesia. However, we have just reprogrammed nearly $10.0 million of MAP for Indonesia, raising total MAP for FY 1976 and the TQ to more than your original budget request. OMB does not believe this additional expenditure is warranted.

Decision

Approve the State request ($10 million in FMS) — ______

Approve no FMS credit in the TQ (OMB recommendation) — RR

Jordan

State proposes to use $85.0 million in direct credit (requiring $85 million in budget authority) to cover a possible gap between payments due on the Jordan HAWK sale and the funds the Saudis are willing to provide during the 1976-1981 period. While Saudi Arabia has agreed to fund the full $540 million cost of the program, under the present Saudi funding schedule insufficient Saudi funds would be available in the early years to cover progress payments as they come due.

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In light of the Congressional reaction to the HAWK sale last summer when opponents threatened to block the sale by concurrent resolution, and of the assurances then given that no U.S. financial resources were to be used, we should explore every other alternative before resorting to use of transition quarter FMS credit, especially since existing Congressional sensitivities are likely to be intensified by what some would regard as a diversion to Jordan of funds intended for Israel. Moreover, the total assistance package for Jordan, which was 5% above the President's original request, was one element of the compromise TQ Middle East assistance package you developed in consultation with Chairman Passman and others. Additional aid for Jordan, with no compensating increase for Israel, would violate your oft-stated commitment to proportionately in Middle East assistance.

DOD payment schedules indicate the potential funding gap will not occur until after September 30, 1977. Thus, OMB believes we have time to explore alternatives (e.g., adjustments in the Saudi payments or slipping progress payments) before having to decide to resort to U.S. funding. According to the latest cable from Jidda, the Saudis have had a favorable initial reaction to a scheme to pool the HAWK payments with the overall Saudi FMS payments, which should avert a funding gap. If no alternative emerges, OMB believes the necessary funds could be requested in the 1978 FMS budget. NSC believes there may be substantial difficulty in getting funds for Jordan of this magnitude through the Congress.

Decision

Approve State request
($85 million in direct FMS credit) ______ (?)

Approve no FMS credit in the TQ
(OMB recommendation) ______ MC7

Attachments

TAB A

UNDER SECRETARY OF STATE
FOR SECURITY ASSISTANCE
WASHINGTON

August 4, 1976

~~CONFIDENTIAL~~

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20301

Dear Mr. Lynn:

Under Secretary Maw, in his letter to you of July 27, 1976, identified those FMS financing programs which the Department of State considered urgent for implementation in the current transition quarter and requested that the Office of Management and Budget seek the necessary Presidential approval for those programs.

Subsequent to Under Secretary Maw's letter, further inter-agency discussions and deliberations have resulted in a modification of the Department's position regarding those FMS financing programs. In the absence of Under Secretary Maw, I am herewith conveying to you our revised request which is as follows:

Country	Program Level ($ millions)	NOA
Israel	200	110.0
Turkey	125	12.5
Ethiopia	10	10.0
Peru	20	2.0
Jordan	85	85.0
Kenya	15	1.5
Indonesia	10	1.0
Korea	10	1.0
Zaire	10	10.0
Tunisia	10	1.0
Morocco	5	.5
Totals	500	234.5

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GDS

DECLASSIFIED
E.O. 12356, Sec. 3.4.
MR 92-68, #35, State ltr. 2/5/93
By KBH NARA, Date 3/19/93

The justifications pertaining to the above requested country FMS financing programs included in Under Secretary Maw's letter still apply.

Sincerely,

Amos A. Jordan
Deputy to the Under Secretary
for Security Assistance

UNDER SECRETARY OF STATE
FOR SECURITY ASSISTANCE
WASHINGTON

~~CONFIDENTIAL~~

July 27, 1976

Dear Mr. Lynn:

The International Security Assistance and Arms Export Control Act of 1976 authorizes an FMS financing program ceiling for the current transition quarter of one-fourth the FY 1976 FMS financing program ceiling, or $593.675 million. The pertinent appropriations act for FY 1976 and the transition quarter provides $140 million in new obligational authority (NOA) for the transition quarter. In addition, unused NOA from FY 1976, in the amount of $134.75 million, is carried over into the transition quarter resulting in a total NOA availability of $274.75 million to fund a maximum FMS financing program of $593.675 million in the current transition quarter.

The Congressional Presentation Document for the transition quarter proposed FMS financing totaling $55.5 million, comprising $46 million for Greece, $8 million for the Republic of China, and $1.5 million for Korea. As the end of the FY 1976 drew near without new legislation and it became clear that the FMS financing program of $125 million for Turkey would have to be deferred to the transition quarter, administrative steps were taken to obligate guarantees for those three FMS financing programs under the FY 1976 ceiling. This action was taken for the purpose of having maximum flexibility for fulfilling Presidential decisions during the transition quarter.

With regard to FMS financing programs in the transition quarter, these programs are broken down into three categories: a) the Israeli program required by law, b) those programs which were approved by the President for FY 1976 but not actually implemented, and c) urgent new programs we request be approved by the President for the transition quarter. Summaries of all of these programs are as follows by category:

Honorable James T. Lynn
Director,
Office of Management
and Budget.

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GDS

a) Required by law:

Israel - $200 million program ($110 million NOA)

The pertinent appropriations act earmarks a total of $200 million for Israel, of which repayment of $100 million is to be waived.

b) Approved for FY 1976, but Not Implemented:

Turkey - $125 million program ($12.5 million NOA)

While the President had approved $130 million for Turkey in FY 1976, Congress specifically authorized $125 million to be provided during FY 1976 and the transition quarter. Because of new requirements added to Section 620(x) of the Foreign Assistance Act of 1961, as amended, by Section 403 of the International Security Assistance and Arms Export Control Act of 1976, late passage of this latter act precluded any funding during FY 1976. Therefore, the $125 million FMS financing must be provided during the transition quarter or it will be lost.

Ethiopia - $10 million program ($10 million NOA)

Ethiopia did not sign the approved FY 1976 $10 million FMS credit agreement prior to the June 30 deadline because of confusion over its acceptance of the standard terms. We believe this offer should be approved again for the transition quarter as well as an additional $5 million in FMS financing which Ethiopia has sought (see c below).

Peru - $20 million program ($2 million NOA)

The approved $20 million program was not offered to Peru in FY 1976 because of the unresolved issue of compensation in the Marcona expropriation matter and, also, the uncertainty regarding Peru's credit worthiness due in part to heavy spending for military purchases from the USSR and other countries. We believe that this program should be approved again for the transition quarter to allow for its possible use in connection with our continuing efforts to resolve the Marcona issue.

c) Urgent New Programs

Kenya - $35 million program ($3.5 million NOA)

Kenya is being offered a squadron of F-5 aircraft for which we are attempting to provide FMS financing up to a total of $65 million over five years. Kenya received $15 million in FMS financing in FY 1976 for this purpose and $5 million is programmed for FY 1977. However, a recent decision to expedite delivery requires that the financing period be compressed with larger outlays required at this time. Failure to make this additional FMS financing available in the transition quarter would require diverting funds from other approved country programs in FY 1977.

<u>Indonesia</u> - $15 million program ($1.5 million NOA)

Indonesia indicated its disappointment concerning the level of $23.1 million in FMS financing extended to it in FY 1976. It is expected that Indonesia would accept $15 million in FMS financing in the transition quarter since it is in dire need of improving its defensive capability and requires trainer/ground support aircraft, fast patrol boats, helicopters and surveillance equipment. The extension of such financing would also promote our overall military relationship with this populous and strategically located Asian country.

<u>Jordan</u> - $100 million program ($100 million NOA)

The extension of $100 million in FMS credit under Section 23 of the Arms Export Control Act, as amended, is intended to provide short term (about three year) bridge financing for Jordan's purchase of an air defense system from the U.S. The acquisition of the system has been delayed pending arrangement of satisfactory financing. The Saudis have recently pledged sufficient funds to cover the full cost of the system, but their payments will be spread relatively evenly over the next five years whereas the needed progress payments on the system are necessarily front-loaded. To keep the cost of the program from exceeding the agreed amount and to ensure that this sensitive arrangement does not collapse, it is imperative that these funds be apportioned. In order to serve the purpose for which these funds are intended, we propose that they be extended without interest. Should this course of action be adopted, the required Presidential certification will be forwarded separately.

<u>Korea</u> - $15 million program ($1.5 million NOA)

In FY 1976 Korea received $60.5 million in MAP, a decrease of $13.5 million from the President's request.

This decrease was imposed by Section 101 of the International Security Assistance and Arms Export Control Act of 1976. It has been decided that effective FY 1977 Korea will no longer receive MAP grant materiel, but that we will assist the transition by FMS financing. A $15 million FMS financing program in the transition quarter would compensate for the MAP reduction in FY 1976. This financing would be applied to the purchase of F-4 and F-5 aircraft and defensive missile systems.

<u>Ethiopia</u> - $5 million program ($5 million NOA)

This is an add-on to the $10 million FMS financing which had been approved for FY 1976 but which was not signed by Ethiopia (see a above). Ethiopia has requested additional credit in the transition quarter and is expected to utilize such financing for M60 tanks and radar which it has agreed to purchase.

<u>Zaire</u> - $25 million program ($25 million NOA)

The extension of $25 million in FMS credit to Zaire will serve both security and political purposes. Militarily, it will facilitate Zaire's efforts to establish a credible military deterrent--a necessary action given the uncertain security conditions in central and southern Africa and the potential for Zaire's economic strangulation by Angola. Politically, its timeliness and magnitude will reassure President Mobutu, as well as other African leaders, of US resolve to help its friends. This responsiveness would take on added significance in the wake of recent visits to Zaire by the Secretaries of State and Defense. While we recognize that Zaire currently is in serious financial straits, we consider that our overall interests would be served by the extension of $25 million in FMS credit to that country.

<u>Tunisia</u> - $10 million program ($1 million NOA)

Tunisia had been informed that we would attempt to program $25 million in FMS financing for FY 1976 and FY 1977 to help meet its defense requirements. Inasmuch as Tunisia received $15 million in FMS financing in FY 1976, an additional $10 million at this time would demonstrate our sincerity and our interest in helping Tunisia meet its priority defense needs. We would expect that Tunisia would utilize such financing as a partial payment for Chapparal anti-aircraft missiles.

Morocco - $20 million program ($2 million NOA)

Morocco received $30 million in FMS financing in FY 1976 and the President has approved $30 million for FY 1977. However, Morocco is in the midst of a multi-year military modernization program which will approximate $800 million in total US purchases. It is expected that Morocco would utilize this $20 million FMS financing as a progress payment for the Dragon missile system which will cost in excess of $51 million.

The Department of State requests that the Office of Management and Budget seek the necessary Presidential approval for the above FMS financing programs for the current transition quarter. The Secretary of State believes strongly that these programs are urgent and that they serve the security and political interests of the United States.

Sincerely,

Carlyle E. Maw

Carlyle E. Maw

TAB B

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Impoundment Control Act of 1974, I herewith propose rescission of $140,250,000 in budget authority available in the transition quarter for the Foreign military credit sales program. Approval of this rescission proposal would reduce Federal spending by $89 million over the transition quarter, 1977, 1978, and 1979.

Unusual circumstances not provided for by the Impoundment Control Act of 1974 have brought about the transmission of this special message at a time that will not allow for a 45 day period of continuous session of the Congress prior to the end of the transition period when the affected funds lapse. These circumstances result from the coincidence of (1) the late approval of the Foreign Assistance Appropriations Act, 1976, on June 30, 1976, the eve of the transition quarter, (2) the short duration of the unique transition quarter itself, and (3) the announced schedule of congressional recesses of more than three days during August and September. In view of this unusual situation, I ask the Congress to give prompt consideration to the proposed rescission.

The details of the proposed rescission are contained in the attached report.

THE WHITE HOUSE

CONTENTS OF SPECIAL MESSAGE
(in thousands of dollars)

Rescission #	Item	Budget Authority
	Funds Appropriated to the President:	
	International Security Assistance	
R76-50	Foreign military credit sales	140,250

* *

SUMMARY OF SPECIAL MESSAGES
FOR FY 1976 AND THE TRANSITION QUARTER
(amounts in thousands of dollars)

	Rescissions	Deferrals
Twentieth special message:		
New items..........................	140,250	---
Changes to amounts previously submitted..............	---	---
Effect of the twentieth special message..................	140,250	---
Previous special messages............	3,455,314	8,335,296
Adjustments to eliminate double counting...................	---	-242,023
Total amount proposed in special messages...................	3,595,564 (in 50 rescission proposals)	8,093,273 (in 117 deferrals)

NOTE: All amounts listed represent budget authority except for $114,828,220 consisting of two general revenue sharing deferrals (of outlays only). Supplementary reports for these deferrals (D76-25F and D76-67A) are included in the seventeenth special message.

Rescission Proposal No: R76-50

PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of P.L. 93-344

Agency Funds Appropriated to the President	New budget authority (P.L. 94-330) TQ $ 140,000,000
Bureau International Security Assistance	Other budgetary resources TQ 134,750,000
Appropriation title & symbol Foreign Military Credit Sales 1161082	Total budgetary resources TQ 274,750,000
	Amount proposed for rescission $ 140,250,000
OMB identification code: 04-09-1082-0-1-052	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act
Grant program ☐ Yes ☐ No	☐ Other ______
Type of account or fund: ☒ Annual ☐ Multiple-year ______ (expiration date) ☐ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ______

Justification

Pursuant to Public Law 90-629, the "Foreign Military Sales Act," approved October 22, 1968, as amended (including Title II of Public Law 94-329, the International Security Assistance and Arms Export Control Act of 1976, approved June 30, 1976), and Executive Order No. 11501 of December 22, 1969, as amended, the Secretary of Defense, under the continuous supervision and general direction of the Secretary of State, uses appropriated funds to make loans to friendly foreign countries and international organizations to finance procurement of defense articles and defense services from the United States or to guarantee loans made by private U.S. financial institutions or the Federal Financing Bank for the same purpose.

Public Law 94-330, the "Foreign Assistance and Related Programs Appropriation Act, 1976, and the period ending September 30, 1976," approved June 30, 1976, appropriated $1,065,000,000 for fiscal year 1976 and $140,000,000 for the period July 1, 1976, through September 30, 1976, "to enable the President to carryout the provisions of the Foreign Military Sales Act" (now the Arms Export Control Act). At the end of June 30, 1976, a balance of $134,750,000 of the 1976 appropriation remained unobligated and would otherwise have expired; however, as a result of section 204 of Public Law 93-554, approved December 27, 1974, that balance remains available until September 30, 1976. On July 1, 1976, the unobligated balance of the 1976 appropriation was merged with the funds appropriated for the period July 1, 1976, through September 30, 1976, pursuant to Public Law 94-274, the "Fiscal Year Transition Act," approved April 21, 1976.

R76-50

The President has determined that a part of the available budget authority will not be required to carry out the full objectives and scope of the Foreign Military Credit Sales program for which it was provided. Therefore, a rescission of $140,250,000 is proposed. This excess amount arose as a result of increased reliance on guaranteed loans rather than direct credit during fiscal year 1976. Under the guarantee program, funds equal to 10% of the face value of loans are obligated to guarantee loans provided to foreign aid recipients by the Federal Financing Bank or private lending institutions, while in direct credit transactions, the full face value of the loans is obligated by the U.S. government.

Estimated Effect:

Planned programs will not be reduced by this rescission. If rescission of the excess funds is not effected and the funds are obligated, the funds would have to be used for lower priority projects or for projects planned for fiscal year 1977.

Outlay Effect: (Estimated in millions of dollars)

Comparison with the President's 1977 budget:

1. Budget outlay estimate for the transition quarter 192.0
2. Outlay savings, if any, included in the budget outlay estimate .... -0-

Current Outlay Estimates for the Transition Quarter:

3. Without rescission 869.0
4. With rescission 854.0
5. Current outlay savings (line 3 - line 4) 15.0

Outlay Savings for 1977 .... 42.0
Outlay Savings for 1978 .... 22.0
Outlay Savings for 1979 .... 10.0

FOREIGN MILITARY CREDIT SALES

Foreign Military Credit Sales

Of the funds appropriated under this head in the Foreign Assistance and Related Programs Appropriations Act, 1976, and the period ending September 30, 1976, $140,250,000 are rescinded.

T
A
B

C

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Impoundment Control Act of 1974, I herewith propose rescission of $40,250,000 in budget authority available in the transition quarter for the Foreign military credit sales program.

Unusual circumstances not provided for by the Impoundment Control Act of 1974 have brought about the transmission of this special message at a time that will not allow for a 45 day period of continuous session of the Congress prior to the end of the transition period when the affected funds lapse. These circumstances result from the coincidence of (1) the late approval of the Foreign Assistance Appropriations Act, 1976, on June 30, 1976, the eve of the transition quarter, (2) the short duration of the unique transition quarter itself, and (3) the announced schedule of congressional recesses of more than three days during August and September. In view of this unusual situation, I ask the Congress to give prompt consideration to the proposed rescission.

The details of the proposed rescission are contained in the attached report.

THE WHITE HOUSE

CONTENTS OF SPECIAL MESSAGE
(in thousands of dollars)

Rescission #	Item	Budget Authority
	Funds Appropriated to the President: International Security Assistance	
R76-50	Foreign military credit sales...	40,250

* *

SUMMARY OF SPECIAL MESSAGES FOR FY 1976 AND THE TRANSITION QUARTER
(amounts in thousands of dollars)

	Rescissions	Deferrals
Twentieth special message:		
New items..............................	40,250	---
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Adjustments to eliminate double counting...................	---	-242,023
Total amount proposed in special messages...................	3,495,564 (in 50 rescission proposals)	8,093,273 (in 117 deferrals)

NOTE: All amounts listed represent budget authority except for $114,828,220 consisting of two general revenue sharing deferrals (of outlays only). Supplementary reports for these deferrals (D76-25F and D76-67A) are included in the seventeenth special message.

Rescission Proposal No: R76-50

PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of P.L. 93-344

Agency Funds Appropriated to the President	New budget authority (P.L. 94-330) TQ $ 140,000,0[illegible]
Bureau International Security Assistance	Other budgetary resources TQ 134,750,0[illegible]
Appropriation title & symbol Foreign Military Credit Sales 1161082	Total budgetary resources TQ 274,750,0[illegible] Amount proposed for rescission $ 40,250,0[illegible]
OMB identification code: 04-09-1082-0-1-052	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act
Grant program ☐ Yes ☐ No	☐ Other ________
Type of account or fund: ☒ Annual ☐ Multiple-year ________ (expiration date) ☐ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ________

Justification

Pursuant to Public Law 90-629, the "Foreign Military Sales Act," approved October 22, 1968, as amended (including Title II of Public Law 94-329, the International Security Assistance and Arms Export Control Act of 1976, approved June 30, 1976), and Executive Order No. 11501 of December 22, 1969, as amended, the Secretary of Defense, under the continuous supervision and general direction of the Secretary of State, uses appropriated funds to make loans to friendly foreign countries and international organizations to finance procurement of defense articles and defense services from the United States or to guarantee loans made by private U.S. financial institutions or the Federal Financing Bank for the same purpose.

Public Law 94-330, the "Foreign Assistance and Related Programs Appropriation Act, 1976, and the period ending September 30, 1976," approved June 30, 1976, appropriated $1,065,000,000 for fiscal year 1976 and $140,000,000 for the period July 1, 1976, through September 30, 1976, "to enable the President to carryout the provisions of the Foreign Military Sales Act" (now the Arms Export Control Act). At the end of June 30, 1976, a balance of $134,750,000 of the 1976 appropriation remained unobligated and would otherwise have expired; however, as a result of section 204 of Public Law 93-554, approved December 27, 1974, that balance remains available until September 30, 1976. On July 1, 1976, the unobligated balance of the 1976 appropriation was merged with the funds appropriated for the period July 1, 1976, through September 30, 1976, pursuant to Public Law 94-274, the "Fiscal Year Transition Act," approved April 21, 197[illegible]

The President has determined that a part of the available budget authority will not be required to carry out the full objectives and scope of the Foreign Military Credit Sales program for which it was provided. Therefore, a rescission of $40,250,000 is proposed. This excess amount arose as a result of increased reliance on guaranteed loans rather than direct credit during fiscal year 1976. Under the guarantee program, funds equal to 10% of the face value of loans are obligated to guarantee loans provided to foreign aid recipients by the Federal Financing Bank or private lending institutions, while in direct credit transactions, the full face value of the loans is obligated by the U.S. government.

Estimated Effect:

Planned programs will not be reduced by this rescission. If rescission of the excess funds is not effected and the funds are obligated, the funds would have to be used for lower priority projects or for projects planned for fiscal year 1977.

Outlay Effect: (Estimated in millions of dollars)

Comparison with the President's 1977 budget:

1. Budget outlay estimate for the transition quarter	192.0
2. Outlay savings, if any, included in the budget outlay estimate	-0-

Current Outlay Estimate for the Transition Quarter:

3. Without rescission	869.0
4. With rescission	869.0*
5. Current outlay savings (line 3 - line 4)	-0-

Outlay Savings for 1977	-0-
Outlay Savings for 1978	-0-
Outlay Savings for 1979	-0-

*No outlay savings will result because it is assumed the lower priority projects to be funded would be financed by guaranteed loans rather than direct loans.

FOREIGN MILITARY CREDIT SALES

Foreign Military Credit Sales

Of the funds appropriated under this head in the Foreign Assistance and Related Programs Appropriations Act, 1976, and the period ending September 30, 1976, $40,250,000 are rescinded.