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March 16, 1976

SUBJECT: CONGRESSIONAL BUDGET OFFICE
REPORT

What is the Administration's reaction to the Congressional Budget Office assumptions on the economy, as well as their analyses of the budgetary impact of a range of budget options, all of which are higher than the President's proposal?

GUIDANCE: This is a very large report, and we have not had time yet to analyze the document. However, our preliminary judgment is that we disagree with the Congressional Budget Office's evaluation of the impact of various different fiscal policies on the economy.

Nonetheless, we are pleased that the Budget Office joins the Administration in seeing that a strong economic recovery is in process.

January 29, 1976

SUBJECT:

REAGAN CHARGES ON THE
BUDGET

Yesterday in New Hampshire Governor Reagan and his aides charged that the President's budget "did not take into account 10-12 billion dollars in off-budget government spending items" including the Post Office, Ex-Im Bank and EIA deficits. Were these exclusions deliberate?

GUIDANCE: In the first place, off-budget items are exactly what their name implies--they are off the budget, but it is by provision of law and not by arbitrary decision of the OMB or the President. The debt of those agencies involved is included in the gross Federal debt, but it is not subject to the statutory debt limit.

This is all discussed starting on page 10 of the main Budget book.

Moreover, Governor Reagan's aides are wrong about the Ex-Im Bank. It had been statutorily excluded from the unified budget, but has been put back on the unified FY 77 budget. As for the EIA, the transactions of the proposed corporation would be off-budget, but the net gains or losses will be on the budget.

ME

October 8, 1975

SUBJECT:

NEW YORK TIMES SAYS PRESIDENT
DISTORTS SIZE OF FEDERAL BUDGET .

On its Editorial Page today, the New York Times says that the President insults public intelligence by distorting the facts about the steadily increasing size of the Federal Budget. It states that at the end of the Johnson Administration, Social Security and other trust fund outlays were included in the budget for the first time. That, they say, explains much of the upward leap that the President deplores.

Any reaction to the New York Times article?

GUIDANCE: When budget concepts were changed in 1967, the OMB staff adjusted the historical numbers back to 1940, so that all comparisons would be on a comparable basis. The New York Times suggestion that the reason for the rapid rise in Federal spending is due to a change in concepts from earlier years is absolutely wrong and indicates a lack of understanding on the part of the New York Times Editorial Page Staff as to Federal budget practices.

JGC

Jan -

This is a revised
guidance sheet.

Please replace
yesterday's with
this. Thanks.

Connie T

Rev. E

October 8, 1975

SUBJECT:

1976 BUDGET

	<u>Outlays</u>	(In Billions) <u>Receipts</u>	<u>Deficit</u>
May 30 estimates that assumed 1975 tax cuts would end on December 31, 1975	358.9	299.0	-60.0
Congressional actions to date (Attachment A)	6.6		- 6.6
Threatened additional actions (Attachment B)	0 to 7.8		-0 to 7.8
Revised outlay estimates (Attachment C)	0 to 3.0		-0 to 3.0
Proposed tax reductions	---	-11.1	-11.1
Revised receipts estimates including effect of revised economic outlook	---	+10 to 12	+10 to 12
<hr/>			
Current estimates	365.5 to 376.3	298 to 300	-67.7 to -76.
(SAY)	370	298 to 300	-70 to -72

JGC

October 8, 1975

SUBJECT:

1976 BUDGET

	<u>Outlays</u>	(In Billions) <u>Receipts</u>	<u>Deficit</u>
May 30 estimates that assumed 1975 tax cuts would end on December 31, 1975	358.9	299.0	-60.0
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Revised outlay estimates (Attachment C)	0 to 3.0		-0 to 3.0
Proposed tax reductions	---	-11.1	-11.1
Revised receipts estimates including effect of revised economic outlook	---	+10 to 12	+10 to 12
Current estimates	365.5 to 373.3	298 to 300	-67.7 to -72.3
(SAY)	370	298 to 300	-70 to -72

JGC



Congressional Changes
Affecting the 1976 Deficit
(In billions)

May 30 estimate of the deficit	\$60.0
Appropriations action:	
Continuing resolution (Job Opportunities program, older Americans, etc.) .....	.5
Education (overturn of veto) .....	.4
Other appropriations action completed	<u>.5</u>
Total appropriations action	1.4
Overturn of rescissions and deferrals:	
Rejection of Federal aid highways deferrals .....	.4
Other actions	<u>.1</u>
Total, overturn of rescissions and deferrals .....	.5
Inaction on legislative proposals to reduce or reform programs:	
Federal civilian and military retirement .....	.8
Stockpile disposal legislation .....	.3
Repeal of two-year extension of GI bill .....	.3
Reforms of various programs:	
Medicare and Medicaid .....	.8
Social security .....	.2
Social services .....	.2
Other	<u>.2</u>
Total, inaction	2.8
Other action:	
Veterans disability benefits (P.L. 94-71) .....	.4
Temporary increase in Federal share of highway projects (P.L. 94-30) .....	.3
Other action	<u>.1</u>
Total, other action	<u>.8</u>
Implicit deficit from Congressional action	65.5
Override of veto on School lunch and Child nutrition bill on October 7.....	<u>1.1</u>
Latest estimate of implicit deficit.....	66.6

October 7, 1975

Threatened Congressional Action and
Inaction Changing the Budget

Continuing inaction on pending
reduction legislation (if
further inactions occur)

0 to 3.7 B

Possible further Congressional action

0 to 4.1 B

0 to 7.8 B

Revised Outlay Estimates

Other changes:

Unemployment assistance.....	2.5 to 3.5
Interest on the public debt.....	.75 to 1.75
Veterans GI bill benefits.....	0.5 to .75
Medicare and Medicaid.....	.8
Earned income credit.....	1.2
Removal of energy equalization payments (energy program affects receipts and outlays in approximately equal amounts).	-5.8
Other.....	<u>.4 to .8</u>

.3 to 3.0 B

Effect of Presidential Proposals
on 1977 Budget

With extension of 1975 tax act and annualization
of withholding taxes

Receipts	366 - 362
Outlays	<u>423</u>
Deficit	57 - 61

With no extension of 1975 tax act

Receipts	383 - 379
Outlays	<u>423</u>
Deficit	40 - 44

With President's program

Receipts	355 - 351
Outlays	<u>395</u>
Deficit	40 - 44



July 1, 1975

SUBJECT:

NEW CONGRESSIONAL BUDGET COMMITTEE
RECOMMENDS TAX CUTS

The new Congressional Budget Committee yesterday recommended that Congress consider trimming taxes by an extra \$15 billion next year, in addition to extending the tax cut package enacted in March, through 1976.

What's your reaction to the recommendations made by the new Congressional Budget office?

GUIDANCE: It is my understanding that the report was just released and we have not yet even had a chance to even look at it. Therefore, I feel I should not make any comments on the report.

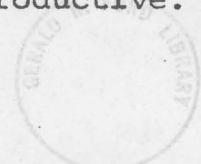
One point made in the report is that there now is sufficient slack in the economy so that there is no longer much danger that a more expansionary policy would exacerbate inflation. It also dismissed fears that larger deficits would strain financial markets. What's your reaction to that?

GUIDANCE: It is basically our view that in the context of the next one and one-half to two years, our policies must be so constructed as not to reignite inflationary forces. Our view is that increasing expenditures beyond the President's budget raises the risk of reigniting inflationary forces beyond what we deem acceptable.

The report also urges the Federal Reserve Board to increase the growth of the nation's money supply faster than the 5-1/2% to 7% pace projected. Any reaction to this?

GUIDANCE: I don't think it would be proper for me to comment on these specific figures of the Federal Reserve Board or those proposed by the new Congressional Budget Committee. However, we would caution that excessive monetary growth would be counterproductive.

(More)



The report also states that unless the government steps up its economic stimulus substantially, the impact of higher oil prices will significantly worsen both unemployment and inflation. What's your reaction to this?

GUIDANCE: Obviously an increase in OPEC prices has a negative effect, but in our view the extent of it, unless it is an exceptionally large increase is not a worry-some factor. Certainly, it would not make a particularly significant dent in the recovery.

May 7, 1975

POSSIBLE STATEMENT ON COMMITTEE
BUDGET CUTS

(From Joe Laitin)

Today the credibility of the United States, in terms of both its power and its purposes, is being closely scrutinized by both our friends and our adversaries around the world. Over the past several years Soviet defense expenditures, in real terms, have been steadily increasing. Meanwhile, the United States defense expenditures, in real terms, have been steadily decreasing.

The strength of our army is now 200,000 below the pre-Vietnam level; our Navy now has only about 500 ships, lower than at any time since 1939. Certainly in the face of such ominous trends, any significant cuts in our defense budget request could have serious consequences in destabilizing the delicate equilibrium upon which today's peace depends.



May 2, 1975

SUBJECT:

HOUSE AND SENATE PASS
BUDGET RESOLUTIONS

What's your response to the action taken by the House and Senate on the Concurrent Budget Resolutions?

GUIDANCE: Both Houses of Congress have now taken action on the first concurrent resolution setting budget targets. We are pleased that the new budget procedures--which relate individual spending and revenue actions to budget totals--are underway. The process is not an easy one and the commitment by the Congress to making it work is very encouraging.

The House agreed to total outlays of \$368 billion with a \$70 billion deficit. The Senate agreed to total outlays of \$365 billion and a \$67 billion deficit. We strongly urge that the Conferees not merely "split the difference", but agree to the lower figures.

Although specific amounts for the functional categories of the budget are not included in the resolutions, both committee reports and many of the alternatives suggested on the floor did indicate functional distribution of the totals. We urge that the Conference report also include functional distribution as part of the resolution's legislative history. This will make it possible for the Congress to monitor individual spending actions and thereby increase the likelihood that the budget targets will be met.



JGC

April 9, 1975

SUBJECT:

HOUSE BUDGET COMMITTEE VOTES
\$368.2B FY '76 BUDGET

The new House Budget Committee has approved a Congressional spending plan for fiscal year '76 totaling \$368.2 billion. This is \$18.8 billion more than the President proposed, and would result in a Federal deficit of \$73.2 billion, \$18.8 billion more than the President proposed in February and \$13.2 billion above the \$60 billion at which the line was drawn when the President signed the tax bill.

What's your reaction to the House Budget Committee's proposal?

GUIDANCE: We are gratified that the House Budget Committee has taken the initiative, and although not required by law until next year, has developed its own recommendations for Federal spending in fiscal year '76.

As the President has indicated in recent days, he would like the Budget Committee to go further in specifying recommended amounts for major program categories in their resolution. This would be an important discipline for individual committee actions.

It has been the Administration's hope that with the establishment of the Budget Committees a new sense of responsibility for total Federal spending would develop in Congress. A major sign that this hope has a chance for fulfillment is seen in their adoption of the President's proposal for a 5% limitation on the increase in pay for Federal employees and a 7% limitation on the increases for some other programs tied to the cost of living index.

All the danger signals point to total spending in 1976 that would, if not constrained, be much greater than the \$368.2 billion recommended by the House Budget Committee. As you know, if the Congress were to succeed in enacting the legislation its committees now have under consideration, the Federal deficit could reach \$100 billion, with spending in the area of \$380 to \$400 billion.

(More)

It is our hope that when the House Budget Committee resolution goes to the floor for final action by the House, the members will join the President in his call for fiscal responsibility--paring back spending plans for FY '76 so that the total does not exceed \$60 billion.

As he stated when he signed the tax bill, the President will do everything he can to keep the 1976 deficit from exceeding \$60 billion. To do this, he will, if necessary, veto bills that would increase spending, except for achieving national energy goals and certain humanitarian needs. The President will continue to push for Congressional support for the spending reductions that he has proposed. We urge the House Budget Committee and the entire Congress to reexamine the situation and join in working to hold the deficit to not more than \$60 billion.

March 27, 1975

SUBJECT:

HOUSE BUDGET COMMITTEE VOTES
FY '76 BUDGET OF \$366.7 BILLION

The new House Budget Committee yesterday approved a Congressional spending plan for fiscal year '76 totaling \$366.7 billion. This is \$17.3 billion more than the President proposed, and would result in a Federal deficit of \$73.7 billion, \$21.8 billion more than the President proposed.

What's your reaction to the House Budget Committee's proposals?

GUIDANCE: We are gratified that the House Budget Committee has taken the initiative, and although not required by law until next year, has developed its own recommendations for Federal spending in fiscal year '76.

It has been the Administration's hope that with the establishment of the Budget Committees a new sense of responsibility for total Federal spending would develop in Congress. A major sign that this hope has a chance for fulfillment is seen in their adoption of the President's proposal for a 5% limitation on the increase in pay for Federal employees and a 7% limitation on the increases for other programs tied to the cost of living index.

We think all the danger signals show that total spending will be much greater than the \$366 billion recommended by the House Budget Committee. An absolute ceiling of \$366 billion would be a marked improvement over the prospects that now appear to exist. As you know, in recent days, if all the Committees were to succeed in enacting the legislation they now have under consideration, the Federal deficit would be in excess of \$100 billion, with spending in the area of \$380 to \$400 billion.

The Administration would much prefer that spending not be greater than the \$352 that we already foresee, but we are pleased that the House has taken this initiative and has shown this sense of responsibility.

JGC

CHANGES IN THE DEFICIT
UNDER CONSIDERATION BY THE CONGRESS
(Dollars in billions)

MAR. 19

	<u>1975</u>	<u>1976</u>
<u>Legislative proposals that would reduce the deficit:</u>		
Revenue measures:		
Energy taxes (budget proposal) 1/	-1.1	-3.8
Write-off of silver certificates (budget proposal)	---	-0.2
Spending bills:		
Reduction legislation (budget proposals)	-1.2	-12.3
"Cap" of 5% on cost-of-living increases	(---)	(-6.1)
Medicare cost-sharing	(-0.3)	(-1.3)
Medicaid, social services and other public assistance legislation	(-0.3)	(-1.5)
Other reductions	(-0.6)	(-3.4)
Rejection of energy tax equalization payments (Senate Budget Committee staff) 1/.....	-0.5	-7.0
Proposed rescissions (budget proposal)	<u>-0.5</u>	<u>-0.7</u>
Possible reductions in the deficit	-3.3	-24.0

Legislative proposals that would increase the deficit:

Revenue measures:		
Economic stimulus tax cut (budget proposal)	6.1	10.2
House tax cut (change from budget proposal)	4.5	-0.6
Senate Finance Committee proposal (change from House bill) ...	1.9	10.8
Spending bills:		
Energy tax equalization payments (budget proposal) 1/	0.5	7.0
New public service employment bill (JEC recommendation)	---	7.2
Anti-recession grants (JEC recommendation)	---	4.0
Improvements in unemployment compensation (JEC recomm.).....	---	3.0
Accelerated social security and SSI (Senate Budget Committee staff recommendation)	2.6	---
Health insurance for the unemployed (Senate bill)	---	2.0
Child nutrition amendments (House bill)	---	2.0
Housing, etc. (Senate Budget Committee staff)	---	1.5
Petrodollar financing facility (budget proposal)	---	1.0
Agricultural price supports (House bill)	---	1.0
Public service jobs and summer youth (budget amendment)	0.1	1.8
Emergency Employment Appropriation (House additions to budget amendment)	1.5	1.9
Inaction on rescissions and overturn of deferrals (various bills).....	<u>0.5</u>	<u>1.1</u>
Possible increases to the deficit	<u>17.7</u>	<u>53.9</u>

52 More
105.9 than
1965
budget

Same Budget
Com projects i

\$ 120

(70-80 May without
reversing recovery.
Even O'Keefe's Dem

1/ Alternative Ullman proposal being evaluated by OMB.

Statement Concerning Various Budget Plans
Coming from the Congress

Last Friday, Senator Humphrey released a report of the majority members of the Joint Economic Committee proposing major budget increases. ~~We are beginning to get confused about the variety of such reports coming from the Congress.~~ First, we had the Congressional Program of Economic Recovery and Energy Sufficiency issued by the majority leader of the Senate and the Speaker of the House. Then we had a new tax proposal by the Ways and Means Committee of the House. On March 3 the Senate Budget Committee released a preliminary staff report entitled "Fiscal Alternatives in 1975." On March 4 the House Appropriations Committee announced an Emergency Employment Appropriation and now we have a report by the Democrat majority on the Joint Economic Committee. All of these ideas and plans are different. [We hope that the Congress will develop a comprehensive unified plan soon.]

March 10, 1975

March 4, 1975

SUBJECT:

SENATE BUDGET COMMITTEE PROPOSES
ALTERNATIVE BUDGET

The staff of the Senate Budget Committee yesterday proposed an alternative budget which it said would reduce unemployment more quickly than the Ford Administration's without causing prices to rise any faster.

What's your reaction to the Senate Budget Committee's proposed alternative budget?

GUIDANCE: We have not yet received a copy of the alternative budget, so do not know how they will shift dollars, what their priorities are, etc. All we know about the proposed alternative budget is what we read in the newspapers. Therefore, I feel we should withhold any comments until we have received a copy of their report and had a chance to review it in some detail.



JGC

Increases to the Deficit:
Action Taken and Pending

	(\$ in millions)	
	1975	1976
Deficit as Shown in the Budget	34,696	51,852
I. Administration spending acceleration		
A. Highway Program	+50	+1,000
B. P.L. 480	+178	--
C. Foreign Assistance	+79	+111
II. Automatic Increases in Outlay Estimates for Uncontrollable Programs		
A. Increased Food Stamp Participation	+600	+1,500
B. Increased G.I. Bill Participation	+135	+100
C. Increased Average Veterans Pension Payments	+65	+65
III. Congressional Action or Inaction on Budget Savings Proposals		
A. Action to date		
1. Food Stamps	+215	+650
B. Probable Inaction on Remaining Budget Savings	+2,530	+13,910
(Includes such items as:		
5% Pay and retirement limitation - \$2,991;		
5% Benefit limitation - \$3,061)		
IV. Congressional Initiatives		
A. Threatened Increases		
1. Health Insurance for the Unemployed -- (Paper attached)		+2,000
2. Accelerated Public Works *	+95	+280
3. Additional Public Service Employment* --		+3,750

* In addition to the \$1.9 billion
DOL proposal for PSE and Summer
Youth.



(\$ in millions)
1975 1976

4. Emergency Home Mortgage Assistance (Papers attached)		
(a) Reuss Bill (H.R. 29)	+80	+614
(b) Ashley Bill (H.R. 2504) **	+800	+2,400
5. Ways and Means Committee Tax Reduction Proposals	+2,800	+1,100
6. Making Ways and Means Tax Reductions Permanent	--	+3,500
B. Possible Defense Reductions	--	-4,000
V. Shortfalls in Receipts		
A. Offshore oil sale	+2,500	*
Subtotal, Increases in the Deficit	10,127	26,980
Total Deficit if Probable Inaction and Initiatives are Realized	<u>44,823</u>	<u>78,832</u>

NOTE: These figures exclude the net effect of pending congressional action on the \$30 billion of energy taxes and the related rebate measures which cannot be estimated at this time.

* . Effect of low 1975 experience on 1976 not known.

** Assumes participation of 1 million homeowners.

U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

February 27, 1975

MEMORANDUM FOR THE SECRETARY

Legislative Alert 75 - 7

The House Subcommittee on Appropriations today voted to report a supplemental appropriation containing \$2,251,500,000 for job-related activities in the Labor/H.E.W. area. That amount is broken down as follows:

- \$1,625,000,000 for Public Service Employment
Title VI CETA
- \$412,700,000 Summer Youth Employment under
Title I CETA
- \$24,000,000 for Community Service Employment
of Older Americans Title IX
- \$70,000,000 for the Work Incentive Program
- \$119,800,000 for College Work Study Program

Sub-Committee Chairman Daniel Flood said that these appropriations brings the level to all existing authorizations for this fiscal year.



Benjamin L. Brown
Deputy Under Secretary
for Legislative Affairs

Budget

Q. What do you expect the budget deficits to be in 1975 and 1976?

A. For fiscal year 1975 our best estimate is for a \$35 billion or so deficit; for 1976 the amount should be around \$50 billion. Both of these amounts are very undesirable, but under the special circumstances, unavoidable.

Q. Recently, you were planning to come close to balance for these two years. What accounts for such a big change, since your own tax cut package is much less than these deficits?

A. The major cause of the deficits for both years is the downturn in the economy. That is, revenues are down because business and individual incomes are down, and payments to the unemployed are up. In fact, were it not for these factors alone, the Federal budget would be about in balance for both years.

Q. But aren't deficits of \$35 and \$50 billion dollars unprecedented and exceedingly inflationary?

A. Of course these are very large amounts, and ones that I regret very much. But it is essential also to recognize that our economy is considerably larger than it was in earlier years. In fact, relative to the size of the economy (measured by the Gross National Product),



deficits of these amounts are not unprecedented. The 1975 and 1976 deficits will be 2.5% to a little over 3% of the GNP. Four years of the last sixteen had deficits over 2% of the GNP and those didn't have the same economic justification as now.

Q. At one point in your message you said that if Congress didn't concur with spending reductions you are proposing, the deficit for 1976 could be much larger, I think over \$60 billion. What would cause that?

A. That is very true. My program is not just a tax reduction one. In fact, I proposed major spending reductions to the Congress last November. I have proposed a 5% cap on Government pay increases and other cost of living related payments, and I will propose further reductions in present programs in my budget.

Together these add up to over \$17 billion. It is essential that Congress join me in making those reductions so that the tax cuts I have proposed can be made without inflationary consequences.

Q. Can the capital markets finance your deficits without causing rates to rise or creating shortages for private borrowers?

A. I, of course, am concerned about the adverse consequences of deficits, including their financing. But our calculations show that the limited effects on interest rates and capital availability are a price worth paying for the advantages to be gained.

Talking Points

CHANGING PRIORITIES

- ° Over the past 10 years, there has been a marked shift in budget priorities.
- ° National defense has declined from 41.5 percent of the budget in 1966 to 26.9% in 1976, even though outlays for the national defense function (including military retired pay) have increased from \$55.9 billion to \$94.0 billion during that time.
- ° Even between 1975 and 1976, national defense, as a percent of the budget, is estimated to decrease from 27.2% to 26.9%.
- ° Benefit payments for individuals are expected to increase from 25.3% of the budget in 1966 to 43.7% in 1976. (\$34.1 billion in 1966 to \$152.7 billion in 1976.)

January 8, 1975

SUBJECT:

BUDGET SUBMISSION TO CONGRESS

FOR YOUR INFORMATION

We have said that it is expected that the Budget will be submitted to the Congress on or about February 3.

According to law, the Budget must be submitted to Congress within 15 days following the reconvening of the new Congress. That would make the last day for submission of the Budget January 28. However, the Administration can (and does plan to) ask the Congress for a waiver, to allow submission past the deadline. If Congress would not grant the waiver, the President would be in violation of the law if he did not submit his Budget by the 28th of January. It is expected, however, that Congress would routinely grant the waiver.

However, in order not to antagonize or challenge the Congress, a better response to the question of when the Budget would be submitted, would be we expect to submit the Budget to Congress on or about February 3, provided we have the concurrence and waiver from Congress. You may want to cite the 15 day requirement, etc.

JGC



December 13, 1974

CONSUMER COMMISSION BUDGET CUTS

Q. Chairman Richard O. Simpson of the Consumer Product Safety Commission has protested the budget cuts for his agency. What is the White House reaction?

A. As you know, the President's action in cutting spending is not limited to one agency or department. All agencies of the government are being asked to cut spending. Also, there have been a series of meetings with the President and his budget advisers in regard to this process of budget-cutting. The President has spent considerable time on this in the past few weeks, as you can see from his schedule. There is an appeal process, whereby these agencies can "make their case" in regard to cuts. I am certain the President will give every consideration to Chairman Simpson's arguments on behalf of the Commission and will make a decision in due time.

Q. Do you ~~not~~ expect the President to back up OMB or side with Simpson.

A. No decision has been made and will not be made until the budget process is completed.

Q. Will Simpson meet with the President?

A. ~~There~~ There is nothing on the President's schedule at the present time. I do not know whether there will be an opportunity for him to see the President personally. But, once again, let me assure you, his questions ~~will~~ concerning the budget of the Commission will be given every consideration.



December 11, 1974

SUBJECT:

CONGRESS REJECTS \$541M
IN PRESIDENTIAL BUDGET RESCISSIONS

What is the President's reaction to Congress rejecting \$541M
in budget rescissions?

GUIDANCE: The President is very concerned that Congress did not act favorably on over \$540 million of proposed budget rescissions.

In an effort to reduce Federal spending, the President had proposed that the Congress reduce \$85M from a selected Agriculture conservation plan. The Department of Agriculture had indicated there was sufficient funds available within that program after the \$85M rescission to meet the needs of eligible applications for good conservation practices. The Congress has insisted by their actions that even in view of that we should continue the \$85M program.

The President also had submitted a plan to reduce \$455.6 M from an old 2% loan program designed to help rural electric and telephone borrowers.

The President had proposed with his action that the REA loan program be restructured to include sufficient funds for these purposes through the use of a 5% loan program, a Federal guaranteed loan program and a 2% provision only for those very needy borrowers.

The change was construed to be a needed program reform especially in the light of our intention to reduce Federal spending. For some reason the Congress has decided to override these sound proposals.

JGC



November 7, 1974

SUBJECT:

BUDGET PROCESS

As you mentioned, the President has spent a considerable amount of time reviewing the proposed budget cuts identified in the various departments and agencies. What is the next step?

GUIDANCE: The departments and agencies have identified proposed budget cuts and those have now been reviewed by OMB, the White House Staff, and the President. During the past several days, tentative candidates for inclusion in the budget restraint package have been identified and will be reviewed with the departments and agencies. I should point out that these are not firm budget decisions, but are still subject to discussion. During this discussion process, the President will have to make his final decisions as to which candidates will be included in the budget restraint package that will be sent to Congress.

I also should point out that in addition to administrative action that we can take to reduce the budget, and to recissions and deferrals that we will propose, in many cases there are substantive legislative changes that will be required to affect these budget cuts.

The departments and agencies are also to prepare supporting material to back up the proposed recissions and deferrals and legislative action required.

If a department or agency head wants to appeal the budget reductions that are to be included in the budget restraint package, they are to make that view known as rapidly as possible to Mr. Roy Ash.

When will the budget restraint package be sent to Congress?

GUIDANCE: No firm date has yet been established, but I would expect it to be shortly after the President returns from the Japan trip.



November 7, 1974

SUBJECT:

BALANCED BUDGET IN 76?

According to Sid Jones, Counsellor to Treasury Secretary Bill Simon, "It will be very difficult to assure a balanced budget in 1976."

Is the President no longer committed to a balanced budget in 1976?

GUIDANCE: The President has indicated some ~~numerous~~ times that his goal is a balanced budget for 1976. I think we should all recognize though that the President alone cannot develop a balanced budget.

In order to get a balanced budget for 1976, there are various administrative actions the President can take. However, the balancing process will also require various recissions and deferrals, and substantive legislative action by the Congress. The President is confident that by working together with Congress, the goal of a balanced budget in 1976 can be achieved.

Sid Jones was making three major points:

1. We must get a \$300 billion budget for fiscal year 75;
2. We must control outlays in 1976;
3. Whether we have a balanced budget in 1976 depends on revenue over which we have little control.

A balanced budget in 1976 depends on how responsible and courageous the Congress and the Administration are in response to pressures to increase spending. Our job is to reduce expenditures.



November 7, 1974

SUBJECT:

BUDGET PROCESS

As you mentioned, the President has spent a considerable amount of time reviewing the proposed budget cuts identified in the various departments and agencies. What is the next step?

GUIDANCE: The departments and agencies have identified proposed budget cuts and those have now been reviewed by OMB, the White House Staff, and the President. During the past several days, tentative candidates for inclusion in the budget restraint package have been identified and will be reviewed with the departments and agencies. I should point out that these are not firm budget decisions, but are still subject to discussion. During this discussion process, the President will have to make his final decisions as to which candidates will be included in the budget restraint package that will be sent to Congress.

I also should point out that in addition to administrative action that we can take to reduce the budget, and to recissions and deferrals that we will propose, in many cases there are substantive legislative changes that will be required to affect these budget cuts.

The departments and agencies are also to prepare supporting material to back up the proposed recissions and deferrals and legislative action required.

If a department or agency head wants to appeal the budget reductions that are to be included in the budget restraint package, they are to make that view known as rapidly as possible to Mr. Roy Ash.

When will the budget restraint package be sent to Congress?

GUIDANCE: No firm date has yet been established, but I would expect it to be shortly after the President returns from the Japan trip.

