The original documents are located in Box 27, folder "State of the Union - 1976: General" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

STATE OF THE UNION

FACT SHEET

SUPPLEMENTAL MATERIALS

Annex A -- Proposed Tax Rates for Married Taxpayers

Annex B -- Proposed Tax Rates for Single Taxpayers

Annex C -- Six-Point Electric Utility Proposal

Annex D -- Tables on Effects of Tax Reduction Proposal

Annex E -- Potentially Qualified Labor Market Areas

Tax Rate Schedule for President's
Tax Reduction Proposals
(Married Taxpayers Filing Jointly)

Taxable income bracket		Present rates	Proposed rates for 1976	Proposed rates for 1977
$ 0	$ 1,000	14 %	13 %	12 %
1,000	2,000	15	14.5	14
2,000	3,000	16	15.5	15
3,000	4,000	17	16	15
4,000	6,000	19	17.5	16
6,000	8,000	19	18	17
8,000	10,000	22	21.5	21
10,000	12,000	22	22	22
12,000	16,000	25	25	25
16,000	20,000	28	28.5 1/	29 1/
20,000	24,000	32	33 1/	34 1/
24,000	28,000	36	36	36
28,000	32,000	39	39	39
32,000	36,000	42	42	42
36,000	40,000	45	45	45
40,000	44,000	48	48	48
44,000	52,000	50	50	50
52,000	64,000	53	53	53
64,000	76,000	55	55	55
76,000	88,000	58	58	58
88,000	100,000	60	60	60
100,000	120,000	62	62	62
120,000	140,000	64	64	64
140,000	160,000	66	66	66
160,000	180,000	68	68	68
180,000	200,000	69	69	69
200,000	---	70	70	70

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1/ While two rates are increased in the higher brackets, taxpayers with income taxed in those brackets will benefit from rate reductions in the lower brackets so that on balance the changes in rates reduce taxes even for those affected by the increased rates.

Annex B

Tax Rate Schedule for President's
Tax Reduction Proposals
(Single Taxpayers)

Taxable income bracket		Present rates	Proposed rates for 1976	Proposed rates for 1977
$ 0	$ 500	14 %	13 %	12 %
500	1,000	15	14	13
1,000	1,500	16	15.5	15
1,500	2,000	17	16	15
2,000	3,000	19	17.5	16
3,000	4,000	19	18	17
4,000	5,000	21	19.5	18
5,000	6,000	21	20	19
6,000	8,000	24	22.5	21
8,000	10,000	25	24.5	24
10,000	12,000	27	27	27
12,000	14,000	29	29	29
14,000	16,000	31	31	31
16,000	18,000	34	34	34
18,000	20,000	36	36	36
20,000	22,000	38	38	38
22,000	26,000	40	40	40
26,000	32,000	45	45	45
32,000	38,000	50	50	50
38,000	44,000	55	55	55
44,000	50,000	60	60	60
50,000	60,000	62	62	62
60,000	70,000	64	64	64
70,000	80,000	66	66	66
80,000	90,000	68	68	68
90,000	100,000	69	69	69
100,000	--	70	70	70

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SIX POINT ELECTRIC UTILITY PROPOSAL

-- increase the investment tax credit permanently to 12 percent;

-- permit immediate investment tax credit on progress payments for construction;

-- extend the five-year amortization provision for pollution control facilities;

-- permit five-year amortization of the costs of converting or replacing petroleum-fueled facilities;

-- permit a utility to elect to begin depreciation of accumulated construction progress expenditures during the construction period;

-- permit shareholders to postpone tax on dividends paid by the utility by electing to take additional common stock in lieu of cash dividends.

The provisions regarding the investment tax credit and depreciation would apply only if the tax benefits are "normalized" for rate-making purposes.

Annex D

TABLES

Note: In these tables "Revenue Adjustment Act Unextended" refers to the full-year tax liability change enacted by the Revenue Adjustment Act of 1975, and "Revenue Adjustment Act Extended" refers to a doubling of the Revenue Adjustment Act changes to permit continued use of present withholding tax tables through 1976.

Table 1

Revenue Losses of Individual Income Tax Reduction Compared to 1974 Law
(1976 Levels of Income)
($ billions)

	Revenue Adjustment Act - unextended	Revenue Adjustment Act - extended	President's proposal for 1976	President's proposal for 1977
1. Standard Deduction	-1.8	-3.9	-4.1	-4.2
2. Personal Exemption Deduction	-	-	-5.4	-10.6
3. Per Capita Exemption/ Taxable Income Tax Credit	-4.9	-9.5	-4.6	-
4. Rate Reductions	-	-	-3.6	-6.8
5. Earned Income Credit 1/	-0.7	-1.4	-0.7	-
Total	-7.4	-14.9	-18.5	-21.6
Total excluding earned income credit 2/	-6.7	-13.5	-17.8	-21.6

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1/ Includes outlay portion.

2/ Revenue loss of tax liability changes that affect withholding tax tables.

Table 2

Total Tax Liability Under Various Tax Laws
(1975 Levels of Income)

($ millions)

Adjusted gross income class	1974 law	1975 law 1/	Revenue Adjustment Act unextended	Revenue Adjustment Act extended	President's proposed 1976 law	President's proposed 1977 law
($000)						
Up to 0	44	44	44	44	44	44
0 - 5	2,000	1,165	1,430	998	872	775
5 - 10	14,069	11,514	12,247	10,391	9,702	9,102
10 - 15	23,122	21,099	21,536	19,818	18,563	17,609
15 - 20	23,706	21,944	22,381	21,066	20,264	19,520
20 - 30	28,022	26,782	27,148	26,216	25,470	24,714
30 - 50	16,950	16,579	16,696	16,430	16,174	15,913
50 - 100	12,064	11,962	11,995	11,923	11,803	11,681
100 or over	9,445	9,425	9,431	9,416	9,385	9,354
TOTAL	129,422	120,514	122,906	116,303	112,366	108,711

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Note: Estimates exclude net refunds under E.I.C.; they are treated as expenditures.

1/ Includes effect of home purchase credit.

Table 3

Income Distribution of Liability Under President's Proposal for 1977 Compared with Revenue Adjustment Act Unextended

(1975 Levels of Income)

Adjusted gross income class	Total of tax liability		Tax cut caused by the President's proposal for 1977		
	Revenue Adjustment Act unextended	President's proposal for 1977	Amount	Percent distribution	As percent of tax under Revenue Adjustment Act unextended
($000)	(.......... $ billions ....)		(..................percent............................)		
Up to 5	1.5	0.8	0.7	4.6%	44.4%
5 - 10	12.2	9.1	3.1	22.2	25.7
10 - 15	21.5	17.6	3.9	27.7	18.2
15 - 20	22.4	19.5	2.9	20.2	12.8
20 - 30	27.1	24.7	2.4	17.1	9.0
30 - 50	16.7	15.9	0.8	5.5	4.7
50 - 100	12.0	11.7	0.3	2.2	2.6
100 +	9.4	9.4	0.1	0.5	0.8
TOTAL	122.9	108.7	14.2	100.0	11.5

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January 12, 1976

Note: Estimates exclude net refunds under E.I.C.; they are treated as expenditures.

Table 4

Distribution of Tax Liabilities Under President's Proposal for 1976 Compared with Revenue Adjustment Act Unextended by Size of Adjusted Gross Income
(1975 Levels of Income)

Adjusted gross income class	Total tax liability		Tax cut caused by President's proposal for 1976		
	Revenue Adjustment Act-unextended	Proposed 1976 law	Amount	Percent distribution	As percent of tax under Revenue Adjustment Act extended
($000)	(.......... $ billions	...........)	(....................	percent	.....................)
Up to 5	1.5	0.9	0.6	5.3%	37.8%
5 - 10	12.2	9.7	2.5	24.1	20.8
10 - 15	21.5	18.7	2.9	27.3	13.4
15 - 20	22.4	20.3	2.1	20.1	9.5
20 - 30	27.1	25.5	1.7	15.9	6.2
30 - 50	16.7	16.2	0.5	5.0	3.1
50 - 100	12.0	11.8	0.2	1.8	1.6
100 +	9.4	9.4	*	0.4	0.5
TOTAL	122.9	112.4	10.5	100.0	8.6

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January 6, 1976

Note: Estimates exclude net refunds of E.I.C.; they are treated as expenditures.

Table 5

Distribution of Tax Liabilities Under President's Proposal for 1977 Compared with Revenue Adjustment Act Extended by Size of Adjusted Gross Income (1975 Level of Income)

Adjusted gross income class	Total tax liability: Revenue Adjustment Act extended	Total tax liability: President's proposal for 1977	Tax cut caused by the President's proposal for 1977: Amount	Tax cut caused by the President's proposal for 1977: Percent distribution	Tax cut caused by the President's proposal for 1977: As percent of tax under Revenue Adjustment Act extended
($000)	(.................$ billions		...............)		
Up to 5	1.0	0.8	.2	2.9%	21.4%
5 - 10	10.4	9.1	1.3	17.0	12.4
10 - 15	19.8	17.6	2.2	29.1	11.1
15 - 20	21.1	19.5	1.5	20.4	7.3
20 - 30	26.2	24.7	1.5	19.8	5.7
30 - 50	16.4	15.9	0.5	6.8	3.1
50 - 100	11.9	11.7	0.2	3.2	2.0
100 +	9.4	9.4	0.1	0.8	0.7
TOTAL	116.3	108.7	7.6	100.0	6.5

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Office of Tax Analysis

January 12, 1976

Note: Estimates exclude net refunds under E.I.C.; they are treated as expenditures.

Table 6

Distribution of Tax Liabilities Under President's Proposal
for 1976 Compared with Revenue Adjustment Act Extended
by Size of Adjusted Gross Income
(1975 Level of Income)

Adjusted gross income class	Total tax liability		Tax cut caused by the President's proposal for 1977		
	Revenue Adjustment Act Extended	President's proposal for 1976	Amount	Percent distribution	As percent of tax under Revenue Adjustment Act Extended
($000)	(............... $ billions	...............)		(................. percent	.......................)
Up to 5	1.0	0.9	0.1	3.2%	12.1%
5 - 10	10.4	9.7	0.7	17.5	6.6
10 - 15	19.8	18.7	1.2	29.6	5.9
15 - 20	21.1	20.3	0.8	20.4	3.8
20 - 30	26.2	25.5	0.7	18.9	2.8
30 - 50	16.4	16.2	0.3	6.5	1.6
50 - 100	11.9	11.8	0.1	3.0	1.0
100 +	9.4	9.4	0.03	0.8	0.3
TOTAL	116.3	112.4	3.9	100.0	3.4

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January 19, 1976

Note: Estimates exclude net refunds under E.I.C.; they are treated as expenditures.

Table 7

Comparison of Individual Income Tax Provisions

	1974 Law	1975 Law	Revenue Adjustment Act - unextended 1/	Revenue Adjustment Act extended 2/	President's proposal for 1976	President's proposal for 1977
1. Standard Deduction						
(a) Minimum standard						
Single returns	$1,300	$1,600	$1,500	$1,700	$1,750	$1,800
Joint returns	$1,300	$1,900	$1,700	$2,100	$2,300	$2,500
(b) Percentage standard	15%	16%	16%	16%	16%	-
(c) Maximum standard						
Single returns	$2,000	$2,300	$2,200	$2,400	$2,100	$1,800
Joint returns	$2,000	$2,600	$2,400	$2,800	$2,650	$2,500
2. Personal Exemption Deduction	$750	$750	$750	$750	$875	$1,000
3. Tax Credit						
(a) Per capita	None	$30	$17.50	$35	$17.50	None
(b) Percent of taxable income	None	None	1% up to $90	2% up to $180	1% up to $90	None
4. Rate Reductions	None	None	None	None	See Annex	See Annex
5. Earned Income Credit	None	10% up to $400	5% up to $200	10% up to $400	5% up to $200	None
6. Home purchase credit	None	5% of value up to $2,000	None	None	None	None

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1/ Full-year tax liability change enacted by Revenue Adjustment Act of 1975.
2/ Doubling of Revenue Adjustment Act changes to permit continued use or present withholding tax tables through 1976. These provisions are actually contained in the Act but will be inoperative without further legislation.

Table 8

Tax Liabilities Under Various Tax Laws for Single Person Without Dependents, With Itemized Deduction of 16 Percent of Adjusted Gross Income 1/

Adjusted gross income class	Tax Liability					
	1972-74 law	1975 law 2/	Revenue Adjustment Act	Revenue Adjustment Act extended	Proposed 1976 law	Proposed 1977 law
$ 5,000	$ 490	$ 404	$ 425	$ 363	$ 334	$ 307
7,000	889	796	800	714	677	641
10,000	1,506	1,476	1,430	1,331	1,278	1,227
15,000	2,589	2,559	2,499	2,409	2,358	2,307
20,000	3,847	3,817	3,757	3,667	3,609	3,553
25,000	5,325	5,295	5,235	5,145	5,080	5,015
30,000	6,970	6,940	6,880	6,790	6,722	6,655
40,000	10,715	10,685	10,625	10,535	10,455	10,375
50,000	15,078	15,048	14,988	14,897	14,811	14,725

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January 13, 197[illegible]

1/ If standard deduction exceeds itemized deduction, family uses standard deduction.

2/ Assumes that taxpayer is not eligible for the Home Purchase Credit.

Table 9

Tax Liabilities Under Various Tax Laws for Family with No Dependents, Filing Jointly with Itemized Deductions of 16 Percent of Adjusted Gross Income 1/

Adjusted gross income class	Tax Liability: 1972-74 law	1975 law 2/	Revenue Adjustment Act	Revenue Adjustment Act extended	Proposed 1976 law	Proposed 1977 law
$ 5,000	$ 322	$ 170	$ 225	$ 130	$ 88	$ 60
7,000	658	492	548	448	387	335
10,000	1,171	1,054	1,084	948	872	800
15,000	2,062	2,002	1,972	1,882	1,827	1,750
20,000	3,085	3,025	2,995	2,905	2,842	2,780
25,000	4,240	4,180	4,150	4,060	4,006	3,950
30,000	5,564	5,504	5,474	5,384	5,358	5,328
40,000	8,702	8,642	8,612	8,522	8,481	8,444
50,000	12,380	12,320	12,290	12,200	12,140	12,080

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1/ If standard deduction exceeds itemized deduction, family uses standard deduction.

2/ Assumes that taxpayer is not eligible for the Home Purchase Credit.

Table 10

Tax Liabilities Under Various Tax Laws for Family with 1 Dependent, Filing Jointly with Itemized Deductions of 16 Percent of Adjusted Gross Income 1/

Adjusted gross income class	Tax Liability					
	1972-74 law	1975 law 2/	Revenue Adjustment Act	Revenue Adjustment Act extended	Proposed 1976 law	Proposed 1977 law
$ 5,000	$ 207	$ 29	$ 95	$ 0	$ 0	$ 0
7,000	526	336	406	289	234	190
10,000	1,028	882	949	820	726	640
15,000	1,897	1,807	1,807	1,717	1,635	1,535
20,000	2,897	2,807	2,807	2,717	2,624	2,530
25,000	4,030	3,940	3,940	3,850	3,757	3,660
30,000	5,324	5,234	5,234	5,144	5,070	4,988
40,000	8,406	8,316	8,316	8,226	8,140	8,054
50,000	12,028	11,938	11,937	11,847	11,739	11,630

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1/ If standard deduction exceeds itemized deduction, family uses standard deduction.

2/ Assumes that taxpayer is not eligible for the Home Purchase Credit. Also assumes that taxpayer is not eligible for the Earned Income Credit. Taxpayers maintaining a home in the United States for a dependent child are eligible for the Earned Income Credit (EIC) if they earn less than $8,000 and if their adjusted gross income is less than $8,000. If the effects of the EIC were included, the table would have these entries (negative entries represent direct payments to the taxpayer):

AGI	1975 Law	Revenue Adjustment Act	Revenue Adjustment Act Extended	Proposed 1976 Law
$5,000	- $271	-$55	-$300	- $150
$7,000	+ $236	$356	$189	+ $184

Table 11

Tax Liabilities Under Various Tax Laws for Family with 2 Dependents, Filing Jointly with Itemized Deductions of 16 Percent of Adjusted Gross Income 1/

Adjusted gross income class	Tax Liability: 1972-74 law	1975 law 2/	Revenue Adjustment Act	Revenue Adjustment Act: extended	Proposed 1976 law	Proposed 1977 law
$ 5,000	$ 98	$ 0	0	0	$ 0	$ 0
7,000	402	186	$ 268	$ 135	89	60
10,000	886	709	797	651	555	485
15,000	1,732	1,612	1,642	1,552	1,446	1,325
20,000	2,710	2,590	2,620	2,530	2,405	2,280
25,000	3,820	3,700	3,730	3,640	3,507	3,370
30,000	5,084	4,964	4,994	4,904	4,781	4,648
40,000	8,114	7,994	8,024	7,934	7,799	7,664
50,000	11,690	11,570	11,600	11,510	11,345	11,180

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1/ If standard deduction exceeds itemized deduction, family uses standard deduction.

2/ Assumes that taxpayer is not eligible for the Home Purchase Credit. Also assumes that taxpayer is not eligible for the Earned Income Credit. Taxpayers maintaining a home in the United States for a dependent child are eligible for the Earned Income Credit (EIC) if they earn less than $8,000 and if their adjusted gross income is less than $8,000. If the effects of the EIC were included, the table would have these entries (negative entries represent direct payments to the taxpayer):

AGI	1975 Law	Revenue Adjustment Act	Revenue Adjustment Act Extended	Proposed 1976 Law
$5,000	- $300	-$150	-$300	- $150
$7,000	+ $ 86	$218	$35	+ $ 39

Table 12

Tax Liabilities Under Various Tax Laws for Family with 4 Dependents, Filing Jointly with Itemized Deductions of 16 Percent of Adjusted Gross Income 1/

Adjusted gross income class	Tax Liability					
	1972-74 law	1975 law 2/	Revenue Adjustment Act	Revenue Adjustment Act: extended	Proposed 1976 law	Proposed 1977 law
$ 5,000	$ 0	$ 0	0	0	$ 0	$ 0
7,000	170	0	7	0	0	0
10,000	603	372	$ 481	$ 308	240	190
15,000	1,402	1,222	1,297	1,192	1,078	965
20,000	2,335	2,155	2,230	2,125	1,966	1,816
25,000	3,400	3,220	3,295	3,190	3,002	2,830
30,000	4,604	4,424	4,499	4,394	4,191	4,008
40,000	7,529	7,349	7,424	7,319	7,101	6,896
50,000	11,015	10,835	10,910	10,805	10,542	10,280

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1/ If standard deduction exceeds itemized deduction, family uses standard deduction.

2/ Assumes that taxpayer is not eligible for the Home Purchase Credit. Also assumes that taxpayer is not eligible for the Earned Income Credit. Taxpayers maintaining a home in the United States for a dependent child are eligible for the Earned Income Credit (EIC) if they earn less than $8,000 and if their adjusted gross income is less than $8,000. If the effects of the EIC were included, the table would have these entries (negative entries represent direct payments to the taxpayer):

AGI	1975 Law	Revenue Adjustment Act	Revenue Adjustment Act Extended	Proposed 1976 Law
$5,000	- $300	-$150	-$300	- $150
$7,000	- $100	-$43	-$100	- $ 50

Table 13

Projected Poverty Levels 1/ Compared to Tax-Free Income Levels 2/

	1975		1976				1977	
				Tax-free income				
	Poverty level	Tax-free income	Poverty level	Revenue Adjustment Act Extended	Revenue Adjustment Act Unextended	President's proposal	Poverty level	Tax-free income President's proposal
Single person	$2,790	$ 2,560	$2,970	$2,380	$2700	$2,760	$3,150	$2,800
Married couple:								
No dependents	3,610	3,830	3,840	3,450	4100	4,320	4,080	4,500
1 dependent	4,300	4,790	4,570	4,320	5100	5,330	4,850	5,500
2 dependents	5,500	5,760	5,850	5,200	6100	6,340	6,200	6,500
3 dependents	6,490	6,720	6,900	6,080	7080	7,350	7,320	7,500
4 dependents	7,300	7,670	7,770	6,980	8070	8,360	8,240	8,500
Single person, over	2,580	3,310	2,740	3,120	3450	3,640	2,910	3,800
Couple, both over 65	3,260	5,330	3,460	4,950	5600	6,070	3,670	6,500

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1/ Assuming these annual values of the consumer price index (1967 equals 100):
1975 -- 161
1976 -- 172
1977 -- 182

2/ Taxpayers not eligible for earned income credit.

POTENTIALLY QUALIFIED LABOR MARKET AREAS

Labor Market	Unemployment Rate
Alabama	
Anniston	13.0
Birmingham	7.6
Florence	11.4
Gadsden	13.5
Huntsville	9.2
Alaska	
Anchorage*	7.0
Arizona	
Phoenix	10.9
Tucson	7.9
Arkansas	
Fayetteville-Springdale	8.3
Fort Smith	9.3
Pine Bluff	8.4
California	
Anaheim-Santa Ana-Garden Grove	8.3
Bakersfield	8.4
Fresno	9.1
Los Angeles-Long Beach	9.9
Modesto	13.6
Oxnard-Simi Valley-Ventura	8.6
Riverside-San Bernardino-Ontario	11.6
Sacramento	9.0
Salinas-Seaside-Monterey	8.4
San Diego	10.3
San Francisco-Oakland	9.9
San Jose	8.5
Santa Barbara-Santa Maria-Lompoc	7.4
Santa Cruz	11.3
Santa Rosa	12.1
Stockton	9.9
Connecticut	
Bridgeport	12.0
Bristol	14.7
Danbury	10.6
Hartford	[illegible]
Meriden	[illegible]
New Britain	12.9
New Haven-West Haven	9.7
New London-Norwich	7.7
Norwalk	8.5
Stamford	7.3
Waterbury	12.1

*Eligibility in question pending release of December 1975 Labor Statistics

Labor Market	Unemployment Rate
Delaware	
Wilmington	9.6
District of Columbia	8.1
Florida	
Daytona Beach	11.5
Fort Lauderdale-Hollywood	15.4
Fort Myers	12.7
Jacksonville	7.4
Lakeland-Winter Haven	10.9
Melbourne-Titusville-Cocoa	14.5
Miami	10.9
Orlando	11.8
Pensacola	8.3
Sarasota	12.8
Tampa-St. Petersburg	11.3
West Palm Beach-Boca Raton	13.2
Georgia	
Albany	8.7
Atlanta	9.6
Augusta	7.9
Columbus	7.5
Macon	8.4
Savannah	8.3
Illinois	
Chicago	8.6
Decatur	9.5
Kankakee	9.7
Rockford	10.5
Indiana	
Anderson	11.0
Bloomington	10.2
Evansville	7.8
Fort Wayne	9.8
Gary-Hammond-East Chicago	7.8
Indianapolis	7.4
Muncie	10.5
South Bend	7.5
Iowa	
Dubuque	7.4
Kentucky	
Louisville	8.1
Owensboro	8.8

Labor Market	Unemployment Rate
Louisiana	
Alexandria	11.2
Lake Charles	9.6
Monroe	9.5
New Orleans	8.2
Shreveport	9.2
Maine	
Lewiston-Auburn	10.3
Portland	8.2
Maryland	
Baltimore	8.5
Massachusetts	
Boston	12.0
Brockton	12.3
Fall River	13.3
Fitchburg-Leominster	14.7
Lawrence-Haverhill	14.0
Lowell	12.8
New Bedford	15.3
Pittsfield	11.5
Springfield-Chicopee-Holyoke	12.4
Worcester	12.3
Michigan	
Ann Arbor	12.3
Battle Creek	11.9
Bay City	13.3
Detroit	14.6
Flint	15.3
Grand Rapids	11.2
Jackson	11.3
Kalamazoo-Portage	10.1
Lansing-East Lansing	11.8
Muskegon-Norton Shores-Muskegon Heights	14.5
Saginaw	11.3
Minnesota	
Duluth-Superior	8.9
Mississippi	
Biloxi-Gulfport*	7.0
Missouri	
Kansas City	8.1
St. Louis	8.6
Montana	
Great Falls	7.9
Nebraska	
Omaha	7.7

*Eligibility in question pending release of December 1975 Labor Statistics

Labor Market	Unemployment Rate
Nevada	
Las Vegas	10.7
Reno	8.2
New Hampshire	
Manchester	8.2
New Jersey	
Atlantic City	10.7
Jersey City	12.3
Long Branch-Asbury Park	8.6
Newark	10.3
New Brunswick-Perth Amboy-Sayreville	9.2
Paterson-Clifton-Passaic	11.7
Trenton	7.6
Vineland-Millville-Bridgeton	13.6
New Mexico	
Albuquerque	7.9
New York	
Albany-Troy-Schenectady	8.2
Binghamton	8.3
Buffalo	13.6
Elmira	10.1
Nassau-Suffolk	8.1
New York	11.2
Rochester	8.0
Syracuse	9.8
Utica-Rome	10.7
North Carolina	
Asheville	10.2
Burlington	9.4
Charlotte-Gastonia	9.0
Greensboro-Winston-Salem-High Point	8.4
Wilmington	8.9
Ohio	
Akron	8.8
Canton	8.6
Cincinnati	7.2
Cleveland	7.7
Dayton	[illegible]
Hamilton-Middletown	11.6
Lima	9.0
Lorain-Elyria	8.7
Mansfield	10.3
Springfield	8.6
Toledo	9.6
Youngstown-Warren	10.5
Oregon	
Eugene-Springfield	11.6
Portland	9.5
Salem	9.0

Labor Market	Unemployment Rate
Pennsylvania	
Allentown-Bethlehem-Easton	8.0
Altoona	9.2
Erie	8.7
Northeast Pennsylvania	10.4
Philadelphia	10.2
Pittsburgh	8.6
Williamsport	9.6
York	8.1
Rhode Island	
Providence-Warwick-Pawtucket	14.5
South Carolina	
Charleston	9.4
Columbia	8.0
Greenville-Spartanburg	10.1
Tennessee	
Clarksville-Hopkinsville	7.6
Memphis	7.6
Nashville-Davidson	7.3
Texas	
Beaumont-Port Arthur-Orange	8.6
Brownsville-Harlingen-San Benito	11.3
Corpus Christi	7.5
El Paso	10.2
Laredo	16.8
Longview	7.8
McAllen-Pharr-Edinburgh	10.6
San Antonio	8.8
Sherman-Denison	11.9
Texarkana	9.2
Tyler	7.9
Waco	8.1
Utah	
Provo-Orem	7.9
Salt Lake City-Ogden	7.4
Vermont	10.0
Virginia	
Lynchburg	7.5
Washington	
Seattle-Everett	9.2
Spokane	9.0
Tacoma	9.8
Yakima	9.9

Labor Market	Unemployment Rate
West Virginia	
Huntington-Ashland	7.5
Parkersburg-Marietta	10.3
Wheeling	7.9
Wisconsin	
Eau Claire	8.4
Milwaukee	8.1

1976 State of the Union: A Summary

In his State of the Union address Monday night, President Ford set forth his blueprint for America's future -- a blueprint that seeks to establish "a new balance" in our national life and to solve the Nation's problems with hardheaded common sense.

Substantial Progress Already Made

The President pointed out that under his approach, substantial progress was made in 1975:

-- inflation was cut nearly in half -- down to about 7%.

-- the economy was brought out of recession and is now enjoying a healthy recovery.

-- two thirds of the jobs lost in the recession have been restored.

-- to those critics who were asking whether we had lost our nerve, the U.S. has shown that it remains a strong and reliable partner in the search for peace.

-- and through the President's efforts, much of the public's faith in the integrity of the White House has been restored.

Programs to Build Upon Past Progress

The President is now seeking to build upon the foundations laid in 1975. Specifically:

1. In the Economy

A. Curbing Inflation

-- The centerpiece of the President's economic policies to fight inflation and create jobs is his attempt to cut Federal spending and to cut Federal taxes.

-- The President's budget sets a limit of $394.2 billion spending in fiscal year 1977 -- a substantial reduction under earlier projected spending for that year.

-- In the last two years, Federal spending has increased by a total of 40%. The Ford budget would limit the 1977 spending increases to 5.5% -- the smallest single increase since President Eisenhower was in office.

-- The President devoted more personal time to the preparation of the budget than any President in a quarter of a century; as a result, he was able to pare spending without cutting deeply into any programs essential for the health or safety of the Nation.

-- To accompany the spending cut, the President is calling for a permanent tax cut of $28 billion -- $10 billion more than what Congress has allowed.

more

B. Creating New Jobs -- The President is seeking to create new jobs not through vast new public works programs -- programs that have been tried and failed -- but by creating conditions in the private sector that will stimulate economic growth. The tax cut/spending cut is a major part of this effort. In addition, he proposed in the State of the Union:

-- Accelerated depreciation for businesses constructing new plants, purchasing equipment, or expanding their plants in areas of 7% unemployment.

-- Broadened stock ownership so that moderate income Americans will be given tax deductions ~~of up to $1,500~~ for investing in American owned companies.

-- Changes in tax laws that will prevent family farms and small businesses from being wiped out by estate taxes.

-- The President will ask for additional housing assistance for 500,000 families.

C. Regulatory Reform -- The President has asked that the regulatory burden be lightened in four industries -- banking, airlines, trucking and railroads -- so that competition can be fostered and consumer prices reduced. Other areas are still under study.

2. In Energy -- Last year's comprehensive energy bill was flawed but it does provide a base upon which to build. The President is asking for swift Congressional action that would deregulate the price of new natural gas, open up Federal reserves, stimulate greater conservation, develop synthetic fuels from coal, create the EIA, and accelerate technological advances.

3. In Health -- The President proposed catastrophic health insurance for all persons covered by Medicare (the elderly and disabled), so that none of them would be required to pay more than $500 a year for covered hospital bills or more than $250 a year for covered doctor's bills. Slightly higher costs would be imposed upon Medicare beneficiaries to pay for the insurance.

-- Veterans were assured of high quality medical care.

-- The President spoke of the eventual need for national health insurance plan but not one dictated by Washington; the private sector must be the basis of it.

4. In Social Security -- The President called for a full cost of living increase for the elderly receiving Social Security. At the same time, he urged we face reality: the Social Security Trust Fund is running out of money. To preserve the fund and thus to protect future beneficiaries, the President asked for a small increase in Social Security taxes, effective January 1, 1977. The additional cost would come to no more than $1 a week for any employee.

more

5. In Welfare -- The President said that current programs had to be overhauled, but that they shouldn't be dumped in the laps of State and local governments nor should we make massive changes in midst of recovery. Some reforms can be made now; the most prominent -- food stamp reform. The President called for limiting food stamps to those in true poverty.

6. In Crime -- Law enforcement remains primarily a local and State responsibility, but Washington can and must help. The President is proposing: mandatory sentencing laws, more Federal prosecutors, more Federal judges, and more Federal prisons so that judges will be willing to send more criminals to jail. The President also promised a further crackdown on drug pushers.

7. In Federal Program Consolidation -- The President proposed that some 59 Federal programs be collapsed into 4 block grants -- health, education, child nutrition and community services. The biggest block grant would be a $10 billion health grant for medicaid and other purposes; money would be distributed on basis of which state has most low income families. Purpose of the consolidation would be to wipe out red tape, give those closest to the problems greater flexibility to solve them. They would be similar to revenue sharing, a program for which the President urged re-enactment.

8. In Defense and Foreign Policy -- The President called for a significant increase in defense spending to ensure that the U.S. never becomes second strongest power.

-- He pointed to numerous successes in foreign policy of keeping the country at peace, progress in Middle East, strengthening of relationships with Europe and Japan, progress on arms limitations.

-- But he warned against further internal attacks on foreign policy community, especially the CIA, and against further Congressional efforts to tie the hands of the President.

-- He promised action to strengthen the intelligence establishment.

# # # #

"Government exists to create and preserve conditions in which people can translate their ideals into practical reality.

And in all that we do, we must be more honest with the American people; promising them no more than we can deliver, and delivering all that we promise."

# # # #

(From the President's 1976 State of the Union Message to the Congress.)

# # # #

NOTES ON PRESIDENTIAL ACTIONS RELATING
TO PREPARATION OF THE STATE OF THE UNION

February 3, 1975

The President visited Atlanta, Georgia, the first in a series of Presidential Conferences, or town hall meetings, conducted around the country.

February 3, 1975

The President met with the Southeast Governors in Atlanta, Georgia, to discuss domestic policy and to get their ideas and recommendations.

February 10, 1975

The President met with the Southwest Governors in Houston, Texas, for the same purpose.

February 11, 1975

The President met with the Midwest Governors in Topeka, Kansas, for the same purpose.

February 13, 1975

The President directed the Vice President to oversee the Domestic Council staff in assessing national needs, reviewing policy, and proposing reforms.

February 20, 1975

The Vice President suggested to the President that a major priority objective of the Domestic Council be to develop options that would assist the President as he continued to formulate the comprehensive, cohesive Ford Administration program for 1976. The President directed the Vice President, Executive Director, and Deputy Director of the Domestic Council to visit each member of the Domestic Council to discuss Administration programs and policies.

February 25, 1975

The President met with the Southeastern Mayors in Hollywood, Florida, seeking their ideas and recommendations for domestic policy.

February 27, 1975

The Vice President, at the President's direction, requested that the Cabinet members send to him a list of the realistic needs and major domestic policy problems from each agency.

March 17, 1975

The President met with the Mid-Northwest Governors in South Bend, Indiana, to get their ideas and recommendations for domestic policy.

March 20, 1975

Proposals and issues from the individual departments and agencies were compiled, collated, and summarized for the President.

April 3, 1975

The President attended a Presidential Conference in San Diego, California.

April 4, 1975

The President met with the Western Governors in San Francisco, California, to get their recommendations and ideas for domestic policy.

April 18, 1975

The President attended Northern New England (New Hampshire) to attend another Presidential Conference.

June 10, 1975

The Domestic Council met at the White House so that the President could get first-hand from each member of the Domestic Council his suggestions on important domestic problems and solutions.

July 3, 1975

A Presidential Conference was held in Cincinnati, Ohio.

July 1975

The President asked Lynn and O'Neill to give him a report on what kinds of action would be necessary to restrain natural growth in Federal programs and what kinds of tax policy should go with spending restraints.

July 24, 1975

The President directed the Vice President and the Domestic Council to undertake a review of the major domestic issues and develop initial discussion papers to serve as a beginning point for an Administration posture for the SOTU message and legislative action.

August 19, 1975

A Presidential Conference was conducted in Peoria, Illinois.

August 25, 1975

A Presidential Conference was held in Milwaukee, Wisconsin.

August 26, 1975

The Domestic Council held the first in a series of meetings with Cabinet members and top assistants for ideas to present to the President for the State of the Union and legislative programs for 1976.

August 28, 1975

The President met with 16 State Governors at the White House, on energy.

September 4, 1975

A Presidential Conference was held in Seattle, Washington.

September 12, 1975

A Presidential Conference was held in St. Louis, Missouri.

October 1, 1975

The President held a meeting with Mayors of Small Towns and Cities in Skokie, Illinois.

October 1, 1975

A Presidential Conference was held in Omaha, Nebraska.

October 7, 1975

A Presidential Conference was held in Knoxville, Tennessee.

October 21, 1975

The first in a series of domestic and public forums was held in Denver, Colorado. The purpose of the hearings was to help achieve citizen participation in the review of domestic policy by providing an area for public fact-finding, for the exchange of ideas, and for exploring policy alternatives.

November 7, 1975

The President met with the New England Governors in Boston, Massachusetts, to get their ideas and recommendations on domestic policy.

November 8, 1975

The President started conducting a series of budget meetings to discuss the 1977 Budget of the United States.

December 10, 1975

The President conducted a series of Budget Appeal Meetings. In all, the President spent well over 100 hours on the budget.

December 15, 1975

Six SOTU Coordinating Group Meetings began.

December 16, 1975

The Vice President presented to the President a comprehensive summary of the Domestic Council recommendations for the SOTU and a compendium of the findings of the White House Public Forums on Domestic Policy.

December 18, 1975

The President held a State of the States meeting with the Governors to get their report prior to the time the President delivered his SOTU Address and finalized the budget.

December 22, 1975

The Domestic Council staff presented to the President a summary of the SOTU Coordinating Group Meetings.

January 8-9, 1976

Meetings in Williamsburg, Virginia, were held to review various ideas and proposals that could be recommended to the President for his consideration for inclusion in his State of the Union Message (Tab L).

January 19, 1976

The President delivers his State of the Union Message to the Nation.

THE WHITE HOUSE

WASHINGTON

August 5, 1975

MEMORANDUM FOR: MEMBERS OF THE DOMESTIC COUNCIL

FROM: JIM CANNON Jim

SUBJECT: State of the Union Message

The President has directed the Domestic Council to develop discussion papers on major domestic issues for use in preparing the State of the Union Message and the Administration's legislative agenda for 1976.

To carry out the President's directive, I have set up a Domestic Council Review Group on Domestic Policy:

OBJECTIVES

1. Develop a domestic policy theme that is consistent with the President's overall objectives and a broad domestic policy framework from which future decisions can be made.

2. Undertake a review of the major overall domestic issues.

3. Develop initial discussion papers for the State of the Union Message and legislative action.

4. Survey issues dealing with social problems, resources, economic growth, housing, transportation, intergovernmental relations and other related issues.

ORGANIZATION

1. This special effort on major overall domestic policy issues will build on the extensive work already accomplished through assessments by Domestic Council members of National Domestic Needs and Major Policy Problems submitted last March and the additional proposals submitted at the Domestic Council meeting June 10.

2. I have designated Jack Veneman as study director for this Review Group, since he is already well underway with the Domestic Council Review Group on Federal Social Programs, which is closely related to overall domestic policy. His responsibilities have been broadened to include this overall domestic policy review.

TIMETABLE

This study has already begun and initial review papers are to be ready in September. During these next weeks, we would like to get together with you to discuss your earlier proposals and ideas.

Monday, August 25	HEW	10-12
Tuesday, August 26	AGRICULTURE	10-12
Wednesday, August 27	LABOR	11-1
Thursday, August 28	INTERIOR	10-12
Friday, August 29	COMMERCE	10-12
Tuesday, September 2	EPA	10:30-12:30
Wednesday, September 3	TRANSPORTATION	8-10
Thursday, September 4		
Friday, September 5	HUD	3-5 p.m.
Saturday, Setpember 6		

STILL NEED:

TREASURY

ATTORNEY GENERAL

~~TRANSPORTATION~~

CEA

CEQ

VA

ERC

ACTION

EPB

January 6, 1976

In both style and substance, there are several themes which the President should establish in this year's State of the Union speech and stick with during the early primaries.

The basic theme must deal with the ability of Americans to afford the quality of life they expect as this country enters its third hundred years.

This deals directly with priorities. In recent years, too many public officials have tried to give top priority to too many programs.

We can have only one top priority. And that must be to live within our means -- to determine what we can and should pay for and when.

Our first priority then must be to set our house in order. Once that is done we can move ahead to a whole list of priorities aimed at assuring a <u>quality of life</u> for all Americans.

This is based on the assumption that citizens of the United States should have the right to:

*Afford to purchase a home.
*Achieve quality health care at an affordable cost.
*A quality education.
*A transportation system that can deliver him to his destination efficiently and inexpensively without necessarily the use of a private automobile.
*Protection from crime or civil unrest.
*A rewarding job.
*Clean air and water. Preservation of natural resources.
*Long-term energy sources at affordable costs.
*Freedom from persecution or intrusion by government be it the FBI, CIA, IRS or assorted wiretappers or by the red tape that entangles the growth of business.

Underlying these priorities, of course, must be the continuation of a successful policy that permits us to negotiate with foreign powers from a position of military strength.

Achievement of these goals would help Americans realize many of the goals that they have been seeking for 200 years.

But even striving for them -- with the help of a government that is concerned -- would give hope for the future as well as removing much of the present climate of fear and suspicion.

Many of these priorities will take money that is not now available. That is why we must set as the first priority -- living within our means. But others -- such as individual freedoms -- can be accomplished at little cost through executive order.

* * *

Almost as important as the substance of the State of the Union and subsequent speeches is the style.

We would suggest the State of the Union be a brief, positive and somewhat lofty speech outlining goals and priorities. It should be accompanied by somewhat detailed and imaginative written proposals on how to deal with each of these priorities. There also should be a timetable.

To simply say we must put our house in order financially and then sweep these other priorities under the rug would be to invite some deserved criticism.

Obviously, the brief address should be prepared and staged with television in mind. The accompanying written proposals should be distributed at the time of the speech to provide substance for the print press, commentators, columnists etc.

In some of the problem areas, horror stories should be used for illustration -- e.g. difficulties of obtaining health care in a barrios or how long it takes to commute by bus across a big city.

The speech should be written for a television audience. The President should identify each problem, state clearly how and when he plans to deal with it, and at the end of the speech should briefly sum up what he set out to do.

At all times, stridency, blame or any kind of snide references should be avoided.

In subsequent speeches, two or three major themes should be emphasized. The strongest might be (1) living within our means (2) crime (3) foreign policy and (4) individual freedoms.

In addition, regional issues should be stressed -- atomic power in New Hampshire; social security and old age programs in New Hampshire and Florida; property taxes and utility rates in Florida; energy in New Hampshire.

The President's positions should be supported, starting with the State of the Union, by advocates from within the administration, the Congress and outside. These should include speeches to general audiences, radio, TV and print interviews and support from special interest groups concerned with all the priority areas.

The State of the Union and budget proposals should meld easily into the early campaigns in both substance and style.

In all cases, the President should be brief, forceful, decisive and straightforward.

He should utilize Presidential trappings, such as Air Force I etc., in campaign stops but should be frank about the political nature of his visits stating that he is there to seek support and votes. He must not be coy.

Campaign speeches should not exceed 15 minutes and should be followed by Q-and-A at which the President excels.

Bill Nicholson would like you to read the attached & then give him a call.

p

THE WHITE HOUSE

WASHINGTON

January 12, 1976

MEMORANDUM FOR: RICHARD CHENEY

FROM: WILLIAM NICHOLSON

INFORMATION: JERRY JONES

SUBJECT: Pre-SOTU Strategies

There are two sets of opinions concerning the lead-in to the SOTU address. The President's early guidance is needed to insure a thorough implementation.

OPTION I

The following course of action is based on the assumption that the closeness of the SOTU Address and the 1977 Budget Message will obscure them. To gain maximum exposure, pre-SOTU and Budget briefings for special groups leaking certain elements of the messages might be desirable.

The negative aspect of this effort will be a reduced Monday night television audience. Since the SOTU Message contains minimal new programs the delivery and the imparted vision become the key aspects of the address. An audience reduction could possibly override the positive aspects of planned early releases.

Option I would involve:

1. Oval Office Press Conference as scheduled on Thursday, January 15.

2. Briefing on the SOTU and Budget Messages for a selected group of Governors on Friday, January 16

3. Briefing on the SOTU and Budget Messages for a selected group of Mayors on Saturday, January 17.

4. Ron Nessen would coordinate the placement of certain positive aspects of the SOTU address with selected members of the press.

OPTION 2

Option 2 seeks to maximize the television viewership on Monday, January 19. There would be a minimum amount of information pre-released and briefings would be held the day of the address.

This involves:

1. No press conference on Thursday, January 15.

2. Briefings for selected governors and mayors on Monday, January 19. They would be invited to view the President's address from the White House. Key supporters would be scheduled to talk about the Address on Tuesday A.M. news shows.

3. Minimal, if any, pre-release to the press prior to the SOTU address

Approve Option I ___________

Approve Option II ___________

MEETING WITH NATIONAL LEADERS

A suggestion has been received that the President meet daily with one or two nationally recognized figures to discuss the philosophy of the SOTU Message and the outlook for 1976. The positive aspect is the favorable media coverage showing the President meeting with a broad spectrum of national thinkers and leaders. On the negative side questions might be raised as to the need for these meetings so close to the Address and after the speech has already been drafted.

If approved in concept, the following would be contacted (scheduling allowing.)

	Approve	Disapprove
Senator Goldwater	______	______
Senator Tower	______	______
Senator Griffin	______	______
Irving Kristol	______	______
George Shultz	______	______
Paul McCracken	______	______
Herb Stein	______	______
Henry Cabot Lodge	______	______

Should the President approve this alternative we will begin to schedule the individuals on Wednesday, January 14.

Approve ______ Disapprove ______

January 19the

ABC Movie at 8:30 p.m.
(3 hr. movie)

CBS Phyllis at 8:30 p.m.
All in the Family 9:00 p.m. the blockbuster

note: A word of advice -- given on deepest background -- and not to be attributed to Sandy Socolow who gave the advice -- Sandy said -- It was the networks understanding that the President would go on at 9 p.m. - this info. was given to them by a White House person though Sandy would not say who -- He said the networks have been planning on it being at 9 p.m. and sandy said that we should go ahead and do it at 9 if we had planned to do it at 9 and said on super deep background -- that if we changed our plans now -- there's going to be a bloody war over it it is also his understanding that TV Guide has already prin ted (though it hasn't appeared in print yet) that it will be at 9 p.m.

SANDY DOES NOT WANT ANYONE TO KNOW THAT HE HAS PROVIDED THIS INFORMATION......

This may be why B ill Lord was being so cooperative to whatever we wanted which was his assumption the 9 p.m. slot

THE WHITE HOUSE

WASHINGTON

January 19, 1976

MEMORANDUM FOR: RON NESSEN

FROM: JIM SHUMAN

SUBJECT: Analysis of media coverage, before delivery of the State of the Union and Budget Messages.

Much of the reporting on the State of the Union and Budget Messages has been straight news, based on leaks and on announcements from the White House.

Some reporters and columnists, however, have injected opinion, either from unnamed sources or from themselves. This opinion may be an indicator of full-scale attacks after the budget is announced, and it breaks down into several areas:

. GIMMICKS -- This school holds that the budget will not be a true reflection of the actual state of government spending. "One possible inference is that the administration will deliberately underestimate program costs, exaggerate savings and shift numbers around in order to keep total spending below $396 Billion, on paper if not in fact," Lee M. Cohn wrote in the Washington Star on January 16th.

Art Pine, writing in the Baltimore Sun Sunday (1/18/76) was even harsher. "The problem is, as out-tricklings from the administration already have hinted, the new Ford proposals probably will be stuffed with more gimmickry and trickery than most past budget documents combined. To achieve the $28 Billion in downholds will require inclusion of such dubious proposals as consolidation of a dozen or so major social programs, along with a limit on outlays for Medicaid -- which budget planners already know is star-wishing beyond that allowed in Disney World.

"Similarly, the President's new $10 billion tax-cut proposals is simply a P.R. revivalof the portion of his October tax program that Congress already has rejected, with little more hope that the lawmakers will agree this year to tying it to an unrealistically low spending ceiling than they did in the past. Although the present tax cuts probably will be extended through year end, the "extra" $10 billion reduction is not a good bet.

"...along with some major cutback gimmicks, the budget document is expected to be laden with a spate of traditional nickel-and-dime-type savings charades, such as the usual short-lived reductions in federal employment levels (principally by attrition) and the closing of some unneeded military bases. There also will be an extra dose of shell-game tactics, such as omitting some items that officials know will be necessary to put back leter, and shifting some funding back to this year's budget in order to keep fiscal 1977's below the $395 billion "ceiling.""

Newsweek, in the issue out today said the President "was projecting a deficit of $43 billion, a sharp drop from the $76 billion estimated for this fiscal year, but some Congressional experts found Ford's figures overly optimistic."

. POLITICAL -- There have been charges in several places that much of the budget is political.

"The speech was designed as a campaign platform, a document that would overcome his image as an indecisive leader," TIME said this week. "It was also crafted to help Ford in his neck and neck race with Ronald Reagan for the Republican nomination."

Judith Randall of the Knight News Service wrote on January 14th that "The block grant proposal is seen by most informed sources as evidence of President Ford's determination to beat Ronald Reagan for the Republican Presidential nomination, rather than as a workable strategy for health care." She said HEW officials had told her that "Ford must have something with which to counter Reagan's advocacy of a $90 billion cut in the federal budget through elimination of social programs at the federal level. The block grant proposal has been designed by the Office of Management and Budget to meet this need."

. THROW BURDEN ON STATES -- The block grant proposal also was criticised because it allegedly would make the states take a larger share of the costs of Medicade.

Ford's proposal is that "instead of getting 59 percent to 79 percent of the sums they (the states) spend on Medicade help to the medically indigent, they apparently would get a flat federal sum," Victor Cohn reported in the Washington Post (1-15-76).

"That could cost states such as New York, California and Illinois, among those with the most generous Medicade programs, hundreds of millions of dollars. It would force them either to cut back benefits or raise taxes."

. FALSE PREMISES -- Nancy Hicks, writing in the New York Times on January 11th, implied on two counts that the premises on which the administration is basing its needs for budget restraint may be erroneous.

"Looking at these facts (increases in social programs and in inflation) in alarm, last January President Ford and Roy L. Ash, former director of the Office of Management and Budget, declared that if something were not done to turn this trend around, social programs would overtake the economy and consume a third of the gross national product by the year 2000.

"That analysis is in dispute at present, and a study by the new Congressional Budget Office last month also doubted its plausibility."

. MISCELLANEOUS -- among the miscellaneous criticisms have been that the proposed budget will choke off economic recovery (TIME reporting on what it expected liberal democrats to say), that it, according to a critic quoted by Bill Neikirk of the Chicago Tribune (1-18-76), has no heart and that it will ask the economically deprived to lead the fight on inflation that the changes it proposes are only token changes, not in the words of Jim Wieghart of the New York Daily News, "bold recommendations to overhaul and pare down the mushrooming federal bureaucracy."

. IS THE PRESIDENT SERIOUS -- And finally, there have been charges that the President is not really serious in proposing a $395 billion ceiling on spending. "To an even greater extent than usual, Ford's budget plans are vulnerable to congressional opposition, because many of the proposed cuts would require changes in existing laws," Lee M. Cohn wrote in the Washington Star (1-16-76).

And Bill Neikirk of the Chicago Tribune (1-16-76) concluded his analysis with:

"Finally, an important question must be asked: Is Ford really serious about the $395 billion ceiling on federal spending? A good case can be made that he really isn't. In the closing days of the tax-cut bill last December he kept telling the country he would accept nothing less and even vetoed the bill to show how tough he was about that ceiling.

"Eventually, he accepted a nonbinding pledge from Congress to match every dollar of tax cuts with a cut in the budget. He may do the same this year. So much for budget cutting."

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

Ford Expected to Propose Job and Housing Projects

NYT 1-10-76

By PHILIP SHABECOFF
Special to The New York Times

Balt Sun 1-10-76

Ford aims at housing, job needs

By STEPHEN E. NORDLINGER
Washington Bureau of The Sun

Washington—The new federal budget shaped by President Ford will include significant increases in fundings for

12 C

H.E.W. Escaping Ford's Budget Cutting

With Help of Congress and Because of Inflated Costs

By NANCY HICKS
Special to The New York Times

WASHINGTON

Spending Curbs Essential

If he is to succeed—and the record shows how hard that is —he will have to rein in spending by the health departments

The Philadelphia Inquirer
Op-ed Page
Monday, Jan. 12, 1976 7-A

Presidential politics

Ford's tax cut follows tradition

By JEROME CAHILL
New York News Service

was because each had shepherded substantial tax cuts to passage only

NYT 1-14-76 DAILY NE

Ford Mapping Health-Control Shift to States

By JUDITH RANDAL

Does President Ford's proposal to shift federal programs to the state represent a plan for national action or is it aimed at cutting Ronald Reagan down to size? See Capitol Stuff, Page 4.

quire no approval from the federal government, however.

In particular, according to these sources, Ford must have something with which to counter Reagan's advocacy of a $90 billion cut in the federal budget through the elimination of social programs at tht federal level. The block-grant proposal has been designed by the Office of Management and Budget to meet this need.

Approval Termed Unlikely

"It doesn't matter if Congress will ever approve theplan, and undoubtedly it won't," one veteran official of the Department of Health, Education and Welfare said. "Whether it's feasible or

Proposed Changes

Washington, Jan. 13 (News Bureau)—Here is a provisional list of the health programs

Ford Hopes to Cut Budget—& Reagan—Down to Size

Also appeared in Wash. Post same day

Ford to Ask State Control of $10 Billion Health Plans

Democrats React Unfavorably to Idea Transferring Medicaid; California Among Those to Get Less

BY VICTOR COHN
The Washington Post

some states that now get large sums receiving less, he said.

Instead of getting 59% to 79% of the sums they spend on Medicaid help to the medically indigent, they apparently would get a flat federal sum.

That could cost states such as New York, California and Illinois, among those with the most generous Medicaid programs, hundreds of millions of dollars. It would force them either to cut back benefits or raise taxes.

The Ford proposal evidently would give the states block or lump sum revenue-sharing grants to fund not

Ford's 394B Budget Begins With a P for Politics

By JAMES WIEGHART

Washington, Jan. 14 — Presi-

change as Treasury Secretary William E. Simon and former Defense Secretary Melvin R. Laird were reportedly disap-

front — a complete revamping of the federal income tax system.

The Simon proposal, outlined in a

overwhelmingly against a negative income tax or income maintenance approach.

Former President Nixon discovered

U.S. Payroll Cuts Through Attrition Set in Ford Budget

By Lee M. Cohn
Washington Star Staff Writer

$40 billion and $44 billion, officials said. Congress has set fiscal 1976

NEW YORK DAILY NEWS
1/17/76

Ask Social Security Tax Hike

By PAUL HEALY

NEW YORK TIMES
1/17/76

President to Propose Rise In the Social Security Tax

NYTIMES 1/17/76

Budget and State of the Union Messages Also to Seek Expanded Medicare and Business Tax Break to Spur Jobs

By PHILIP SHABECOFF
Special to The New York Times

CHICAGO TRIBUNE
1/18/76

Ford cuts the budget—with dull shears

By Bill Neikirk

THE BALTIMORE SUN
1/18/76

The new budget: More gimmicks, much politics

By ART PINE

1960s—is demoralized. Many officials are seeking other jobs, the report goes.

An official for the National Governor's Conference said any effort by Ford to

The burden we bear

THE CHRISTIAN SCIENCE MONITOR
1/19/76

Message to stress cautious optimism

By Godfrey Sperling Jr.
Staff correspondent of
The Christian Science Monitor

THE CHRISTIAN SCIENCE MONITOR
1/19/76

The '77 budget: how much for retirement?

By Harry B. Ellis
Staff correspondent of
The Christian Science Monitor

CHRISTIAN SCIENCE MONITOR
1/19/76

Ford's portrait of U.S., and Ford

He bids for confidence, sees improving economy

EMBARGOED FOR RELEASE
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JANUARY 19, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

THE PRESIDENT'S STATE OF THE UNION MESSAGE

MAJOR ELEMENTS

I. ECONOMIC PROGRAM AND PROSPECTS

The President's economic policies outlined in his State of the Union Message are designed to keep the economy on an upward path toward two central long-term objectives:

-- Sustained economic growth without inflation;

-- Jobs for all who seek work.

A. SUSTAINED ECONOMIC GROWTH WITHOUT INFLATION

BACKGROUND

At the beginning of 1976, the American economy is well on the way to recovery from the deepest recession since the 1930's. One year ago most economic indicators including unemployment, inflation and production were deteriorating. The most significant economic feature of 1975 was that the economy turned around and steadily grew healthier during the last half of the year. The double digit inflation of over 12 percent in 1974 was reduced in 1975 to an estimated 6.9 percent. Further progress is expected in 1976 when a rate of 5.9 percent is forecast. The further reduction in the anticipated rate of inflation is expected to coincide with a continuation of the recent healthy recovery in the standard of living. Real gross national product is expected to grow by 6.2 percent in 1976 and 5.7 percent in 1977.

DESCRIPTION OF PROGRAM

1. Spending Restraint and a Balanced Federal Budget by 1979

B417-420B

The President's budget recommends $394.2 billion in Federal outlays for FY 1977, a reduction of nearly $29 billion in the projected growth of Federal Government spending. As a result of this spending restraint, the Federal deficit would be reduced from an estimated $76 billion in FY 1976 to $43 billion in FY 1977. By continuing to check the growth in Federal spending, the budget can be balanced in FY 1979. Significant spending restraint coupled with tax cuts will foster sustained economic growth without inflation.

2. Tax Cuts

The President will seek further permanent tax cuts for the American people, effective July 1, 1976. In keeping with his budget to contain the growth of Federal spending, the President reaffirmed his proposal for a $28 billion permanent tax reduction. The President's proposed permanent tax reduction is $10 billion more than the temporary tax reduction (annualized) enacted in December.

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a. Calendar Year 1977 and Beyond

The President's permanent program has the following major features:

-- an increase in the personal exemption from $750 to $1,000

-- substitution of a single standard deduction -- $2,500 for married couples filing jointly and $1,800 for single taxpayers -- for the existing low-income allowance and percentage standard deduction,

-- a reduction in individual income tax rates (see Annexes A and B),

-- a permanent 10 percent investment tax credit;

-- a reduction in the maximum corporate income tax rate from 48 percent to 46 percent and making permanent the current temporary tax cuts on the first $50,000 of corporate income.

-- a program to stimulate construction of new electric utility facilities to insure that long-run economic growth is not limited by capacity shortages in the production of electricity (see Annex C).

b. Calendar Year 1976

Since taxpayers compute their taxes on a calendar year basis, the President is proposing tax liability changes for calendar year 1976 that mesh his permanent proposal with the Revenue Adjustment Act of 1975 and approximate the effect of applying in 1976 the current temporary tax cuts for six months and the President's permanent tax cuts for six months. The President's full proposed tax liability changes will apply for 1977 and subsequent years.

The President's proposals would result in lower withholding tax rates (and higher take-home pay) effective July 1, 1976. The lower withholding tax rates would reflect the full impact of the tax cuts proposed by the President last October and would remain constant in 1977.

The specific tax liability provisions that will apply in calendar year 1976 are:

	Tax Cuts (Compared to 1974 law)
For individuals:	
-- a personal exemption of $875	$ 5.4 billion
-- a per capita exemption credit of $17.50, with alternative taxable income credit equal to 1 percent of the first $9,000 of taxable income (i.e., maximum credit equals $90);	$ 4.6 billion

-- standard deduction changes	$ 4.1 billion
. a low income allowance of $2,300 for joint returns and $1,750 for singles;	
. a percentage standard deduction of 16 percent of Adjusted Gross Income with a maximum of $2,650 for joint returns and $2,100 for singles;	
-- an average of the rate structures under present law and the President's permanent tax cut program (see Annexes A & B);	$ 3.6 billion
-- an earned income credit equal to 5 percent of earned income with a maximum of $200, phasing out at $8,000 of earned income or adjusted gross income, whichever is greater.	$ 0.7 billion
TOTAL INDIVIDUAL CUTS	$18.5 billion

For business:

-- a reduction in corporate rates	$ 3.2 billion
. the rates will be 20 percent for the first $25,000 of taxable income, 22 percent for the second $25,000 of taxable income, and 47 percent for taxable income above $50,000.	
-- the program to stimulate construction of electric facilities, effective July 1, 1976.	$ 0.6 billion
TOTAL INDIVIDUAL AND BUSINESS TAX CUTS	$22.2 billion

c. Comparative Tax Tables

The tables in Annex D illustrate the effect of the President's tax cut proposal when it is fully effective in 1977 on different individual taxpayers compared to 1) tax liabilities under 1972-74 law; 2) 1975 tax liabilities; 3) 1976 tax liabilities under the Revenue Adjustment Act, and 4) the President's transitional proposal for 1976.

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B. JOB CREATION AND EMPLOYMENT

BACKGROUND

Considerable progress has been achieved during the past year. There were 85.5 million Americans at work in December, 1.7 million more than at the low point in March 1975.

The President's approach to the unemployment problem has embraced three sets of policies:

1. Alleviating the economic hardship for those who are unemployed through temporarily extending unemployment insurance coverage to 12 million additional workers and temporarily extending the period of time individuals may receive unemployment insurance benefits from 39 to 65 weeks.

2. Providing increased funds for established and proven Federal programs including Comprehensive Employment Training Act (CETA), summer youth employment and public service employment.

3. Stimulating economic activity in the private sector through a reduction in individual and corporate income taxes and encouraging increased investment in America's economic future through a series of tax incentives.

To encourage investment, the President has already proposed a phased integration of the corporate and individual income tax which will eventually eliminate the double tax burden now imposed on corporate dividends. In addition, he has proposed a six-point plan to stimulate construction of new electric utility facilities to insure that long-run economic growth is not limited by capacity shortages in the production of electricity.

DESCRIPTION OF PROGRAM

The President has proposed four new programs to promote additional investment and create new jobs:

1. Tax Cuts

   The President proposed permanent reductions in individual and corporate income taxes and a permanent increase in the investment tax credit. Details of these proposals are outlined above.

2. Accelerated Depreciation for Construction of Plants and Equipment in High Unemployment Areas

   To speed up plant expansion and the purchase of new equipment in high unemployment areas, the President proposed permitting very rapid depreciation for businesses constructing new plants, purchasing equipment, or expanding existing facilities in areas experiencing unemployment in excess of 7 percent. Construction of such facilities must begin within one year of today to be eligible.

   The program would accelerate the construction of new industrial and commercial facilities in areas of high unemployment where new jobs are most needed. It would immediately benefit the construction industry -- one of the most depressed industries in the economy -- and would create productive, permanent, well-paying jobs in the private sector.

The incentives provided by this proposal are substantial. For example, in the case of a building with a 30-year useful life, the taxpayer would be able to write off one-third of the cost in the first 5 years as compared with 23 percent under the most accelerated method of depreciation now available. For equipment, the entire cost of equipment with a 12-year useful life could be written off in 5 years compared to 60 percent under the double declining balance method now available.

The program has the following provisions:

Qualifying Location: Any Labor Market Area (LMA) which had an average unemployment rate of 7 percent or more for calendar year 1975. If the unemployment rate for such year in any state, exclusive of the LMAs in such state, was 7 percent or more, all areas of such state outside the LMAs would also qualify. A list of potentially qualified Labor Market Areas is at Annex E.

Qualifying Real Estate: Any commercial or industrial facility located in a qualifying area, the construction of which is commenced on or after January 19, 1976, and before January 20, 1977, which is completed within 36 months. Commercial and industrial facilities include factories, warehouses, shopping centers and office buildings, but do not include residential real estate of any kind. Distinct additions to existing facilities will also qualify for these benefits.

Qualifying Equipment: Production equipment which is ordered during the year commencing January 19, 1976, and placed into service in a qualified facility or addition within 36 months thereafter. Equipment for existing facilities or equipment such as over-the-road equipment and rolling stock does not qualify.

Amortization of Qualified Real Estate: Amortization will be allowed over a period equal to one-half the shortest life which a taxpayer may now claim under any provision of the Internal Revenue Code and Regulations. The definition of real estate, as distinguished from equipment, for this purpose will be the same as is used in the investment credit code provisions.

Amortization of Equipment: Equipment can be amortized over sixty months by the straight-line method from the date the equipment is placed in service.

Investment Credit for Equipment: The full investment tax credit would still be allowed if the useful life of such equipment, under present tests, is 7 years or more. This is a most significant

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benefit which will make the election to amortize much more attractive than if the taxpayer were limited to two-thirds of the investment credit as is the case under current law with respect to property depreciated over a five-year period.

Application to Electric Utilities: This proposal would not apply to electric utilities if the Administration's program relating to the taxation of such utilities is implemented.

3. Broadening Stock Ownership

The President proposed tax incentives to encourage broadened stock ownership by low and middle income working Americans by allowing deferral of taxes on certain funds invested in common stocks. Widespread stock ownership will promote more stable financial markets; strengthen economic, social and political support for the free market system; and help employees build a reasonable estate. Details of the program will be worked out with the Congress.

The proposal has the following general features:

-- A Broadened Stock Ownership Plan (BSOP) could be established by individuals or by employers for the voluntary participation of their employees.

-- Contributions to BSOP would be deductible from taxable income.

-- Participation would be restricted to individuals in the middle and low income ranges through a limit on the maximum amount of the annual contribution eligible for exclusion from income tax, with participation phased out at higher income levels.

-- Funds in a BSOP would have to be invested in common stocks, which could take the form of an interest in a mutual fund.

-- Funds in a BSOP would have to remain invested for at least 7 years and are subject to tax at the time of withdrawal.

-- Income earned by the BSOP would be exempt from tax until withdrawn from the plan.

-- The plan would go into effect July 1, 1976, and the full deduction would be allowed for calendar year 1976.

4. Estate Tax Proposal for Family Farms and Businesses

The President proposed a change in the Federal estate tax laws to make it easier to continue the family ownership of a small farm or business. The proposed changes would stretch out the estate tax payment period so that Federal estate taxes can be paid out of the income of the farm or business. No payment will be required for five years and 20 years will be allowed for full payment of estate taxes at a 4 percent interest rate. This reform will help ensure the survival of smaller farms and businesses for future generations and allow them to expand their current operations.

The proposed change would liberalize the present rules under section 6166 of the Internal Revenue Code which permit the payment in 10 annual installments of estate taxes attributable to a family farm or other closely-held business constituting a substantial part of an estate (35 percent of the total estate or 50 percent of the taxable estate). Currently, interest on deferred estate tax payments is charged at the normal rate on overdue tax payments (currently 9 percent, but 7 percent effective February 1, 1976).

The proposal has the following features:

-- At the estate's option, a five-year moratorium will apply to payment of that portion of the tax liability attributable to an ownership interest in a family farm or other closely-held business qualifying for ten-year installment payments under present section 6166 of the Internal Revenue Code. No interest will accrue during the five-year moratorium period and no principal or interest payments will be required during that period.

-- At the end of the five-year period, the deferred tax will, at the estate's option, be payable in equal annual installments over the next 20 years.

-- Interest on the installments will be reduced to 4 percent per annum from the 7 percent rate generally applicable to deferred tax payments.

-- The five-year moratorium and twenty-year extended payment provisions will apply only to the estate tax liability attributable to the first $300,000 in value of the family farm or business. Between $300,000 and $600,000 there will be a dollar for dollar reduction in the value of the farm or business qualifying for the moratorium and extended payment provisions. That portion of the tax not qualifying will continue to be subject to ten-year installment payments with the 7 percent interest rate.

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II. HOUSING ASSISTANCE

The President announced additional housing assistance for 500,000 families.

BACKGROUND

Federal housing programs administered by HUD play a significant role in increasing the Nation's supply of housing. Two programs, Section 8 and Section 235, will help spur the construction of new housing units and will provide housing assistance for low and moderate income families.

DESCRIPTION OF PROGRAM

Subsidies will be provided for up to an additional 400,000 low income families under a rental housing program in fiscal year 1977. This includes 125,000 units of new construction or substantial rehabilitation. This program (commonly referred to as the "Section 8" program) pays the difference between a percentage of family income and the rent charged by the landlord.

During FY 1977, mortgage subsidies will be approved for an additional 100,000 families with moderate incomes to help them buy newly constructed or substantially rehabilitated homes, under the revised Section 235 homeownership assistance program.

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III. REGULATORY REFORM

The President reemphasized his concern that government regulation be modernized to provide a rational and efficient regulatory system serving today's needs.

BACKGROUND

President Ford has adopted the reform of government regulation as a principal goal of his Administration. He has ordere a critical review of all Federal regulatory activities to eliminate regulations which are obsolete and inefficient in today's economic environment. Regulatory reform is an essential part of the President's effort to make government more responsive to current economic and social realities.

A. PRINCIPAL OBJECTIVES OF THE ADMINISTRATION'S PROGRAM

1. Benefit consumers by encouraging increased competition. Competition fosters innovation, encourages new businesses, creates new jobs, ensures a wide choice of goods and services, and helps to keep prices at reasonable levels. By eliminating arbitrary barriers to entry and by increasing pricing flexibility, the Administration hopes to restore competition in the regulated sectors of the economy.

2. Increase understanding of the costs of regulation. Often the real costs of regulatory activities are hidden from public view. Inefficient and outdated regulation costs consumers billions of dollars every year in unnecessarily high prices. The Administration believes that these costs should be subject to the same critical attention devoted to the Federal budget.

3. Improve methods of achieving the objectives of regulation. In many instances, regulation is necessary, particularly in the health, environment and safety areas. However, regulation can impose a considerable cost burden on the consuming public and on the economy. The Administration is concerned that public protection be achieved in the most efficient manner.

4. Substitute increased antitrust enforcement for administrative regulation. In the past, regulation has often been a substitute for competition. The Administration is seeking to reverse this pattern and believes that antitrust enforcement has an important role in keeping costs and prices down.

B. DESCRIPTION OF PROGRAM

In October, 1974, the President initiated the reform program by asking Congress to sponsor jointly a National Commission on Regulatory Reform to study the problems of Government regulation; but so far, Congress has taken no action. Accordingly, the Administration is pursuing the following specific reform initiatives:

1. Expanded Antitrust Activity. In addition to providing for increased antitrust enforcement resources, the Administration is questioning antitrust immunity now granted to numerous industries. Many of the Administration's legislative proposals will eliminate unnecessary antitrust exemptions which restrain competition.

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2. Independent Regulatory Commissions. The President has met with the Commissioners of the 10 independent Regulatory Agencies to emphasize the importance of regulatory reform. He has asked the Commissioners to: analyze the economic costs and benefits of their actions; reduce regulatory delays; better represent consumer interests; and eliminate outdated regulation.

3. Executive Branch Agencies. Departments and Agencies are now required to analyze the inflationary impact of major new legislative proposals, rules and regulations. This requirement is designed to measure the economic costs of Government regulation.

4. Commission of Federal Paperwork. The Commission has been established to study the impact of Government reporting requirements on businesses and individuals. To assure action in the short-run, the Administration is working now to eliminate unnecessary Government paperwork requirements.

5. Transportation Regulatory Reform. The Administration has developed specific legislative proposals to reform transportation economic regulation.

   The Railroad Revitalization Act, introduced in May, 1975, seeks to rebuild a healthy, efficient rail system by eliminating outdated regulatory restrictions. It will enable the railroads to compete more effectively with other forms of transportation.

   The Aviation Act of 1975, submitted in October, 1975, will improve the airline regulatory environment by fostering price competition and by allowing existing airlines to serve new markets and new carriers to enter the industry.

   The Motor Carrier Reform Act, introduced in November, 1975, will increase competition in the motor carrier industry and provide shippers and consumers with a wider range of services and prices.

6. Financial Institutions Act. The Administration submitted last March the Financial Institutions Act which will enable small savers to earn higher interest on savings accounts and provide more diversified financial services to all customers.

7. Energy. To help assure adequate supplies of energy, the Administration has proposed legislation to deregulate the price of new natural gas.

The following Administration legislative initiatives have been passed by the Congress and signed by the President:

8. Fair Trade Laws. The repeal of these laws, which allowed manufacturers to dictate the retail price for their products, can save consumers an estimated $2 billion per year.

9. Securities. President Ford signed the Securities Act Amendments of 1975 last June, to promote competition among stockbrokers and to establish a national stock market system.

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IV. ENERGY

The President's State of the Union Message reviewed the Nation's current energy situation and reiterated major policy objectives. With the legislative accomplishments to date and administrative actions taken by the President, the Nation will achieve more than 80 percent of the President's near-term goal for reducing vulnerability to another embargo.

BACKGROUND

In last year's State of the Union Message, the President announced a set of policy goals:

-- In the near-term, 1975-1977, halt our growing import dependence by reducing oil imports by 2 million barrels per day (MMB/D) before the end of 1977.

-- In the mid-term, 1975-1985, attain energy independence by achieving invulnerability to oil import disruption; this means a 1985 import range of 3-5 MMB/D, replaceable by stored supply and emergency measures.

-- In the long-term, beyond 1985, mobilize U.S. technology and resources to supply a significant share of the Free World's energy needs.

In January, 1975, he also submitted to the Congress the Energy Independence Act. This Act contained a comprehensive set of measures to conserve energy, increase domestic energy production, and provide for strategic reserves and standby authorities in the event of another embargo. The President also took administrative action imposing an import fee on crude oil to reduce our dependency and submitted several additional legislative proposals to the Congress during last year.

In December, the President signed the Energy Policy and Conservation Act of 1975, which contains several of his proposals, including:

-- A national strategic petroleum reserve to provide a stockpile for future embargoes.

-- Standby allocation, rationing, and other authorities for use in the event of another embargo.

-- An oil pricing formula that provides for decontrol.

-- Conservation measures to improve energy efficiency by affixing energy labels on appliances and automobiles.

-- Extension of the Federal Government's ability to mandate utility and industrial conversions to coal from oil and gas.

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A. PENDING LEGISLATION

Other Administration proposals now before the Congress include:

- New natural gas price deregulation and emergency measures have passed the Senate and will soon come up in the House.
- Authorization for production of the Naval Petroleum Reserves is in Conference Committee.
- National thermal efficiency standards for new buildings have passed the House and will soon be considered by the full Senate.
- Weatherization assistance to help low income and elderly consumers save energy has passed the House and will soon be considered by the full Senate.
- Clean Air Act Amendments.
- Assurances for private competitive uranium enrichment industry.
- Improved nuclear licensing procedures.
- Energy Independence Authority, including commercialization of synthetic fuels.
- Tax credit for insulation.
- Electric utility regulatory reform.
- New energy facility siting authorities.

B. CURRENT ENERGY SITUATION

- Domestic oil production continues to decline. Production in 1975 averaged about 8.4 MMB/D -- a decline of about 0.7 MMB/D from the time of the embargo and about 13 percent from peak production in 1970.
- The United States paid about 27 billion dollars for foreign oil last year -- over $125 for every American.
- Imports averaged about 6 MMB/D in 1975, about the same as 1974.
- Natural gas production declined for the second straight year. About 20.1 trillion cubic feet (Tcf) were produced in 1975, as compared to 21.6 Tcf in 1974 and 22.6 Tcf in 1973.
- Coal production was about 640 million tons in 1975, an increase of about 6 percent from 1974.
- The contribution of nuclear power to the generation of electricity increased from 6 percent in 1974 to about 8.5 percent in 1975 and will continue to rise.

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C. FUTURE ENERGY OUTLOOK

1. Near-Term (1976-1978). In the next 2-3 years, imports will increase unless rapid action is taken on some conservation measures, Naval Petroleum Reserve legislation, Clean Air Act amendments, and domestic production incentives allowed under current price controls. Without legislative and administrative action, imports would have been about 8 MMB/D in 1978; with action imports can be held to less than 6.5 MMB/D and vulnerability to an embargo can be reduced by an additional 1.3 MMB/D.

2. Mid-Term (1976-1985): There is considerable flexibility to improve our energy situation in the next ten years. Under assumptions of continued high imported oil prices, the Nation's vulnerability to an embargo could be reduced to zero if the President's programs are enacted. Imports would rise to about 10-15 MMB/D if none of his proposals were enacted. Under the program already enacted and administrative actions being taken, about two-thirds of our potential vulnerability reductions will be achieved. Further, the role of coal and nuclear power will be significantly expanded in the next ten years.

3. Long-Term (beyond 1985). The results of the U.S. energy research and development program will have an important effect on our long-term supply and demand situation. Advanced technology is being developed for energy conservation and for using solar, fossil, nuclear, and geothermal energy sources. The President is asking the Congress to increase funding substantially in these areas.

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V. HEALTH

A. MEDICARE IMPROVEMENTS OF 1976

The President is proposing significant modifications in the Federal Medicare program to provide catastrophic health cost protection to Medicare beneficiaries, changes in cost sharing requirements, and limits on the annual cost increases which will be reimbursed by Medicare.

BACKGROUND

The Nation's health care system continues to be one of the most inflationary sectors of the economy. Hospital costs have risen by more than 200 percent since 1965 (from $40/day to $128/day), and physicians' fees have risen more than 85% in the same period. Both rates of increase are significantly higher than the corresponding increases in the consumer price index.

Medicare is a major component of Federal health spending. It provides protection to more than 24 million aged and disabled Americans, and is expected to pay out more than $17 billion for health care in 1976. However, Medicare has several failings -- it does not provide protection against the catastrophic financial burden of extended illness; and it contributes to health cost inflation by its failure to discourage patients from seeking health care indiscriminately.

For hospital care, Medicare currently pays nothing for the first day, 100% of costs from the 2nd through the 60th day, a reduced percentage through the 150th day, and nothing at all after that. This pattern serves to lengthen short-term hospital stays, but can lead to financial ruin for persons suffering serious, extended illness. Medicare also requires a $60 deductible and co-payments of 20% for physicians' services. Since there is no annual maximum, this provision contributes to the financial burden of catastrophic health costs.

An additional problem with Medicare is that it contains inadequate mechanisms to control health inflation. Like most health insurance plans, it reimburses largely on the basis of actual costs or customary charges giving providers insufficient cause to seek to limit cost increases.

DESCRIPTION OF PROGRAM

The proposed "Medicare Improvements of 1976" are the following:

1. Catastrophic Cost Protection for Health Care

   For the first time, Medicare beneficiaries would be provided protection against catastrophic health costs by limiting the amounts an individual must pay annually to $500 for covered hospital care and $250 for covered physicians' services.

2. Cost Sharing Modifications

   -- Hospital Costs. Under this proposal, beneficiaries would be required to pay a deductible for the first day of a hospital stay (as under current law), and 10% of additional charges up to an annual maximum of $500.

-- Physicians' Services. This proposal would increase the current annual deductible of $60 to $77 and maintain the existing co-payment of 20% for physicians' services. However, it would institute an annual maximum of $250. The deductible would increase with Social Security benefit increases.

3. Reimbursement Limits

Annual Medicare reimbursement increases would be limited to 7% for hospital costs and 4% for physicians' service charges in 1977 and 1978.

B. FINANCIAL ASSISTANCE FOR HEALTH CARE

The President proposed to improve the efficiency and equity of health services to the poor by consolidating 16 Federal health programs, including Medicaid, into one $10 billion block grant to States. No State will receive less in FY 1977 than its share of these program funds in FY 1976.

BACKGROUND

The existing array of Federal categorical health programs include varying eligibility requirements. This results in gaps in coverage for those who are needy but categorically ineligible, such as two-parent families, childless couples and single individuals. To receive Medicaid funds, States are currently required to provide matching funds. Under the existing structure of health programs, some of the States with the highest per capita income receive more than four times as much Federal money per low income recipient as do States with low per capita income. Also, the current system involves programs administered at the Federal level by six different HEW agencies. Under this proposal, one HEW health agency would be responsible.

DESCRIPTION OF PROGRAM

The "Financial Assistance for Health Care Act" is designed to improve access to quality health care at reasonable costs, to increase State and local control over health spending, to restrain the growth of Federal spending and the Federal bureaucracy, and to achieve a more equitable distribution of Federal health dollars among States. The President's proposal would consolidate 16 Federal health programs into one $10 billion block grant to States. The programs include:

-- Medicaid

-- Community Mental Health Centers

-- Alcohol Project and State Formula Grants

-- Venereal Disease

-- Immunization

-- Rat Control

-- Lead Paint Poisoning Prevention

-- Developmental Disability

-- Health Planning

-- Medical Facilities Construction

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-- Community Health Centers

-- State Health Grants

-- Maternal and Child Health

-- Family Planning

-- Migrant Health

-- Emergency Medical Services

Funds will be distributed according to a formula based on the size of the States' low income population, per capita income and fiscal effort. No State match is required for the block grant. A phase-in of the distribution formula will avoid any reduction in FY 1977 below the amounts States are estimated to receive in FY 1976.

A State health care plan must be developed annually as a condition of receiving Federal funds. An open and public planning process is required in which broad input from health planning organizations, providers and consumers is assured. The plan must be available for public review and comment.

The State Health Care Plan should be directed, at a minimum, toward achieving the following goals:

-- Assuring all citizens of the State, and particularly populations covered under the Financial Assistance for Health Care Act, access to needed health services of acceptable quality.

-- Development and utilization of preventive health services.

-- Prevention or reduction of inappropriate institutional care.

-- Encouraging the use of ambulatory care in lieu of in-patient services.

-- Provision of primary care services especially for those located in rural or medically underserved areas.

-- Assurance of the most appropriate, effective, and efficient utilization of existing health care facilities and services.

-- Promotion of community health.

States will define the specific health services to be provided. At least 90 percent of the Federal funds must be used for personal health care, at least 5 percent must be used for community and environmental health activities, and a maximum of 5 percent may be used for other activities including planning, rate regulation, and resource development. Eligibility criteria, including income and other standards, will be determined by the States in accordance with the public planning process.

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C. VETERANS ADMINISTRATION MEDICAL CARE

The President's State of the Union Message discussed the importance of assuring the quality of the medical care which our Nation's veterans receive.

BACKGROUND

In 1974, at the request of the Administration, the Veterans Administration conducted a thorough review of quality of care throughout its hospital system. The Quality of Care Survey resulted in the recommendation that employees should be added to the VA medical care staff and that funds were needed to correct fire and safety hazards and do other needed construction work.

The Administration has been implementing the Report's recommendations and is taking other steps to improve the quality of VA medical care.

DESCRIPTION OF PROGRAM

The VA medical care system includes:

- 172 hospitals
- 229 out-patient clinics
- 89 nursing homes
- 18 domiciliary facilities

The hospitals serve 1.3 million veterans. 82,500 veterans are served by the nursing homes and domiciliary facilities. The out-patient clinics provide for 15.7 million visits a year.

The 1977 budget provides funds for all of the Quality Care medical staff not already hired -- an increase of over 1,700 full-time staff.

The 1977 budget includes over $200 million for high priority construction projects, some of which are Quality Care projects which were not started in 1975 or 1976 when money for most of the recommended Quality Care construction work was appropriated.

On a space available basis, VA facilities are used to treat veterans with non-service connected disabilities. Many of these non-service connected veterans have health insurance coverage. The Administration proposes to require health insurers to reimburse the VA for the care provided to non-service connected veterans. At present, these insurance companies benefit when a veteran decides to seek care at a VA facility and they do not have to reimburse for expenditures for which they would otherwise be legally obligated.

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VI. INCOME SECURITY

A. SOCIAL SECURITY

To assist in protecting the financial integrity of the Social Security System, the President has proposed a slight increase in the payroll tax effective in January, 1977.

BACKGROUND

The Old Age, Survivors and Disability Insurance trust funds are paying out more in benefits than their current payroll tax receipts. This is largely due to increased benefits in the past few years and payroll tax receipts which have lagged because of unemployment and slowed wage growth. Unless action is taken to balance the income and outgo of Social Security, the trust funds will be exhausted in the early 1980's.

To prevent the rapid decline of the Social Security trust funds over the next few years, the choices are either to restrain increases in retirement and disability benefits or to increase revenues.

DESCRIPTION OF PROGRAM

The President has included a full cost of living increase in Social Security benefits in his FY 1977 budget. To assure the future financial stability of the Social Security system, the President proposed, effective January 1, 1977, a payroll tax increase of .3 percent each for employees and employers of covered wages.

The current Social Security tax rate is 5.85% for each employee and employer of covered wages. Under this proposal, in 1977 the tax rate would be 6.15% on a maximum wage base of $16,500. This increase will cost workers with the maximum taxable income less than $1 a week and will help stabilize the trust funds so that current and future recipients can be assured of the benefits that they have earned.

B. AID TO THE UNEMPLOYED

In the State of the Union Address the President spoke of the importance of efforts to aid the unemployed. He referred to two measures previously enacted by the Congress in response to his request and to the Administration's continued commitment to support programs which help the unemployed and which provide training and employment opportunities.

BACKGROUND

A temporary extension of unemployment insurance benefits from a maximum of 39 weeks to a maximum of 52 weeks was enacted in December, 1974. This measure also created a special unemployment assistance program for workers not covered under the regular program to provide them a total of up to 26 weeks of benefits.

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The maximum for those in the regular program was subsequently extended to 65 weeks while benefits for those not covered by the regular program were extended to 39 weeks.

DESCRIPTION OF PROGRAM

The President has also proposed more permanent changes to the unemployment insurance system. In July, 1975, a bill was transmitted to the Congress which would:

-- Expand coverage under the regular unemployment insurance (UI) program to include agricultural workers, domestic workers, State and local hospital employees and elementary and secondary school employees.

-- Set a Federal minimum standard for benefit levels.

-- Strengthen the financing of the UI system.

-- Increase the responsiveness of the system to changes in the economy.

-- Establish a National Commission on Unemployment Compensation to undertake a thorough examination of the unemployment compensation system.

In FY 1977, it is estimated that $14.8 billion in unemployment insurance will be paid to approximately 8.9 million beneficiaries under the regular UI program, the temporary extension to 65 weeks and the proposed legislation.

The Federal Government also supports programs which provide employment and training opportunities for millions of Americans. These programs fall under the general headings of:

-- On-the-job training.

-- Institutional training.

-- Public service employment.

-- Work support/experience.

-- Vocational rehabilitation.

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VII. INCOME ASSISTANCE

A. Income Assistance Simplification Act

The President announced that he would submit later this year legislation granting him authority to adjust various income assistance programs to make these programs more consistent, equitable and efficient. All changes proposed under this authority would be subject to review and disapproval by the Congress.

BACKGROUND

The current collection of income assistance programs constitute a complex, disjointed "system" of Federal, State, and local responsibilities. The programs which comprise the "system" are inefficient and costly to administer and confusing to both recipients and taxpayers. Under the existing system, some needy persons receive insufficient help, while others receive more assistance than they should have. In some situations the programs can have the undesirable effect of discouraging work and promoting a breakdown of the family unit.

Federal expenditures for means-tested income support programs have grown to more than $26 billion annually. There is widespread agreement that these programs require administrative simplification, consistency among program requirements, greater equity among recipients, preserved and strengthened work incentives, and targeting on those with greatest need.

The President's proposal would provide authority to modify existing laws to make needed program and procedural changes with the consent of the Congress.

DESCRIPTION OF PROGRAM

The proposed Income Assistance Simplification Act will include the following major provisions:

-- Program Coverage. Authority will be sought only for modifications to Federal and Federally assisted means-tested programs which provide benefits to individuals in cash or "in kind", e.g. Food Stamps, AFDC, and SSI.

-- Scope of Authority. The Act would give the President authority to modify administrative procedures, eligibility requirements, benefit levels, and program administration authority.

-- Congressional Control. The Act would preserve Congressional authority over all proposed modifications since the Congress would have an opportunity for review and disapproval.

-- Duration of Authority. Five years.

B. Food Stamp Reform

The President indicated his intention to renew the efforts he initiated last year to reform the Food Stamp Program.

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BACKGROUND

The President submitted to Congress on October 20, 1975, the National Food Stamp Reform Act of 1975 to correct serious problems in the current Food Stamp program. The program had become overly complex, expensive to administer and had been marred by abuses. This proposal would reduce program costs by approximately $1.2 billion.

From total Federal outlays of $30 million in fiscal year 1964 and 360,000 participants the Food Stamp Program grew to currently estimated costs of nearly $6 billion and 19 million participants. Through an array of deductions, some families with incomes in excess of $12,000 are currently receiving benefits.

DESCRIPTION OF PROGRAM

The key elements of the President's National Food Stamp Reform Act are:

-- Limit eligibility for food stamps to those whose net income is below the poverty level. The current poverty level is $5050 for a family of four.

-- All families would receive a $100 monthly deduction from gross income when computing net income. This would simplify the current system of itemized deductions and give additional aid to many low income families.

-- Families with one or more members over 60 would receive an additional $25 monthly deduction, making their standard deduction $125 a month.

-- All households eligible for food stamps would pay the same proportion of their net monthly income -- 30% -- when purchasing their food stamps.

-- College students who are considered dependents by their families will only be eligible for food stamps if their families are eligible for food stamps.

-- Measure actual income over the preceding 90 days for purposes of eligibility.

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VIII. CONTROLLING CRIME

The President reaffirmed his commitment to reducing crime, eliminating the traffic in hard drugs and stopping criminals from selling and using handguns.

BACKGROUND

On June 19, 1975, in a special message to the Congress on crime, President Ford set forth his program for dealing with this issue at the Federal level. While acknowledging that the Federal role in the fight against crime is a limited one, the President identified three important responsibilities of the Federal Government in this critical area:

-- Providing leadership to State and local governments by improving the quality of Federal laws and the criminal justice system.

-- Enacting and vigorously enforcing laws covering criminal conduct that cannot be adequately regulated at the State or local level.

-- Providing financial and technical assistance to State and local governments and law enforcement agencies, and thereby enhancing their ability to enforce the law.

DESCRIPTION OF PROGRAM

To enable the Federal Government to carry out these responsibilities more effectively the President has made, and submitted legislation to implement the following recommendations:

A. Mandatory Minimum Sentences. The President has recommended that the Congress enact a comprehensive Federal criminal code and, more specifically, has recommended that the code provide for the imposition of mandatory minimum sentences of incarceration for:

-- Persons committing offenses under Federal jurisdiction involving the use of a dangerous weapon.

-- Persons committing such exceptionally serious crimes as trafficking in hard drugs, kidnapping and aircraft hijacking.

-- Repeat offenders committing Federal crimes -- with or without a weapon -- which cause or have a potential to cause personal injury.

B. Increased Federal Criminal Justice Manpower and Resources. Mindful that his recommendations for mandatory incarceration will require an improved response by the Federal criminal justice establishment, the President has:

-- Provided in his FY 1977 budget recommendations for a 9% increase in the number of Federal prosecutors, to enable U.S. Attorneys' offices to keep up with expanding caseloads.

-- Called for the enactment of legislation creating 51 additional Federal District Court judgeships, as has been recommended by the Federal Judicial Conference.

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-- Provided in his FY 1977 budget recommendations $46 million for the construction of four new Federal correctional institutions to relieve existing overcrowding and provide humane places of incarceration for Federal offenders.

C. Controlling Handgun Abuse. To help control criminal use of handguns, the President has recommended a four-part program consisting of:

-- Legislation requiring the imposition of a mandatory minimum term of imprisonment for any person convicted of using or carrying a handgun in the commission of a Federal offense.

-- Legislation banning the importation, domestic manufacture and sale of cheap, highly concealable handguns -- known as "Saturday Night Specials" -- which have no apparent use other than against human beings.

-- Legislation strengthening current law to strike at the illegal commerce in handguns and to emphasize the responsibility of gun dealers to adhere to the law.

-- Expansion, by the Bureau of Alcohol, Tobacco and Firearms, of its enforcement efforts in the Nation's eleven largest metropolitan areas (Boston, Chicago, Detroit, Dallas-Fort Worth, Los Angeles, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco and Washington, D.C.) through the employment of an additional 500 firearms investigators.

D. Drug Abuse. Last spring the President directed the Domestic Council to review the entire Federal effort in drug law enforcement, treatment and prevention, and international control. The Domestic Council's Drug Abuse Task Force completed its review and reported to the President in October, 1975. That report, the White Paper on Drug Abuse, called for more selectivity and targeting of resources, better intra- and inter-agency management and coordination, recognition of the vital but limited role the Federal Government can play, and more visible Presidential leadership. President Ford has endorsed the White Paper and has provided funds in his FY 1977 budget recommendations to implement the recommendations. For example, the budget requests funds for:

-- Additional intelligence analysis to help target law enforcement resources on high level drug traffickers.

-- 7,000 new community treatment slots to ensure adequate treatment capacity for those in need.

-- Strengthened regulatory and compliance activities to better control the diversion of dangerous drugs from legal production into the illicit market.

-- A joint HEW/Labor program to increase employment opportunities for ex-addicts.

In addition to directing implementation of the recommendations contained in the White Paper, the President has spoken personally to Presidents Echeverria of Mexico

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and Lopez of Colombia and to Prime Minister Demirel of Turkey in an effort to strengthen cooperation among all nations involved in the fight against illicit drug traffic. He recently directed Secretary of State Kissinger to express again to the Mexican Government his continuing personal concern about the amount of Mexican heroin entering the United States. Finally, he has directed the Domestic Council Drug Abuse Task Force to reconvene and make recommendations for improving our ability to control drug trafficking along the Southwest border.

E. <u>Assistance to State and Local Government</u>. To enable the Federal Government to continue to help State and local governments carry out their law enforcement responsibilities, the President has submitted to the Congress a bill continuing the Law Enforcement Assistance Administration through 1981 and authorizing $6.8 billion for LEAA to continue its work during this period. Under the provision of the President's bill, special emphasis is placed on programs aimed at reducing crime in heavily populated urban areas and on improving the operation of State and local court systems.

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IX. GENERAL REVENUE SHARING

The President again called for the continuation of the program for sharing Federal revenues with State and local governments.

BACKGROUND

The General Revenue Sharing program has been a highly successful and effective means for providing Federal assistance to State and local governments. General Revenue Sharing ~~which~~ was enacted in October, 1972, has to date made ~~over $22~~ billion available to the 50 States and over ~~38,000~~ local communities throughout the Nation.

Revenue sharing funds have been used by State and local governments as they determined necessary for a wide range of essential public purposes. In view of the current fiscal squeeze that State and local governments are now experiencing, further delay or the reduction and possible termination of revenue sharing payments could have a severe impact on State and local governments.

DESCRIPTION OF PROGRAM

The President has proposed legislation to extend the General Revenue Sharing program until September, 1982, a period of 5-3/4 more years during which $30.85 billion will be returned to State and local governments. The renewal legislation proposed by the President in a Special Message to Congress on April 25, 1975, would maintain the basic features of the existing revenue sharing program while proposing several improvements. The principal elements of the President's proposal are:

-- The basic revenue sharing formula is retained, including the present 1/3 - 2/3 split of these funds between State and local governments.

-- Funds will be authorized for five and three-quarters years. The effect of this provision is to conform the time period to the new Federal fiscal year.

-- The current method of funding with annual increases of $150 million will be retained to compensate, in part, for the impact of inflation.

-- The proposal aids certain jurisdictions by increasing the amount of funds that may be received by local governments with unusually high tax effort or low per capita income or both. The original Act limits a local government to an amount which may not exceed on a per capita basis 145% of the average per capita amount for all local governments in a State. By gradually raising the 145% constraint to an upper limit of 175%, the bill will allow governments now constrained to receive all or a greater part of the shared revenues otherwise allocated to them by the formula.

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-- The civil rights provisions of the existing statute would be strengthened by authorizing the Secretary of the Treasury to invoke several remedies to enforce the nondiscrimination provisions of the Act. The Secretary will have authority to withhold all or a portion of entitlement funds due a State or unit of local government, to terminate one or more payments of entitlement funds, and to require repayment of entitlement funds previously expended in a program or activity found to have been discriminatory. This change will further enhance the Secretary's ability to ensure that none of our citizens is denied on grounds of race, color, sex or national origin the benefits of any program funded in whole or in part through revenue sharing.

-- To strengthen public participation in determining the use of shared revenues, the proposed legislation requires that recipient governments must provide a procedure for citizen participation in the allocation of revenue sharing monies.

-- The Administration proposal would also make reporting requirements more flexible to meet varying needs from community to community.

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X. PROGRAM CONSOLIDATION

A. Financial Assistance for Elementary and Secondary Education

The President will propose the Financial Assistance for Elementary and Secondary Education Act to consolidate Federal programs and to minimize Federal regulation while continuing Federal support for education. Federal funds will continue to be targeted on populations having special needs.

BACKGROUND

By law and tradition, State and local governments have the responsibility for providing free and universal public education. Over time, the Federal Government has furnished increasing assistance to the State and local governments to support elementary and secondary education. The Federal effort helps assure that children are provided equal educational opportunity.

The increasing Federal effort, channeled into categorical programs, has been accompanied by a growing number of Federal rules and regulations. Although Federal, State and local efforts overlap, the rules often earmark Federal funds for specified purposes. As a result, the test becomes not whether children are helped but whether the State meets the rules.

DESCRIPTION OF PROGRAM

The Act will consolidate 27 distinct programs into one block grant to the States. These programs fall under four main headings:

-- Elementary and Secondary Education

-- Education for the Handicapped

-- Occupational, Vocational and Adult Education

-- Library Resources

The budget authority requested for the block grant will be $3.3 billion. Funds will be allocated to States on a formula basis. Three-quarters of the Federal funds will have to be used to serve the disadvantaged and the handicapped. The remaining quarter may be spent on any program consistent with the purposes of the programs consolidated in the block grant.

Three-quarters of the Federal funds will pass through to Local Education Agencies (LEAs).

The Act will require State plans to be developed with full public participation. Each State will have to certify that funds have been used for purposes required by the law and consistent with the State plan. Actual use of funds will be verified by an independent audit to be conducted by the State.

The Act will also require that to receive funds the State may not discriminate against a participant on the basis of race, sex, national origin or handicapping conditions. In addition, non-public school children will continue to be served on an equitable basis as under the programs to be consolidated.

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B. Child Nutrition Reform

The President announced that he will submit a Child Nutrition Reform Act to consolidate child nutrition programs into a single comprehensive grant to provide States with increased flexibility to feed needy children.

BACKGROUND

The Federal Government now supports 15 child nutrition programs and provides subsidies for nearly 40 different mechanisms for delivering meals. In 1975 Federal outlays for child nutrition programs were $2.2 billion. 1976 outlays are estimated to be $2.8 billion. Under the existing programs, outlays next year are projected to be $3.3 billion, a reflection of the fact that the size and number of child nutrition and school lunch programs continue to grow.

Children from all families, regardless of income, are now eligible to receive Federal subsidies for school lunches. There are, however, an estimated 700,000 children from poor families receiving no benefits whatsoever.

Due to changes in the programs made by the Congress last fall, the Federal Government will shortly be spending more money on non-needy children than needy children unless these programs are reformed.

DESCRIPTION OF PROGRAM

The President proposed the Child Nutrition Reform Act to enable the States to feed needy children.

The main objectives of this program are:

-- To consolidate the school lunch, school breakfast, special milk, and several other programs.

-- To help feed more low-income children.

-- To eliminate the existing Federal food subsidies to non-needy children.

-- To eliminate the existing administratively complicated programs to give States more flexibility and responsibility in meeting the needs of its poor children.

By eliminating assistance to non-needy children, this proposal is expected to save almost $900 million.

C. Financial Assistance for Community Services

The President announced that he will submit the Financial Assistance for Community Services Act which will replace Title XX of the Social Security Act and will provide States with greater flexibility in delivering social services to low income families and individuals.

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BACKGROUND

The present social services program, Title XX of the Social Security Act, provides grants to the States on the basis of population for the delivery of a wide range of social services to individuals and families including day care, family planning, foster care and homemaker services. Funds are provided on a Federal/State matching basis (75% Federal/25% State). Since its passage and implementation, Title XX has begun to increase latitude to States to use this program to meet their greatest service needs. Yet Federal administrative and reporting requirements have continued to be extensive.

DESCRIPTION OF PROGRAM

The President is proposing new legislation for Financial Assistance for Community Services to enhance further the States' discretion in the provision of services, and eliminate undue Federal regulation and restrictions on providers. The main features of Financial Assistance for Community Services are:

-- Elimination of the requirement of State matching funds.

-- Distribution of $2.5 billion as a block grant to the States based on population.

-- Elimination of most Federal requirements and prohibitions on the use of Federal funds.

-- Emphasis on providing services to low-income Americans; concentration of Federal funds on those whose incomes fall below the poverty income guidelines.

-- Public review and comment on State planning, evaluation, and reporting processes.

The Federal Government would retain the role of evaluating the overall operation of this program and of providing a clearinghouse for the dissemination and exchange of information among the States on effective services.

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