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THE WHITE HOUSE

WASHINGTON

November 5, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: • JAMES T. LYNN
FROM: JAMES E. CONNOR 
SUBJECT: Current Services Budget

Confirming a phone call to your office, the President has reviewed your memorandum of October 30 on the above subject and has approved the recommended approach outlined for the current services budget.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

November 5, 1975

MR PRESIDENT:

The attached memorandum was staffed to Messrs. Buchen, Cannon, Scowcroft, Seidman, Friedersdorf and Marsh. They all concur in the OMB recommendation.

Jim Cannon added the following comments:

- 1) Receipt estimates are particularly necessary and Jim Lynn's approach should be followed.
- 2) It is extremely important to make clear that no policy implications are to be read into these estimates.

OMB would very much appreciate your decision on this matter today.

Jim Connor



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

OCT 30 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. Lynn
SUBJECT: Current Services Budget

I. BACKGROUND

Under the Congressional Budget Act of 1974, you are required to submit a current services budget to the Congress by November 10, 1975. This budget is to show estimated budget authority and outlays which would be included in the 1977 budget if all programs and activities were carried on "at the same level as the fiscal year in progress and without policy changes in such programs and activities." The law also requires submission of the economic assumptions on which these estimates are based (P.L. 93-344, Section 605(a)).

The main purpose of the current services budget is to provide the Congress, in advance of the 1977 Presidential budget submission, an indication of the resources required to carry out existing law. Abstracting from policy changes and proposed legislation as it does, the current services budget is intended to provide a neutral base from which to measure budget alternatives -- executive and congressional.

II. DISCUSSION

While the current services budget is not expected to anticipate policy change, interpretation of the law still requires choices to be made in several ways:

- a. Economic assumptions -- Because of the difficulties and implication of a specific forecast of economic assumptions for fiscal year 1977 at this time, the Economic Policy Board proposes to use four sets of economic assumptions (Tab A) as a basis for the current services outlay

estimates. We plan to use Alternative II as the base estimate for determining the effects of the assumptions on such programs as unemployment insurance and social security. This will produce the highest outlay total of the four alternatives. We would then show the effects of other alternatives as deductions from that highest total. The Congress could choose the alternative assumptions that it wishes in calculating its spending estimates.

- b. Receipts estimates -- The law does not require specific estimates of receipts. However, we must estimate total receipts to estimate interest on the debt, and we must estimate receipts for certain major trust funds in order to estimate budget authority for them. We plan to use the Alternative II assumptions in making these estimates.

Alan Greenspan and Bill Simon would prefer that your current services budget not show specific estimates of receipts for 1977. However, since receipts must be estimated to determine some outlays and the budget authority of some trust funds -- and because the Congress expects the current services budget to contain receipts estimates even if, technically, the law does not require them, we will almost certainly be required to furnish such estimates to the Congress immediately after the current services budget is transmitted. I believe it to be the better part of wisdom to avoid this difference by including a short section on receipts in the current services budget, appropriately qualifying the estimates in relation to the various economic assumptions.

- c. Extensions of expiring laws -- Although the law is not clear on the point, both OMB and the Congressional Budget Office would generally assume extensions of expiring laws in determining current services budget levels unless the affected programs are obviously temporary. Specifically, we plan to assume

- renewal of general revenue sharing;
- extension of temporary employment assistance (public service jobs);
- extension of temporary unemployment insurance programs;
- extension of the Tax Reduction Act of 1975, including maintenance of current withholding rates, and excluding

temporary elements, such as the rebate on calendar year 1974 liabilities and the new housing tax credit; and

-- extension of the earned income credit.

However, we will make clear that these assumptions have no policy implications; they represent extension of current laws without policy change. The text will indicate the budgetary impact of alternative assumptions about program renewals.

- d. Agency differences -- In a few cases we differ with the agencies on what the proper current services estimates are for them. We are trying to resolve these differences. In particular, we are awaiting Secretary Schlesinger's assessment of the current services estimates for the Department of Defense. As of now, our estimates for Defense and military assistance would approximate the following:

(Outlays in billions)

1976 current estimate ("Presidential basis") ...	\$90.0
1976 current services basis	89.6
1977 current services basis	101.6

Note: These figures exclude the effect of the Middle East proposal that will ultimately affect the first estimate but not the current services estimates.

We will work with the Defense Department and other agencies to arrive at estimates that are supportable under the law.

- e. Transmittal -- The law requires the President to submit the current services budget to the Senate and the House of Representatives. The language is very similar to that applicable to the June 1 mid-session review which I transmit to the Congress on your behalf. It would be appropriate for me to transmit the current services budget on your behalf also, particularly since this budget is expected to be neutral with respect to policy.
- f. Totals -- We have not yet determined the precise totals to be included in the current services document. As we see the estimates now, the spending figures on the high alternative basis outlined above might be something like the following:

(Outlays in billions)

1976 current estimate (Presidential basis)	\$367.0
1976 current services basis	368.5
1977 current services basis	417.0

You may recall that our \$423 billion figure included \$4 billion of Congressional increases threatened. This plus some other differences in methods of computation brings the two sets of numbers for 1977 pretty close together.

III. RECOMMENDATION

That the approach outlined above for the current services budget be approved.

Agree

RCY

Disagree, see me

Attachment

TAB A

RANGE OF ECONOMIC ASSUMPTIONS

	1975				1976				1977			
	Real GNP	% Change in GNP	Unem- ployment rate	% Change in GNP deflator	Real GNP	% Change in GNP	Unem- ployment rate	% Change in GNP deflator	Real GNP	% Change in GNP	Unem- ployment rate	% Change in GNP deflator
Alternative I	797	-2.9	8.4	8.9	845	6.0	7.9	6.0	887	5.0	7.4	5.3
Alternative II ...	---	---	---	---	845	6.0	7.9	7.2	887	5.0	7.4	7.4
Alternative III ..	---	---	---	---	855	7.3	7.4	6.0	906	6.0	6.8	5.3
Alternative IV ...	---	---	---	---	855	7.3	7.4	7.2	906	6.0	6.8	7.4
May 30 estimates	792	-3.6	8.7	9.5	842	6.3	7.9	7.1	897	6.5	7.2	5.7

BUDGET DATA BASED ON CONTINUATION OF EXISTING LEVEL OF SERVICES

SEC. 605. (a) On or before November 10 of each year (beginning with 1975), the President shall submit to the Senate and the House of Representatives the estimated outlays and proposed budget authority which would be included in the Budget to be submitted pursuant to section 201 of the Budget and Accounting Act, 1921, for the ensuing fiscal year if all programs and activities were carried on during such ensuing fiscal year at the same level as the fiscal year in progress and without policy changes in such programs and activities. The estimated outlays and proposed budget authority submitted pursuant to this section shall be shown by function and subfunctions (in accordance with the classifications in the budget summary table entitled "Budget Authority and Outlays by Function and Agency"), by major programs within each such function, and by agency. Accompanying these estimates shall be the economic and programmatic assumptions underlying the estimated outlays and proposed budget authority, such as the rate of inflation, the rate of real economic growth, the unemployment rate, program caseloads, and pay increases.

Estimated outlays and proposed budget authority; submittal to Congress by President.

31 USC 11a.
Ante, p. 324.

(b) The Joint Economic Committee shall review the estimated outlays and proposed budget authority so submitted, and shall submit to the Committees on the Budget of both Houses an economic evaluation thereof on or before December 31 of each year.

Evaluation, submittal to Budget committees.

STUDY OF OFF-BUDGET AGENCIES

SEC. 606. The Committees on the Budget of the House of Representatives and the Senate shall study on a continuing basis those provisions of law which exempt agencies of the Federal Government, or any of their activities or outlays, from inclusion in the Budget of the United States Government transmitted by the President under section 201 of the Budget and Accounting Act, 1921. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

31 USC 11b.

Periodic reports to Congress.

YEAR-AHEAD REQUESTS FOR AUTHORIZATION OF NEW BUDGET AUTHORITY

SEC. 607. Notwithstanding any other provision of law, any request for the enactment of legislation authorizing the enactment of new budget authority to continue a program or activity for a fiscal year (beginning with the fiscal year commencing October 1, 1976) shall be submitted to the Congress not later than May 15 of the year preceding the year in which such fiscal year begins. In the case of a request for the enactment of legislation authorizing the enactment of new budget authority for a new program or activity which is to continue for more than one fiscal year, such request shall be submitted for at least the first 2 fiscal years.

31 USC 11c.

TITLE VII—PROGRAM REVIEW AND EVALUATION

REVIEW AND EVALUATION BY STANDING COMMITTEES

SEC. 701. Section 136(a) of the Legislative Reorganization Act of 1946 (2 U.S.C. 190d) is amended by adding at the end thereof the following new sentences: "Such committees may carry out the required analysis, appraisal, and evaluation themselves, or by contract, or may require a Government agency to do so and furnish a report thereon to the Congress. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time."

85 Stat. 376.

Report to Congress.