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Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

BUDGET DEFERRALS AND RESCISSIONS

The President today is transmitting to Congress the first message on deferrals and rescissions of budget funds. The message complies with the requirements of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344). In all, the proposed rescissions and deferrals total \$20.3 billion in authority to spend over a number of years.

BACKGROUND

Under the Act, a message to the Congress is required in two kinds of circumstances. First, a message is to be sent to the Congress whenever the President determines that funds provided should not be spent for the purposes intended. In such cases a "rescission" must be proposed, i.e., a plan to withdraw authority to spend funds must be sent to the Congress. Second, whenever any other action is taken to withhold or delay the use of funds, a report on the "deferral" is to be sent to the Congress.

The first messages to the Congress will include rescission and deferral reports on determinations to withhold budget authority made before enactment of the law. The Attorney General is of the opinion that the Congressional Budget and Impoundment Control Act of 1974 applies only to such determinations made since July 12, 1974, the effective date of the Act. However, determinations made prior to that date and continuing in effect will be reported to keep the Congress informed. These withholdings would come before the Congress for consideration pursuant to this Act should further Executive action be taken in the future. Of the twenty reports made in this message, six of the withholding actions (both rescissions and four deferrals) were taken prior to July 12, 1974.

The President is particularly interested in further guidance from the Congress on operations under the new Act.

Action on Rescissions

To rescind funds, the Congress as a whole must pass legislation within 45 days of continuous session after the message is received. If the Congress does not act within 45 days, the funds must be made available for use.

This part of the Act is intended to make the Congress and the Executive Branch partners in determining programs to be terminated or substantially reduced.

Action on Deferrals

Funds proposed for deferral may be withheld unless either House of Congress enacts a resolution that they be spent. However, funds may not be proposed for deferral beyond the end of the current fiscal year. If further deferral is to be proposed for the next fiscal year, a new message is to be transmitted at that time.

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Other Requirements

Each message under the Act is to explain reasons for each deferral or rescission, its fiscal, economic and budgetary effects, and other facts concerning the proposal. The Comptroller General is required by the Act to review each of the proposals and advise the Congress on them.

RESCISSIONS AND DEFERRALS PROPOSED TODAY

This message proposes \$19.8 billion in deferrals and nearly \$0.5 billion in rescissions. These actions are already assumed in the current estimate of \$305.4 billion outlays for fiscal year 1975. The immediate release of these funds would increase spending by about \$600 million in fiscal year 1975, over \$2 billion in fiscal year 1976, and larger amounts in fiscal year 1977 and in later years.

A. Major deferrals

1. Grants for waste treatment plant construction (\$9 billion deferred)

The Federal Water Pollution Control Act authorized \$18 billion to be allotted to States to finance the construction of waste treatment plants. The Administration has held that the Act vests discretion in the Administrator of the Environmental Protection Agency to allot less than the maximum authorized. The present status follows:

<u>Fiscal year</u> <u>authorized</u>	(in billions of dollars)		
	<u>Amount</u> <u>authorized</u>	<u>Amount</u> <u>allotted</u>	<u>Not</u> <u>allotted</u>
1973	5.0	2.0	3.0
1974	6.0	3.0	3.0
1975	7.0	4.0	3.0
	<u>18.0</u>	<u>9.0</u>	<u>9.0</u>

The question of the discretion of the Administrator to allot funds has been challenged in a number of cases in the Federal Courts, with conflicting results. Two cases are now pending before the Supreme Court on writs of certiorari.

It is the judgment of the Administration that allotment of the additional \$9 billion would generate undesirable inflationary pressures in both the pollution abatement industry and in the economy as a whole.

This deferral action was taken prior to enactment of the Congressional Budget and Impoundment Control Act. A deferral report has been included in this message to keep the Congress informed of the status of the unallotted funds.

2. Federal aid highway funds (deferral of \$4.4 billion for the fiscal year 1975 program and \$6.4 billion for the fiscal year 1976 program)

Federal aid highway funds become available for distribution to the States one year in advance of the fiscal year in which they can be expended.

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Since 1967, it has been the position of various Administrations that the Executive Branch has authority to control the rate of spending under this highway program so long as the purposes of the program are not frustrated.

Funds are withheld to avoid adverse economic impacts both in terms of overall Federal budget effects and effects on the economy as a whole and the construction industry in particular. While construction of the Interstate Highway System remains a national priority, its claim to a larger share of the Federal budget is less clear than in 1956 when construction began.

In accordance with past practices of several administrations, a substantial portion of the deferred funds is expected to be made available at the beginning of FY 1976.

3. Health, Education, and Welfare programs (\$42 million deferred)

These funds are provided under a continuing resolution for seven HEW programs. The funds are being deferred pending final decisions on HEW funding levels in 1975. If these funds were used at this time, the flexibility of the Congress and the Administration in reaching decisions on a 1975 Labor-HEW Appropriations Act would be affected.

4. Oregon and California grant lands (\$24 million deferred)

Receipts from the sale of sawtimber from the grant lands that are in excess of annual program planning requirements are routinely deferred for use in the subsequent year. This financial management practice contributes to a consistent program level from year to year which, in turn, promotes more efficient operations. Although this deferral action was taken prior to fiscal year 1975 and thus is not covered by the Congressional Budget and Impoundment Control Act of 1974, a report has been made to keep the Congress informed of the status of the funds.

5. General Services Administration's Automatic Data Processing Fund (\$14 million deferred)

These funds are being deferred to promote their most efficient use. GSA is now developing criteria for the purchase of computer equipment at savings to the Government. Funds for the purchase are being held until appropriate criteria are developed.

6. Prisoner of war claims administered by the Foreign Claims Settlement Commission (\$10 million deferred)

These funds cannot be used until the appropriate military service determines the status of each serviceman missing in action. This deferral action has been taken, therefore, to meet contingencies arising from claims that may be paid at a later date.

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7. Programs of the Corps of Engineers, the Departments of Agriculture, Commerce, Interior and State (\$7.6 million deferred)

Most of the items proposed for deferral are related to construction projects held up for the lack of detailed plans and studies. The Agriculture and Commerce deferral actions were taken prior to the enactment of the Congressional Budget and Impoundment Control Act of 1974.

B. Rescissions

Neither of the proposed rescissions of budget authority in the President's message are covered by the Congressional Budget and Impoundment Control Act of 1974. The determinations that the funds were not needed to carry out the full objectives and scope of the programs involved were made prior to the effective date of the new Act. Thus, the President is formally proposing the following two rescissions under provisions of the Antideficiency Act (31.U.S.C. 665):

1. Rural Electrification Administration Loans (\$456 million)

Funds proposed for rescission were originally provided for rural electrification and telephone loans at a 2% interest rate. Rescission is sought because a substitute program limiting the availability of 2% loans was enacted by the Congress in 1973. Use of the funds at this time would be inconsistent with Congressional intent as expressed in the 1973 legislation that 2% loan authority be used only in cases of special need.

2. Appalachian Regional Development Airport Construction (\$40 million)

The airport safety objectives contemplated when these funds were provided are being achieved through the use of other appropriated funds.

A second report covering other rescissions and deferrals assumed in current budget estimates will be transmitted in the next few weeks. Additional messages will be transmitted as required to control Federal spending and promote an orderly execution of Federal programs.

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