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UNTIL 12 NOON EDT

SEPTEMBER 20, 1974

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE

PRESS CONFERENCE  
OF

ROY ASH

DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

THE BRIEFING ROOM

10:31 A.M. EDT

MR. HUSHEN: The President today is transmitting to Congress the first message on deferrals and recissions of budget funds. You have copies of the message to Congress, a fact sheet and a memorandum to the heads of departments and agencies.

Mr. Roy Ash, Director of the Office of Management and Budget, is here to summarize the message for you and to answer questions you may have.

I would like to point out just one thing: On page 3 of the fact sheet, item 3, we have an inaccurate fact. The Health, Education and Welfare programs should be \$40 million deferred, not \$42 million, and I would just like to remind you again that all of this information is embargoed until 12 noon.

MR. ASH: Ladies and gentlemen, as you know, the new Congressional Budget Act provided that the President submit to the Congress reports of actions that he proposes be taken by the Congress related to deferrals of spending that he would be making related to rescinding of authorities to spend that he may be making.

This first report proposes to defer or rescind amounts aggregating to somewhat over \$20 billion.

Now, I should make clear right at the beginning that these amounts that have been reserved and are now being reported are not new ones in the sense that they represent new programs or new Presidential actions that are still in the process of being worked on to reduce the budget below \$305 billion.

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(OVER)

Quite the contrary, these actions are ones that are necessary in order to not exceed \$305 billion as expenditures. In effect, these were already contemplated in the budget. These amounts have been reserved over the past weeks and months, and some of them have accumulated over years and are merely being reported to Congress for the first time. They do not represent new reductions of the kinds that would get the budget to below \$300 billion.

I should also make one other point clear, that when we are talking about \$20 billion, we are talking about \$20 billion of budget authority. We are not talking about \$20 billion of cash. The amount of cash, even if hypothetically these amounts were spent, would not be anywhere near \$20 billion, but only \$600 million.

So, in putting that first, in those two contexts, I think you can begin to make clear what we are doing here. We do believe that it is essential at this first reporting time to discuss it as completely as we can with you, with everybody else who is interested in this subject.

Of course, day after day, month after month and year after year, we will be having a continual flow of deferral and rescission messages to the Congress. Each of those would probably not be the subject of the same kind of press briefing that this one would be as soon as we all get used to the process.

I will take whatever questions you have.

Q Mr. Ash, if I understand you correctly, this would only lead to \$600 million cash savings at this time, but if you don't get this, it will lead to \$20 billion spending over a number of years?

MR. ASH: Yes, I think I would say that that is right, if the Congress did not concur. And, of course, we expect them to concur because there are no new policy decisions or judgments that are new to the Congress. But if theoretically they did not concur, that would add to outlays this year of \$600 million, but it would add \$2 billion next year, and it would total up to \$20 billion, of course, during the course of spending all of this budget authority.

Q If the Congress does not go along, what does that do to you?

MR. ASH: There are two kinds of actions that we take, and they call for two kinds of Congressional actions. The deferrals and rescissions are of a different kind.

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On deferrals, if the Congress takes no action at all, the Executive, the President, continues to defer those amounts. They are not spent and as a result, the position that we have heretofore taken merely continues indefinitely.

As to recissions, we propose those to the Congress and those require affirmative Congressional action to support the position taken by the President. If they do not take that affirmative Congressional action, then, of course, after 45 days, then those monies must be available for obligation.

By far, the biggest part of this \$20 billion are deferral actions. Less than one-half of \$1 billion are recission actions.

Q Mr. Ash, several weeks ago the President told a number of Congressmen who visited him that the defense budget is not, in his words, sacrosanct. As I glance through these deferrals and recissions, I see that there isn't any cutback in defense spending and, furthermore, why is the largest recission in Health, Education and Welfare programs, \$40 million?

MR. ASH: First, another package will be forthcoming here in the next few days, which will have in it a defense component, deferrals and recissions of defense expenditures.

Q How much?

MR. ASH: This just doesn't happen to be in this first one. It will be on the order of the magnitude \$1 billion or so of defense.

Q Is that cash?

MR. ASH: Again, budget authority, and that is coming up in the next few days. It is part of the same process that generated this process.

Q How much cash?

MR. ASH: On the defense one, I don't know what it is exactly at this time. It certainly is less than that because the defense expenditures tend to be long lead time ones, so it is clearly less than that. And that will be in this next package.

Again, I must make sure you all understand these are merely reporting to the Congress for the first time amounts that in the normal course of business have been reserved over past weeks, months and years. There is nothing new or different, it is merely that they are being reported for the first time. They do not represent new and different policy actions.

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The Congress is fully aware of all of these that are now going on and this does not represent anything new.

I will answer the second question. As to recissions, you are talking about recissions, the largest recission is not of HEW, but the largest recission is of the Rural Electrification Administration funds, somewhat over \$400 million, and that one has to do with the program that, in effect, has expired because it has been supplanted by another program to provide similar needs, and so it is merely proposing that we wipe off of the books a program that by Congressional action itself has been brought to an end.

Then the deferral on the HEW funds are ones for the purpose of allowing the Congress, in the Labor-HEW appropriations bill it is now considering, to determine exactly the action that they wish to take.

These are deferrals from the continuing resolution and, as you know, we have been acting on a continuing resolution this time until we do get official Congressional action.

What we are doing in order that we can keep the options open for the Congress is to defer the amounts that would be spent under a continuing resolution until the Congress acts specifically on those programs in the action it is now taking.

Q Mr. Ash, what you said about all these actions, simply reporting actions already taken, would this apply to the second package also?

MR. ASH: This would apply to the second package as well. This package of \$20 billion, the second one of about \$4 billion, will be reporting under this new act those reserves that have already been taken, already on the books, already contemplated in the budget, already known to the Congress.

They do not represent, as I saw reported last night, some brand new action to reduce the budget to bring before the Congress new policy decisions. This is a reporting process that we are taking that is going on here more than it is a new policy-making process.

Q Mr. Ash, will these actions clean up the pending business?

MR. ASH: They will, yes.

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Q Then will there be further recissions?

MR. ASH: And then beyond that, as we then get into further deferrals and recissions, those will be of new policy actions.

Q Will that be \$4 billion?

MR. ASH: Not the \$4 billion, no. The \$4 billion cleans up the old ones and merely reports to the Congress that which has been on their books for some time. Then we will begin to get the new ones.

Q What about the part you just mentioned as being due in a few weeks?

MR. ASH: Well, it will be a few days.

Q Not the \$4 billion one. I am referring to the new policy one. Is that a few weeks off now?

MR. ASH: There won't necessarily be one big report. We will begin a process starting today of submitting quite frequently to the Congress individual actions for their consideration. We won't necessarily accumulate them into one package. This will become a part of the normal course of business where, from time to time during the course of a year, quite a number of times, we will be submitting a deferral or a recission. The degree to which they will be packaged or not really depends upon the circumstances.

Q Mr. Ash, if Congress goes along with you on the water pollution control deferrals, would that have a tendency of reversing court decisions which overturned the original impoundments?

MR. ASH: No, the legislation, as you may recall, provides that nothing contemplated in the act or the administration of the act in any way will affect the court actions that are now underway on any of these programs. That is an independent matter and will continue to be pursued in the courts.

We do believe that as the Supreme Court now is about to consider the EPA issues that have been brought before it, that they will agree with our conclusion, and that is that we do have the right and authority to defer expenditure of these funds.

But that will be up here soon, probably next month, and it will not be affected by the deferral and recission action we are taking now on the deferral and similarly the court case itself will be the guidance that we will thereafter follow when we get it.

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Q Mr. Ash, on the item on prisoner of war claims, I just want to understand it correctly. Does this mean in effect that each claim, there has been a hold put on the various claims?

MR. ASH: No, I will tell you what that one means. An amount of money was appropriated to provide special benefits to prisoners of war and to those missing in action provided a means whereby particularly those that were missing in action, and the dependents -- not the dependents, but the family of those missing in action could and would be paid by the Federal Government, I believe, \$60 a month as long as it was based upon a certification made by the Defense Department that they were in fact missing in action.

At this time, there are not enough people that have been so certified to use up all of these monies that have been provided by the Congress, and so these are merely the leftover funds for which there are no claimants.

Q This does not refer to the claims by returning prisoners of war for things like back pay and such things like that?

MR. ASH: Basically, all prisoner of war claims have been paid. We are talking about MIAs at this time, and we are talking about the fact that we have paid all claims, or those that are being processed expeditiously will be paid, and there has been more money appropriated than there has been, or we expect there will be claimants and so we have some leftover money. Because of that reason, we are proposing to defer those amounts until new claimants come forth.

Q I understand you had a meeting with Senator Muskie a few days ago about these water pollution deferrals.

MR. ASH: Yes.

Q Do you expect the Congress to go along with any or all of this, or is part of this particularly vulnerable as you see the Congressional action?

MR. ASH: We believe that the Congress will concur with all of the actions here proposed. These do not represent new policies. These represent merely a continuation of positions that the President has had and Presidents have had over time, and we, therefore, believe that the Congress will concur with all of these actions, certainly individual Congressmen or Senators might see it differently, but we have no reason to believe that we won't get full Congressional support of all of these actions here proposed.

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Q Will you clarify the \$1 billion defense thing, please? Is that part of the \$4 billion? Is that new or old reporting?

MR. ASH: Let's make it clear. The reporting of the old accounts that have been on the books for some time will be done in two packages. This \$20 billion one and a \$4 billion one. That \$4 billion one includes a defense component of about \$1 billion. After those have been reported to the Congress for their action, then any subsequent deferral and rescission actions would, of course, be of new items that would represent a change of condition or a change of need to defer or to rescind.

Q Mr. Ash, on the deferral, you said if Congress takes no action, the President will be able to continue a deferral?

MR. ASH: That is right.

Q Are you submitting an entire list for consideration or will Congress be able to consider each individual deferral request?

MR. ASH: We are submitting each of the items and you have in your fact sheet, I believe, a listing of what those are that make it up -- about 15 or 20, or something of that number -- and each of them is being submitted separately for separate Congressional consideration.

Q Following up on that, Mr. Ash, you only need Congressional concurrence on less than half a billion dollars of rescissions?

MR. ASH: That is right. We don't even need that. In fact, there is another issue that I might as well open up at this time. The law went into effect on July 12. For those items that were reserved after July 12 when the law went into effect and for which there was no subsequent action of reconfirming it or re-reserving it, we believe that is not even subjected to Congressional action of any kind.

That, of course, is viewed by some people differently. Yet our Justice Department has told us that that is the interpretation of that element of the law.

So you will note on your fact sheet, you have a number of items for which you have asterisks beside them and those include all of the rescissions we believe are not subject to that part of this law that provides for a 45-day waiting time and Congressional action and then an automatic response in case they do not act.

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And I think you should distinguish those that have an asterisk shown from those that don't because those bear on the present and post July 12 reserve actions.

Q What is the total of those that don't?

MR. ASH: Of those that are subsequent to July 12? No rescission subsequent to July 12 and \$9 billion 500 million of deferrals out of this \$20 are subsequent to July 12. I mean, \$9 billion 520 prior, which would make \$10 billion 800 before -- I mean \$10 billion 800 after -- and subject.

The \$9 billion 500 that are prior included largely the Environmental Protection Agency water and sewer grants. Those amounts were reserved before July 12, thus we believe are not subjected to Congressional action.

We are, however, reporting all of these to the Congress whether or not they are subjected to Congressional action, so they will have the information in front of them and see the total of what is on the books even though their action would only be called for on the \$10 billion or so of the total.

Q Mr. Ash, if Congress nonetheless tries to take action against you on any of the pre-July 12 items, would you then simply ignore their action or would you take them to court or let them take you to court?

MR. ASH: The law specifically provides that the GAO will make a determination as to the proper classification of all of these items and the proper treatment of all of these items.

We have reason to believe that the GAO does not disconcur with the action that we are taking relative to those pre-July 12 items, and so we believe that, as we have reported them here, will be the way in which they will ultimately be dealt with by the Congress.

Q Mr. Ash, regarding the timing of all of this, why unload all of this on Congress three weeks before they want to go home and right before an election?

MR. ASH: The legislation passed and made effective July 12 requires that we submit it immediately. Immediately was as fast as we could consult with a number of people in the Congress as to the interpretation of some of the seeming ambiguities in the law.

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So what we are doing is responding just as fast as we can to that new legislation. It just happens that the Congress is in this stage of its session, but certainly our work has been done as expeditiously as we have been able to do it, given the necessity of working with the Congress, interpreting the law, and given the amount of work we have had to do to prepare these data.

Q Why are you putting this in two separate packages?

MR. ASH: The main things here are that, first, there is just a lot of work and we thought we would get the key ones up in front of them rather than waiting to package it all together. We could have held this one up for the next few days and sent it up with the other. But these are the ones that by far contain the largest amounts. These are the ones that contain the highway and the water and sewer programs that we know that the Congress wants to act on, or consider. We don't believe they are entitled to act on both of them, but instead only on the highway one, and split it just to keep it working rather than hold up the first one until we had the second one.

Q What is the end of the time frame on the \$20 billion? In other words, when does the \$20 billion totally run out?

MR. ASH: The \$20 billion does not totally run out. Some of these funds are available indefinitely; that is, available until spent. Consequently, while the law provides that we can defer to the end of a fiscal period, in this case we defer to the end of fiscal year 1975.

Those funds to not lapse at that time, but we would then propose to continue to defer them until they are finally made available for obligation and spent.

So as far as the biggest part of the funds are concerned, they will continue to run and, therefore, continue to be deferred, unless, of course, there is reason not to defer them, but available for deferral until an indefinite time.

Q Secondly, in the \$4 billion package, what part of that \$4 billion would be effective in fiscal 1975?

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MR. ASH: In terms of the cash effect?

Q Right.

MR. ASH: I don't know the exact number, but it would be a small portion of it, less than \$1 billion, I am sure. That is the nature of these programs. They generally are developed for the reason that the monies couldn't or shouldn't be spent anyway, and, therefore, they amount to very little cash even though there is a fairly big amount of budget authority involved.

Q The \$20,000 you are proposing to defer will not affect your \$305 billion spending plans for fiscal '75?

MR. ASH: The \$305 billion spending plans contemplated in the budget assumed that these amounts would be deferred and rescinded as we are here proposing and the action that we wish on these to gain Congressional concurrence is to hold to that \$305 billion, not to reduce below the \$305 billion.

Q Sir, the point of my question is: What are you proposing to cut below the \$305 billion? I believe that Mr. O'Neill made some remarks to that effect or about these cuts yesterday. Could you spell them out?

MR. ASH: Let me talk about what will become some time another set of deferrals and rescissions and other Congressional actions even beyond deferrals and rescissions. They are not in either of these packages, either the \$20 billion one or the \$4 billion one.

The President is firmly committed to do everything that he can to get expenditures below the \$300 billion. This will require Congressional action or Congressional concurrence. Part of that action and concurrence will be through deferral and rescission actions. The President is meeting with people of the Congress individually and in groups.

He met Tuesday night of this week with a number of Senate leaders for the purpose of engaging them in a discussion of what programs and what actions might best be taken to bring the total below \$300 billion.

Next week he will be meeting with Congressional leaders. What we want to do first is to discuss with Members of the Congress their views as to what kind of cuts might well be made and with which they would concur to bring the budget below \$300 billion.

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These discussions are going on. As a result of them, there will be some contemplated actions. I can't say exactly what dates that they will be proposed. I can't even say exactly what they are because we are having discussions with the Congress as to what they might be, and this will depend upon the outcome of those discussions that are going on even now.

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Q Is the impression accurate, Mr. Ash, that everyone seems to be getting every day from these hearings that the cuts are going to come essentially from your personal health-welfare type program?

Q What was Mr. O'Neill talking about yesterday?

MR. ASH: Let me answer the first question here. The impression that you say that some people are getting that they are all coming from or all the cuts would come from personal programs is not a correct impression.

All of the budget is subject to cuts, and certainly defense is an area and foreign aid is an area. Every program that the Government is involved in is being considered for the reductions that are possible as to those programs.

Now, it is true, though, that by far the biggest part of what the Federal Government spends money for is for entitlement programs, or programs that benefit individuals, either direct payments to them or alternatively payments to them, through State and local government.

So, one cannot avoid looking at the biggest part of the budget in dollars, even though there is no more particular reason that cuts will be made there than will be made in anything. A part of the discussions with the Congress are for the purpose of determining where the main thrust of cutting should take place, and we would hope that we could have those cuts come down in the most equitable places for all segments of society.

Q Mr. Ash, have you found that to date the new law has hampered in any way your ability to make deferrals and recissions?

MR. ASH: No.

Q Sir, is there any consensus beginning to emerge out of these talks as to any areas where large cuts can be made? You have to cut \$5 billion or \$6 billion out of something like \$15 billion of control over part of this.

MR. ASH: There is no consensus emerging yet. I think the first consensus that is emerging is that it is a very difficult thing to do, and we have to work at some specifics, at the level of specifics that, of course, are going to be subject to all kinds of political concerns.

As to which program specifically should be reduced, there is no consensus yet emerging.

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Q Mr. Ash, these programmatic changes and policy changes that you will be recommending later on, would they have any impact on some of these deferred programs, deferred spending that you want Congress to take action on now? In other words, will you be cutting back permanently or rescinding permanently some of this deferred spending?

MR. ASH: Of course, even the ones that are now being deferred could well be candidates for recission action sometime later. Only by way of saying that the whole budget is open for examination, there is no element of it that we are not looking at for the possibility of budget reduction, either by deferral or by recission.

All options are open at this moment, and there isn't a concensus yet developed as to which way we should go. So, I don't want to select out any one area, other than to say every area is being given very close scrutiny.

Q Mr. Ash, have you talked to the President about your future and, if so, what has he said and finally, do you expect to stay on in this Administration?

MR. ASH: I talked to him sometime ago, he asked me to stay on, and here I am.

Q You indicated that this HEW type spending was the largest expenditure in Government and, therefore, the largest cuts are in that area. The defense is probably the second largest. Can we expect the second largest cuts in that area?

MR. ASH: I didn't say that therefore we could expect the largest cuts out of HEW just because it is the largest expenditure. I did say that we all have to recognize it is the largest expenditure, and as we look across all of Government we can't avoid looking at where the largest expenditures take place.

But in no way did I suggest that therefore the largest would come out of HEW. If one is to look at the total, one must look at the total, and the total just happens to have a large element of HEW in it.

Q What we are driving at, can we expect cuts beyond the ones that are needed in defense, and how much?

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MR. ASH: All options are open at this moment as to the next level of cuts. There isn't any determination. The whole purpose of meeting with the Members of the Congress is to get their sense of where the cuts might best be made and might most equitably be made and there is no position developed at all as to which are the likely areas to carry the greatest amounts of cuts.

Q Mr. Ash, if I understand correctly, the President will ask Congress for some supplemental funds later on this year or early in January. How would that square with him trying to cut the budget below \$300 billion?

MR. ASH: Quite often, as part of the technical processes of handling the paperwork, supplementals are submitted not to add funds on to the budget, but merely to provide the proper appropriation for funds already in the budget, in the \$305 billion in the budget as it exists.

Let's take the various kinds of mandatory entitlement programs where the law requires that we pay out certain benefits to certain beneficiaries. We don't know until we get near the end of the year how much the total might be.

We, therefore, submit to the Congress a supplemental to provide the funds to do no more than to meet the obligations already imposed on us by the legislation that the Congress has enacted.

THE PRESS: Thank you, Mr. Ash.

END (AT 11:02 A.M. EDT)