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Binder "1976 Budget Final Issues for
Decision, 12/23/74"

12-23-74

THE WHITE HOUSE
WASHINGTON

Don R.

I found this
in study. Obviously,
out of date.

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00464

Collection/Series/Folder ID No. : 004700032
Reason for Withdrawal : NS,National security restriction
Type of Material : MEM,Memo(s)
Creator's Name : Roy Ash
Receiver's Name : President
Description : FY1976 funding for AEC weapons pr
ogram
Creation Date : 12/1974?
Volume (pages) : 2
Date Withdrawn : 04/28/1988

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00465

Collection/Series/Folder ID No. : 004700032
Reason for Withdrawal : NS,National security restriction
Type of Material : MEM,Memo(s)
Creator's Name : Henry Kissinger
Receiver's Name : President
Description : FY1976 funding for AEC weapons pr
ogram
Creation Date : 12/20/1974
Volume (pages) : 3
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State
Department

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: Roy L. Ash

SUBJECT: State Department 1976 Budget Appeal

The State Department has appealed \$28.6 million from your 1976 allowance of \$909 million. Three issues have been identified for your consideration.

I. Employment levels

The Department requests 124 of the 332 new positions it originally sought. Seventy-two of these are for possible new diplomatic missions abroad. After reducing employment by 16% since 1967, the Department believes it can no longer meet new requirements by transferring personnel from low priority activities.

OMB recommends that you continue the policy followed in recent budgets of requiring the Department to meet new needs by reprogramming within its authorized total employment of 24,489. Experience shows that many projected new diplomatic missions do not open as planned, and that the closing of others and the termination of special negotiations and other activities release personnel for new functions. The Department traditionally has tried to avoid the necessary difficult management decisions that some reprogrammings require, but we believe that denial of the appeal will have the beneficial effect of forcing the Department to sort out its priorities and improve the management of its key resource--personnel. Departing from the current policy of no new positions will tend to encourage requests from the Department's bureaucracy to meet each new requirement, with little attention to low priority activities which might be reduced.

Decision:

Reaffirm no personnel increase policy (OMB rec.)
 Allow 124 positions and \$1.8 million
 (agency appeal)

allow 50

II. Logistical support

Your initial allowance already provides \$11 million for discretionary increases in non-salary costs, almost three times the amount included in the 1975 budget. However, after reviewing the Department's appeal, OMB believes it would be better to provide some additional logistical support to improve Department operation, than to allow additional personnel.

	<u>Initial</u> <u>Allowance</u> (\$ in millions)	<u>State</u> <u>Appeal</u>	<u>OMB</u> <u>Recom.</u>
Non-salary costs of new diplomatic installations: Full amount not recommended because experience indicates not all projected post openings will occur	2.0	+3.0	+2.0
Communications: Appeal requests high-speed telegraph equipment for 14 small embassies with low traffic volume, a portable satellite communication system for the Secretary while traveling, and general equipment upgrading. \$3.0 could be restored to allow the Department to select the highest priority	0.8	+6.7	+3.0
Expenses of joint cooperation commissions being established by the Secretary, especially in the Middle East	0.5	+0.9	+0.9
Improved charter air and truck services to isolated African posts	-	+0.4	+0.4
Other discretionary increases	7.3	-	-
Total discretionary increases	10.6	11.0	+6.3

Decision:

Reaffirm original allowance

Restore \$6.3 million, to be distributed by the Department to the highest priorities as it assesses them (OMB rec.)

Allow full appeal of \$11.1 million
(Agency appeal)

NR7

III. Exchange of persons

The Department, on appeal from your initial decision of \$58 million, seeks \$74 million, which is \$21 million higher than the 1975 appropriation of \$53 million. This increase reflects the Department's intent to begin a sharp and sustained broadening and expansion of the program over the next five years to the \$135 million level by 1980.

We recommend \$60 million which would cover mandatory cost increases, some bicentennial activities and a modest program expansion. Management limitations make an increase to anything above \$65 million not advisable. The Department might reluctantly accept a decision of \$65 million, but such an increase would be more liberal than budget requests of recent years.

	1976	
	BA	OL
Agency original request	79	70
Presidential allowance	58	55
Agency appeal	74	63
OMB recommendation	60	56
Compromise alternative	65	59

Decision:

Reaffirm initial decision (\$58 million)

Grant agency appeal (\$74 million)

Approve OMB recommendation (\$60 million)

Approve compromise alternative (\$65 million)

NR7

December 19, 1974

The attached appeal memorandum from Deputy Secretary Ingersoll, and the tables accompanying it, are inadvertently incorrect in referring to a budget allowance of \$937 million. The President's decision on State's budget totalled \$909 million. The \$28 million difference is composed of (a) \$13 million for Soviet Jewish refugees not going to Israel, which the President disallowed and which instead will be handled by a legislative increase in the authority to transfer funds from AID to State for that purpose and (b) \$15 million for appropriation of Japanese yen for U.S.-Japan exchanges, which has not yet been decided.

The Department's alternative appeal -- i.e., allow \$937 million but permit State to reallocate the \$28 million to other purposes -- is, therefore, not relevant. In any case, a tradeoff between a yen appropriation which does not affect the budget deficit and a dollar appropriation which does is not appropriate.

The Department agrees that its memorandum is in error and its alternative appeal is not feasible.

The OMB memorandum on the appeal deals with the correct figures.

Dec. 17, 1974

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MEMORANDUM FOR: THE PRESIDENT

From: Robert S. Ingersoll

Subject: FY 1976 Budget - Appeal of Budget Allowance

The Office of Management and Budget has informed me that you have accepted their recommendations for this Department's level of resources for 1976.

Prior to the presentation of their recommendations to you we evaluated their proposals and requested adjustment of several of their recommendations to assure that the approved level of our 1976 budget would provide for the effective conduct of foreign relations next year. It is my understanding that our reactions to the OMB recommendations were not presented to you.

I am fully cognizant of and support the need for fiscal restraints throughout government at this time. I do believe, however, that a limited increase or, alternatively, an adjustment within the approved allowance of \$937,447,000 would provide for a more effective Department of State in 1976.

There are three areas of concern to us. In our regular operating expenses there is a need for an additional \$12.6 million and 119 new positions. These resources are required to permit the establishment or upgrading of our diplomatic presence in Africa, in recognition of the independence of new nations, increase our representation in the Soviet Union and meet consular requirements in Latin America. We also believe we must strengthen our new Bureau of Oceans, Environmental and Scientific Affairs. The cumulative effect of our budget

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stringencies and staff reductions during the past years has drastically curtailed our flexibility to obtain these staff resources by reprogramming of current resources.

Also included in our operating expenses requirements are funds to improve our communications capabilities particularly in Africa and to be more responsive to the Secretary's communication needs considering the heavy demands for overseas negotiations.

Our second area of concern is our need to establish representation to the United Nations Environmental Program which is headquartered in Nairobi and to strengthen our Mission to the International Atomic Energy Agency in Vienna where we have a major interest in the IAEA safeguards and energy programs. The adjustment required here is small, \$240,000 and 5 positions but because of the limitations inherent in an appropriation of only \$8 million these needs cannot be met by internal reprogramming.

The approval of an increase of \$12.8 million to finance the shortages in our regular operating expenses and our Missions to International Organizations activity would resolve the need for improved representation abroad and permit funding of our communications requirements.

Alternatively, your approval to reprogram the OMB allowance to use the amount originally approved for the Soviet refugee program (\$13 million) for these other purposes would permit us to budget for our estimated priorities without increasing the current allowance.

The third area of concern relates to our important educational exchange program. The Office of Management and Budget has recommended a budget level \$21 million lower than our request for programs carried out under the Fulbright-Hays Act, which is aimed at strengthening mutual understanding and international cooperation. This strikes a severe blow to an activity Secretary Kissinger and I consider of the highest importance in carrying out our foreign policy objectives.

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OMB's recommendation of \$58 million (against our \$79 million request) places our basic world-wide program at a virtual standstill. This surprisingly low allowance would be most damaging to the Department's ability to carry out coherent programs in response to the Administration's initiatives in the Middle East and Latin America. It would also make it impossible to meet new requirements and opportunities for cultural relations programs with high priority areas, such as the Soviet Union, Eastern Europe, and the People's Republic of China.

In addition to the \$58 million, OMB has recommended \$15 million (from U.S.-owned yen) to be used exclusively for programs with Japan and \$800,000 (from U.S.-owned rupees) to construct an American Studies Research Center in India. While we support these additions in principle, they would not in any way contribute to our ability to carry out activities which we consider of even higher priority. I propose, therefore, that you permit us to go to Congress with a request equal to the total figure OMB has recommended under the authority of the Fulbright-Hays Act, \$73.8 million, but without the limitation that \$15.8 million of this total be expended in our programs with Japan and India.

A \$73.8 million allowance, although \$5.2 million under our request, will enable us to increase substantially our programs with Japan and India, and it will also make it possible for us to meet most of our high priority commitments on a global basis.

Our request is modest measured against what it will buy in promoting the attitudes and institutions essential for improved understanding. This is the kind of program which justifies a substantial increase, both on its merits and as a signal of your Administration's responsiveness to emerging priorities.

Recommendation:

That you authorize an increase in the OMB Allowance of \$28.6 million (Salaries and Expenses \$12.6 million, Missions to International Organizations \$.2 million, Mutual Educational and Cultural Exchange \$15.8 million)

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and 124 positions for the fiscal year 1976 budget of the Department of State.

Approve _____ Disapprove _____

ALTERNATIVELY, that you authorize the Department to reprogram the OMB allowance consistent with our estimate of priorities and to increase personnel strength by 124 positions.

Approve _____ Disapprove _____

Attachment:

Analysis of 1976 requirements and
OMB Allowance

Drafted: M/FRM/BP:DCEller:fb
x22077:12/17/74
Concurrence: M/FRM - Mr. Murray

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DEPARTMENT OF STATE

Analysis of 1976 Requirements and OMB Allowance
(In thousands of dollars)

<u>Appropriation</u>	<u>OMB Allowance</u>	<u>Dept'l. Appeal</u>	<u>Difference</u>
Salaries and Expenses.....	\$390,660	\$403,260	+\$12,600
637(b)1/.....	5,548	5,548	-
Pay act supplemental.....	9,823	9,823	-
Total.....	406,031	418,631	+ 12,600
Representation.....	1,736	1,736	-
637(b)1/.....	40	40	-
Total.....	1,776	1,776	-
Foreign Buildings Program.....	29,727	29,727	-
Pay act supplemental.....	113	113	-
Total.....	29,840	29,840	-
Foreign Buildings Program - Special Foreign Currency.....	9,785	9,785	-
Emergencies in the Diplomatic and Consular Service.....	2,100	2,100	-
Per cent to Foreign Service ment.....	20,535	20,535	-
Pay act supplemental.....	1,900	1,900	-
Total.....	22,435	22,435	-
Contributions to International Organizations.....	245,610	245,610	-
Missions to International Organizations.....	8,288	8,528	+ 240
Pay act supplemental.....	165	165	-
Total.....	8,453	8,693	+ 240
International Conferences.....	7,316	7,316	-
637(b)1/.....	212	212	-
Total.....	7,528	7,528	-
Trade Negotiations.....	2,523	2,523	-
Pay act supplemental.....	73	73	-
Total.....	2,596	2,596	-
American Sections, Int'l. missions.....	1,507	1,507	-
Pay act supplemental.....	43	43	-
Total.....	1,550	1,550	-

<u>Appropriation</u>	<u>OMB Allowance</u>	<u>Dept'l. Appeal</u>	<u>Difference</u>
International Fisheries			
Commissions.....	4,700	4,700	-
Pay act supplemental.....	30	30	-
Total.....	4,730	4,730	-
Mutual Educational and Cultural			
Exchange.....	57,440	73,240	+15,800
Pay act supplemental.....	560	560	-
Japan-U.S. exchanges.....	15,000	-	-15,000
India-(Special Foreign Currency).....	800	-	- 800
Total.....	73,800	73,800	-
East-West Center.....	9,000	9,000	-
Migration and Refugee.....	10,068	10,068	-
Pay act supplemental.....	32	32	-
Subtotal.....	10,100	10,100	-
Soviet Refugees not going to Israel.....	13,000	-	-13,000
Total.....	23,100	10,100	-13,000
Contributions for International Peacekeeping:			
International Commission for Control and Supervision in Vietnam.....	19,800	19,800	-
United Nations Force in Cyprus.....	9,600	9,600	-
Permanents, Trust Funds, etc...	59,713	59,713	-
Total, Department of State (exclusive of IBWC).....	937,447	937,287	-160

1/ Administrative and Other Expenses, State, Section 637(b) to be transferred from the Foreign Assistance Appropriation.

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

DEC 23 1974

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: PAUL H. O'NEILL 
SUBJECT: Budget Decisions

I. BACKGROUND

As we mentioned earlier, several 1976 budget issues remain for your decision. This binder outlines issues on which your decision is needed in the next few days.

II. RECOMMENDATION

That you give us your decision on these issues by Friday, December 27.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT
FROM: ~~ROY L. ASH~~
SUBJECT: Additional 1976 Budget Issue on Foreign Assistance

Since we prepared the original papers for you on foreign assistance budget issues, estimates for military assistance to South Vietnam for both 1975 and 1976 have changed.

Attached is an issue paper on that matter to be added to the book you now have entitled "1976 Budget Session with the President -- 12/10/74."

Attachment

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00470

Collection/Series/Folder ID No. : 004700032
Reason for Withdrawal : NS,National security restriction
Type of Material : MEM,Memo(s)
Creator's Name : Roy Ash
Receiver's Name : President
Description : re military assistance to South V
ietnam (attachment to Roy Ash memo to the President) - 5th copy in this folder
Creation Date : 12/1974?
Volume (pages) : 2
Date Withdrawn : 04/28/1988

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FOREIGN ASSISTANCE

1976 Budget

Issue#12: Military Assistance to
South Vietnam

Statement of Issue

How much grant military assistance for South Vietnam in 1975, 1976 and Transition Quarter should be requested in the 1976 budget?

	<u>1975</u>		<u>1976</u>	<u>T/Q</u>	<u>Total</u>
	<u>Approp.</u>	<u>Suppl.</u>	<u>Est.</u>	<u>Est.</u>	<u>Request</u>
	(\$ millions)				
Alt. #1 (NSC)	700	300	1293	355	2648
Alt. #2 (DOD)	700	-	1293	355	2348
Alt. #3 (OMB)	700	300	1000	250	2250

Background

Prior to December 3, there was agreement on the levels for military assistance to South Vietnam - \$700 million in 1975, \$1000 million for 1976 and \$238 million for the transition quarter. It was understood that DOD probably would wish to submit a supplemental request later for \$300 million for 1975 if a sizable attack occurs in the coming dry season.

Secretary Schlesinger, with Dr. Kissinger's agreement, has now decided to increase his 1976 recommendation to \$1,293 million, based on recent field visits by DOD staff (Ambassador Martin's estimate was \$1,950 million.). DOD states that the additional \$300 million for 1975 and \$293 million for 1976 will be required whether or not there is a major enemy attack this spring. DOD is, therefore, prepared to assert now the need for \$1,293 million for 1976, as well as an increase of \$117 million for the transition quarter (from \$238 million to \$355 million). However, Secretary Schlesinger does not wish to include a request for the \$300 million supplemental for 1975 in the 1976 Budget on the grounds that the chances for securing additional 1975 funds from the Congress are poor at this time but should be more favorable later after the anticipated North Vietnamese offensive. Secretary Schlesinger also recommends that the President indicate in his Budget Message that additional funds will probably be needed in 1975 although they are not being requested now.

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E.O. 12356, Sec. 3.4.

MR 93-32, #66; NSC Letter 2/15/94

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By lit NARA Date 6/24/94

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Alternatives

- #1. Request \$1293 million for 1976 and \$355 million for the transition period. Propose a \$300 million supplemental for 1975 in the 1976 Budget.
- #2. Request \$1293 million for 1976 and \$355 million for the transition period. Make no provision for a 1975 supplemental except by reference in the Budget Message (DOD rec.).
- #3. Request \$1000 million for 1976 and \$250 million for the transition period. Propose a \$300 million supplemental in the 1976 Budget (OMB rec.).

Analysis

The only apparent advantages of a 1976 request of \$1293 million would be to signal (1) to the Congress that \$700 million annually clearly is not enough to fund the war and (2) to Hanoi our intention to support South Vietnam. This approach, however, risks antagonizing the Congress at a time when the case for an 85% increase might be more difficult to make than later when an offensive is under way. As for the 1975 supplemental, failure to request the \$300 million 1975 supplemental in the Budget could make a 1976 request of \$1293 million appear unreasonably high compared to the \$700 million appropriated for 1975.

Alternative #3 would assert the validity of a \$1000 million level for both 1975 and 1976, while leaving open the option to amend the 1976 request upward later if justified by events in South Vietnam.

DOD Recommendation: Alternative #2 -- Request \$1293 million for 1976 and \$355 million for the transition period. Defer the 1975 supplemental.

NSC Recommendation: Alternative #1 -- Request \$1293 million for 1976 and \$355 million for the transition period. Include a \$300 million supplemental request for 1975 in the 1976 Budget.

OMB Recommendation: Alternative #3 -- Request \$1000 million for 1976 and \$250 million for the transition period. Include a \$300 million supplemental request for 1975 in the 1976 Budget.

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1976 Budget
Final Issues For
Decision
12/23/74

P.L. #480

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THE WHITE HOUSE

WASHINGTON

ACTION

December 23, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH
SUBJECT: Budget Decision for P.L. 480 Food
Aid Program for Fiscal Year 1975

Because of restrictive provisions in the recently enacted Foreign Assistance Act of 1974, the alternatives for a 1975 P.L. 480 program which were presented to you earlier are no longer feasible. The Act includes:

- ° A congressional direction that during 1975 "not more than 30 percent of concessional food aid should be allocated to countries other than those which are most seriously affected by food shortages, unless the President demonstrates to the appropriate Committees of the Congress that the use of such food assistance is solely for humanitarian food purposes."
- ° An effective limitation of \$77 million in P.L. 480 for Cambodia within the overall aid limitation of \$377 million, of which no more than \$200 million is available for military aid and of which \$100 million is available solely for dollar economic aid.

Although the 30 percent limitation technically is not legally binding, it is a strong sense of Congress statement. Its precise meaning, however, is subject to two interpretations because of conflicts in its legislative history. The more restrictive interpretation was set forth with precision in a colloquy between Senators Hatfield and Humphrey on the Senate floor: no more than 30 percent of Title I sales should go to countries which are not among the most seriously affected (MSA's). The more liberal interpretation was set forth by Rep. Frelinghuysen: the amount

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E.O. 12356, Sec. 3.4.

MR 93-32, #107; NSC letter 2/15/94

By lit NARA, Date 10/24/94

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of Title I credit sales to countries other than the MSA's should not exceed 30 percent of the total P.L. 480 program including Title II grants. Chairman Morgan was much less precise in the floor debate and left at least two Congressmen (Brown of California and Symington) with the understanding that the restrictive interpretation was the correct one. A copy of these statements is attached at Tab A. We are informally advised by AID lawyers that while the legal point is technically arguable, proponents of the restrictive interpretation have the stronger case because of the legislative history, particularly the clear statement of Senator Humphrey, who was the originator of the section.

We have, therefore, developed two new alternative programs, presented below. Alternative A is consistent with the restrictive interpretations of the 30 percent rule; Alternative B is consistent only with the more liberal Frelinghuysen interpretation. Country details are presented at Tab B. The earlier four alternatives are at Tab C for your reference.

Alternative A falls between the earlier alternatives #2 and #3 in both commodity and budget terms. It exceeds by 230,000 tons the December 4 USDA commodity availability level for wheat of 2.7 million tons in the earlier Alternative #2 and thus could lead to some risk of price rises, and it adds \$39 million to the old Alternative #2, bringing outlays to \$1,133 million. This alternative limits shipments to the countries not seriously affected by economic disruption to thirty percent of the Title I program -- excluding "carry-in" commodities approved last year but actually shipped very early this year. The program, therefore, is oriented to humanitarian need particularly in South Asia--India, Bangladesh and Sri Lanka. It would be responsive to the concerns of Senators Humphrey and Hatfield.

With respect to the countries restricted by the 30 percent limitation, this alternative would:

- ° Substantially meet needs in the Middle East -- Egypt, Syria, Israel and Jordan -- permitting additional shipments to the first two countries, and providing about the same amounts in the earlier Alternatives #2 and #3.

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- ° Cut back Vietnam from the \$101 million in the previous alternatives to \$62 million, although if their crops are good even this reduced level will be higher than actual needs. If, however, the security situation in the Mekong Delta deteriorates, more may be needed.
- ° Hold Chile to \$33 million and Korea to \$30 million, the amounts already committed, and
- ° Not permit any shipments to Indonesia.

Among the countries not subject to the 30 percent limitation:

- ° Cambodia would be held to the \$77 million ceiling under the Foreign Assistance Act. If that ceiling is raised in the next session of Congress, more would be shipped to Cambodia and less to South Asia.
- ° Pakistan would receive \$35 million, providing almost 80 percent of the amount for that country in the old Alternative #3.
- ° South Asia would receive very large scale shipments totalling \$475 million, much higher than in any of the earlier alternatives.

Alternative B is at the dollar and commodity levels of the previous Alternative #3. It would exceed the December 4 USDA wheat availability by 400,000 tons. Compared to Alternative A, it would increase and raise budget outlays by \$32 million to \$1,165 million.

This alternative would increase the amount for countries subject to the 30 percent limitation from \$258 million under Alternative A to \$373 million.

Specifically:

- ° The Vietnam program would rise to the original \$101 million level, all of which may not be needed, thus providing a larger margin for contingencies elsewhere.

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- ° Shipments to Korea would rise to \$85 million, compared to the \$106 million in the earlier Alternative #3.
- ° Shipments to Chile would rise to \$53 million, the same as in the earlier Alternatives #2 and #3.

With respect to countries not subject to the 30 percent limitation:

- ° Pakistan would receive \$44 million, the same as in the earlier Alternative #3 and \$9 million higher than in Alternative A.
- ° South Asia could have as much as \$381 million, higher than in any of the earlier alternatives, but significantly lower than Alternative A's \$475 million.

Your choice is thus between a heavily humanitarian program for which there is strong Congressional support and a program which, while still containing a very substantial humanitarian element, meets to the extent possible your security and political objectives.

Agency Positions

In preparing these new alternatives OMB and NSC staff did not re-survey the other agencies about their positions. Based on their views on the earlier alternatives, however, we believe it is fair to conclude that:

- ° CEA and CIEP would support Alternative A, which OMB recommends.
- ° State, AID, and Agriculture would support Alternative B, which NSC recommends.
- ° Treasury, while preferring the program emphasis of Alternative B, would sharply cut back the level of wheat shipments proposed.

Because of the need to schedule shipments for the increased commodities under both alternatives and because of the budget printing schedule, an early decision is needed.

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Decision:

Alternative A: \$1,133 million, with strong humanitarian emphasis and consistent with the restrictive Hatfield-Humphrey interpretation of the 30 percent limitation.

Approve

Alternative B: \$1,165, with greater emphasis on other foreign policy objectives, but relying on the weaker case for the Frelinghuysen interpretation of the limitation

Approve

If you approve Alternative B, we believe that you should inform Senators Hatfield and Humphrey of that decision and your reliance on the literal words of the 30 percent limitation and Rep. Frelinghuysen's statement.

Attachments

Note: The Office of Legal Counsel, Department of Justice, has reviewed the legislative history of the 30 percent limitation provision and considers the restrictive interpretation to be correct.

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HUMPHREY-HATFIELD COLLOQUY ON P.L. 480

Debate on Foreign Assistance Act Conference Report
Congressional Record, December 17, 1974, p. S21794

MR. HATFIELD. Mr. President, I would like to direct an inquiry to the manager of the bill, the distinguished Senator from Minnesota (Mr. Humphrey) regarding section 49 of the Senate bill, and its disposition by the conference. I note that the conference has agreed to set a limit of 30 percent on concessional food assistance to nations not on the U.N. list of 32 countries "most seriously affected" by the current global economic crisis. As the Senator knows, I have had a very deep concern about the continued diversion of concessional sales under title I of Public Law 480 to nations who are not in deep need of food, but who are receiving such aid for purely political purposes. It is unconscionable to me that at this time, when the needy nations of the world face a grain deficit of 7.5 million tons in the next 6 months, that we should continue to divert large portions of our food aid to nations for purely political purposes. Now, my question to the Senator is to what does this 30-percent limitation figure apply?

MR. HUMPHREY. The 30-percent figure applies only to concessional sales.

It applies, therefore, only to title I of the Public Law 480 program. Title II, which is purely grants, is not included in figuring this limitation.

MR. HATFIELD. I am pleased to hear that. Does this mean, then, that the administration is limited in this current fiscal year to giving only 30 percent of title I, Public Law 480 loans for concessional sales to nations that are not on the U.N. list of "most seriously affected."

MR. HUMPHREY. That is exactly correct. In determining the 30-percent figure, we had clearly in mind 30 percent of the title I budget under Public Law 480. We did not include title II within the limitation since the title II program of grants, given through voluntary agencies primarily, is clearly humanitarian. We were not interested, therefore, in limiting its allocation because of its evident humanitarian nature. That is why the limitation applies only to title I.

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MR. HATFIELD. That is as I had hoped, and how I understand the actions of the conference committee. However, I have wanted them to be interpreted explicitly so as to prevent any misunderstanding. In that regard, let me point out to the Senator that the language agreed to by the conference in this matter reads "30 percent of concessional food aid." In this instance, then, "concessional food aid" refers to title I, and title I only of Public Law 480. It does not include, for the purposes of interpreting this law, the Public Law 480 title II program.

MR. HUMPHREY. The Senator is absolutely correct. This limitation applies only to the concessional sales and loans operating under title I of Public Law 480. That is what the language means, and there should be absolutely no ambiguity in anybody's mind about it.

MR. HATFIELD. I understand that the administration has under its consideration a total of Public Law 480 program of about \$1.2 billion for this fiscal year. Of that amount, about \$350 would be available for grants under title II, and about \$850 would be available under concessional loans under title I. Now, if that particular budget, which we are using here as an example, were adopted, then, as I understand what the Senator has said as to the conference committee language, there would be a 30 percent limitation on the \$850 million title I program, for nations not on the U.N. list. Therefore, under this budget and limiting formula, only \$255 million would be available for nations not on the U.N. list under title I. Is that correct? Was that the intent of the conference committee?

MR. HUMPHREY. Again, the Senator is totally correct in his understanding of the action taken by the conference committee. And I should like to commend the Senator for his diligent and detailed interest in this very critical subject.

MR. HATFIELD. I want to thank the Senator very deeply, and commend him for his outstanding leadership in this entire issue. As the original author of the amendment, which has been accepted by the conference with the one change we have noted, the Senator has shown a continued and steadfast desire to limit the use of our food aid for political purposes during this time of great human need.

- 3 -

I would point out, further, that this limitation will allow the administration to fulfill its political commitments of food aid to the Middle East and elsewhere. But it will establish a meaningful limit on the political use of such aid. It will prevent major portions of food aid going to nations such as Korea, Indonesia, and Chile, whose people do not face the threat of starvation in the way that those in Bangladesh, India, Sri Lanka, and elsewhere do. By limiting the food aid which can flow to nations for political purposes, we can increase the levels of food aid given to save the lives of millions in the next 6 months. I have calculated that \$100 million worth of food aid, if given to nations facing unmet grain deficits before the next harvest, can support 3 million people through the next 6 months. So that is the true significance of the action which we have taken here.

The Senator knows that in the past I have not voted for the foreign aid bill because of my objections to particularly the military aid portions of it. But in light of the action taken by the conference committee on this critical issue, I shall vote for passage of the conference committee report.

- 4 -

FRELINGHUYSEN STATEMENT ON P.L. 480

Congressional Record, December 18, 1974, p. H 12211

MR. BUCHANAN. Mr. Speaker, I rise in support of the conference report and commend the conferees for a job well done.

This does seem to constitute a good balance between political and humanitarian considerations, but I am especially interested in the humanitarian aspect.

With reference to food aid, the conference report properly, focuses in my judgment, on the food needs of the countries most seriously affected by the world economic crisis.

Mr. Speaker, I would like to commend the gentleman from New Jersey, the ranking minority member of our committee, who is retiring, for all his outstanding work and for his good representation in this conference.

I would like to thank him for his support of the proposition that a large proportion of our development assistance and food aid will go to the countries most seriously affected by the food crisis.

MR. FRELINGHUYSEN. Mr. Speaker, I thank the gentleman for his remarks.

I should like to say that the report seeks to reflect a balance between political and humanitarian considerations. As has just been indicated, we have provided that agricultural development aid should be concentrated on countries with per capita income of less \$300.

In section 55 of the conference report, which is found on page 28, we have directed that:

Not more than 30 percent of concessional food aid should be allocated to countries other than those which are most seriously affected by current food shortages.

In my opinion, this language clearly directs that the President should provide to the countries most seriously affected by the food crisis at least 70 percent of all food assistance. This aid includes both grants and credit sales under title I and title II of Public Law 480.

- 5 -

The House conferees agreed to these provisions, to assure that the gentleman's humanitarian concerns are met.

STATEMENTS OF CHAIRMAN MORGAN
AND REPRESENTATIVE BROWN OF CALIFORNIA
AND SYMINGTON

Congressional Record, December 18, 1974
PP. H 12210, 12211, 12213

MR. BROWN of California. Mr. Speaker, the distinguished chairman of the committee mentioned the colloquy with the gentleman from Missouri (Mr. Symington) with regard to "Food for Peace," which occurred on the floor of the House when the bill was before us, and there is a similar colloquy between Senators Hatfield and Humphrey as reflected in yesterday's Record on page S21794 with regard to the percentage of the title I Food for Peace which will be allocated to the countries which are not on the U.N. list of 32 countries "most seriously affected" by the current world food crisis.

I wish to ask the distinguished chairman of the committee if he is in agreement with the interpretation contained in the remarks of Senator Hatfield with regard to the provisions in the conference report.

MR. MORGAN. Mr. Speaker, as the gentleman remembers, the House bill had no similar provision dealing with food aid.

MR. BROWN of California. That is right.

MR. MORGAN. Our committee of conference, however, adopted the Senate language favoring more food for those who need more help. We believe the language in the conference report moves in that direction. It puts emphasis on food assistance to the poorest countries.

- 6 -

MR. SYMINGTON. Mr. Speaker, I take this opportunity to refer again to the food-for-peace provisions of the bill. The record is now explicit with respect to what is meant by concessional food aid, in section 55(a)(5).

It is clear from the colloquy that occurred in the other body, and here, that what is meant by that subsection is that not more than 30 percent of title I concessional food sales may be allocated to countries other than those most seriously affected by food shortages.

The word concessional is a term of art. It only refers to title I sales for foreign currency. It means sales on concessional terms. It is not used redundantly in this or any other section. It is not used with respect to title II, the title which deals with grant programs.

It is quite important that we nail this down for the record. We are not talking about 30 percent of the total of food aid under title II plus concessional aid under title I, but only of title I concessional food aid. For the coming fiscal year, this would be restricted to the amount of \$255 million. I am glad both bodies have accepted this interpretation.

SUBJ: LEG-6

HERMAN E. TALMADGE, GA., CHAIRMAN

JAMES O. EASTLAND, MISS. CARL T. CURTIS, NEBR.
GEORGE MCCOY, S. DAK. GEORGE D. AIKEN, VT.
JAMES D. ALLEN, ALA. MILTON R. YOUNG, N. DAK.
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WALTER D. HUDDLESTON, KY. HENRY BELLMON, OKLA.
ICK CLARK, IOWA JESSE HELMS, N.C.

COTYS M. MOUSER, CHIEF CLERK

United States Senate

COMMITTEE ON
AGRICULTURE AND FORESTRY
WASHINGTON, D.C. 20510

December 23, 1974

ang Due 12/26
ACTION: GC for Murphy sig
INFO: Parker log
Murphy log
AA/LEG, C/FFP,
AA/PPC, LEG/LPCS

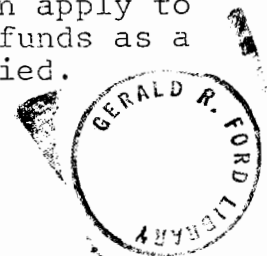
The Honorable Daniel Parker
Administrator
Agency for International Development
Department of State
Washington, D. C. 20523

Dear Dan:

May we offer our warm thanks for your assistance during the consideration of the Foreign Assistance Act. Your patience and cooperation throughout our work on this legislation was most appreciated by all of those involved.

It is our understanding that some question has been raised concerning the interpretation of Section 55 of the Foreign Assistance Authorization Bill as reported by our Conference Committee and passed by the Congress. Section 55(a)(5) provides that "not more than 30 percent of concessional food aid should be allocated to countries other than those most seriously affected by current food shortages, unless the President demonstrates to the appropriate committees of the Congress that the use of such food assistance is solely for humanitarian food purposes."

It is the clear intent of the author, Conference Committee, and the Congress, as duly demonstrated in various colloquys on the issue, that the 30 percent limitation apply solely to Title I of PL 480. While the denotation of the word "concessional" might be interpreted to apply to both concessional sales and grants the connotation of the word as applied to our food assistance programs is that referring to sales and loans only. In offering this provision, the author's intent was that the 30 percent limitation apply to Title I of PL 480 only and using Title I program funds as a base upon which the 30 percent limitation is applied.



The Honorable Daniel Parker
Page Two

December 23, 1974

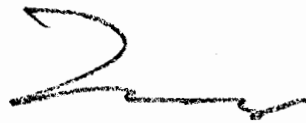
Since this was a Senate provision, drafted by Senator Humphrey and clarified specifically in our colloquy, it should be clear that there is no room for any other interpretation. As the Senate was the initiator of this amendment, and as it was our position which was accepted in the Conference, there is no possibility for doubt over its meaning.

Our interest in including this restriction is not to encumber the program with permanent programming mandates nor to discourage political uses of food assistance with modesty in time when international supply conditions permit. Rather, our concern is that a sense of balance between political and humanitarian objectives be restored in our Food for Peace programs. Frankly, unless such a balance is attained the future of the program may be jeopardized as confidence in the humanitarian aspect of the program is lost.

We are most anxious to work with you in the spirit of cooperation which has characterized the passage of the Foreign Aid Bill and, therefore, want you to be totally clear about the intent and effect of this aspect of legislation which the Congress has passed.

Sincerely,


HUBERT H. HUMPHREY


MARK O. HATFIELD

TAB B

~~CONFIDENTIAL~~

TAB B

P.L. 480 1975 PROGRAM ALTERNATIVES

TAKING INTO ACCOUNT RECENT
CONGRESSIONAL ACTION

(Outlays in millions of dollars)

<u>TITLE I COMMODITIES</u>	Old <u>Alt. #3</u> (for ref- erence only)	<u>Alt. A</u>	<u>Alt. B</u>
A. Carry-in	53	56	56
B. Allocated in 1975:			
1. Subject to 30% limit			
Middle East	139	133	133
Vietnam	101	62	101
Chile	53	33	53
Korea	106	30	85
Indonesia	30	-	-
Other	<u>10</u>	<u>2</u>	<u>2</u>
Subtotal	439	258	373
2. Not subject to 30% limit			
Cambodia	158	77	77
Pakistan	44	35	44
South Asia	237	475	381
Other	<u>16</u>	<u>16</u>	<u>16</u>
Subtotal	<u>455</u>	<u>603</u>	<u>518</u>
Total 1975 Allocations ...	<u>894</u>	<u>861</u>	<u>891</u>
TOTAL TITLE I COMMODITIES	947	917	947
TOTAL TITLE II COMMODITIES	<u>352</u>	<u>352</u>	<u>352</u>
<u>TOTAL COMMODITIES</u>	1,299	1,269	1,299
Freight costs	140	138	140
Deduct receipts	<u>-274</u>	<u>-274</u>	<u>-274</u>
<u>TOTAL P.L. 480</u>	<u>1,165</u>	<u>1,133</u>	<u>1,165</u>
Commodity quantities: (millions of tons)			
Wheat	3.1	2.9	3.1
Rice	1.0	1.0	1.0

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E.O. 12356, Sec. 3.4.

MR 93-32, #68; NSC Letter 2/15/94
By Lt NADA Date 6/24/94

~~CONFIDENTIAL~~

TAB C

~~CONFIDENTIAL~~

TAB C

P.L. 480 1975 FUNDING ALTERNATIVES
AND COUNTRY PROGRAMS

(\$ millions)

	<u>Alt. #1</u>	<u>Alt. #2</u>	<u>Alt. #3</u>	<u>Alt. #4</u>
<u>TITLE I COMMODITIES</u>				
<u>Southeast Asia:</u>				
Cambodia.....	158	158	158	158
Vietnam	<u>101</u>	<u>101</u>	<u>101</u>	<u>101</u>
Subtotal	259	259	259	259
<u>Middle East:</u>				
Egypt	88	88	88	88
Israel	9	9	14	26
Jordan	4	4	5	7
Syria	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>
Subtotal	133	133	139	153
<u>Traditional Recipients:</u>				
Chile	53	53	53	65
Korea	30	30	106	124
Indonesia	-	-	30	43
Pakistan	<u>18</u>	<u>18</u>	<u>44</u>	<u>53</u>
Subtotal	101	101	233	285
<u>Asian Subcontinent:</u>				
Bangladesh	98	171	138	191
India	88	116	88	169
Sri Lanka	-	<u>11</u>	<u>11</u>	<u>11</u>
Subtotal	186	298	237	371
<u>Other Countries and Carry-In:</u>				
Other Countries	9	19	27	35
Carry-In	53	53	53	53
Reserve	-	<u>15</u>	-	-
Subtotal	62	87	80	88
<u>TOTAL TITLE I COMMODITIES</u>	741	878	947	1,155
<u>TITLE II COMMODITIES</u>	<u>352</u>	<u>352</u>	<u>352</u>	<u>352</u>
<u>TOTAL COMMODITIES</u>	1,093	1,230	1,299	1,507
Freight Costs	134	136	140	147
Deduct: Receipts	<u>-274</u>	<u>-274</u>	<u>-274</u>	<u>-274</u>
<u>PUBLIC LAW 480 - TOTAL</u> ..	<u>953</u>	<u>1,092</u>	<u>1,165</u>	<u>1,380</u>

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E.O. 12356, Sec. 3.4.

MR 93-32, #69; NSC 644 2/15/94

By Wt NARA, Date 6/24/94~~CONFIDENTIAL~~

12/7/74

Withdrawal 00453

12/23/74

2 pages

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

ACTION
December 23, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH *Don D. O'Brien*
SUBJECT: 1976 P.L. 480 Budget Decision

Attached at Tab A is the issue paper provided to you earlier on P.L. 480 food aid for 1976, on the basis of which you decided upon Alternative #2--budget outlays of \$861 million and 4.7 tons of grain shipments. Dr. Kissinger in the memorandum attached at Tab B asks that you reconsider your decision and choose Alternative #1, which has budget outlays of \$1.18 billion and provides grain shipments of 6.2 million tons.

The points that Dr. Kissinger's memorandum raises and OMB's views on them are as follows:

1. His memorandum suggests that the price effects of the larger program which he proposes will not be significant. This is based on the assumption that world-wide weather conditions next year will be normal to better than normal.

As our experience of the past two years has shown, however, we cannot count on good weather. Had we done so this year and moved forward with a large scale food aid program, prices might well be considerably higher than they are today, possibly sufficiently high to create irresistible pressure for export controls. Even relatively small increases in food aid can lead to rather large price swings. If, on the other hand, we have good crops, falling prices may permit us to ship a larger volume of food under Alternative #2 than seems possible now.

2. Dr. Kissinger believes that the higher Alternative #1 level of food aid will be strongly supportive of our international interests, particularly as they relate to a U.S. leadership position in following up on the World Food Conference.

OMB believes that the Alternative #2 level also supports our international efforts to emphasize food production and is more consistent with our efforts to shift part of the burden of food aid to other countries. Your initial decision on 4.7 million tons of grain constitutes 47 percent of the World Food Conference target of 10 million tons of grain for all food aid donors including the oil rich countries. Raising the U.S. program to 6.2 million tons under Alternative #2 would offer little room and little incentive for other countries to do more.

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E.O. 13526 (as amended) SEC 3.3
NSC Memo, 3/30/06, State Dept. Guidelines
By 142 NARA, Date 8/24/12

~~SECRET~~



~~SECRET~~

2

3. His memorandum states that the higher level would win strong support from domestic proponents of food aid who support its use for humanitarian purposes.

The larger program under Alternative #1 would not, however, provide additional food to those countries with a humanitarian need, but to the Middle East and Korea where there is no pressing food requirement. The higher program would raise the proportion of food aid going to countries less seriously affected by rising prices for oil and food to almost half of Title I concessional sales. This is far above the 30 percent limit set by Congress for these countries in 1975. Thus, approving this level would surely elicit a strong adverse reaction from the Congress and probably lead to tighter legislative restrictions on food aid.

4. Dr. Kissinger points out that the dollar level of Alternative #2 may well be lower than in 1975, leading to the charge that the United States is doing less food aid.

As the World Food Conference demonstrated, however, food aid recipients are most concerned about the quantities of food that they are likely to receive. Alternative #2, which you earlier approved, exceeds the quantitative levels you are considering for this year by 5-10 percent and, in addition, allocates a much larger proportion of the program to countries most in need of food aid.

Decision:

Approve Secretary Kissinger's appeal (\$1.18 billion) _____

Reaffirm your decision of \$861 million (OMB
recommendation) _____

Attachments

~~SECRET~~



TAB A

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00454

dget
Collection/Series/Folder ID No. : 004700032
Reason for Withdrawal : NS,National security restriction
Type of Material : MEM,Memo(s)
Description : Department of Agriculture 1976 bu
Creation Date : 12/1974?
Volume (pages) : 5
Date Withdrawn : 04/26/1988

TAB B

WASHINGTON

SECRETACTION

December 20, 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER *B*

SUBJECT: FY 1976 PL-480 Levels

In reviewing the alternative proposals for PL-480 in FY 1976, \$1.18 billion (roughly 6.2 million tons) vs. \$861 million (roughly 4.7 million tons), you inquired if the choice of the former would have any price effects; you were told that it would. However, it is our judgment that these effects are likely to be so small as to be insignificant.

The difference between the two options -- 1.5 million tons of grain -- is less than one percent of this year's grain production. Next year it is anticipated that the crop will be better. The high option figure is approximately three percent of total production -- again a very small part compared to domestic use and commercial export demand. While there are now sensitivities about the food price effect of PL-480, these result primarily from our having just come through a very tight year. This tightness is due, not to a larger PL-480 program, but to poor weather which took away significant quantities of wheat and corn. If, indeed, next year's crop proves to be as large as expected, sensitivities to PL-480 exports will be far less than they are today.

A decision in favor of the higher levels of PL-480 will be strongly supportive of our international interests and be welcomed by a strong domestic constituency as well. The constructive position of the U. S. at the World Food Conference placed us in an international leadership role on the world food situation. Providing adequate amounts of food aid is necessary, in its own right, to maintain the momentum of our initiatives. More broadly, it strengthens our ability to secure international cooperation in the development of an international food reserve program, multilateral responsibility for financing food aid and for assisting the agricultural efforts of developing countries, and greater planning and cooperation among food exporters. In rebuilding the

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E.O. 12958, Sec. 2.4 (b)

White House, Guide Lines, Feb. 24, 1983

By KBH NARS, Date 12/9/92

international economic order and the community of interests needed to deal with the energy situation, a forthcoming position of PL-480 will be essential. In short, the PL-480 program has an extremely synergistic effect abroad reaping us benefits far out of proportion to its very small significance on domestic grain prices or its budget impact.

Domestically, a large food aid program would be extremely well received by the many groups who support a humanitarian position in dealing with the food situation -- Hatfield, Humphrey, Father Hesburgh, and the many religious and civic groups who have written you on this issue. The farm organizations would also welcome a substantial program. There is, in my view, a wealth of sympathy for increased American food aid to the poorer nations. While the present crop situation has limited the amount of our FY 1975 food aid, FY 1976 provides an opportunity to provide higher levels.

The OMB recommendation of \$861 million would allow a somewhat larger quantity of food aid in FY 1976 than is contemplated in FY 1975 -- assuming grain prices decline next year as a result of the expected good crop. However, the OMB figure would be interpreted as a decline in U. S. food aid because of its significantly lower dollar value compared to the FY 1975 program. It could be subject to the charge that we had withdrawn from our pledge to do everything possible to increase our food aid program, and would certainly be a strong disappointment to those who favor an increase.

In light of the above, I recommend that you reconsider your PL-480 decision and that you choose the high option of \$1.18 billion (6.2 million tons). I strongly believe this will put you in a favorable leadership position in responding to the growing food needs abroad which are increasingly the subject of public and Congressional interest.

Water Resources

U.S. Army Corps of Engineers - New Issues

Summary:

Your initial 1976 budget decisions provided all that the Corps requested for construction and maintenance, and added funds above their request for construction. Four new issues have arisen this week:

		Outlays	
		<u>1975</u>	<u>1976</u>
1.	Whether to increase 1975 outlay ceiling because of faster than expected progress in construction	+125	--
2.	Whether to add funds for harbor dredging because of dredging cost increases	+40	+60
3.	Whether to request a 1975 supplemental request for flood damage repair	+30	--
4.	Selection of new 1976 construction starts	--	--
Total increment		+195	+60

OMB recommendations are:

		Outlays \$M	
		<u>1975</u>	<u>1976</u>
1.	Base outlay ceiling - increases as needed	+125	--
2.	Dredging - Request appropriation transfer authority in 1975, and increased budget request for 1976	--	+50
3.	"Flood emergency" supplemental - deny and increase 1976 Budget Authority	--	--
4.	New Starts - limited 1976 program	NA	(1)
Base outlays		<u>1771</u>	<u>1935</u>
Total-Corps of Engineers		1896	1985

Background and Discussion

Current budget decisions provide the following:

	<u>Outlays (\$M)</u>		
	1974	1975	1976
Construction	1,111	1,190 <u>1/</u>	1,354
Maintenance Dredging	208	208	212
All Other	338	372	369
Total	1,657	1,771	1,935

Issue #1 - 1975 outlays - \$125 M

In September, you decided to defer enough excess in 1975 appropriations to hold 1975 outlays to \$1,771 M total as part of your budget restraint package. Congress accepted the deferral program.

Corps outlays are now \$63 M above plan for this time of year and, our analysis indicates, they will exceed target by \$125 M in 1975 because:

- Better than expected weather has allowed faster construction than planned.
- Several projects held up by lawsuit or lack of local cooperation are now able to move ahead.
- Cost increases have increased bid prices above expectations.

Because the funds have already been appropriated and the Impoundment Control Act of 1974 virtually eliminates our ability to slow this program down for fiscal reasons without taking deferral action, alternatives are:

1. Increase the 1975 outlay target by \$125 M.
2. Prepare a second deferral package of about \$125 M of projects for transmission to Congress.

Recommendation:

Because we do not believe another deferral package that would adversely affect construction employment is practical, we recommend alternative 1 - increasing the outlay ceiling by \$125 M.

1/ Remainder after \$42 M in outlays deferred in budget constraint plan

Issue #2 Dredging

The cost of dredging channels and harbors has risen drastically because of environmental costs, inflation, and costs of energy. A just-completed review of the Corps rivers and harbor channel maintenance dredging program has established that limiting dredging operations to the amounts appropriated in 1975 plus that now budgeted for 1976 will result in an unmanageable program and political problems. The Corps has developed a plan that would keep major harbors, channels and waterways in operation, and concentrate adverse effects in less economically important channels. However, their efforts have stimulated port authorities and shippers to press their Congressional delegations to provide additional funds for Corps dredging, specifically for their channels.

Our review indicates that the problem will become severe in the last quarter of FY 1975 and critical in 1976 at currently budgeted levels. Alternatives are:

	<u>1975</u>	<u>1976</u>
1.	No increases	No increases
2.	Request authority to transfer funds from construction to meet critical needs	Add \$50 M to dredging (a) from amounts budgeted for construction (b) add to total
3.	\$20 M supplemental	Add \$50 M for dredging

Recommendation:

We recommend alternative 2b, based on our understanding with the Corps that both the program and political problems are manageable by that approach. Alternative 2a is a fallback, but would reduce construction contract employment below 1975 levels, and disrupt construction schedules.

Issue #3 - Emergency Flood Supplemental - \$30 M

This request was received 12-18. It is said to be for repair of damage to Corps - built flood works in the Lower Mississippi. It has had only minimal review. Some of the repair work has already been completed with funds borrowed from other accounts

and funds for this work have been included in the outlay change cited above. The funds to reimburse borrowed funds need not be replaced at this time because the Corps has sufficient planned unobligated balances to complete repairs and carry on its program in FY 1975. The Emergency Flood Control account is required by law to replenish borrowed funds. This will increase Budget Authority in 1976, but will not affect planned outlays in either year.

Recommendation:

We recommend that this supplemental be denied and that appropriations to replenish the borrowed funds be provided in the 1976 budget.

Issue #4 - New Starts

Since our meeting on water resources construction programs, the Corps of Engineers has provided us with a list of 36 potential new construction starts (\$788 million total cost) and 57 potential Advanced Engineering and Design starts (\$1,442 million total cost). The Tennessee Valley Authority has proposed 3 new construction starts (\$90 million total cost). The FY 1976 costs of these new starts would be minor, but the effect on future budgets would be substantial.

The rationale for allowing some new starts is based on our probable inability to hold to a "no new starts" posture through the appropriations process. President Eisenhower proposed a "no new starts" budget for FY 1960; his recommendations were strongly opposed by the Congress who added funds for new starts, and his veto of the Public Works Appropriations Bill was overridden.

After reviewing each of the projects on the list, we are proposing that 6 new construction and 14 new AE and D projects be included in the 1976 budget for the Corps of Engineers. We placed priority on urban flood control, municipal water supply, commercial navigation and power projects which had high benefit/cost ratios and no local or environmental problems. None of the three new construction starts proposed by the Tennessee Valley Authority is recommended as all three rank lower than ongoing projects under TVA's own priority ranking.

Data on the potential new starts are provided in the attached tables.

Tab A - construction and AE and D projects recommended for inclusion in the budget

Tab B - Other potential Corps of Engineers new starts

Tab C - TVA's requested new starts

TAB A

CORPS OF ENGINEERS
Projects Available for Construction in FY 1974
 OMB Proposed Program

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>	<u>(in millions)</u>	
<u>Alaska</u>					
Hoonah Harbor	Fishing Nav.	1.6	1.6	6.0	Stevens(R) Gravel(D) Young(R Al)
Metlakatla Harbor	Fishing Nav.	1.5	1.5	3.5	Stevens(R) Gravel(D) Young(R Al)
<u>Iowa</u>					
Ottumwa	Flood Control	1.4	1.4	.1	Clark(D) Culver(D) Smith(D-4)
<u>Minnesota</u>					
Wild Rice River-South Branch and Felton Ditch	Flood Control	5.7	3.8	2.5	Humphrey(D) Mondale(D) Bergland(D-7)
<u>Montana</u>					
Libby Additional Units and Re-regulating Dam	Peaking Power	2.3	2.3	102.0	Metcalf(D) Mansfield(D) Baucus(D-1)
<u>Ohio</u>					
Newark	Flood Control	3.2	1.9	2.5	Glenn(D) Taft(R) Ashbrook(R-17)
Subtotal, Proposed Construction				116.6	

CORPS OF ENGINEERS
Projects Available for Advanced
Engineering and Design in FY 1976
OMB Proposed Program

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost (in millions)</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>		
<u>Arkansas</u>					
Norfolk Lake(Power Units 3&4)	Mult-Purpose	2.6	2.6	20.0	McClellan(D) Bumpers(D) Alexander(D-1)
<u>Colorado</u>					
Arkansas River & Tribs. above John Martin Dam (Phase I)	Flood Control	1.05	1.05	72.7	Hart(D) Haskell(D) Evans(D-3)
<u>Florida</u>					
Port Everglades Harbor	Nav.	2.6	2.6	12.3	Chiles(D) Stone(D) Rogers(D-11) Burke(R-12)
<u>Illinois</u>					
South Beloit	Flood Control		3.1	.4	Stevenson(D) Percy(R) Anderson(R-16)
<u>Kansas</u>					
Kansas River Nav. Lawrence to Mouth	Nav.	2.2	2.2	4.0	Dole(R) Pearson(R) Keys(D-2) Winn(R-3)
<u>Massachusetts</u>					
North Nashua River	Flood Control	1.6	1.1	1.6	Kennedy(D) Brooke(R) Early(D-3)

Projects Available for Advanced
Engineering and Construction in FY 1976 (Can'd)

		OMB Proposed Program		Total Estimated	Congressional
State and Project	Purpose	Benefit-Cost Ratio		Federal Cost	Interest
		Auth.	@5 7/8%	(in millions)	
<u>Minnesota</u>					
Knife River Harbor	Com. Nav.	2.0	2.0	.8	Humphrey(D) Mondale(D) Oberstar(D-8)
<u>Mississippi</u>					
Bowie Creek Lake	Flood Control	1.9	1.9	46.5	Stennis(D) Eastland(D) Lott(R-5)
<u>Montana</u>					
Billings(West Unit)	Flood Control	3.4	2.5	2.2	Mansfield(D) Metcalf(D) Melcher(D-2)
<u>Oklahoma</u>					
Fort Gibson (Power Units 5&6)	Multi- purpose	2.6	1.44	10.2	Bartlett(R) Bellman(R) Risenhoover(D-2)
<u>Pennsylvania</u>					
Pottstown	Flood Control	2.7	2.7	2.8	Scott(R) Schweiker(R) Schulze(R-5)
<u>Texas</u>					
Alpine, Pecos Rvr.	Flood Control	1.3	1.3	4.9	Tower(R) Bentsen(D) White(D-16)
Big Spring	Flood Control	1.4	1.3	2.5	Tower(R) Bentsen(D) Burlison(D-17)
GIWW, Relocation in Matagorda Bay	Nav.	1.8	1.2	1.0	Tower(R) Bentsen(D) Young(D-14)
Subtotal, Proposed AE&D				181.9	
Total, Proposed Const. & AE&D				298.5	

TAB B

CORPS OF ENGINEERS
Other Projects Available for Construction in FY 1976

State and Project	Purpose	Benefit-Cost Ratio		Total Estimated Federal Cost (in millions)	Congressional Interest
		Auth.	@ 5 7/8%		
<u>Arkansas</u>					
Ball Foley Lake	Flood Control	1.7	1.16	49.0	Bumpers(D) McClellan(D) Alexander(D-1)
Lower White River, Big Creek&Tribes	Flood Control	1.3	.89	17.8	Bumpers(D) McClellan(D) Alexander(D-1)
<u>California</u>					
Lakeport Lake	Water Supply	1.4	.81	22.2	Cranston(D) Tunney(D) Leggett(D-4)
<u>Delaware</u>					
Delaware Coast protection	Hurricane protection	2.0	1.2	13.7	Biden(D) Roth(R) Dupont(R AL)
<u>Florida</u>					
Dade County	Beach erosion	5.6	3.5	35.0	Chiles(D) Stone(D) Pepper(D-14) Burke(R-12)
Duval County	Beach erosion	2.2	1.6	11.2	Chiles(D) Stone(D) Bennett(D-3) Chappell (D-4)
<u>Illinois</u>					
Fulton	Flood Control	1.8	.95	7.6	Stevenson(D) Percy(R) Railsback(R-19)
McGee Creek Dam	Flood Control	1.2	.63	10.2	Stevenson(D) Percy(R) Anderson(R-15) Findley (R-20)

Other Projects Available for Construction in FY 1976 (Con'd)

State and Project	Purpose	Benefit-Cost Ratio		Total Estimated Federal Cost (in millions)	Congressional Interest
		Auth.	@5 7/8%		
<u>Iowa</u>					
Big Sioux River at Sioux City(SD)	Flood Control	2.1	1.1	5.6	Clark(D) Culver(D) McGovern(D) Abourezk(D) Harkin(D-5, Ia) Pressler(R-1, SD)
Missouri River Levee, L-246	Flood Control	1.3	.53	11.2	Clark(D) Culver(D) Mezvinsky(D-1) Blouin (D-2)
<u>Kansas</u>					
Onaga Lake	Flood Control	2.1	1.13	53.2	Dole(R) Pearson(R) Keys(D-2)
Fort Scott	Flood Control	1.1	.71	38.2	Dole(R) Pearson(R) Skubitz(R-5)
<u>Kentucky</u>					
Kehoe Lake	Flood Control	1.4	1.2	30.5	Ford(D) Huddleston(D) Perkins(D-7)
<u>Louisiana</u>					
Teche- Vermilion Basins	Water Quality	1.3	1.3	11.7	Long(D) Johnston(D) Long(D-8) Treen(R-3) Breaux (D7)
<u>Massachusetts</u>					
Saxonville	Flood Control	1.7	1.06	3.8	Kennedy(D) Brooke(R) Early(D-3)

Other Projects Available for Construction in FY 1976 (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@ 5 7/8%</u>	<u>(in millions)</u>	
<u>Michigan</u>					
Tawas Bay Harbor	Small Boat Harbor	2.3	1.5	1.1	Hart(D) Griffin(R) Ruppe(R-11)
Cedar River Harbor	Small Boat Harbor	1.6	1.13	1.1	Hart(D) Griffin(R) Ruppe(R-11)
<u>Missouri</u>					
Union Lake	Flood Control	1.3	.86	49.1	Eagleton(D) Symington(D) Ichord(D-8)
Little Blue River Lakes	Flood Control	1.7	.93	82.9	Eagleton(D) Symington(D) Bolling(D-5)
<u>Ohio</u>					
Huron Harbor	Nav.	3.0	2.1	5.7	Glenn(D) Taft(R) Kindness(R-8)
<u>Oklahoma</u>					
Candy Lake	Flood Control	1.6	1.1	15.8	Bellmon(R) Bartlett(R) Jones(D-1) Risenhoover (D-2)
Shidler Lake	Flood Control	1.5	1.06	16.5	Bellmon(R) Bartlett(R) Jones(D-1) Risenhoover (D-2)

4

Other Projects Available for Construction in FY 1976 (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u> (in millions)	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>		
<u>Oregon</u>					
Applegate Lake	Flood Control	1.4	.69	50.2	Packwood(R) Hatfield(R) Ullman(D-2)
Coos Bay	Nav.	1.4	1.4	14.4	Packwood(R) Hatfield(R) Ullman(D-2) Weaver(D-4)
<u>Pennsylvania</u>					
Trexler Lake	Flood Control	1.5	1.1	28.5	Scott(R) Schweiker(R) Yatron(D-6) Edgar(D-7) Biester(R-8) Shuster Flood(D-11) (R-9) Coughlin(R-13) Eshelman(R-16) Schneebeili(R-17) Goodling(R-19) Dent Morgan(D-22) (D-21) Myers(R-25)
<u>Texas</u>					
Aquilla Lake	Flood Control	1.8	1.07	30.9	Tower(R) Bensten(D) Wright (D12) Teague(D-6) Poage(D-11)
Brazos Island	Nav.	1.3	.78	11.8	Tower(R) Bensten(D) De LaGarza(D-15)
Corpus Christi Beach	Beach Erosion	2.2	2.2	1.1	Tower(R) Bensten(D) Young(D-14)

Other Projects Available for Construction in FY 1976 (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated</u>	<u>Congressional</u>
		<u>Auth.</u>	<u>@5 7/8%</u>	<u>Federal Cost</u>	<u>Interest</u>
<u>(in millions)</u>					
<u>Washington</u>					
Zintel Canyon	Flood Control	1.6	1.6	3.5	Magnuson(D) Jackson(D) McCormack(D-4)
<u>Utah</u>					
Little Dell Lake	Water Supply	1.08	1.6	38.3	Moss(D) Garn(R) Howe(D-2) McKay(D-1)

Subtotal, other available construction 671.8

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u> (in millions)	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@ 5 7/8%</u>		
<u>Arizona</u>					
Gila and Salt Rivers, Gillespie Dam to McDowell Damsite	Flood Control	2.3	2.3	2.6	Fannin(R) Goldwater(R) Rhodes(R-1)
<u>Arkansas</u>					
Posten Bayou	Flood Control	1.6	1.6	2.7	McClellan(D) Bumpers(D) Thornton(D-4)
<u>California</u>					
Cottonwood Creek	Flood Control	1.4	1.14	225.0	Tunney(D) Cranston(D) Johnson(D-1)
San Luis Ray River	Flood Control	1.3	1.3	11.8	Tunney(D) Cranston(D) McCloskey(R-12)
Goleta and Vicinity	Flood Control	1.6	1.6	20.8	Tunney(D) Cranston(D) Mineta(D-13)
San Diego, Sunset Cliffs	Beach Erosion	1.7	1.3	1.2	Tunney(D) Cranston(D) Hinshaw(R-40) Wilson Van Deerlin(D-42) (R-41)
<u>Florida</u>					
St Lucie Inlet	Beach Erosion	1.8	1.8	4.3	Chiles(D) Stone(D) Rogers(D-11) Bañalis (R-10)

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>	<u>(in millions)</u>	
<u>Georgia</u>					
Curry Creek Lake	Water Supply	1.1	1.1	28.2	Nunn(D) Talmadge(D) McDonald(D-7) Landrum (D-9)
<u>Idaho</u>					
Placer Creek	Flood Control	1.15	1.15	2.7	McClure(R) Church(D) Symms(R-1)
<u>Illinois</u>					
Farmers Levee and Drainage District	Flood Control	1.3	.87	2.1	Stevenson(D) Percy(R) Michel(R-18)
Fort Chartres & Ivy Landing Drainage District #5 & Stringtown #4	Flood Control	1.2	1.2	3.8	Stevenson(D) Percy(R) Simon(D-24)
Eldred & Spankey Drainage & Levee Dist.	Flood Control	2.6	1.4	6.3	Stevenson(D) Percy(R) Findley(R-20)
Nutwood Drainage & Levee Dist	Flood Control	2.5	1.4	4.6	Stevenson(D) Percy(R) Findley(R-20)
Rock River (Area #1)	Flood Control	1.4	1.4	4.5	Stevenson(D) Percy(R) Anderson(R-16)
Hillview Drainage & Levee Dist.	Flood Control	1.6	.85	5.9	Stevenson(D) Percy(R) Findley(R-20)

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost (in millions)</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>		
<u>Kansas</u>					
Douglass Lake	Flood Control	1.0	.75	38.4	Dole(R) Pearson(R) Skubitz(R-5)
Tawanda Lake	Flood Control	1.12	.82	45.3	Dole(R) Pearson(R) Skubitz(R-5)
<u>Louisiana</u>					
Red River Waterway	Nav.	1.1	.73	100.0	Texas, Arkansas, Louisiana Delegations
<u>Maryland</u>					
Sixes Bridge Lake (Phase 1)	Water Supply	1.5	1.5	37.3	Mathias(R) Beal(R) Scott(R) Byrd(I) D.C. Area Congressman
Baltimore Harbor	Nav.	2.4	2.4	145.5	Mathias(R) Beal(R) Long(D-2) Sarbanes(D-3) Holt(R-4) Mitchell(D-7)
<u>Massachusetts</u>					
Natasket Beach	Beach Erosion	2.5	2.5	1.6	Kennedy(D) Brooke(R) Studds(D-12)

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>	<u>(in millions)</u>	
<u>Michigan</u>					
Cross Village Harbor	Rec. Nav.	1.16	.78	1.6	Griffin(R) Hart(D) Ruppe(R-11)
<u>Minnesota</u>					
East Grand Forks	Flood Control	1.90	.97	5.8	Mondale (D)Humphrey(D) Bergland (D7)
Lock & Dam #3	Nav.	NA		2.0	Mondale(D)Humphrey(D) Quie(R-1).
<u>Mississippi</u>					
Yazoo River	Nav.	1.9	1.2	114.0	Stennis(D) Eastland(D) Whitten(D-1) Bowen(D-2) Montgomery(D-3) Cochran (R-4)
<u>Missouri</u>					
Prosperity Lake (Phase 1)	Flood Control	1.10	1.10	26.8	Symington(D) Eagleton Taylor(R-7) (D)
Pine Ford Lake	Flood Control	1.7	1.01	64.7	Symington(D) Eagleton Hungate(D-9) (D) Ichord(D-8)
Locks & Dams 24&25	Nav.	NA		6.6	Symington(D) Eagleton Hungate(D-9) (D)

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design (Con'd)

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost (in millions)</u>	<u>Congressional Interest</u>
		<u>Auth.</u>	<u>@5 7/8%</u>		
Irondale Lake	Flood Control	1.3	.89	32.7	Symington(D) Eagleton(D) Ichord(D-8)
I-38 Lake	Flood Control	1.2	.80	14.4	Symington(D)Eagleton(D) Ichord (D8)
<u>New Mexico</u>					
Rio Grand Flood- way	Fld. Control	1.0	.67	10.0	Montoya(D) Dominici(R) Runnels (D2)
<u>New York</u>					
Port Ontario Harbor	Rec. Nav.	1.2	--	3.5	Javits (R) Buckley(C) McEwen (R-30)
<u>North Dakota</u>					
Kindred Lake	Wat. Qual.	1.13	1.13	35.2	Young (R) Burdick(D) Andrews (R1)
<u>Ohio</u>					
Geneva-on-the Lake	Rec. Nav.	1.60	1.60	1.1	Glenn (D) Taft (R) Stanton (R11)
<u>Oklahoma</u>					
Sand Lake	Fld. Cont.	1.80	1.3	13.0	Bellmon (R)Bartlett(R) Jones (D1) Albert (D3)

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design (Con'd)

State and Project	Purpose	Benefit-Cost Ratio		Total Estimated Federal Cost (in millions)	Congressional Interest
		Auth.	@5 7/8%		
<u>Oklahoma (Con'd)</u>					
Tuskahoma Lake	Fld. Cont.	1.09	.91	40.5	Bellmon (R) Bartlett (R) Albert (D3)
Boswell Lake	Fld. Cont.	1.0	.68	100.0	Bellmon (R) Bartlett (R) Albert (D3)
<u>Pennsylvania</u>					
Elk Creek Harbor	Rec. Nav.	1.4	1.0	1.9	Scott (R) Schweiker (R) Vigorito (D24)
Tamaqua	Fld. Cont.	1.06	1.06	3.8	Scott (R) Schweiker (R) Eshleman (R16)
<u>Rhode Island</u>					
Bristol Harbor	Rec. Nav.	1.3	.96	2.4	Pastore (D) Pell (D) St. Germain (D1)
<u>Texas</u>					
Plainview	Fld. Cont.	1.05	1.01	5.8	Tower (R) Bentsen (D) Mahon (D19)
Clopton Crossing (Ph1)	Fld. Cont.	1.4	1.4	59.7	Tower (R) Bentsen (D) Pickle (D10) Krueger (D21) Kazen (D23)

CORPS OF ENGINEERS
Other Projects Available for Advance Engineering and Design (Con'd)

State and Project	Purpose	Benefit-Cost Ratio Auth. @5 7/8%	Total Estimated Federal Cost (in millions)	Congressional Interest
<u>Virginia</u>				
Virginia Beach	Hur. Prot.	1.6 1.6	20.0	Byrd (I) Scott (R) Whitehurst (R2)
	Subtotal, other available AE&D		1260.1	
	Total, other available construction and AE&D		1931.9	
	Grand total, proposed and other projects		2230.4	

TAB C

TENNESSEE VALLEY AUTHORITY
Other Projects Available for Construction in FY 76

<u>State and Project</u>	<u>Purpose</u>	<u>Benefit-Cost Ratio</u>		<u>Total Estimated Federal Cost</u>	<u>Congressional Interest</u>
		Auth. @ 5 7/8%		(in millions)	
<u>Tennessee</u>					Senator Baker (R) Senator Brock (R)
New Lock at Pick- wick Landing Dam	Nav.	5.9	5.9	81.0	Beard (R-6, Tenn.)
South Chickamauga Creek	Flood Control	1.2	1.2	9.2	Duncan (R-2, Tenn)
Poor Valley Creek Project	Rec.	NA	NA	0.8	Quillen (R-1, Tenn)
		Total, TVA request		90.0	

Weapons R & D

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH
SUBJECT: Additional 1976 Budget Issue on Foreign Assistance

Since we prepared the original papers for you on foreign assistance budget issues, estimates for military assistance to South Vietnam for both 1975 and 1976 have changed.

Attached is an issue paper on that matter to be added to the book you now have entitled "1976 Budget Session with the President -- 12/10/74."

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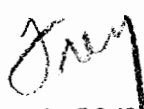
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cc:

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Mr. O'Neill
Mr. Ogilvie
Mr. McOmber
Mr. Wood
Mr. Shaw
Mr. Frey


IAD:JMFrey:neh:12/12/74

~~CONFIDENTIAL~~

FOREIGN ASSISTANCE

1976 Budget

Issue#12: Military Assistance to
South Vietnam

Statement of Issue

How much grant military assistance for South Vietnam in 1975, 1976 and Transition Quarter should be requested in the 1976 budget?

	<u>1975</u>		<u>1976</u>	<u>T/Q</u>	<u>Total</u>
	<u>Approp.</u>	<u>Suppl.</u>	<u>Est.</u>	<u>Est.</u>	<u>Request</u>
	(\$ millions)				
Alt. #1 (NSC)	700	300	1293	355	2648
Alt. #2 (DOD)	700	-	1293	355	2348
Alt. #3 (OMB)	700	300	1000	250	2250

Background

Prior to December 3, there was agreement on the levels for military assistance to South Vietnam - \$700 million in 1975, \$1000 million for 1976 and \$238 million for the transition quarter. It was understood that DOD probably would wish to submit a supplemental request later for \$300 million for 1975 if a sizable attack occurs in the coming dry season.

Secretary Schlesinger, with Dr. Kissinger's agreement, has now decided to increase his 1976 recommendation to \$1,293 million, based on recent field visits by DOD staff (Ambassador Martin's estimate was \$1,950 million.). DOD states that the additional \$300 million for 1975 and \$293 million for 1976 will be required whether or not there is a major enemy attack this spring. DOD is, therefore, prepared to assert now the need for \$1,293 million for 1976, as well as an increase of \$117 million for the transition quarter (from \$238 million to \$355 million). However, Secretary Schlesinger does not wish to include a request for the \$300 million supplemental for 1975 in the 1976 Budget on the grounds that the chances for securing additional 1975 funds from the Congress are poor at this time but should be more favorable later after the anticipated North Vietnamese offensive. Secretary Schlesinger also recommends that the President indicate in his Budget Message that additional funds will probably be needed in 1975 although they are not being requested now.

DECLASSIFIED

E.O. 12356, Sec. 3.4.

MR 93-32, #66; NSC letter 2/15/94

By let NARA, Date 10/24/94

~~CONFIDENTIAL~~

Alternatives

- #1. Request \$1293 million for 1976 and \$355 million for the transition period. Propose a \$300 million supplemental request in the 1976 Budget.
- #2. Request \$1293 million for 1976 and \$355 million for the transition period. Make no provision for a 1975 supplemental except by reference in the Budget Message (DOD rec.).
- #3. Request \$1000 million for 1976 and \$250 million for the transition period. Propose a \$300 million supplemental in the 1976 Budget (OMB rec.).

Analysis

The only apparent advantages of a 1976 request of \$1293 million would be to signal (1) to the Congress that \$700 million annually clearly is not enough to fund the war and (2) to Hanoi our intention to support South Vietnam. This approach, however, risks antagonizing the Congress at a time when the case for an 85% increase might be more difficult to make than later when an offensive is under way. As for the 1975 supplemental, failure to request the \$300 million 1975 supplemental in the Budget could make a 1976 request of \$1293 million appear unreasonably high compared to the \$700 million appropriated for 1975.

Alternative #3 would assert the validity of a \$1000 million level for both 1975 and 1976, while leaving open the option to amend the 1976 request upward later if justified by events in South Vietnam.

DOD Recommendation: Alternative #2 -- Request \$1293 million for 1976 and \$355 million for the transition period. Defer the 1975 supplemental.

NSC Recommendation: Alternative #1 -- Request \$1293 million for 1976 and \$355 million for the transition period. Include a \$300 million supplemental request for 1975 in the 1976 Budget.

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Attached is an issue paper on that matter to be added to the book you now have entitled "1976 Budget Session with the President -- 12/10/74."

Attachment

cc:

Mr. Ash
Mr. O'Neill
Mr. Oelivie
Mr. McOmber
Mr. Wood ✓
Mr. Shaw
Mr. Frey

IAD:JH:Frey:neh:12/12/74

~~CONFIDENTIAL~~

FOREIGN ASSISTANCE

1976 Budget

Issue#12: Military Assistance to
South Vietnam

Statement of Issue

How much grant military assistance for South Vietnam in 1975, 1976 and Transition Quarter should be requested in the 1976 budget?

	<u>1975</u>		<u>1976</u>	<u>T/Q</u>	<u>Total</u>
	<u>Approp.</u>	<u>Suppl.</u>	<u>Est.</u>	<u>Est.</u>	<u>Request</u>
	(\$ millions)				
Alt. #1 (NSC)	700	300	1293	355	2648
Alt. #2 (DOD)	700	-	1293	355	2348
Alt. #3 (OMB)	700	300	1000	250	2250

Background

Prior to December 3, there was agreement on the levels for military assistance to South Vietnam - \$700 million in 1975, \$1000 million for 1976 and \$238 million for the transition quarter. It was understood that DOD probably would wish to submit a supplemental request later for \$300 million for 1975 if a sizable attack occurs in the coming dry season.

Secretary Schlesinger, with Dr. Kissinger's agreement, has now decided to increase his 1976 recommendation to \$1,293 million, based on recent field visits by DOD staff (Ambassador Martin's estimate was \$1,950 million.). DOD states that the additional \$300 million for 1975 and \$293 million for 1976 will be required whether or not there is a major enemy attack this spring. DOD is, therefore, prepared to assert now the need for \$1,293 million for 1976, as well as an increase of \$117 million for the transition quarter (from \$238 million to \$355 million). However, Secretary Schlesinger does not wish to include a request for the \$300 million supplemental for 1975 in the 1976 Budget on the grounds that the chances for securing additional 1975 funds from the Congress are poor at this time but should be more favorable later after the anticipated North Vietnamese offensive. Secretary Schlesinger also recommends that the President indicate in his Budget Message that additional funds will probably be needed in 1975 although they are not being requested now.

DECLASSIFIED
E.O. 12356, Sec. 3.4.

MR 93-32, #66; NSC Letter 2/15/94

By let, NARA, Date 6/24/94

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Alternatives

- #1. Request \$1293 million for 1976 and \$355 million for the transition period. Propose a \$300 million supplemental for 1975 in the 1976 Budget.
- #2. Request \$1293 million for 1976 and \$355 million for the transition period. Make no provision for a 1975 supplemental except by reference in the Budget Message (DOD rec.).
- #3. Request \$1000 million for 1976 and \$250 million for the transition period. Propose a \$300 million supplemental in the 1976 Budget (OMB rec.).

Analysis

The only apparent advantages of a 1976 request of \$1293 million would be to signal (1) to the Congress that \$700 million annually clearly is not enough to fund the war and (2) to Hanoi our intention to support South Vietnam. This approach, however, risks antagonizing the Congress at a time when the case for an 85% increase might be more difficult to make than later when an offensive is under way. As for the 1975 supplemental, failure to request the \$300 million 1975 supplemental in the Budget could make a 1976 request of \$1293 million appear unreasonably high compared to the \$700 million appropriated for 1975.

Alternative #3 would assert the validity of a \$1000 million level for both 1975 and 1976, while leaving open the option to amend the 1976 request upward later if justified by events in South Vietnam.

DOD Recommendation: Alternative #2 -- Request \$1293 million for 1976 and \$355 million for the transition period. Defer the 1975 supplemental.

NSC Recommendation: Alternative #1 -- Request \$1293 million for 1976 and \$355 million for the transition period. Include a \$300 million supplemental request for 1975 in the 1976 Budget.

OMB Recommendation: Alternative #3 -- Request \$1000 million for 1976 and \$250 million for the transition period. Include a \$300 million supplemental request for 1975 in the 1976 Budget.

~~CONFIDENTIAL~~

MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH
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cc:

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Mr. Ogilvie
Mr. McOmber
Mr. Wood
Mr. Shaw
Mr. Frey ✓

IAD:JMFrey:neh:12/12/74

~~CONFIDENTIAL~~

FOREIGN ASSISTANCE

1976 Budget

Issue#12: Military Assistance to
South Vietnam

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DECLASSIFIED
E.O. 12958, Sec. 3.4.

MR 93-32, #66; NSC 644c 2/15/94
By Ut, NARA, Date 6/24/94

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~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

5968

~~CONFIDENTIAL~~ACTION

December 10, 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER *HK*

SUBJECT: Foreign Assistance Requests for FY 1976

Roy Ash has completed his review of agency proposals for economic and security assistance in the FY 1976 foreign assistance request to Congress. I have a number of reservations about the OMB recommended levels, which in many instances do not fully reflect the foreign policy imperatives which I believe should be served by this vital program.

Much of my concern is derived from the basic assumption that MAP grant aid should be terminated at the end of FY 1977. This assumption drives many of the lower funding alternatives proposed by OMB. The State Department proposal recommended a phased shift to FMS credit from grant MAP but continuation of most MAP grant programs beyond FY 1977; OMB favors an explicit policy to terminate all regular grant programs after FY 1977 and shift to FMS credit, except where active hostilities or special circumstances warrant grant aid.

Grant assistance is an important diplomatic tool for the achievement of our own interests. The U.S. needs it as quid pro quo for political support, use of bases and facilities and, to a limited degree, to strengthen allies with shared national security interests. In many cases the use of MAP provides the only leverage with nations faced with real or potential threats to their security. Elimination of MAP would destroy a valuable instrument of foreign policy. Moreover, I do not subscribe to the OMB thesis that by presenting to the Congress a fully programmed phase-out we will buy any real measure of support for what we seek in any given year. If our programs are unsupportable on their merits, we deserve to forfeit Congressional support for them. However, if they are needed and serve our interests, we should present them and should make a maximum effort in their defense.

With the exception of the issue of termination of MAP grant assistance and the reduced funding levels associated with that termination, the NSC

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staff and the OMB staff have worked closely together in the preparation of Roy Ash's review. The NSC and the State positions are fairly presented in the paper.

The major differences stem from differences in the political necessity and diplomatic value placed on various programs. The NSC positions reflect my personal judgments on what the programs should be, and before considering any reductions I urge that each reduction be weighed in terms of its impact on our security interests. My own judgment is that, with the exception of the two cases indicated below, reductions would pose substantial risks to important security relationships.

With regard to development assistance to Indonesia and Morocco, I agree with Roy Ash. His recommendation that the development loans for these two countries (\$25 million total) be eliminated is based on an accumulation of foreign exchange earnings of considerable magnitude in both cases. I believe our foreign policy and national security interests can be adequately served with the modest military assistance programs proposed for each.