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THE WHITE HOUSE

WASHINGTON

March 29, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

PAUL H. O'NEILL

FROM:

JAMES E. CONNOR *JEE*

SUBJECT:

Funding for Next Fall's Basic
Educational Opportunity Grants
Program

Confirming our conversation this morning, the President reviewed your memoranda on the above subject and approved the following option:

- 3a - Request an additional \$224 million, reprogramming authority of \$175 million, and suggest transfer of an additional \$213 million from other education programs. These latter amounts would be suggested for transfer, but not formally proposed, because of legal complications relating to the Budget Impoundment and Control Act of 1974.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

March 25, 1976

MR PRESIDENT:

Funding for Next Fall's Basic
Educational Opportunity Grants
Program

Staffing of the attached memorandum resulted in the following:

Messrs. Cannon, Friedersdorf, Morton and Seidman agree with OMB's recommendation Option 3A.

Jack Marsh commented - "Support full funding, also option 3A (OMB) unless it is not viable, and 3B as a fall back."

Mr. Buchen had no comment.

OMB has requested your decision by Saturday, March 27.

Jim Connor



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

MAR 24 1976

DECISION

MEMORANDUM FOR THE PRESIDENT

FROM: PAUL H. O'NEILL *O'Neill*

SUBJECT: Funding for Next Fall's Basic Educational
Opportunity Grants Program

Attached is a complete description of an immediate issue in the Basic Educational Opportunity Grant program (BOGs) requiring your decision.

The Administration has been committed to full funding of BOGs (maximum grant of \$1,400) to help all eligible students attend the college of their choice. Over the past few years, Congress has consistently rejected full funding of BOGs in favor of continuing the old programs of aid to or through colleges. In effect, Congress has phased in BOGs one school year at a time, using the reductions to increase the other programs.

This year Congress appropriated only \$715 million of your \$1,050 million request, which would have reduced the maximum grant to \$977. It increased other education programs by \$768 million. You proposed rescissions of the \$768 million and promised a supplemental for BOGs if the rescissions were accepted. Congress rejected the rescissions.

Although this congressional action will result in some 1 million students getting smaller grants next year than this, it is not clear that the students will hold Congress responsible when they return to college next fall.

In the meantime, experience this year indicates that 74% of eligible students will participate, rather than the 56% we based our original estimate on. At this rate, the \$715 million will support grants next year almost 50% below this year's amounts.

The basic question is whether you want to recommend supplementals and appropriation transfers to provide full funding, or whether you want to directly confront Congress with the problem of the available education money being in the wrong pockets, and explain to the public that Congress has insisted on funding colleges at the expense of students.

OMB recommends you seek a supplemental to cover the increased participation, and push Congress to take care of the remaining shortfall by permitting reprogramming and transferring appropriations from the programs it increased.

HEW recommends you present a formal request for full funding, made up of a larger supplemental, reprogramming, and a transfer of funds which are not needed this year or next and which have not previously been proposed for rescission.

Because the transfer issues are terribly complex, you may wish to spend five minutes discussing this.

Attachment



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

MAR 26 1976

MEMORANDUM FOR THE PRESIDENT

FROM: Paul H. O'Neill *O'Neill*

SUBJECT: Second Basic Educational Opportunity
Grants Supplemental

The purpose of this memorandum is to seek your decision on whether to seek a 1976 supplemental for the Basic Educational Opportunity Grants program.

Background

Since the enactment of legislation authorizing the Basic Opportunity Grant program (BOGs), the Administration has supported a full funding policy for this program. Full funding means grants of up to \$1,400, and participation by all four classes of undergraduates.

You have already submitted to the Congress a 1976 supplemental appropriation request of \$180.2 million that will be used to replace 1976 appropriated funds re-programmed to meet the anticipated shortfall in funding for academic year 1975-76. The reason for that shortfall was an underestimate of student participation in the program -- 56% originally estimated versus 74% now anticipated.

For academic year 1976-77, the Administration originally proposed, in the 1976 budget, \$1,050 million to fully fund basic grants at an expected 56% participation rate. The 1976 budget also proposed no further capital contributions for the National Direct Student Loan program, and no further funding for the Supplemental Educational Opportunity Grant program, as well as most higher education institutional assistance programs.

Congress appropriated only \$715 million for basic grants, along with \$768 million more than the Administration requested for other higher education programs. The Administration proposed to rescind this \$768 million and, in the 1977 budget, promised a \$335 million supplemental to fully fund basic grants if the rescissions were accepted. Congress has rejected the rescission proposal. At the expected 56% participation rate, \$715 million would have provided maximum grants of \$977 and an average grant of \$610.

There has now been an unexpected rise in the student participation from 56% to 74%. At the current participation rate, the \$715 million would provide a maximum award of \$735 and an average award of \$428. This represents a reduction of 50% in maximum and average award levels from the current 1975-76 academic year. Because of the increase in student participation, the full funded cost is now estimated at \$1,326.5 million or \$611.5 more than the \$715 appropriation.

The basic questions for decisions are:

- Should there be a supplemental, and if so, should it provide for the individual grant amounts implicit in the original congressional appropriation or full funding.
- Should Congress again be asked to reduce its appropriation for other education programs in order to provide resources for the Basic Opportunity Grants program.

The major considerations involved are:

- The effect on the budget, since any supplemental would increase 1977 outlays and threaten the \$395 billion ceiling and a full funding supplemental would threaten the 1976 Congressional Budget authority ceiling.
- The Administration's commitment to full funding especially since 1 million students would get less than this year if the program is not fully funded.

- Timing for transmittal of a supplemental for this program is critical. Congress is expected to act on a BOG supplemental. HEW has been requested to submit all materials related to supplementals to Congress by March 25, 1976. The House expects to mark-up the supplemental on March 30, 1976 and the Senate expects to act shortly thereafter. In addition, some of the options to solve the problem involve reprogramming and transfer of funds which will be lost by mid-April. In addition, the award schedule, which cannot be published until total resources are known, must be published in May in order to allow students adequate time to apply.

Options

There are three broad options available to the Administration. All of these options include the \$715 million appropriation.

- #1. Do nothing further and maintain the \$715 million appropriation. Grant awards would average \$428, with maximum awards of \$735. Under this option the program would be less than fully funded.
- #2. Request additional funds but provide less than full funding through one of the following:
 - a. Request an additional \$224 million for a program total of \$939 million. Grant awards would average \$610, with maximum awards of \$997.
 - b. Request an additional \$224 million and reprogramming authority of \$175 million for a program total of \$1,114 million. Grant awards would average \$730, with maximum awards of \$1,150.
- #3. Provide sufficient funds (\$1,327 million) to fully fund the program through one of the following. Under each of these sub-options, grant awards would average \$865, with maximum awards of \$1,400.

- a. Request an additional \$224 million, re-programming authority of \$175 million, and suggest transfer of an additional \$213 million from other education programs. These latter amounts would be suggested for transfer, but not formally proposed, because of legal complications relating to the Budget Impoundment and Control Act of 1974. (OMB recommendation)
- b. Request an additional \$341 million, re-program \$175 million and transfer \$96 million. (HEW request)
- c. Request an additional \$437 million and re-program \$175 million.
- d. Request an additional \$612 million.

Major Consideration Affecting the Decision

A. Effect on Budget

1. Outlays and Budget Authority

All the options except #1 would involve a Presidential proposal to increase FY 1977 outlays and budget authority as follows:

(\$ in millions)

<u>Outlays</u>		<u>Budget Authority</u>	
Option #2a	\$224	Option #2a	\$224
Option #2b	224	Option #2b	224
Option #3a	224	Option #3a	224
Option #3b	437	Option #3b	341
Option #3c	437	Option #3c	437
Option #3d	612	Option #3d	612

There is no difference in the outlay effect among Options #2a, #2b and #3a because the

transfer and reprogramming proposed or suggested would reduce outlays for other programs by as much as BOGs would increase. There is no difference between Options #3b and #3c because authority proposed for transfer in #3b would not otherwise be spent in FY 1976 or FY 1977.

We understand that the Budget Committee believes that there is about \$330 million of budget authority, within the concurrent resolution setting congressional budget ceilings that can be used for BOGs. Thus while Options #2a, #2b, #3a and #3b might be acceptable to the Congress in terms of budget authority, they might not be able to accept Options #3c or #3d. However, it is unclear whether the appropriation committees regard the budget authority ceiling as binding especially if the Administration requests an increase. If the transfer of \$96 million from the non-year facility loan subsidy program were approved, an equivalent amount of budget authority would be needed in FY 1978 or future years.

2. Reprogramming and transfers

Under arrangements with Appropriation Committees, HEW can reprogram authority among activities, within totals specified in appropriation language, only if both House and Senate committees agree. The \$175 million proposed for reprogramming would come from:

- College Work-Study\$140 million
- National Direct Student
Loan capital contributions ... 35 million

These are amounts in excess of your budget request. You proposed them for rescission and the Congress did not act on your request. The Committees can thus be expected to resist such reprogramming. Both of these programs are expected to be obligated in mid-April, not giving the Committees much time to react.

The \$213 million of transfers suggested in Option #3a would be from some mixture of:

- \$140 million of 1976 budget authority for:
 - Supplemental Educational Opportunity Grants\$100 million
 - School Assistance in Federally Impacted Areas 40 million
- \$211 million of 1977 advance budget authority for:
 - Elementary and Secondary Education Grants for the Dis-advantaged and for Innovation. 162 million
 - Education for the Handicapped State Grants 35 million
 - Adult Education 4 million
 - Library and Instructional Resources 10 million

All of these were enacted in excess of your budget requests. You have proposed rescission of the excess, but the Congress did not act on your request.

The GAO has ruled that a request for transfers among appropriations must be treated as a rescission proposal. We have agreed with the Congress that we will propose only one rescission for any single amount. We are therefore effectively foreclosed from formally requesting a transfer of these appropriations. However, there is nothing to prevent our suggesting to the Congress such a transfer to assure full funding, as long as we do not withhold the funds from obligation. However, the \$100 million for Supplemental Educational Opportunity Grant program will be obligated in mid-April, not giving the Congress much time to enact a transfer on its own.

The \$96 million proposal for transfer in Option #3b has not been proposed for rescission previously, so we could formally propose a transfer. Sending a rescission at the same time as the BOGs supplemental may detract from the positive impact of the proposal, but would have no real program impact.

B. Commitment to Full Funding

Options #3a, #3b, #3c, and #3d demonstrate an Administration commitment to full funding. Probably only #3d would be acceptable to the education community since the other full funding options require reduction in programs they want. The Appropriations Committees might be reluctant to accept any full funding option, since each requires either changing a previous decision or exceeding the Congressional Budget Ceiling, although the importance of the ceiling to those committees is not clear.

Options #1, #2a, and #2b do not even appear to promise full funding, and would indicate to approximately 1 million students who are now getting grants that they would get a reduced amount next year, as follows:

<u>Option</u>	<u>Student Grants</u>	
	<u>Average</u>	<u>Maximum</u>
Full Funding	865	1,400
#1	428	735
#2a	610	977
#2b	730	1,150

Option #1 was intended by no one. Option #2a provides the grant originally thought possible under the enacted appropriation (at our original estimate of 56% participation).

Summary

The table attached displays the significant characteristics of each of the options. Unfortunately, there are significant disadvantages to each option.

While Option #1 is fiscally the most satisfactory, it runs against both the intent of Congress and the Administration's own policy with respect to Basic Grants and involves the largest reduction in awards to students this September.

Option #2a makes a commitment to keep the Basic Grant program to award levels consistent with original congressional intent, but significantly reduces awards and deviates from the Administration's commitment to full funding.

It should be noted, however, that the Administration's commitment to full funding for academic year 1976-77 was premised upon the acceptance of rescissions which the Congress rejected.

Option #2b increases the program level of the Basic Grant program without an increase in resources over and above the supplemental authority requested in Option #2a. Option #3a provides a strategy for obtaining full funding in the program without resources above the supplemental of \$224 million.

Options #3b, #3c, and #3d have the strong advantage of maintaining the Administration's formal policy of full funding. Options #3b and #3c provide some trade-off within the student assistance programs. The budget authority in #3b is closest to the congressional ceiling. All three have 1977 outlay increases substantially higher than Option #2a.

Recommendations

HEW believes that the first decision you need to make is whether to continue the Administration's policy of full funding for Basic Grants, or whether to acquiesce in a reduction of awards. HEW believes that full funding should take precedence over the other objectives and that the BOGs program may be permanently eroded if Administration support is not maintained. In HEW's view, you should therefore select Option #3b.

OMB believes that the objective of full funding for Basic Grants is certainly important, but cannot be divorced from cost and fiscal policy considerations. Taking into

account both programmatic and fiscal policy objectives, OMB recommends Option #3a, which demonstrates your commitment to full funding, fiscal responsibility, and the need to reorder priorities within budget totals for education.

Decision

- _____ Option #1
_____ Option #2a
_____ Option #2b
HR7 Option #3a
_____ Option #3b
_____ Option #3c
_____ Option #3d

Attachment

Analysis of Options

(\$ in millions)

	<u>Total Funds Available</u>	<u>Supplemental Request</u>	<u>Reprogramming</u>	<u>Transfers</u>	<u>1977 Outlay Effect</u>	<u>(actual dollars) award Avg./Max.</u>
Current level (1975-76)	\$1,010	---	---	---	---	\$789/\$1,490
Option #1	715	---	---	---	---	428/735
Option #2a	939	224	---	---	+224	610/977
Option #2b	1,114	224	175	---	+224	730/1,150
Option #3a	1,327	224	175	213	+224	865/1,400
Option #3b	1,327	341	175	96	+437	865/1,400
Option #3c	1,327	437	175	---	+437	865/1,400
Option #3d	1,327	612	---	---	+612	865/1,400