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OMB Reviews

<u>Agency/Program</u>	<u>Time</u>	<u>Date</u>
HEW	10:30 A. M.	Nov. 8
Agriculture	11:00 A. M.	Nov. 11
Interior	3:30 P. M.	Nov. 13
Commerce and SBA	10:00 A. M.	Nov. 16
HUD	1:30 P. M.	Nov. 16
Energy R&D	4:00 P. M.	Nov. 21
Justice/Treasury	10:00 A. M.	Nov. 22
Justice/Treasury (continued)	2:15 P. M.	Nov. 22
Foreign Aid	10:00-12:00 + 1:30	Nov. 23 ← set for
Foreign Aid (continued)	2:15 P. M.	Nov. 26
DOT	10:00 A. M.	Nov. 27
DOT (continued)	2:15 P. M.	Nov. 27
Project Independence	10:00 A. M.	Dec. 10

Cancelled
rescheduled
for Sat.
Nov. 23

11/20/74
(Louise Henry) called
re. changes.
x4630



THE WHITE HOUSE

WASHINGTON

November 7, 1974

MEMORANDUM FOR: PHILIP W. BUCHEN
ROBERT T. HARTMANN ✓
JOHN O. MARSH, JR.
DONALD RUMSFELD
WILLIAM J. BAROODY, JR.
L. WILLIAM SEIDMAN
WILLIAM E. TIMMONS
PHILLIP E. AREEDA

FROM: ~~ROY L. ASH~~

SUBJECT: OMB Review Sessions for the
1976 Budget

During the next few weeks we will be completing our review of major 1976 budget issues for a number of major agencies.

Attached is a schedule of the sessions for these reviews to be held in room 248, EOB. They will normally last two to two and one-half hours.

We will be happy to have your personal participation in these sessions.

Attachment

Attachment

OMB Reviews

<u>Agency/Program</u>	<u>Time</u>	<u>Date</u>
HEW	10:30 A. M.	Nov. 8
Agriculture	10:30 A. M.	Nov. 11
Interior	10:00 A. M.	Nov. 13
Commerce and SBA	10:00 A. M.	Nov. 15
HUD	1:30 P. M.	Nov. 15
Energy R& D	4:00 P. M.	Nov. 21
Justice/Treasury	10:00 A. M.	Nov. 22
Justice/Treasury (continued)	2:15 P. M.	Nov. 22
Social Security	10:00 A. M.	Nov. 23
Foreign Aid	10:00 A. M.	Nov. 25
Foreign Aid (continued)	2:15 P. M.	Nov. 26
DOT	10:00 A. M.	Nov. 27
DOT (continued)	2:15 P. M.	Nov. 27
Project Independence	10:00 A. M.	Dec. 10



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 11/11/74

TO: Robert T. Hartmann

FROM: Roy L. Ash

Revision of OMB Review
Sessions sent you on 11/7.

OMB Reviews

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(Louise Henry) called re. changes.
x4630





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

JAN 15 1975

MEMORANDUM FOR:

PHILIP W. BUCHEN
KENNETH R. COLE
ALAN GREENSPAN
ROBERT T. HARTMANN ✓
JOHN O. MARSH
DONALD H. RUMSFELD
BRENT SCOWCROFT
L. WILLIAM SEIDMAN
PAUL A. THEIS

FROM:

ROY L. ASH (Signed) Roy L. Ash

SUBJECT:

The Budget Message

Attached is the galley proof of the Budget Message which is being sent to the President. To the extent possible, we have incorporated the proposals that will be announced today in the State of the Union address. The budget figures may change slightly as we refine the details.

Since the Message is included in the printed Budget, the lead time involved is longer than for most Presidential messages. We expect to be making final corrections next week in order to meet our target of releasing the printed Budget to the press January 31.

We will need any comments no later than c.o.b., Friday, January 17.

Attachment

January 15, 1975—REVISED

**1 Part 1—MESSAGE
NEW GALLEY**

**Limited to Official
OMB Use**

BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The year 1976 will mark the bicentennial of this country. With this budget, therefore, we will begin our third century as a Nation.

In our first 2 centuries we developed from 13 struggling colonies to a powerful leader among nations. Our population increased from 3 million to 213 million. From a simple agricultural society we have grown into a complex industrialized one.

Our Government—and its budget—have grown with the Nation, as the increasing complexity of modern society has placed greater responsibilities upon it. Yet our society has remained free and democratic, true to the principles of our Founding Fathers.

Change and complexity bring problems. As we approach our third century as a Nation, we face serious economic difficulties of recession and inflation. I have a deep faith, however, in the fundamental strength of our Nation, our people, our economy, and our institutions of government. I am confident of our ability to overcome today's challenges as we have overcome others in the past—and gone on to greater achievements.

My budget recommendations are designed to meet longer-term national needs as well as immediate, short-run objectives. It is vital that they do so. Because of the size and momentum of the budget, today's decisions will have far-reaching and long-lasting effects.

**Limited to Official
OMB Use**

2 Part 1—MESSAGE

The recommendations set forth in this budget are an integral part of the broader series of proposals outlined in my State of the Union address. These proposals and budget recommendations provide for:

- fiscal policy actions to restore full economic health, vigor, and price stability, including tax reduction and greatly increased aid to the unemployed;
- a major new energy program, emphasizing measures to limit energy use, accelerate development of domestic energy resources, and promote energy research and development;
- an increase in outlays for defense in order to maintain preparedness and preserve force levels in the face of rising costs;
- a 1 year moratorium on new Federal spending programs other than energy programs; and
- a temporary 5% ceiling on increases in pay for Federal employees, and on those benefit payments to individuals that are tied to the consumer price index.

The new economic and energy policies I have announced call for decisive action to restore economic growth and energy self-reliance. My proposals include \$16 billion in tax relief—\$12 billion for individuals and \$4 billion for corporations—to stimulate a return to high levels of employment. I regret that this will mean bigger deficits temporarily, for I have always fought deficits. If we do not provide the economy with this stimulus now, however, the Treasury will lose receipts and incur even larger deficits in the future.

My energy proposals call for a tariff on imported oil, taxes on domestically produced petroleum and natural gas and on their producers, coupled with deregulation of prices. These measures will curb excessive energy use and reduce our dependence on imported oil. *The full amount of the increase in petroleum and natural gas costs due to these measures will be returned to consumers and to industry, with special provisions for ensuring that low-income Americans are compensated equitably.* All these compensatory measures will be in addition to the \$16 billion in tax relief I have proposed.

My budget recommendations provide for total outlays of \$348 billion in 1976, an increase of \$35 billion over 1975, and anticipate receipts of \$303 billion, an increase of \$19 billion over 1975.

THE BUDGET AT A GLANCE

[In billions of dollars]

Item	1974 actual	1975 estimate	1976 estimate	Transition quarter
Receipts	264.9	280	303	86
Outlays	268.4	314	349	93
Deficit (-)	-3.5	-33	-46	-8

3 Part 1—MESSAGE

The Congressional Budget and Impoundment Control Act of 1974 changes the fiscal year for the Federal budget from the present July-through-June basis to an October-through-September basis, beginning with the 1977 fiscal year. This requires that there be a separate transition quarter, extending from July through September of 1976. Estimates for the transition quarter are included in this budget. In general, they anticipate continuing the 1976 program levels unchanged for the additional 3 months. Because outlays and receipts vary seasonally—that is, they do not occur at uniform rates during the year—the estimates for this quarter (and particularly the deficit) are not representative of a full year's experience.

THE BUDGET AND THE ECONOMY

If the Congress acts decisively to place in effect the new policies I have announced, and if we exercise reasonable patience and restraint, we can go far toward solving the broad range of economic problems our Nation now faces.

It must be clearly understood that these problems are serious and that strong remedies are fully justified. We are now in a recession. Unemployment is unacceptably high and productivity has declined. At the same time, inflation, a serious and growing problem for nearly a decade, continues to distort our economy in major ways. Underlying these problems is the fact that we are far from self-sufficient in energy production, and even with the measures I have proposed developing the capacity for self-sufficiency will take years. Imported fuel supplies have been interrupted once and remain vulnerable, and oil prices have been increased fourfold. Also, agricultural production has declined worldwide, while demand has continued to increase, pushing food prices to much higher levels.

The increased unemployment and continued price increases from which we now suffer—in common with much of the rest of the world—seem to create conflicting demands upon fiscal policy. My policy takes into account several major factors that have combined to create strong deflationary pressures in the economy. A restrictive monetary policy has been pursued for the past 2 years. The Federal budget has also been a moderately restraining force during this period. In addition, the steep rise in the price of imported oil, while directly increasing prices, has also acted like a tax increase by reducing the real income of American consumers and transferring that reduction to oil exporting countries. This reduces the demand for goods in the American marketplace. All of these factors, superimposed on the inevitable slowdown in economic activity following the boom of 1972-73, underlie the recession we are now in.

The weakening of consumer demand and investment, in turn, is beginning to exert a dampening effect on price and wage increases. Thus, inflationary pressures are already beginning to recede and are likely to continue to do so. My budget policies will not offset these anti-inflationary pressures. They will, however, help to restore higher levels of employment.

4 Part I—MESSAGE

Recognizing these facts, I have adopted a budget policy to restore high levels of employment as rapidly as possible without rekindling inflation. As part of this policy, tax cuts will contribute to substantial deficits in both 1975 and 1976. I have always opposed unnecessary deficit spending in the past. The current economic situation, however, leaves me no choice. My proposed \$16 billion, 1-year cut in personal and corporate income taxes that will help provide the stimulus necessary to restore high levels of employment. This is in addition to other tax cuts recommended to offset the proposed petroleum and natural gas taxes. This tax cut will increase the 1975 deficit by \$6 billion and the 1976 deficit by \$10 billion.

Aside from the effects of the proposed tax reduction, the deficits anticipated for 1975 and 1976 are largely the inevitable result of those aspects of the budget and the tax system which act as powerful "automatic stabilizers" for the economy. When an economic slowdown occurs, incomes and profits decline or grow more slowly, but taxes are decreased more than proportionately. Unemployment benefit payments rise sharply. These factors serve to cushion the economic downturn and help sustain individual and corporate incomes.

The automatic stabilizers are quite substantial. If the economy were to be as fully employed in 1976 as it was in 1974, we would have \$35 billion in additional tax receipts, assuming no change in tax rates. Aid to the unemployed, including the special measures I proposed and the Congress enacted last December, will be \$10 billion larger in 1976 than they were in 1974, providing income support for — beneficiaries and their families. These two factors alone, plus the proposed tax reduction, total \$55 billion, an amount substantially more than the budget deficit for 1976.

THE BUDGET TOTALS

Fiscal years. In billions]

Description	1974 actual	1975 estimate	1976 estimate	Transition period estimate
Budget receipts	264.9	280.5	302.7	
Budget outlays	268.4	313.7	348.7	
Deficit (—)	—3.5	—33.2	—46.0	
Budget authority				

1973
actual

Outstanding debt, end of fiscal period:	
Gross Federal debt	
Debt held by the public	
Outstanding Federal and federally assisted credit, end of fiscal period	
Direct loans	
Guaranteed and insured loans ¹	
Government-sponsored agency loans ²	

¹ Excludes loans held by Government accounts and special credit agencies.

² See table E-7 in Special Analysis E, Federal Credit Programs, published in a separate volume.

January 15, 1975—REVISED

5 Part 1—MESSAGE

In developing my budget recommendations I have recognized that the Government must act decisively to restore economic health, and act compassionately to aid those most seriously affected by unemployment. It does not make economic sense to try to cut a dollar out of the budget for each dollar of tax receipts lost because of decreases in incomes and profits and because of necessary tax cuts. Now does it make sense to offset each dollar of increased aid to the unemployed by a reduction elsewhere in the budget.

Last October I proposed a balanced program addressed to the problems of unemployment and inflation. A key element in that program was the proposed National Employment Assistance Act, which provided for liberalized unemployment benefits and coverage and for more public employment. Congress has since enacted, and I have signed into law, two employment assistance acts derived from my proposals. One of these measures, the Emergency Jobs and Unemployment Assistance Act, provides unemployment benefits to workers not covered by the regular unemployment insurance system and provides increased job opportunities in the public sector. The other measure, the Emergency Unemployment Act, extends the length of time that workers covered by the regular unemployment insurance system are eligible for benefits. My budget recommendations provide for outlays of \$16.6 billion in 1976 for income support for the unemployed, both under these two Acts and under the regular unemployment compensation programs. Another \$1.3 billion will be spent for increased public sector jobs.

While recommending temporary measures to help the economy and to provide greater assistance to the unemployed, I have sought, on an item-by-item basis, to eliminate nonessential spending and avoid commitment to excessive growth of Federal spending in the long run. For this reason I have proposed no new spending initiatives in this budget other than those for energy. I have also proposed that the allowable increase in Federal pay and in benefit payments to individuals that currently are linked to the consumer price index be limited to 5% through June 30 of next year. This policy will save \$6.1 billion in 1976 and permit us to concentrate maximum resources on direct assistance to the unemployed and on direct efforts to speed economic recovery. I have previously asked the Congress to agree to a series of measures which would reduce outlays. In some cases the Congress has done so; in others it has overturned my proposals. Those economy measures to which Congress has not objected are reflected in my budget recommendations and will provide \$7.8 billion in savings in 1976. Further program reductions will add \$3.6 in additional savings.

My proposal to place a temporary limit on civil service and military pay increases recognizes that our public servants enjoy considerably greater job security than the average worker under current economic conditions. Given the large numbers losing jobs in the private sector, I believe that this is a reasonable request, one that will help to make possible essential aid to the unemployed, and one most public servants will understand. I believe in the basic concept of comparability between Federal and private sector pay. However, that comparability is not a simple matter of mechanics. My proposal takes into account the hard reality that it is those in the private sector—not in government—who are suffering the hardships caused by recession.

6 Part 1—MESSAGE

My proposal to place a similar temporary limit on the automatic increases in benefit programs linked to the consumer price index is made in the context of the very large increases that have occurred in these programs in recent years—increases well in excess of the rate of inflation. Outlays for these programs, including Social Security, Supplemental Security Income, food stamps, railroad retirement, Federal employees retirement, and military retired pay have increased from \$— billion in 1969 to an estimated \$— billion in 1976. This amounts to an average increase of —% a year.

BUDGET TRENDS AND PRIORITIES

The Federal budget both reflects our national priorities and helps to move the Nation toward their realization. Recent years have seen a significant shift in the composition of the Federal budget. The proportion of the budget devoted to defense has declined substantially since 1964, with a corresponding increase in the nondefense proportion of the budget. This shift has been particularly rapid since 1969, due in part to the end of American combat involvement in Vietnam.

Defense outlays remained virtually level in current dollar terms from 1969 to 1974, absorbing substantial cost increases—including the pay raises necessary to establish equitable wage levels for our servicemen and women and to make possible the transition to an all-volunteer armed force. Defense programs have undergone large reductions in real terms—reductions of over 40% since 1969 in manpower and materiel. In consequence, defense outlays have been a decreasing share of our gross national product, falling from 8.9% in 1969 to less than 6% in 1976.

At the same time, Federal nondefense spending has increased substantially in both current and constant dollar terms, growing from 14.0% of gross national product in 1969 to an estimated —% in this budget. In the process, the form that Federal spending takes has shifted dramatically away from support for direct Federal operations and toward direct benefits to individuals and grants to State and local governments—about a third of which also helps to finance payments to individuals. Both legislated increases and built-in program growth have contributed to the doubling of outlays for domestic assistance in the past 5 years. The sharp drop in defense programs and manpower has helped to make this possible.

It is no longer possible to offset increases in the costs of defense programs by further reducing military programs and strength. Therefore, this budget proposes an increase in defense outlays in current dollars that will maintain defense preparedness and preserve manpower levels in the face of rising costs. These proposals are the minimum prudent levels of defense spending consistent with providing armed forces which, in conjunction with those of our allies, will be adequate to maintain the military balance. Keeping that balance is essential to our national security and to the maintenance of peace.

In 1969, defense outlays were nearly one-fifth more than combined outlays for aid to individuals under human resource programs and for aid to State and local governments. Despite the increase in defense outlays, this budget proposes spending nearly twice as much money

7 Part 1—MESSAGE

for aid to individuals and State and local governments as for defense.

Outlays for assistance to individuals and to State and local governments will rise from \$— billion in 1974 to \$— billion in 1975, and \$— billion in 1976. These increases include the costs of the emergency unemployment assistance measures enacted last December, together with increased outlays under the regular unemployment insurance system. Outlays for other benefit programs, including social security, supplemental security income, food stamps, Medicare and Medicaid, and veterans programs, will also increase substantially.

The budget carries forward a philosophy that stresses an appropriate separation of public- and private-sector responsibilities. Within the sphere of public sector responsibilities, it calls for Federal emphasis on meeting national problems and encourages State and local responsibility and initiative in meeting local and State-wide needs. Broader Federal aid to States and localities and a reduction in the Federal restrictions imposed in connection with this aid are key elements of this philosophy. In 1974, Federal aid supplied 21% of total State and local government receipts, compared to 10.7% a decade earlier. My budget recommends Federal grants-in-aid of \$— billion in 1976.

BUDGET REFORM

As demands on the budget have grown, the need for better congressional procedures for considering the budget has become increasingly clear. In the past the Congress has acted upon the budget in a piecemeal fashion, with far too little attention to the total. The Congressional Budget and Impoundment Control Act passed last summer mandates sweeping changes in the Federal budget and in congressional procedures for dealing with it. Under procedures established by the act, the Congress will have a larger and better-defined role in developing sound budget and fiscal policies. Congressional organization and procedures will be changed to focus greater attention on the budget totals early in the legislative process. Major provisions of the act require greater attention to the future-year costs of legislative proposals and on-going programs and establish a budget committee in each chamber and a Congressional Budget Office to aid Congress in its consideration of budget recommendations. The shift of the fiscal year to an October-to-September basis will give the Congress more time to complete action on the budget before the fiscal year begins. The act also provides for a closer working relationship between Congress and the executive branch in controlling outlays. I look forward to a new era of fruitful cooperation between the legislative and executive branches on budgetary matters, a cooperation that will enhance fiscal responsibility, make the budget a more flexible instrument of national policy, and promote a more careful allocation of limited Federal resources.

During the past 6 years, the budget has become increasingly forward-looking, focusing attention on the future effects of budget proposals. The new act builds upon this initiative with the requirement that the budget present more extensive 5-year projections of outlays and receipts. [These projections indicate the large natural increase in receipts resulting from rising incomes and profits as the economy returns to healthy growth and higher employment. These increased receipts, coupled with prudent fiscal restraint, will make it possible to avoid deficits that would be inflationary when the economy returns to high employment.]

8 Part 1—MESSAGE

The Government strongly affects the economy in many ways not fully reflected in the budget. These influences include tax provisions such as those that encourage homeownership and business investment; and the operations of Federal or federally-sponsored enterprises, particularly in the credit field, that are excluded from the budget. The new act recognizes the importance of these factors by requiring that they be given greater consideration in connection with the budget.

NATIONAL SECURITY AND FOREIGN AFFAIRS

The ultimate goal of American foreign policy is to ensure the political freedom, military security, and economic well-being of the United States in a peaceful and prosperous international community. Our diplomacy strives to achieve arms control and peaceful resolution of international disputes. We seek a healthy world economy through expanded trade, constructive solutions to energy problems, and increased world agricultural production to meet mankind's food needs. In today's interdependent world, each of these objectives serves our own national interest even as it helps others.

The Vladivostok understanding, which I reached with Secretary General Brezhnev of the Soviet Union, represents a major step on the long and arduous road to the control and eventual reduction of nuclear arms. For the first time, we have reached an understanding on specific and equal limitations on the total number of strategic delivery vehicles and missiles with multiple, independently targetable warheads (MIRV's). When both sides have ratified the resulting SALT II treaty, we will be prepared to take the next step—to seek further agreement to lower the ceilings, as we have already done in the case of antiballistic missile launchers.

The progress we have already made along the road to eventual strategic arms reductions has been possible only because our strength has encouraged the Soviet Union to negotiate. If we are to make further progress, we must act to preserve our strategic strength. My defense proposals provide for necessary force improvements and for the development of strategic alternatives that may be needed to maintain, within the limits of the Vladivostok agreement, a credible strategic deterrent.

Now that the Soviet Union has achieved parity in strategic forces with the United States, more attention must be given to maintaining an adequate balance in general purpose forces. In this area we share the burden of defense with our allies. As a minimum, the United States and our NATO allies should seek a balance in conventional capabilities with those of the Warsaw Pact. The United States has entered into negotiations between members of NATO and of the Warsaw Pact on mutual and balanced force reductions. If those negotiations are successful, some U.S. forces stationed in Europe could safely be withdrawn. For the time being, however, the United States and its allies must maintain present manpower levels and strengthen conventional combat capabilities in order to achieve parity with the Warsaw Pact.

9 Part I—MESSAGE

In an effort to increase efficiency and achieve greater combat capability with existing manpower levels; the Army has undertaken to provide 16 active combat divisions by June of 1977 with approximately the same total number of Army personnel as was authorized for 13 divisions in June of 1974. This 16-division combat force will require additional equipment, which is provided for in my budget recommendations.

Because the welfare and survival of the United States and its allies depend upon the flow of ocean-going trade and supplies, strong naval forces are required. In recent years the number of Navy ships has decreased, primarily as a result of the retirement of many aging ships built during World War II. The savings from this action have been used to strengthen the combat capabilities of the remaining force. This budget provides for a vigorous program of new ship construction and modernization necessary to maintain the naval balance in the future.

In addition to maintaining a strong defense capability, the United States strives, through its diplomacy, to develop and maintain peaceful relationships among nations. Foreign assistance is both a humanitarian concern and a proven and flexible instrument of diplomacy. Our assistance to Indochina is contributing to the security and reconstruction of the countries in that region. Our assistance to the Middle East is an integral part of our diplomatic effort to maintain momentum toward a peaceful solution to the area's problems. An increasing portion of our economic aid program is devoted to helping developing countries improve their agricultural productivity.

Higher oil prices, worldwide food shortages, inflation, and spreading recession have severely strained the fabric of international cooperation in the past year. The United States has undertaken several major diplomatic initiatives designed to avert international economic chaos. Our diplomatic efforts were instrumental in the establishment of the International Energy program which provides for emergency oil sharing, long-term conservation efforts, and development of alternative energy sources. More recently, the United States proposed a \$25 billion supplementary financing facility to assist industrialized countries in dealing with balance of payments difficulties. We have also proposed additional International Monetary Fund support for developing countries. Under the auspices of the World Food Conference, the United States is supporting a number of measures, including creation of an international system of grain reserves.

In addition, the Trade Act passed by the Congress last December will make possible a strengthening of international trade relations by reducing tariff and nontariff barriers to trade, improving access to supplies, and facilitating trade with the Soviet Union and other countries.

The strengthening of world trade and the international financial system is providing a framework for coping with the current economic stress caused by energy and food shortages, thus laying the foundations for renewed international economic progress.

10 Part 1—MESSAGE

DOMESTIC ASSISTANCE

The enormous growth in recent decades of Federal programs for assistance to individuals and families, and to State and local governments, has placed heavy demands on the budget. This growth expresses the desire of a compassionate society to provide well for its retired workers, veterans, and less fortunate members without sacrificing our proud and productive tradition of individual initiative and self-reliance. In the process, we have built a stronger partnership between the various levels of government: National, State, and local.

TABLE —.—AID TO INDIVIDUALS AND TO AND STATE LOCAL GOVERNMENTS

The rapid growth of human resource programs in recent years has brought about many improvements in the well-being of the American people. Higher social security benefits and extension of the Medicare program, for example, have increased the economic security of the elderly and the disabled. In just 7 years, cash benefits under social security programs will have nearly tripled, rising from \$26.2 billion in 1969 to \$72 billion in 1976. They now reach——million beneficiaries. By 1976, six social security benefit increases will have occurred since 1969. Automatic cost-of-living adjustments to benefits are now provided by law. Allowing for the 5% ceiling I have proposed on benefit increases between now and 1976, the increases from 1970 through 1976 in each recipient's social security benefits, taken together, will total 77%, far exceeding the increases in the cost of living (52%), and in average wages (57%), estimated for this period.

The Supplemental Security Income program began operation a year ago, replacing the various State public assistance programs for the aged, the blind, and the disabled with a more uniform and equitable national system. This broad reform has provided higher benefits for these disadvantaged groups. In addition, Federal assumption of responsibility for these programs has provided significant fiscal relief to State and local governments.

The food stamp program has also grown rapidly in recent years. Outlays have increased from \$248 million in 1969 to an estimated \$3.9 billion in 1976. Cost-of-living adjustments in benefits now occur automatically, by law, twice a year. For 1976 I will propose legislation to limit such increases to a total of 5%. I have also undertaken reforms to simplify the administration of this program and reduce costs, while providing for more equitable treatment of beneficiaries.

The ceiling I have proposed would limit to 5% the maximum increases between now and the end of fiscal year 1976 in pay for Federal employees, Federal employee retirement systems, and other benefit programs such as social security, supplemental security income, and food stamps. To be equitable, this ceiling should apply to all.

11 Part 1—MESSAGE

In recent years, these programs—and Federal pay—have risen far more than the cost of living. In just 5 years—from 1970 to 1975—outlays for the benefit programs affected have grown from \$40 billion to \$92 billion. That is an increase of about 130%. Over the same period, consumer price increases total about 38%. Some of the increase in outlays is due to the fact that more people are now covered by benefit programs. But average benefits per beneficiary, in constant prices—that is, adjusting for inflation—have gone up substantially.

In the present unique situation, with thousands of workers being laid off while considerable inflationary momentum persists, Government must set an example for the country by not allowing the budget to perpetuate inflation. I therefore believe that modest—and temporary—restraint on Federal pay, and on the growth of Federal benefit programs, makes sense, and is equitable.

Over the years, the income security of our labor force has been enhanced by liberalization of benefits and coverage under our unemployment insurance system, while increased employment opportunities have been created in areas of high unemployment. The special unemployment assistance measures I proposed last October have been enacted into law as the Emergency Jobs and Unemployment Assistance Act and the Emergency Unemployment Compensation Act. With these new acts, total unemployment assistance, including manpower training and employment programs, will expand—%, from \$— billion in 1974 to \$— billion in 1976.

Our present welfare system is inefficient and inequitable. It is wasteful not only of tax dollars but, more importantly, of human potential. Left unchanged, over the long run, the situation will almost surely continue to deteriorate.

One approach to reform, often tried in the past, is incremental changes to current programs in the hope that the system can be made more effective. These efforts have not been notably successful. The alternative is to replace the current system. Extensive analysis of both approaches has been undertaken in both the executive branch and the Congress.

I urge the Congress to work with my Administration toward developing a plan for a new system that is simple, fair, and compassionate.

The major Federal programs for financing medical care, Medicare and Medicaid, are now 10 years old. Medicare outlays of \$14.7 billion in 1976 will help to meet the medical costs of an estimated 12.7 million aged and disabled Americans, 23% more people than were aided in 1971. Medicaid outlays of \$7.1 billion will help to pay medical care for the 25 million low-income Americans in 1976—a 37% increase in beneficiaries since 1971.

General Revenue Sharing has become an integral and important part of the Federal grants-in-aid system. This program has been highly successful, providing fiscal assistance that can be applied flexibly to meet the needs of States and localities according to their priorities. It has distributed Federal assistance more equitably than before, reaching many local governments that had not received Federal assistance in the past.

12 Part 1—MESSAGE

Current authority for General Revenue Sharing will expire at the end of calendar year 1976. Because I believe in the soundness of this program, I shall propose legislation extending General Revenue Sharing through fiscal year 1982. Prompt action by the Congress on the proposed extension will permit State and local governments to plan their future budgets more effectively and avoid the waste and inefficiencies that prolonged budgetary uncertainties would create.

My budget recommendations anticipate legislation that I will propose to increase long-term funding for highways and extend the highway trust fund through 1980. My proposal will focus Federal assistance on more rapid completion of segments of the Interstate Highway System needed to link the system together. They will also combine a number of narrow categorical grant programs for highway assistance to eliminate red tape and allow localities greater flexibility in meeting their transportation problems.

In order to improve the safety and efficiency of the Nation's airways system, and to increase its responsiveness to current needs, I will propose legislation to restructure Federal aviation and airways development programs. My proposal will broaden the range of aviation activities that may be financed from the airways trust fund, eliminate unnecessary Federal involvement in airport investment decisions, and allocate airport user fees more equitably among aviation system users.

ENERGY

The four-fold increase in oil prices dictated by oil-exporting countries has been a major factor in the sharp inflationary surge of the past year and a half. It endangers the health of world trade and is creating significant financial and economic disruption throughout the world. Among other things, the resulting high fertilizer prices are hampering efforts to increase world agricultural production, thereby aggravating the world food problem.

I continue to believe that fuel conservation and a rollback of world oil prices is in the long-term interest of both consumer and producer countries. Accordingly, I have proposed a series of (stringent) fuel conservation measures, including taxes on petroleum and natural gas offset by reductions in income taxes, payments to low-income taxpayers, and increased aid to States. On balance, this program will preserve consumer and business purchasing power while strongly discouraging unnecessary petroleum consumption. Other measures I have proposed will upgrade housing insulation and permit substantial improvement in automobile gas mileage, thus further reducing our need for imported oil.

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13 Part 1—MESSAGE

At the same time, my Administration is pursuing diplomatic efforts to alleviate financial and supply problems in the industrialized world, and to persuade major oil-exporting countries to use part of their enormous oil revenue surpluses to aid less-developed nations hard-pressed by the price increases.

But fuel conservation measures and stronger diplomatic efforts are only part of the solution to the energy problem. Vigorous efforts to speed development of our vast domestic energy resources—particularly oil, gas, coal, and nuclear—are also essential. As part of these efforts, my Administration has worked out a comprehensive plan for leasing the offshore oil and gas resources of our Outer Continental Shelf for development in an environmentally acceptable manner. We seek responsible use, also, of our extensive Naval Petroleum Reserves in California and Alaska and are taking steps to increase our use of our vast domestic coal reserves. These measures, including workable and precise legislation regulating stripmining, seek a proper balance between energy needs and environmental considerations. Increased domestic supplies, coupled with fuel conservation measures, will help reduce our dependence upon, and vulnerability to, petroleum imports.

In addition, the Federal Government has further expanded its research and development program to provide the new and improved technologies necessary for tapping our domestic energy resources. Outlays for energy research and development will be \$1.6 billion in 1976, an increase of 29% over 1975 and 90% over 1974. My budget recommendations continue our vigorous nuclear research and development program and further accelerate non-nuclear energy research and development—particularly in coal and solar energy. To provide a better organizational framework for this effort, last October I signed into law an act creating the Energy Research and Development Administration, which brings together within a single agency the Government's various research and development programs relating to fossil fuels, nuclear energy, and other energy technologies such as geothermal and solar. Also, an independent Nuclear Regulatory Commission has been established to improve the regulatory process associated with nuclear plant licensing, safety, and nuclear materials safeguards, and to separate it from nuclear power development activities.

Besides fuel costs, the cost of food has been the other special problem in the inflationary surge of the past 2 years. A worldwide decline in agricultural production due in part to adverse weather conditions has created shortages that have been critical in some areas and have sent world food prices soaring.

In response to these shortages, we have stimulated U.S. production by eliminating Government-imposed crop restrictions originally designed to prevent surpluses. Increased U.S. production will help to curb inflation and will aid in relieving severe food shortages abroad. To the extent that we can produce beyond our domestic needs we will be able to increase our agricultural exports and share our increased supplies with hungry peoples overseas.

14 Part I—MESSAGE

CONCLUSION

As we approach our national Bicentennial, difficult challenges lie before us. The recommendations in this budget address the Nation's problems in a direct, constructive, and responsible fashion. They are designed to move the Nation toward economic health and stability. They meet human needs. They provide for the strong defense essential to our national security and to our continuing efforts to maintain world peace.

Looking beyond the Bicentennial, toward the year 2000, the practical limits to the growth of the Federal Government's role in our society become increasingly clear. The tremendous growth of our domestic assistance programs in recent years has, on the whole, been commendable. The elderly need no longer wonder how they will support themselves in retirement or who will pay the bills if they are seriously ill. Much of the burden of aiding the needy has been shifted from private individuals and institutions to society as a whole, as the Federal Government's income transfer programs have expanded their coverage.

These programs cannot, however, continue to expand at the rates they have experienced over the past two decades. Spending by all levels of government now makes up a third of our national output. Were the growth of domestic assistance programs to continue for the next two decades at the same rates as in the past 20 years, the public sector would become larger than the private sector. We cannot permit this to occur. Taxation of individuals and businesses to pay for such expansion would simply become insupportably heavy. This is not a matter of conservative or liberal ideology. It is hard fact, easily demonstrated by simple extrapolation. We must begin to limit the rate of growth of our budgetary commitments in the domestic assistance area to sustainable levels.

The growth of these domestic assistance programs has taken place in a largely unplanned, piecemeal fashion. This has resulted in too many overlapping programs, lack of coordination, and inequities. Some of the less needy now receive a disproportionate share of Federal benefits, while some who are more needy receive less. We must begin rationalizing and streamlining these programs. This means working toward a stable and integrated system of programs that reflect the conscience of a compassionate society but avoid a growing preponderance of the role of the public sector over the private. It means, too, decentralizing Government operations and developing a closer partnership between the Federal Government, State and local governments, and the individual private citizen.

The Congress will approach this budget in a new way, with new legislative machinery and procedures. I pledge to work in a spirit of cooperation with the Congress to make this effort a success. The tasks before us provide difficult tests: To meet immediate economic problems; to relate our limited Federal resources more clearly to current national priorities; and to develop long-term strategies for meeting Federal responsibilities as we begin our third century. I am confident of success.

GERALD R. FORD.

FEBRUARY 3, 1975



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

File

RTA
/
JK

JAN 20 1975

MEMORANDUM FOR:

PHILIP W. BUCHEN
KENNETH R. COLE
ALAN GREENSPAN
ROBERT T. HARTMANN ✓
JERRY H. JONES
JOHN O. MARSH
DONALD H. RUMSFELD
BRENT SCOWCRAFT
L. WILLIAM SEIDMAN
PAUL A. THEIS

FROM:

~~ROY L. ASH~~

SUBJECT:

The Budget Message

Attached is a galley proof of the Budget Message in close to final form. It will be sent to the Government Printing Office tomorrow night for paging. Once in page proof, we will be able to make relatively few changes, with emphasis on necessary typographical clean-up and numerical accuracy.

Attachment



January 19, 1975—REVISED

1 Part 1—MESSAGE
NEW GALLEY

Limited to Official OMB Use

BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The year 1976 will mark the bicentennial of this country. With this budget, therefore, we will begin our third century as a Nation.

In our first 2 centuries we developed from 13 struggling colonies to a powerful leader among nations. Our population increased from 3 million to 213 million. From a simple agricultural society we have grown into a complex industrialized one.

Our Government—and its budget—have grown with the Nation, as the increasing complexity of modern society has placed greater responsibilities upon it. Yet our society has remained free and democratic, true to the principles of our Founding Fathers.

Change and complexity bring problems. As we approach our third century as a Nation, we face serious economic difficulties of recession and inflation. I have a deep faith, however, in the fundamental strength of our Nation, our people, our economy, and our institutions of government. I am confident of our ability to overcome today's challenges as we have overcome others in the past—and gone on to greater achievements.

My budget recommendations are designed to meet longer-term national needs as well as immediate, short-run objectives. It is vital that they do so. Because of the size and momentum of the budget, today's decisions will have far-reaching and long-lasting effects.

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2 Part 1—MESSAGE

The recommendations set forth in this budget are an integral part of the broader series of proposals outlined in my State of the Union address. These proposals provide for:

- fiscal policy actions to increase purchasing power and stimulate economic revival including tax reduction and greatly increased aid to the unemployed;
- a major new energy program that will hold down energy use, accelerate development of domestic energy resources, and promote energy research and development;
- an increase in outlays for defense in order to maintain preparedness and preserve force levels in the face of rising costs;
- a 1 year moratorium on new Federal spending programs other than energy programs; and,
- a temporary 5% ceiling on increases in pay for Federal employees, and on those benefit payments to individuals that are tied to the Consumer Price Index.

These policies call for decisive action to restore economic growth and energy self-reliance. My proposals include \$16 billion in tax relief—\$12 billion for individuals and \$4 billion for corporations—to stimulate economic recovery. Outlays are estimated to increase 30% between 1974 and 1976. It is essential that we keep a tight reign on spending, to prevent it from rising still further and making tax reduction imprudent. I believe that tax reduction, not more Government spending, is the key to turning the economy around to renewed growth.

I regret that my budget and tax proposals will mean bigger deficits temporarily, for I have always fought deficits. We must recognize, however, that unless action is taken soon to aid economic recovery, the Treasury will lose receipts and incur even larger deficits in the future.

My energy program calls for a tariff on imported oil, taxes on domestically produced petroleum and natural gas and on their producers, and deregulation of prices. These measures will curb excessive energy use and reduce our dependence on imported oil. The \$30 billion in receipts these measures will produce will be refunded to the American people—refunded in a way that helps correct the distortions in our tax system created by inflation. Special provisions will ensure that low-income Americans are compensated equitably. All these refunds and compensatory measures will be in addition to the \$16 billion in tax relief I have proposed.

My budget recommendations provide for total outlays of \$348.7 billion in 1976, an increase of \$35.5 billion over 1975, and anticipate receipts of \$302.7 billion, an increase of \$23.2 billion over 1975.

THE BUDGET AT A GLANCE

[In billions of dollars]

Item	1974 actual	1975 estimate	1976 estimate	Transition quarter
Receipts.....	264.9	280.5	302.7	86*
Outlays.....	268.4	313.7	348.7	93
Deficit (-).....	-3.5	-33.2	-46.0	-8

January 19, 1975—REVISED

3 Part 1—MESSAGE

The Congressional Budget and Impoundment Control Act of 1974 provides for major reforms in the budget process. As part of these reforms, it changes the fiscal year for the Federal budget from the present July-through-June basis to an October-through-September basis, beginning with the 1977 fiscal year. This requires that there be a separate transition quarter, extending from July through September of 1976, after fiscal year 1976 ends and before fiscal year 1977 begins. Estimates for the transition quarter are included in this budget. In general, they anticipate continuing the 1976 program levels unchanged for the additional 3 months. Because outlays and receipts vary seasonally—that is, they do not occur at uniform rates during the year—the estimates for this quarter (and particularly the deficit) are not representative of a full year's experience.

THE BUDGET AND THE ECONOMY

If the Congress acts decisively to place in effect the new policies I have announced, and if we exercise reasonable patience and restraint, we can go far toward solving the broad range of economic problems our Nation now faces.

It must be clearly understood that these problems are serious and that strong remedies are fully justified. We are now in a recession. Unemployment is far too high and productivity has declined. At the same time, inflation, a serious and growing problem for nearly a decade, continues to distort our economy in major ways. Underlying these problems is the fact that we are far from self-sufficient in energy production, and even with the measures I have proposed developing the capacity for self-sufficiency will take years. Imported fuel supplies have been interrupted once and remain vulnerable, and oil prices have been increased fourfold.

The increased unemployment and continued price increases from which we now suffer are problems we share with much of the rest of the world. The roots of these problems are complex. The steep rise in the price of imported oil, for example, while directly increasing prices, has also acted like a tax increase by reducing the real income of American consumers and transferring that income to oil exporting countries. Lower real incomes, combined with consumer resistance to place. Such factors, superimposed on the inevitable slowdown recession we are now in.

The weakening of consumer demand and investment, in turn, is beginning to exert a dampening effect on price and wage increases. Thus, inflationary pressures are already beginning to recede and are likely to continue to do so.

4 Part 1—MESSAGE

Aiding economic recovery.—In view of this situation, I have proposed a \$16 billion rebate in personal and corporation income taxes that will help reduce unemployment without rekindling inflation. This tax cut will contribute to deficits, adding \$6 billion in 1975 and \$10 billion in 1976. I have always opposed budget deficits. The current economic situation, however, leaves me no choice.

Aside from the effects of the proposed tax reduction, the deficits anticipated for 1975 and 1976 are in large part the inevitable result of those aspects of the budget and the tax system that respond automatically to changes in the economy. When an economic slowdown occurs, incomes and profits decline or grow more slowly, but Federal tax collections slow down more than proportionately. Unemployment benefit payments rise sharply. These factors tend to cushion the economic downturn and help sustain individual and corporate incomes.

These stabilizing influences are quite substantial. If the economy were to be as fully employed in 1976 as it was in 1974, we would have \$35 billion in additional tax receipts, assuming no change in tax rates. Aid to the unemployed, including the special measures I proposed and the Congress enacted last December, will be \$11.8 billion larger in 1976 than it was in 1974, providing income support for 13.8 beneficiaries and their families. These two factors alone almost exactly equal the deficit expected for 1976.

THE BUDGET TOTALS

[Fiscal years. In billions]

Description	1974 actual	1975 estimate	1976 estimate	Transition period estimate
Budget receipts.....	294.9	288.5	302.7	
Budget outlays.....	268.4	313.7	348.7	
Deficit (-).....	-3.5	-33.2	-46.0	
Budget authority.....				
	1973 actual			
Outstanding debt, end of fiscal period:				
Gross Federal debt.....				
Debt held by the public.....				
Outstanding Federal and federally assisted credit, end of fiscal period.....				
Direct loans.....				
Guaranteed and insured loans ¹				
Government-sponsored agency loans ²				

¹ Excludes loans held by Government accounts and special credit agencies.

² See table E-7 in Special Analysis E, Federal Credit Programs, published in a separate volume.

5 Part 1—MESSAGE

The Government must act decisively to help restore economic health, and act compassionately to aid those most seriously affected by unemployment. It does not make economic sense to insist on cutting a dollar out of the budget for each dollar of tax receipts lost just because of decreases in incomes and profits resulting from the economic downturn. Nor does it make sense arbitrarily to offset each dollar of increased aid to the unemployed by a reduction elsewhere in the budget.

Last October I proposed a National Employment Assistance Act, which provided for liberalized unemployment benefits and coverage and for more public employment. Congress has since enacted, and I have signed into law, two employment assistance acts derived from my proposals. One of these measures, the Emergency Jobs and Unemployment Assistance Act, provides unemployment benefits to workers not covered by the regular unemployment insurance system and provides increased job opportunities in the public sector. The other measure, the Emergency Unemployment Act, extends the length of time that workers covered by the regular unemployment insurance system are eligible for benefits. My budget recommendations provide for outlays of \$15.3 billion in 1976 for income support for the unemployed, both under these two acts and under the regular unemployment compensation programs. Another \$1.3 billion will be spent for increased public sector jobs.

Budget reductions.—While recommending temporary measures to help the economy and to provide greater assistance to the unemployed, I have sought, on an item-by-item basis, to eliminate non-essential spending and avoid commitment to excessive growth of Federal spending in the long run. For this reason I have proposed no new spending initiatives in this budget other than those for energy. I have also proposed that the allowable increase in Federal pay and in benefit payments to individuals that currently are linked to the Consumer Price Index be limited to 5% through June 30 of next year. To be equitable, this ceiling should apply to all these programs. This limit will save \$6.1 billion in 1976 and permit us to concentrate maximum resources on direct efforts to speed economic recovery, including tax reduction.

In addition, I have previously asked the Congress to agree to a series of measures that would reduce outlays. In some cases the Congress has done so; in others it has overturned my proposals. Those economy measures to which Congress has not objected are reflected in my budget recommendations. These measures will provide \$7.8 billion in savings in 1976. Further program reductions recommended in this budget will result in \$3.6 in additional savings. Unless the Congress concurs with the proposals now before it, including those advanced in this budget, outlays—and thus the deficit—will be \$17.5 billion greater in 1976 than the figure recommended in this budget. [In that event, the tax cut I am proposing should be seriously reconsidered.]

My proposal to place a temporary limit on civil service and military pay increases recognizes that the Federal Government must set an example for the rest of the economy, and that Federal employees generally enjoy considerably greater job security than the average worker under current economic conditions. I believe that most Federal employees will understand that some restraint on their pay increases is appropriate now to help provide benefits and increased job opportunities for those who are unemployed.

I urge the Congress to accept this recommendation. I especially urge the private sector—labor and management alike—to follow this example and hold down price and wage increases.

6 Part 1—MESSAGE

My proposal to place a similar temporary limit on the automatic increases in benefit programs linked to the Consumer Price Index is made in the context of the very large increases that have occurred in these programs in recent years—increases well in excess of the rate of inflation. Outlays for these programs, including social security, supplemental security income, food stamps, railroad retirement, Federal employees retirement, and military retired pay have increased from \$40 billion in 1970 to an estimated \$92 billion in 1975. This is an increase of 130% in just 5 years. Over the same period, consumer price increases total about 38%. Some of the increase in outlays is due to the fact that more people are now covered by benefit programs. But average benefits per beneficiary, in constant prices—that is, adjusting for inflation—have gone up substantially.

With thousands of workers being laid off while considerable inflationary momentum persists, I believe that modest—and temporary—restraint on Federal pay raises and on the growth of Federal benefit programs is an equitable way to keep the budget from perpetuating inflation.

BUDGET TRENDS AND PRIORITIES

The Federal budget both reflects our national priorities and helps to move the Nation toward their realization. Recent years have seen a significant shift in the composition of the Federal budget. The proportion of the budget devoted to defense has declined substantially since 1964, with a corresponding increase in the nondefense proportion of the budget. This shift has been particularly rapid since 1969, due in part to the end of American combat involvement in Vietnam.

Defense outlays remained virtually level in current dollar terms from 1969 to 1974, absorbing substantial cost increases—including the pay raises necessary to establish equitable wage levels for our servicemen and women and to make possible the transition to an all-volunteer armed force. Defense programs have undergone large reductions in real terms—reductions of over 40% since 1969 in manpower and materiel. In consequence, defense outlays have been a decreasing share of our gross national product, falling from 8.9% in 1969 to 5.9% in 1976.

At the same time, Federal nondefense spending has increased substantially in both current and constant dollar terms, growing from 11.6% of gross national product in 1969 to an estimated 15.8% in this budget. In the process, the form that Federal spending takes has shifted dramatically away from support for direct Federal operations and toward direct benefits to individuals and grants to State and local governments. About a third of these grants also help to finance payments to individuals. Both legislated increases and built-in program growth have contributed to the doubling of outlays for domestic assistance in the past 5 years. The sharp drop in defense programs and manpower has helped make this possible.

It is no longer realistically possible to offset increases in the costs of defense programs by further reducing military programs and strength. Therefore, this budget proposes an increase in defense outlays in current dollars that will maintain defense preparedness and preserve manpower levels in the face of rising costs. These proposals are the minimum prudent levels of defense spending consistent with providing armed forces which, in conjunction with those of our allies, will be adequate to maintain the military balance. Keeping that balance is essential to our national security and to the maintenance of peace.

In 1969, defense outlays were nearly one-fifth more than combined outlays for aid to individuals under human resource programs and for aid to State and local governments. Despite the increase in defense outlays, this budget—only 7 years later—proposes spending nearly

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7 Part 1—MESSAGE

twice as much money for aid to individuals and State and local governments as for defense.

Outlays for assistance to individuals and to State and local governments will rise from \$—— billion in 1974 to \$—— billion in 1975, and \$—— billion in 1976. These increases include the costs of the emergency unemployment assistance measures enacted last December, together with increased outlays under the regular unemployment insurance system. Outlays for other benefit programs, including social security, supplemental security income, food stamps, medicare and medicaid, and veterans programs, will also increase substantially.

The budget carries forward a philosophy that stresses an appropriate separation of public- and private-sector responsibilities. Within the sphere of public-sector responsibilities, it calls for Federal emphasis on meeting national problems and encourages State and local responsibility and initiative in meeting local and statewide needs. Broader Federal aid to States and localities and a reduction in the Federal restrictions imposed in connection with this aid are key elements of this philosophy. In 1974, Federal aid supplied 21% of total State and local government receipts, compared to 10.7% a decade earlier. My budget recommends Federal grants-in-aid of \$—— billion in 1976.

ENERGY

The fourfold increase in oil prices dictated by oil-exporting countries has been a major factor in the sharp inflationary surge of the past year and a half. It endangers the health of world trade and is creating significant financial and economic disruption throughout the world. Among other things, the resulting high fertilizer prices are hampering efforts to increase world agricultural production, thereby aggravating the world food problem.

Fuel conservation.—I continue to believe that fuel conservation and a reduction of world oil prices is in the long-term interest of both consumer and producer countries. Accordingly, I have proposed a series of stringent fuel conservation measures, including taxes on petroleum and natural gas offset by reductions in income taxes, payments to low-income taxpayers, and increased aid to States. On balance, this program will preserve consumer and business purchasing power while strongly discouraging unnecessary petroleum consumption. Other measures I have proposed will upgrade housing insulation and permit substantial improvement in automobile gas mileage, thus further reducing our need for imported oil.

At the same time, my Administration is pursuing diplomatic efforts to alleviate financial and supply problems in the industrialized world, and to persuade major oil-exporting countries to use part of their enormous oil revenue surpluses to aid less-developed nations hard-pressed by the price increases.

8 Part 1—MESSAGE

Development of domestic energy sources.—But fuel conservation measures and stronger diplomatic efforts are only part of the solution to the energy problem. Vigorous efforts to speed development of our vast domestic energy resources—particularly oil, gas, coal, and nuclear—are also essential. As part of these efforts, my Administration has worked out a comprehensive plan for leasing the offshore oil and gas resources of our Outer Continental Shelf for development in an environmentally acceptable manner. We also seek responsible use of our extensive Naval Petroleum Reserves in California and Alaska and are taking steps to increase our use of our vast domestic coal reserves. These measures, including workable and precise legislation regulating strip mining, seek a proper balance between energy needs and environmental considerations. Increased domestic supplies, coupled with fuel conservation measures, will help reduce our dependence upon, and vulnerability to, petroleum imports.

In addition, the Federal Government has further expanded its research and development program to provide the new and improved technologies necessary for increasing the use of our domestic energy resources. Outlays for energy research and development will be \$1.7 billion in 1976, an increase of 36% over 1975 and 102% over 1974. My budget recommendations continue our vigorous nuclear research and development program and further accelerate nonnuclear energy research and development—particularly in coal and solar energy. To provide a better organizational framework for this effort, last October I signed into law an act creating the Energy Research and Development Administration, which brings together within a single agency the Government's various research and development programs relating to fossil fuels, nuclear energy, and other energy technologies such as geothermal and solar. An independent Nuclear Regulatory Commission has also been established to improve the regulatory process associated with nuclear plant licensing, safety, and nuclear materials safeguards, and to separate it from nuclear power development activities.

Agriculture.—Besides fuel costs, the cost of food has been the other special problem in the inflationary surge of the past 2 years. A worldwide decline in agricultural production due in part to adverse weather conditions has created shortages that have been critical in some areas and have sent world food prices soaring.

In response to these shortages, we have stimulated U.S. production by eliminating Government-imposed crop restrictions originally designed to prevent surpluses. Our increased production will help to curb inflation and will aid in relieving severe food shortages abroad. To the extent that we can produce beyond our domestic needs, we will be able to increase our agricultural exports and share our increased supplies with hungry peoples overseas.

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9 Part 1—MESSAGE

NATIONAL SECURITY AND FOREIGN RELATIONS

The ultimate goal of American foreign policy is to ensure the freedom, security, and well-being of the United States as part of a peaceful and prosperous international community. Our diplomacy, backed by a strong national defense, strives to strengthen this international community through the peaceful resolution of international disputes, through arms control, and by fostering cooperation and mutual restraint. We seek a healthy world economy through expanded trade, cooperative solutions to energy problems, and increased world agricultural production to meet mankind's needs for food. In today's interdependent world, each of these objectives serves our own national interest even as it helps others.

National security.—The Vladivostok understanding, which I reached with Secretary General Brezhnev of the Soviet Union, represents a major step on the long and arduous road to the control and eventual reduction of nuclear arms. For the first time, we have reached an understanding on specific and equal limitations on strategic nuclear weapons. Once we have concluded an agreement based on these understandings, we will be prepared to take the next step—to seek further agreement to lower the ceilings, as we have already done in the case of antiballistic missile launchers.

The progress we have already made along the road to eventual strategic arms reductions has been possible only because we have remained strong. If we are to make further progress, we must act to preserve our strategic strength. My defense proposals provide for necessary force improvements and for the development of strategic alternatives necessary to maintain, within the limits of the Vladivostok agreement, a credible strategic deterrent.

More attention must now be given to maintaining an adequate balance in general purpose forces. In this area we share the burden of defense with our allies. The United States has entered into negotiations between members of NATO and of the Warsaw Pact on mutual and balanced force reductions. If those negotiations are successful, some U.S. forces stationed in Europe could safely be withdrawn. For the time being, however, the United States and its allies must maintain present manpower levels and continue to strengthen conventional combat capabilities.

In an effort to increase efficiency and achieve greater combat capability with existing manpower levels, the Army has undertaken to provide 16 active combat divisions by June of 1976 with approximately the same total number of Army personnel as was authorized for 13 divisions in June of 1974. This 16-division combat force will require additional equipment, which is provided for in my budget recommendations.

10 Part 1—MESSAGE

Foreign relations.—Because the welfare and survival of the United States and its allies depend upon the flow of ocean-going trade and supplies, strong naval forces are required. In recent years the number of Navy ships has decreased, primarily as a result of the retirement of many aging ships built during World War II. The savings from this action have been used to strengthen the combat capabilities of the remaining force. This budget provides for a vigorous program of new ship construction and modernization necessary to maintain the naval balance in the future.

In addition to maintaining a strong defense capability, the United States strives, through its diplomacy, to develop and maintain peaceful relationships among nations. Foreign assistance is both an expression of our humanitarian concern and a flexible instrument of diplomacy. Our assistance in Indochina is making an essential contribution to the security and reconstruction of the countries in that region. Additional military assistance is now necessary to enable the South Vietnamese and Cambodian Governments to defend themselves against increasing military pressure. Our assistance in the Middle East is an integral part of our diplomatic effort to continue progress toward a peaceful solution to the area's problems. An increasing portion of our economic aid program is devoted to helping developing countries improve their agricultural productivity.

Higher oil prices, widespread food shortages, inflation, and spreading recession have severely strained the fabric of international cooperation. The United States has undertaken several major diplomatic initiatives designed to avert international economic chaos. Our diplomatic efforts were instrumental in the establishment of the International Energy Agency and its program, which provides for emergency oil sharing, conservation efforts, and development of alternative energy sources. More recently, the United States proposed a \$25 billion special financing facility to assist industrialized countries in dealing with balance of payments difficulties. This new facility will supplement expanded operations of the International Monetary Fund. At the World Food Conference, in Rome, the United States proposed a number of measures to deal with the world food problem, including creation of an international system of grain reserves.

In addition, the Trade Act passed by the Congress last December will make possible a strengthening of international trade relations by enabling the United States to work with other nations toward reducing tariff and nontariff barriers to trade and improving access to supplies.

The strengthening of international trade and financial cooperation is essential if we and other nations are to cope successfully with current economic stresses. It is a prerequisite for renewed economic progress at home and abroad.

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11 Part 1—MESSAGE

DOMESTIC ASSISTANCE

The enormous growth in recent decades of Federal programs for assistance to individuals and families, and to State and local governments, has placed heavy demands on the budget. This growth expressed the desire of a compassionate society to provide well for its retired workers, veterans, and less fortunate members without sacrificing our proud and productive tradition of individual initiative and self-reliance. In the process, we have built a stronger partnership between the various levels of government: Federal, State, and local.

AID TO INDIVIDUALS AND TO STATE AND LOCAL GOVERNMENTS

[Dollar amounts in billions]

Item	1968	1970	1972	1975	1976	Percent increase, 1968 to 1976
Payments to individuals ¹	40	51	70	94	134	239
Grants-in-aid ¹	19	24	36	46	55	191
For payments to individuals	(6)	(8)	(14)	(16)	(18)	(202)
Other	(13)	(16)	(21)	(30)	(36)	(186)
Total	58	75	106	140	188	223
Memorandum:						
All other outlays	(121)	(122)	(126)	(128)	(161)	(33)

¹ Excludes military retired pay and grants classified in the national defense function.

Human resources programs.—The rapid growth of human resource programs in recent years has brought about many improvements in the well-being of the American people. Benefits under social security, medicare, medicaid, supplemental security income, food stamps and veterans programs have increased substantially. In just 7 years, cash benefits under social security programs will have nearly tripled, rising from \$26.2 billion in 1969 to \$70 billion in 1976. They now reach 27.9 million beneficiaries. By 1976, six social security benefit increases will have occurred since 1969. Automatic cost-of-living adjustments to benefits are now provided by law. Allowing for the temporary 5% ceiling I have proposed on benefit increases between now and July 1976; the increases from 1970 through 1976 in each recipient's social security benefits, taken together, will total 77%, far exceeding the increases in the cost of living (52%), and in average wages (57%), estimated for this period.

The supplemental security income program began operation a year ago, replacing the various State public assistance programs for the aged, the blind, and the disabled with a more uniform and equitable national system. This broad reform has provided higher benefits for these disadvantaged groups. In addition, Federal assumption of responsibility for these programs has provided significant fiscal relief to State and local governments. This budget provides for substantial to beneficiaries both of this program, and of social security.

Outlays for the food stamp program have increased from \$248 million in 1969 to an estimated \$3 billion in 1976. I have undertaken reforms to simplify the administration of this program and reduce costs, while providing for more equitable treatment of beneficiaries.

Over the years, the income security of our labor force has been enhanced by liberalization of benefits and coverage under our unemployment insurance system, while increased employment opportunities have been created in areas of high unemployment. The special unemployment assistance measures I proposed last October have been enacted into law as the Emergency Jobs and Unemployment Assistance Act and the Emergency Unemployment Compensation Act. With these new acts, total unemployment assistance, including employment programs, will expand—%, from \$—— billion in 1974 to \$—— billion in 1976.

11 Part 1—MESSAGE

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Payments to individuals ¹	40	51	70	94	134	239
Grants-in-aid ¹	19	24	36	46	55	191
For payments to individuals.....	(6)	(8)	(14)	(16)	(18)	(202)
Other.....	(13)	(16)	(21)	(30)	(36)	(186)
Total	58	75	106	140	188	223
Memorandum:						
All other outlays.....	(121)	(122)	(126)	(128)	(161)	(33)

¹ Excludes military retired pay and grants classified in the national defense function.

Human resources programs.—The rapid growth of human resource programs in recent years has brought about many improvements in the well-being of the American people. Benefits under social security, medicare, medicaid, supplemental security income, food stamps and veterans programs have increased substantially. In just 7 years, cash benefits under social security programs will have nearly tripled, rising from \$26.2 billion in 1969 to \$70 billion in 1976. They now reach 27.9 million beneficiaries. By 1976, six social security benefit increases will have occurred since 1969. Automatic cost-of-living adjustments to benefits are now provided by law. Allowing for the temporary 5% ceiling I have proposed on benefit increases between now and July 1976; the increases from 1970 through 1976 in each recipient's social security benefits, taken together, will total 77%, far exceeding the increases in the cost of living (52%), and in average wages (57%), estimated for this period.

The supplemental security income program began operation a year ago, replacing the various State public assistance programs for the aged, the blind, and the disabled with a more uniform and equitable national system. This broad reform has provided higher benefits for these disadvantaged groups. In addition, Federal assumption of responsibility for these programs has provided significant fiscal relief to State and local governments. This budget provides for substantial to beneficiaries both of this program, and of social security.

Outlays for the food stamp program have increased from \$248 million in 1969 to an estimated \$3 billion in 1976. I have undertaken reforms to simplify the administration of this program and reduce costs, while providing for more equitable treatment of beneficiaries.

Over the years, the income security of our labor force has been enhanced by liberalization of benefits and coverage under our unemployment insurance system, while increased employment opportunities have been created in areas of high unemployment. The special unemployment assistance measures I proposed last October have been enacted into law as the Emergency Jobs and Unemployment Assistance Act and the Emergency Unemployment Compensation Act. With these new acts, total unemployment assistance, including employment programs, will expand—% from \$—— billion in 1974 to

12 Part 1—MESSAGE

Our present welfare system is inefficient and inequitable. It is wasteful not only of tax dollars but, more importantly, of human potential. Left unchanged, over the long run the situation will almost surely continue to deteriorate. I urge the Congress to work with my Administration to develop reforms that make the system simple, fair, and compassionate. This approach need not cost more, but rather can use our welfare dollars more effectively.

America needs to improve the way it pays for medical care. We should begin plans for a comprehensive national health insurance system. However, in view of the economic developments and the measures I have proposed to combat recession and inflation, I cannot now propose costly new programs. Once our current economic problems are behind us, the development of an adequate national medical insurance system should be our first national priority. I urge the Congress to work with my Administration in order to devise a system that we will be able to afford.

The major Federal programs for financing medical care now in existence, medicare and medicaid, are now 10 years old. Medicare outlays of \$14.7 billion in 1976 will help to meet the medical costs of an estimated 12.7 million aged and disabled Americans, 23% more people than were aided in 1971. Medicaid outlays of \$7.1 billion will help to pay medical care for 25 million low-income Americans in 1976—a 37% increase in beneficiaries since 1971. Federal health programs also provide health care and insurance for Federal employees, veterans, and other groups. In total, existing Federal health programs now pay about [35]% of the Nation's total health bill.

General revenue sharing.—General revenue sharing has become an integral and important part of the Federal grants-in-aid system. This program has been highly successful, providing fiscal assistance that can be applied flexibly to meet the needs of States and localities according to their priorities. It has distributed assistance more equitably than before, reaching many local governments that had not received Federal assistance in the past.

Current authority for general revenue sharing will expire at the end of calendar year 1976. Because I believe in the soundness of this program, I shall propose legislation extending general revenue sharing through fiscal year 1982. Prompt action by the Congress on the proposed extension will permit State and local governments to lan their future budgets more effectively and avoid the waste and inefficiencies that prolonged budgetary uncertainties would create.

Transportation.—My budget recommendations anticipate legislation that I will propose to increase long-term funding for highways and extend the highway trust fund through 1980. My proposal will focus Federal assistance on more rapid completion of segments of the Interstate Highway System needed to link the system together. They will also combine a number of narrow categorical grant programs for highway assistance to eliminate red tape and allow localities greater flexibility in meeting their transportation problems.

January 19, 1975—REVISED

13 Part 1—MESSAGE

In order to improve the safety and efficiency of the Nation's airways system, and to increase its responsiveness to current needs, I will propose legislation to restructure Federal aviation and airways development programs. My proposal will broaden the range of aviation activities that may be financed from the airways trust fund, eliminate unnecessary Federal involvement in airport investment decisions, and allocate airport user fees more equitably among aviation system users.

BUDGET REFORM

As demands on the budget have grown, the need for better congressional procedures for considering the budget has become increasingly clear. In the past the Congress has acted upon the budget in a piecemeal fashion, with far too little attention to the total. The Congressional Budget and Impoundment Control Act passed last summer mandates sweeping changes in the Federal budget and in congressional procedures for dealing with it. Under the new procedures, the Congress will have a larger and better-defined role in developing sound budget and fiscal policies. Congressional organization and procedures will be changed to focus greater attention on the budget totals early in the legislative process.

Major provisions of the act require greater attention to the future-year costs of legislative proposals and ongoing programs and establish a budget committee in each Chamber and a Congressional Budget Office to aid Congress in its consideration of budget recommendations. The shift of the fiscal year to an October-to-September basis will give the Congress more time to complete action on the budget before the fiscal year begins.

The act also provides for a closer working relationship between Congress and the executive branch in controlling outlays. I look forward to a new era of fruitful cooperation between the legislative and executive branches on budgetary matters, a cooperation that will enhance fiscal responsibility, make the budget a more useful instrument of national policy, and promote a more careful allocation of limited resources.

During the past 6 years, the budget has become increasingly forward-looking, focusing attention on the future effects of budget proposals. The new act builds upon this initiative with the requirement that the budget present more extensive 5-year projections of outlays and receipts. These projections indicate the large natural increase in receipts resulting from rising incomes and profits as the economy returns to healthy growth and higher employment. These increased receipts, coupled with *prudent fiscal restraint*, will make it possible to avoid deficits that would be inflationary when the economy returns to high employment.

The Government strongly affects the economy in many ways not fully reflected in the budget. These influences include tax provisions such as those that encourage homeownership and business investment; and the operations of Federal or federally-sponsored enterprises, particularly in the credit field, that are excluded from the budget. The new act recognizes the importance of these factors by requiring that they be given greater consideration in connection with the budget.

14 Part 1—MESSAGE

CONCLUSION

As we approach our national Bicentennial, difficult challenges lie before us. The recommendations in this budget address the Nation's problems in a direct, constructive, and responsible fashion. They are designed to move the Nation toward economic health and stability. They meet human needs. They provide for the strong defense essential to our national security and to our continuing efforts to maintain world peace.

Looking beyond the Bicentennial, toward the year 2000, the practical limits to the growth of the Federal Government's role in our society become increasingly clear. The tremendous growth of our domestic assistance programs in recent years has, on the whole, been commendable. Much of the burden of aiding the elderly and the needy has been shifted from private individuals and institutions to society as a whole, as the Federal Government's income transfer programs have expanded their coverage.

These programs cannot, however, continue to expand at the rates they have experienced over the past two decades. Spending by all levels of government now makes up a third of our national output. Were the growth of domestic assistance programs to continue for the next two decades at the same rates as in the past 20 years, total government spending would grow to more than half of our national output. We cannot permit this to occur. Taxation of individuals and businesses to pay for such expansion would simply become insupportably heavy. This is not a matter of conservative or liberal ideology. It is hard fact, easily demonstrated by simple extrapolation. We must begin to limit the rate of growth of our budgetary commitments in the domestic assistance area to sustainable levels.

The growth of these domestic assistance programs has taken place in a largely unplanned, piecemeal fashion. This has resulted in too many overlapping programs, lack of coordination, and inequities. Some of the less needy now receive a disproportionate share of Federal benefits, while some who are more needy receive less. We must redouble the efforts of the past 5 years to rationalize and streamline these programs. This means working toward a stable and integrated system of programs that reflect the conscience of a compassionate society but avoid a growing preponderance of the role of the public sector over the private. It means, too, decentralizing Government operations and developing a closer partnership between the Federal Government, State and local governments, and the individual private citizen.

The Congress will approach this budget in a new way, with new legislative machinery and procedures. I pledge to work in a spirit of cooperation with the Congress to make this effort a success. The tasks before us provide difficult tests: to meet immediate economic problems; to relate our limited Federal resources more clearly to current national priorities; and to develop long-term strategies for meeting Federal responsibilities as we begin our third century. I am confident of success.

GERALD R. FORD.

FEBRUARY 3, 1975

January 19, 1975—REVISED



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

JAN 23 1975

MEMORANDUM FOR:

PHILIP W. BUCHEN
KENNETH R. COLE
ROBERT T. HARTMANN ✓
JERRY H. JONES
JOHN O. MARSH
DONALD H. RUMSFELD
BRENT SCOWCROFT
L. WILLIAM SEIDMAN
PAUL A. THEIS
ALAN GREENSPAN

FROM:

ROY L. ASH (Signed) Roy L. Ash

SUBJECT:

The Budget Message

I am sending the attached page proof of the Budget Message to the President for his review. It should be in near-final shape and we are concentrating on corrections of errors and including final numbers. We will be sending final changes to the Government Printing Office Monday, January 27. However, any revisions that are significant enough to change the length of the text must be received no later than 5 p.m., Friday, January 24.

Attachment

See first Page
See last Page

RTA



1/24/75
Returned to
Mr. Ash
(red top)

January 23, 1975

Limited to Official OMB Use

BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The year 1976 will mark the bicentennial of this country. With this budget we shall begin our third century as a Nation.

In our first 2 centuries we have developed from 13 struggling colonies to a powerful leader among nations. Our population has increased from 3 million to 213 million. From a simple agricultural society we have grown into a complex industrialized one.

Our Government—and its budget—have grown with the Nation, as the increasing complexity of modern society has placed greater responsibilities upon it. Yet our society has remained free and democratic, true to the principles of our Founding Fathers.

As we approach our third century as a Nation, we face serious economic difficulties of recession and inflation. I have a deep faith, however, in the fundamental strength of our Nation, our people, our economy, and our institutions of government. I am confident that we can overcome today's challenges as we have overcome others in the past—and ~~gone~~ on to greater achievements.

My budget recommendations are designed to meet longer-term national needs as well as immediate, short-run objectives. It is vital that they do so. Because of the size and momentum of the budget, today's decisions will have far-reaching and long-lasting effects.

The recommendations set forth in this budget are an integral part of the broader series of proposals outlined in my State of the Union address. These proposals provide for:

- fiscal policy actions to increase purchasing power and stimulate economic revival, including tax reduction and greatly increased aid to the unemployed;
- a major new energy program that will hold down energy use, accelerate development of domestic energy resources, and promote energy research and development;
- an increase in outlays for defense in order to maintain preparedness and preserve force levels in the face of rising costs;
- a 1 year moratorium on new Federal spending programs other than energy programs; and
- a temporary 5% ceiling on increases in pay for Federal employees,
- ~~a one-year moratorium on new Federal spending programs other~~ and on those benefit payments to individuals that are tied to changes in consumer prices.

Go?
(Look forward,
not back)



January 23, 1975

20

THE BUDGET FOR FISCAL YEAR 1976

commendable. Much of the burden of aiding the elderly and the needy has been shifted from private individuals and institutions to society as a whole, as the Federal Government's income transfer programs have expanded their coverage.

These programs cannot, however, continue to expand at the rates they have experienced over the past two decades. Spending by all levels of government now makes up a third of our national output. Were the growth of domestic assistance programs to continue for the next two decades at the same rates as in the past 20 years, total government spending would grow to more than half of our national output. We cannot permit this to occur. Taxation of individuals and businesses to pay for such expansion would simply become insupportably heavy. This is not a matter of conservative or liberal ideology. It is hard fact, easily demonstrated by simple extrapolation. We must begin to limit the rate of growth of our budgetary commitments in the domestic assistance area to sustainable levels.

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The Congress will approach this budget in a new way, with new legislative machinery and procedures. I pledge to work in a spirit of cooperation with the Congress to make this effort a success. The tasks before us provide difficult tests: to meet immediate economic problems; to relate our limited Federal resources more clearly to current national priorities; and to develop long-term strategies for meeting Federal responsibilities as we begin our third century. I am confident of success.

GERALD R. FORD,

FEBRUARY 3, 1975

In State of Union
we used 15 year
projection to reach
50% of GDP. This
uses 20. Why not
standardize on
single example?

nothing simple
about this word.
most people are
not sure what
it means. Why
not simply
"arithmetic"
?



Mr. Hartmann
(WH)

CHARTS PRESENTED AT THE JANUARY 29, 1975 CABINET MEETING

Major New Features of the Budget

- Section on economic assumptions and long-range projections.
- Analysis and data on tax expenditures.
- New functional classification and presentation.
- Expanded discussion of receipts, including the President's tax proposals on fiscal stimulus and energy.
- Estimates of budget authority and outlays for the transition quarter.
- Increased budget authority shown for subsidized housing programs to reflect the maximum Federal payment.

Budgetary Impact of Tax and Energy Proposals

(Fiscal Years; in Billions of Dollars)



	<u>1975</u>	<u>1976</u>
* Anti-recession tax cuts:		
Investment tax credit increase	-1.2	-2.9
Individual income tax rebates	<u>-4.9</u>	<u>-7.3</u>
Subtotal	-6.1	-10.2
Energy tax proposals:		
Excise taxes and import fees	4.3	19.0
Windfall profits tax	---	16.3
Individual income tax cuts	-1.4	-24.9
Corporate income tax cuts	<u>-1.8</u>	<u>-6.6</u>
Subtotal	1.1	3.8
Total tax changes	<u>-5.0</u>	<u>-6.4</u>
Increased outlays due to energy price increases	<u>.5</u>	<u>7.0</u>
Total increase in deficit	<u>5.5</u>	<u>13.4</u>

Budget Reductions

(In Billions of Dollars)

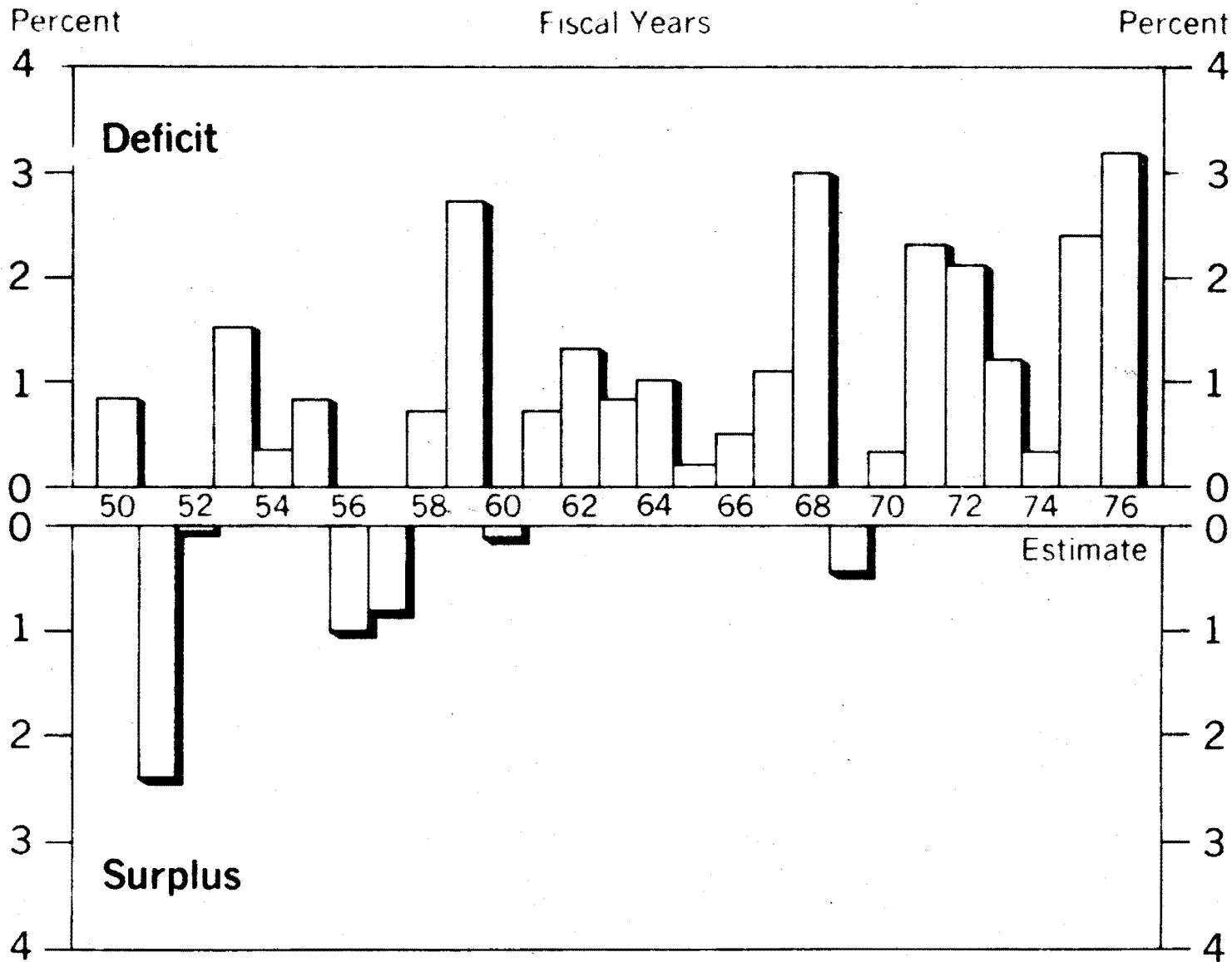
	<u>Effect on Spending</u>	
	<u>1975</u>	<u>1976</u>
Proposed last year:		
Total proposed	-5.2	-8.9
Overturned by Congress	2.0	1.0
Adjustments	<u>.5</u>	<u>-.2</u>
Total remaining	-2.7	-8.1
New actions proposed this year	<u>-.3</u>	<u>-9.0</u>
Total budget reductions	-3.0	-17.1
Of which:		
Rescissions	-.5	-.8
Deferrals	-.7	-1.8
New legislation	-1.0	-12.4
Administrative and other actions	-.8	-2.1

The Budget and the Economy

(Fiscal Year Estimates; in Billions of Dollars)

	<u>1975</u>		<u>1976</u>	
	<u>Receipts</u>	<u>Outlays</u>	<u>Receipts</u>	<u>Outlays</u>
Proposed	278.8	313.4	297.5	349.4
Change if there were no recession	<u>+30.0</u>	<u>-9.2</u>	<u>+40.0</u>	<u>-12.7</u>
Budget totals without recession	308.8	304.2	337.5	336.7
Change if there were no energy and tax proposals	<u>+5.0</u>	<u>-.5</u>	<u>+6.4</u>	<u>-7.0</u>
Budget totals without recession or energy and tax proposals	313.8	303.7	343.9	329.7

Budget Deficits and Surpluses as a Percent of GNP



Federal Debt* as a Percent of GNP

Percent

Percent

100

100

80

80

60

60

40

40

20

20

0

0

1950

52

54

56

58

60

62

64

66

68

70

72

74

76

Fiscal Years

Estimate

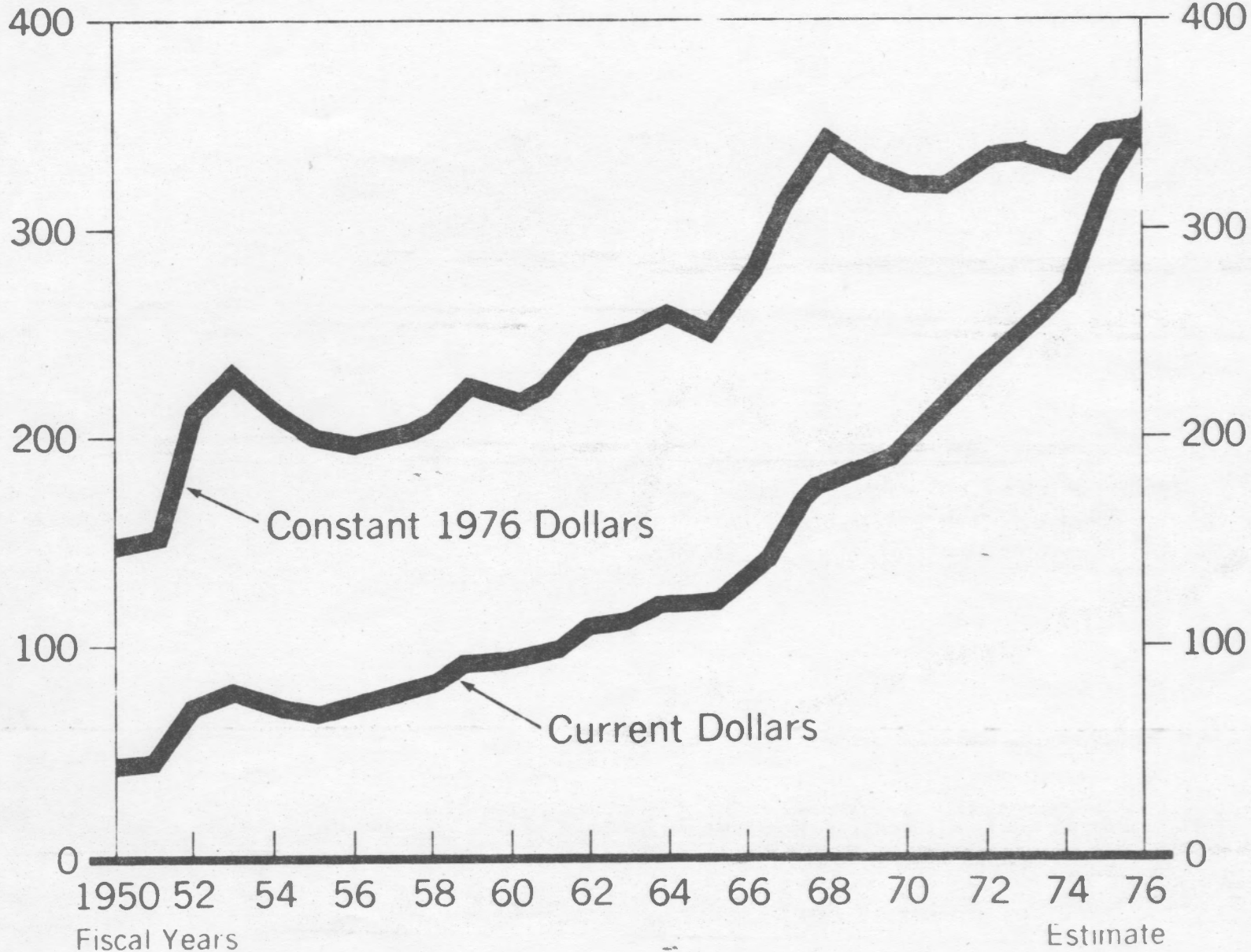
* Debt Held by the Public

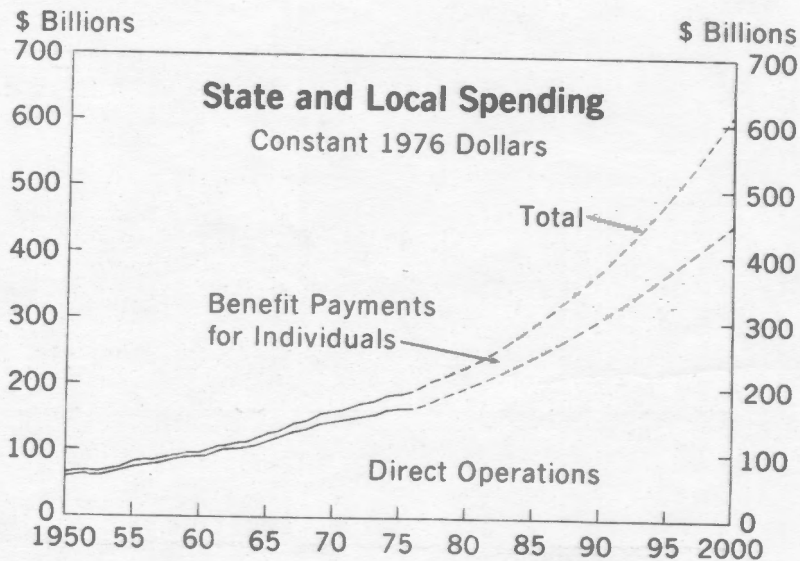
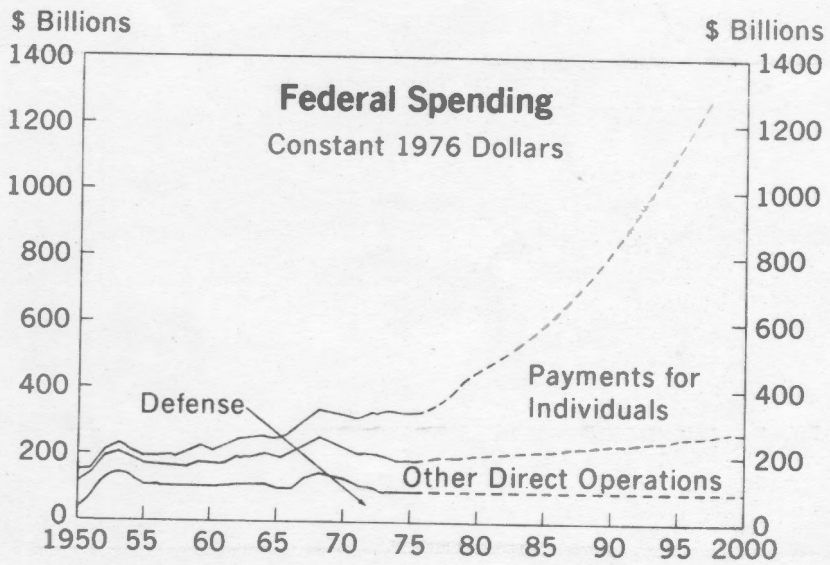
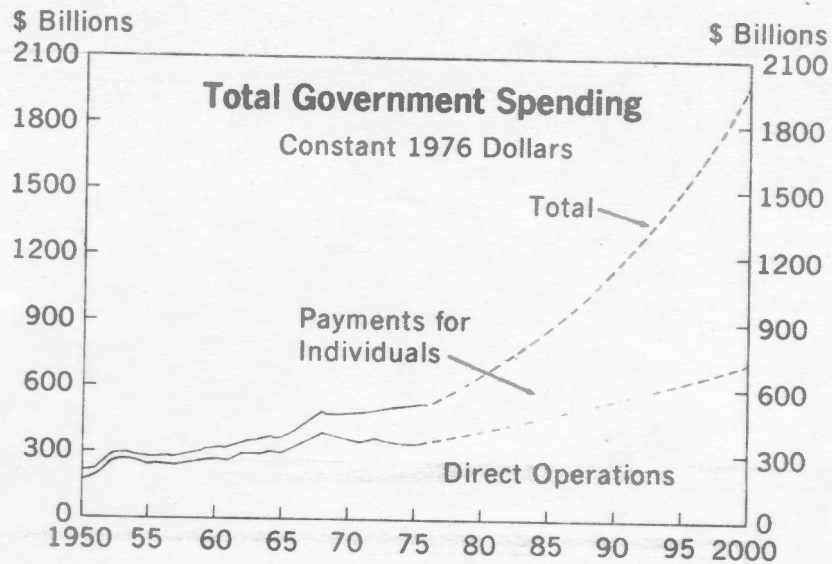


Federal Budget Outlays, 1950-1976

\$ Billions

\$ Billions





OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON THE SIGNING OF THE
OF THE BUDGET MESSAGE TO CONGRESS

THE CABINET ROOM

10:04 A.M. EST

Good morning, everybody.

No single act a President can take sets forth our national goals and our national priorities so completely and so clearly as the annual budget message to the Congress. That is why I am particularly pleased to see here this morning so many of you who have worked so long and so hard on this document -- to witness this signing ceremony which is the culmination of these efforts.

Both custom and good manners call for the Chief Executive to seek the cooperation of the Congress -- and to pledge his own -- as he, on this occasion, submits the budget document.

The size of the projected deficit requires me to go far beyond custom and good manners in pledging my utmost cooperation. Together, we must stimulate the economy and reduce the rate of growth at which certain Federal expenditures have been growing in the past ten years.

If these were normal economic times, the Congress would be receiving a budget in balance for the coming fiscal year rather than one with such a large deficit.

But unfortunately, these are not normal times and the measures that I am proposing -- to give the economy a boost with tax rebates and reductions, and to provide greatly expanded assistance to the unemployed -- are responsible for some of the deficit. Lagging receipts from tax revenues contribute to most of the remainder of this deficit.

Without question, our immediate task is the restoration of active growth in our economy -- and that goal is reflected in the projected budget deficit.

To sustain our economic growth over the long haul, we must begin now to set a new course that will bring our future national budgets into balance during periods of good economic growth.

MORE

Although this budget carries with it a \$52 billion deficit, this amount will be even larger if the Congress fails to go along with the reductions totaling \$17 billion which I have requested. If we are to achieve long-range economic stability in America, free from ever-rising inflation, we must put into effect permanent reductions in program expenditures.

As I said at the press briefing on the budget last Saturday, it has become a commonly accepted view that some Government expenditures are uncontrollable -- that they will continue whether we like it or not. I firmly reject that view. They are controllable if the Congress and the President join together to hold down excessive spending. This budget is carefully designed to bring some of these so-called "uncontrollables" back into line. I ask the Congress to work with me to achieve that result.

Even with the steps I have proposed to return fiscal integrity, this budget continues the steady and sharp annual increase in Government payments to individuals -- to those Americans who need help most from their Government.

These payments will increase by \$15 billion in fiscal year 1976 over 1975; from \$137 billion to \$152 billion. These payments include increased amounts for Social Security, welfare, unemployment compensation and retirement payments. Such payments to individuals have increased steadily as a percentage of the total budget until they now account for more than 40 percent of Government spending.

Despite the huge deficit that we project, the budget being submitted today is a compassionate one. It has muscle as well. It has discipline and honest self-denial. It is a start in a new direction along the permanent road of fiscal integrity which Americans must achieve for the long-term economic good of our country.

I am pleased that Roy Ash, and some of his staff from the Office of Management and Budget, could be here today -- because Roy is shortly returning to private life.

Like the good soldier he is, Roy stayed on to finish the job that he began in putting this budget together. He stuck to it until the last comma and the final period were in place.

Roy may be one of the most unappreciated men in Washington -- but not by me. I will miss his "tough" instincts and sound counsel.

Jim Lynn will be taking over a tight ship from Roy, and I look to him to enhance further the capability of solid management so necessary to that office.

MORE

At times like this, a simple "thanks" may sound inadequate. But the dictionary defines the term as an expression of gratitude and appreciation. And that is what this Administration -- and this President -- owe to Roy Ash.

Roy, I hate to see you go, but I must warn you: I have your unlisted telephone number in Los Angeles.

So, with those observations and comments, I will sign the two budget documents that go to the Congress. I can't help but ask the question: Roy, why didn't we send one up there with the same red color that we have on the other one?

A left-hander may not look good signing documents, but I couldn't help but appreciate those two left-handed tennis players yesterday.

There is the bad news but also, if followed by the Congress, will be good news. So, Roy, let me give to you and to the people that I have worked with, and you have to a greater extent, a pen that is part of the operation in this final one.

This is for Paul O'Neill and the others.

Thank you very much. Thank you again for all of the help and assistance.

Now, I know there are others besides the six or seven of you that have done some work on this. This is for all of you as well as Roy and the others, and we will try to have a better one next year, but this one is the best, I think, that we could possibly do under the economic circumstances and the facts of life and I thank you again, Roy.

END

(AT 10:16 A.M. EST)

JAMES M. COLLINS
THIRD DISTRICT, TEXAS

COMMITTEES:
INTERSTATE AND FOREIGN COMMERCE
POST OFFICE AND
CIVIL SERVICE COMMITTEE

1512 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: 225-4201
1100 COMMERCIAL STREET
ROOM 5C48
DALLAS, TEXAS 75202
TELEPHONE: 749-2453

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 3, 1975

Mr. Donald Rumsfeld
Special Assistant to the President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

(cc to J)

Dear Don:

The issue is whether President Ford's deficit budget makes the Republicans the party of big spenders.

The Democrats will call this the Ford Budget and will say he gave the Nation the deficit. This will be the major issue of 1976 as Democrats loudly accuse Republicans of submitting this deficit Inflation.

The President must carry the fight to the Democrats. We must have many showdown votes which he vetoes, and the Democrats are the Big Spenders.

He must recommend lower figures on more and more proposals. The Democrats will raise them and we must get the Democrats tagged as the Big Spenders.

Let's avoid this deficit being called the Ford Deficit. Emphasize the Democratic congress budget.

Best of luck to you,

Jim
James M. Collins, M.C.

JMC:pgh

*The Democrats overspend —
then they give the Republicans
the title of the Big Spenders.*

RTH



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

February 7, 1975

Memorandum to: Robert T. Hartmann

From: Bob Bonitati *BB*

When Roy Ash briefed Members of Congress on the FY 1976 Budget, he devoted quite a bit of time to projections of government spending to the year 2000. Much of that data had a considerable impact on the Members and we have subsequently received a large number of requests for that material.

I've attached some of the charts, the backup data and a short narrative on the subject, as it will probably arise in future discussion with Members of Congress.

Attachments

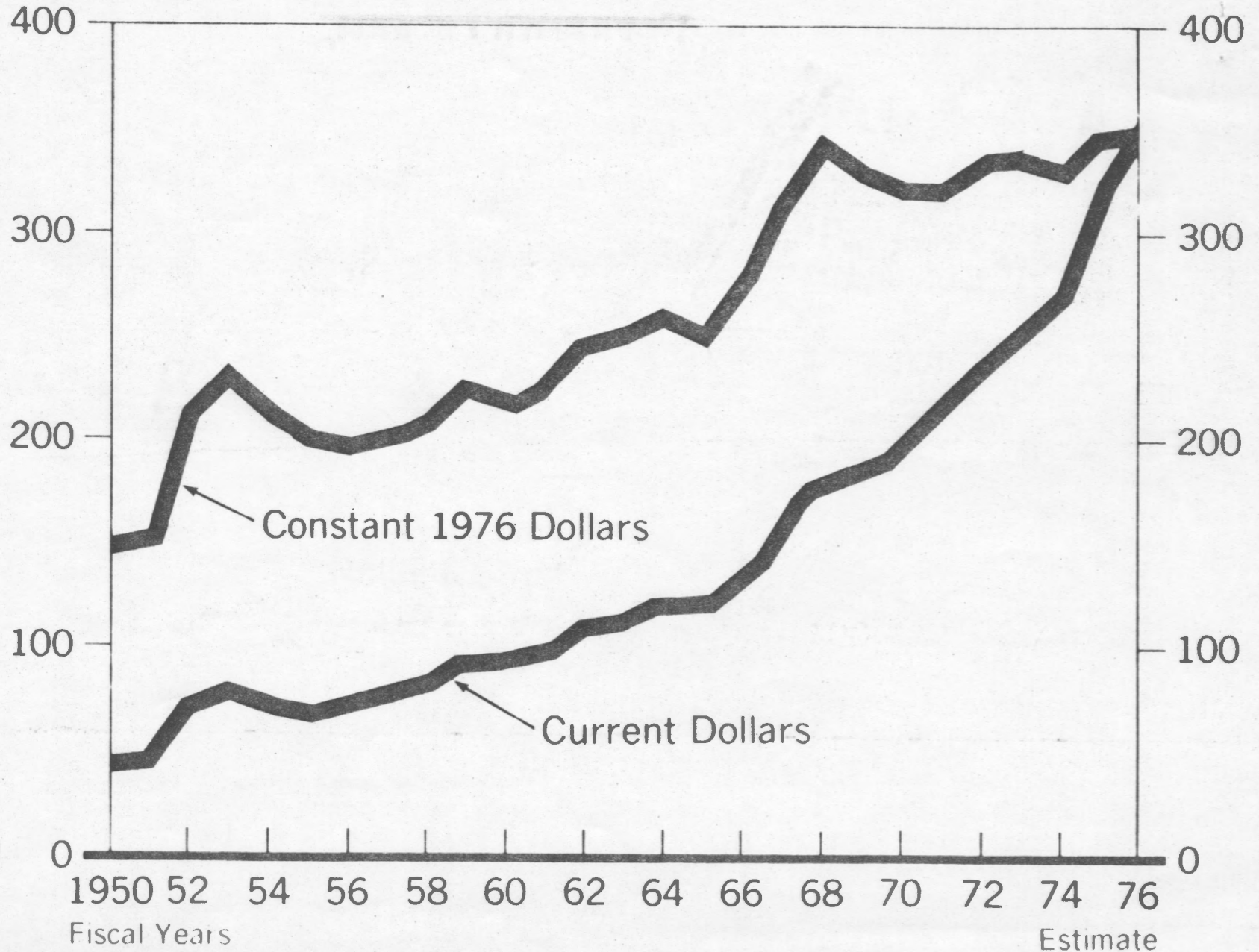
cc: Jack Caulkins ✓



Federal Budget Outlays, 1950-1976

\$ Billions

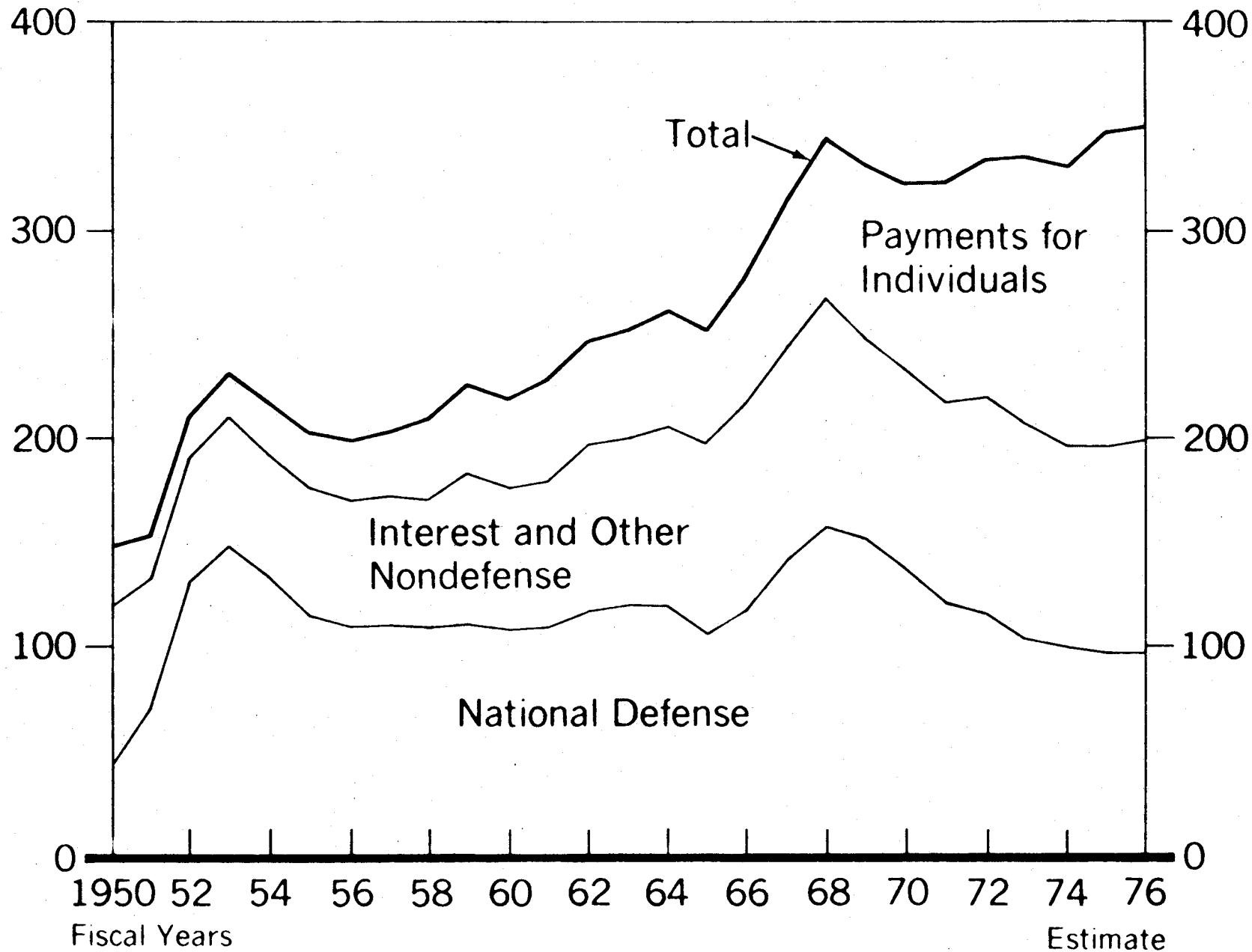
\$ Billions

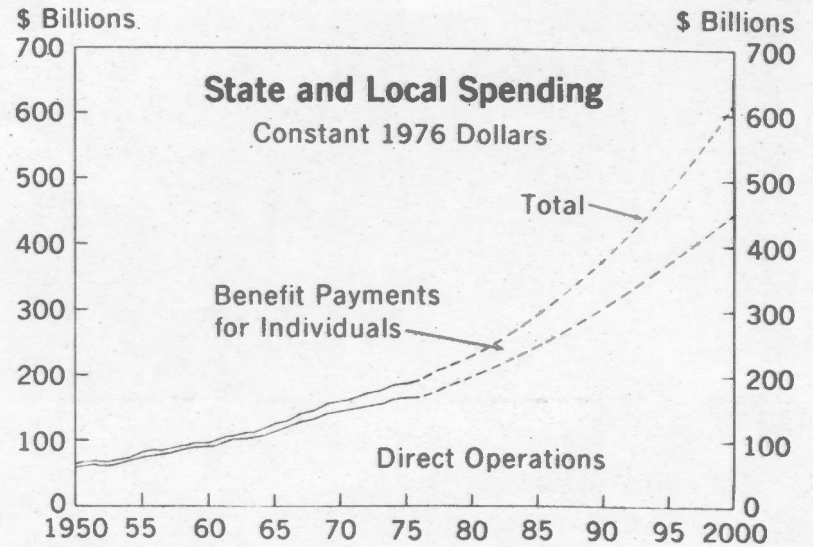
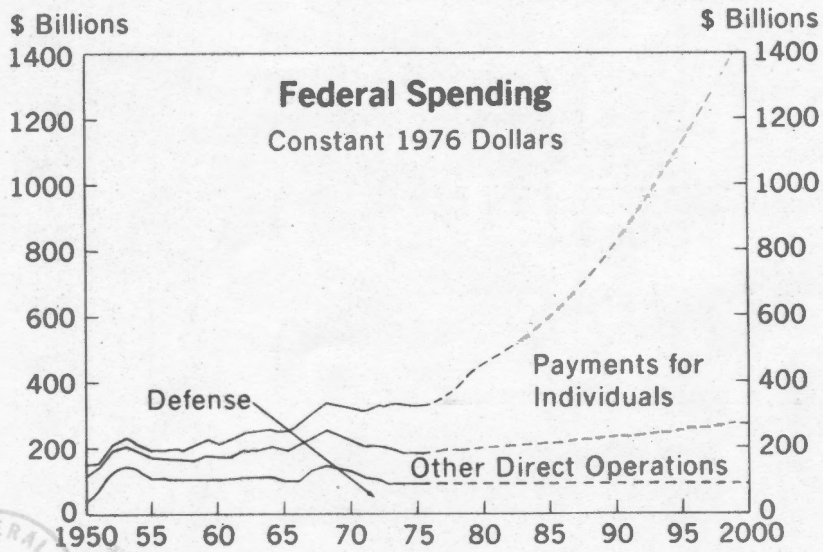
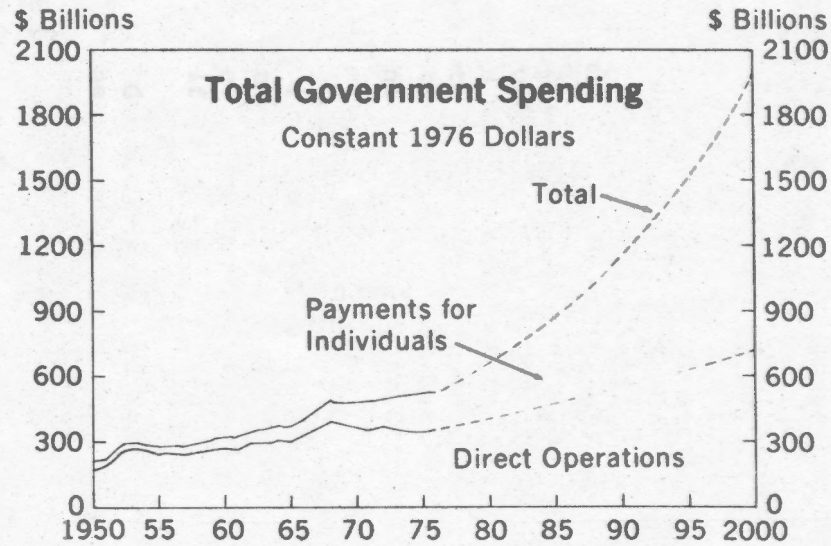


Federal Outlays — Constant 1976 Dollars

\$ Billions

\$ Billions





THE TREND OF GOVERNMENT SPENDING
1955 to 2000

Twenty years ago, spending by all levels of government--Federal, State, and local--claimed about one-quarter of our gross national product. This year, government spending will amount to one-third of the Nation's output.

The source of this relative growth in spending was not the direct operations of government; rather, it was benefit payments to individuals.* In real terms--that is, after adjusting for price changes--outlays for direct governmental operations rose substantially less rapidly than the gross national product. In fact, real defense spending declined over this period. On the other hand, benefit payments to or on behalf of individuals rose more than twice as fast as our Nation's output--by an average of 8.8 percent per year. At least three-fourths of this growth was accounted for by new programs and expansions of existing ones--not by normal growth in the beneficiary population.

Continuation of this trend for any extended period of time would produce fundamental changes in our Nation, as well as in the budget. Projections to the year 2000 illustrate the point. If the gross national product, nondefense spending, and benefit payments to individuals were to continue to grow in real terms at their average rates of growth of the past two decades, governments would lay claim to more than 55 percent of the Nation's output in the year 2000--even if real defense spending were held constant.

This is not a forecast of what the budgets of our governments will look like in fiscal year 2000--merely a projection of past trends. Nonetheless, it is a useful reminder of the longer-range implications of decisions to establish or expand governmental programs under which qualified persons or groups are automatically entitled to benefits.

Governmental spending in the year 2000 need not exceed one-third of the Nation's output. A number of alternative growth paths can be chosen that are consistent with both holding government's share of GNP at about today's percentage and serving the Nation's essential needs--including those of beneficiary populations of social insurance programs. If we are to choose one of these paths and change the course of the past 20 years, now is the time to start.

* Social security, Railroad retirement, Federal employees' retirement and insurance (including Military retired pay), Unemployment assistance, Veterans' benefits, Medicare, Medicaid, Housing payments and Public assistance.

GOVERNMENT SPENDING -- IN CONSTANT 1976 DOLLARS

(In billions)

Fiscal year	FEDERAL SPENDING			STATE & LOCAL SPENDING ^{2/}			
	Defense ^{1/}	Other direct operations	Payments for individuals	Total	Direct operations	Payments for individuals	Total
1950.....	41	75	31	146	60	6	66
1951.....	68	62	21	151	62	5	67
1952.....	129	59	21	209	64	4	68
1953.....	146	62	22	229	64	4	69
1954.....	136	54	25	214	70	4	74
1955.....	112	60	28	200	76	5	80
1956.....	107	60	30	197	79	5	84
1957.....	107	61	33	201	81	5	86
1958.....	107	60	40	207	86	6	92
1959.....	108	72	44	223	90	6	96
1960.....	105	68	45	218	91	6	97
1961.....	105	69	51	225	96	6	102
1962.....	114	79	53	245	100	7	107
1963.....	115	79	56	250	104	7	110
1964.....	113	88	58	258	108	7	115
1965.....	100	92	58	250	113	8	121
1966.....	112	99	64	275	120	9	130
1967.....	136	103	73	311	128	11	140
1968.....	151	109	80	340	134	13	146
1969.....	145	96	88	329	142	15	157
1970.....	130	97	94	321	144	16	160
1971.....	114	94	111	319	149	18	168
1972.....	108	104	123	335	152	20	172
1973.....	96	105	133	333	153	23	176
1974.....	91	96	141	328	164	23	188
1975 est...	87	98	157	343	165	23	188
1976 est...	87	103	160	349	168	23	192
2000 proj. ^{3/}	87	185	1,132	1,404	452	166	618

Average annual rates of change:

1955-74....	-1.1%	2.5%	8.8%	2.6% ^{4/}	4.2%	8.7%	4.6% ^{4/}
Used in projection to year 2000	0	2.5%	8.8%	6.1% ^{4/}	4.2%	8.7%	5.0% ^{4/}

Footnotes are on page 3.

January 31, 1975

GOVERNMENT SPENDING -- IN CONSTANT 1976 DOLLARS

(In billions)

Fiscal Year	TOTAL GOVERNMENT SPENDING		
	Direct operations	Payments for individuals	Total
1950.....	177	36	212
1951.....	192	26	218
1952.....	251	26	277
1953.....	272	26	298
1954.....	259	29	288
1955.....	248	33	281
1956.....	246	35	281
1957.....	251	38	288
1958.....	254	45	299
1959.....	269	49	319
1960.....	273	52	325
1961.....	270	57	328
1962.....	293	60	352
1963.....	298	63	361
1964.....	309	65	374
1965.....	305	66	372
1966.....	331	73	404
1967.....	367	84	451
1968.....	393	93	486
1969.....	383	103	486
1970.....	371	110	481
1971.....	357	130	487
1972.....	364	143	507
1973.....	353	156	510
1974.....	351	165	516
1975 estimate.....	350	180	531
1976 estimate.....	358	183	541
2000 projection ^{3/}	724	1,298	2,022
1955-74 ^{4/}	1.9%	8.8%	3.2%
Used in projections to year 2000 ^{4/}	3.0%	8.8%	5.7%

Footnotes are on page 3.

January 31, 1975

Footnotes

1/ National defense function excluding military retired, pay which is included in payments for individuals.

2/ State and local spending from own sources, Federal grants to State and local governments are included in Federal spending, not State and local spending.

3/ The projections to the year 2000 show what would happen if outlays for nondefense operations and payments for individuals continued to grow at the same average annual rate as from 1955 to 1974. Defense outlays in 1976 dollars which declined from 1955 to 1974 were assumed constant to the year 2000. The computations were made yearly between 1976 and 2000 on this basis, but only the terminal year (2000) is shown on these tables.

In projecting payments for individuals, the 1976 amount was decreased by \$10 billion to adjust it to what it would have been with the unemployment rate what it was in 1975 (5%).

4/ These are implicit rates of increase. The outlay projections on which they are based were not computed directly. They are sums of projections of their components.



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

File

February 7, 1975

Memorandum to: Robert T. Hartmann

From: Bob Bonitati

KB

When Roy Ash briefed Members of Congress on the FY 1976 Budget, he devoted quite a bit of time to projections of government spending to the year 2000. Much of that data had a considerable impact on the Members and we have subsequently received a large number of requests for that material.

I've attached some of the charts, the backup data and a short narrative on the subject, as it will probably arise in future discussion with Members of Congress.

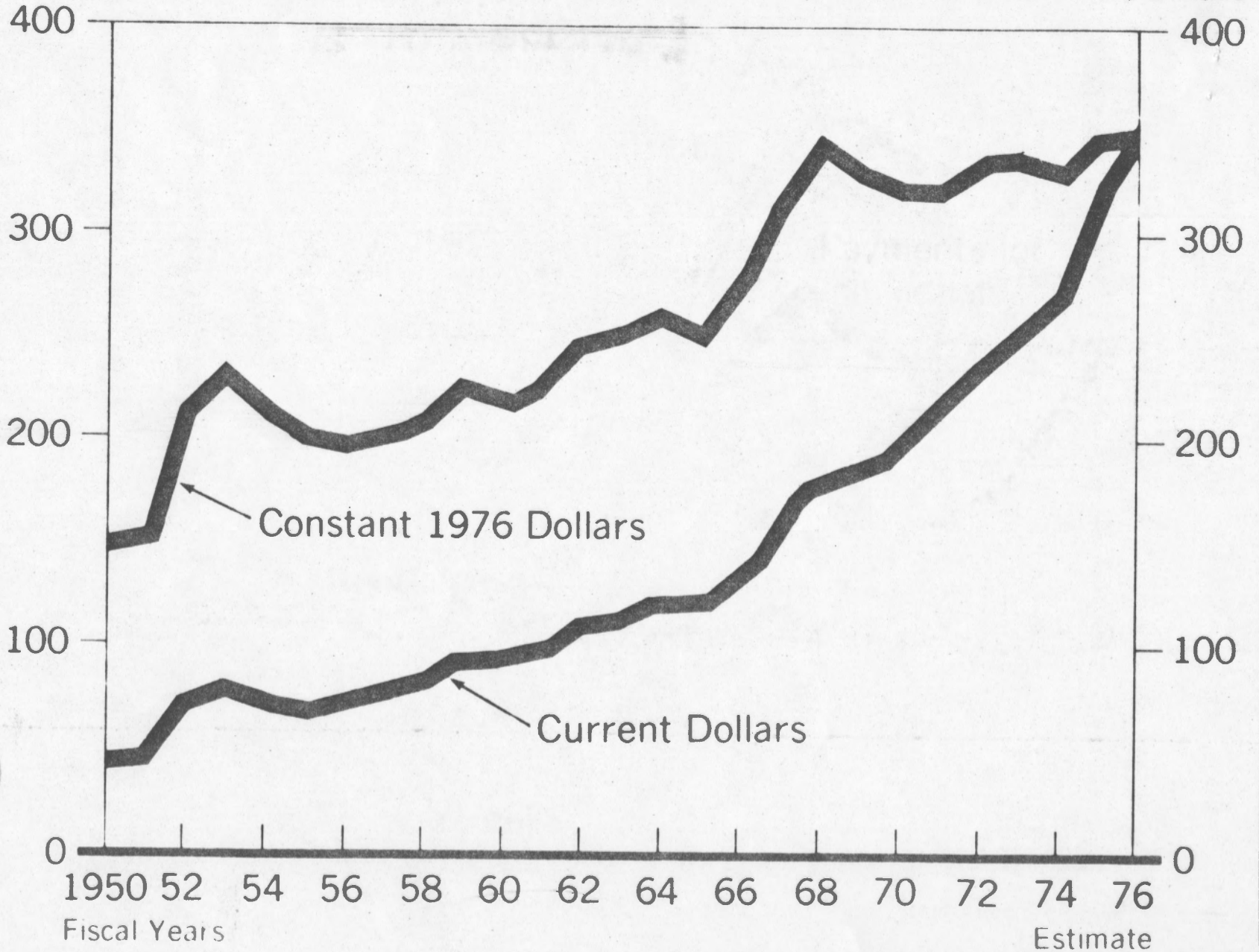
Attachments



Federal Budget Outlays, 1950-1976

\$ Billions

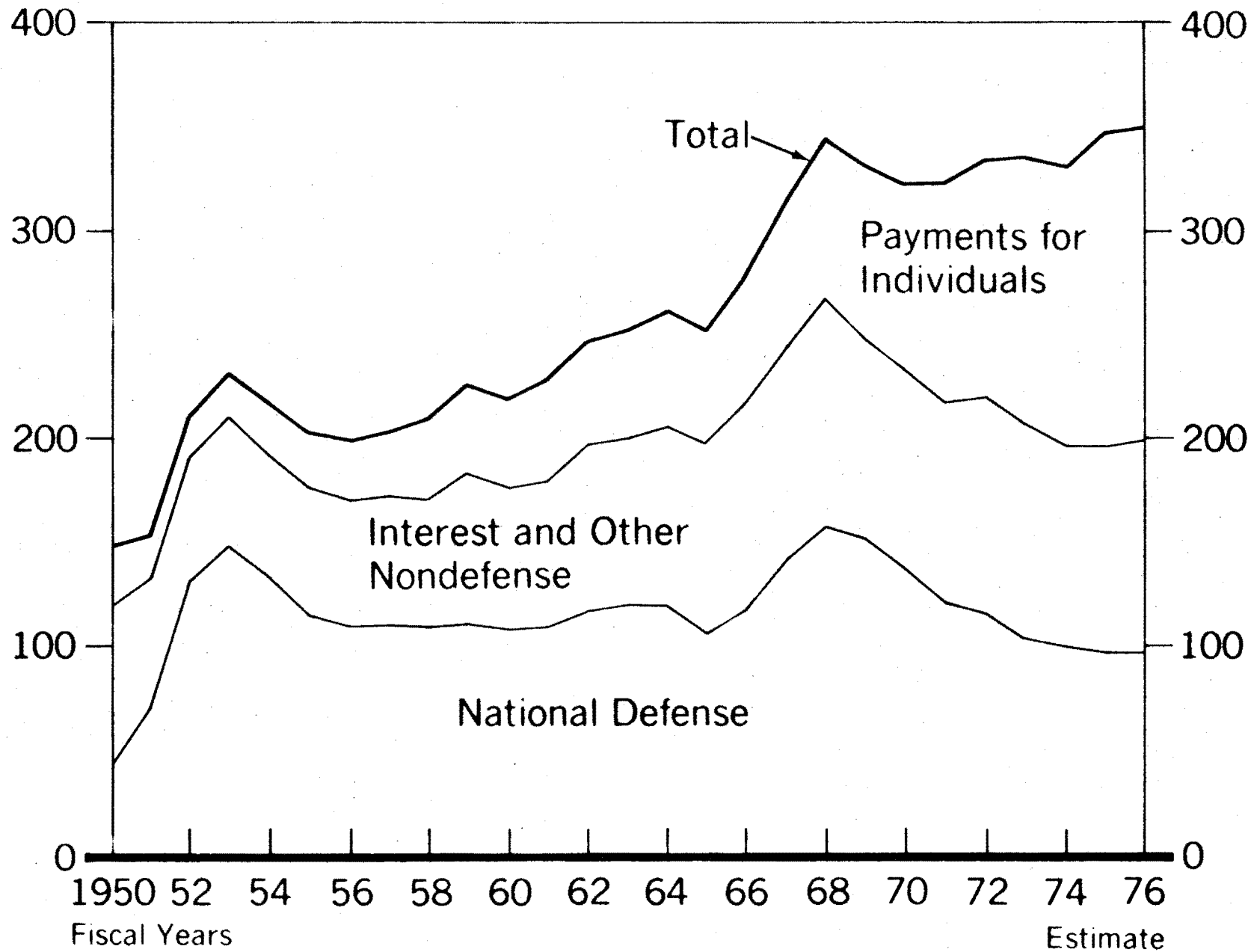
\$ Billions

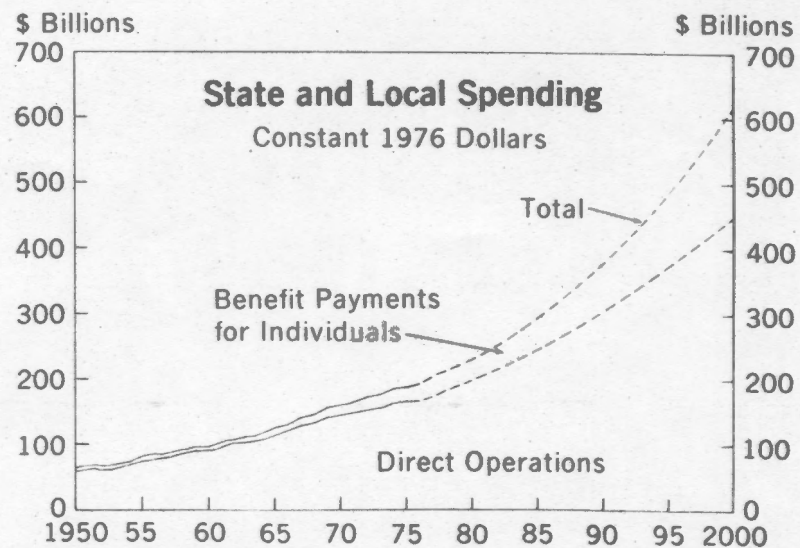
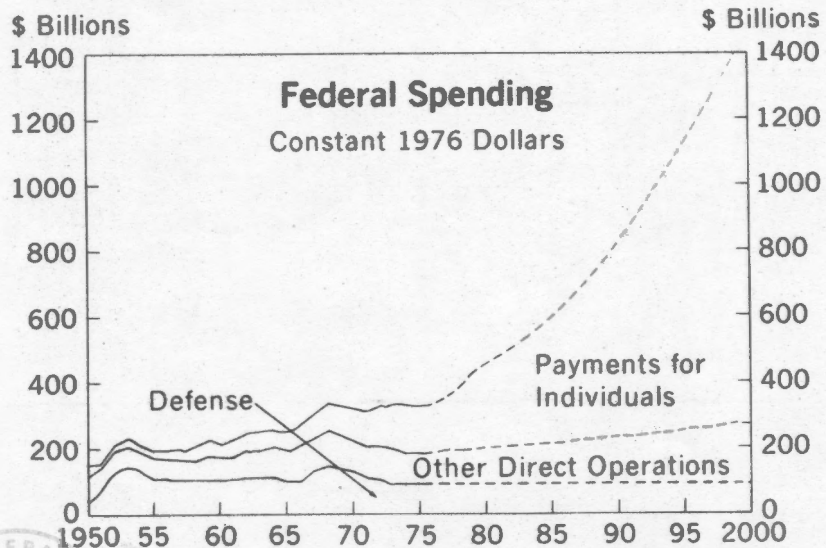
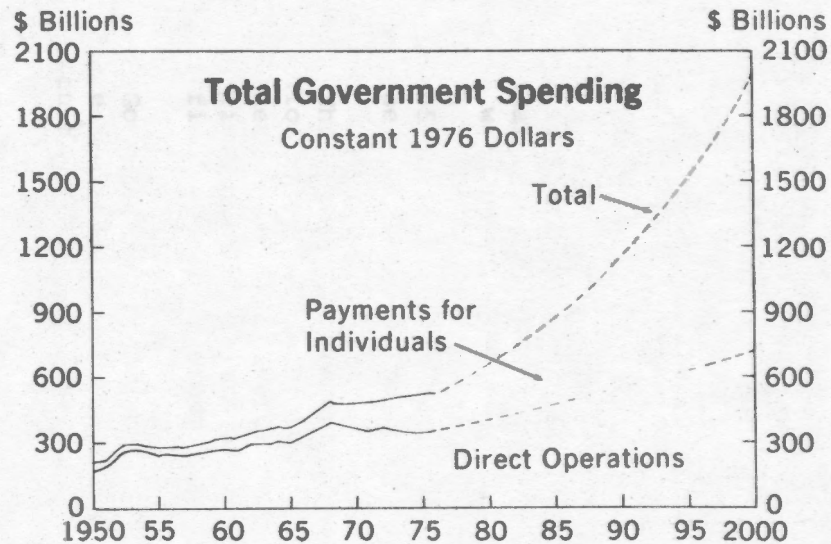


Federal Outlays — Constant 1976 Dollars

\$ Billions

\$ Billions





THE TREND OF GOVERNMENT SPENDING
1955 to 2000

Twenty years ago, spending by all levels of government--Federal, State, and local--claimed about one-quarter of our gross national product. This year, government spending will amount to one-third of the Nation's output.

The source of this relative growth in spending was not the direct operations of government; rather, it was benefit payments to individuals.* In real terms--that is, after adjusting for price changes--outlays for direct governmental operations rose substantially less rapidly than the gross national product. In fact, real defense spending declined over this period. On the other hand, benefit payments to or on behalf of individuals rose more than twice as fast as our Nation's output--by an average of 8.8 percent per year. At least three-fourths of this growth was accounted for by new programs and expansions of existing ones--not by normal growth in the beneficiary population.

Continuation of this trend for any extended period of time would produce fundamental changes in our Nation, as well as in the budget. Projections to the year 2000 illustrate the point. If the gross national product, nondefense spending, and benefit payments to individuals were to continue to grow in real terms at their average rates of growth of the past two decades, governments would lay claim to more than 55 percent of the Nation's output in the year 2000--even if real defense spending were held constant.

This is not a forecast of what the budgets of our governments will look like in fiscal year 2000--merely a projection of past trends. Nonetheless, it is a useful reminder of the longer-range implications of decisions to establish or expand governmental programs under which qualified persons or groups are automatically entitled to benefits.

Governmental spending in the year 2000 need not exceed one-third of the Nation's output. A number of alternative growth paths can be chosen that are consistent with both holding government's share of GNP at about today's percentage and serving the Nation's essential needs--including those of beneficiary populations of social insurance programs. If we are to choose one of these paths and change the course of the past 20 years, now is the time to start.

* Social security, Railroad retirement, Federal employees' retirement and insurance (including Military retired pay), Unemployment assistance, Veterans' benefits, Medicare, Medicaid, Housing payments and Public assistance.

GOVERNMENT SPENDING -- IN CONSTANT 1976 DOLLARS

(In billions)

Fiscal year	FEDERAL SPENDING				STATE & LOCAL SPENDING ^{2/}		
	Defense ^{1/}	Other direct operations	Payments for individuals	Total	Direct operations	Payments for individuals	Total
1950.....	41	75	31	146	60	6	66
1951.....	68	62	21	151	62	5	67
1952.....	129	59	21	209	64	4	68
1953.....	146	62	22	229	64	4	69
1954.....	136	54	25	214	70	4	74
1955.....	112	60	28	200	76	5	80
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January 31, 1975

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WHAT WILL BE THE BUDGET DEFICIT?
(in billions)

THE CURRENT ESTIMATE (with tax bill as written).....	\$60	
If Congress <u>rejects</u> President's holddown legislation-ADD....	12	
If features of tax bill become permanent-.....ADD....	5	
 NEW CONGRESSIONAL SPENDING PROPOSALS.....		\$30
 POTENTIAL DEFICIT THREAT.....		\$100 <u>BILLION</u>



New Congressional Spending Proposals

Anti-recession grants to State and local governments.....		\$5.0
Broadened unemployment compensation benefits.....		4.0
Additional public service jobs.....		3.0
Increased public works projects for State and local governments.....		3.0
Increased farm subsidies.....		2.2
Additional water pollution control and abatement projects.....		1.9
New housing subsidies.....		1.9
Increased urban mass transit and highway projects.....		1.8
Health insurance subsidies for the unemployed.....		1.5
Increased school feeding and related programs.....		1.4
Increased veterans benefits.....		0.8
Additional small business loans.....		0.4
Other increases in a wide variety of spending programs.....		3.2

March 31, 1975

SUMMARY OF STATUS

Status of Presidential Initiatives - April 18, 1975

Agency	<u>Legislative</u>		<u>Administrative</u>		<u>Pending Deferrals</u>		<u>Pending Rescissions</u>	
	<u>Items</u>	<u>Status</u>	<u>Items</u>	<u>Status</u>	<u>BA (M)</u>	<u>Status</u>	<u>BA (M)</u>	<u>Status</u>
USDA	6	Major Problem	2		\$ 474.5		-	
CIA	1		0		-		-	
CSC	2		1		-		-	
DOC	1		2		157.9		-	
DOD-MIL	7	Major Problem	-		2,542.0		-	
DOD-CIV	-		-		1.5		-	
ERDA	-		1		112.6		-	
EPA	1		-		41.4		-	
FEA	8		6		-		-	
GSA	1		-		2.2		-	
HEW	21	Major Problem	6		674.7		238.3	
HUD	1		-		281.9	Major Problem	-	
DOI	1	Major Problem	3		562.7		-	
DOJ	3		-		19.3		-	
DOL	4		1		-		-	
NRC	1		-		-		-	
OMB	2		-		-		-	
State	7	Major Problem	-		30.7		-	
DOT	5		1		9,512.9		1.0	
Treasury	11		-		93.4		-	
VA	3		-		-		-	
Other	-		-		279.5		-	
21	86		23		\$14,785.9		239.3	

Minor Problem - Some slippage in schedule but deviation from plan still within acceptable limits. Corrective action within agency's responsibility and power.

Major Problem - Substantial deviation from schedule or other problem has occurred or is anticipated. Corrective action is beyond scope of the agency to effect. Major problems should be called to the President's attention by a short description of the problem in the Deputy Director's transmittal of the Initiatives Status Report.

Summary of Problems

Status of Presidential Initiatives - April 25, 1975

USDA

Major Problem - Child Nutrition Programs - H. R. 4222 will increase Federal outlays some \$2.3B by extending and expanding present categorical school/child feeding programs. The bill was reported by the House Education and Labor Committee, scheduled for House floor consideration and then recommitted back to Committee. The FY 76 Budget proposes an opposite approach, substitution of block grants for present categorical programs and assistance targeted only on needy children. Legislation to this effect is in the legislative clearance process, and is expected to be transmitted next week. Amendments to bring H.R. 4222 closer to a block grant approach are also being developed for possible use in negotiation with the Congress..

Major Problem - Food Stamp Program - The President's directive that recommendations to restructure the Food Stamp program be transmitted to the Congress by April 30 will be delayed by at least two weeks. The options and backup data initially provided by the Department were inadequate and incomplete. Further efforts by OMB and USDA staff to identify other options and essential data to support a Presidential decision are underway.

DOD

Major Problem - Naval Petroleum Reserve - On April 18, HASC reported out identical bills: an amended H.R. 49 (Melcher) and H.R. 5919 (Hebert). These bills do not provide for: 1) sufficient production from NPRs 1, 2, and 3; 2) a strategic petroleum storage system; and production of NPR 4.

Minor Problem - Reduction in Manpower Authorizations - Mark-up by Nedzi HASC Subcommittee on military personnel does not reduce military manpower and increased Naval Reserve strength from 93,000 to 112,000.

FEA

Major Problem - Energy Legislation - The Senate passed S. 622 on April 10 by a vote of 65 to 20, a bill developed by Senator Jackson that includes both emergency standby authorities and further regulatory type requirements. It clearly contains many unacceptable provisions such as the requirement to immediately implement mandatory conservation programs through the setting and enforcement of energy consumption standards, restrictions on the decontrol of old oil and a price roll back on new oil. This bill, a major congressional threat, has a counterpart in the

House at the current time: The Dingell bill now being marked-up by House Commerce Committee, Subcommittee on Energy and Power. Like S. 622, it includes both standby and nonstandby provisions, contains mandatory conservation standards, and in addition extends petroleum allocation and price controls and provides costly subsidies for energy resource development. Both embody philosophical approaches that are significantly at odds with that of the Administration and reflect an emerging consensus in the Congress of the way to handle all energy problems.

HEW

Major Problem - Older Americans Act - H.R. 3922 would increase present Federal spending authorizations by \$2.6B over a four year period, and would authorize the establishment of a number of new duplicative and objectionable Federal programs for older Americans. For example, Title VIII would authorize \$350M in housing assistance which duplicates other programs. H.R. 3922 also contains a number of "such sums" spending authorizations for which estimates are not available. The bill was passed by the House on April 9. The Administration submitted legislation providing for an extension of the Older Americans Act for two years with a few minor changes. H.R. 3922 would result in committing a larger share of Federal funds to these activities over a substantially longer period of time than the Administration proposed.

Major Problem - Health Services and Training Legislation - Legislation along the lines of 93rd Congress bills vetoed by the President are moving through both the House and the Senate. The health services bill would add appropriation authorizations of about \$400 million to the 1976 budget and expand and establish new Federal programs. The health professions and nurse training bills would provide authorization of about \$200 to 300 million-- depending upon the final versions--over the 1976 Budget and continue Education subsidies which the 1976 Budget would eliminate or reduce. Administration proposed bills have not been accepted.

Minor Problem - AFDC Income Determinations - HEW has moved slowly on resolving the issue of whether or not income accounting period changes can be accomplished by regulation or require legislation. Now that that issue has been settled, it is essential that regulations be drafted quickly and published in order to prevent the further erosion of savings (\$20 million) that were projected in the budget for 1975. Regulations should be published in final form by early June or 1976 savings will also be jeopardized.

HUD

Major Problem - Impoundment Resolution involving HUD 235 Funds - A resolution has been approved by the Senate on Homeownership Assistance. This action will result in no release of funds because the Attorney General has ruled the withholding took place prior to the Impoundment Control Act and is not herefore subject to the Act. The Comptroller General brought a civil action in U.S. District Court on April 15 to force release of these funds. The Director and Secretary Hills are both named in the suit.

Interior

Major Problem - Surface Mining - The Senate and the House both passed new versions of the vetoed strip mining bill (84 to 13 in the Senate and 333 to 18 in the House). Although both bodies made some of the Administration's changes, neither went very far in the direction of the Administration's bill and in several cases new problems arose. It is expected that the Conferees that began meeting April 16, will report out a bill with about the same number of problems as that vetoed in the previous Congress. However, the bill could be significantly better or significantly worse. Conferees acted on allerial valley problem but exact wording and interpretation are under dispute. Lead on bill has been given to FEA. Zarb held news briefing 4/22/75 stating several major issues that still remain. Decision on veto remains open.

Washington demonstration April 8 and '9 was in opposition to both House and Senate bills.

Multi-Agency

Major Problem - Budget Reduction Legislation - The 1976 Budget proposed a number of legislative changes which were estimated to reduce budget outlays by \$1.2 billion in FY 1975 and by \$12.3 billion in FY 1976. Almost all of the necessary bills have been submitted to the Congress, but there has been little action on them; accordingly, the savings estimated for FY 1975 clearly cannot be accomplished and prospects are poor for those estimated for FY 1976. Some of the proposals have not been introduced in either House -- e.g., most of the bills to limit pay and benefit increases to 5% and HEW's impact aid reform proposal. Others have been or will shortly be introduced--e.g., the HEW Social Security Cost Control Act, the Maternal and Child Health and Medicaid Cost Control Amendments, and the VA bill to repeal the 2-year extension of GI bill eligibility--but no hearings are in sight in either committee. Without a major push from the White House, all of these proposals will languish on the Hill.

State

Major Problem - South Viet Nam Initiatives - Military Assistance Initiative has been tabled and is not expected to pass. Conference Committee reported a bill on April 24 that provides \$177 M for humanitarian and evacuation of South Viet Nam and \$150 M for international humanitarian aid. Bill restricts use of armed forces to evacuation.

OFFICE OF MANAGEMENT AND BUDGET
TRANSMITTAL FORM

THE DIRECTOR

DATE 4/21/76

TO : The President

FROM: James T. Lynn

As you requested, we have
put in your budget figures
in red above each of the
numbers in both the House
and Senate Concurrent
Resolutions.

DO NOT USE FOR PERMANENT RECORD INFORMATION



H. CON. RES. 611

[Report No. 94-1030]

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 1976

Mr. ADAMS, from the Committee on the Budget, reported the following concurrent resolution; which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed

CONCURRENT RESOLUTION

1 *Resolved by the House of Representatives (the Senate*
2 *concurring)*, That the Congress hereby determines and
3 declares, pursuant to section 301 (a) of the Congressional
4 Budget Act of 1974, that for the fiscal year beginning on
5 October 1, 1976—

6 (1) the recommended level of Federal revenues is
7 ~~\$363,000,000,000~~ ^{\$351,262,000,000}, and the amount by which the aggregate level of Federal revenues should be decreased is
8 ~~\$11,800,000,000~~ ^{\$23,400,000,000};
9 ~~\$11,800,000,000~~;

10 (2) the appropriate level of total new budget au-
11 ~~\$452,261,000,000~~ ^{\$431,219,000,000}thority is ~~\$452,261,000,000~~;



1 (3) the appropriate level of total budget outlays is
 2 ~~\$413,625,000,000;~~
~~\$395,813,000,000~~

3 (4) the amount of the deficit in the budget which is
 4 appropriate in the light of economic conditions and all
 5 other relevant factors is ~~\$50,625,000,000;~~ and
~~\$44,551,000,000~~

6 (5) the appropriate level of the public debt is
 7 ~~\$711,900,000,000,~~ and the amount by which the tempo-
 8 rary statutory limit on such debt should accordingly be
 9 increased (over amounts specified in section 3 (5) for
 10 the transition quarter) is ~~\$65,700,000,000.~~
~~\$67,274,000,000~~

11 SEC. 2. Based on allocations of the appropriate level of
 12 total new budget authority and of total budget outlays as set
 13 forth in paragraphs (2) and (3) of the first section of this
 14 resolution, the Congress hereby determines and declares pur-
 15 suant to section 301 (a) (2) of the Congressional Budget Act
 16 of 1974 that, for the fiscal year beginning on October 1,
 17 1976, the appropriate level of new budget authority and the
 18 estimated budget outlays for each major functional category
 19 are as follows:

20 (1) National Defense (050):

21 (A) New budget authority, ~~\$112,000,000,000.~~
~~\$101,145,000,000~~ ~~\$113,324,000,000~~

22 (B) Outlays, ~~\$100,600,000,000.~~

23 (2) International Affairs (150):

24 (A) New budget authority, ~~\$9,200,000,000.~~
~~\$6,897,000,000~~ ~~\$9,654,000,000~~

25 (B) Outlays, ~~\$6,500,000,000.~~



1 (3) General Science, Space, and Technology (250) :

2 (A) New budget authority, ~~\$4,600,000,000.~~ ^{\$4,618,000,000}

3 (B) Outlays, ~~\$4,500,000,000.~~ ^{\$4,507,000,000}

4 (4) Natural Resources, Environment, and Energy

5 (300) :

6 (A) New budget authority, ~~\$11,800,000,000.~~ ^{\$9,712,000,000}

7 (B) Outlays, ~~\$15,703,000,000.~~ ^{\$13,777,000,000}

8 (5) Agriculture (350) :

9 (A) New budget authority, ~~\$2,262,000,000.~~ ^{\$2,262,000,000}

10 (B) Outlays, ~~\$2,029,000,000.~~ ^{\$1,913,000,000}

11 (6) Commerce and Transportation (400) :

12 (A) New budget authority, ~~\$19,910,000,000.~~ ^{\$17,852,000,000}

13 (B) Outlays, ~~\$17,740,000,000.~~ ^{\$16,350,000,000}

14 (7) Community and Regional Development (450) :

15 (A) New budget authority, ~~\$6,500,000,000.~~ ^{\$5,919,000,000}

16 (B) Outlays, ~~\$6,200,000,000.~~ ^{\$5,667,000,000}

17 (8) Education, Training, Employment, and Social Serv-

18 ices (500) :

19 (A) New budget authority, ~~\$21,617,000,000.~~ ^{\$15,983,000,000}

20 (B) Outlays, ~~\$23,004,000,000.~~ ^{\$17,583,000,000}

21 (9) Health (550) :

22 (A) New budget authority, ~~\$39,250,000,000.~~ ^{\$38,039,000,000}

23 (B) Outlays, ~~\$38,200,000,000.~~ ^{\$35,520,000,000}

24 (10) Income Security (600) :

25 (A) New budget authority, ~~\$156,764,000,000.~~ ^{\$157,943,000,000}



1 (B) Outlays, ~~\$139,228,000,000~~ ^{\$137,115,000,000}

2 (11) Veterans Benefits and Services (700):

3 (A) New budget authority, ~~\$18,649,000,000~~ ^{\$17,681,000,000}

4 (B) Outlays, ~~\$18,165,000,000~~ ^{\$17,196,000,000}

5 (12) Law Enforcement and Justice (750):

6 (A) New budget authority, ~~\$3,400,000,000~~ ^{\$3,318,000,000}

7 (B) Outlays, ~~\$3,500,000,000~~ ^{\$3,426,000,000}

8 (13) General Government (800):

9 (A) New budget authority, ~~\$3,497,000,000~~ ^{\$3,465,000,000}

10 (B) Outlays, ~~\$3,470,000,000~~ ^{\$3,442,000,000}

11 (14) Revenue Sharing and General Purpose Fiscal
12 Assistance (850):

13 (A) New budget authority, ~~\$7,347,000,000~~ ^{\$7,347,000,000}

14 (B) Outlays, ~~\$7,351,000,000~~ ^{\$7,351,000,000}

15 (15) Interest (900):

16 (A) New budget authority, ~~\$41,400,000,000~~ ^{\$41,296,000,000}

17 (B) Outlays, ~~\$41,400,000,000~~ ^{\$41,297,000,000}

18 (16) Allowances:

19 (A) New budget authority, ~~\$1,990,000,000~~ ^{\$1,640,000,000}

20 (B) Outlays, ~~\$2,960,000,000~~ ^{\$1,460,000,000}

21 (17) Undistributed Offsetting Receipts (950):

22 (A) New budget authority, ~~\$16,925,000,000~~ ^{-\$18,851,000,000}

23 (B) Outlays, ~~\$16,925,000,000~~ ^{-\$18,851,000,000}

24 SEC. 3. The Congress hereby determines and declares,
25 in the manner provided in section 310 (a) of the Congress-



1 sional Budget Act of 1974, that for the transition quarter
2 beginning on July 1, 1976—

3 (1) the recommended level of Federal revenues
4 is ~~\$86,000,000,000;~~
\$81,894,000,000

5 (2) the appropriate level of total new budget au-
6 thority is ~~\$96,300,000,000;~~
\$88,803,000,000

7 (3) the appropriate level of total budget outlays is
8 ~~\$101,200,000,000;~~
\$98,543,000,000

9 (4) the amount of the deficit in the budget which is
10 appropriate in the light of economic conditions and all
11 other relevant factors is ~~\$15,200,000,000;~~ and
\$16,649,000,000

12 (5) the appropriate level of the public debt is
13 ~~\$646,200,000,000,~~ and the amount by which the tem-
14 porary statutory limit on such debt should accordingly
15 be increased is ~~\$19,200,000,000.~~
\$16,119,000,000



Lynn

Calendar No. 699

94TH CONGRESS
2D SESSION

S. CON. RES. 109

[Report No. 94-731]

IN THE SENATE OF THE UNITED STATES

APRIL 3, 1976

Mr. MUSKIE, from the Committee on the Budget, reported under authority of the order of the Senate of April 1, 1976, the following concurrent resolution; which was ordered to be placed on the calendar

CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal year 1977 (and revising the congressional budget for the transition quarter beginning July 1, 1976).

1 *Resolved by the Senate (the House of Representatives*
2 *concurring)*, That the Congress hereby determines and
3 declares, pursuant to section 301 (a) of the Congressional
4 Budget Act of 1974, that for the fiscal year beginning on
5 October 1, 1976—

6 (1) the appropriate level of total budget outlays is
7 ~~\$112,600,000,000;~~
 \$395,813,000,000

8 (2) the appropriate level of total new budget au-
9 thority is ~~\$151,900,000,000;~~
 \$431,219,000,000



1 (3) the amount of deficit in the budget which is
2 appropriate in light of economic conditions and all other
3 relevant factors is ~~\$50,200,000,000~~ ^{\$44,551,000,000};

4 (4) the recommended level of Federal revenues is
5 ~~\$362,400,000,000~~ ^{\$351,262,000,000}, and the amount by which the ag-
6 gregate level of Federal revenues should be decreased
7 is ~~\$15,300,000,000~~ ^{\$23,400,000,000}; and

8 (5) the appropriate level of the public debt is
9 ~~\$711,500,000,000~~ ^{\$710,393,000,000}, and the amount by which the tem-
10 porary statutory limit on such debt should be accordingly
11 increased is ~~\$65,300,000,000~~ ^{\$67,274,000,000}.

12 SEC. 2. Based on the appropriate level of total budget
13 outlays and total new budget authority set forth in para-
14 graphs (1) and (2) of the first section of this resolution,
15 the Congress hereby determines and declares, pursuant to
16 section 301 (a) (2) of the Congressional Budget Act of 1974
17 that, for the fiscal year beginning on October 1, 1976, the
18 appropriate allocation of the estimated budget outlays and
19 new budget authority for the major functional categories is
20 as follows:

21 (1) National Defense (050):

22 (A) New budget authority, ~~\$113,000,000,000~~ ^{\$113,324,000,000}
23 ~~000.~~

24 (B) Outlays, ~~\$100,900,000,000~~ ^{\$101,145,000,000}.

25 (2) International Affairs (150):



1 (A) New budget authority, ~~\$9,100,000,000.~~ *\$9,654,000,000*

2 (B) Outlays, ~~\$7,000,000,000.~~ *\$6,877,000,000*

3 (2) General Science, Space, and Technology

4 (250) :

5 (A) New budget authority, ~~\$1,600,000,000.~~ *\$4,618,000,000*

6 (B) Outlays, ~~\$1,500,000,000.~~ *\$4,507,000,000*

7 (4) Natural Resources, Environment, and Energy

8 (300) :

9 (A) New budget authority, ~~\$13,000,000,000.~~ *\$9,712,000,000*

10 (B) Outlays, ~~\$15,600,000,000.~~ *\$13,779,000,000*

11 (5) Agriculture (350) :

12 (A) New budget authority, ~~\$2,300,000,000.~~ *\$2,262,000,000*

13 (B) Outlays, ~~\$1,900,000,000.~~ *\$1,913,000,000*

14 (6) Commerce and Transportation (400) :

15 (A) New budget authority, ~~\$16,100,000,000.~~ *\$17,852,000,000*

16 (B) Outlays, ~~\$13,600,000,000.~~ *\$16,350,000,000*

17 (7) Community and Regional Development

18 (450) :

19 (A) New budget authority, ~~\$7,400,000,000.~~ *\$5,919,000,000*

20 (B) Outlays, ~~\$7,600,000,000.~~ *\$5,667,000,000*

21 (8) Education, Training, Employment, and Social

22 Services (500) :

23 (A) New budget authority, ~~\$22,400,000,000.~~ *\$15,988,000,000*

24 (B) Outlays, ~~\$21,400,000,000.~~ *\$17,588,000,000*

25 (9) Health (550) :



- 1 (A) New budget authority, ~~\$10,100,000,000.~~ *\$38,039,000,000*
- 2 (B) Outlays, ~~\$37,600,000,000.~~ *\$35,520,000,000*
- 3 (10) Income Security (600) :
- 4 (A) New budget authority, ~~\$163,700,000,000.~~ *\$157,943,000,000*
- 5 (B) Outlays, ~~\$110,100,000,000.~~ *\$137,115,000,000*
- 6 (11) Veterans Benefits and Services (700) :
- 7 (A) New budget authority, ~~\$20,000,000,000.~~ *\$17,681,000,000*
- 8 (B) Outlays, ~~\$19,300,000,000.~~ *\$17,196,000,000*
- 9 (12) Law Enforcement and Justice (750) :
- 10 (A) New budget authority, ~~\$3,300,000,000.~~ *\$3,318,000,000*
- 11 (B) Outlays, ~~\$3,100,000,000.~~ *\$3,426,000,000*
- 12 (13) General Government (800) :
- 13 (A) New budget authority, ~~\$3,700,000,000.~~ *\$3,465,000,000*
- 14 (B) Outlays, ~~\$3,600,000,000.~~ *\$3,442,000,000*
- 15 (14) Revenue Sharing and General Purpose Fiscal
- 16 Assistance (850) :
- 17 (A) New budget authority, ~~\$7,300,000,000.~~ *\$7,347,000,000*
- 18 (B) Outlays, ~~\$7,100,000,000.~~ *\$7,351,000,000*
- 19 (15) Interest (900) :
- 20 (A) New budget authority, ~~\$10,100,000,000.~~ *\$41,296,000,000*
- 21 (B) Outlays, ~~\$10,100,000,000.~~ *\$41,297,000,000*
- 22 (16) Allowances:
- 23 (A) New budget authority, ~~\$600,000,000.~~ *\$1,440,000,000*
- 24 (B) Outlays, ~~\$700,000,000.~~ *\$1,450,000,000*



1 (17) Undistributed Offsetting Receipts (950):

2 (A) New budget authority, ~~-\$17,400,000,~~ ^{-\$18,851,000,000}

3 ~~000.~~

4 (B) Outlays, ~~-\$17,400,000,000,~~ ^{-\$18,851,000,000}

5 SEC. 3. The Congress hereby determines and declares,
6 in the manner provided in section 310 (a) of the Congres-
7 sional Budget Act of 1974, that for the transition quarter
8 beginning on July 1, 1976—

9 (1) the appropriate level of total budget outlays is
10 ~~-\$102,200,000,000;~~ ^{\$98,543,000,000}

11 (2) the appropriate level of total new budget au-
12 thority is ~~\$95,800,000,000;~~ ^{\$88,803,000,000}

13 (3) the amount of the deficit in the budget which
14 is appropriate in the light of economic conditions and
15 all other relevant factors is ~~\$16,200,000,000;~~ ^{\$16,649,000,000}

16 (4) the recommended level of Federal revenues is
17 ~~\$86,000,000,000;~~ ^{\$81,894,000,000} and

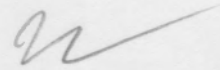
18 (5) the appropriate level of the public debt is
19 ~~\$616,200,000,000,~~ ^{\$643,119,000,000} and the amount by which the tem-
20 porary statutory limit on such debt should be accord-
21 ingly increased is ~~\$19,200,000,000.~~ ^{\$16,119,000,000.}



April 30, 1975

Office of the White House Press Secretary

THE WHITE HOUSE



STATEMENT BY THE PRESIDENT

This week the Congress has an opportunity to show the American people where they stand on fiscal responsibility.

Under a new procedure established by the Congress last year, Budget Committees have been established in both the House and the Senate. These Committees have been hard at work since the 94th Congress convened. Each Committee has now produced a resolution calling for a ceiling on Federal spending for fiscal year 1976 and these resolutions will come before the Members for a vote this week.

As you know, when I signed the tax cut bill, I drew my line on the Federal deficit at \$60 billion. I reaffirm my commitment to that \$60 billion ceiling and urge in strongest possible terms its acceptance by Congress.

Both the House and the Senate resolutions would raise my ceiling. The Senate resolution would approve a deficit of \$67 billion; the House \$73 billion. I strongly believe my limit is far preferable to either alternative.

Until now, there has been no mechanism for instilling discipline in the total spending actions of the Congress. Instead, the legislative process has proceeded in a piecemeal fashion, each Committee acting on its own. As a result, no one in Congress was responsible for assuring that we could afford everything that was enacted.

Our economic circumstances cannot tolerate such a haphazard approach. Therefore, I urge, in the strongest possible terms, that both Houses of Congress adopt a spending ceiling resolution. The national interest requires that Congress draw a firm spending and deficit line.

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