

The original documents are located in Box 15, folder “12/21/74 HR17505 Budget Authority Rescissions” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Copyright Notice

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 Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections.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

Exact duplicates within this folder were not digitized.

APPROVED
DEC 21 1974

Statement issued
12/23/74

ACTION

THE WHITE HOUSE

Last Day: December 24

WASHINGTON

December 20, 1974

MEMORANDUM FOR

THE PRESIDENT

FROM:

KEN COLLE *(initials)*

SUBJECT:

Enrolled Bill H.R. 17505 - Budget Authority Rescissions

Postcard Colorado
12/23

To AAC NEWS
12/24

Attached for your consideration is H.R. 17505, sponsored by Representative Mahon, which rescinds \$131 million in budget authority for programs of the Appalachian Regional Commission and the Departments of Agriculture, Interior and Housing and Urban Development.

The enrolled bill is the result of Congressional consideration of seven of 46 rescissions you have proposed. It agreed to five without change but the two items they eliminated from the bill (REA loans and REAP funds) contained more than 80 percent of the funds requested for rescission.

OMB provides you with additional background information in its enrolled bill report (Tab A).

Roy Ash recommends approval of the bill and recommends you issue a signing statement calling attention to Congressional inaction on the REA and REAP rescissions. Phil Areeda and Max Friedersdorf recommend approval.

RECOMMENDATION

That you sign H.R. 17505 (Tab B)

Approve Signing Statement RR9 (Tab C)

Disapprove Signing Statement _____



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

DEC 19 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 17505 - Budget authority
rescissions
Sponsor - Rep. Mahon (D), Texas

Last Day for Action: December 24, 1974 - Tuesday

<u>Rescissions Requested:</u>	<u>Proposed</u>	<u>Enrolled Bill</u>	<u>Congressional Change</u>
(budget authority in millions of dollars)	672.2	131.5	-540.6

Outlay Effect: FY 1975: +\$151.8 million FY 1976: +\$236.8 million

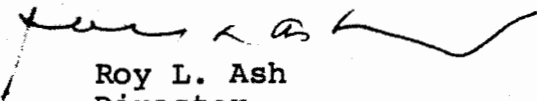
Highlights:

- ° The Congress considered seven of 46 rescissions you have proposed. It agreed to five without change (see attached memorandum).
- ° Excluded from the bill are two items accounting for 80 percent of the total amount requested for rescission (in the seven items):

	<u>Budget Authority</u>
REA Loans.....	\$455,635,000
Agricultural Conservation Program (REAP).	<u>85,000,000</u>
Total.....	\$540,635,000

- ° The affected REA loans have been released. REAP funds are not required to be released until the third quarter.

RECOMMENDATION: That you sign the bill and concurrently issue a signing statement calling attention to Congressional inaction on the REA and REAP rescissions.


Roy L. Ash
Director

APPROVED
DEC 21 1974

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 19 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 17505 - Budget authority
rescissions
Sponsor - Representative Mahon (D), Texas

Last Day for Action

December 24, 1974 - Tuesday

Purpose

Rescinds \$131 million in budget authority for programs of the Appalachian Regional Commission and the Departments of Agriculture, Interior, and Housing and Urban Development.

Agency Recommendations

Office of Management and Budget Approval (Signing statement and fact sheet attached)

Affected agencies Approval (Informal)

Discussion

The enrolled bill is the result of the Congress' consideration of seven of the 46 rescissions you have proposed under section 1012 of the Impoundment Control Act of 1974 (Public Law 93-344). The seven items (numbered R75-1A, 2, 3, 4A, 5, 6A, and 7A) were included in your messages of September 20 and October 4, as revised by your message of November 13.

The Congress approved without change five of the seven items, but the two items they eliminated from the bill contained more than 80 percent of the funds requested for rescission. The Congress approved only \$131 million of the \$672 million requested for rescission. Thus, although the Congress may point to its affirmative action on five of your first seven rescission proposals as evidence of its commitment to reduce Federal spending, the rescissions approved only serve to keep spending at the current level while inaction on the other two rescissions pose significant threats to your efforts to reduce Federal spending.

The following items were approved for rescission as requested:

<u>Item</u>	<u>Budget Authority</u>
Appalachian Regional Development Programs:	
Airport Construction.....	\$ 40,000,000
Agriculture: Forest Service:	
Forest Roads and Trails.....	61,611,000
Housing and Urban Development:	
College Housing.....	14,518,000
Interior:	
Bureau of Land Management: Public Lands Roads and Trails:.....	4,891,000
National Park Service: Road Construction.	<u>10,461,000</u>
Total.....	\$131,481,000

The following requests for rescissions are not included in the enrolled bill:

<u>Item</u>	<u>Budget Authority</u>
Rural Electrification Administration (REA):	
Loans.....	\$455,635,000
Agricultural Conservation Program (REAP)...	<u>85,000,000</u>
Total.....	\$540,635,000

The provisions of the Impoundment Control Act of 1974 require that funds proposed for rescission under Section 1012 of the Act must be made available after 45 days of continuous session of the Congress unless the Congress has completed action on a rescission bill. Accordingly, the REA loan funds were released on December 11. Release of the Agriculture Conservation Program (REAP) funds would not be required until the third quarter of FY 1975 because the REAP rescission proposal was transmitted at a later date. The 45 day clock is stopped by the adjournment sine die of the 93rd Congress and reset to day one when the 94th Congress convenes.

Assuming that the Congress will not give further consideration to the REAP rescission proposal nor overturn deferrals of budget authority associated with the approved rescissions for the Agriculture and Interior road construction programs, the following table shows that Congressional action and inaction on the seven rescission proposals could potentially increase spending in FY 1975 and FY 1976 by \$151.8 million and \$236.8 million respectively. This budgetary effect results because our current spending totals assume realizing the outlay savings associated with each of the proposed rescissions.


<u>Congressional Action</u>	Outlay Effect (dollars in millions)	
	<u>1975</u>	<u>1976</u>
Appalachian Regional Development.....	(-2.0)	(-4.0)
Forest Roads and Trails.....	(-2.3)	(-7.6)
College Housing.....	--	--
Bureau of Land Management, Public Lands Roads and Trails.....	(-0.8)	(-2.3)
National Park Service, Road Construction.....	--	--
Savings assumed in current totals..	(-5.1)	(-13.9)
<u>Congressional Inaction</u>		
REA Loans.....	+151.8	+151.8
Agriculture Conservation Program (REAP).....	--	+85.0
Potential increases to budget.....	+151.8	+236.8

The outlay threat from the REA loans results from a potential class action suit to force use of these funds for applications pending at the time the current program was signed into law. (See attached fact sheet.) If such a suit is filed and successfully forces obligation of all of the funds in FY 1975, then outlay increases would total \$152 million annually during FY 1975-77.

If currently pending legislation on REAP (S. 3943) is enacted prior to December 31, 1974, the \$85 million would remain available until December 31, 1975. Under this contingency, the full \$85 million would likely be obligated, and FY 1976 outlays would be increased by \$85 million. If the legislation fails to become law (a veto may be necessary), the funds will lapse on December 31, 1974, and the threatened outlay increase will not materialize.

Recommendation

I recommend that you sign the bill into law and concurrently issue a signing statement calling attention to Congressional inaction on the REA Loan and REAP rescissions.



Roy L. Ash
Director

Attachments

STATEMENT BY THE PRESIDENT

I have today signed H.R. 17505, a bill to rescind \$131 million budget authority that is not needed for five federal programs. This is the first such bill to come to me under the new provisions established by the Congressional Budget and Impoundment Control Act of 1974. In that respect, I take pleasure in signing this bill because its passage demonstrates that the new procedures will work.

However, at the same time, I am dismayed that the Congress failed to include in this bill rescissions I proposed of \$85 million for the so-called "REAP" program and \$456 million for the Rural Electrification Administration. By failing to include my proposals in this bill, the Congress has, in effect, insisted that \$541 million of the taxpayers money be spent, even though there is no demonstrated need.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures of special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 799

Date: December 19, 1974

Time: 4:30 p.m.

FOR ACTION: Mike Duval *oh.*
 Max Friedersdorf *oh*
 Phil Areeda *oh.*
 Paul Theis

cc (for information): Warren Handriks
 Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 19

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill H.R. 17505 - Budget Authority Rescissions

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

 K. R. COLE, JR.
 For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 799

Date: December 19, 1974

Time: 4:30 p.m.

FOR ACTION: Mike Duval ✓
Max Friedersdorf
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 19

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill H.R. 17505 - Budget Authority Rescissions

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Concur

M. Duval

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE
WASHINGTON

December 20, 1974

MEMORANDUM FOR: WARREN HENDRIKS
FROM: MAX L. FRIEDERSDORF *M.G.*
SUBJECT: Action Memorandum - Log No. 799
Enrolled Bill H. R. 175705 - Budget Authority
Rescissions

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

Date: December 19, 1974

Time: 4:30 p.m.

FOR ACTION: Mike Duval
Max Friedersdorf
Phil Areeda ✓
Paul Theiscc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 19

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill H.R. 17505 - Budget Authority Rescissions

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Sign

P Areeda

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

STATEMENT BY THE PRESIDENT

In my message to the Congress of September 20, 1974, I stated that the proposed rescissions and deferrals which I was then transmitting to the Congress were essential to budgetary restraint. It is true now, as it was then, that we cannot allow excess Federal spending to stimulate demand in a way that exerts further pressures on prices. Further, we cannot expect others to exercise necessary restraint unless the Government itself does so. I indicated on September 20 that failure to maintain the proposed rescissions and deferrals would jeopardize our ability to control Federal spending not only during the current fiscal year but, more importantly, for several years to come.

In my September 20 message I noted that the recently enacted Congressional Budget and Impoundment Control Act of 1974 provided new procedures for executive reporting and congressional review of actions by the executive branch affecting the flow of Federal spending and thereby served to make the Congress a full partner in the continuing struggle to keep Federal spending under control.

Despite my plea for fiscal responsibility, the Congress has failed to rescind \$85 million in budget authority for the Agricultural Conservation Program (REAP) and \$456 million in budget authority for the Rural Electrification Administration (REA). If these funds are fully obligated in FY 1975, expenditures would increase by about \$150 million in FY 1975, \$230 million in FY 1976, and \$150 million in FY 1977.

In the case of the Agricultural Conservation Program (REAP), adequate cost-sharing funds are available to meet the needs of eligible applicants for good conservation practices.



In the case of the REA loans, the funds were originally provided for rural electric and rural telephone direct loans at a two percent interest rate. The decision by the Congress not to rescind these funds was made despite my reminder that the release of these funds would be inconsistent with legislation enacted in 1973 by this same Congress. That legislation amended the Rural Electrification Act of 1936 so as to limit the availability of two percent insured loans to cases of special need. I also reminded them that loans to borrowers who meet the specified criteria can be financed from funds to be provided in the Agriculture-Environmental and Consumer Protection Appropriation Act of 1975. Further, at the time that compromise legislation on REA was enacted, there was no indication of congressional intent to utilize the two percent funds which are now made available.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures to special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.

Research Fact Sheet Rural Electric
and Telephone Loan Programs

Background

As a part of the effort to hold down 1973 Federal budget outlays and the outstanding public debt, the direct loan program of the Rural Electrification Administration was converted to an insured and guaranteed loan program beginning January 1, 1973. The direct loans had been made at a 2% interest rate under legislation first enacted in 1936. The new loan program was made possible by the enactment of the Rural Development Act of 1972 which provided broad authorities under Section 104 to make guaranteed and insured loans to finance all types of community development programs.

Reform of 2% Program

Reform of these REA loan programs was needed to achieve multiple objectives:

- To eliminate direct Federal loans, thereby providing an opportunity to private lenders to finance the credit needs of REA borrowers through the use of Federal guarantees.
- To substitute interest rates closer to the then existing Treasury borrowing rates for the outmoded 2% rate which was established in the mid-forties under the Pace Act when the corresponding Treasury borrowing rates were artificially depressed in a win-the-war atmosphere.
- Shifting the funding from direct loans to insured and guaranteed loans was designed to make possible increased loan resources at reduced Federal cost for REA borrowers within the President's spending goal of FY 1973. It was contemplated that more liberal funding levels in future years would be possible under this reformed program.
- Increased lending under the Rural Development Act was designed to facilitate more rapid growth in the financing that would be provided by the National Rural Utilities Cooperative Finance Corporation - "CFC," the Rural Telephone Bank, and other private lenders.



Compromise Legislation

Both the Senate and the House passed bills which would have reversed the Administration's decision and provided mandatory spending levels for these program. During the subsequent conference, the Administration continued its concerted effort in support of the President's rural electrification and telephone program objectives. Secretary Butz, speaking for the Administration in a letter to Chairman Poage warmly endorsed the resulting compromise and committed the Administration to provide specific levels as minimums both for funding the programs and for the "special rate" (2%) insured loans to eligible borrowers under the authorities of Section 305 of the Act through FY 1976. This commitment was conditioned on amending the legislation to delete mandatory spending language and eliminating legislative direction with respect to hardship cases beyond the criteria set forth in the House-passed bill. The Congress agreed with those conditions and the President signed the bill into law as P.L. 93-32.

The key provisions of P.L. 93-32 are summarized below:

- Creates insured and guaranteed loan programs for rural electric and telephone purposes.
- Establishes a Rural Electrification and Telephone Revolving Fund to be capitalized largely from (a) current assets of the REA, (b) loan repayments, and (c) new appropriations necessary to reimburse the fund for losses (bad loans and interest differential costs).
- Removes both the Fund's and the Rural Telephone Bank's loans from Federal budget totals and exempts the programs from expenditure ceilings.
- Authorizes insured loans at (a) 5 percent (standard rate) or 2 percent (special rate) in cases where the electric or telephone borrower meets a certain subscriber density or average gross revenue per mile level. In addition, the special rate loan could be made in certain hardship cases at the discretion of the REA Administrator.
- Increases the borrowing authority of the Rural Telephone Bank from 8 to 20 times capital and allows a Federal Guarantee on debentures issued by the Rural Telephone Bank.

- Requires a single interest rate for the Rural Telephone Bank based on its average cost of moneys but no less than 5 percent.
- Authorizes refinancing of rural electric and telephone loans made under the Rural Development Act.

Impact of REA Rescission Deletion

The effect of the failure of the Congress to enact the proposed REA rescission is that the REA will probably be required to obligate the full amount of the \$456 million which has been apportioned. There appears to be nothing in the legislative history of either P.L. 93-32 or of the recently enacted Budget Rescission Act to compel REA to initiate obligation of these funds since the needs of qualified borrowers for insured loans at both the special and regular rates can be met within current funding levels.

However, there is the likelihood of suits being filed by borrowers who had loan applications pending at the time of the signing of P.L. 93-32, who subsequently accepted regular 5% insured loans under P.L. 93-32 and are now seeking conversion on those loans to 2% direct loans. One of those suits may be a class action suit and if successful could cause the conversion to 2% direct loans of all other regular 5% insured loans that were pending and funded at the time that P.L. 93-32 was signed. This would be more than enough to obligate the full \$456 million now made available.

The obligation of the \$456 million in a single year would probably result in additional "on budget" outlays of approximately \$150 million each year for three years.

REA Loan Program Levels

The following table shows the loan program levels for the REA electric and telephone programs since FY 1972.

	Loan Program Levels \$M				
	<u>FY 1972</u> <u>Actual</u>	<u>FY 1973</u> <u>Actual</u>	<u>FY 1974</u> <u>Actual</u>	<u>FY 1975</u> <u>Est.</u>	<u>FY 1976</u> <u>Budget Est.</u>
<u>Electric Program:</u>					
Direct (on Budget)	438.3	228.0	0.6	-	-
Insured (off budget)	-	390.0	618.0	700.0	618.0
Guaranteed (off budget)	<u>-</u>	<u>-</u>	<u>974.4</u>	<u>1,286.0</u>	<u>1,286.0</u>
Total	438.3	618.0	1,593.0	1,986.0	1,904.0
<u>Telephone Program:</u>					
Direct (on budget)	133.7	55.0	-	-	-
Insured (off budget)	-	89.0	140.0	200.0	140.0
Telephone Bank (off budget after 5/11/73)	91.0	150.0	163.0	160.0	180.0
Guaranteed (off budget)	<u>-</u>	<u>-</u>	<u>-</u>	<u>100.0</u>	<u>160.0</u>
Total	224.7	294.0	303.0	460.0	480.0



PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Appalachian Regional Commission (ARC)	New budget authority	\$ <u>318,500,000</u> ^{1/}
Bureau	(P.L. <u>92-65</u>)	
	Other budgetary resources	<u>276,103,000</u> ^{2/}
Appropriation Title & Symbol	Total Budgetary Resources	<u>594,603,000</u>
Appalachian Regional Development Programs 11X0090 (Section 208 - Appalachian Airport Safety Improvements)	Amount proposed for rescission	<u>40,000,000</u>

JUSTIFICATION Contract authority of \$40,000,000 is proposed for withdrawal pursuant to the Antideficiency Act (31 U.S.C. 665). The airport safety activities provided for under this contract authority are already being achieved under the authority for the FAA program for navigation aids, the national program of grants-in-aid for airports and by State and local governments through ARC's Supplemental Grant authority. The Federal Cochairman of ARC does not plan to request an appropriation to liquidate this contract authority prior to the expiration of the authorization on June 30, 1975, and has so notified the State members of the Commission.

ESTIMATED EFFECTS: The withdrawal of this contract authority will not significantly affect the ability of localities in the Appalachian region to improve their airports because of the existence of other airport construction and safety programs.

Had there been an appropriation in 1975 to liquidate this contract authority, this withdrawal would represent outlay savings of approximately \$2,000,000 in FY 1975 and future savings of approximately \$4,000,000 in FY 1976 and \$9,000,000 in FY 1977. The FY 1975 savings are assumed in the latest budget estimates. Thus, this withdrawal has the effect of maintaining the current budget estimates.

^{1/}\$185,000,000 of which is 1976 contract authority not available for obligation in FY 1975 pursuant to P.L. 93-393.

^{2/}\$25,000,000 of which is 1975 contract authority not available for obligation in FY 1975 pursuant to P.L. 93-393.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Agriculture	New budget authority	\$ _____
Bureau Rural Electrification Administration	(P.L. _____)	
Appropriation Title & Symbol	Other budgetary resources	<u>455,635,000</u>
Loans 12X3197	Total Budgetary Resources	<u>455,635,000</u>
	Amount proposed for rescission	<u>455,635,000</u>

Justification

Public Law 93-32, approved May 11, 1973, amended the Rural Electrification Act by establishing the Rural Electrification and Telephone Revolving Fund (RETRF). Insured electric and telephone loans are now financed from this fund. Public Law 93-32 recognized and dealt with two major objectives which were particularly essential to the reform of the REA program. First, it limited the availability of Federally insured loans at the "special" 2% interest rate to those electric or telephone borrowers in rural areas with a definite need as defined explicitly in the legislation. Second, it provided that in those areas in which the borrowers are able and can afford to help themselves, credit and assistance will come from the private sector.

The funds now proposed for rescission, when appropriated, were for direct Government loans at 2% interest for all borrowers in rural areas for the purposes authorized in Sections 4 and 201 of the Act. We believe that the Congress in enacting Public Law 93-32, subsequent to this authorization, recognized that the need for the indiscriminate use of a 2% interest rate should now be limited to those borrowers meeting the criteria for need expressed in Section 305(b) of the Act, as amended by P.L. 93-32.

Estimated Effects

No effect is anticipated since use of the funds is not planned and the needs of the borrowers for insured loans at the special rate can be met within levels of funding to be provided when the Appropriation Act is enacted.

If the Department were to obligate these funds in 1975, they would be made available to borrowers that do not qualify under current law and added spending would result as follows:

	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
Electric loans.....	\$122,155,333	\$122,155,333	\$122,155,334
Telephone loans.....	29,722,842	29,722,842	29,722,841
TOTAL.....	<u>\$151,878,175</u>	<u>\$151,878,175</u>	<u>\$151,878,175</u>

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency U.S. Department of Agriculture	New budget authority	\$ -
Bureau Agricultural Stabili- zation & Conservation Service	(P.L. _____)	
Appropriation Title & Symbol	Other budgetary resources	175,000,000
Agricultural Conservation Program (REAP) - 124/63315	Total Budgetary Resources	175,000,000
	Amount proposed for rescission	85,000,000

JUSTIFICATION

Under the Agricultural Conservation Program (ACP) - authorized by the Soil Conservation and Domestic Allotment Act, approved February 29, 1936 - payments are made to landowners and operators to encourage the use of good soil and water conservation practices. In December 1972, the program was terminated by the Executive Branch because a substantial portion of the funds was being used on practices that were of short term benefit and of questionable value to the nation.

A new program was announced on December 20, 1973 (1974 program) which emphasized conservation practices of long-range benefit to the nation. Since the program sharply limited the number of subsidized practices, only \$90 million of the \$175 million authorized was made available. If the \$85 million balance is not rescinded, it will lapse on December 31, 1974.

Subsequent to the announcement of the 1974 program, \$210 million in funds applicable to the 1973 program were made available by court action. This made a total of \$300 million available in 1974 for conservation cost sharing. In view of this, and since the 1975 program will be announced shortly after funds for such a program are authorized, increasing the program level for the 1974 program would provide little if any additional conservation benefits to the nation.

ESTIMATED EFFECT

Release of the funds would increase 1976 outlays by \$85 million. The rescission of this amount will reduce the Federal participation in cost-sharing with individual farmers for conservation. It will not have a significant effect on the amount of necessary conservation which is carried out since most of the practices included in this program are generally good farming practices and will be undertaken by the individual farmer without cost-sharing.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency	
<u>Department of Agriculture</u>	New budget authority \$ <u>187,003,064*</u>
<u>Bureau</u>	16 U.S.C. 501/23 U.S.C. 203
<u>Forest Service</u>	Other budgetary resources <u>452,000,000*</u>
Appropriation Title & Symbol	Total Budgetary Resources <u>639,003,064*</u>
12X2262 Forest Roads & Trails	
12X5203 Forest Service Road & Trails for State National Forest Fund	Amount proposed for rescission <u>61,611,064*</u>

Justification:*

The Federal Aid Highway Act of 1970 provided contract authority (CA) of \$170M in both fiscal years 1972 and 1973. The CA is available for two years after the fiscal year for which it was authorized. The \$157,392,000 made available for the Forest Road and Trails program represents the funding required to support resource development and use plans for the national forest system in 1975. This amount is made up of \$108,388,936 of 1973 CA available for use through 1975, \$47,003,064 available from 10 percent of national forest receipts (16 U.S.C. 501) and \$2,000,000 in anticipated reimbursements. An additional \$61,611,064 of 1973 CA is not needed to achieve the 1975 program objectives and will lapse on June 30, 1975. This amount is proposed for rescission. The deferral of \$420 million has been made the subject of another report (D75-24) transmitted to Congress on October 4, 1974.

The 1975 program level has been prepared considering resource development and use opportunities and the associated benefit/cost relationships to the extent possible. Analysis of additional program opportunities is necessary and is continuing to better determine their benefit/cost relationships and to establish priorities. Road requirements are a major consideration in these efforts, It is conceivable that upon further analysis, some increase or decrease in the program might be justified but these possible changes are expected to be relatively small in relation to the CA available.

Congressional appropriation action (P.L. 93-404) provided \$120,864,000 in cash to liquidate contract authority and the Committee reports directed an increase in obligations of \$7,400,000. The appropriated cash to liquidate contract authority is slightly less than the Administration's request of \$121,000,000 but with careful management is believed to be sufficient to carry out the 1975 program plan as amended by Congress. Additional obligations in 1975 would increase 1975 cash requirements beyond that made available by the Congress in its review of and action on the 1975 program plan.

*Revised from previous submission.

(Cont'd.)

Estimated Effects:*

If this contract authority were to be made immediately available the result would be an estimated increase in the program level of about \$11.6 million in the current year. The increased program level would in turn, require additional appropriations for liquidation of contract authority and increased outlays of about \$2.3 million in FY 1975, \$7.6 million in FY 1976, and \$1.7 million in FY 1977. Greater outlay increases are unlikely because necessary planning and other preconstruction activities have not been accomplished.

* Revised from previous submission.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Housing and Urban Development	New budget authority	\$ <u>---</u>
Bureau Housing Production and Mortgage Credit	(P.L. _____) Other budgetary resources	<u>14,518,000</u> (contract authority)
Appropriation Title & Symbol	Total Budgetary Resources	<u>14,518,000</u>
College Housing 86X4058	Amount proposed for rescission	<u>14,518,000</u>

Description:

The College Housing program was authorized by Title IV of the Housing Act of 1950, as amended. It has provided financial assistance to colleges and eligible hospitals for the construction or acquisition of housing and related facilities through debt service grants which reduce the cost of borrowing on the private market.

No new approvals have been made under the program since January 8, 1973, on the basis that the program was an inefficient means of providing higher educational assistance for needy students. The College Housing program provided benefits to all residents regardless of income while doing little to reduce the financial barrier to higher education for low-income students. Unused contract authority in the amount of \$14,518,000 is estimated to be available as of June 30, 1974.

Title II of the recently enacted Housing and Community Development Act of 1974 could provide assisted housing for eligible low-income students under a new Lower Income Housing Assistance Program. HUD is moving promptly to implement this program. In view of the availability of the revised leasing program, new debt service grant commitments are not warranted. Rescission of this contract authority is therefore requested under the provisions of the Antideficiency Act.

Estimated Effects:

Rescission of the amount shown above will not interfere with the Federal Government's ability to assist needy students either to attend college or find suitable housing.

Use of these funds would increase Federal outlays by an additional \$15 million annually up to 40 years, beginning in FY 1977.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Interior	New budget authority (23 USC 203)	\$ 10,000,000
Bureau Bureau of Land Management	Other budgetary resources	30,086,585*
Appropriation Title & Symbol	Total Budgetary Resources	40,086,585*
Public Lands Development Roads and Trails 14X1113	Amount proposed for rescission	4,891,000

Justification:*

The \$5,195,585 programmed for the Public Lands Development Roads and Trails represents the funding required to support resource development and use plans for the public lands in 1975. The Federal Aid Highway Act of 1970 provides contract authority of \$5 million for 1972 and \$10 million for 1973 to be available for two years subsequent to the fiscal year for which it is authorized. The Federal Aid Highway Act of 1973 provides additional contract authority of \$10 million for each of fiscal years 1974, 1975 and 1976 and authorizes use of this authority one year in advance of and two years subsequent to the fiscal year for which it is authorized. The total budgetary resources for this program consist of \$10,000,000 in 1976 contract authority, \$30,036,585 in unobligated balances carried forward from fiscal year 1974 and \$50,000 in anticipated reimbursements. Under the existing program, \$4,891,000 of contract authority will lapse on June 30, 1975, and \$30 million will be carried into 1976.

The 1975 program level has been prepared considering resource development and use opportunities and the associated benefit/cost relationships to the extent possible. The program for road development in any one year is based on estimated requirements to meet the objectives for multiple use resource development and use plans on the national resource lands.

This program is reviewed annually by the Congress when it takes action on the appropriation required to liquidate obligations under existing contract authority. Thus, the amount of contract authority made available has been implicitly approved by the Congress.

Estimated Effects:

Rescission of these funds will have no adverse effects on the program in future years. The \$4,891,000 proposed for rescission is 1973 contract authority which will lapse at the end of this fiscal year. If this unneeded contract authority were made immediately available, those projects that have unfavorable benefit/cost relationships would be funded. These projects would yield either limited benefits over the life of the project, benefits that can only be realized several years in the future, or both results. This proposed rescission and the deferral of \$30 million in this account are consistent with a program level that provides optimum utilization of available funds.

*Revised from previous submission.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency	Interior	New budget authority	\$105,000,000
Bureau	National Park Service	(23 USC 203)	
Appropriation Title & Symbol	Road Construction	Other budgetary resources	229,053,632*
	14X1037	Total Budgetary Resources	334,053,632*
		Amount proposed for rescission	10,461,028*

Justification:*

The Federal Aid Highway Act of 1970 provides contract authority of \$20 million for 1972 and \$50 million for 1973. The contract authority is available for the two subsequent years after the year for which it was authorized. In addition, the Federal Aid Highway Act of 1973 provides contract authority of \$90 million for 1974, \$105 million for 1975, and \$105 million for 1976, and authorizes use one year in advance of the year for which it was authorized. The amount proposed for rescission will lapse at the end of the current fiscal year.

In the Department of Interior and Related Agencies Appropriations Act of 1975 (P.L. 93-404), the Congress approved a new obligational program of \$38,926,000. This amount, along with an amount of \$28,530,145 programmed for 1974 but as yet unobligated, will give the Park Service a total obligational program of \$67,456,145 for 1975. Allowance has been made for use of all the contract authority necessary to carry out this program level. Obligation of all available CA would result in the low-priority use of scarce Federal financial resources. Many of the facilities and interpretive systems which these projects could serve are not yet planned or are not needed until future years.

Historically, Congress has provided contract authority for this program in excess of the Park Service's construction capacity. The program level in each year, however, has reflected a level of obligations implicitly approved by the Congress in its review of and action on the appropriation required to liquidate obligations under existing contract authority.

Estimated Effects:

It is unlikely there would be a significant increase in the program even if the additional contract authority were made available. If this authority is not rescinded, it is unlikely that a substantial portion of it could be obligated this fiscal year for the reasons stated.

*Revised from previous submission.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 807

Date: December 20, 1974

Time: 9:30 p.m.

FOR ACTION: Geoff Shepard
Phil Areeda
Max Friedersdorf
Paul Theis ✓ *OK/BA*

cc (for information) Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 23

Time: noon

SUBJECT:

Enrolled Bill H.R. 16424 - Commission on
Federal Paperwork

ACTION REQUESTED:

974
DEC 21
AM 10 41

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks _____
For the President

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

DEC 20 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 16424 - Commission on Federal
Paperwork
Sponsors - Rep. Horton (R) New York, Rep. Holifield
(D) California, and Rep. Yatron (D) Pennsylvania

Last Day for Action

December 27, 1974- Friday

Purpose

Establishes a temporary commission of experts to study Federal
paperwork generated by various reporting requirements.

Agency Recommendations

Office of Management and Budget

Approval (Signing
statement attached)

General Services Administration
Civil Service Commission

Approval (Informally)
Approval

Discussion

The enrolled bill, which was supported by the Office of
Management and Budget, the General Services Administration, the
Justice Department, and the Civil Service Commission in hearings
before the House Committee on Government Operations, would:

- establish a Commission on Federal Paperwork to
examine statutes, policies, rules, regulations,
procedures and practices of the Federal Govern-
ment relating to information gathering, process-
ing, and dissemination, and the management and
control of these information activities;



and, costly and time-consuming

STATEMENT BY THE PRESIDENT

I am particularly pleased to sign today H.R. 16424, a bill creating a temporary Commission on Federal Paperwork to study paperwork generated by various Government reporting requirements. To the public, the burden of filling out Government applications, reports, and other forms of various kinds are never pleasurable, frequently annoying and sometimes overwhelming. ~~In addition, this paperwork is often very costly and~~ To the Government, adequate information is vital if we are to have responsible policy making and effective operation of agency activities.

For over 30 years, ~~we have had~~ *the there has been* a public policy to hold Government reporting and recordkeeping requirements to a minimum. ~~For over 30 years, the Director of OMB and his staff have worked earnestly to implement that policy.~~ *The Office of Management and Budget* These efforts, while achieving substantial results, have not stemmed the tide of Government reporting requirements as much as had been hoped.

Two main features set the new Commission on Federal Paperwork apart from earlier attacks on the paperwork problem.

It will have a broader scope. It will look at laws, regulations, rules, policies, procedures and practices relating to the gathering, the processing, and the dissemination of information as well as at the management and control of these activities.

Not less important is the composition of the Commission. It will bring together representatives of the legislative and executive branches of the Federal Government, representatives from State and local governments, and members from industry and the public. All of us are involved in the paperwork problem in one way or another. It is only fitting that we all

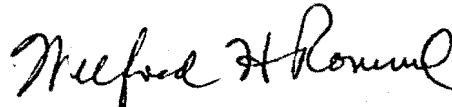


share the opportunity and responsibility of reexamining our present policies and procedures and of recommending new ways to obtain more effectively the information the Government needs without unreasonably burdening the public in the process of collecting it.

I shall look forward to seeing the results of the Commission's work. ~~In the meantime, I shall continue to look to the Director of the Office of Management and Budget to continue to carry out his duties under the Federal Reports Act fully and effectively.~~

- authorize the new Commission to hold hearings, subpoena witnesses and require the production of information documents;
- require the Commission to report within two years to the Congress and the President, recommending appropriate changes to existing statutes, policies, rules, regulations, and procedures;
- charge the Office of Management and Budget (upon submission of the Commission's final report) with responsibility for coordinating the formulation of executive agencies' views on the Commission's recommendations and the implementation of such recommendations;
- provide for the Commission to terminate 120 days after the submission of its final report; and
- authorize appropriations of "such sums as may be necessary to carry out the provisions of this Act."

The fourteen-member Commission would consist of two senators and two congressmen who are members of different political parties, to be appointed by the presiding officers of their respective Houses; the Director of OMB; one other Federal executive branch official, to be appointed by the President; the Comptroller General; two State and local officials of different political parties, to be appointed by the President; and five persons from the private sector, to be appointed by the President.



Assistant Director for
Legislative Reference

Enclosures



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

CHAIRMAN

December 18, 1974

Honorable Roy L. Ash
Director
Office of Management and Budget

Attention: Assistant Director for
Legislative Reference

Dear Mr. Ash:

This is in response to your request for the views and recommendation of the Civil Service Commission on enrolled bill H.R. 16424, a bill "To establish a Commission on Federal Paperwork."

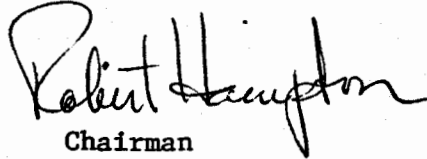
Enrolled bill H.R. 16424 would establish a fourteen-member Commission on Federal Paperwork to study the reporting requirements the Federal Government imposes on private citizens, recipients of Federal assistance, businesses, governmental contractors, and State and local governments. The commission would make a final report of its findings to the Congress and the President within two years of the date of its first meeting, and would cease to exist four months after making this final report.

We have reviewed the personnel provisions of this enrolled bill, and we have no objections to these provisions. The seven members of the Paperwork Commission who would not be full-time officers or employees of the Government would be paid at the rate for GS-18, which is the rate generally provided for members of important advisory groups of this sort. The employees of the Paperwork Commission would be excepted from the competitive service and the General Schedule classification and pay system, but could not be paid more than the maximum rate of the General Schedule. In view of the limited duration of the Paperwork Commission, we do not object to this provision. The Commission would be authorized to procure the services of experts and consultants at rates not to exceed the maximum rate of the General Schedule, which is the maximum generally authorized for payments to experts and consultants.

We recommend, from the standpoint of the personnel provisions of enrolled bill H.R. 16424, that the President sign this enrolled bill into law.

By direction of the Commission:

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert Hampton". The signature is written in dark ink and is positioned above the printed name "Chairman".

Chairman

Date: December 19, 1974

Time: 4:30 p.m.

FOR ACTION: Mike Duval
 Max Friedersdorf
 Phil Areeda
 Paul Theis

cc (for information): Warren Hendriks
 Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 19

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill H.R. 17505 - Budget Authority Rescissions

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



12 9 PM 61 330 769

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
 For the President

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

DEC 19 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 17505 - Budget authority
rescissions
Sponsor - Rep. Mahon (D), Texas

Last Day for Action: December 24, 1974 - Tuesday

<u>Rescissions Requested:</u>	<u>Proposed</u>	<u>Enrolled Bill</u>	<u>Congressional Change</u>
(budget authority in millions of dollars)	672.2	131.5	-540.6

Outlay Effect: FY 1975: +\$151.8 million FY 1976: +\$236.8 million

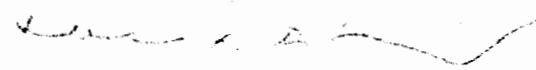
Highlights:

- The Congress considered seven of 46 rescissions you have proposed. It agreed to five without change (see attached memorandum).
- Excluded from the bill are two items accounting for 80 percent of the total amount requested for rescission (in the seven items):

	<u>Budget Authority</u>
REA Loans.....	\$455,635,000
Agricultural Conservation Program (REAP).	<u>85,000,000</u>
Total.....	\$540,635,000

- The affected REA loans have been released. REAP funds are not required to be released until the third quarter.

RECOMMENDATION: That you sign the bill and concurrently issue a signing statement calling attention to Congressional inaction on the REA and REAP rescissions.


Roy L. Ash
Director

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 19 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 17505 - Budget authority
rescissions
Sponsor - Representative Mahon (D), Texas

Last Day for Action

December 24, 1974 - Tuesday

Purpose

Rescinds \$131 million in budget authority for programs of the Appalachian Regional Commission and the Departments of Agriculture, Interior, and Housing and Urban Development.

Agency Recommendations

Office of Management and Budget Approval (Signing statement and fact sheet attached)

Affected agencies Approval (Informal)

Discussion

The enrolled bill is the result of the Congress' consideration of seven of the 46 rescissions you have proposed under section 1012 of the Impoundment Control Act of 1974 (Public Law 93-344). The seven items (numbered R75-1A, 2, 3, 4A, 5, 6A, and 7A) were included in your messages of September 20 and October 4, as revised by your message of November 13.

The Congress approved without change five of the seven items, but the two items they eliminated from the bill contained more than 80 percent of the funds requested for rescission. The Congress approved only \$131 million of the \$672 million requested for rescission. Thus, although the Congress may point to its affirmative action on five of your first seven rescission proposals as evidence of its commitment to reduce Federal spending, the rescissions approved only serve to keep spending at the current level while inaction on the other two rescissions pose significant threats to your efforts to reduce Federal spending.

The following items were approved for rescission as requested:

<u>Item</u>	<u>Budget Authority</u>
Appalachian Regional Development Programs:	
Airport Construction.....	\$ 40,000,000
Agriculture: Forest Service:	
Forest Roads and Trails.....	61,611,000
Housing and Urban Development:	
College Housing.....	14,518,000
Interior:	
Bureau of Land Management: Public Lands Roads and Trails:.....	4,891,000
National Park Service: Road Construction.	<u>10,461,000</u>
Total.....	\$131,481,000

The following requests for rescissions are not included in the enrolled bill:

<u>Item</u>	<u>Budget Authority</u>
Rural Electrification Administration (REA):	
Loans.....	\$455,635,000
Agricultural Conservation Program (REAP)...	<u>85,000,000</u>
Total.....	\$540,635,000

The provisions of the Impoundment Control Act of 1974 require that funds proposed for rescission under Section 1012 of the Act must be made available after 45 days of continuous session of the Congress unless the Congress has completed action on a rescission bill. Accordingly, the REA loan funds were released on December 11. Release of the Agriculture Conservation Program (REAP) funds would not be required until the third quarter of FY 1975 because the REAP rescission proposal was transmitted at a later date. The 45 day clock is stopped by the adjournment sine die of the 93rd Congress and reset to day one when the 94th Congress convenes.

Assuming that the Congress will not give further consideration to the REAP rescission proposal nor overturn deferrals of budget authority associated with the approved rescissions for the Agriculture and Interior road construction programs, the following table shows that Congressional action and inaction on the seven rescission proposals could potentially increase spending in FY 1975 and FY 1976 by \$151.8 million and \$236.8 million respectively. This budgetary effect results because our current spending totals assume realizing the outlay savings associated with each of the proposed rescissions.

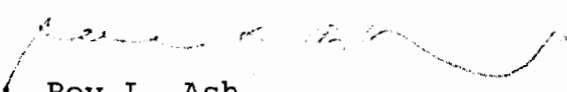
<u>Congressional Action</u>	Outlay Effect (dollars in millions)	
	<u>1975</u>	<u>1976</u>
Appalachian Regional Development.....	(-2.0)	(-4.0)
Forest Roads and Trails.....	(-2.3)	(-7.6)
College Housing.....	--	--
Bureau of Land Management, Public Lands Roads and Trails.....	(-0.8)	(-2.3)
National Park Service, Road Construction.....	--	--
Savings assumed in current totals..	(-5.1)	(-13.9)
 <u>Congressional Inaction</u>		
REA Loans.....	+151.8	+151.8
Agriculture Conservation Program (REAP).....	--	+85.0
Potential increases to budget.....	+151.8	+236.8

The outlay threat from the REA loans results from a potential class action suit to force use of these funds for applications pending at the time the current program was signed into law. (See attached fact sheet.) If such a suit is filed and successfully forces obligation of all of the funds in FY 1975, then outlay increases would total \$152 million annually during FY 1975-77.

If currently pending legislation on REAP (S. 3943) is enacted prior to December 31, 1974, the \$85 million would remain available until December 31, 1975. Under this contingency, the full \$85 million would likely be obligated, and FY 1976 outlays would be increased by \$85 million. If the legislation fails to become law (a veto may be necessary), the funds will lapse on December 31, 1974, and the threatened outlay increase will not materialize.

Recommendation

I recommend that you sign the bill into law and concurrently issue a signing statement calling attention to Congressional inaction on the REA Loan and REAP rescissions.



Roy L. Ash
Director

Attachments

STATEMENT BY THE PRESIDENT

In my message to the Congress of September 20, 1974, I stated that the proposed rescissions and deferrals which I was then transmitting to the Congress were essential to budgetary restraint. [It is true now, as it was then, that we cannot allow excess Federal spending to stimulate demand in a way that exerts further pressures on prices.] Further, we cannot expect others to exercise necessary restraint unless the Government itself does so. I indicated on September 20 that failure to maintain the proposed rescissions and deferrals would jeopardize our ability to control Federal spending not only during the current fiscal year but, more importantly, for several years to come.

In my ~~September 20~~ message I noted that the recently enacted Congressional Budget and Impoundment Control Act of 1974 provided new procedures for executive reporting and congressional review of actions by the executive branch affecting the flow of Federal spending and thereby served to make the Congress a full partner in the continuing struggle to keep Federal spending under control.

Despite my plea for fiscal responsibility, the Congress has failed to rescind \$85 million in budget authority for the Agricultural Conservation Program (REAP) and \$456 million in budget authority for the Rural Electrification Administration (REA). If these funds are fully obligated in FY 1975, expenditures would increase by about \$150 million ~~in FY 1975~~, \$23 million in FY 1976, and \$150 million in FY 1977.

In the case of the Agricultural Conservation Program (REAP), adequate cost-sharing funds are available to meet the needs of eligible applicants for good conservation practices.

4/2/74

J. Hall

X
X

W.C.
9/20/74

REAP 150
REAP 85
1976

identifying
Rom
handis

In the case of the REA loans, the funds were originally provided for rural electric and rural telephone direct loans at a two percent interest rate. The decision by the Congress not to rescind these funds was made despite my reminder that the release of these funds would be inconsistent with legislation enacted in 1973 by this same Congress. That legislation amended the Rural Electrification Act of 1936 so as to limit the availability of two percent insured loans to cases of special need. I also reminded them that loans to borrowers who meet the specified criteria can be financed from funds to be provided in the Agriculture-Environmental and Consumer Protection Appropriation Act of 1975. Further, at the time that compromise legislation on REA was enacted, there was no indication of congressional intent to utilize the two percent funds which are now made available.

[Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures to special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.]

*raising
funds*

Research Fact Sheet Rural Electric and Telephone Loan Programs

Background

As a part of the effort to hold down 1973 Federal budget outlays and the outstanding public debt, the direct loan program of the Rural Electrification Administration was converted to an insured and guaranteed loan program beginning January 1, 1973. The direct loans had been made at a 2% interest rate under legislation first enacted in 1936. The new loan program was made possible by the enactment of the Rural Development Act of 1972 which provided broad authorities under Section 104 to make guaranteed and insured loans to finance all types of community development programs.

Reform of 2% Program

Reform of these REA loan programs was needed to achieve multiple objectives:

- To eliminate direct Federal loans, thereby providing an opportunity to private lenders to finance the credit needs of REA borrowers through the use of Federal guarantees.
- To substitute interest rates closer to the then existing Treasury borrowing rates for the outmoded 2% rate which was established in the mid-forties under the Pace Act when the corresponding Treasury borrowing rates were artificially depressed in a win-the-war atmosphere.
- Shifting the funding from direct loans to insured and guaranteed loans was designed to make possible increased loan resources at reduced Federal cost for REA borrowers within the President's spending goal of FY 1973. It was contemplated that more liberal funding levels in future years would be possible under this reformed program.
- Increased lending under the Rural Development Act was designed to facilitate more rapid growth in the financing that would be provided by the National Rural Utilities Cooperative Finance Corporation - "CFC," the Rural Telephone Bank, and other private lenders.

Compromise Legislation

Both the Senate and the House passed bills which would have reversed the Administration's decision and provided mandatory spending levels for these program. During the subsequent conference, the Administration continued its concerted effort in support of the President's rural electrification and telephone program objectives. Secretary Butz, speaking for the Administration in a letter to Chairman Poage warmly endorsed the resulting compromise and committed the Administration to provide specific levels as minimums both for funding the programs and for the "special rate" (2%) insured loans to eligible borrowers under the authorities of Section 305 of the Act through FY 1976. This commitment was conditioned on amending the legislation to delete mandatory spending language and eliminating legislative direction with respect to hardship cases beyond the criteria set forth in the House-passed bill. The Congress agreed with those conditions and the President signed the bill into law as P.L. 93-32.

The key provisions of P.L. 93-32 are summarized below:

- Creates insured and guaranteed loan programs for rural electric and telephone purposes.
- Establishes a Rural Electrification and Telephone Revolving Fund to be capitalized largely from (a) current assets of the REA, (b) loan repayments, and (c) new appropriations necessary to reimburse the fund for losses (bad loans and interest differential costs).
- Removes both the Fund's and the Rural Telephone Bank's loans from Federal budget totals and exempts the programs from expenditure ceilings.
- Authorizes insured loans at (a) 5 percent (standard rate) or 2 percent (special rate) in cases where the electric or telephone borrower meets a certain subscriber density or average gross revenue per mile level. In addition, the special rate loan could be made in certain hardship cases at the discretion of the REA Administrator.
- Increases the borrowing authority of the Rural Telephone Bank from 8 to 20 times capital and allows a Federal Guarantee on debentures issued by the Rural Telephone Bank.

- Requires a single interest rate for the Rural Telephone Bank based on its average cost of moneys but no less than 5 percent.
- Authorizes refinancing of rural electric and telephone loans made under the Rural Development Act.

Impact of REA Rescission Deletion

The effect of the failure of the Congress to enact the proposed REA rescission is that the REA will probably be required to obligate the full amount of the \$456 million which has been apportioned. There appears to be nothing in the legislative history of either P.L. 93-32 or of the recently enacted Budget Rescission Act to compel REA to initiate obligation of these funds since the needs of qualified borrowers for insured loans at both the special and regular rates can be met within current funding levels.

However, there is the likelihood of suits being filed by borrowers who had loan applications pending at the time of the signing of P.L. 93-32, who subsequently accepted regular 5% insured loans under P.L. 93-32 and are now seeking conversion on those loans to 2% direct loans. One of those suits may be a class action suit and if successful could cause the conversion to 2% direct loans of all other regular 5% insured loans that were pending and funded at the time that P.L. 93-32 was signed. This would be more than enough to obligate the full \$456 million now made available.

The obligation of the \$456 million in a single year would probably result in additional "on budget" outlays of approximately \$150 million each year for three years.

REA Loan Program Levels

The following table shows the loan program levels for the REA electric and telephone programs since FY 1972.

	Loan Program Levels \$M				
	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Budget Est.</u>
<u>Electric Program:</u>					
Direct (on Budget)	438.3	228.0	0.6	-	-
Insured (off budget)	-	390.0	618.0	700.0	618.0
Guaranteed (off budget)	<u>-</u>	<u>-</u>	<u>974.4</u>	<u>1,286.0</u>	<u>1,286.0</u>
Total	438.3	618.0	1,593.0	1,986.0	1,904.0
<u>Telephone Program:</u>					
Direct (on budget)	133.7	55.0	-	-	-
Insured (off budget)	-	89.0	140.0	200.0	140.0
Telephone Bank (off budget after 5/11/73)	91.0	150.0	163.0	160.0	180.0
Guaranteed (off budget)	<u>-</u>	<u>-</u>	<u>-</u>	<u>100.0</u>	<u>160.0</u>
Total	224.7	294.0	303.0	460.0	480.0

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Appalachian Regional Commission (ARC)	New budget authority	\$ 318,500,000 <u>1/</u>
Bureau	(P.L. <u>92-65</u>)	
	Other budgetary resources	<u>276,103,000 2/</u>
Appropriation Title & Symbol	Total Budgetary Resources	<u>594,603,000</u>
Appalachian Regional Development Programs 11X0090 (Section 208 - Appalachian Airport Safety Improvements)	Amount proposed for rescission	<u>40,000,000</u>

JUSTIFICATION Contract authority of \$40,000,000 is proposed for withdrawal pursuant to the Antideficiency Act (31 U.S.C. 665). The airport safety activities provided for under this contract authority are already being achieved under the authority for the FAA program for navigation aids, the national program of grants-in-aid for airports and by State and local governments through ARC's Supplemental Grant authority. The Federal Cochairman of ARC does not plan to request an appropriation to liquidate this contract authority prior to the expiration of the authorization on June 30, 1975, and has so notified the State members of the Commission.

ESTIMATED EFFECTS: The withdrawal of this contract authority will not significantly affect the ability of localities in the Appalachian region to improve their airports because of the existence of other airport construction and safety programs.

Had there been an appropriation in 1975 to liquidate this contract authority, this withdrawal would represent outlay savings of approximately \$2,000,000 in FY 1975 and future savings of approximately \$4,000,000 in FY 1976 and \$9,000,000 in FY 1977. The FY 1975 savings are assumed in the latest budget estimates. Thus, this withdrawal has the effect of maintaining the current budget estimates.

- 1/\$185,000,000 of which is 1976 contract authority not available for obligation in FY 1975 pursuant to P.L. 93-393.
2/\$25,000,000 of which is 1975 contract authority not available for obligation in FY 1975 pursuant to P.L. 93-393.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Agriculture	New budget authority	\$ _____
Bureau Rural Electrification Administration	(P.L. _____)	
Appropriation Title & Symbol	Other budgetary resources	<u>455,635,000</u>
Loans 12X3197	Total Budgetary Resources	<u>455,635,000</u>
	Amount proposed for rescission	<u>455,635,000</u>

Justification

Public Law 93-32, approved May 11, 1973, amended the Rural Electrification Act by establishing the Rural Electrification and Telephone Revolving Fund (RETRF). Insured electric and telephone loans are now financed from this fund. Public Law 93-32 recognized and dealt with two major objectives which were particularly essential to the reform of the REA program. First, it limited the availability of Federally insured loans at the "special" 2% interest rate to those electric or telephone borrowers in rural areas with a definite need as defined explicitly in the legislation. Second, it provided that in those areas in which the borrowers are able and can afford to help themselves, credit and assistance will come from the private sector.

The funds now proposed for rescission, when appropriated, were for direct Government loans at 2% interest for all borrowers in rural areas for the purposes authorized in Sections 4 and 201 of the Act. We believe that the Congress in enacting Public Law 93-32, subsequent to this authorization, recognized that the need for the indiscriminate use of a 2% interest rate should now be limited to those borrowers meeting the criteria for need expressed in Section 305(b) of the Act, as amended by P.L. 93-32.

Estimated Effects

No effect is anticipated since use of the funds is not planned and the needs of the borrowers for insured loans at the special rate can be met within levels of funding to be provided when the Appropriation Act is enacted.

If the Department were to obligate these funds in 1975, they would be made available to borrowers that do not qualify under current law and added spending would result as follows:

	FY 1975	FY 1976	FY 1977
Electric loans.....	\$122,155,333	\$122,155,333	\$122,155,334
Telephone loans.....	29,722,842	29,722,842	29,722,841
TOTAL.....	<u>\$151,878,175</u>	<u>\$151,878,175</u>	<u>\$151,878,175</u>

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

<u>Agency</u> U.S. Department of Agriculture	New budget authority	\$ -
<u>Bureau</u> Agricultural Stabili- zation & Conservation Service	(P.L. _____)	
<u>Appropriation Title & Symbol</u>	Other budgetary resources	<u>175,000,000</u>
Agricultural Conservation Program (REAP) - 124/63315	Total Budgetary Resources	<u>175,000,000</u>
	Amount proposed for rescission	<u>85,000,000</u>

JUSTIFICATION

Under the Agricultural Conservation Program (ACP) - authorized by the Soil Conservation and Domestic Allotment Act, approved February 29, 1936 - payments are made to landowners and operators to encourage the use of good soil and water conservation practices. In December 1972, the program was terminated by the Executive Branch because a substantial portion of the funds was being used on practices that were of short term benefit and of questionable value to the nation.

A new program was announced on December 20, 1973 (1974 program) which emphasized conservation practices of long-range benefit to the nation. Since the program sharply limited the number of subsidized practices, only \$90 million of the \$175 million authorized was made available. If the \$85 million balance is not rescinded, it will lapse on December 31, 1974.

Subsequent to the announcement of the 1974 program, \$210 million in funds applicable to the 1973 program were made available by court action. This made a total of \$300 million available in 1974 for conservation cost sharing. In view of this, and since the 1975 program will be announced shortly after funds for such a program are authorized, increasing the program level for the 1974 program would provide little if any additional conservation benefits to the nation.

ESTIMATED EFFECT

Release of the funds would increase 1976 outlays by \$85 million. The rescission of this amount will reduce the Federal participation in cost-sharing with individual farmers for conservation. It will not have a significant effect on the amount of necessary conservation which is carried out since most of the practices included in this program are generally good farming practices and will be undertaken by the individual farmer without cost-sharing.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

<u>Agency</u>	
Department of Agriculture	New budget authority \$ <u>187,003,064*</u>
<u>Bureau</u>	16 U.S.C. 501/23 U.S.C. 203
Forest Service	Other budgetary resources <u>452,000,000*</u>
<u>Appropriation Title & Symbol</u>	
12X2262 Forest Roads & Trails	Total Budgetary Resources <u>639,003,064*</u>
12X5203 Forest Service Road & Trails for State National Forest Fund	Amount proposed for rescission <u>61,611,064*</u>

Justification:*

The Federal Aid Highway Act of 1970 provided contract authority (CA) of \$170M in both fiscal years 1972 and 1973. The CA is available for two years after the fiscal year for which it was authorized. The \$157,392,000 made available for the Forest Road and Trails program represents the funding required to support resource development and use plans for the national forest system in 1975. This amount is made up of \$108,388,936 of 1973 CA available for use through 1975, \$47,003,064 available from 10 percent of national forest receipts (16 U.S.C. 501) and \$2,000,000 in anticipated reimbursements. An additional \$61,611,064 of 1973 CA is not needed to achieve the 1975 program objectives and will lapse on June 30, 1975. This amount is proposed for rescission. The deferral of \$420 million has been made the subject of another report (D75-24) transmitted to Congress on October 4, 1974.

The 1975 program level has been prepared considering resource development and use opportunities and the associated benefit/cost relationships to the extent possible. Analysis of additional program opportunities is necessary and is continuing to better determine their benefit/cost relationships and to establish priorities. Road requirements are a major consideration in these efforts. It is conceivable that upon further analysis, some increase or decrease in the program might be justified but these possible changes are expected to be relatively small in relation to the CA available.

Congressional appropriation action (P.L. 93-404) provided \$120,864,000 in cash to liquidate contract authority and the Committee reports directed an increase in obligations of \$7,400,000. The appropriated cash to liquidate contract authority is slightly less than the Administration's request of \$121,000,000 but with careful management is believed to be sufficient to carry out the 1975 program plan as amended by Congress. Additional obligations in 1975 would increase 1975 cash requirements beyond that made available by the Congress in its review of and action on the 1975 program plan.

*Revised from previous submission.

(Cont'd.)

Estimated Effects:*

If this contract authority were to be made immediately available the result would be an estimated increase in the program level of about \$11.6 million in the current year. The increased program level would in turn, require additional appropriations for liquidation of contract authority and increased outlays of about \$2.3 million in FY 1975, \$7.6 million in FY 1976, and \$1.7 million in FY 1977. Greater outlay increases are unlikely because necessary planning and other preconstruction activities have not been accomplished.

* Revised from previous submission.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Housing and Urban Development	New budget authority	\$ ---
Bureau Housing Production and Mortgage Credit	(P.L. _____)	
Appropriation Title & Symbol	Other budgetary resources	14,518,000 (contract authority)
College Housing 86X4058	Total Budgetary Resources	14,518,000
	Amount proposed for rescission	14,518,000

Description:

The College Housing program was authorized by Title IV of the Housing Act of 1950, as amended. It has provided financial assistance to colleges and eligible hospitals for the construction or acquisition of housing and related facilities through debt service grants which reduce the cost of borrowing on the private market.

No new approvals have been made under the program since January 8, 1973, on the basis that the program was an inefficient means of providing higher educational assistance for needy students. The College Housing program provided benefits to all residents regardless of income while doing little to reduce the financial barrier to higher education for low-income students. Unused contract authority in the amount of \$14,518,000 is estimated to be available as of June 30, 1974.

Title II of the recently enacted Housing and Community Development Act of 1974 could provide assisted housing for eligible low-income students under a new Lower Income Housing Assistance Program. HUD is moving promptly to implement this program. In view of the availability of the revised leasing program, new debt service grant commitments are not warranted. Rescission of this contract authority is therefore requested under the provisions of the Antideficiency Act.

Estimated Effects:

Rescission of the amount shown above will not interfere with the Federal Government's ability to assist needy students either to attend college or find suitable housing.

Use of these funds would increase Federal outlays by an additional \$15 million annually up to 40 years, beginning in FY 1977.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Interior	New budget authority	\$ <u>10,000,000</u>
Bureau	(23 USC 203)	
Bureau of Land Management	Other budgetary resources	<u>30,086,585*</u>
Appropriation Title & Symbol	Total Budgetary Resources	<u>40,086,585*</u>
Public Lands Development	Amount proposed for	
Roads and Trails	rescission	<u>4,891,000</u>
14X1113		

Justification:*

The \$5,195,585 programmed for the Public Lands Development Roads and Trails represents the funding required to support resource development and use plans for the public lands in 1975. The Federal Aid Highway Act of 1970 provides contract authority of \$5 million for 1972 and \$10 million for 1973 to be available for two years subsequent to the fiscal year for which it is authorized. The Federal Aid Highway Act of 1973 provides additional contract authority of \$10 million for each of fiscal years 1974, 1975 and 1976 and authorizes use of this authority one year in advance of and two years subsequent to the fiscal year for which it is authorized. The total budgetary resources for this program consist of \$10,000,000 in 1976 contract authority, \$30,036,585 in unobligated balances carried forward from fiscal year 1974 and \$50,000 in anticipated reimbursements. Under the existing program, \$4,891,000 of contract authority will lapse on June 30, 1975, and \$30 million will be carried into 1976.

The 1975 program level has been prepared considering resource development and use opportunities and the associated benefit/cost relationships to the extent possible. The program for road development in any one year is based on estimated requirements to meet the objectives for multiple use resource development and use plans on the national resource lands.

This program is reviewed annually by the Congress when it takes action on the appropriation required to liquidate obligations under existing contract authority. Thus, the amount of contract authority made available has been implicitly approved by the Congress.

Estimated Effects:

Rescission of these funds will have no adverse effects on the program in future years. The \$4,891,000 proposed for rescission is 1973 contract authority which will lapse at the end of this fiscal year. If this unneeded contract authority were made immediately available, those projects that have unfavorable benefit/cost relationships would be funded. These projects would yield either limited benefits over the life of the project, benefits that can only be realized several years in the future, or both results. This proposed rescission and the deferral of \$30 million in this account are consistent with a program level that provides optimum utilization of available funds.

*Revised from previous submission.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency	Interior	New budget authority	\$105,000,000
Bureau	National Park Service	(23 USC 203)	
Appropriation Title & Symbol		Other budgetary resources	229,053,632*
Road Construction		Total Budgetary Resources	334,053,632*
14X1037		Amount proposed for rescission	10,461,028*

Justification:*

The Federal Aid Highway Act of 1970 provides contract authority of \$20 million for 1972 and \$50 million for 1973. The contract authority is available for the two subsequent years after the year for which it was authorized. In addition, the Federal Aid Highway Act of 1973 provides contract authority of \$90 million for 1974, \$105 million for 1975, and \$105 million for 1976, and authorizes use one year in advance of the year for which it was authorized. The amount proposed for rescission will lapse at the end of the current fiscal year.

In the Department of Interior and Related Agencies Appropriations Act of 1975 (P.L. 93-404), the Congress approved a new obligational program of \$38,926,000. This amount, along with an amount of \$28,530,145 programmed for 1974 but as yet unobligated, will give the Park Service a total obligational program of \$67,456,145 for 1975. Allowance has been made for use of all the contract authority necessary to carry out this program level. Obligation of all available CA would result in the low-priority use of scarce Federal financial resources. Many of the facilities and interpretive systems which these projects could serve are not yet planned or are not needed until future years.

Historically, Congress has provided contract authority for this program in excess of the Park Service's construction capacity. The program level in each year, however, has reflected a level of obligations implicitly approved by the Congress in its review of and action on the appropriation required to liquidate obligations under existing contract authority.

Estimated Effects:

It is unlikely there would be a significant increase in the program even if the additional contract authority were made available. If this authority is not rescinded, it is unlikely that a substantial portion of it could be obligated this fiscal year for the reasons stated.

*Revised from previous submission.

(O'Neill)

OK/BA

December 21, 1974

SIGNING STATEMENT H.R. 17505 - BUDGET AUTHORITY RESCISSIONS

I have today signed H.R. 17505, a bill to rescind \$131 million budget authority that is not needed for five federal programs. This is the first such bill to come to me under the new provisions established by the Congressional Budget and Impoundment Control Act of 1974. In that respect, I take pleasure in signing this bill because its passage demonstrates that the new procedures will work.

However, at the same time, I am dismayed that the Congress failed to include in this bill rescissions I proposed of \$85 million for the so-called "REAP" program and \$456 million for the Rural Electrification Administration. By failing to include my proposals in this bill, the Congress has, in effect, insisted that \$541 million of the taxpayers money be spent, even though there is no demonstrated need.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures of special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.

#

STATEMENT BY THE PRESIDENT

I have today signed H.R. 17505, a bill to rescind \$131 million budget authority that is not needed for five federal programs. This is the first such bill to come to me under the new provisions established by the Congressional Budget and Impoundment Control Act of 1974. In that respect, I take pleasure in signing this bill because its passage demonstrates that the new procedures will work.

However, at the same time, I am dismayed that the Congress failed to include in this bill rescissions I proposed of \$85 million for the so-called "REAP" program and \$456 million for the Rural Electrification Administration. By failing to include my proposals in this bill, the Congress has, in effect, insisted that \$541 million of the taxpayers money be spent, even though there is no demonstrated need.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures of special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 19 1974

10-
Kaven Handwritten
12-19-74
11:30 A.M.

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 17505 - Budget authority rescissions
Sponsor - Rep. Mahon (D), Texas

Last Day for Action: December 24, 1974 - Tuesday

<u>Rescissions Requested:</u>	<u>Proposed</u>	<u>Enrolled Bill</u>	<u>Congressional Change</u>
(budget authority in millions of dollars)	672.2	131.5	-540.6

Outlay Effect: FY 1975: +\$151.8 million FY 1976: +\$236.8 million

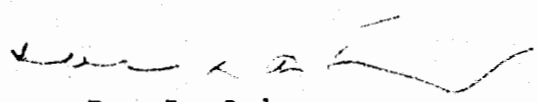
Highlights:

- ° The Congress considered seven of 46 rescissions you have proposed. It agreed to five without change (see attached memorandum).
- ° Excluded from the bill are two items accounting for 80 percent of the total amount requested for rescission (in the seven items):

	<u>Budget Authority</u>
REA Loans.....	\$455,635,000
Agricultural Conservation Program (REAP).	<u>85,000,000</u>
Total.....	\$540,635,000

- ° The affected REA loans have been released. REAP funds are not required to be released until the third quarter.

RECOMMENDATION: That you sign the bill and concurrently issue a signing statement calling attention to Congressional inaction on the REA and REAP rescissions.


Roy L. Ash
Director

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 19 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 17505 - Budget authority rescissions
Sponsor - Representative Mahon (D), Texas

Last Day for Action

December 24, 1974 - Tuesday

Purpose

Rescinds \$131 million in budget authority for programs of the Appalachian Regional Commission and the Departments of Agriculture, Interior, and Housing and Urban Development.

Agency Recommendations

Office of Management and Budget Approval (Signing statement and fact sheet attached)

Affected agencies Approval (Informal)

Discussion

The enrolled bill is the result of the Congress' consideration of seven of the 46 rescissions you have proposed under section 1012 of the Impoundment Control Act of 1974 (Public Law 93-344). The seven items (numbered R75-1A, 2, 3, 4A, 5, 6A, and 7A) were included in your messages of September 20 and October 4, as revised by your message of November 13.

The Congress approved without change five of the seven items, but the two items they eliminated from the bill contained more than 80 percent of the funds requested for rescission. The Congress approved only \$131 million of the \$672 million requested for rescission. Thus, although the Congress may point to its affirmative action on five of your first seven rescission proposals as evidence of its commitment to reduce Federal spending, the rescissions approved only serve to keep spending at the current level while inaction on the other two rescissions pose significant threats to your efforts to reduce Federal spending.

The following items were approved for rescission as requested:

<u>Item</u>	<u>Budget Authority</u>
Appalachian Regional Development Programs:	
Airport Construction.....	\$ 40,000,000
Agriculture: Forest Service:	
Forest Roads and Trails.....	61,611,000
Housing and Urban Development:	
College Housing.....	14,518,000
Interior:	
Bureau of Land Management: Public Lands Roads and Trails:.....	4,891,000
National Park Service: Road Construction.	<u>10,461,000</u>
 Total.....	 \$131,481,000

The following requests for rescissions are not included in the enrolled bill:

<u>Item</u>	<u>Budget Authority</u>
Rural Electrification Administration (REA):	
Loans.....	\$455,635,000
Agricultural Conservation Program (REAP)...	<u>85,000,000</u>
 Total.....	 \$540,635,000

The provisions of the Impoundment Control Act of 1974 require that funds proposed for rescission under Section 1012 of the Act must be made available after 45 days of continuous session of the Congress unless the Congress has completed action on a rescission bill. Accordingly, the REA loan funds were released on December 11. Release of the Agriculture Conservation Program (REAP) funds would not be required until the third quarter of FY 1975 because the REAP rescission proposal was transmitted at a later date. The 45 day clock is stopped by the adjournment sine die of the 93rd Congress and reset to day one when the 94th Congress convenes.

Assuming that the Congress will not give further consideration to the REAP rescission proposal nor overturn deferrals of budget authority associated with the approved rescissions for the Agriculture and Interior road construction programs, the following table shows that Congressional action and inaction on the seven rescission proposals could potentially increase spending in FY 1975 and FY 1976 by \$151.8 million and \$236.8 million respectively. This budgetary effect results because our current spending totals assume realizing the outlay savings associated with each of the proposed rescissions.

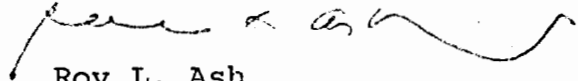
<u>Congressional Action</u>	Outlay Effect (dollars in millions)	
	<u>1975</u>	<u>1976</u>
Appalachian Regional Development.....	(-2.0)	(-4.0)
Forest Roads and Trails.....	(-2.3)	(-7.6)
College Housing.....	--	--
Bureau of Land Management, Public Lands Roads and Trails.....	(-0.8)	(-2.3)
National Park Service, Road Construction.....	--	--
Savings assumed in current totals..	(-5.1)	(-13.9)
 <u>Congressional Inaction</u>		
REA Loans.....	+151.8	+151.8
Agriculture Conservation Program (REAP).....	--	+85.0
Potential increases to budget.....	+151.8	+236.8

The outlay threat from the REA loans results from a potential class action suit to force use of these funds for applications pending at the time the current program was signed into law. (See attached fact sheet.) If such a suit is filed and successfully forces obligation of all of the funds in FY 1975, then outlay increases would total \$152 million annually during FY 1975-77.

If currently pending legislation on REAP (S. 3943) is enacted prior to December 31, 1974, the \$85 million would remain available until December 31, 1975. Under this contingency, the full \$85 million would likely be obligated, and FY 1976 outlays would be increased by \$85 million. If the legislation fails to become law (a veto may be necessary), the funds will lapse on December 31, 1974, and the threatened outlay increase will not materialize.

Recommendation

I recommend that you sign the bill into law and concurrently issue a signing statement calling attention to Congressional inaction on the REA Loan and REAP rescissions.



Roy L. Ash
Director

Attachments

Research Fact Sheet Rural Electric and Telephone Loan Programs

Background

As a part of the effort to hold down 1973 Federal budget outlays and the outstanding public debt, the direct loan program of the Rural Electrification Administration was converted to an insured and guaranteed loan program beginning January 1, 1973. The direct loans had been made at a 2% interest rate under legislation first enacted in 1936. The new loan program was made possible by the enactment of the Rural Development Act of 1972 which provided broad authorities under Section 104 to make guaranteed and insured loans to finance all types of community development programs.

Reform of 2% Program

Reform of these REA loan programs was needed to achieve multiple objectives:

- To eliminate direct Federal loans, thereby providing an opportunity to private lenders to finance the credit needs of REA borrowers through the use of Federal guarantees.
- To substitute interest rates closer to the then existing Treasury borrowing rates for the outmoded 2% rate which was established in the mid-forties under the Pace Act when the corresponding Treasury borrowing rates were artificially depressed in a win-the-war atmosphere.
- Shifting the funding from direct loans to insured and guaranteed loans was designed to make possible increased loan resources at reduced Federal cost for REA borrowers within the President's spending goal of FY 1973. It was contemplated that more liberal funding levels in future years would be possible under this reformed program.
- Increased lending under the Rural Development Act was designed to facilitate more rapid growth in the financing that would be provided by the National Rural Utilities Cooperative Finance Corporation - "CFC," the Rural Telephone Bank, and other private lenders.

Compromise Legislation

Both the Senate and the House passed bills which would have reversed the Administration's decision and provided mandatory spending levels for these program. During the subsequent conference, the Administration continued its concerted effort in support of the President's rural electrification and telephone program objectives. Secretary Butz, speaking for the Administration in a letter to Chairman Poage warmly endorsed the resulting compromise and committed the Administration to provide specific levels as minimums both for funding the programs and for the "special rate" (2%) insured loans to eligible borrowers under the authorities of Section 305 of the Act through FY 1976. This commitment was conditioned on amending the legislation to delete mandatory spending language and eliminating legislative direction with respect to hardship cases beyond the criteria set forth in the House-passed bill. The Congress agreed with those conditions and the President signed the bill into law as P.L. 93-32.

The key provisions of P.L. 93-32 are summarized below:

- Creates insured and guaranteed loan programs for rural electric and telephone purposes.
- Establishes a Rural Electrification and Telephone Revolving Fund to be capitalized largely from (a) current assets of the REA, (b) loan repayments, and (c) new appropriations necessary to reimburse the fund for losses (bad loans and interest differential costs).
- Removes both the Fund's and the Rural Telephone Bank's loans from Federal budget totals and exempts the programs from expenditure ceilings.
- Authorizes insured loans at (a) 5 percent (standard rate) or 2 percent (special rate) in cases where the electric or telephone borrower meets a certain subscriber density or average gross revenue per mile level. In addition, the special rate loan could be made in certain hardship cases at the discretion of the REA Administrator.
- Increases the borrowing authority of the Rural Telephone Bank from 8 to 20 times capital and allows a Federal Guarantee on debentures issued by the Rural Telephone Bank.

- Requires a single interest rate for the Rural Telephone Bank based on its average cost of moneys but no less than 5 percent.
- Authorizes refinancing of rural electric and telephone loans made under the Rural Development Act.

Impact of REA Rescission Deletion

The effect of the failure of the Congress to enact the proposed REA rescission is that the REA will probably be required to obligate the full amount of the \$456 million which has been apportioned. There appears to be nothing in the legislative history of either P.L. 93-32 or of the recently enacted Budget Rescission Act to compel REA to initiate obligation of these funds since the needs of qualified borrowers for insured loans at both the special and regular rates can be met within current funding levels.

However, there is the likelihood of suits being filed by borrowers who had loan applications pending at the time of the signing of P.L. 93-32, who subsequently accepted regular 5% insured loans under P.L. 93-32 and are now seeking conversion on those loans to 2% direct loans. One of those suits may be a class action suit and if successful could cause the conversion to 2% direct loans of all other regular 5% insured loans that were pending and funded at the time that P.L. 93-32 was signed. This would be more than enough to obligate the full \$456 million now made available.

The obligation of the \$456 million in a single year would probably result in additional "on budget" outlays of approximately \$150 million each year for three years.

REA Loan Program Levels

The following table shows the loan program levels for the REA electric and telephone programs since FY 1972.

	Loan Program Levels \$M				
	FY 1972 <u>Actual</u>	FY 1973 <u>Actual</u>	FY 1974 <u>Actual</u>	FY 1975 <u>Est.</u>	FY 1976 <u>Budget Est.</u>
<u>Electric Program:</u>					
Direct (on Budget)	438.3	228.0	0.6	-	-
Insured (off budget)	-	390.0	618.0	700.0	618.0
Guaranteed (off budget)	-	-	974.4	1,286.0	1,286.0
Total	438.3	618.0	1,593.0	1,986.0	1,904.0
<u>Telephone Program:</u>					
Direct (on budget)	133.7	55.0	-	-	-
Insured (off budget)	-	89.0	140.0	200.0	140.0
Telephone Bank (off budget after 5/11/73)	91.0	150.0	163.0	160.0	180.0
Guaranteed (off budget)	-	-	-	100.0	160.0
Total	224.7	294.0	303.0	460.0	480.0

Office of the White House Press Secretary
(Mail, Colorado)

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed H. R. 17505, a bill to rescind \$131 million budget authority that is not needed for five federal programs. This is the first such bill to come to me under the new provisions established by the Congressional Budget and Impoundment Control Act of 1974. In that respect, I take pleasure in signing this bill because its passage demonstrates that the new procedures will work.

However, at the same time, I am dismayed that the Congress failed to include in this bill rescissions I proposed of \$85 million for the so-called "REAP" program and \$456 million for the Rural Electrification Administration. By failing to include my proposals in this bill, the Congress has, in effect, insisted that \$541 million of the taxpayers money be spent, even though there is no demonstrated need.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures of special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.

###

DECEMBER 23, 1974

Office of the White House Press Secretary
(Washington, Colorado)THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

← I have ~~very~~ signed H.R. 17505, a bill to rescind \$131 million budget authority that is not needed for five federal programs. This is the first such bill to come to me under the new provisions established by the Congressional Budget and Impoundment Control Act of 1974. In that respect, I take pleasure in signing this bill because its passage demonstrates that the new procedures will work.

← However, at the same time, I am dismayed that the Congress failed to include in this bill rescissions I proposed of \$85 million for the so-called "REAP" program and \$456 million for the Rural Electrification Administration. By failing to include my proposals in this bill, the Congress has, in effect, insisted that \$541 million of the taxpayers money be spent, even though there is no demonstrated need.

← Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures of special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.

#

STATEMENT BY THE PRESIDENT

In my message to the Congress of September 20, 1974, I stated that the proposed rescissions and deferrals which I was then transmitting to the Congress were essential to budgetary restraint. It is true now, as it was then, that we cannot allow excess Federal spending to stimulate demand in a way that exerts further pressures on prices. Further, we cannot expect others to exercise necessary restraint unless the Government itself does so. I indicated on September 20 that failure to maintain the proposed rescissions and deferrals would jeopardize our ability to control Federal spending not only during the current fiscal year but, more importantly, for several years to come.

In my September 20 message I noted that the recently enacted Congressional Budget and Impoundment Control Act of 1974 provided new procedures for executive reporting and congressional review of actions by the executive branch affecting the flow of Federal spending and thereby served to make the Congress a full partner in the continuing struggle to keep Federal spending under control.

Despite my plea for fiscal responsibility, the Congress has failed to rescind \$85 million in budget authority for the Agricultural Conservation Program (REAP) and \$456 million in budget authority for the Rural Electrification Administration (REA). If these funds are fully obligated in FY 1975, expenditures would increase by about \$150 million in FY 1975, \$230 million in FY 1976, and \$150 million in FY 1977.

In the case of the Agricultural Conservation Program (REAP), adequate cost-sharing funds are available to meet the needs of eligible applicants for good conservation practices.

In the case of the REA loans, the funds were originally provided for rural electric and rural telephone direct loans at a two percent interest rate. The decision by the Congress not to rescind these funds was made despite my reminder that the release of these funds would be inconsistent with legislation enacted in 1973 by this same Congress. That legislation amended the Rural Electrification Act of 1936 so as to limit the availability of two percent insured loans to cases of special need. I also reminded them that loans to borrowers who meet the specified criteria can be financed from funds to be provided in the Agriculture-Environmental and Consumer Protection Appropriation Act of 1975. Further, at the time that compromise legislation on REA was enacted, there was no indication of congressional intent to utilize the two percent funds which are now made available.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures to special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.

BUDGET RESCISSION BILL

NOVEMBER 26, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MAHON, from the Committee on Appropriations,
 submitted the following

REPORT

together with
 SEPARATE VIEWS

[To accompany H.R. 17505]

The Committee on Appropriations, to which was referred the bill H.R. 17505, to rescind certain budget authority recommended in the messages of the President of September 20, 1974 (H. Doc. 93-361), October 4, 1974 (H. Doc. 93-365), and November 13, 1974 (H. Doc. 93-387), transmitted pursuant to section 1012 of the Impoundment Control Act of 1974, report favorably thereon to the House with amendments and with the recommendation that the bill as amended be passed.

The amendments are as follows:

- Page 2, lines 2-12.
- Page 2, lines 13-18.
- Page 2, delete II and insert I.
- Page 3, delete III and insert II.
- Page 4, delete IV and insert III.

INDEX TO BILL AND REPORT

	Page number	
	Bill	Report
Narrative summary of bill.....		2
Tabular summary of bill.....		5
Chapter I—Agriculture-Environmental and Consumer Protection.....	2	6
Chapter II—Housing and Urban Development, Space, Science, and Veterans.....	2	11
Chapter III—Interior and related agencies.....	3	13
Chapter IV—Public Works—Atomic Energy.....	4	16

SUMMARY OF THE BILL

This is the first rescission bill to be reported by the Appropriations Committee to the House under the provisions of Title X of the new Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), July 12, 1974.

The bill contains the recommendations of the Committee on the seven budget rescissions proposed by the President through November 13.

These proposed rescissions are contained in H. Doc. 93-361 (Sept. 23, 1974), H. Doc. 93-365 (Oct. 7, 1974), as amended by H. Doc. 93-387 (Nov. 13, 1974).

A general discussion of the bill follows, together with a description of Title X of the Budget and Impoundment Control Act of 1974 which provides for this new process of budget rescissions and deferrals. Specific Committee recommendations are explained in the various chapters of this report which are arranged by Appropriation Subcommittee jurisdiction in the order of the bill itself. Further details concerning particular items can be found in the Presidential messages and in the printed hearings.

RESCISSION TOTALS

The estimated total of budget authority recommended to be rescinded in the bill is \$116,963,000. This is \$540,635,000 less than the amount proposed for rescission by the President. The budget proposed by the President for 1975 had anticipated that these funds would not be made available for obligation.

RESCISSION ACTIONS RECOMMENDED IN THE BILL

The following rescission actions are recommended:

Housing and Urban Development Department—College Housing--	language
Interior Department—Roads and Trails.....	\$4, 891, 000
Interior Department—Road Construction.....	10, 461, 000
Agriculture Department—Forest Service Roads and Trails.....	61, 611, 000
Appalachian Regional Development Programs—Airport Development.....	40, 000, 000

RESCISSIONS NOT RECOMMENDED

The Committee is not recommending agreement to the following rescissions:

Department of Agriculture—Rural Electrification Administration..	\$455, 635, 000
Department of Agriculture—Agricultural Conservation Program..	85, 000, 000

SUMMARY OF RESCISSION AND DEFERRAL PROVISIONS OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

Title X of this Act provides two ways for the President to terminate or defer spending that the Congress has provided—either through a budget rescission or a budget deferral. In each case, Congress has the opportunity to overturn the President and to require that the funds it originally provided be made available for obligation.

RESCISSION OF BUDGET AUTHORITY

When the President decides not to use all or part of the money which the Congress has provided for a program, he must send a rescission message to the Congress. The House and Senate then have 45 days in which to approve the President's proposal through a rescission bill canceling the budget authority previously made available. *This bill must be passed by the House and Senate and signed by the President.* If this is not done within 45 days of the date of the Presidential message containing the proposed rescission, the money must then be made available for obligation.

DEFERRAL OF BUDGET AUTHORITY

When the President proposes to delay spending for some project or program for some period of time not beyond the end of the fiscal year, he must send a budget deferral message to the Congress.

The President may then defer spending according to his proposal unless and until *either the House or Senate passes* an impoundment resolution disapproving the proposed deferral. As opposed to the rescission process, this requires action by only one House.

CUMULATIVE REPORTS

The act requires the President to submit to Congress by the 10th day of each month a cumulative report of rescissions and deferrals. These reports are published as House documents. Reports submitted thus far are contained in H. Doc. 93-392 and H. Doc. 93-393.

RESPONSIBILITIES OF THE COMPTROLLER GENERAL

The Comptroller General has the responsibility to report to Congress if he finds that deferrals or rescissions have not been transmitted to Congress, but are in fact being made. He must also report to Congress if he determines that an action has been improperly classified as a deferral or a rescission. If amounts are made available for obligation under the act by Congressional action or inaction, the Comptroller General is authorized to bring court action to require that such amounts are made available for expenditure if the President fails to do so.

These reports are also published as House documents. Reports submitted thus far are contained in H. Docs. 93-390, 93-391, and 93-394.

DISCHARGE OF COMMITTEE—25 DAYS TO ACT

The Act provides that if a committee to which a rescission bill or a disapproval resolution has been referred has not acted in 25 days, it is subject to discharge on a motion of an individual Member if supported by one-fifth of the Members of the House involved. If discharged, it shall be immediately in order to consider the measure in the House.

APPROPRIATIONS COMMITTEE PROCEDURE

When a Presidential message on rescissions and deferrals or a rescission bill or deferral resolution is referred to the Appropriations Committee, the Committee will utilize its existing Subcommittee structure to hold hearings and deal with the items as they deem appropriate. The Full Committee will then consider and may report these measures to the House, in much the same manner and fashion as Supplemental Appropriations Bills are now handled.

The Committee is well along in the process of developing a computer process to provide information on all the rescissions and deferrals in a timely and useful manner. This is necessary for the work of the Committee but will also provide useful information to all Members and others.

PENDING RESCISSIONS AND DEFERRALS

The President has proposed a total of nearly \$24 billion in existing budget authority to be either rescinded or deferred in the five messages that he has transmitted to the Congress through November 13.

Rescissions. The President has transmitted to Congress seven proposed rescissions of budget authority through November 13. In addition, the Comptroller General has reclassified one proposed deferral of housing funds by the President to a rescission, acting under the authority provided him in P.L. 93-344. The item deals with Housing Production and Mortgage Assistance, Homeownership Assistance (the so-called Section 235 program). A hearing on this matter has been held by the Subcommittee on HUD-Space-Science-Veterans and further consideration and disposition of it is pending before the Committee.

With the action recommended in this bill, no other rescissions are pending at this time.

Deferrals. Through November 13, the President has proposed 88 deferrals of budget authority. The Appropriations Committee has undertaken to examine these deferrals and many of them appear to be routine in nature and not contrary to Congressional intent.

One deferral—that of \$9 billion in waste treatment grants—has aroused considerable interest and concern. This item is discussed in the chapter on Agriculture-Environmental and Consumer Protection.

COMPARISON OF PROPOSED RESCISSIONS OF BUDGET AUTHORITY AND ACTIONS RECOMMENDED IN THE BILL

Report page No.	Chapter No.	Subcommittee	Amount proposed for rescission	Amount recommended for rescission	Bill compared with proposed amount
6	I	Agriculture—Environmental and Consumer Protection: Department of Agriculture: Rural Electrification Administration Loans-----	\$455,635,000	-----	-\$455,635,000
		Agricultural Conservation Program (REAP)-----	85,000,000	-----	-85,000,000
11	II	Housing and Urban Development—Space—Science—Veterans: Department of Housing and Urban Development: College Housing-----	¹ 14,518,000	¹ \$14,518,000	-----
13	III	Interior and Related Agencies: Department of Agriculture: Forest Service Roads and Trails-----	61,611,000	61,611,000	-----
		Department of Interior: Bureau of Land Management Roads and Trails-----	4,891,000	4,891,000	-----
		National Park Service Road Construction-----	10,461,000	10,461,000	-----
16	IV	Public Works—Atomic Energy Commission: Appalachian Regional Development Commission— Airport Development-----	40,000,000	40,000,000	-----

¹ This is a rescission of annual contract authorization which was initially estimated at \$14,518,000 in H. Doc. 93-365, and currently estimated at \$10,371,284

CHAPTER I

SUBCOMMITTEE ON AGRICULTURE-ENVIRONMENTAL AND CONSUMER
PROTECTION**JAMIE L. WHITTEN, Mississippi, Chairman**

GEORGE E. SHIPLEY, Illinois

MARK ANDREWS, North Dakota

FRANK E. EVANS, Colorado

ROBERT H. MICHEL, Illinois

BILL D. BURLISON, Missouri

WILLIAM J. SCHERLE, Iowa

WILLIAM H. NATCHER, Kentucky

J. KENNETH ROBINSON, Virginia

NEAL SMITH, Iowa

BOB CASEY, Texas

DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION LOANS

The Committee has not approved rescission of the \$455,635,000 authorization for Rural Electrification Administration loans. Testimony on the rescission before the Committee revealed that there is at least \$800 million in unapproved loans, and that stretchouts and slowdowns in construction schedules have been necessary. These loans are essential to rural development and further delays would have irreparable effects on the rural economy. Ample loan authority has proved to be necessary in order to obtain fair contracts from suppliers to distribution cooperatives.

It should also be noted that these funds are loan *authorizations* only and no *expenditures* will result from this action unless approvable loans are submitted. If such loans exist, then their existence is contrary to the department's testimony in the hearings; if they do not, then, as noted, this action will have no effect on expenditures. By following this path, the Committee has taken out an insurance policy for rural America which will assure that funds will be available if needed, but that will not have to be cashed in if unneeded.

AGRICULTURAL CONSERVATION PROGRAM (REAP)

The proposal to rescind \$85,000,000 in Agricultural Conservation Program (REAP) funds has also been denied. The Committee has on many previous occasions pointed out the benefits of and the need for this program, particularly when we are urging all-out production to increase the food supply and to earn dollars abroad. The importance of the ACP program was most recently emphasized in the Committee's report on the 1975 budget (House Report 93-1120), which stated:

"In 1936 the Agricultural Conservation Program was initiated in an effort to conserve the land and water resources of the rural areas of this country. What started as a rather limited program has continued to develop through the years. This Committee has had to restore the program 18 times after the various Administrations had proposed its termination. It is now a well-balanced program that has accomplished a world of good under a plan whereby one million individuals have shared the conservation cost. It is not hard to imagine the difficulties we now would be experiencing when farmers are being asked for maximum production if this concerted effort had not con-

tinued to husband our irreplaceable land and water resources. The following table reflects some of the accomplishments of this program:

Practice	Unit	Total accomplishments 1936-72
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses.	Structures.....	2,249,000
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution.	Acres.....	33,216,000
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution.	.....do.....	114,229,000
Competitive shrubs controlled on range or pasture to permit growth of adequate cover for erosion control and to conserve water.	.....do.....	63,260,000
Green and shrubs planted for forestry purposes, erosion control, or environmental enhancement.	.....do.....	5,485,000
Forest tree stands improved for forestry purposes or environmental enhancement.	.....do.....	4,564,000
Wildlife conservation.....	Acres served.....	¹ 13,592,000
Animal waste and soil waste pollution-abatement structures (lagoons, storage, diversion, and other).	Number.....	² 10,803,000
Sediment pollution-abatement structures or runoff control measures.....	Acres served.....	² 2,961,000
Other pollution-abatement practices.....	.....do.....	² 367,000

¹ 1962-72, inclusive, with certain data estimated.

² 1970, 1971, and 1972 only.

These are impressive accomplishments which too many persons take for granted.

In the rescission hearing the department claimed these funds could not be effectively used. The Committee emphatically disagrees with these claims, and believes obligations have been slow only because the department has tried to require unnecessary red tape and to eliminate many desirable conservation practices, substituting the judgment of Washington officials for that of the farmers who would put up approximately two-thirds of the cost. If the department will return to the 1970 practices, as the Committee has directed it to do in every report since those practices were eliminated, there will be a great demand for this program, and the conservation benefits which result will greatly exceed the cost to the government since the farmers and ranchers will more than match the government's contribution.

The Committee notes that under the current court order, the authority to obligate this money will expire on December 31, 1974. On October 8, 1974 the Senate passed S. 3943, which makes these funds available until December 31, 1975. The Committee urges similar action by the legislative committee of the House so that this program can be implemented in an orderly way. The Committee would stress that this action is necessary only because of the continued failure by the Department of Agriculture, in spite of clear directives from both the Congress and the courts, to promote this program for the protection of the country.

The Committee would also point out that, like the rural electrification action, this action will result in expenditures only if farmers and ranchers apply and earn the Federal contribution toward work to preserve our land and put up approximately the same amount of money plus their labor.

ACTION ON DEFERRALS

With the reservations mentioned below, the Committee for the time has accepted the proposed deferrals. This agreement is recommended only after extensive hearings which considered each and

every request individually. The Committee was particularly concerned about the future need for many of these funds, and has agreed to their deferral only after having received assurances that funds will be released as needed. The Committee expects to closely monitor the operation of these programs and if it develops that these commitments to release funds as necessary are not being kept, it will not hesitate to introduce resolutions of disapproval, so that the funds will be available.

The deferrals accepted by the Committee were as follows:

Department of Agriculture:	
Agricultural Research Service-----	\$770,000
Foreign Agricultural Service (special foreign currency)----	2,516,000
Agricultural Marketing Service-----	1,244,000
Agricultural Stabilization and Conservation Service-----	5,000,000
Environmental Protection Agency:	
Waste treatment grants-----	¹ 9,000,000,000
Removal of in-place toxic pollutants-----	2,000,000
Grants to areawide waste treatment management agencies--	30,000,000
Department of Housing and Urban Development:	
Grants for basic water and sewer facilities-----	¹ 400,000,000

¹ Committee has been assured of *immediate* release of such funds as can be effectively utilized to increase employment and protect the environment and accepts the deferral only because of such assurances.

DEPARTMENT OF AGRICULTURE

Most of the proposed deferrals are of a routine management nature, such as the deferral of new construction because of the availability of existing space, and the reservation of various processors fees which are in excess of current needs. The Committee did have serious reservations about the deferral of emergency conservation funds, but reluctantly agreed to the deferral based upon assurances in the hearings that these funds would be immediately available if emergencies do develop.

ENVIRONMENTAL PROTECTION AGENCY

The deferral message proposes to defer the \$9,000,000,000 for construction grants for waste treatment facilities presently being withheld. The message states, "An allotment of a substantial portion of the funds will be made to the States on or prior to February 1, 1975."

Based on hearings held with the Environmental Protection Agency, the Committee is convinced that the entire \$9,000,000,000 should be made immediately available to the agency for allotment to the States. During the hearings the Committee pointed out that 560,000 persons are currently unemployed in the construction industry. The solution to unemployment is productive work on projects for the common good rather than increased unemployment benefits.

Making the \$9,000,000,000 immediately available to the States should speed up the construction of these absolutely essential waste treatment facilities, while at the same time allowing the funds to be obligated on a sound basis.

However, based on assurances from the agency that a substantial portion of these funds will be released in January 1975 and thereafter as they can be fully utilized, the Committee does not propose to introduce a resolution to reject the deferral at this time.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Concerning the deferral of \$407,535,992 for grants for basic water and sewer facilities, the Committee feels that these funds should be made available immediately. These funds were appropriated in fiscal year 1972 and have been impounded since that time by the Administration, contrary to the specific direction by the Congress to release these funds and reinstate the program. In addition, the agency is now under court order to release the funds.

COMPARISON OF PROPOSED RESCISSIONS OF BUDGET AUTHORITY AND ACTIONS RECOMMENDED IN THE BILL

House Doc. No.	Department or activity	Amount proposed for rescission	Amount recommended for rescission	Bill compared with proposed amount
	CHAPTER I DEPARTMENT OF AGRICULTURE			
	Rural Electrification Administration Loans.....	\$455,635,000	-----	-\$455,635,000
	Agricultural Conservation Program (REAP).....	85,000,000	-----	-85,000,000

CHAPTER II

SUBCOMMITTEE ON DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT—SPACE—SCIENCE—VETERANS**EDWARD P. BOLAND, Massachusetts, Chairman**

JOE L. EVINS, Tennessee

GEORGE E. SHIPLEY, Illinois

J. EDWARD ROUSH, Indiana

ROBERT O. TIERNAN, Rhode Island

BILL CHAPPELL, Florida

ROBERT N. GIAIMO, Connecticut

BURT L. TALCOTT, California

JOSEPH M. McDADE, Pennsylvania

WILLIAM J. SCHERLE, Iowa

EARL B. RUTH, North Carolina

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COLLEGE HOUSING

The Committee recommends language rescinding the unused balance of college housing debt service annual contract authority as proposed for the Department of Housing and Urban Development in House Document No. 93-365. This is currently estimated at \$16,171,284.

The college housing loan program has successfully met a national need. It was authorized by the Housing Act of 1950 to encourage the construction of permanent housing to replace the temporary structures provided during the war and to meet demands resulting from the rapid growth in college and university enrollments during the postwar period through the last decade. From enactment of the program in 1950 through fiscal year 1973, a total of 3,888 loans and grants were approved. This has assisted in providing accommodations for almost 1,000,000 students.

In recent years there has been a decline in student enrollments at many colleges. This is causing an actual surplus of dormitory units at selected institutions. While limited shortages of college housing may develop, when all considerations are evaluated, the Committee believes the college housing grant program now ranks as a lower budget priority among competing programs and can be rescinded at this time.

COMPARISON OF PROPOSED RESCISSIONS OF BUDGET AUTHORITY AND ACTIONS RECOMMENDED IN THE BILL

House Doc. No.	Department or activity	Amount proposed for rescission	Amount recommended for rescission	Bill compared with proposed amount
93-365	<p align="center">CHAPTER II</p> <p align="center">DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</p> <p>College Housing (annual contract authorization) -----</p>	<p align="center">¹ Language</p>	<p align="center">¹ Language</p>	-----

¹ Initially estimated at \$14,518,000 in H. Doc. 93-365, and currently estimated at \$16,171,284.

CHAPTER III

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

JULIA BUTLER HANSEN, Washington, *Chairman*

SIDNEY R. YATES, Illinois

GUNN McKAY, Utah

CLARENCE D. LONG, Maryland

FRANK E. EVANS, Colorado

JOSEPH M. McDADE, Pennsylvania

WENDELL WYATT, Oregon

VICTOR V. VEYSEY, California

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

The Committee recommends a rescission of \$4,891,000 in contract authority available to the Bureau of Land Management for public lands development roads and trails as requested in Rescission Proposal No.: R75-6, House Document 93-365. The amount recommended is equal to the contract authority which will lapse at the end of fiscal year 1975.

The current contract authority obligation program for fiscal year 1975 is \$5,196,000, an increase of \$1,076,000 above the program originally projected in the budget. Liquidating cash amounting to \$4,070,000 has been appropriated for fiscal year 1975 for this program.

In addition to the contract authority proposed for rescission and the contract authority to be obligated in fiscal year 1975, contract authority in the amount of \$28,924,000 is available under the Federal-Aid Highway Act for future years under this program.

NATIONAL PARK SERVICE

The Committee recommends a rescission of \$10,461,000 in contract authority available to the National Park Service for parkways as requested in Rescission Proposal No.: R75-7 as amended by Rescission Proposal No.: R75-7A, House Documents 93-365 and 93-387. The amount recommended is equal to the contract authority which lapses at the end of fiscal year 1975.

The current contract authority obligation program for fiscal year 1975 for parkways and for park roads and trails is \$67,456,000, an increase of \$34,456,000 above the program originally projected in the budget. Liquidating cash amounting to \$26,026,000 has been appropriated for fiscal year 1975 for this program.

In addition to the contract authority proposed for rescission and the contract authority to be obligated in fiscal year 1975, contract authority in the amount of \$256,136,000 is available under the Federal-Aid Highway Act for future years under this program.

DEPARTMENT OF AGRICULTURE—FOREST SERVICE

The Committee recommends a rescission of \$61,611,000 in contract authority available to the Forest Service for forest development roads and trails as requested in Rescission Proposal No. R75-4 (House Document 93-365) as amended by House Document 93-387. The amount recommended is equal to the contract authority which will lapse at the end of fiscal year 1975.

The current contract authority obligation program for fiscal year 1975 is \$155,392,000, an increase of \$8,445,000 above the amount originally projected in the budget. Liquidating cash amounting to \$120,864,000 has been appropriated for fiscal year 1975 for this program.

In addition to the contract authority proposed for rescission and the contract authority to be obligated in fiscal year 1975, contract authority in the amount of \$420,000,000 is available under the Federal-Aid Highway Act for future years under this program.

COMPARISON OF PROPOSED RESCISSIONS OF BUDGET AUTHORITY AND ACTIONS RECOMMENDED IN THE BILL

House Doc. No.	Department or activity	Amount proposed for rescission	Amount recommended for rescission	Bill compared with proposed amount
	<p>CHAPTER III</p> <p>DEPARTMENT OF THE INTERIOR</p> <p>BUREAU OF LAND MANAGEMENT</p>			
93-365	Public lands development roads and trails.....	\$4,891,000	\$4,891,000	-----
	<p>NATIONAL PARK SERVICE</p>			
93-365 93-387	Parkways.....	10,461,000	10,461,000	-----
	<p>DEPARTMENT OF AGRICULTURE</p> <p>FOREST SERVICE</p>			
93-365 93-387	Forest development roads and trails.....	61,611,000	61,611,000	-----

COMPARISON OF PROPOSED RESCISSIONS OF BUDGET AUTHORITY AND ACTIONS RECOMMENDED IN THE BILL

House Doc. No.	Department or activity	Amount proposed for rescission	Amount recommended for rescission	Bill compared with proposed amount
93-361	<p style="text-align: center;">CHAPTER IV</p> <p>Appalachian Regional Development Programs—Airport Develop- ment-----</p>	\$40,000,000	\$40,000,000	-----

SEPARATE VIEWS OF HON. ROBERT O. TIERNAN
AND HON. EDWARD J. PATTEN

COLLEGE HOUSING PROGRAM

I wish to take exception to the Committee's recommendation of approval with regard to the Administration's request to rescind funds available for college housing. These funds were appropriated to assist colleges with the construction or acquisition of housing and related facilities through low interest loans and debt service grants which reduce the cost of borrowing on the private market.

First of all, no argument need be made on the prohibitive cost of mortgaging at commercial interest rates. I am sure that the Members of the Committee agree that this is totally impractical and prohibitive for either public or private institutions of learning. If additional housing is to be constructed it is imperative that the help provided by Title IV of the Housing Act of 1950 be available.

Therefore, the action taken by the Committee in essence is a directive that additional housing not be constructed. The primary reason proffered for this action is that the program is an inefficient means of providing higher educational assistance for needy students. In my opinion, such reasoning is insufficient and bears no relation to the original intention of the legislation. The program was never intended to focus assistance only on needy students, but rather was adopted as a method of lowering the high cost of college education for all students, and the track record of this program has been far superior to most federal programs, having experienced a minimum default record and a maximum success rate.

A look at the present picture shows that college students can be divided into three categories: those living on campus; those living on the economy in the college community; and day students living at home.

As regards the first category, trends seem to indicate a return to campus living. As a result the Association of College University and Housing Officers is presently conducting a study as to current and expected need for on-campus housing. To terminate possible sources of funding now, seems to me, rather premature.

The second grouping of students is traditionally living in housing previously occupied by low income families. Community after community in the Northeast has become agitated against urban universities for lack of university provided housing which forces the takeover of surrounding areas. In fact, the Administration argues that the College Housing Program does "little to reduce the financial barrier to higher education for low income students" yet the consequences of the proposed recession is to force students to be subject to the higher costs of renting private housing.

Most of the above applies primarily to new construction, but I also feel compelled to emphasize the ongoing pressures for remodeling and renovation. We, in Congress, have seen the need for better occupational and safety standards; for removing barriers to the physically handicapped; and for coping with the omnipresent energy problem. We have instituted new regulations, yet we are providing no assistance in meeting those regulations. Is this not begging the question?

I submit that the action of this Committee is simply postponing a day of reckoning. All costs of a university are reflected in student costs—it seems to me we are robbing Peter to pay Paul.

ROBERT O. TIERNAN.
EDWARD J. PATTEN.





Ninety-third Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the twenty-first day of January,
one thousand nine hundred and seventy-four*

An Act

To rescind certain budget authority recommended in the messages of the President of September 20, 1974 (H. Doc. 93-361), October 4, 1974 (H. Doc. 93-365) and November 13, 1974 (H. Doc. 93-387), transmitted pursuant to section 1012 of the Impoundment Control Act of 1974.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following rescissions of budget authority contained in the messages of the President of September 20, 1974 (H. Doc. 93-361), October 4, 1974 (H. Doc. 93-365) and November 13, 1974 (H. Doc. 93-387) are made pursuant to section 1012 of the Impoundment Control Act of 1974, namely:

CHAPTER I

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COLLEGE HOUSING

The limitation otherwise applicable to the total payments that may be required in any fiscal year by all contracts entered into under title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.), is hereby reduced by the uncommitted balances of authorizations heretofore provided for this purpose in appropriation acts.

CHAPTER II

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Contract authority provided for the fiscal year ending June 30, 1973 by section 105(a)(8) of the Federal-Aid Highway Act of 1970 (Public Law 91-605) for "Public lands development roads and trails" is rescinded in the amount of \$4,891,000.

NATIONAL PARK SERVICE

Contract authority provided for the fiscal year ending June 30, 1973 by section 105(a)(10) of the Federal-Aid Highway Act of 1970 (Public Law 91-605) for "Parkways" is rescinded in the amount of \$10,461,000.

RELATED AGENCIES

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Contract authority provided for the fiscal year ending June 30, 1973 by section 105(a)(7) of the Federal-Aid Highway Act of 1970 (Public Law 91-605) for "Forest development roads and trails" is rescinded in the amount of \$61,611,000.

H. R. 17505—2

CHAPTER III

APPALACHIAN REGIONAL DEVELOPMENT PROGRAMS

The authority to incur obligations provided by subsection (f) of section 208 of the Appalachian Regional Development Act of 1965, as amended (85 Stat. 169, 40 App. U.S.C. 208), is rescinded.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed H.R. 17505, a bill to rescind \$131 million budget authority that is not needed for five federal programs. This is the first such bill to come to me under the new provisions established by the Congressional Budget and Impoundment Control Act of 1974. In that respect, I take pleasure in signing this bill because its passage demonstrates that the new procedures will work.

However, at the same time, I am dismayed that the Congress failed to include in this bill rescissions I proposed of \$85 million for the so-called "REAP" program and \$456 million for the Rural Electrification Administration. By failing to include my proposals in this bill, the Congress has, in effect, insisted that \$541 million of the taxpayers money be spent, even though there is no demonstrated need.

Instead of accepting its responsibilities as a full partner in the struggle to keep Federal spending under control, the Congress has yielded to the pressures of special interest constituencies and provided unneeded benefits at the expense of the fight against inflation and the welfare of the taxpayer. For the Nation's sake, this kind of action must not set the pattern for the future. I urge the Congress to reconsider this matter.

#



December 12, 1974

Dear Mr. Director:

The following bills were received at the White House on December 12th:

- S. 782 ✓
- S. 3164 ✓
- H.R. 10337 ✓
- H.R. 17505 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.