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Budget *File*

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

August 3, 1976

MEMORANDUM FOR: EDWARD C. SCHMULTS
 MAX L. FRIEDERSDORF
 JAMES M. CANNON ✓
 JOHN O. MARSH, JR.

FROM: *RS for* DANIEL P. KEARNEY

SUBJECT: Testimony on Presidential Transition
 Amendments

I have been asked to testify tomorrow (Wednesday, August 4) on H.R. 14886, a bill to revise the appropriation authorization for the Presidential Transition Act of 1963.

The current authorization provides for a single appropriation of up to \$900,000 for the expenses of the incoming President and Vice President and the outgoing President and Vice President. H.R. 14886 would increase the authorization to a total of \$3,000,000, with up to \$2,000,000 to be appropriated for the incoming President and Vice President and up to \$1,000,000 for the outgoing President and Vice President.

Please return any comments on the attached draft testimony as soon as possible. If you could respond by 5:00 this afternoon, it would be greatly appreciated.

Attachment





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

FOR RELEASE ON DELIVERY
Expected on August 4, 1976

Statement of Daniel P. Kearney
Associate Director for Economics and Government
Office of Management and Budget
Before the House Government Operations Committee

Mr. Chairman and Members of the Committee:

~~As you may remember~~
I appreciate the opportunity to appear today to discuss the proposed amendments to the Presidential Transition Act of 1963.

~~As you may remember~~ this Administration included the full amount authorized by law for Presidential transition -- \$900,000 -- in the President's Fiscal Year 1977 budget submission last January. It has been and continues to be the hope and expectation of the Administration that we will be able to economize on Presidential transition funds in Fiscal Year 1977 by avoiding a transition altogether. Nevertheless, ~~prudence and the vagaries of political fortune dictate that we should provide for both possible outcomes~~

H.R. 14886 would increase authorizations for the purposes of Presidential transition from the current level of up to \$900,000 to a new level totaling up to \$3,000,000. Since the existing level of authorization has not been revised since 1963, there is some indication that the current level of authorization has become outdated and, in the event of a



transition, that authorization might require upward adjustment. If Congress wishes to change the level of authorization at this time, the Administration will not object. However, I do not believe the appropriate amount of funds can be immediately determined with any accuracy. Since this bill was introduced only last week, we have not had sufficient time to conduct a careful analysis of the proposed authorization levels in the context of current costs.

Historical transition costs provide some guidance in determining a proper level of authorizations, but there is no fully adequate historical analogy. The 1968-69 transition, for example, is now badly out of date, and the costs of that transition appear not to have been documented specifically enough to serve as an accurate base for future projections. The 1974 transition was unusual in so many respects that it too would be an inadequate base on which to project future requirements. It is probable that estimates of the amounts required can be made only through a zero-base approach. The transitional functions must be analyzed, and estimates of unit costs developed for the performance of each function.

Finally, we would like to note that H.R. 14886 would allocate two-thirds of the total authorized to the incoming Administration and only one-third to the outgoing Administration, despite the fact that the only precedent -- the Johnson-Nixon transition in 1968-69 -- employed an equal division of the funds then available. In view of this precedent, it would



seem wiser to divide the authorization equally, unless compelling evidence can be developed to demonstrate that a different formula is required.

Thank you very much. I would be happy to answer any questions which the Committee may have.

Rk

2nd Draft

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bill was introduced only last week, we have not had sufficient time to conduct a careful analysis of the proposed authorization levels in the context of current costs.

The transitional functions must be analyzed, and estimates of unit costs developed for the performance of each function.*

Thank you very much. I would be happy to answer any questions which the Committee may have.

~~[However, as previously mentioned]~~

~~to even though~~

X in the event ^{the} ~~the~~ act

~~contingencies~~ might

require ~~the~~ ~~operation~~

become operable which
we do not expect.





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~~transition, that authorization might require upward adjustment.~~

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seem wiser to divide the authorization equally, unless compelling evidence can be developed to demonstrate that a different formula is required.

Thank you very much. I would be happy to answer any questions which the Committee may have.





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

September 10, 1976

TO: Messrs. O'Neill, PADs, Nichols, Frey, Preston,
Kranowitz, Oaxaca, Wade, Penner, Jura,
McOmber

Messrs. Greenspan, Cannon, Seidman and
Scowcroft

From: James T. Lynn

Would appreciate your views by Tuesday, September 14th,
close of business; also your views on what should be
covered in the transmittal memorandum. And, should we,
after revision to meet your views, send to agency heads
for comment?

The circular must be finalized in time for the President's
management meeting the last week in September -- and
should be earlier, if possible.

Attachment

*Covered
by phone
9/16
6:30 PM*



694403

PREPARATION AND SUBMISSION
OF MANAGEMENT PLAN

General Information and Policies

General Requirements

1.1 Purpose. This Circular prescribes general guidance and responsibilities for the preparation, submission and execution of management plans by federal agencies.

1.2 Authority. This Circular is issued pursuant to responsibilities and authorities delegated to the Director of OMB for improving the quality of management of executive branch agencies. The following statutory provisions and Presidential directives are applicable:

1.3 Application of instructions. This Circular applies to all agencies of the executive branch of the Federal Government required to submit budget estimates to OMB pursuant to Circular A-11.*

1.4 General definitions. The definitions set forth in 11.2 of Circular A-11 are applicable to these instructions. In this Circular, "management plan" means a management plan pursuant to this Circular; A-11 means Circular A-11.

* Need we exclude independent regulatory agencies?

1.5 Time for submission of management plans. Management plans will be submitted by each agency to OMB for the consideration of the President at the time provided for submission of such agency's initial budget materials to OMB pursuant to Section 11.3 of A-11; provided, however, that for BY 1978 such plans will be so submitted no later than November 1, 1976.

1.6 Hearings on agency plans. The provisions of Section 11.7 of A-11 shall also be applicable to a submitted management plan.

General Policies

2.1 Authority and responsibility. Subject only to such priorities and direction as are established by law or Presidential or congressional action, the agency head has both the authority and responsibility for proper management of the agency, and for the design, submission and implementation of management plans pursuant to this Circular.

2.2 Objectives of Management Effort. The term management has many meanings, but as used in this Circular it includes, for each agency, the initiation and implementation of systems:

(a) to assure that policies and programs that an agency is charged with administering are carried out in a manner which, consistent with carrying out fully the intent of such policies and programs, (i) maximizes the potential for reducing costs

and errors and (ii) minimizes the burden imposed on those served or regulated;

(b) to assure that, to the maximum extent practicable, all relevant factors are considered in agency decision-making and agency recommendations to the President, the Congress and others (including consideration of possible impact on the policies or programs of other agencies and on competing national objectives), and that toward such end the agency undertakes broad consultation with others including, wherever appropriate, extending the public the opportunity to be heard -- by submitting views in writing and/or by testifying at hearings.

(c) to assure that decisions of the agency head and other agency managers are promptly and properly implemented;

(d) to assure that policies and programs that an agency is charged with administering are analyzed on a periodic basis to determine (i) the extent to which they have achieved and can be expected to achieve their objectives, (ii) the costs thereof in terms of expenditures, burdens imposed and negative effects with respect to other objectives or goals, and (iii) whether modification or elimination thereof (with or without alternative approaches) is necessary or desirable; and

(e) to assure that short-term objectives of the agency are formulated, tracked and implemented in accordance with the intent of the management-by-objective system contemplated by A-11.

In this Circular, "improved operational efficiency" encompasses the objectives set forth in (a) above, "improved decision-making processes" encompasses the objectives set forth in (b) and (c) above, "improved program impact evaluation" encompasses the objectives set forth in (d) above, and the words "objectives of this Circular" encompasses all of the objectives set forth in this section.

2.3 Organizational Arrangements Necessary for Proper Management.

Given the wide variation in the purpose and nature of Federal programs, the organizational arrangements necessary to carry out the objectives of this Circular will also vary as between agencies. This latitude is preferable to mandated standard organizational arrangements for every agency. However, such arrangements for each agency should:

- (a) clearly identify the authority and responsibility of each operational unit within the agency, and of the personnel within such unit, for carrying out the objectives of this Circular; and
- (b) include one or more organizational units responsible and reporting directly to the agency head which has or have the mandate from the agency head and the requisite personnel to assist the agency head in an unbiased manner in carrying out the objectives of this Circular and coordinating such actions with the agency's budget process.

2.4 Priorities. Achievement of the objectives of this Circular requires many different kinds of actions by each agency. Within such a spectrum, the management activities which need the highest priorities at a particular time will differ from agency to agency, and also vary over time as to each agency. Therefore, it is essential that for each budget year such priorities and plans for accomplishing them be incorporated in the agency's management plan.

Information Required for the Management Plan

3.1 Organizational Arrangements. The organizational arrangements of the agency to carry out each of the objectives of this Circular should be briefly described. Such statement should focus on (a) identification, function and staffing of the organizational unit or units contemplated by section 2.3 (b) of this Circular, (c) the mechanisms for coordinating the work of each such unit with any other such units, the bureaus and with budget and administrative personnel of the agency, (d) the systems for coordinating the development and implementation of the agency's management plan with its budget, (e) an evaluation of how well such arrangements are in fact working -- with a brief description of the manner in which such evaluation was conducted, (f) material changes since January 1 of the year in which the management plan is submitted, and (g) proposed changes.

3.2 Improved Decision-making Processes. The systems and guidelines -- manager's checklists -- toward improved decision-making processes should also be briefly described. Such statement should focus on (a) a description of the systems and guidelines used and the type and level of decision-making in which they are used, (b) evaluations of how well the systems and guidelines for improved decision-making processes are in fact working -- with a brief description of the manner in which such evaluations were conducted, (c) material changes in such systems and guidelines since January 1 of the year in which the management plan is submitted, (d) proposed changes, (e) a listing of those issues upon which the public was given an opportunity to be heard before decision (as contemplated by section 2.2 (b) of this Circular) since January 1 of the calendar year in which the plan is submitted -- excluding such opportunities required by law, (f) a similar listing, to the extent known, of issues to be so opened to public comment during the period through the end of the budget year, and (g) opportunities for public comment that had been scheduled to occur after January 1 but were not carried out (together with reasons).

3.3 Improved Operational Efficiency -- Program Reviews and Modifications. It is expected that programs will be reviewed periodically in a systematic way to bring about improved operational efficiency. It is recognized that the appropriate

review cycle will differ program-by-program.

Each such periodic review should include a fresh look at the flexibility afforded by governing laws, proper program design, identification of regulatory and external and internal paperwork burdens not required by such laws, balancing the uses served by current requirements against the costs, possibilities of error and burdens such requirements entail, and making or proposing the administrative and statutory modifications that appear advisable. Wherever appropriate such periodic reviews should afford the public the opportunity to be heard.

The systems and actions taken to assure such periodic reviews should be briefly described. Such statement should (a) list all programs that have been identified as being appropriate programs for such periodic operational efficiency, with notation as to when each such program was last so reviewed and when scheduled for next review, (b) list those programs for which such periodic review appears inappropriate (with the reasons in each case), and (c) describe the principles that were applied to determine whether programs should be so reviewed periodically, the order in which programs will be so reviewed and the contemplated review cycle for each. Such statement should also focus on (a) a brief description of

such reviews completed since January 1 of the calendar year in which the management plan is submitted (including opportunities afforded for public comment not required by law), the results of each such review, and plans for the next review of each, (d) a similar listing of such reviews planned to be completed or started during the period through the end of the budget year and during the budget year + 1, (e) reviews that had previously been targeted for completion which were not undertaken or completed (together with the reasons therefor). In outlining results of the review's which were completed, improvements in operating efficiency should be as specific as possible -- in terms of better program design, regulatory and paperwork burden reduction, improvement in productivity, reduced processing time, etc.

3.4 Improved Operational Efficiency -- Other Initiatives.

Although the periodic program efficiency reviews referred to in section 3.3 are expected to result in substantial improvement in programs -- toward achieving missions and toward improved operational efficiencies, the effort to improve efficiency must not be restricted to periodic efforts of this kind.

Set forth below are examples of the kinds of things that agencies should work at in a systematic way toward achieving improved operational efficiency:

3.4.1 Regulation Burden Reduction. Whether regulations seek to control actions or simply set forth conditions of assistance -- for example, whether they regulate the manner in which businesses are conducted or specify what an individual, state, local government or other institution must do to qualify for a federal grant, loan, etc. -- clarification and simplification should be achieved whenever possible. Opportunities for simplification and clarification are often identified apart from periodic reviews -- for example, by the bureaus, from communications of those affected, in testimony given by others to Congress, GAO reports and reports and evaluations of advisory committees, non-profit institutions and interest group organizations, etc. The statement should briefly describe (a) the system or systems in place to identify promptly and take advantage of such opportunities, (b) any significant reductions in such regulation burden made since January 1 of the calendar year in which the management plan is submitted (not already covered in the statement with respect to results of periodic program efficiency reviews pursuant to 3.3 above) and (c) any work currently under way or planned in this area for the period through the budget year.

3.4.2 Paperwork Burden Reduction. Paperwork requirements are a form of regulation. Accordingly the comments under section 3.4.1, and the format for reporting, are applicable to this item. Improvements should be sought not only in terms

of reduction in the number of forms but also, more importantly, in terms of gross and net reduction in the hours and expertise require for compliance.

3.4.3 Contracting Out. The plan should briefly describe actions, taken and proposed, with respect to OMB Circular A-76. The statement should focus on: (a) the systems to assure A-76 compliance, (b) functions previously carried out in-house that were contracted out since January 1 of the calendar year in which the management plan is submitted -- together with a brief statement of realized and expected savings, (c) functions carried out in-house which were scheduled for examination during the same period which were not contracted out -- together with the reasons and (d) functions targeted for such examination during the period through the end of the budget year and for the period of the budget year +1.

3.4.4 Overhead Cost Reduction. The management plan should briefly describe, in manner similar to that provided in section 3.4.3, systems and actions, taken and proposed, with respect to reducing the costs of all types of material overhead costs. In addition to such other targets as the agency or OMB may identify from time to time, the statement must include focus on the following (except to the extent that the agency can demonstrate no material application):

- (a) Personnel position and classification management.
- (b) Work force quality and development.
- (c) Productivity measurement, both scope and improved methods.
- (d) Executive quality and development.
- (e) Office and other space utilization.
- (f) Record retention and storage.
- (g) ADP practices.
- (h) Data collection, analysis and reports.
- (i) Cash management
- (j) Accounting systems.
- (k) Reproduction equipment and usage.
- (l) Travel, both local and distant.
- (m) Telephone and communication equipment and usage.
- (n) Audio-visual equipment and usage.
- (o) Mailing practices.

3.5 Improved Program Impact Evaluations. As indicated by section 2.2(d), these evaluations attempt to determine whether a program or group of programs is or are adequately and effectively meeting its or their objectives as established (or assumed) in the statutes or regulations and costs, including unintended adverse consequences. The ultimate question probed in such an evaluation is whether it is worthwhile, on balance, to continue the program or programs at all.

Such evaluations are often difficult to design properly. They sometimes require a number of years to design and complete. They often cross-cut other programs of the agency or in a number of agencies or cross-cut programs of state and local government.

Not all federal activities are appropriate for such evaluation inasmuch as the continuing need for the activity is clear -- for example, whether to continue to have U.S. attorneys. Further, even though programs which should be so evaluated should be re-evaluated at intervals, the interval between evaluations should necessarily vary -- both as to a particular program and by program area. Some programs might well be so evaluated more often than once every five years. Others, particularly those requiring a multi-year period for each evaluation, may call for evaluation at less frequent intervals.

Wherever appropriate, such periodic reviews should afford the public the opportunity to be heard -- both with respect to evaluation design and, as the evaluation proceeds, with respect to program benefits, costs, burdens and alternatives.

The systems and actions taken to assure such periodic reviews should be briefly described in the management plan. Such statement should focus on the same kinds of information as

are required for program operational efficiency reviews in the last paragraph of section 3.3, except that programs outside of the agency that should be included in a particular evaluation should be identified and, as to item (d), the period to be covered should also include budget year +2.

If the agency has submitted a new program proposal as part of its budget submission, the management plan must also indicate the agency's plans for periodic program operational efficiency reviews and periodic program impact evaluation and, to the extent practicable, incorporate such plans in the legislation or regulations as the case may be.

3.6 Missions and objectives. The management plan should include a statement of the missions or goals of the agency -- herein called "goals" -- as determined from statutory and administration policy, together with a notation of changes from the last management plan. It is clear that the same goal is often shared by a number of agencies. For example, one of the goals of every agency having programs related to housing is a decent home for every American. Accordingly, the development and review of a statement of goals by any one agency must be closely coordinated with similar work of other agencies so that the statements will, where appropriate, be the same or complement each other in the proper manner.

In the management plan the agency should briefly describe under each goal the programs of the agency intended to work toward accomplishment of such goals, together with a notation of changes from the last management plan.

Sections 13.1 and 24.3 of A-11 set forth requirements for budget year MBO program objectives. Under A-11 such an objective is a short-term objective that focuses on producing a tangible result at a specific point in time -- usually not more than 18 to 24 months from the time the objective is determined.

As indicated by item (3) of section 24.3 (a) of A-11, objectives developed pursuant to the MBO process should include those related to carrying out the objectives of this Circular.

The statement should briefly describe (a) the systems in place or proposed for the identification, monitoring and accomplishment of MBO's, and an evaluation as to how well such existing systems are working -- with a brief description of the manner in which such evaluation was conducted, (b) as to each objective in place and not achieved prior to January 1 of the calendar year in which the management plan is submitted, (i) the date the objective was achieved, and (ii) if not achieved, the previously reported date for

completion and the reasons not completed and (c) the agency's objectives for the period through the end of the budget year and, to the extent identified, into or through the budget year +1.

As to each new objective, the description should include the target date for achievement, the tasks required for achievement and the timetable for each such task.

Henceforth, to avoid duplication, agencies subject to this circular shall be required to identify MBOs in the budget submission pursuant to A-11 only as necessary or advisable in the context of the agency's written justification material submitted pursuant to section 24.2 of A-11.

Completion of Plan, Publication and Periodic Reports

4.1 Completion and Publication of Management Plan. The agency will be responsible for completion of the management plan, the original submission of which shall be revised to conform to changes, if any, developed in the course of review or called for by Presidential determinations.

Summaries of such plans, or portions thereof, will be prepared by the agency in accordance with OMB guidance and shall be available for public distribution simultaneously with presentation of the President's budget.

4.2 Each agency will report to OMB any proposed material change in its management plan at least fourteen days in advance of the proposed effective date.

At quarterly intervals, each agency will submit to OMB a statement briefly describing its progress in carrying out its management plan.

Format and Details of
Submissions

5.1 From time to time OMB will issue guidelines, with respect to the format and details of preparation, manner and scheduling of submissions and publications contemplated by this Circular.

[What further guidelines do we initially need for first submission? They should accompany the signing of the Circular.]



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

Subject
L.

OCT 4 1976

MEMORANDUM FOR MR. JAMES M. CANNON
Executive Director, Domestic Council

Enclosed for your approval is the Memorandum of Agreement covering the provision of specific administrative services by the Office of Management and Budget for the Domestic Council for fiscal year 1977.

If you approve, please sign and return three copies of the Agreement. One copy should be retained for your files.

This Agreement provides that the Domestic Council will reimburse the Office of Management and Budget for the fiscal year 1977 in the amount of \$40,000. This amount represents no change from fiscal year 1976.

for *Philip D. L...*
Velma N. Baldwin
Assistant to the Director
for Administration

Enclosure

Signed by A.M. 10/15

10/15/76

Memorandum of Agreement Between the
Office of Management and Budget
and the Domestic Council

In accordance with request made by the Domestic Council, the Office of Management and Budget, during Fiscal Year 1977, will provide the following administrative services for the Council.

1. Personnel services: (a) processing of personnel actions and the preparation of appointment, transfer, promotion, etc., documents after approval of actions by the Council, (b) maintenance of personnel records, and (c) preparation of routine personnel reports required by the Civil Service Commission. The Council will be completely responsible for recruiting and selection of personnel.
2. Fiscal services: (a) payroll preparation, (b) leave, retirement, and bond processing and reporting, (c) processing of travel requests, vouchers, and payments as authorized by Council, (d) maintenance of all accounting services including preparation of monthly financial statements and required reports to OMB, Treasury, and CSC, and (e) furnishing of data from maintained records for use of Council in its preparation of budget submissions.
3. Library services: (a) lending of library materials, (b) arranging for interlibrary loans, (c) ordering and receiving books and periodicals requested for purchase by the Council, and (d) answering specific questions. This service does not include any detailed reference work by the Office of Management and Budget Library.
4. Records services: consultation with Office staff on procedures.
5. Office services: (a) requisitioning, receipt, and delivery of supplies and equipment from GSA or commercial sources, (b) processing of requisitions for building services, (c) moving of furniture and other equipment within Council, (d) storage of excess property, (e) receipt of and dispatching of Council mail to U.S. Postal Service, (f) performance of limited amount of duplicating work (quick copy, ditto, multilith) which does not involve any major assembly or stapling tasks, and (g) performance of simple graphics services. These services do not include (a) delivery of mail from or to Council from Office's mail room,

(b) provision of any messenger or chauffeur services, or (c) performance of any major graphics or duplicating projects (such projects will be processed to other Government agencies or commercial services upon request of the Council).

In consideration for the performance of these services, the Domestic Council will reimburse the Office of Management and Budget for the Fiscal Year 1977 in the amount of \$40,000.



For Domestic Council



For Office of Management
and Budget

10/15/76

(Date)

10/4/76

(Date)

Budget

October 4, 1976

OFFICE OF MANAGEMENT AND BUDGET

976 001 29 PM 1 55

TO OFFICE OF MANAGEMENT AND BUDGET STAFF

SUBJECT: Revised Federal Travel Regulations

Effective on October 4, 1976, the Federal Travel Regulations are amended as follows:

A. Mileage rates. When it is determined that use of a privately owned conveyance by the traveler is advantageous to the Government, the reimbursement for mileage rates shall be as follows:

1. 11 cents per mile for use of a privately owned motorcycle.
2. 15 1/2 cents per mile for use of a privately owned automobile.
3. 24 cents per mile for use of a privately owned airplane.

B. Per Diem. Reimbursement for official travel within the limits of the conterminous United States shall be a daily rate not in excess of \$35.00 per day except for travel to a designated high rate geographical area. For travel in the conterminous United States when lodging away from the official duty station is required, the per diem rate shall be established on the basis of the average amount the traveler pays for lodging, plus an allowance of \$16.00 for meals and miscellaneous subsistence expenses not to exceed \$35.00.

C. Designated High Rate Geographical Areas. For temporary duty travel to or within the cities designated below, a traveler shall be reimbursed for the actual and necessary subsistence expenses incurred not to exceed the maximum rates prescribed for the particular geographical area involved.

Boston, MA (all locations within the corporate limits of Boston and Cambridge, MA).....	\$49.00
Chicago, IL (all locations within the corporate limits).....	\$43.00
Los Angeles, CA (all locations within the outer boundaries of the corporate limits of the city of Los Angeles and the Pacific coast-line)	\$40.00
Newark, N.J. (all locations within the corporate limits).....	\$42.00
New York, N.Y. (all locations within the boroughs of the Bronx, Brooklyn, Manhattan, Queens and Staten Island).....	\$50.00
Philadelphia, PA (all locations within the city of Philadelphia)	\$46.00

102911

San Francisco, CA (all locations within the corporate limits of San Francisco and Oakland, CA) \$41.00

Washington, D.C. (all locations within the corporate limits of Washington, D.C., the cities of Alexandria, Falls Church and Fairfax, and the counties of Arlington, Loudoun and Fairfax in Virginia; and the counties of Montgomery and Prince George's in Maryland) \$50.00

OMB Manual Section 510 will be revised to reflect the new travel amendments.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Date: Oct 27, 1976

TO: Jim Cannon

FROM: Deputy Director

1976 OCT 27 AM 10 02

This is today's release on TQ
spending.

AA -
Did you see
Do you understand?
[Signature]

FOR RELEASE AT NOON

Wednesday October 27, 1976

Budget

—
Joint Statement of
William E. Simon, Secretary of the Treasury
and
James T. Lynn, Director, Office of Management and Budget
on Budget Results for the Transition Quarter

SUMMARY

The September Monthly Statement of Receipts and Outlays of the United States Government is being released today. The statement contains the following final budget totals for the Transition Quarter, July 1 through September 30, 1976. (The Transition Quarter is the special period between the old July-to-June fiscal year, and the new fiscal year established by the Congressional Budget Act of 1974, which runs from October to September.)

Receipts of \$81.8 billion.

Outlays of \$94.5 billion.

Budget deficit of \$12.7 billion.

The January budget estimated transition quarter receipts of \$81.9 billion, outlays of \$98 billion and a resultant deficit of \$16.1 billion.

The Mid-Session Review of the 1977 budget, issued in July 1976, showed revised estimates for the Transition Quarter of \$82.1 billion for receipts, \$102.1 billion for outlays and a resultant deficit of \$20 billion. Most of the \$4.1 billion revision in outlays reflected an assumed shift in spending from 1976 to the Transition Quarter. The data released today show that, setting aside adjustments for major financial transactions, outlays for the Transition Quarter are \$1.9 billion below the January estimate. The assumed shift in spending in the Transition Quarter from fiscal year 1976 did not occur.

The major sources of the differences in outlays from the January estimates for fiscal year 1976 and the Transition Quarter are:



Sources of Differences in Outlays
(in billions of dollars)

	Fiscal year 1976	Transition quarter	Total
<u>Open-ended programs and fixed costs:</u>			
Payments for individuals.....	-1.2	-.4	-1.7
Other.....	-.6	-.2	-.9
Subtotal, open-ended programs and fixed costs.....	-1.9	-.7	-2.6
<u>Department of Defense, Military</u>			
Procurement.....	-.5	-.6	-1.1
Operation and maintenance, military personnel, RDTE.....	-1.0	-1.0	-1.9
Other.....	-.2	-.3	-.5
Subtotal, DOD, military.....	-1.7	-1.9	-3.6
<u>Other programs:</u>			
HEW.....	.5	.6	1.1
Foreign economic assistance.....	-.8	.2	-.6
Interior.....	-.3	-.1	-.3
Labor (training and employment).....	-.7	.2	-.5
Transportation.....	-.3	-.4	-.7
EPA.....	-.1	.3	.2
ERDA.....	-.2	-.1	-.5
All other.....	-1.7	*	-1.7
Subtotal, other programs.....	-3.5	.7	-2.8
Total of the above.....	-7.1	-1.9	-9.0
<u>Major financial transactions</u>			
Offshore oil and receipts.....	.3	-.8	-.5
Foreign military sales.....	--	-1.2	-1.2
Asset sales.....	-1.1	.4	-.7
Total, major financial transactions.....	-.8	-1.6	-2.4
<u>Total.....</u>	-7.9	-3.5	-11.4

* Less than \$50 million.

AMOUNTS IN THE TRANSITION QUARTER

Receipts

Budget receipts in the transition quarter were \$81.8 billion, \$0.1 billion below the \$81.9 billion estimated in January. Individual income taxes were \$1.2 billion below the January estimate, but this was partially offset by increases in other receipts. For instance, social insurance taxes and contributions were up by \$0.6 billion, of which \$0.5 billion is accounted for by unemployment insurance. Other increases include \$0.1 billion for excise taxes, and \$0.2 billion for customs duties.

Outlays

Total budget outlays for the transition quarter were \$94.5 billion. The change from the January estimate total is accounted for primarily by unanticipated financial transactions, although there have been numerous, nearly offsetting, increases and decreases. It is unclear whether these changes will result in overall increases or decreases for 1977 but it is likely that the effect on total outlays will not be significant. Of much greater significance are the increases to 1977 outlays resulting from congressional action and inaction on 1977 budget proposals.

The following identifies significant outlay changes from the January budget in the transition quarter:

- Outlays for Department of Defense-Military were \$2.5 billion below the budget estimate. Approximately \$0.6 billion occurred in procurement appropriations. Obligation rates for hardware procurement lagged due to late 1976 appropriations and the increase in procurement appropriations. The effect of this lag on 1977 estimates is uncertain. Obligation rates were slower than expected for operation and maintenance, research and development, and military personnel but these delays have been made up. Much of the outlay shortfall of \$1.0 billion in these latter categories is expected to be made up in 1977. Also contributing to the decrease were higher reimbursements of \$0.6 billion from foreign military sales that effect outlays in the procurement appropriations.
- Military Assistance Programs.--Increased spending for military assistance programs was largely offset by

unanticipated net receipts of \$0.6 billion for foreign military sales.

- Most of the \$2.5 billion change in the Department of the Treasury results from a technical adjustment. The largest part of the \$2.3 billion difference in interest on the public debt resulted from converting intra-budgetary interest payments to the trust funds from an accrual to a cash basis. The change is offsetting and has no effect on total budget outlays. The remaining Treasury differences resulted from higher miscellaneous offsetting receipts in such accounts as interest on loans to the Federal Home Loan Bank, and lower-than anticipated outlays from the General Revenue Sharing Trust Fund and other Treasury accounts. At this time Treasury does not anticipate any significant adjustments in fiscal year 1977 outlays due to the variance in the transition quarter.
- Outlays were \$0.8 billion lower because of increased receipts from offshore oil leasing. These receipts are treated as an offset to budget outlays, and the increase is due to the Atlantic outer continental shelf sale. The budget estimate was based on a probability assumption that the chances of no sale were greater than chances for a sale. The sale did take place, and, therefore, without any presumed effect on 1977, the estimate for the transition quarter was too low.
- Transition quarter outlays for the Department of Housing and Urban Development were down by \$530 million from the estimate made in January. This was due to improved market conditions which allowed HUD to make greater than expected mortgage sales at prices favorable to the government. These sales are not expected to affect 1977 estimates. Claims on the FHA Fund from defaults on FHA-insured mortgages were about \$150 million lower than predicted for the transition quarter. Presentation of these claims ~~are~~ at the discretion of the mortgagees and HUD must pay all claims presented. Claims presented to the FHA Fund in the transition quarter have no effect on claims to be presented in 1977. Total outlays from all other HUD accounts netted out within \$60 million of the 1977 Budget estimate.
- The Veterans Administration estimated transition quarter outlays of \$4.4 billion in the January budget. Actual outlays were \$4.0 billion. The major share of the \$401 million difference is due to lower than expected payments for compensation and pensions, and for

readjustment benefit caseloads -- approximately \$37 million for the former and \$291 million for the latter. Further, housing asset sales were higher than expected. Overall, somewhat higher outlay effects may be expected in 1977.

- Department of Transportation outlays were \$360 million below the January estimate. The difference is mainly attributable to three areas within DOT. For the Federal aid highway program, the January Budget anticipated 1976 obligations of \$7.2 billion, consistent with the obligations limitation for that year. Instead, States only obligated \$4.6 billion in 1976, thereby causing outlays to be lower in the T.Q. by \$167 million. As a consequence, outlays in 1977 for this program are expected to drop below the level originally estimated in the January Budget.

For the Federal Aviation Administration, most of the change of \$108 million is due to the delay of congressional action on the Administration's legislative proposal regarding the extension of the Airport and Airway Development Act of 1970. Legislative action was expected early in 1976; however, final action slipped until July 1976. No significant outlay impact is expected in FY 1977. For the Urban Mass Transit Administration most of the shortfall of \$83 million is due to the failure of UMTA formula grant program recipients to submit complete and timely applications for operating subsidies. No significant outlay impact is expected in FY 1977.

- Outlays for the Energy Research and Development Agency were about \$140 million below the January budget estimate due to unavoidable programmatic delays in such areas as fossil, solar, and geothermal energy research and development.
- Department of Agriculture outlays for the transition quarter were \$589 million above the January estimate. This increase is net of some program shortfalls, increases in offsetting receipts, and outlay increases in three program areas. Outlays for the Commodity Credit Corporation were \$246 million higher largely because of the financing of export sales which were anticipated in 1976 but made in the transition quarter. Farmer's Home Administration outlays were \$247 million higher largely because asset sales were lower than

anticipated. Finally, food stamp demand was \$198 million higher than expected. It is not now expected that these increases will have a significant effect on estimates for 1977.

- The United States Postal Service ^{outlays} exceeded the January budget estimate by \$507 million. This was the result of a supplemental appropriation which was applied against the accumulated operating indebtedness as of September, 1976.
- The Department of Health, Education, and Welfare outlay estimates were \$669 million above the January budget estimate. The increase from \$33.7 billion to \$34.3 billion is due largely to congressional action or inaction on the Administration's budget proposals. Non-enactment of cost-savings legislative proposals increased outlays by \$413 million; refusal of Congress to enact proposed rescissions of 1976 and transition quarter appropriations required additional outlays of \$108 million; and enactment of appropriations in excess of Administrative requests caused additional outlays of \$142 million, or \$663 million in all from these factors.
- Environmental Protection Agency.--The increase of \$270 million over the January estimates is caused by the waste treatment grant program where construction proceeded more rapidly than had been planned. The higher rate of spending is expected to continue in 1977.
- Foreign Economic Assistance.--Transition quarter outlays were \$226 million higher than estimated in the January budget. The outlay increases result from late enactment of 1976 appropriations, causing a spillover of outlays into the transition quarter and from Congress' add-on of \$239.5 million to the Supporting Assistance request for the Transition Quarter. Because the outlay rise in the transition quarter reflects appropriations changes in 1976 and the transition quarter, most of the effect was to ~~the~~ shift outlays from 1976 to the transition quarter. Therefore this action is expected to have only a small impact on 1977 outlays.
- Outlays for the Federal Deposit Insurance Corporation were \$207 million higher than the budget estimate. This was due largely to developments not anticipated in earlier planning.
- Labor Department outlays in the transition quarter exceeded the amount shown in the January budget by \$110



million. This was due to higher spending for summer youth programs and slippage of outlays from 1976 into the transition quarter for the public service employment program. Outlays for unemployment compensation were slightly higher than the budget estimate. This is the net effect of a decrease in the unemployment trust fund caused by lower than expected unemployment, and an increase in outlays for benefits to former Federal personnel and ex-servicemen. These changes are not expected to alter 1977 outlays from levels previously estimated.

Transition Quarter
BUDGET RECEIPTS AND OUTLAYS
(in millions of dollars)

<u>Description</u>	<u>January budget estimate</u>	<u>Actual</u>	<u>Change from January</u>
<u>Receipts by Source</u>			
Individual income taxes.....	40,003	38,801	-1,202
Corporate income taxes.....	8,416	8,460	44
Social insurance taxes and contribu- tions:			
Employment taxes and contributions.	21,729	21,803	74
Unemployment insurance.....	2,214	2,698	484
Contributions for other insurance and retirement.....	1,231	1,258	27
Excise taxes.....	4,371	4,473	102
Estate and gift taxes.....	1,400	1,455	55
Customs.....	1,000	1,212	212
Miscellaneous.....	<u>1,530</u>	<u>1,613</u>	<u>83</u>
 Total receipts.....	 <u>81,894</u>	 <u>81,773</u>	 <u>-121</u>
<u>Outlays by Major Agency</u>			
Legislative branch and the judiciary.	317	310	-7
Executive Office of the President....	19	16	-2
Funds appropriated to the President:			
Disaster relief.....	55	71	16
Military assistance programs.....	129	183	54 a/
Foreign economic assistance.....	677	903	226
Other.....	-36	64	100
Agriculture:			
Commodity Credit Corporation, foreign assistance, and special export programs.....	586	832	246
Other.....	2,675	3,018	343 a/
Commerce.....	553	534	-19

Defense:			
Military.....	24,471	21,926	-2,545 <u>a/</u>
Civil.....	710	583	-128
Health, Education, and Welfare:			
Social security and medicare.....	24,485	24,568	83
Other.....	9,193	9,773	580
Housing and Urban Development.....	1,927	1,397	-530 <u>a/</u>
Interior.....	847	788	-59
Justice.....	618	551	-67
Labor.....	5,796	5,905	110
State.....	382	316	-66
Transporation.....	3,363	3,003	-360
Treasury:			
Interest on the public debt.....	10,400	8,102	-2,298 <u>b/</u>
General revenue sharing.....	1,627	1,588	-39
Other.....	180	10	-170
Energy Research and Development			
Administration.....	1,192	1,051	-141
Environmental Protection Agency.....	838	1,108	270
General Services Administration.....	45	3	-42
National Aeronautics and Space			
Administration.....	909	953	44
Veterans Administration.....	4,358	3,957	-401 <u>a/</u>
Civil Service Commission.....	2,329	2,353	24
Federal Deposit Insurance Corporation	-74	133	207
Federal Home Loan Bank Board.....	-99	-178	-80
United States Postal Service.....	431	938	507
Railroad Retirement Board.....	918	937	19
Small Business Administration.....	107	78	-29
Other independent agencies.....	1,459	1,266	-192
Allowance for contingencies.....	175	---	-175
Undistributed offsetting receipts:			
Federal employer contributions to			
retirement funds.....	-979	-985	-6
Interest received by trust			
trust funds.....	-2,110	-270	1,839 <u>b/</u>

Rents and royalties on the Outer Continental Shelf.....	<u>-500</u>	<u>-1,311</u>	<u>-811 a/</u>
Total outlays.....	<u>97,971</u>	<u>94,473</u>	<u>-3,498 a/</u>
Budget deficit(-).....	-16,077	-12,700	-3,377

a/ Includes major financial transactions netting to a total change of \$1.6 billion.

b/ Most of these changes are technical and are offsetting. (See Text)

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

DOMESTIC COUNCIL

FROM:

JIM LYNN

SUBJECT:

1979 Budget estimates

----- Date: 10/29/76 -----

COMMENTS:

You will be interested in this memo from Jim Lynn to the Executive Department heads informing them of the current plans to achieve President's "balanced budget" goal for 1979.

OMB expects to incorporate better 1979 estimates in the 1978 budget.

We need to be well aware of these requests.

I have circulated copies to all staff members.

A.

oh
gmr

ACTION:

Date:





Budget

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

OCT 19 1976

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TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: 1979 Budget Estimates in the 1978 Budget

As you know, the President has taken a strong public stand stating that he will propose a balanced budget for the fiscal year 1979. My letter to you outlining policy guidance for the upcoming 1978 budget noted that a concerted effort by all of us is needed to help him accomplish this goal.

We intend to present fiscal year 1979 estimates in some detail in the 1978 budget. Together with the President's 1978 budget proposals, the 1979 estimates will constitute his plan for the attainment of a balanced budget for 1979. This plan will be based on the best information available and the President will expect each of you to defend it as his program for fiscal year 1979. As presented in the 1978 budget, the 1979 plan will be used as a base for development of the 1979 budget adjusted for subsequent Presidential decisions, Congressional actions that necessitate changes, revised estimates of beneficiary populations, and other changes that usually affect the annual budget totals. We intend to press the Congress to agree upon 1979 budget goals at the time it establishes target amounts for 1978. //

An integral part of this plan is the presentation of 1979 estimates in the 1978 budget in greater detail than outyear estimates have been presented in the past. Specifically, fiscal year 1979 estimates will be shown for each major agency and at the function, subfunction, and major program levels. (As a reference, see the functional tables in Part 5 and Tables 3 and 4 of the Budget of the United States Government, Fiscal Year 1977.)

The instructions for preparation and submission of budget estimates (sections 22.2 and 22.3 of OMB Circular No. A-11, Revised) require you to submit with your agency's 1978 budget requests, long-range budget projections and long-range estimates associated with your legislative program. In addition, section 607 of the Congressional Budget Act of 1974 requires that legislative proposals applicable to 1979 be transmitted to the Congress by May 15, 1977.

The 1979 estimates to be shown in the 1978 budget for your agency will represent your agency's share of the balanced 1979 total at the time the 1978 budget is transmitted. With this in mind, OMB will provide

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1979 Presidential budget allowances at the same time that 1978 allowances are furnished. Agencies will be asked to explain changes from these 1979 allowances when the 1979 budget requests are submitted next fall.

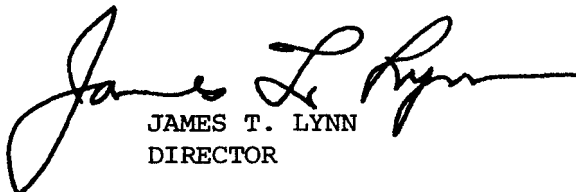
We now ask, in consideration of the President's plan, that each of you re-examine thoroughly the 1979 estimates included in your 1978 budget submission. Your focus should be on major programs and items. In making this re-examination, you may wish to propose changes in programs beginning in 1979, including new initiatives and changes in existing programs and program levels. We wish to avoid unrealistic 1979 estimates that do not take into account issues now anticipated.

It must also be clearly understood, however, that the dollar totals of agency budget recommendations already received by OMB will have to be reduced to reach the balanced budget goal. The President has directed me to emphasize to you again his commitment to meet that goal. We solicit your further suggestions for budget reductions beginning either in 1978 or 1979. //

I think that we can all agree that proper management of Government requires a longer focus than exists under the present budget system with its emphasis on the budget year. The nature of many Federal programs and our governmental system make it desirable to determine longer-term objectives and plans. I believe that this effort to expand our budget horizon will foster more rational planning and lead to more efficient Government.

Revised estimates for 1979 should be forwarded to OMB by October 30, 1976 by reference to the long-range estimates previously submitted and by furnishing appropriate explanations.

Between now and the time the President makes his final decisions on the budget to be transmitted next January, my staff and I will be working closely with you and your staff to help the President achieve his objective.


JAMES T. LYNN
DIRECTOR

Budget Tuesday

Budget Mtg.

THE WHITE HOUSE
WASHINGTON

December 8, 1976

976 DEC 9 AM 7 16

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY *SGM*

SUBJECT:

OMB Recommendation to End
the Intergovernmental
Personnel Act Program

12/14/76
Steve Cannon
IM
stayed with
his
decision
support of OMB
Jim

I have recently received letters from the major public interest groups expressing their opposition to OMB's recommendation to delete the IPA Program from the FY78 Budget. Among those writing are:

National Governors' Conference
U.S. Conference of Mayors - National League of Cities
International City Management Association
National Conference of State Legislatures
Council of State Governments

I am convinced that while the Ford Administration has sought to return decision-making authority to other levels of government, the President should also be aware of the burden that such a shift has placed on general management at these levels.

Financial support specifically for general administration has been provided only sporadically through a few categorical grants. And, money available through revenue sharing for this area has often been used by state/local officials for other purposes. Currently HUD's 701 planning money and the IPA Program are the only programs targetted at helping to develop good management and planning capabilities at the local level.

As noted above, this type of support seems to be a logical extension of the Administration's position concerning the devolution of authority within the Federal system. A block grant for general management support should be considered for the future to aid these governments. But, in the interim, the IPA program should not be discontinued.



120901

In general, the program has been deemed beneficial. The fact that 76% of the project surveyed by the National Academy of Public Administration (NAPA) in 1976 have been continued with state/local funds illustrates the base of support generated. The NAPA study also shows that a real vacuum in personnel administration still exists in many localities. Although efficient personnel administration will not solve all of the problems in state/local government, this program is one step toward improving general management while we study other alternatives.

The IPA program was originally conceived as "seed money" to eventually be discontinued. But, in light of the support voiced and the positive results thus far, I recommend that it be continued for another year while an alternative is developed.



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Steve McConahey
The White House
Washington DC

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8 PMS PRESIDENT FORD, DLR

9 WHITE HOUSE

10 WASHINGTON DC 20500

11
12 DEAR MR PRESIDENT ON BEHALF OF OUR PRINCIPALS THE MAYORS, STATE
13 LEGISLATORS, GOVERNORS, COUNTY EXECUTIVES, AND MANAGERS WE SINCERELY
14 URGE YOUR SUPPORT OF ONE OF THE MOST EFFICIENT AND EFFECTIVE FEDERAL
15 PROGRAMS: THE INTER GOVERNMENTAL PERSONNEL ACT. IT HAS BEEN REPORTED
16 TO US THAT OMB IS RECOMMENDING THAT YOU DELETE THE ENTIRE BUDGET
17 FOR THE IPA PROGRAM IN YOUR BUDGET MESSAGE FOR 1978. WE URGE YOU NOT
18 TO TAKE THIS RECOMMENDATIONS IN WHOLE OR IN PART. THE IPA PROGRAM
19 HAS EARNED A REPUTATION AS ONE OF THE VERY BEST HANDLES OF HOW
20 FEDERAL AID PROGRAMS SHOULD WORK ITS ADMINISTRATION UNDER THE NIXON
21 AND FORD ADMINISTRATIONS HAS BEEN OUTSTANDING WE URGE YOUR CONTINUED

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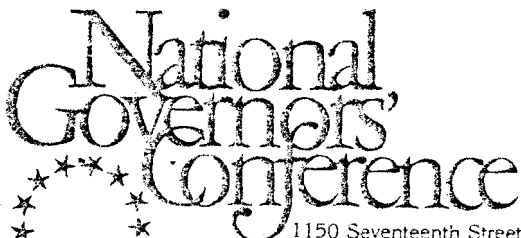
SUPPORT REGARDS

**ALAN BEALS EXECUTIVE DIRECTOR NATIONAL LEAGUE OF CITIES JOHN
J GUNTHER EXECUTIVE DIRECTOR U.S. CONFERENCE OF MAYORS STEPHEN
B FARBER DIRECTOR NATIONAL GOVERNORS CONFERENCE EARL HADLEY
EXECUTIVE DIRECTOR NATIONAL CONFERENCE OF STATE LEGISLATURES
BERNARD F HILLENBRAND EXECUTIVE DIRECTOR NATIONAL ASSOCIATION
OF COUNTIES BREVARD CRINFIELD EXECUTIVE DIRECTOR COUNCIL OF
STATE GOVERNMENTS MARK KEANE EXECUTIVE DIRECTOR INTERNATIONAL
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Cecil D. Andrus
Governor of Idaho
Chairman

Stephen B. Farber
Director

CALLED IN TO WESTERN UNION -

December 2, 1976

1:30 p.m.

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of our principals, the Mayors, State Legislators, Governors, County Executives and Managers, we sincerely urge your support of one of the most efficient and effective federal programs: The Intergovernmental Personnel Act.

It has been reported to us that OMB is recommending that you delete the entire budget for the IPA program in your budget message for 1978. We urge you not to take this recommendation in whole or in part. The IPA program has earned a reputation as one of the very best models of how federal-aid programs should work. Its administration under the Nixon and Ford Administrations has been outstanding. We urge your continued support.

Kindest regards.

Alan Beals
Executive Director
National League of Cities

John J. Gunther
Executive Director
U. S. Conference of Mayors

Stephen B. Farber
Director
National Governors' Conference

Earl S. Mackey
Executive Director
National Conference of State Legislatures

Bernard F. Hillenbrand
Executive Director
National Association of Counties

Brevard Carihfield
Executive Director
Council of State Governments

Mark Keane
Executive Director
International City Management
Association

15
Steve McCauley

OFFICE OF THE GOVERNOR
INDIANAPOLIS, INDIANA 46204

OTIS R. BOWEN, M. D.
GOVERNOR

December 2, 1976

Honorable Gerald R. Ford
The President
The White House
1600 Pennsylvania Avenue
Washington, D.C.

Dear Mr. President:

It has been reported to me that OMB is recommending that you delete the budget for the IPA program in your budget message for 1978.

Even though I embrace the concept of frugality in government, I believe that the IPA program is one of those that should not be cut.

It has been our experience in Indiana that the IPA program gets more bang for the buck than just about any other federal program. It has enjoyed the benefits of outstanding leadership, and has legitimately earned the reputation of being extremely helpful to those of us in state and local government.

I urge your continued support of the IPA program, and respectfully request that you reject any proposal which might reduce this program.

Kindest regards,



Otis R. Bowen, M.D.
Governor

ORB:sp

OFFICE OF THE GOVERNOR
INDIANAPOLIS, INDIANA 46204



Honorable Gerald R. Ford
The President
The White House
1600 Pennsylvania Avenue
Washington, D.C.