

The original documents are located in Box 6, folder “Budget - FY 1978: Reductions (1)” of the John Marsh Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.



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

NOV 30 1976

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: James T. Lynn *151 L*

SUBJECT: Further budget reductions

Background

Here are the papers we promised you on possible further budget reductions. The reductions from initial OMB recommendations listed in the first part of the materials are sufficient to reach a balanced budget in 1979 and to bring the 1978 deficit below \$35 billion. However, we cannot recommend that you accept many of the actions listed. At Palm Springs, you reviewed part of these reductions and rejected a number of them.

The second part of the binder covers reductions from agency budget requests you have already considered and, in most cases, adopted. The reductions you rejected are marked in red pencil. They are included here for comparison with the further cuts that would be necessary to attain a balanced budget in 1979.

Recommendation

That you review the further reductions and meet with us to discuss next steps.

cc: Mr. Richard Cheney
Mr. Jack Marsh ✓
Mr. Brent Scowcroft
Mr. James Cannon



1978 BUDGET

Potential 1979 Outlay Reductions







1978 BUDGET
POTENTIAL REDUCTIONS BY AGENCY
(outlays by millions of dollars)

Agency	1977			1978			1979		
	Initial OMB recommendation	Reductions	Total with reductions	Initial OMB recommendation	Reductions	Total with reductions	Initial OMB recommendation	Reductions	Total with reductions
Funds Appropriated to the President:									
Appalachian Reg. Programs...	328	---	328	338	40	298	424	115	310
Inter. develop. assistance..	1,750	---	1,750	1,925	61	1,864	1,968	162	1,806
Agriculture:									
Food & Nutrition Service....	8,968	---	8,968	6,765	---	6,765	7,183	---	7,183
All other.....	5,216	---	5,216	5,904	51	5,853	5,175	399	4,776
Commerce.....	2,998	-11	3,009	2,795	77	2,718	2,229	158	2,071
DoD-Military.....	97,944	242	97,702	110,000	3,583	106,417	119,000	9,322	109,678
Corps of Engineers.....	2,485	---	2,485	2,585	---	2,585	2,585	150	2,435
Health, Education, and Welfare.....	147,514	---	147,514	158,316	5,168	153,148	171,157	7,656	163,501
Housing and Urban Develop....	7,775	69	7,706	9,162	734	8,428	9,989	1,337	8,652
Interior.....	3,438	225	3,213	3,372	366	3,006	3,579	363	3,216
Justice.....	2,341	---	2,341	2,346	40	2,306	2,217	134	2,083
Labor.....	23,310	600	22,710	21,179	2,198	18,981	21,895	2,640	19,255
State.....	1,139	---	1,139	1,246	3	1,243	1,329	-6	1,323
Transportation.....	12,758	25	12,733	14,300	235	14,065	14,400	892	13,508
Treasury.....	51,484	8	51,476	54,837	16	54,821	56,319	46	56,273
Energy Research and Development Administration.....	5,335	24	5,311	6,019	270	5,749	7,054	580	6,474
Environmental Protec. Agency..	5,289	50	5,239	6,050	175	5,875	6,078	350	5,728
Gen. Svcs. Administration.....	108	---	108	-131	---	-131	-81	25	-106
Nat'l Aeronautics and Space Administration.....	3,707	---	3,707	3,886	134	3,752	4,306	518	3,788
Veterans Administration.....	18,900	---	18,900	18,904	574	18,330	19,110	1,182	17,928
Other independent agencies:									
ACTION.....	177	---	177	154	40	113	168	40	128
Civil Serv. Commission.....	9,843	---	9,843	11,167	---	11,167	12,447	---	12,447
Fed. Energy Administration..	554	---	554	1,371	25	1,346	1,511	13	1,498
Fed. Home Loan Bank Board...	-512	---	-512	-488	---	-488	-526	---	-526
Nat'l Science Foundation....	734	---	734	812	25	787	875	50	825
Nuclear Reg. Commission.....	232	---	232	254	---	254	311	33	278
Postal Service.....	2,272	---	2,272	1,472	475	997	1,435	438	997
Small Business Adminis.....	446	---	446	535	16	519	548	55	493
All other.....	12,265	---	12,265	13,317	---	13,317	11,730	---	11,730
Allowances:									
Civilian pay raises.....	---	---	---	1,226	289	937	3,165	563	2,602
Contingencies.....	---	---	---	2,000	---	2,000	6,200	---	6,200
Undis. offsetting receipts....	-15,377	---	-15,377	-16,335	---	-16,335	-17,700	---	-17,700
Total.....	413,421	1,232	412,189	445,283	14,595	430,688	476,070	27,215	448,855

POTENTIAL REDUCTIONS REQUIRING LEGISLATION
(outlays in millions of dollars)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Department of Defense-Military			
Lower training categories for			
National Guard personnel.....	---	---	-75
Terminate military			
medical school.....	-1	-15	-21
Health, Education and Welfare			
Health block grant.....	---	-873	-919
Medicare.....	---	-1,930	-3,757
Impact Aid termination.....	---	-465	-580
Social Security.....	---	-1,900	-2,400
Housing and Urban Development			
Section 8 for FHA projects.....	---	-135	-135
Interior			
Loans to States.....	---	-20	-24
Payments in lieu of taxes.....	-100	-100	-100
Labor			
WIN program termination.....	---	-145	-275
Transportation			
Transit capital grants.....	-15	-40	-90
Transit formula grants.....	---	-75	-175
METRO interstate substitutions.			
National Science Foundation			
Science education programs			
(authorization level).....	<u>---</u>	<u>-25</u>	<u>-50</u>
Total, reductions			
requiring legislation.....	-116	-5,723	-8,601

11/12/76
BRD/BPB

REDUCTIONS FROM INITIAL
'OMB RECOMMENDATIONS





Identification of Reductions
 International Development Assistance
 (International Financial Institutions)
 (\$ in Millions)

<u>International Development Association and Asian Development Bank</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB Recommendation	1,285	868	1,985	1,059	1,724	1,099
Reduction	--	--	-300	-48	-300	-108
Total with reduction	<u>1,285</u>	<u>868</u>	<u>1,685</u>	<u>1,011</u>	<u>1,424</u>	<u>991</u>

Legislation required

Action proposed. Hold U.S. contributions to the replenishment of International Development Association to \$500 million a year (1978-80) and do not contribute to Asian Development Bank (ADB) replenishment as approved by the Directors.

Effect of Action. An annual \$500 million U.S. contribution to IDA would be seen as representing an abrupt reversal of recent U.S. positions on foreign aid and all agencies agree that this alternative would deal a severe blow to the World Bank system. Under this option the LDCs may well mount a major effort to establish new, less effective institutions to replace IDA.

Failure to participate in the ADB's replenishment would be interpreted as reduced U.S. interest in multilateral assistance and East Asian countries of special interest to the U.S. and would sharply reduce our ability to influence the Bank's lending and financial policies.

Identification of Reductions
International Development Assistance
(International Organizations and Programs)
(\$ in millions)

<u>United Nations Development Program</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	100	104	105	104	110	109
Reduction	--	--	-5	-4	-10	-9
Total with reduction	<u>100</u>	<u>104</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Legislation required

Action proposed. Maintain the U.S. voluntary contribution to the UN Development Program at \$100M in 1978 and 1979. (Issue #3, Alt. #3)

Effect of Action. Would signal that the U.S. does not intend to increase its support to help attain the expanded 1977-81 UNDP program goal, which the U.S. delegation voted for this past summer.

Identification of Reductions
International Development Assistance
(Functional Development Assistance)
(\$ in millions)

<u>AID Bilateral and Technical Assistance</u> <u>Bureau Programs</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	667	676	721	690	771	712
Reduction.....	-	-	-66	- 9	-117	-45
Total with reduction	667	676	655	681	654	667

Legislation required

Action proposed - Hold the AID country program and technical assistance bureau levels for 1978 and 1979 to the amounts appropriated in 1977.

Effect of action - Would signal to other donors and to developing countries a lessening of the U.S. commitment to development aid. Would reduce AID's ability to proceed with programs already planned, including Kissinger commitments such as Sahel Development Program.

11/10/76

Identification of Reductions
 Department of Agriculture
 (\$ in millions)

	1977		1978		1979	
	<u>Program level</u>	<u>Outlays</u>	<u>Program level</u>	<u>Outlays</u>	<u>Program level</u>	<u>Outlays</u>
Initial OMB recommendation	1,000	537	750	-6	750	-14
Reduction	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>-300</u>	<u>-300</u>
Total with reduction	1,000	537	750	-6	450	-314

Legislation required

Action proposed

Project a further reduction in the agency request of \$1,125 mil. for short term export credit in 1979. The \$450 mil. proposed is the same level that has appeared in the last two budgets. In each of those years, however, the level was subsequently increased administratively: by \$450 mil. in 1976 and \$550 mil. in 1977.

Effect of action

The impact of the proposed reduction depends upon the world supply and demand situation for our major export crops in FY 1979. Sticking with the proposed program level in the face of large supplies and weakening prices could result in a loss of export sales. On the other hand, a tight supply situation would reduce the need for credit in selling our commodities abroad, in which case the cut would have no adverse impact.



Identification of Reductions
 Department of Agriculture
 (\$ in millions)

<u>Conservation Cost Sharing Programs</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	225.0	178.0	100.0	256.1	100.0	70.5
Reduction	-	-	90.0	22.5	90.0	45.0
Total with reduction	225.0	178.0	10.0	233.6	10.0	25.5

Legislation required

Action proposed

Eliminate funding for ACP in FY 1978 and propose no new legislation to reform ACP to long-term program.

Effect of action

The effect of this action would be to depend on farmers and landowners to install those conservation practices (which would have been cost-shared) at their own expense. It is believed that the adverse effect would be insignificant.

Identification of Reductions
 Department of Agriculture
 (\$ in millions)

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Water and Sewer Grants</u>						
Initial OMB recommendation	200	163	50	199	50	169
Reduction	-	-	-50	-5	-50	-26
Total with reduction	200	163	--	194	--	145

Legislation required

Action proposed

Terminate program after FY 1977.

Effect of action

Will require those communities with lower income families who would be eligible for grants to: (1) finance project on a "loan only" basis with higher monthly user charges than for comparable communities; or apply for an EPA waste treatment grant; or apply for HUD community development block grant funds; or forgo the project. Likely to result in strong Congressional opposition.



Identification of Reductions
Department of Agriculture
(\$ in millions)

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Resource Conservation & Development						
Initial OMB recommendation	30.0	24.8	30.2	28.3	30.2	28.3
Reduction	-	-	7.6	5.8	7.6	5.8
Total with reduction	3.0	24.8	22.6	22.5	22.6	22.5

Legislation required

Action proposed

Reduce number of RC&D projects to 150 and terminate technical assistance to 43 areas previously authorized for assistance.

Effect of action

A study of the economic impact of this program was inconclusive - there were too many other variables.

Reduction would terminate assistance to those areas with the lowest expected benefit-cost ratio.



Identification of Reductions
Department of Agriculture
(\$ in millions)

<u>Youth Conservation Corps</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	30	30	16	16	16	16
Reduction	--	--	16	16	16	16
Total with reduction	30	30	--	--	--	--

Legislation required

Action proposed

Terminate the Youth Conservation Corps (YCC) program.

Effect of action

Will not provide for 8,750 8 week positions in YCC camps. Effect is relatively minor as youths aged 15-18 are not selected on basis of need for employment or income. Gains in environmental understanding are likely transitory and work accomplished could be accomplished more efficiently through regular programs of sufficiently high priority to be undertaken.



Identification of Reductions
Department of Agriculture
(\$ in millions)

	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	280	306	290	306	290	301
Reduction	-	-	1.5	1.5	1.5	1.5
Total with reduction	280	306	288.5	304.5	288.5	299.5

Legislation required

Action proposed

Terminate Dairy Herd Improvement Program. This is a performance testing program for dairy cows. 11 computer centers forward production data to the Agricultural Research Service. The scenarios subsequently produced list estimates of the genetic merit of various dairy bulls in U.S. Industry is clearly the direct beneficiary of this program. The program has been successful, and can no longer be classified as research.

Effect of action

When this was proposed in FY 1977, the dairy industry strongly protested that it would not be able to fund the additional \$1.5M or take over operation of computer facilities. On the basis of this argument, restoration was achieved in the Congress. The industry can no longer claim, however, that this cut is sudden; nor that the Department is unwilling to provide services on a reimbursable basis.



Identification of Reductions
Department of Agriculture
(\$ in millions)

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	4.0	4.0	4.0	4.0	4.0	4.0
Reduction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4.0</u>	<u>4.0</u>
Total with reduction	4.0	4.0	4.0	4.0	0	0

Legislation required

Action proposed

Authority for dairy indemnities expires June 30, 1977 and that for bee indemnities ends December 31, 1977. We do not request extension of either program.

Effect of action

These programs indemnify dairy farmers, manufacturers of dairy products and beekeepers for losses sustained on account on improper use of pesticides by others. Dairy payments have been very small. Existence of the program is a disincentive for beekeepers to exert more effort in protecting their bees. The conditions of pesticide use have changed since the program began in 1970, and more information is available on how to prevent contamination. Elimination of the programs will hasten adjustment to the new situation.

Identification of Reductions
 Department of Commerce
 (\$ in millions)

<u>Economic Development Administration</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	387	420	171	263	234	254
Reduction.....	-90	+11	-49	-23	-119	-45
 Total with reduction.....	 297	 431	 122	 240	 115	 209

Legislation required /No/

Action proposed

Reduce EDA funding to minimum levels, providing only sufficient funding to maintain planning and on-going project management; meet disaster and other emergency assistance needs; and handle trade adjustment problems.

Effect of action

Terminates all funds for direct economic development activities, including public works grants business loans and technical assistance grants. This would eliminate all targeted Federal assistance to chronic economically distressed areas for long term economic development. This will result in reductions in planned economic development activities, especially in rural distressed areas.

Identification of Reductions
 Department of Commerce
 (\$ in millions)

National Oceanic and Atmospheric
 Administration (NOAA)

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	703	631	745	672	771	727
Reduction.....	---	---	-65	-44	-104	-91
 Total with reduction.....	<u>703</u>	<u>631</u>	<u>680</u>	<u>628</u>	<u>667</u>	<u>636</u>

Legislation required /No/

Action proposed

Reduce the funding levels of NOAA weather, fisheries, Sea Grant, and marine technology programs. Specific proposals include: reducing weather research by 10%, closing 56 small weather stations, reducing hours of operation at 34 weather stations, terminating some specialized weather services (e.g. pollution forecasts), eliminating the community preparedness program, terminating the aquaculture research and development program, transferring the Columbia river hatchery program to the States, phasing out Federal fisherise grants to the States, phasing out of commercial and recreational fishing industry assistance programs, terminating Sea Grant advisory services, beginning a 3 year phase out of the Sea Grant research support program, and terminating the marine technology program.

Effect of action

In the weather area, the proposal would result in a reduced level of public weather services to areas covering approximately 12 million people. Regular and specialized forecasts would be maintained; however, they would be updated less frequently. In the marine area, programs of lower priority which provide special assistance to the fishing industry would be eliminated and Federal involvement in general marine development activities would be reduced.



Identification of Reductions
Department of Commerce
(\$ in millions)

MARAD, DIBA, USTS, NBS, Fire Administration Programs

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	221	221	211	218	211	213
Reduction.....	---	---	-14	-10	-17	-22
Total with reduction.....	221	221	197	208	194	191

Legislation required /No/

Action proposed (\$ in '79 outlay savings)

- ° Reduce funding for maritime (MARAD), R&D, discontinue training programs, and delay renovations at the Merchant Marine Academy (\$-13M)
- ° Eliminate seven Domestic and International Business Administration (DIBA), trade centers. (\$-3M)
- ° Curtail the National Bureau of Standards materials research program (\$-4M)
- ° Terminate the U.S. Travel Service domestic tourism program (\$-1M)
- ° Reduce funding for Fire Academy education program (\$-1M)

Effect of action

These proposed actions will result in reduced Federal funding for "support" type programs. It will contribute to reducing Federal R&D activities (e.g. MARAD and NBS); assistance to businesses (i.e., to exporters and the travel industry); and special training programs (e.g. ship board and fire fighting training). These activities--if essential--would have to be picked up by the private sector, academic community or state and local governments.

Identification of Reductions
Department of Defense
(\$ in millions)

<u>Appropriated Fund Support of Nonappropriated Fund Activities</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	550	550	550	550	550	550
Reduction	<u>---</u>	<u>---</u>	<u>-200</u>	<u>-200</u>	<u>-425</u>	<u>-425</u>
Total with reduction	550	550	350	350	125	125

Legislation required

Action proposed: Phase out most appropriated fund support of these activities by FY 1979. Nonappropriated fund activities largely constitute the morale, welfare, and recreation (MWR) programs of the military services. The services view these programs as part of the Government's responsibility, and essential to maintaining a committed, ready force. Currently, appropriated funds provide about 25 percent of the overall support for these activities. The remainder is provided by nonappropriated funds, derived primarily from the sale of goods and services to military personnel, their dependents, retirees, and to a lesser degree Reservists and DOD civilians. The reduction would phase appropriated fund support down from \$550 million to \$125 million by 1979.

Effect of action: As part of a joint DOD-OMB study, a worldwide, one-time survey of cost and personnel data was made. The data is still being analyzed, after being compared with control totals and corrected. Appropriated fund support for all MWR programs, including exchanges, is 25 percent. If one excluded exchanges (which provide most of the nonappropriated funds), appropriated funds would provide around 50 percent of the support for the remaining programs.

A significant reduction in appropriated fund support will result in raising prices, reducing service or availability of activities, reducing clientele, or combinations of all these steps. The services will oppose such action strongly, citing: "erosion of benefits," breach of implied contract, increased pressure for military unions, and difficulty in recruitment and retention. Military personnel, active and retired, will echo those concerns.

However, such a reduction would be in line with the thought that comparable pay is now available to a volunteer force; if MWR activities are in fact considered part of a service person's compensation, they should be so addressed. A more self-supporting (more NAF support) MWR program will help overcome the image of excessive benefits; it could generate efficiencies in management; and it would save substantial funds.

Identification of Reductions
Department of Defense
(\$ in millions)

<u>Military Strength Levels</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	--	--	--	--	--	--
Reduction.....	--	--	-120	-120	-240	-240
Total with reduction.....	--	--	-120	-120	-240	-240

Legislation required

Action proposed: Reduce military strength by 20,000 in FY 1978 by not restoring program reductions made to military strength.

Effect of action: Historically the joint OMB-OSD budget review results in individual program decisions which reduce military strength for improved efficiency primarily in support activities such as recruiting, headquarters, training, etc. As an example, a reduction of 3,300 military personnel in the Navy results from an approved plan to reduce recruit training from 8 to 7 weeks. Normally, the reductions are restored in final budget wrap-up when the military departments make total strength a major issue or when they request that the strengths be returned in order to ensure combat capabilities. Inasmuch as the reductions were made for efficiencies in support areas, they should not be restored.



Identification of Reductions
Department of Defense
(\$ in millions)

<u>Military and Civilian Pay Increases</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	--	--	-337	-337	-971	-971
Reduction.....	--	--	-461	-461	-897	-897
Total with reduction.....	--	--	-798	-798	-1,868	-1,868

Legislation required Congressional approval required.

Action proposed: The initial OMB recommendation assumes enactment of the wage board reform legislation before October 1, 1977 and a shift of 25% of the 1979 military basic pay increase to the Quarters Allowance. The reduction further assumes Presidential submission of an alternate plan holding General Schedule and military pay increases to 5% in 1978 and 1979. Outlay reductions government-wide total \$1,171 million in 1978 and \$2,596 million in 1979.

Effect of action: Existing compensation levels appear to be more than adequate to provide the number of qualified personnel required to maintain the Federal workforce. However, current projections indicate that 6.5% and 6.25% comparability increases for GS and military personnel will be required in 1977 and 1978 respectively. All factors other than private sector wage rates for similar tasks are ignored in determining this pay adjustment. If other important determinants of individual decisions to enter and remain the Federal service, such as fringe benefits, job security, promotion patterns, and the conditions of work, were reflected in the paysetting process, the required adjustment would be reduced.

Union leaders can be expected to react to any proposed pay restraints by urging Congress to scrap the present system and substitute a much coselier collective bargaining system.

Pending completion of ongoing efforts to relate recruitment and retention performance to the size of the pay increase, the 5% restraint is selected on the basis of desired fiscal stringency.



Identification of Reductions
 Department of Defense
 (\$ in millions)

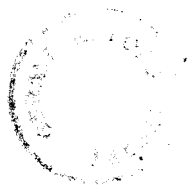
<u>Civilian Employment Levels</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	--	--	-90	-90	-220	-220
Reduction.....			<u>-85</u>	<u>-85</u>	<u>-310</u>	<u>-310</u>
Total with reduction	--	--	-175	-175	-530	-530

Legislation required

Action proposed: A 2% reduction in civilian employment levels from the current ceiling in 1978 and in 1979 on the assumption of productivity increases. The initial OMB recommendation would have permitted employment to rise slightly above the current ceiling level.

Effect of Action: It may be unrealistic to expect productivity savings of 2% from the FY 1977 base in that funded workload in Defense in-house industrial activities is increasing and there has been significant Congressional pressure against closing bases particularly during a period of high unemployment. Defense employment has been decreasing for several years while employment in other government agencies has been increasing. We may now be reaching a level where we can expect only minimal productivity improvements. The following table compares total employment under the initial OMB recommendation with that now proposed.

	Total Employment (in thousands)		
	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
Initial OMB Recommendation	942	933	923
Reduction Proposal	942	923	905



Identification of Reductions
Department of Defense
(\$ in millions)

<u>Guard and Reserve Manpower</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	1,820	1,815	1,990	1,980	1,963	1,963
Reduction.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-75</u>	<u>-75</u>
Total with reduction.....	1,820	1,815	1,990	1,980	1,888	1,888

Legislation required

Action proposed: The initial OMB recommendation identified a potential savings of \$125 million in Guard and Reserve manpower costs through increased utilization of lower training frequencies consistent with training requirements and provided for phasing the reduction over a five-year period. This would speed up the action and complete the program adjustment in FY 1979 for additional savings of \$75 million in that year.

Effect of action: Legislation will still be required to permit utilization of lower training categories for National Guard personnel. The accelerated transition to lower training categories combined with less training support could greatly decrease the likelihood that Reserve forces can recover from their current manning shortfalls in the near future.

Identification of Reductions
 Department of Defense
 (\$ in millions)

<u>Modernization of Defense Domestic Installation Structure</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation . . .	2,482	1,945	2,381	2,050	3,035	2,235
Reduction.	<u>0</u>	<u>-195</u>	<u>-1,500</u>	<u>-1,150</u>	<u>0</u>	<u>-1,575</u>
Total with reduction	2,482	1,750	881	900	3,035	825

Legislation required

Action Proposed

Pending completion of the Blue Ribbon Commission review of long-term defense installation requirements and NSSM 246, impose a full moratorium on FY 1978 construction (except for family housing operations, safety, and approved major weapon systems) and freeze FY 1977 prior year projects not under contract until FY 1979.

Effect of Action

This action would impose a full rather than a partial construction moratorium and have the advantage of not prejudicing the Blue Ribbon Commission or NSSM 246, but it would result in much stronger resistance from the Department, Congress and labor.

Identification of Reductions
 Department of Defense
 (\$ in millions)

<u>Uniformed Services University of the Health Sciences</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	NA	NA	NA	NA	NA	NA
Reduction.....	<u>1</u>	<u>1</u>	<u>15</u>	<u>15</u>	<u>21</u>	<u>21</u>
Total with reduction.....	1	1	15	15	21	21

Legislation required

Action proposed: Terminate the new military medical school. The 32 students currently enrolled would be transferred to other medical schools.

Effect of action: The military medical school, a long-time goal of former Congressman F. Edward Hebert, is just getting underway. Recent estimates of the Department of Defense indicate that even without the output of the new medical school, DOD will be able to increase military physician strengths by 20 percent over current requirements. Thus, the effect of terminating the medical school will be to lower DOD's costs with no adverse effect on mission accomplishment. The Administration has generally taken the view that the Nation, while facing speciality and geographic physician maldistribution problems, does not suffer from an overall shortage of physicians. Thus, closure of the school should not have a major impact on national medical needs.

Past expenditures for this school include \$70 million for construction and \$14 million for operating costs through 1977. We believe a viable alternative use could be found for this facility.



Identification of Reductions
Department of Defense
(\$ in millions)

<u>Growth of Purchases in Operations and Maintenance</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	19,779	19,800	20,662	21,772	25,909	24,817
Reduction	<u>0</u>	<u>0</u>	<u>-76</u>	<u>-53</u>	<u>-4,229</u>	<u>-2,983</u>
Total with reduction	19,779	19,800	20,586	21,719	21,680	21,834

Legislation required

Action Proposed

Initial OMB recommendation included an allowance of 4% annually for real growth. However, real growth in 1977 was substantially above the 4% allowed and the excess was applied to the 1978 growth allowance. This action permits no allowance for real growth after 1977 eliminating the small amount of real growth remaining in 1978 and providing only for inflation in 1978 and 1979.

Effect of Action

Does not conform to previous policy of allowing for 4% real growth in purchases as an outyear planning guide.



Identification of Reductions
Department of Defense
(\$ in millions)

<u>DOD Recruiting Costs</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	--	--	-75	-75	-75	-75
Reduction.....	--	--	-50	-50	-50	-50
Total with reduction.....	--	--	-125	-125	-125	-125

Legislation required

Action proposed: The initial OMB recommendation provides for approval of no more than 1/2 the increase in recruiting resources requested for FY 1978. It further requires DOD to examine measures to reduce first-term attrition other than by recruiting more high school graduates. The reduction would maintain recruiting resources at the FY 1977 level as well as conduct the above study.

Effect of action: Military recruiting cost increases from \$486 million in FY 1976 to \$595 million in FY 1977. DOD proposes to increase the program by \$125 million to \$720 million in FY 1978. These increases result from the demand by both active and Reserve forces for more and more "quality" recruits--defined as high school diploma graduates. DOD's preoccupation with high school graduates results from its experience that such recruits cause fewer disciplinary problems and are much more likely to complete their enlistments. However, these increased requirements make tremendous demands on the young male population, and create expensive competition among the services. In addition, DOD still is experiencing over 35% first-term attrition, and the military services do not appear to be searching for alternatives to high school diploma graduates such as recruiting more prior service people who wish to return to military life. Such recruits generally are of better quality than recent high school graduates and experience much less attrition. The reduction would maintain FY 1978 recruiting resources at the FY 1977 level in view of the \$109 million increase from FY 1976 to FY 1977.



Identification of Reductions
 Department of Defense
 (\$ in Millions)

<u>XM-1 Tank</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>
Initial OMB recommendation	0	0	348	202	479	312
Reduction.	<u>0</u>	<u>0</u>	<u>-160</u>	<u>-52</u>	<u>0</u>	<u>-74</u>
Total Reduction	0	0	188	150	479	238

Legislation Required

Action Proposed

Delay full funding of the XM-1 tank program for one year pending the evaluation of the Leopard II tank to insure optimum consideration of a common tank (standardization) for U. S. and German forces in NATO.

Effect of Action

A less than full commitment to the XM-1 would incur unfavorable Congressional and contractor responses which might lead to serious disruption of the program.

Identification of Reductions
Department of Defense
(\$ in millions)

<u>Research and Development</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	10,600	10,300	12,000	11,400	13,200	12,500
Reduction.....	-	-	500	300	500	450
Total with reduction.....	10,600	10,300	11,500	11,100	12,700	12,050

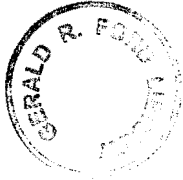
Legislation required

Action proposed

The initial OMB recommendation reduced the requested 1978 BA level by \$1.4 billion and the 1979 level by \$1.3 billion. The additional reduction would limit the Defense R&D total to 4% real growth in purchases in 1978 and 1979.

Effect of action

The reduction would cause some stretch out in the development of several major programs including the F-18 aircraft and the Advanced Attack Helicopter, and some deferral of technology new initiatives. The reduced level would still provide general increases in major strategic and general purpose force areas.



Identification of Reductions
Department of Defense
(\$ in millions)

<u>B-1 Bomber</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	1,556		1,727		1,732	
Reduction.....	<u>556</u>	<u>46</u>	<u>1,727</u>	<u>672</u>	<u>1,732</u>	<u>1,188</u>
Total with reduction.....	1,000					

Legislation required

Action proposed

The initial OMB recommendation provided for a slow-down in procurement rate (6 versus 8 aircraft in 1978 and 8 versus 19 in 1979). The reduction cancels the program in view of cost increase not yet announced (by about 25% and possibly more). Rescission of a portion of the 1977 appropriation would be required.

Effect of action

Program termination.

Identification of Reductions
Department of Defense
(\$ in millions)

<u>Non-Major Systems Procurement</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	12,487	10,438	14,800	12,921	16,100	14,878
Reduction.....	--	--	1,064	425	990	1,034
Total with reduction.....	12,487	10,438	13,736	12,496	15,110	13,844

Legislation required

Action proposed

The initial OMB recommendation reduced the requested 1978 BA level of non-major systems procurement by \$3.0 billion and the requested 1979 level by \$3.8 billion. The additional reduction limits the level of non-major systems procurement to 4% real growth in 1978 and in 1979, rather than the initial recommendation level of 10% in 1978 and 4% thereafter.

Effect of action

Planned inventory buildup of ammunition and ordnance would be further delayed. There would be a slower rate of increase in the procurement of communications and electronics equipment of miscellaneous support equipment and spare parts.

Identification of Reductions
Corps of Engineers-Civil
(\$ in millions)

Corps of Engineers

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	2,454	2,485	2,600	2,585	2,600	2,585
Reduction.....	--	--	--	--	-150	-150
Total with reduction.....	2,545	2,485	2,600	2,585	2,450	2,435

Action Proposed:

Further delay completion dates for a limited number of less critical ongoing projects by reduction of 1979 allocation.

Effect of Action:

Will further stretch out construction progress on projects selected without actually stopping work on any. Completion dates will be delayed about 8 months for the affected projects on the average. This will reduce potential onsite construction jobs by about 2500.



Identification of Reductions
Department of Health, Education, and Welfare
(\$ in millions)

<u>Health Block Grant</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	--	--	13,192	11,873	13,852	13,786
Reduction	--	--	<u>-970</u>	<u>-873</u>	<u>-1,019</u>	<u>-919</u>
Total with reduction	--	--	12,222	11,000	12,833	12,867

Legislation required

Action proposed. Reduce the total funding requested for the health block grant below the 1977 appropriation level for the programs being included and the current estimate for Medicaid.

Effect of action. The additional reductions would--if the block grant were enacted--require States to find funds elsewhere if they wished to maintain the same level of services. Moreover, the block grant would bear the burden of a budget cutting proposal as opposed to a reform in Federal-State financing and administration of health programs.



Identification of Reductions
 Department of Health, Education, and Welfare
 (\$ in millions)

<u>Medicare</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	23,119	21,980	28,702	24,373	32,354	27,072
Reduction	<u> --</u>	<u> --</u>	<u> --</u>	<u>-1,930</u>	<u> --</u>	<u>-3,757</u>
Total with reduction	23,119	21,980	28,702	22,443	32,354	23,315

Legislation required

Action proposed. Freeze Medicare reimbursement levels for hospitals in 1978 and 1979 and continue the freeze on physician fees in 1979. Place hospital depreciation payments in an escrow account and reimburse hospitals only as they replace assets. Double the hospital deductible for Medicare beneficiaries (from \$144 to \$288 in 1978, from \$164 to \$328 in 1979) by requiring payment for two days of hospitalization, rather than one.

Effect of action. Hospitals will be hard pressed to reduce projected increases in wages and other expenses due to inflation in the general economy. The OMB recommendation of a 7% hospital cap already requires hospitals to reduce projected costs to the CPI level. The depreciation escrow account will further reduce hospital cash flow. Some hospitals that cannot pass on costs to payers other than the Federal Government may close. Physicians will oppose the projected freeze on the grounds that it singles them out for wage controls. They will bill Medicare patients directly for fees above the Medicare reimbursement level, increase the number of services provided to Medicare patients, or even refuse to take Medicare patients. Six million aged persons will pay the doubled hospital deductible each year. Some with low incomes, but not eligible for Medicaid, will have difficulty meeting additional medical expenses.

Identification of Reductions
 Department of Health, Education, and Welfare
 (\$ in millions)

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Impact Aid</u>						
Initial OMB recommendation	793	804	655	672	653	621
Reduction	<u>---</u>	<u>---</u>	<u>-655</u>	<u>-465</u>	<u>-653</u>	<u>-580</u>
Total with reduction	793	804	-0-	207	-0-	41

Legislation required

Action proposed: Propose elimination of the entire Impact Aid authority by submitting substantive legislation in the FY 1978 budget. This will not be a proposal that will be considered seriously. It could offend those members of Congress (Mr. Michel et al.) who have been helpful in seeking reforms. It would also eliminate HEW/OMB efforts at acceptable reforms.

Effect of action: This will result in termination of all payments for federally connected children in school districts, including those children who have been considered a legitimate Federal responsibility (i.e., children whose parents live and work on Federal property). It would also eliminate the authorities to make payments to districts in the wake of national disasters, after base closings and to Federal agencies for the direct provision of educational services to employees' dependents.



Identification of Reductions
Department of Health, Education, and Welfare
(\$ in millions)

<u>OASDI</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	80,745	84,277	93,123	92,110	104,442	100,118
Reduction	--	--	--	-1,900	--	-2,400
Total with reduction	80,745	84,277	93,123	90,210	104,442	97,718

Legislation required

Action proposed: Package of items of legislation to reduce Social Security benefits prospectively. The major items are: (a) elimination of the lump sum death payment (-\$300M); (b) altering the first month of entitlement (-\$475M); and (c) a change in the method of taking actuarial reductions (-\$200M). The other items are all smaller in dollar impact, and range from \$50M to \$200M.

Effect of action: Represents major deliberalization of the current benefit structure, and is likely to be extremely controversial.



Identification of Reductions
 Department of Housing and Urban Development
 (\$ in millions)

<u>Section 235/Homeownership Program</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	--	17	--	67	--	149
Reduction.....	--	--	--	-13	--	-48
Total with reduction.....	--	17	--	54	--	101

Rescission required

Action proposed

Propose a rescission of unused section 235 contract authority.

Effect of action

This action would terminate the program of providing interest subsidies to moderate-income families. OMB staff believe that most of the 160,000 units (out of a total program of 290,000) would be built even without the subsidy although the tenant characteristics might shift somewhat to higher-income families. The probability of the Congress approving this termination proposal is very low.

Identification of Reductions
 Department of Housing and Urban Development
 (\$ in millions)

<u>Section 202 Elderly Housing</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation...	(731)	(265)	(--)	(730)	--	212
Reduction.....	<u>(-548)</u>	<u>(-6)</u>	<u>(--)</u>	<u>(-424)</u>	<u>--</u>	<u>-132</u>
Total with reduction.....	(183)	(259)	(--)	(306)	--	80

Rescission required

Action proposed

Section 202 program, off-budget for 1977 and 1978 (although proposed to be returned in 1978), should be terminated in second quarter of 1977. This is consistent with OMB budget recommendation to terminate program in 1978. Lags in the program require early termination to affect 1978 and 1979 outlays.

Effect of Action

There will be strong negative congressional reaction, given Congress' past record of staunch defense of this program. To mitigate reaction, OMB proposes an equivalent unit set-aside in the Section 8 existing program to insure an on-going elderly housing program. This set-aside will not increase the section 8 program limit.

Parentheses indicate off-budget.

Identification of Reductions
Department of Housing and Urban Development
(\$ in millions)

<u>Section 8 for FHA Projects</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	1,955	1,042	1,201	1,111	955	955
Reduction.....	<u>---</u>	<u>---</u>	<u>-135</u>	<u>-135</u>	<u>-135</u>	<u>-135</u>
Total with reduction.....	1,955	1,042	1,066	976	820	820

Legislation required

Action proposed

The Director's review recommendations include proposing permanent legislation to set-aside 15 percent of the annual section 8 authority for FHA projects. The action proposed here is to raise this set-aside to 25 percent instead of 15 percent.

Effect of action

The higher set aside of section 8 authority for FHA projects would generate additional savings by avoiding insurance claims from FHA-insured multifamily projects. The generous subsidy from section 8 would reduce the probability of these insured projects going into default. The level of savings that would be obtained from this action is difficult to specify and the estimate used above must be considered as tentative.

Identification of Reductions
Department of Housing and Urban Development
(\$ in millions)

<u>Community Development Block Grants</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	3,148	2,482	3,148	3,001	3,148	3,077
Reduction.....	--	-69	-2,296	-586	-1,148	-1,022
Total with reduction.....	3,148	2,413	852	2,415	2,000	2,055

Deferral required

Action proposed

Reduce funding level for Community Development Block Grant to \$2 billion. 1977 appropriations of \$1,148 million would be deferred for use in 1978. Because of the lag in outlays that occurs in this program, it is necessary to start the reductions in 1977 in order to garner significant outlay savings in 1979.

Effect of Action

The \$2 billion program level is an arbitrary selection designed solely to reduce future outlays. As the program level decreases from the \$3.1 billion base, recipient categories for which there is not sufficient funding drop out of the program in the following order:

Small metropolitan and nonmetropolitan communities
Entitlement metropolitan cities and urban counties
Hold harmless recipients

A \$2 billion program level would provide funding only for entitlement and hold harmless recipients, with all entitlement grants being reduced somewhat to finance the hold harmless obligation.

Any reduction in the program level below the \$3.1 billion base will produce a strong negative political reaction from mayors and the Congress. It is highly unlikely that Congress would approve a deferral of any 1977 funds. Yet this is a crucial point if 1979 outlays are to be reduced.

Identification of Reductions
 Department of the Interior, Bureau of Reclamation

(\$ in millions)

Stretch Out Construction Completion Dates

	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	980	1,129	851	801	868	828
Reduction	-	-	-	-	-20	-20
Total with reduction	980	1,129	851	801	848	808

Legislation required

Action proposed: Replan 78 and 79 construction schedules.

Effect of Action:

Stretches out work on some irrigation projects resulting in further delays in completion schedules.

Identification of Reductions
Department of the Interior
(\$ in millions)

Loans to States

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	0	0	0	0	0	0
Adjusted OMB recommendation <u>1/</u>	0	0	20	20	24	24
Reduction	<u>0</u>	<u>0</u>	<u>-20</u>	<u>-20</u>	<u>-24</u>	<u>-24</u>
Total with reduction	0	0	0	0	0	0

Legislation required

Action proposed. Legislative amendment of P.L. 579, Federal Land Policy and Management Act of 1976 to rescind Section 317(c)(1) which establishes a loan program for States based on ten year projected mineral leasing receipts at a borrowing rate of 3%. The Department of the Interior requested budget authority of \$32M in FY 1977; \$38M in FY 1978; and \$45M in FY 1979.

Effect of action. This reduction should have no significant adverse impact on existing State programs since this is a new program not yet begun.

1/ Based on agency request subsequent to the Director's October 19 letter.

Identification of Reductions
Department of the Interior
(\$ in millions)

Payments in Lieu of Taxes

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	0	0	0	0	0	0
Adjusted OMB recommendation ^{1/}	100	100	100	100	100	100
Reduction	<u>-100</u>	<u>-100</u>	<u>-100</u>	<u>-100</u>	<u>-100</u>	<u>-100</u>
Total with reduction.....	0	0	0	0	0	0

Legislation required

Action proposed. Rescission of P.L. 565 establishing payments in lieu of taxes to local governments for certain Federal lands within their jurisdiction. The Department of the Interior requested budget authority of \$113M in FY 1977; \$115M in FY 1978; and \$117M in FY 1979.

Effect of action. This reduction should have no significant adverse impact on local governments as it is a new program scheduled to begin in FY 1977 and the Department of the Interior has not commenced payments to local governments. However, it will take away from expectation of local governments with substantial Federal lands, mostly in the Western States.

^{1/} Based on agency request subsequent to the Director's October 19 letter.

Identification of Reductions
Department of the Interior
(\$ in millions)

Bicentennial Land Heritage Program

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	1,120	145	20	189	20	134
Adjusted OMB recommendation <u>1/</u> ...	1,120	145	20	189	20	134
Reduction	<u>-1,100</u>	<u>-125</u>	<u>--</u>	<u>-169</u>	<u>--</u>	<u>-114</u>
Total with reduction	20	20	20	20	20	20

Legislation required

Action proposed. Elimination from the Bicentennial Land Heritage Program of the 10 year \$959M fund for development and rehabilitation of facilities, and the \$141M 1977 supplemental for accelerated land acquisition. This will leave the funding for increased staffing of parks and refuges, and for increased Community Development grants (not considered in this Interior reduction).

Effect of action. Will substantially reduce the amounts available for park and refuge facility construction and rehabilitation. However, the budget would also provide some increase in annual funds for parks and refuge development and maintenance, as well as an annual allocation from the Land and Water Conservation Fund for recreation land acquisition (amount to be determined separately).

1/ Based on agency request subsequent to the Director's October 19 letter.



Nov. 10, 1976
Exhibit B

Identification of Reductions
Department of the Interior
(\$ in millions)

Land and Water Conservation Fund

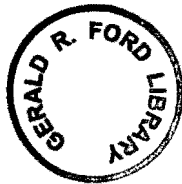
	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	397	422	450	367	450	427
Adjusted OMB recommendation <u>1/</u>	397	422	450	367	450	427
Reduction	<u>0</u>	<u>0</u>	<u>-150</u>	<u>-77</u>	<u>-150</u>	<u>-105</u>
Total with reduction	397	422	300	290	300	322

Legislation required

Action proposed. Fund the LWCF at \$300 million for both 1978 and 1979. Initial OMB recommendation is for \$450M for each of those years compared to authorization limit and Interior Department request of \$600M for 1978 and \$750M for 1979.

Effect of action. Would be perceived as inconsistent with the spirit of the President's Bicentennial Land Heritage Program. Would continue LWCF at 1975-1977 levels (exclusive of Congressional add-ons) despite the recent signing into law of P.L. 94-422, which increases the authorized levels for the LWCF for 1978 onward. Would provide sufficient funding to make only slight progress against the backlog of Federal recreational land acquisition projects currently eligible for LWCF funding. Though decreasing grants to States for recreation capital spending by 50% from the level of the initial OMB recommendation, this cutback would have a negligible effect on the amount of State and local recreational facilities available.

1/ Based on agency request subsequent to the Director's October 19 letter.



Identification of Reductions
 Department of Justice
 (\$ in millions)

<u>U.S. Attorneys and Marshals</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	161	159	170	169	172	171
Reduction	—	—	<u>-4</u>	<u>-4</u>	<u>-5</u>	<u>-5</u>
Total with reduction	161	159	166	165	167	166

Legislation required

Action proposed

Disapprove any increase in staff for the U.S. Attorneys and Marshals in 1978. The Department has requested 434 FTP employees for the U.S. Attorneys and 104 FTP employees for the U.S. Marshals.

Effect of Action

The U.S. Attorneys and Marshals would have to absorb the workload increases they project for FY 78. This would result in an increased civil case backlog as the U.S. Attorneys attempt to comply with the Speedy Trial deadlines for their criminal cases. The U.S. Marshals would require more time to bring Federal prisoners to court and execute process and court orders--delays that were criticized in a recent GAO report.



Identification of Reductions
Department of Justice
(\$ in millions)

<u>Law Enforcement Assistance Administration:</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	688	866	600	802	600	663
Reduction	—	—	<u>-100</u>	<u>-29</u>	<u>-200</u>	<u>121</u>
Total with reduction	688	866	500	773	400	542

Legislation required

Action proposed

A reduction of \$100 M in 1978--\$70 M in block grants and \$30 M in categorical grants and contracts, and \$200 M in 1979--\$120 M in block grants and \$72 M in categorical grants and contracts.

Effect of action

The proposed reductions would probably cause some program disruptions. However, it is unlikely that these disruptions would affect the crime rate or have a discernible impact on the criminal justice system; LEAA resources are a relatively small portion of the total amount spent on criminal justice, and the quality of many LEAA projects is questionable. The most important effect might be the perception of decreased Administration interest in crime problems.



Identification of Reductions
Department of Justice
(\$ in millions)

<u>Other Justice Reductions</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	208	212	219	222	219	222
Reduction	---	---	-8	-7	-9	-7
Total with reduction	208	212	211	215	210	215

Legislation required

Action proposed

- ° Reduce the recommended increase in FBI equipment procurement (\$5 M).
- ° Reduce additional staff approved to increase the intelligence capabilities in DEA (-26 work-years) (\$0.8 M).
- ° Disapprove the request for a Federal Justice Research program under the direct control of the Attorney General (\$2.0 M).
- ° Permit no personnel increases in the administrative offices or the Board of Parole in 1978 (\$0.8 M).

Effect of action

- ° The reduction in FBI equipment would not affect procurement of critical automation and investigative equipment. The reductions would occur primarily in administrative equipment which could be replaced in later years.
- ° DEA reduction from the original recommendation would impact slightly on DEA's capability to provide useful intelligence to other Federal agencies engaged in drug enforcement.
- ° As a result of the elimination of the proposed Federal Justice Research program, the Attorney General would be unable to fund directly several innovative research projects in 1978 and 1979. Such projects, however, could be funded by the consolidated National Institute of Law Enforcement and Criminal Justice.
- ° Reduced administrative staffing would require existing staff to absorb additional anticipated workload.

Identification of Reductions
Department of Labor
(\$ in millions)

<u>Employment and Training Assistance (except Summer Youth)</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	2,717	2,617	2,717	2,717	2,717	2,717
Reduction	<u>--</u>	<u>--</u>	<u>-323</u>	<u>-323</u>	<u>-717</u>	<u>-717</u>
Total with reduction	2,717	2,617	2,394	2,394	2,000	2,000

Legislation required

Action proposed

Reduce 1978 by the amount of the 1977 Congressional increases over President's Budget. Make further cuts in 1979 to reflect lowered relative need based on improvements in unemployment.

Effect of action

Reduces manyears of employment and training by about:

1978: 76,000

1979: 169,000

Identification of Reductions
Department of Labor
(\$ in millions)

<u>Work Incentive Program</u> <u>(WIN)</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	370	352	275	275	275	275
Reduction	<u>--</u>	<u>--</u>	<u>-238</u>	<u>-145</u>	<u>-275</u>	<u>-275</u>
Total with reduction	370	352	37	130	--	--

Legislation required

Action proposed

Legislation will be required to repeal Title IV-C of the Social Security Act. This legislation should be introduced as soon as possible to allow for a timely phase-down of the program.

Effect of action

The FY 1978 budget would reflect the cost of contracts made in FY 1977 and running into the budget year plus additional matching costs for social services in the same proportion as in FY 1977. Termination of this program will save some 8,100 service-years in the State Employment Services and 4,100 in the State welfare agencies. It will remove the only program which attempts to control the growth of the AFDC rolls. Termination of this program has been rejected in the past since such an action would be interpreted as placing undue hardship on families during a time of high unemployment.

Identification of Reductions
Department of Labor
(\$ in millions)

<u>Temporary Employment Assistance</u> <u>CETA Title VI</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	1,062	2,100	1,650	1,650	1,500	1,500
Reduction	<u>-562</u>	<u>-600</u>	<u>-1,650</u>	<u>-1,650</u>	<u>-1,500</u>	<u>-1,500</u>
Total with reduction	500	1,500	--	--	--	--

Legislation required

Action proposed

Phase out TEA in 1977 (an alternative of phasing out in 1978 would not change 1979 reductions, but would eliminate the 1977 reductions and have 1978 reductions of: BA, 550; Outlays, 550).

Effect of action

Reduce subsidized public service jobs level from 260,000 to zero by September 30, 1977. In legislative negotiations on the CETA Title VI extension for 1977, the President had approved expressing support for the bill if the current level (260,000 jobs) was maintained (as opposed to increased).

Already accepted



Identification of Reductions
 Department of Labor
 (\$ in millions)

<u>Older Workers Employment</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	91	64	23	91	91	91
Reduction	<u>--</u>	<u>--</u>	<u>-23</u>	<u>-23</u>	<u>-91</u>	<u>-91</u>
Total with reduction	91	64	--	68	--	--

Legislation required

Action proposed

Seek no funding in 1978 and beyond.

Effect of action

Eliminate 22,600 part-time jobs for older workers.

Identification of Reductions
Department of Labor
(\$ in millions)

<u>Grants to States for UIS and ES</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	89	1,552	89	1,583	89	1,564
Reduction	--	--	--	-57	--	-57
Total with reduction	89	1,552	89	1,526	89	1,507

Legislation required

Action proposed

Provide Federal grants for State Employment Service in FY 1978 to support staff of 27,300 compared to the FY 1977 appropriation level of 30,000.

Effect of action

Labor Department maintains reduction in staff will result in less placements of job seekers. But analysis of last ten years indicates no clear relationship between number of ES staff and placements.

Number of placements could decline to the extent the Department does not reallocate staff from States with poor performance to those who have more placements per ES staff year. In FY 1976 the top ten States averaged more than double the number of placements per ES staff year (328) than the bottom ten (151).

Identification of Reductions
 Department of State
 (\$ in millions)

<u>Exchange of Persons</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	58	50	70	63	75	72
Reduction	<u>--</u>	<u>--</u>	<u>-6</u>	<u>-3</u>	<u>-6</u>	<u>-6</u>
Total with reduction	58	50	64	60	69	66

Legislation required

Action proposed. Maintain a level program by allowing mandatory increases only. (Issue #4, Alt. #3)

Effect of action. Restricts agency capability to increase the number of important leader grants and to meet new requirements and opportunities in Eastern Europe resulting from the Helsinki agreement.



Identification of Reductions
 Department of Transportation
 (\$ in millions)

<u>Coast Guard</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	1,314	1,260	1,344	1,350	1,385	1,420
Reduction.....	-	-	-	-	-30	-30
Total with reduction.....	1,314	1,260	1,344	1,350	1,355	1,390

Legislation required

Action proposed

Defer new starts for alteration of obstructive bridges under Truman-Hobbs Act through 1979 and maintain level funding for Coast Guard operations.

Effect of action

Would allow completion of bridges currently undergoing alteration or replacement while deferring action on any additional bridges. In addition, would require absorption of costs to operate facilities and equipment funded in prior years and coming online in 1979.



Identification of Reductions
 Department of Transportation
 (\$ in millions)

<u>Airport and Airways Trust Fund</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	1,034	901	964	997	1,230	1,076
Reduction.....	0	0	0	0	-506	-155
Total with reduction.....	1,034	901	964	997	724	921

Legislation required

Action proposed (BA)

- . Reduce Facilities and Equipment program from \$250M to \$175M which will produce a \$25M savings in 1979 outlays.
- . Reduce discretionary portion of Airport Grants program from \$196M to \$30M which reduces 1979 outlays by \$50M.
- . Propose a limitation on the entitlement portion of the Airport Grants program (\$380M reduced to \$115M). An \$80M outlay reduction results in 1979.

Effect of action

- . Unobligated balance of the trust fund would climb by \$506M to \$2,543M. Aviation interests and Congress will be critical of this unused funding potential.
- . As a result of our recommended 1978 actions and this 1979 action, the backlog of unfunded airport grant requests will total about \$600M.
- . OMB's 1978 recommendation and this 1979 recommendation clearly will evidence the Administration's intention not to be guided by the funding provisions of the Airport and Airways Development Act Amendments of 1976.

Identification of Reductions
Department of Transportation
(\$ in millions)

<u>Transit Capital Grants</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	1,250	900	1,250	1,000	1,250	1,050
Reduction.....	<u>- 125</u>	<u>-15</u>	<u>- 125</u>	<u>- 40</u>	<u>- 125</u>	<u>- 90</u>
Total with reduction.....	1,125	885	1,125	960	1,125	960

Legislation required

Action proposed

Defer \$125M of 1977 obligations added by Congress to the President's budget. Assume no increases in 1978 or 1979 above the revised base of \$1,125M. Requires continuing obligation ceilings in appropriation acts.

Effect of action

Initial OMB 1979 recommendation is already \$507M below DOT's request. Secretary Coleman believes the President "pre approved" his request in October and would perceive any reductions as an inconsistent Presidential decision. This action would further reduce DOT's expected allowance. Programmatically this requires some stretch out in the rate of construction on several transit projects due to get underway in 1978 (Miami, Buffalo), and a smaller scope of work in other large cities. The Detroit commitment could proceed at this level - albeit more slowly than contemplated. The most cost-effective elements of the DOT program (buses and equipment modernization) would be unaffected. Congress would not accept these levels.



Identification of Reductions
Department of Transportation
(\$ in millions)

<u>Transit Formula Grants</u>	1977		1978		1979	
	<u>PL</u>	<u>Outlays</u>	<u>PL</u>	<u>Outlays</u>	<u>PL</u>	<u>Outlays</u>
Initial OMB recommendation.....	650	550	775	650	775	700
Reduction.....	-	-	-125	-75	-125	-175
Total with reduction.....	650	550	650	575	650	525

Legislation required

Action proposed

Defer planned 1978 and 1979 increases in transit formula grants (principally operating subsidies) by holding to 1977 levels. Requires Appropriations Committees to impose obligation limitations in appropriations.

Effect of action

In 1978 this is a 16% reduction from planned entitlements, and a 16-24% cut in 1979. Some cities may have already based their 1978 operating budgets on published projections. Programmatic consequences would be slightly higher local transit subsidies or fares, or reduced service. Some deferral of capital equipment purchases may occur. DOT and Congress would strongly oppose.

Identification of Reductions
Department of Transportation
(\$ in millions)

<u>Interstate Substitutions (METRO)</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	575	350	575	450	600	525
Reduction.....	<u>-50</u>	<u>-10</u>	<u>-50</u>	<u>-40</u>	<u>-75</u>	<u>-60</u>
Total with reduction.....	525	340	525	410	525	465

Legislation required XX

Action proposed

Request deferral of \$50M in 1977 to achieve an overall program level of \$525M, sub-program level for METRO of \$350M in 1977 and \$300M annually beyond. Maintain program at a steady level of funding at revised base. Requires Appropriations Committee concurrence on BA appropriations and obligation limitations.

Effect of action

A \$50M per year reduction would defer one to three miles of construction annually and stretches out completion dates. This would escalate total cost if full system were built. Affects principally lower ridership lines. Would also discourage other cities from opting for substitutions. Secretary Coleman would oppose this cut since he is personally supportive of METRO.



Identification of Reductions
 Department of Transportation
 (\$ in millions)

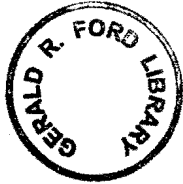
	1977		1978		1979	
	<u>PL</u>	<u>Outlays</u>	<u>PL</u>	<u>Outlays</u>	<u>PL</u>	<u>Outlays</u>
<u>State and Community Highway Safety Grants</u>						
Initial OMB recommendation.....	129	100	129	136	129	136
Reduction.....	-	-	-29	-7	-29	-25
Total with reduction.....	129	100	100	129	100	111
(Unreleased contract authority) (187)			(213)		(xxx)	
Legislation required <input type="checkbox"/>						

Action proposed

Propose a reduction in the obligation ceiling from \$129M in 1977 to \$100M in 1978 and 1979.

Effect of action

Would marginally reduce state efforts to reduce highway accidents and deaths. States have been making better use of available Federal funds in recent years by programming increasingly higher percentages of resources into "high impact" areas of alcohol programs, emergency medical services, and selective law enforcement (e.g. 55 mph limit).



Identification of Reductions
 Department of Transportation
 (\$ in millions)

<u>Federal-Aid Highway Program</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>PL</u>	<u>Outlays</u>	<u>PL</u>	<u>Outlays</u>	<u>PL</u>	<u>Outlays</u>
Initial OMB recommendation.....	7,720	5,840	6,545	6,916	6,545	6,460
Reduction.....	--	--	- 500	- 80	- 500	- 370
Total with reduction.....	7,720	5,840	6,045	6,836	6,045	6,090

Legislation required

Action proposed

Lower proposed Federal-aid highway obligation ceiling by \$500M annually in 1977 and 1978.

Effect of action

The reduction is not of sufficiently great magnitude to perceptibly alter the condition of the Nation's highway system. Reduction in 1977 and 1978 program level would be taken in approximately the following manner:

<u>Federal-Aid Highway Program</u>	<u>OMB Recom. Level</u>	<u>Reduction</u>	<u>Total with Recom.</u>
Interstate highways	3,500	-100	3,400

<u>Federal-Aid Highway Program</u>	<u>OMB Recom. Level</u>	<u>Reduction</u>	<u>Total with Recom.</u>
Urban highways	843	-150	693
Rural highways	1,507	-200	1,307
All other	<u>695</u>	<u>- 50</u>	<u>645</u>
Total	6,545	-500	6,045





Exhibit B

Identification of Reductions
Department of the Treasury
(\$ in millions)

<u>Drug Enforcement Program</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	65	65	73	73	73	73
Reduction	<u>-8</u>	<u>-8</u>	<u>-16</u>	<u>-16</u>	<u>-16</u>	<u>-16</u>
Total with reduction	57	57	57	57	57	57
Legislation required <input checked="" type="checkbox"/>						

Action proposed

Deny additional funding requested by IRS and Customs to support expanded enforcement activities aimed at illicit drug traffickers, in response to a Presidential message delivered last spring.

Effect of action

IRS and Customs have already increased their drug-related enforcement activities using resources presently available. The proposed reduction will cause IRS and Customs to continue to address this Presidential priority by reprogramming throughout 1977, 1978, and 1979.



Exhibit B

Identification of Reductions
Department of the Treasury
(\$ in millions)

<u>Operation CUE</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	6	6	6	6	18	18
Reduction	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>-12</u>	<u>-12</u>
Total with reduction	6	6	6	6	6	6

Legislation required

Action proposed

Do not expand Operation CUE (Concentrated Urban Enforcement) from 3 to 11 metropolitan areas in 1979.

Effect of action

Maintains the program in 3 cities but defers expansion until the evaluation of Operation CUE is completed. The planning assumption is that no funds would be added to the estimates until the evaluation demonstrated that Operation CUE was effective.



Identification of Reductions
Department of the Treasury
(\$ in millions)

<u>Miscellaneous Reductions</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	811	829	901	909	907	906
Reductions	---	---	---	---	-18	-18
Total with reduction	811	829	901	909	889	888

Legislation required

Action proposed

Reduce equipment purchases to the 1977 level (-8 M) and anticipate 2% productivity increase in the law enforcement bureaus (-5 M); reduce computer purchases in the fiscal service (-3 M); reduce repairs to the Treasury building (-1 M) and eliminate expansion of training for law enforcement personnel (-1 M).

Effect of action

Equipment purchases, which increased substantially in 1978 because of new technology and other factors, would be returned to the 1977 level in the law enforcement bureaus. A 2% productivity gain, which was anticipated by these bureaus in 1978, would be expected again in 1979. Other reductions would delay improvements but should not reduce the delivery of any services.



Identification of Reductions
Energy Research and Development Administration
 (\$ in millions)

<u>Light Water Reactor Technology</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	13	10	11	11	11	11
Reduction.....	0	0	11	11	11	11
Total with reduction.....	13	10	0	0	0	0

Legislation required

Action proposed

- Reduce FY 1978 and FY 1979 below the level of Presidential guidance given during FY 1977 budget appeal.

Effect of action

- Terminate all efforts in this program to improve plant availability of currently operating Light Water Reactor power stations.



Identification of Reductions
Energy Research and Development Administration
(\$ in millions)

<u>Solar Energy R&D</u>	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation	205	153	237	162	312	241
Reduction	—	—	<u>-75</u>	<u>-15</u>	<u>-137</u>	<u>-66</u>
Total with reduction	205	153	162	147	175	175

Legislation required

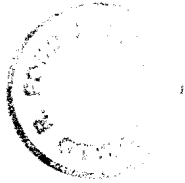
Action proposed

Allow further reductions in the heating and cooling and solar electric programs, including:

- reduced component and systems development in support of the heating and cooling demonstration program.
- deletion of most systems level hardware development for wind energy conversion, ocean thermal energy conversion, and the solar thermal electric central receiver technology (including cancellation of the 10 MW central receiver pilot plant).

Effect of Action

For the areas experiencing reductions, this alternative would constitute a sharp reduction from part Presidential and Congressional action, and could largely foreclose further Federal support to systems, level development of technologies which could be important contributors in the far-term (wind energy conversion, ocean thermal energy conversion, solar central receiver) or for applications in developing countries.



Identification of Reduction
Energy Research and Development Administration
(\$ in Millions)

<u>Conservation R&D</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB Recommendation	138	108	146	120	151	129
Reduction	<u>-3</u>	<u>-3</u>	<u>-49</u>	<u>-13</u>	<u>-62</u>	<u>-45</u>
Total with reduction	135	105	97	107	89	84

Legislation required

Action Proposed

This reduction would discontinue the end-use R&D programs (Buildings and Community Systems, Industrial Energy Conservation, Transportation Energy Conservation) and continue a much lower priority Conservation R&D program limited to more fundamental programs (Conservation Research and Technology, Energy Storage, Electrical Energy Systems).

Effect of Action

This option would be a sharp reduction in level and scope from past Presidential and Congressional action, and would foreclose Federal support to development of end-use technologies that may offer significant public benefits (energy savings, fuel substitution, low environmental impact), but which the private sector may not develop in a timely manner without Federal support (e.g. advanced auto engines, fuel cells, community systems).

Identification of Reductions
Energy Research and Development Administration
 (\$ in millions)

<u>Fossil Energy R&D</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	483	434	585	491	705	651
Reduction.....	---	---	104	76	147	100
Total with reduction.....	483	434	481	415	558	551

Legislation required

Action proposed

- Do not allow additional demonstration projects in FY 1978 and FY 1979, nor any planning for future projects.
- Reduce the MHD program to a small scale effort based on laboratory research and slow construction and procurement of Component Development and Integration Facility (CDIF) hardware.
- Reduce petroleum, natural gas, and oil shale programs to FY 1977 levels.

Effect of action

- Demonstration of small scale applications of direct combustion and gasification technologies delayed at least two years. Industrial confidence in government demonstration programs diminished.
- MHD commercialization probably delayed until the year 2000.
- Development of higher risk recovery techniques in oil, gas, and oil shale delayed. Possible delaying effect on resource recovery in mid-1980's in oil, and late 1980's in oil shale.

Identification of Reductions
Energy Research and Development Administration
(\$ in millions)



	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Fusion Power Research and Development</u>						
Initial OMB recommendation.....	416	322	513	431	579	539
Reduction.....	23	18	117	68	149	159
Total with reduction.....	393	304	396	363	430	380

Legislation required

Action proposed

- Defer \$23 million in BA and \$18 million in outlays from Congressional Appropriations for ERDA. Reduce future year funding recommendations.

Effect of action

- Reduces significantly the recommended rate of expansion of program, slow construction of the Tokamak Fusion Test Reactor, and defer the new magnetic mirror device until 1979.

Identification of Reductions
 Energy Research and Development Administration
 (\$ in millions)

<u>Gas Cooled Reactors R&D</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	30	29	35	30	77	65
Reduction.....	<u>--</u>	<u>--</u>	<u>35</u>	<u>30</u>	<u>77</u>	<u>65</u>
Total with reduction.....	30	29	0	0	0	0

Legislation required

Action proposed

- Terminate Federal funding of gas cooled reactor research and development beyond FY 1977.

Effect of action

- R&D on gas cooled reactors in the U.S. would cease leaving no alternative reactor concepts to the current Light Water Reactors and the Liquid Metal Fast Breeder Reactor which presently are under attack by environmentalists and which may decrease or eliminate their future energy contributions.



Identification of Reductions
Energy Research and Development Administration
(\$ in Millions)

	1977		1978		1979	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Environmental R&D</u>						
Initial OMB Recommendation.....	181	175	209	197	215	195
Reduction.....	0	0	13	10	21	16
	—	—	—	—	—	—
Total with reduction.....	181	175	196	187	194	179

Action Proposed - In FY 1978, allow no increases in nuclear, conservation or oil shale environmental and health studies (\$3.9 million -B0), and require a reduction in multi-technology studies of \$6.1 million (B0).

In FY 1979, require a further reduction of \$6 million (B0) in multi-technology studies.

Effect of Action - In making the FY 1979 OMB recommendation, it was assumed that approximately \$20 million in new funding would be required to implement the environmental research programs recommended in the Environmental Development Plans (DEPs), and that this level of new studies could be covered by reprogramming, particularly from multi-technology programs in FY 1979. The proposed action would significantly reduce the potential for reprogramming in FY 1979 and would probably result in implementation of EDPs at a somewhat slower rate.



Identification of Reductions
Energy Research and Development Administration
 (\$ in millions)

<u>High Energy Physics</u>	<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Initial OMB recommendation.....	220	200	269	237	240	268
Reduction.....	---	---	25	9	11	21
Total with reduction.....	224	200	244	228	229	247

Legislation required

Action proposed

- Reduce future year funding recommendations.

Effect of action

- Reduce utilization of accelerators, provide no experimental equipment for the PEP accelerator until it commences operation, and defer a new computer for the National Accelerator Laboratory.