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1/2/75

EXECUTIVE OFFICE OF THE PRESIDENT

DECISION

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

THROUGH: ~~ROY L. ASH~~FROM: PAUL H. O'NEILL 

SUBJECT: Additional HEW Appeal of 1976 Budget Decisions

Attached is a table and a narrative statement provided by HEW to describe another appeal by Secretary Weinberger to add \$135 million in Budget Authority to your 1976 budget decisions for HEW. HEW estimates that no additional outlays would result. The appeal reflects the Secretary's judgment that your budget decisions to date have not provided enough money for categorical Federal health service delivery programs, and that these programs have a higher priority than: (a) \$44 million which you added to health research funding for the National Institutes of Health, and (b) \$65 million in 1975 advance funding for higher education student aid programs. The Secretary requests that you delete the \$44 million for health research and propose a rescission of the \$65 million in student aid to partially offset his proposed increase.

Of the add-ons for health services, which total \$179 million in budget authority, \$135 million would be required if, as requested by HEW, you reverse your decision to require 20% cost-sharing by the States for health services delivery grant programs. The balance of \$44 million is to increase the level of the health services programs and to provide related additions to program administration.

Assuming that the Congress would go along with the HEW proposal to rescind \$65 million in 1975 student aid funding and would not add back health research funds, the net add-on to 1976 budget authority would be \$135 million.



Alternatives

The HEW appeal; the OMB recommendation; another alternative; and arguments for each are presented here for your decision.

HEW Appeal: Do not require 20% State matching of the health services grants; increase health service delivery programs.

- Would substitute a \$72 million increase in budget authority for a \$63 million decrease from the revised 1975 level for health services programs for the poor and disadvantaged.
- If States do not choose to provide a 20% funding match, level of health services programs will be reduced (see HEW narrative for detail).
- This can be accomplished with essentially no outlay increases through rescission of 1975 student aid funding and eliminating the NIH biomedical research increase you provided.
- States are now also hard pressed financially, and it is therefore not a good time to propose State financial matching. A more appropriate time would be when comprehensive health insurance takes effect.
- Although many of these health service delivery grant programs are not needs-tested, they serve a clientele which has a preponderance of poor and disadvantaged, the the Administration will probably be accused of reducing programs for these people in a time of cost increases which impact heavily upon them.

OMB Recommendation: Continue to propose the 20% State matching and do not increase other health service delivery programs.

- We believe the HEW appeal would in fact add 1976 outlays because:
 - The student aid rescissions will not be accepted by Congress.
 - The HEW outlay estimates are unrealistically low by comparison with historical outlay patterns (probable outlay impact +\$100 million).



- The NIH research add-on of \$44 million, which you approved, should not be withdrawn because:
 - Balance between research in the biomedical field and other research areas outside HEW justifies this increase.
 - The Congress can be expected to add at least this amount back.
- The 20% State matching requirement is an appropriate Federal/State sharing of financial responsibility which will induce tighter administration and stronger evaluation of the worth of these programs at the state level.
- The poor and disadvantaged need not be deprived of needed health care because:
 - Medicare and Medicaid provide financing on a needs-tested basis.
 - The States, by matching, can assure the current level of services and avoid termination of projects and support.
- Even with the requested add-back, the total HEW health funding would still be below the 1975 appropriated level by \$867 million -- it will not significantly relieve pressure from the Congress to add funding.
- State governments should not be excused from bearing a reasonable share of financial responsibility because of generally tight fiscal conditions.

Alternative: Do not require 20% State matching of health services grants, but hold other health services funds at present decision levels. Do not withdraw increases for biomedical research.

- Avoids changing Federal/State funding relationships.
- Avoids criticism of cutting programs for the poor.
- Increases the budget by \$135 million in budget authority and \$80 to \$90 million in outlays.
- Avoids withdrawal of the biomedical research increase.

Decision

Approve HEW Appeal

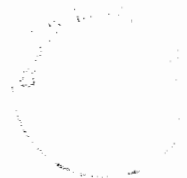
Approve OMB Recommendation

Approve Alternative

See Me

Handwritten signature or initials, possibly "WST", with a long horizontal stroke extending to the right.

Attachment



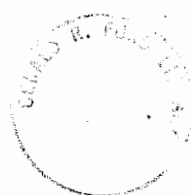
Adjustments to the Presidential FY 1976 Allowance
(in millions)

	1975		1976	
	BA	Outlays	BA	Outlays
Additions to latest Presidential allowance:				
<u>Health Services</u>				
Health centers.....	---	---	+40	+14
Maternal and child health.....	---	---	+71	+30
Family planning.....	---	---	+17	+ 6
Migrant health.....	---	---	+15	+ 3
Alcoholism projects.....	---	---	+20	+10
PHS hospitals.....	---	---	+ 8	+ 6
Program direction.....	---	---	+ 8	+ 7
Subtotal, additions.....	---	---	+179	+76
Proposed offsets:				
NIH allowance above HEW appeal....	---	---	-44	-10
OE student aid programs:				
Supplementary Opportunity grants	-30	---	---	-30
Direct student loans.....	-35	---	---	-35
Subtotal, offsets.....	-65	---	-44	-75
Net change.....	-65	---	+135	+ 1



HEW Request for Adjustments in Presidential Allowance - FY 1976

1. The adjustment would restore the highest priority health programs-- primarily service programs for the poor and disadvantaged--as perceived by the top management of HEW's health programs.
2. The net increase of \$135 million in budget authority over the current Presidential allowance would provide a small increase (\$72 million) over the 1975 revised health budget (excluding Medicare and Medicaid). The 1976 request would then be \$867 million below the 1975 appropriation and \$644 million below the 1974 appropriation.
- 3: On the specific programmatic items--
 - a. Health centers (+\$40 million)
Amount needed to restore current funding level. Current allowance would cause 68 projects serving 285,000 people to be terminated.
 - b. Maternal and child health (+\$71 million)
Amount needed to meet funding guarantees to States made by current law. Services to 2,300,000 mothers and children would no longer be supported.
 - c. Family planning (+\$17 million)
Amount needed to restore current funding level less \$3 million which can be made up through increased third party segments. Allowance would deprive 277,000 women of services.
 - d. Migrant health (+\$15 million)
Amount needed to restore current funding level. Allowance would terminate 32 projects serving 83,000 migrants with an average family income of \$2,800 per year.
 - e. Alcoholism projects (+\$20 million)
Amount needed to maintain current funding level. Allowance would make 30 percent reduction in program.
 - f. Public health hospitals (+\$8 million)
Amount needed to carry out statutory requirement to maintain January 1973 operation level.



4. Suggested offsets to proposed health changes--

- a. HEW requests the President to withdraw \$44 million in budget authority for the National Institutes of Health which exceeds the Department's earlier request to the President. While these funds could be effectively used, the additional research that would be supported is judged by the Department's health professionals to be of a relatively lower priority than the restoration of health services programs for the poor and disadvantaged.
- b. The offsets in the two student aid programs of the Office of Education would bring these programs back to the 1974 level. Rescissions were not proposed earlier because the aggregate amount appropriated for all student aid programs is below the budget request for 1975. The proposed rescissions would probably be opposed by many members of Congress. However, Congressional opposition is not likely to be any greater than it will be against all the other rescissions now being prepared for submission to Congress. The student aid rescission have a better chance of being accepted than the health budget reductions.