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Small
Agencies

1977 Presidential Review
Small Agencies
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COUNCIL ON ENVIRONMENTAL QUALITY

Comments

CEQ requested four additional positions for new responsibilities under the Non-Nuclear R&D Act. OMB agrees with the program merit of the request but has advised Agency that the increase would be very difficult to approve because of the overall need to hold down employment for the Executive Office. Chairman Peterson has vigorously appealed this advice.

	Budget authority (In thousands of dollars)	Outlays	Full-time permanent employment
1975 actual.....	2,800	2,424	50
1976 current estimate.....	3,236	3,236	44
1976 OMB employment ceiling...	xxxx	xxxx	44
Transition quarter current estimate	822	1,022	xx
1977 agency request	3,369	3,369	48
1977 OMB recommendation	<u>3,369</u>	<u>3,369</u>	<u>44</u>
Effect of OMB recommendation on agency request	-4
1978 estimate	3,369	3,369	-4

Background

As part of an overall effort last year to reduce Executive Office employment, CEQ's 1976 employment ceiling was reduced from 50 to 44 permanent positions. Since then CEQ has been assigned new responsibilities by Section 11 of the Non-Nuclear Research and Development Act to assess the adequacy of the government's energy R&D effort with regard to energy conservation and the environmental consequences of energy technologies.

The new Act directs ERDA to transfer \$500 thousand annually to CEQ to carry on this effort which includes, in addition to assessment of energy conservation methods and the consequences of energy technologies, holding annual public hearings and making reports to the President and Congress.

The Act also calls on the President to include in the Annual Report on Environmental Quality the findings of CEQ concerning the probable environment consequences of trends in the development and application of energy technologies.

Shortly after the new law was enacted, CEQ requested four additional positions in its employment ceiling to handle the new responsibilities. OMB advised that the request would be deferred without prejudice for consideration in connection with the normal budget review this Fall. CEQ renewed the request this Fall, and OMB has advised the Council that the additional positions would be very difficult to justify in the face of an overall policy to reduce employment generally government-wide and particularly for the Executive Office.

Chairman Peterson is appealing OMB's recommendation, pointing out that the new responsibilities are directly related to the Administration's energy initiatives and should be given high priority. The Chairman also points out that the Council has already taken substantial employment reductions (his request of 48 is a 13% reduction from 1972 actual) and is not able to absorb the new duties within existing staff. The 1977 request of 48 is two less than the 1975 actual and the number OMB initially recommended last year for 1976.

OMB concurs with the program merit of the Chairman's appeal and except for the overriding policy to reduce Executive Office employment would recommend approval.

TENNESSEE VALLEY AUTHORITY

Comments

TVA's non-power program - mainly water development projects - is financed with appropriated funds. The power program, financed from revenues and sale of bonds, consists mainly of construction of large nuclear power plants.

The OMB recommendation for the non-power program finances ongoing construction but disallows new starts. TVA's power program is accepted without change, but OMB's revenue estimates assume a rate increase which TVA does not support on the grounds that it is premature until the TVA Board considers the matter in a systematic way, and that the criteria assumed by OMB - based on private market conditions - are inappropriate (see attached issue paper).

	Budget Authority (In thousands of dollars)	Outlays	Full-time Permanent Employment
1975 actual.....	77.2	767.2	14,084
1976 current estimate.....	10,087.8	1,100.0	15,100
1976 OMB employment ceiling..	xxx	xxx	15,100
Transition quarter current estimate.....	27.5	246.5	xxx
1977 agency request.....	131.3	1,146.0	16,950
1977 OMB recommendation.....	<u>101.0</u>	<u>1,029.6</u>	<u>15,500</u>
Effect of OMB recommendation on agency request.....	-30.3	-116.4	-1,450
1978 estimate.....	92.5	1,005.0	16,000

Issue Paper
Tennessee Valley Authority
1977 Budget
Issue: Level of Rate Increase

Statement of Issue:

What level of rate increase should TVA's budget reflect?

Background

TVA finances its electric power program by the sale of bonds and by power revenues. The bonds are technically not guaranteed by the Federal Government and the rationale of the original 1959 legislation was to require TVA to finance its power program from the sale of bonds on the private market without Federal subsidy. Since the establishment of the Federal Financial Bank (FFB), however, TVA has been able to borrow from the FFB as a Federal agency and, in fact, TVA has recently been obtaining most of its financing from the FFB because of an interest differential of from .1 to .8%. Thus, TVA receives a subsidy not envisaged when TVA borrowing legislation was first enacted.

This source also allows TVA to circumvent certain financial constraints that it would otherwise face in the private market by FY 1977. TVA's interest coverage ratio has dropped 7% since it started borrowing from the FFB and will soon drop below the 1.5 level*. At this level, some states restrict the sale of issued bonds to certain institutional buyers and it could affect TVA's bond rating.

TVA is required by law to set power rates at a level sufficient to generate revenues to cover at least operating cost and all interest and principal payments on its debts and payments to the Treasury. TVA has always maintained a positive operating margin (revenues minus all operating cost). Since TVA started borrowing from the FFB, TVA's operating margin has dropped. The 1976 margin has already dropped 3% since May 30th and could drop further if TVA continues its cost over-runs. (FPC staff indicate that nominal electrical costs will increase by at least 15% over the next 24 months.) Moreover, TVA's ratio of borrowings to capital expenditures has increased by more than 10%. This indicates that TVA power revenues have not increased as rapidly as capital expenditures.

* Interest coverage ratio is defined as net revenues plus interest charges and fixed rent divided by interest charges and fixed rent.

The TVA Board examines its financial position quarterly and has the power to set rates. TVA does not foresee any increase in its base rate for the next 24 months but this could change if FFB borrowing is stopped. TVA's power rates are now about 40% below the national average per KWH but its rates are approaching comparability (less than 20% on the average) with neighboring utilities.

FPC staff indicate that AAA rated utilities maintain a pretax interest coverage ratio of around 3.0 and, in times of relatively high interest rates, utilities try to maintain an even higher ratio. AAA utilities also usually maintain an after tax operating margin of at least 15%. If TVA were required to use the private market and not the FFB, market forces would require TVA to raise rates by at least 5% in FY 77 to finance its planned construction program.

TVA opposes any predicted adjustment of its FY 77 power revenue estimates in the 1977 budget which use criteria - specifically maintenance of a 1.5 interest coverage ratio - not adopted by the TVA Board. The agency considers that basic legislation authorizes the TVA Board to set rates - not OMB or the President - and TVA believes this action would prejudice TVA's position on rates prior to public review of potential rate changes. While TVA will not appeal a decision to include a rate increase estimate in the 1977 budget, it will not support this action either. A Presidential initiative would be needed to obtain TVA's genuine support for a predicted rate increase under these criteria at this time, and even that might not be enough, based on past history with this agency.

Alternatives

1. Increase rates based on historic financial criteria followed when TVA used private market for funds.
 - This would require TVA to raise its base rates by about \$94 million or 5%. This would raise TVA's interest coverage above the 1.5 level and increase the operating margin to about 15%. This action can also be accomplished by requiring TVA to place its bonds on the private market rather than going through the FFB. This action is consistent with Interior's proposal to raise rates for Interior power agencies.
2. Increase rates to a level comparable to regional utilities.
 - To establish rates comparable to surrounding utilities, TVA would have to increase its rates from 10% to 15%. This action would require legislation changing TVA's rate making criteria and would produce rates higher than those proposed for Interior.

3. Increase rates to equal the national average for cost per kilowatt hour.

- This alternative would increase TVA's rates by about 40%, would reduce TVA's net outlays, and would restrict TVA's power construction program by reducing demand. This action would also require legislation changing TVA's rate making criteria and would be inconsistent with actions proposed for Interior.

Recommendation

Alternative 1.

National Science
Foundation

NATIONAL SCIENCE FOUNDATION

Comments

NSF has requested increases primarily for basic scientific research, but also for science education, applied research, and additional logistics costs of the Navy and Coast Guard to be charged to NSF for support of the U.S. Antarctic program. OMB would allow a 10% increase in basic research to offset partially the continued decline in the level of support of basic research by the Federal Government, taking into account the effects of inflation. Increases would also be allowed for logistics costs of the Antarctic program. OMB would reduce funding for lower priority science education programs and for applied research in energy because of growth in ERDA funding. As part of FY 1977 outlay reductions, expenditures of \$16 million in FY 1976 funds for science education would be deferred. NSF has accepted OMB decisions. However Dr. Stever, as the President's Science Advisor, has requested the opportunity to review adjustments between basic research and applied research and development before final decisions are made on the 1977 Budget. Background material is attached.

	Budget authority (In millions of dollars)	Outlays of dollars)	Full-time permanent employment
1975 actual.....	693	657	1,226
1976 current estimate.....	734	214	1,312
1976 OMB employment ceiling.....	xxx	xxx	1,312
Transition quarter current estimate.....	168	217	1,312
1977 agency request.....	852	808	1,312
1977 OMB recommendation.....	<u>752</u>	<u>704</u>	<u>1,312</u>
Effect of OMB recommendation on agency request.....	-100	-104	0
1978 estimate.....	752	704	1,312

National Science Foundation

Background

NSF was established in 1950 for the primary and express purpose of supporting basic scientific research as a national goal. The Foundation awards grants chiefly to scientists in universities and non-profit organizations. It also supports national research centers in astronomy and one in atmospheric sciences and a number of large organized research programs such as the U.S. Antarctic Research Program.

Since the early 1960's, NSF has also sponsored science resource development programs involving grants to institutions to build up graduate and undergraduate research and teaching, traineeships for graduate students, training of science teachers, and development of course materials. But these programs have been dropped or sharply curtailed as the need for Federal stimulus to encourage careers in science declined.

In 1972, the Foundation's responsibilities were further expanded to include a program of Research Applied to National Needs to focus on selected important national problems outside the purview of mission agencies, e.g. the development of solar and geothermal power, prior to the creation of ERDA.

Although the Foundation funds a number of activities in areas other than basic science, support of basic science is still its key role and accounts for some 80% of its program budget. For this reason, the budget of NSF has come to symbolize, in large measure, an Administration's interest in and support of science.

The NSF budget has been used historically to "balance" the level and mix of Federal support for basic research among all scientific disciplines and in so doing, to offset some of the reductions in mission agency basic research. Partially, as a result of taking over mission agency support (e.g. astronomy from DOD), NSF funding of basic research has risen over the last decade from 10% of total Federal support in 1965 to 20% in 1976. This is a significant 20% because it is enough to fill important gaps in missing agency support of basic research.

From a national standpoint, the funding of basic research has increased in current dollars from \$3.0 billion in 1967 to \$4.1 billion 1976, but decreased to \$2.6 billion in 1967 constant dollars. Over the same period, the distribution between Federal and industrial support has remained relatively stable, with the Federal Government providing 70%, industry 15%, and the remainder from universities, non-profit organizations, etc.

From a Federal standpoint, the funding of basic research has also increased, from \$2 billion in 1967 to \$2.7 billion in 1976, but a significant decline

in constant dollars (as much as 19%) has occurred in that period as a result of inflation.

Despite the real decline in support for basic research, there is no clear evidence at this time that the competitive position of the U.S. in science is declining. However, declining Federal support in constant dollars cannot continue indefinitely without serious erosion in efforts to understand and address fundamental problems underpinning technological advances.

Although there is no objective way to judge the appropriate level of basic research needed in the national interest, we believe it is appropriate to give some recognition to the need for stemming further reductions in Federal support by an increase in the NSF budget. Thus the budget levels agreed to between OMB and NSF given priority, to the maximum extent possible, to basic research. The rigorous review process to which research proposals are subjected by the NSF should insure that the funds are applied to high priority projects which really advance the frontiers of science.

The following table summarizes the budget changes for NSF programs.

<u>Program</u>	<u>Budget Authority (Millions of Dollars)</u>		
	<u>FY 76</u> <u>Base</u>	<u>NSF FY 77</u> <u>Request</u>	<u>OMB FY 77</u> <u>Recom.</u>
Basic research, except Antarctic	467	566	516
Antarctic operations	31	33	45
Science education	75	84	55
Research Applied to National Needs	76	91	65
International cooperative programs and dissemination of science information	22	28	22
Program development and management	41	44	43
Foreign currency	<u>4</u>	<u>6</u>	<u>6</u>
Sub-total	716	852	752
Special procurement of Antarctic air transports	<u>18</u>	<u>--</u>	<u>--</u>
Total <u>Budget Authority</u>	734	852	752

Total <u>Outlays</u>	715	808	704

Nuclear Regulatory
Commission

Nuclear Regulatory Commission

Comments

In its FY 1977 budget NRC requested 411 new positions and an increase of \$59M in outlays over the FY 76 level. These increases of 18% in personnel and 30% in outlays were requested to expand NRC's: power reactor; safeguards and nuclear materials inspection program; reactor and nuclear materials licensing efforts; safeguards policy development capability; and reactor safety research program. In order to meet the President's goal of having 200 nuclear power plants on-line by 1985, OMB allowed 190 new positions and an increase of \$35M in outlays to perform the highest priority NRC tasks. NRC has appealed for an additional 75 positions and \$8M in outlays over the initial OMB allowance. Because of the substantial personnel and funding increases already provided to NRC, OMB recommends that NRC's appeal be disallowed. (Issue Paper Attached.)

	Budget authority (In thousands of dollars)	Outlays (In thousands of dollars)	Full-time permanent employment
1975 actual.....	130.5	132.0	2006
1976 current estimate.....	219.9	197.9	2339
1976 OMB (revised) employment ceiling.....	xxxxx	xxxxx	2364
Transition quarter current estimate.....	52	51	xxxx
1977 agency request.....	270.7	256.6	2750
1977 OMB recommendation.....	<u>246.6</u>	<u>233.0</u>	<u>2529</u>
Effect of OMB recommendation on agency request.....	- 14.1	- 23.6	- 221
1978 estimate.....	250.0	240.0	2600

Nuclear Regulatory Commission

Statement of Issue

What level of personnel and budgetary support should be provided to NRC in FY 1977?

Background

The Nuclear Regulatory Commission (NRC), established by the Energy Reorganization Act of 1974, has as its primary responsibility assuring public health and safety through the regulation of all civilian uses of nuclear energy. The role of NRC is broader than the regulatory role of AEC, particularly in safeguards and environmental regulation.

NRC is central to achieving the Administration's goal of 200 nuclear power plants on-line by 1985 (as compared to the 53 now on-line). NRC will have to license and regulate all of these plants as well as the nuclear fuel cycle facilities which support these reactors. In performing its functions NRC will have to balance industry needs, national energy policy goals and the public demands for a credible regulatory program to protect health and safety.

In AEC, the regulatory function was given relatively low priority. Under NRC, however, the regulatory function has grown rapidly in dollars and in numbers of personnel:

	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>
Outlays (\$M).....	\$ 105	\$ 132	\$ 198
Full-time positions....	1538	2006	2339

NRC requested major increases in FY 1977 for personnel (411 new positions) and outlays (\$58.7M) to:

- Meet all published NRC inspection requirements for on-site reactor inspections (171 new positions requested).
- Expand the nuclear material safety and safeguards program (101 new positions requested).
- Meet high priority support for operational needs of the Commission (129 new positions requested).

- Expand and accelerate the nuclear regulatory research program (\$34.9M additional outlays requested).

The FY 1977 OMB allowance would provide for 190 new positions (46% of the NRC request) and an additional \$35.1M in outlays (60% of the NRC request). The OMB allowance would: enable NRC to meet all of its requirements for on-site reactor inspections, expand its nuclear material safety and safeguards program by 71 people and expand its research program in high priority areas.

NRC has appealed for an increase over the initial OMB allowance of 75 positions largely for the inspection and safeguards programs and \$8.0M in outlays primarily for the research program.

Within its total appeal, NRC has identified as its highest priority 45 positions (35 for inspection and 10 for Nuclear Materials Safety and Safeguards) along with the necessary funds to support these positions (\$1.0M BA and outlays).

Alternatives

- #1. Allow 75 positions and \$8.0M in outlays over the OMB allowance for FY 1977. (Agency appeal.)
- #2. Allow 45 positions and \$1M in Budget Authority and \$1M in outlays to cover the highest priority items in NRC's appeal. (Reflects NRC's highest priorities.)
- #3. Hold to the initial OMB allowance. (OMB rec.)

Analysis

(\$ Millions)

	FY 1976		1/ FTP	FY 1977		FTP
	BA	O		BA	O	
Alt. #1 (Agency Appeal)	219.9	197.9	2364	251.3	241.2	2604
Alt. #2 (Highest Priority elements of NRC Appeal)	219.9	197.9	2364	247.0	234.0	2574
Alt. #3 (OMB rec.)	219.9	197.9	2364	246.0	233.0	2529

1/ Full-time permanent positions

The initial OMB allowance provided for additional personnel and dollars to support the highest priority NRC tasks and responsibilities.

- A. OMB's allowance provided for sufficient field inspectors to meet all of NRC's inspection requirements by the end of FY 1977. The NRC request would allow NRC to meet this objective by the middle of FY 1977. Although it is important to meet inspection requirements, we do not feel that there is much difference between accomplishing this by the middle of FY 1977 or at the end of FY 1977.
- B. The initial OMB allowance provided for 70 new positions for Nuclear Materials Safety and Safeguards. This should provide the Commission with sufficient flexibility to meet all high priority needs.
- C. The other positions requested in the NRC appeal can be made available through internal reallocation of personnel.
- D. In the Reactor Safety research program, OMB has already provided NRC with \$80M (73% increase over the FY 1976 level). This should be more than adequate to perform all the important experiments.

Agency Request: Alternative #1. The NRC believes that the 75 additional positions and the \$8.0M in outlays requested are the minimum amounts required for it to perform its important regulatory functions.

OMB Recommendation: Alternative #3: In light of the current budgetary stringency in general, we feel that the OMB allowance provides NRC with adequate flexibility to meet all high priority needs for personnel and funds, while maintaining a publicly credible regulatory program supportive of the Administration's goal of 200 nuclear plants by 1985. OMB, therefore, recommends against any restoration of funds or personnel over the initial OMB allowance.

FEDERAL POWER COMMISSION

Comments

Agency requested increases to speed up its proceedings involving emergency natural gas curtailments, to provide a more complete capability to investigate domestic gas reserves, and to act more quickly on electric utility rate increase requests and hydro-electric licensing applications. OMB mark allows minimal but needed increases for only the most urgent needs as detailed in the attached justification. Agency has agreed to try to meet its FY 1977 responsibilities through austerity and reprogramming within the OMB mark.

	Budget authority (In thousands)	Outlays (of dollars)	Full-time permanent employment
1975 actual	33,164	34,407	1,320
1976 current estimate	35,680	36,619	1,398
1976 OMB employment ceiling	xxxx	xxxx	1,398
Transition quarter current estimate	8,554	8,089	xx
1977 agency request	48,196	47,176	1,717
1977 OMB recommendation	<u>40,456</u>	<u>40,250</u>	<u>1,517</u>
Effect of OMB recommendation on agency request	- 7,740	- 6,926	- 200
1978 estimate	40,456	40,250	1,517

Major Considerations in the OMB
Recommendation for the Federal Power Commission

- 34% of the nation's energy consumption is natural gas. This year estimated supplies of natural gas will be 15% short of firm contract requirements. Already the shortage is equivalent to one million barrels per day of imported oil.
- Gas curtailments are a problem this winter, but will become even worse in the winters of 1976-77 and 1977-78.
- Deregulation, Alaskan gas, synthetic gas, and Outer Continental Shelf development will help alleviate gas supply problems, but not until the early 1980's.
- FPC is the only agency with real authority to manage the available gas on an interstate basis and deal with the curtailment emergency.
- OMB recommendation gives special consideration to speeding up proceedings on natural gas curtailments of interstate pipelines, to preparing court-mandated environmental impact statements on curtailments, and to investigating the extent of domestic gas reserves more completely. These areas are the object of intense Congressional scrutiny as the potential for unemployment from gas curtailments becomes greater.
- Approximately 70 of the 119 additional positions would be used to strengthen FPC's capability in natural gas activities to respond more effectively to emergency curtailment situations and to help clean out serious backlogs, which have worsened dramatically since 1973.
- The remaining 49 additional positions are needed in electric power programs to reduce "regulatory lag", so that many new requests for rate increases from electric utilities and hydroelectric licensing applications can be acted on more quickly.
- The Administration proposed legislation last January designed to eliminate delays in state utility commission procedures, which were slowing down the development and financing of critical energy projects. The OMB mark reinforces that January initiative in providing additional staff at the Federal level to minimize the same types of problems we are urging the states to correct.

INTERNATIONAL BOUNDARY AND WATER COMMISSION

Comments

Agency requested increases to complete construction on one project, continue work on four other projects and to operate and maintain existing projects at a level consistent with past years funding levels. OMB mark, despite outlay reduction, would allow work to proceed on schedule and would retain the present level of operation and maintenance.

	Budget Authority (In thousands of dollars)	Outlays	Full-time Permanent Employment
1975 actual.....	11,183	17,264	313
1976 current estimate.....	13,890	19,100	361
1976 OMB employment ceiling.	xxx	xxx	361
Transition quarter current estimate.....	2,270	3,150	xxx
1977 agency request.....	15,809	19,562	355
1977 OMB recommendation.....	<u>15,740</u>	<u>14,240</u>	<u>355</u>
Effect of OMB recommendation on agency request.....	-69	-5,322	0
1978 estimate.....	8,690	17,190	340

FRANKLIN DELANO ROOSEVELT MEMORIAL COMMISSION

Comments

Agency request and OMB mark will allow continuation of planning of a memorial to President Roosevelt. Funding will be used primarily for the salary of one part-time contract employee and the Commissioners' expenses to travel to Washington, D.C., for meetings. Actual design of the memorial is being managed by the National Park Service with its appropriations. OMB has asked the Commission to develop a schedule for completion of the memorial.

	Budget authority ^{1/} (In thousands of dollars)	Outlays	Full-time permanent employment
1975 actual	-0-	14	-0-
1976 current estimate.....	-0-	24	-0-
1976 OMB employment ceiling.	xxx	xxx	-0-
Transition quarter current estimate.....	6	6	-0-
1977 agency request.....	29	36	-0-
1977 OMB recommendation.....	<u>29</u>	<u>36</u>	<u>-0-</u>
Effect of OMB recommendation on agency request.....	-0-	-0-	-0-
1978 estimate.....	29	30	-0-

^{1/} Program level (obligations) for 1975 and 1976, is \$21 thousand and \$25 thousand, respectively, from unobligated funds appropriated in 1973 and earlier years.

Indian Claims
Commission

INDIAN CLAIMS COMMISSION

Comments

Agency requested budget increases only for anticipated cost increases associated with continuing operation of claims processing with existing staff. OMB mark would allow entire request.

	Budget authority (In thousands of dollars)	Outlays (In thousands of dollars)	Full-time permanent employment
1975 actual	1,324	1,243	42
1976 current	1,411	1,411	42
1976 OMB employment ceiling	xxxx	xxxx	42
Transition quarter current estimate	352	352	xx
1977 agency request	1,470	1,470	42
1977 OMB recommendation	<u>1,470</u>	<u>1,470</u>	<u>42</u>
Effect of OMB recommendation on agency request	0	0	0
1978 estimate	1,470	1,470	42

DELAWARE RIVER BASIN COMMISSION

Comments

The agency has requested \$278,000 to carry out its programs for FY 1977. OMB recommends that the agency request be granted. The Federal Government is a member of the Commission and its payment is the same as that of the larger member States, Delaware, New Jersey, New York and Pennsylvania.

	Budget authority (In thousands of dollars)	Outlays	Full-time permanent employment
1975 actual.....	316	285	2
1976 current estimate.....	294	257	2
1976 OMB employment ceiling.....	xxxx	xxxx	2
Transition quarter current estimate.....	72	72	xx
1977 agency request.....	278	278	2
1977 OMB recommendation.....	<u>278</u>	<u>278</u>	<u>2</u>
Effect of OMB recommendation on agency request.....	0	0	0
1978 estimate.....	278	278	2

Interstate Commission on
the Potomac River Basin

INTERSTATE COMMISSION ON THE
POTOMAC RIVER BASIN

Comments

The Interstate Commission on the Potomac River Basin is a non-Federal compact agency established to study water quality problems in the Potomac Basin. The Federal Government has provided \$5,000 annually in "seed money" to the Commission since 1940. Beginning in FY 1972, the Federal contribution was gradually increased until it reached a level of \$52,000 in 1976. The Commission also receives funds from the signatory states-Pennsylvania, Virginia, Maryland, West Virginia and the District of Columbia-and it has in addition been receiving grant funds from the Environmental Protection Agency (\$113,900 in 1975). Since there are no other Commissions of this kind which receive Federal funding, there is no compelling justification for continuing funding in this case apart from the difficulty of terminating a Federal subsidy once it has become established.

The Commission has appealed this decision. It considers that withdrawal of the Federal payment could induce the basin states to follow our example resulting in "de facto" termination of the Commission. Whether the States would in fact take this action is, of course, conjectural. OMB recommends that the Federal payment be stopped, and that the question of whether the Commission survives be left to the concerned states.

	Budget authority (In thousands of dollars)	Outlays (In thousands of dollars)	Full-time permanent employment
1975 actual.....	52	52	-0-
1976 current estimate.....	52	52	-0-
1976 OMB employment ceiling...	xxxx	xxxx	-0-
Transition quarter current estimate.....	13	13	xx
1977 agency request.....	58	58	-0-
1977 OMB recommendation.....	-0-	-0-	-0-
Effect of OMB recommendation on agency request.....	-58	-58	-0-
1978 estimate.....	-0-	-0-	-0-

November 12, 1975

Mr. James T. Lynn, Director
Office of Management & Budget
New Executive Office Building - Room 8026
726 Jackson Place, N.W.
Washington, D.C. 20503

Dear Mr. Lynn:

I was notified by your Chief, Thomas Berry, on November 11, 1975, that the Office of Management & Budget is recommending discontinuance of direct Federal support to the Interstate Commission on the Potomac River Basin by proposing the elimination of the Congressional appropriation (Public Works for Water and Power Development and Atomic Energy Commission Appropriation Act) from the Congressional Budget.

As a Federal Commissioner to the Interstate Commission on the Potomac River Basin, I feel compelled to respond directly to you concerning this proposed action, an action which if implemented would result in an approximate 15% reduction in anticipated fiscal year 1977 funding of the Commission's effort to help clean up and manage the water and associated land resources of the Nation's River.

The Potomac River Basin Compact, approved by Joint Resolution of July 11, 1940 (54 Stat. 748) of the U.S. Congress, provides for appropriations from the United States as set out in Article III of the Compact which reads in part:

"The moneys necessary to finance the Commission in the administration of its business in the Conservancy District shall be provided through appropriations from the signatory bodies and the United States, in the manner prescribed by the laws of the several signatory bodies and of the United States, and in amounts as follows: . . ."

[underscoring added]

This language was unchanged and restated as Article IV in the amendments to the Compact set out in Public Law 91-407, approved September 25, 1970.

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4350 East West Highway
Bethesda, Md. 20014

(301) 652-5758



INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN

Mr. James T. Lynn, Director
November 12, 1975
Page 2

Direct Congressional appropriations, in fulfillment of the obligation of the United States, have been made by every Congress since 1940. It is my opinion, as a Federal Commissioner, that the funding obligation of the United States should continue to be made by direct Congressional appropriation as provided for in Article IV of the amended Compact.

The Appendix to the Budget for Fiscal Year 1976 provides:

"Contribution to the Commission.--The Interstate Commission on the Potomac River Basin was created in 1940 by compact among the four States in the basin, the District of Columbia, and the Federal Government for the purpose of water pollution abatement and control. The act was amended and consented to by Congress September 25, 1970 (Public Law 91-407), in order to broaden its purpose to the management of water and associated land resources.

The appropriation represents the Federal Government's share of the expenses of the Commission's broadened operations. Funds also are contributed by the signatory bodies (member States and District of Columbia). The Commission also receives an Environmental Protection Agency program grant under the authority of the Federal Water Pollution Control Act, as amended, as do all States and interstate agencies which comply with the qualifying criteria required by the act. Under the amended compact law, State shares have been increased substantially to provide for an expanded program of activities, requiring an equivalent increase in the Federal contribution.

Funds for the transition period will allow the activities of the Interstate Commission on the Potomac River Basin to continue at an adequate level."

[underscoring added]

In my opinion, the above budget justification continues to be valid.

It is relevant to point out that program grant funds received from the Environmental Protection Agency under the Federal Water Pollution Control Act (P.L. 92-500) have remained at the level established as of July 1, 1973; that program funds must be applied for, justified and approved on an annual basis, and that the Commission has been notified that no increase in grant funds may be anticipated. Further, the Commission has been notified recently of proposed EPA policy changes regarding the future funding of interstate commissions, said changes leaning toward the funding of States rather than of interstate commissions. In my opinion, it would thus appear that future funding support from the Environmental Protection Agency may not be presumed.

The third Commission funding source is contributions from the signatory States as provided for in Article IV of the amended Compact:

Mr. James T. Lynn, Director

November 12, 1975

Page 3

"The pro rata contributions shall be based on such factors as population; the amount of industrial and domestic pollution; and a flat service charge; as shall be determined from time to time by the Commission, subject, however, to the approval, ratification and appropriation of such contribution by the several signatory bodies."

Due to state budgetary restrictions, the signatory contribution formula as approved by the Commission has not enjoyed ratification by the legislatures of all the signatory states for the past three years. Thus the anticipated funding levels on an annual basis have not been realized since 1972.

It is my opinion that in view of the already tenuous funding situation of the Commission, and in the light of the additional assistance load placed on the Commission staff occasioned by the continuing planning processes required under sections 208 and 303(e) of the Federal Water Pollution Control Act, that the proposal to eliminate the Congressional appropriation will adversely affect the ability of the Interstate Commission on the Potomac River Basin to function at the optimum level necessary to enhance the quality and quantity of waters in the Potomac River basin commensurate with the increased demands made on these waters by the expanding human activity in the Basin.

For record purposes, I request that this letter be considered a formal appeal that the proposed appropriation of \$58,000 be continued in the fiscal year 1977 Budget.

Sincerely yours,



Loretta Nimmerrichter
Federal Commissioner

LM/mew

SUSQUEHANNA RIVER BASIN COMMISSION

Comments

The agency has requested \$230,000 to carry out its programs for FY 1977. OMB recommends that the agency request be granted. The Federal Government is a member of the Commission and its payment is the same as that of the member States, Pennsylvania, New York and Maryland.

	Budget authority (In thousands of dollars)	Outlays (In thousands of dollars)	Full-time permanent employment
1975 actual.....	227	225	2
1976 current estimate.....	229	229	2
1976 OMB employment ceiling....	xxx	xxx	2
Transition quarter current estimate.....	57	57	xx
1977 agency request.....	230	230	2
1977 OMB recommendation.....	<u>230</u>	<u>230</u>	<u>2</u>
Effect of OMB recommendation on agency request.....	0	0	0
1978 estimate.....	230	230	2

JOINT FEDERAL STATE LAND USE PLANNING COMMISSION FOR ALASKA

Comments

Agency request and OMB mark assumes termination of Commission's land-use planning and coordination activities in Alaska on December 31, 1976, under current law. However, Congress is considering extending the life of the Commission to June 30, 1979 as one of a number of amendments to the Alaska Native Claims Settlement Act. Administration position is not to endorse extension but also not to object. Thus, a 1977 budget amendment of approximately \$1.1 million may be required later.

	Budget <u>1/</u> authority (In thousands of dollars)	<u>1/</u> Outlays	Full-time permanent employment
1975 actual.....	1,281	866	15
1976 current.....	1,363	1,766	19
1976 OMB employment ceiling.....	xxx	xxx	19
Transition quarter current estimate..	224	224	8
1977 agency request..	120	120	0
1977 OMB recommenda- tion.....	170	170	0
Effect of OMB recom- mendation on agency request.....	0	0	0

1/ Appropriated and State cooperative funds combined.

Navajo and Hopi
Relocation
Commission

NAVAJO AND HOPI RELOCATION COMMISSION

Comments

1976 Budget amendment provides for a one-time appropriation of \$37 million for costs of boundary settlement and relocation of Indians over the next several years. Agency request for FY 1977 is for administrative costs of the Commission only but outlays will increase over 1976 as relocation commences. OMB mark allows requested program.

	Budget authority (In thousands of dollars)	Outlays of dollars	Full-time permanent employment
1975 actual	0	0	0
1976 current estimate	37,500	2,500	10
1976 OMB employment ceiling	xxxx	xxxx	10
Transition quarter current estimate	125	125	xx
1977 agency request	500	7,500	10
1977 OMB recommendation	<u>500</u>	<u>7,500</u>	<u>10</u>
Effect of OMB recommendation on agency request	0	0	0
1978 estimate	500	7,500	10

WATER RESOURCES COUNCIL

Comments

Agency request would fund coordinated planning efforts on six river basins, complete National Assessment, fund River Basin Commissions and other water related coordination activities. Our recommendation is basically in agreement with agency request with exception of personnel. Agency requested 3 additional FTP positions to support legislated program in support of ERDA. We denied request on basis that ERDA should provide people to support its own program. Additional 3 FTP positions were taken from WRC to hold employment level with 1975 actual. Agency is appealing two of the three positions. OMB recommends that the appeal be denied.

	Budget authority (In thousands of dollars)	Outlays of dollars)	Full-time permanent employment
1975 actual.....	9,775	9,463	43
1976 current estimate.....	9,670	11,621	46
1976 OMB employment ceiling.....	xxxx	xxxx	43
Transition quarter current estimate.....	2,370	4,199	xx
1977 agency request.....	9,900	10,358	49
1977 OMB recommendation.....	<u>9,465</u>	<u>10,000</u>	<u>43</u>
Effect of OMB recommendation on agency request.....	-435	-358	-6
1978 estimate.....	9,465	10,465	43



UNITED STATES WATER RESOURCES COUNCIL

SUITE 800 • 2120 L STREET, N.W. WASHINGTON, D.C. 20037

November 13, 1975

Dear Mr. President:

The purpose of this letter is to appeal for the restoration of two of three existing staff positions in the U.S. Water Resources Council which were disallowed for fiscal years 1976 and 1977.

Two of these three positions became vacant only in September and October. The Council, after publishing a vacancy announcement and receiving a list of eligible applicants from the Civil Service Commission, is in the process of making final selections to fill these two senior level positions. Because of the Council's small size, the two vacant positions, if allowed to go unfilled, will represent a significant reduction in the Council's capability.

The Council recognizes the need for fiscal restraint and fully appreciates the difficult budgetary decisions with which you are faced. I feel, however, that two of the three positions which have been disallowed are so essential to the successful and timely performance of the Council's mission that I request your favorable consideration of this appeal.

Respectfully,

Jack O. Horton
Alternate to the Chairman

The President
The White House
Washington, D. C. 20500

MEMBERS: SECRETARIES OF INTERIOR, AGRICULTURE, ARMY, COMMERCE, HOUSING AND URBAN DEVELOPMENT, TRANSPORTATION; ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY; CHAIRMAN, FEDERAL POWER COMMISSION - OBSERVERS: ATTORNEY GENERAL; DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET; CHAIRMEN, COUNCIL ON ENVIRONMENTAL QUALITY, TENNESSEE VALLEY AUTHORITY, RIVER BASIN COMMISSIONS, BASIN INTERAGENCY COMMITTEES.



Commodity Futures
Trading Commission

Commodity Futures Trading Commission (CFTC)

Comments

The CFTC is a new, independent, five-member Commission which came into being April 21, 1975 primarily to expand the Federal regulation of futures trading.

The Commission requested \$13,500,000 to carry out its programs for FY 1977 (an increase of \$2,307,000 over the current fiscal year). The request also included an additional 50 FTP over its current ceiling of 489.

Since the Commission is still in the process of determining its workload and staffing needs, OMB recommends that the budget for FY 1977 be held to the FY 1976 level of \$11,193,000 and that its FTP ceiling be decreased from 489 to 439 pending the completion of a study (now underway) which will provide a sounder basis for the management and utilization of current resources.

The Commission's reaction was to appeal the OMB decision particularly the reduction in employment ceiling (copy attached). OMB recommends that the appeal be denied.

	Budget authority (In thousands of dollars)	Outlays	Full-time permanent employment
1975 actual ^{1/}	6,766	3,966	289
1976 current estimate	11,193	11,848	489
1976 OMB employment ceiling (recommended).....	xxxxxx	xxxxxx	439
Transition quarter current estimate	2,798	2,741	xxx
1977 agency request	13,500	13,400	539
1977 OMB recommendation	<u>11,193</u>	<u>10,934</u>	<u>439</u>
Effect of OMB recommendation on agency request	-2,307	-2,466	100
1978 estimate	11,193	10,934	439

^{1/} CFTC came into being April 21, 1975--this represents appropriation of \$2,138 K for CEA plus an additional \$2,473 K to implement the Act.

COMMODITY FUTURES TRADING COMMISSION

1120 CONNECTICUT AVENUE N. W.
WASHINGTON, D. C. 20036

November 14, 1975

Honorable James Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

The Commodity Futures Trading Commission has been informed that the Office of Management and Budget in responding to CFTC's 1977 Budget Submission has denied all of the requested increases and also has reduced our FY 1976 permanent employment ceiling.

I realize that these actions are taken to comply with the President's austerity program. However, I feel that you have not fully considered CFTC's situation. As a new regulatory agency, we are charged with not only the implementation of new programs, but also increased scope and responsibilities over existing programs (see attachment). Our budget for the current fiscal year naturally was prepared prior to implementation of the CFTC. Consequently, it has proven inadequate in many respects. This is not unusual; in fact, all new agencies find themselves in this situation. I am concerned that OMB has apparently disregarded this factor.

I am distressed that you have cut our current personnel ceiling. I personally feel that in establishing the CFTC, one of my first priorities is a cautious approach to staffing. This agency will be in existence many years, and I have an obligation to establish it with this objective in mind. In addition, the CFTC has a difficult recruitment problem which I am sure you will appreciate. People with the experience we need are not readily available within the Government, and many of those in industry are priced out of our market. I also have had to reprogram positions that were not provided for in the 1976 budget to the detriment of ongoing programs. For example, the Office of General Counsel was authorized 13 positions; I have had to increase them to 40. The Office of Hearings and Appeals was authorized 4 positions, and had to be increased to 16. The Office of Public Information was authorized 2 positions; they were increased to 6. In addition, there was no provision made in the FY 1976 budget for either the Office of the Chief Economist (which includes the Congressionally mandated research and education functions), the Division of Enforcement, or the Office of Congressional Affairs. Fifty positons have had to be reprogrammed to take into account these

critical functions for FY 1976. The 50 positions for FY 1977 are to compensate for this reprogramming and to take into account additional staffing requirements for those responsibilities that have been postponed until next year, i.e., reparations and options.

I would like to point out that it is difficult to give you specific workload data at this point because we are new. However, early evidence indicates that we have underestimated our workload based on our FY 1976 budget. For example, our FY 76 budget anticipated a 4% increase in the volume of trading. Actual experience based on the first quarter is that the volume of trading has increased 33%. An underestimation of this magnitude has imposed a tremendous burden on the entire operation of the CFTC. We also estimated that there would be 71 active contract markets, when in fact the number is 89. We have underestimated our registration workload. For example,

	<u>FY 1976 Estimate</u>	<u>FY 1976 Actual</u> (based on 1st quarter)
FCM Associated Persons	10,000	12,000
Floor Brokers	1,833	2,300
Commodity Advisors and Pool Operators	100	600

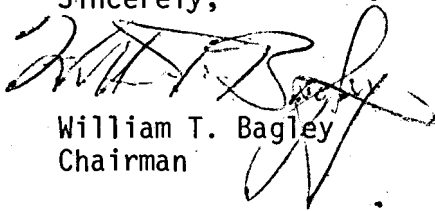
In addition, we anticipated a need of 8.8 people alone to handle Commodity Advisors and Pool Operators, which has proven inadequate.

I can appreciate the fact that you are taking a cautious approach to increases in automatic data processing operations in the Federal Government; however, CFTC would not be duplicating any existing Government systems. We have inherited an extremely old and unsophisticated system from the Department of Agriculture. As you are aware, section 18 of the CFTC Act requires us to determine "the feasibility...of expanded use of modern information system technology, electronic data processing and modern communications systems for purposes of improving, strengthening, facilitating and regulating futures trading operations". Even if we were not required by law to provide this, one of my top priorities would be to upgrade the existing system.

The amount requested for cooperative agreements would be used for joint research projects with universities. The items requested to increase personnel and inflationary costs are necessary to prevent a reduction in on-going programs.

I can only reiterate after careful examination of our needs in accordance with Presidential policy guidelines that as Chairman of the Commodity Futures Trading Commission I believe our FY 1976 personnel ceiling and FY 1977 request are essential to the mission of the CFTC.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. T. Bagley', written over a printed name and title.

William T. Bagley
Chairman

Attachment

ATTACHMENT

The major increases in authority and responsibility of the Commission over that exercised by the Secretary of Agriculture under the Commodity Exchange Act are due to the Commodity Futures Trading Commission Act which:

1. Extends regulation to all futures markets, including markets in currently unregulated agricultural commodities, e.g., coffee, sugar, cocoa and lumber; metals, e.g., gold, silver and copper; foreign currencies, e.g., Japanese yen, British pound and Deutschemark.
2. Gives the Commission exclusive jurisdiction over all futures transactions.
3. Requires the Commission, in approving any bylaw, rule or regulation of a contract market, to take into consideration the public interest to be protected by the antitrust laws.
4. Provides regulation for margin or leverage transactions for the delivery of gold and silver, bullion and coins.
5. Provides a customer's reparation procedure for handling customers' complaints which arise from violations of the Act.
6. Regulates commodity trading advisors and commodity pool operators and sets fitness standards for persons engaged in these activities.
7. Extends fitness standards now applied to floor brokers and principals of futures commission merchant firms to all persons handling customers' accounts.
8. Directs the Commission to determine whether floor brokers and futures commission merchants may trade for their own account and for customers and, if so, under what conditions.
9. Authorizes the Commission to establish additional delivery points for futures contracts to diminish price manipulation, market congestion, or the abnormal movement of commodities in interstate commerce if, after a request by the Commission, a contract market fails to establish such points.
10. Authorizes the Commission to approve, disapprove, or require a contract market to make changes in its rules where necessary or appropriate for protection of the public interest.

11. Authorizes the Commission to go into court to obtain injunctions to prevent violations of the Act or restraint of trade.
12. Authorizes the Commission to direct a contract market to take action in an emergency situation to maintain or restore orderly trading in futures contracts.
13. Authorizes penalties up to \$100,000 in administrative proceedings for violations of the Act.
14. Increases the criminal penalties from \$10,000 to \$100,000 for violations of the Act.
15. Authorizes the Commission to determine whether option trading is to be permitted in the currently unregulated commodities and, if so, under what conditions.
16. Directs the Commission to define "bona fide" hedging.
17. Authorizes the Commission to require contract markets to file with the Commission daily reports showing the details of all trades, including the time of execution and identification of the parties thereto.
18. Authorizes the Commission to discipline a member of a contract market if the contract market fails to do so and to review, upon appeal, and set aside disciplinary action of a contract market against a member.
19. Authorizes the Commission to approve and set the standards for voluntary associations established by the commodity trading business to regulate the practices of members.
20. Requires the Commission to establish and maintain research and information programs to investigate new technology which might be used to strengthen or improve futures trading, e.g., trading by computer.
21. Requires the Commission to investigate the need for an insurance program to protect customers against losses caused by the financial failure of futures commission merchants.

SMITHSONIAN INSTITUTION

Comments

Agency requested increases primarily to staff Air and Space Museum opening July 4, 1976, and to accelerate Zoo construction, but also to cover general increases in utilities, rent, etc. OMB budget authority mark would allow staffing of new museum but not acceleration of Zoo construction. (Total outlays will decrease in 1977 largely because of the relatively high level of outlays in 1976 to complete the Air and Space Museum.) Agency has agreed to OMB mark.

	Budget authority (In millions of dollars)	Outlays (In millions of dollars)	Full-time permanent employment
1975 actual.....	92.4	95.0	2,900
1976 current estimate.....	96.9	109.1	3,168
1976 OMB employment ceiling.....	xxxx	xxxxx	3,168
Transition quarter current estimate.....	25.2	36.0	3,168
1977 agency request.....	133.4	112.5	3,419
1977 OMB recommendation.....	<u>101.6</u>	<u>99.5</u>	<u>3,269</u>
Effect of OMB recommendation on agency request.....	- 31.8	- 13.0	- 150
1978 estimate.....	101.6	99.5	3,269

NATIONAL GALLERY OF ART

Comments

The Gallery requested increases primarily for staffing and equipping the new East Building scheduled to open in FY 1977 (built with \$92+ million in non-Federal funds), and smaller increases for such items as staging temporary exhibits (including a major Egyptian exhibition) and dealing with mounting backlogs of curatorial and conservation work. The OMB recommendation provides additional funds largely related to the opening of the new building. The Gallery has agreed to defer requests for several items not associated with the new building as part of reduction efforts.

Although negotiations with Gallery officials did not reach the point of agreeing to the specific OMB recommendation, it is expected that the mark recommended will be accepted.

	Budget authority (In millions of dollars)	Outlays of dollars	Full-time permanent employment
1975 actual.....	7.0	7.1	426
1976 current estimate.....	7.6	7.9	444
1976 OMB employment ceiling.....	xxx	xxx	444
Transition quarter current estimate.....	2.0	1.9	444
1977 agency request.....	13.5	12.1	543
1977 OMB recommendation.....	<u>12.1</u>	<u>10.7</u>	<u>533</u>
Effect of OMB recommendation on agency request.....	- 1.4	- 1.4	- 10
1978 estimate.....	10.8	10.7	533

Woodrow Wilson
International
Center for Scholars

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Comments

The Center requested a substantial increase in support for fellowships, including an increase in the number of Federal fellows from 20 to 30. OMB recommendation holds the number of Federal fellows at the current level but allows hiring of an additional executive to assist with raising private funds for fellowships and other purposes, and covers minor needed increases. The Center has appealed essentially the entire original request for 1977 and is likely to press for an increase over the OMB mark.

	Budget authority (In thousands of dollars)	Outlays	Full-time permanent employment
1975 actual.....	954	1,006	20
1976 current estimate.....	962	1,042	20
1976 OMB employment ceiling.....	xxx	xxx	20
Transition quarter current estimate.....	238	238	20
1977 agency request	1,704	1,704	28
1977 OMB recommendation.....	<u>1,098</u>	<u>1,098</u>	<u>22</u>
Effect of OMB recommendation on agency request	-606	-606	-6
1978 estimate.....	1,098	1,098	22