

The original documents are located in Box 36, folder “Office of Management and Budget - Legislation (2)” of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

Copyright Notice

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 Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections.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

OMB

THE WHITE HOUSE

WASHINGTON

September 3, 1975

MEMORANDUM FOR: JIM CONNOR

THROUGH: PHIL BUCHEN *P.W.B.*

FROM: KEN LAZARUS *KL*

SUBJECT: Lynn's Memo 8/27/75 re Veto
Strategy for the State, Justice
Commerce Appropriation Bill

This office has reviewed the subject memorandum for the President and offers the view that there is simply no need for Presidential action on the matter at the present time. Thus, the memo should be recast as informational in nature. The bases for this recommendation may be summarized as follows:

(1) In terms of the bill's potential for outlay increases, it would appear that the House and Senate versions tend to balance one another off which should naturally result in a conference committee compromise that is roughly in accord with the Administration's program.

(2) With respect to the provision in the Senate bill calling for an additional \$209 million for EDA and the regional planning commissions, it would appear that a substantially lower sum will naturally come out of conference. In this regard, it might be noted that the Senate has traditionally supported vastly higher amounts in the funding of the regional planning commissions.

(3) On the subject of the two items contained within the Department of Justice appropriation, we note the following:

(a) Administration chances for substantially reducing LEEP funding levels are slim to none. Law enforcement officers throughout the country write their Congressmen and Senators to urge that these funds which provide for their college education be expanded. Rather than attempting to reduce the LEEP funding



level, we should attempt to eliminate the duplication of funding that occurs by virtue of the fact that LEEP awards do not discount parallel VA educational benefits. This can be accomplished during the course of hearings on the LEAA authorization bill which is now pending in Congress.

(b) On the issue of the \$75 million which is provided to initiate new juvenile delinquency programs within LEAA, we would point out that the level of funding which has been approved by the House approximates only \$15 million and therefore we can expect that the final figure will be in the neighborhood of only \$30 million. The authorization level for this program is in the neighborhood of \$100 million. It should also be noted that this is a pet project of Senator Bayh, who is a member of the Senate Appropriations Committee.

(4) We are concerned that an effort be made to hold spending levels to a minimum. Moreover, we too are troubled by the attempt to eliminate funding for negotiations with Panama over the Canal. However, we do not believe that this bill is yet "ripe" for any Presidential action. OMB, White House and agency personnel should continue to do all that is practicable to meet these concerns. In this regard, it is our view that any veto threats at this point in time would be premature and counter-productive.



September 3, 1975

They are urgent on this
one -- Jim Lynn hopes to
take it up with the President
at his 2:30 meeting today
with him.

Original
sent to
Ken

Red tag



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 2, 1975

Time:

FOR ACTION: Phil Buchen
Jim Cannon
Max Friedersdorf
Jack Marsh
Brent Scowcroft

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, September 4

Time: Noon

SUBJECT:

James Lynn's Memo 8/27/75 re
Veto Strategy for the State, Justice,
Commerce Appropriation Bill

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor
For the President





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

AUG 27 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Veto Strategy for the State, Justice, Commerce
Appropriation Bill

Background

This appropriation bill is pending floor action in the Senate and will be taken up when the Congress reconvenes on September 3. The House version of this bill while otherwise acceptable includes a provision limiting Panama Canal negotiations. The Senate Committee version contains particularly undesirable funding increases. These undesirable features prompt us to ask for your guidance on whether to indicate to the Senate and the conference committee your intention to veto the bill unless the objectionable provisions are removed in the hope that such a veto signal will result in an acceptable bill.

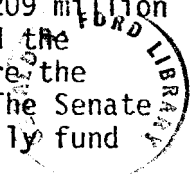
Overall Impact of Congressional Action

The Senate Appropriations Committee version is substantially more costly than the House version. Compared to your budget request the Senate Committee bill would increase 1976 outlays by \$51 million, decrease those in the transition quarter by \$32 million, and increase those in 1977 by \$151 million. The House version would decrease 1976 outlays by \$31 million and transition quarter outlays by \$60 million, while increasing those in 1977 by \$21 million.

The most worrisome outlay increases flow from the Senate Committee bill which provides \$579 million more in budget authority than the House did, or \$335 million more than you had requested.

Discussion

The Senate increases are primarily in two particularly troublesome areas. Within the Department of Commerce appropriation, an additional \$209 million has been provided for the Economic Development Administration and the Regional Action Planning Commissions in 1976. These increases are the same as those included in the vetoed Emergency Employment Act. The Senate Committee report states that these increases, which would primarily fund



public works projects, are necessary to deal with the current unemployment situation. However, since outlays will occur primarily in 1977 and beyond, the proposed increase will have little or no impact on present unemployment.

Within the Department of Justice appropriation the Senate Committee bill provides an increase of \$92 million in 1976 for the Law Enforcement Assistance Administration (LEAA). Of this, \$75 million is provided to initiate new juvenile delinquency programs authorized by the Juvenile Justice and Delinquency Prevention Act of 1974 and \$17 million is provided for the Law Enforcement Education Program (LEEP). The budget provided no additional funding for the new juvenile delinquency program, primarily because (1) the new Act duplicates legislative authorities already contained in the regular LEAA program and (2) the new Act mandates that LEAA not reduce funds currently spent for juvenile delinquency from ongoing LEAA programs (approximately \$140 million annually). The increase for the LEEP program was provided to maintain it at the 1975 level. The Administration had reduced that program as part of the overall LEAA budget reduction in 1976.

In addition to these major funding problems in the Senate Committee bill, the House-passed version of the State Department appropriation contains a highly objectionable restriction prohibiting the use of funds for negotiations with Panama over the canal. Such a provision, because of the limitation it provides on executive branch ability to conduct international negotiations, in itself might provide a basis for veto.

Weighing against the considerations for veto, however, is a provision (Sec. 109 of P.L. 94-41) prohibiting the use of any funds to finance any assistance to Southeast Asia--including aid administered by or channeled through international organizations. The State Department has interpreted this to mean that no U.S. contributions to international organizations which provide such assistance should be made until the continuing resolution is superseded by the regular appropriation bill. If this does not occur by the end of September, the World Health Organization, and subsequently other international organizations, will be unable to meet their payrolls and other fixed expenses. This eventuality need not preclude a veto, however, since a second appropriation bill might be passed and signed before the end of September or other steps taken to avoid embarrassment to the United States for not having met its membership obligations.

We do not believe that agency opposition alone will be effective in deleting the objectionable increases and provisions noted above.

Recommendation

That you indicate that you will veto this appropriation bill unless the objectionable increases and provisions are removed.



A veto signal on the pending Senate bill is recommended as a means of emphasizing your intent to hold the line on the budget. If given at this time, it will have maximum effectiveness in influencing the outcome of the legislative process on this bill as well as setting a desirable tone for other congressional appropriation action in September. Alternative strategies for signaling the veto are presented below.

APPROVE: _____

DISAPPROVE: _____

Alternative Strategies for Implementing a Veto Strategy

The following alternatives are available to implement a veto strategy:

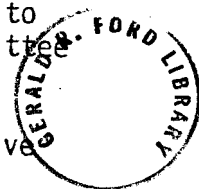
Alternative #1. Presidential Involvement--This would be the strongest approach for signaling to the Hill the concern over the Senate add-ons to the bill. You are already on record indicating your commitment to reject appropriations actions which unnecessarily exceed the budget totals. Options for implementing this alternative could include:

- a. A public statement in which you would express your displeasure over Senate action and indicate your intention to veto the bill as passed by the Senate.
- b. Your contacting informally the House and Senate Appropriations Committees' Chairmen indicating your concern and soliciting their help in arriving at a conference bill which excludes the objectionable provisions.
- c. Your contacting the ranking minority leader in each House and indicating that you will veto the bill in its current form. You would seek their support and assistance in directing the work of the conference committee and, if necessary, in developing floor amendments to the bill.

While Presidential involvement would be desirable, a public statement (option a) at this stage in the development of the bill may be premature and may alienate the Hill. It may be more appropriate to try to influence the outcome of Senate floor and conference committee action (option b or c) through conversations with Hill leaders.

Alternative #2. OMB and White House Staff Action--This alternative would avoid Presidential involvement now, but would signal high level Administration concern over the bill. It would also provide a means for working out a bipartisan compromise position on the bill. Options for implementing this alternative include:

- a. Have OMB and White House congressional contacts talk to minority and supportive majority members outlining major problems with the bill and soliciting their support for possible floor amendments.



- b. Have the Director of OMB contact the conference managers for both Houses and indicate a veto signal while expressing a willingness to pursue private discussions on an acceptable bill.

The Senate may be more willing to compromise if a strong indication of a veto is accompanied by expressed willingness to work on an acceptable bill. The risk involved in this approach is that by involving the Administration directly in negotiations we may be forced into a position of accepting a bill which provides for some increases above the recommended levels.

Alternative #3. Agency Involvement--Under this alternative the various agencies and departments covered in the bill would be authorized to threaten Presidential veto in their discussions on the Hill with the conference committee. This approach would keep the White House staff and the President out of the development of the bill at this point and keep open the more forceful options discussed under Alternatives #1 and #2 for use after Senate action. Implementation would involve:

- a. Directive to agency heads to personally involve themselves in seeking elimination of unnecessary add-ons.
- b. A concerted effort on the part of agency congressional people to work with committee members and staff on an acceptable bill.

Recommendation

That you select a combination of Alternatives #2 and #3.

Alternative #3, standing alone, is probably insufficient to influence the outcome. The combination of #2 and #3 has better prospects.

Since the bill has not yet reached the Senate floor, it would be premature to have you personally involved. Alternative #1 and its variations could be considered after the Senate acts.

APPROVE: _____

DISAPPROVE: _____

COMMENTS:



THE WHITE HOUSE
WASHINGTON

September 8, 1975

MEMORANDUM FOR: JIM CONNOR

THROUGH: PHIL BUCHEN *P.W.B.*

FROM: KEN LAZARUS *KL*

SUBJECT: Lynn's Memo 9/3/75 re Child
Nutrition/School Lunch Bill (H. R. 4222)
Acceptability of Proposed Compromise

H. R. 4222 presents two distinct issues of concern to the Administration: (1) the nature of the appropriate funding modality for Federal child nutrition/school lunch grants; and (2) the appropriate level of Federal outlays. The first question involves differing views on the precepts of Federalism, i. e. categorical vs. block grant funding.

I would recommend that the President reaffirm his support of the block grant concept, urge the Congress to reconsider the appropriate funding modality for these Federal resources and, at the same time, signal rejection of any significant cost increases over a simple extension. Although it is likely that the categorical grant program will be continued in this area, there would appear to be no need to concede a loss of the block grant initiative at this time.



Date: September 5, 1975

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jack Marsh

Jim Cannon

Bill Seidman

Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: Monday, September 8

Time: 2 P.M.

SUBJECT:

James T. Lynn's memo 9/3/75 re Child
 Nutrition/School Lunch Bill (H. R. 4222)
 Acceptability of Proposed Compromise

ACTION REQUESTED:

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

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor
 For the President





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

ACTION

SEP 3 1975

MEMORANDUM FOR THE PRESIDENT

FROM: James T. Lynn

SUBJECT: Child Nutrition/School Lunch Bill (H.R. 4222)--
Acceptability of Proposed Compromise

Your guidance is necessary in order to respond to the Senate Budget Committee and conferees who are willing to work with the Administration in order to develop a more acceptable version of the Child Nutrition/School Lunch Bill (H.R. 4222).

There are two fundamental choices which you should consider:

1. Do you still wish to pursue the savings of nearly \$1.2 billion of the 1976 budget proposal compared with H.R. 4222? This savings would undoubtedly require a veto of any version of H.R. 4222 that Congress will pass and a reaffirmation of your support for the Administration's block grant proposal for Child Nutrition programs.
2. Would you accept a bill that very nearly proposes simple extension of the existing School Lunch and Child Nutrition programs, as proposed by Senator Muskie? This would increase the 1976 budget outlays by approximately \$730 million, but still require substantial revisions in H.R. 4222 (see attachment).

Background

The conference committee version of H.R. 4222 would continue and expand the complexity of present programs. It would do nothing to move in the direction of the block grant program proposed in the 1976 budget and would not reduce Federal expenditures for the non-needy. This bill would cost \$2,942 million in outlays in 1976, \$1,219 million over the budget



estimate of \$1,723 million for the block grant proposal as outlined below:

Outlays (Millions)				
FY 75 <u>Actual</u>	FY 76 <u>Budget (Block Grant)</u>	FY 76 <u>Simple Extension</u>	FY 76 <u>Congressional Budget Resolution</u>	FY 76 <u>- H.R. 4222 Conference</u>
2,060	1,723	2,433	2,430	2,942

Some Senate Budget Committee staff members have suggested two changes in the conference version which would decrease outlays by approximately \$100 million, but still retain most of the objectionable features of the bill:

1. Eliminate additional payments of 3¢ per meal for full price lunches.

Savings: \$70 million

2. Reduce proposed eligibility standards for free and reduced price lunches from a maximum of 195 percent of the Income Poverty Guidelines to a maximum of 190 percent (175 percent in current law and 200 percent in the House version).

Savings: \$30 million

The Administration's block grant proposal, the Child Food Assistance Act, was transmitted to Congress on June 9, 1975, but has not been introduced. There is little possibility that the block grant proposal will be passed by the Congress.

In a joint statement on the Senate floor on August 1, 1975, Senator Muskie, Chairman of the Senate Budget Committee, and Senator Bellmon, ranking minority member of that committee, said that they would vote against the conference report--and hoped other senators would do likewise--because it would result in FY 1976 spending of almost \$430 million in excess of the congressional budget target of \$2,520 million.

Senators Muskie, Bellmon, and Dole, and Congressman Quie have also opposed the 3¢ per meal increase, and Senator Muskie opposes the expansion of the Special Supplemental Food Program for Women, Infants, and Children (WIC) and expanded eligibility for free and reduced price lunches to 195 percent of the Income Poverty Guidelines.

After the Muskie/Bellmon statement, a scheduled vote in the Senate on the conference version of H.R. 4222 was postponed by Senator McGovern. We believe that H.R. 4222 will be referred back to conference.

Options

- I. Block Grant - Reaffirm support of the child nutrition block grant proposal and signal rejection of any continuation of current categorical programs.
- II. Simple Extension - Concede loss of the block grant initiative, and acceptance of simple extension of categorical programs for time being. Signal rejection of any significant increases over simple extension. Objectionable items are outlined in the attachment.
- III. Further Compromise - Same as option II however indicate acceptance of moderate increases in coverage and cost (not to exceed \$200 million). This would represent an increase of \$910 million over the FY 76 Budget.
- IV. Other

Attachments



Cost Estimates
 (\$ in millions)
 (FY 76)

	<u>1976 Budget</u>	<u>Simple Extension</u>	<u>H.R. 4222</u>
Section 4 (Basic School Lunch)		509	541
Section 11 (Free & Reduced Price) .		875	1,145
Breakfast		97	134
Nonfood Assistance		28	28
State Adm. Expenses		12	16
Nonschool food program		130	195
Summer		(70)	(95)
Year-round		(60)	(100)
Commodities and cash in lieu		475	479
Special Milk		144	144
Special Supplemental Food Program (WIC)		226	250
NTSS and Operating Expenses		15	18
Additional payments for paid lunches		0	70
Residential Institutions		0	0
Block Grants	<u>1,798</u>	<u>0</u>	<u>0</u>
BA	1,798	2,511	3,020
O	1,723	2,433	2,942



Major objectionable
eliminated under Opt

4222 that should be

Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

Additional payments for
lunches--Additional payme
(instead of 5¢ in the orig
version) above the 12.4¢
paid for all lunches.

+ \$ 70

Expanded eligibility for
lunches--Expand eligibil
price lunches to children
income is up to 195 percent
200 percent in the original
and 195 percent in current
Income Poverty Guidelines

+ \$302

Women, Infants, and Child
Continue the WIC program
million a year through FY
level was \$100 million.

am--
150

+ \$150

Elimination of matching re
nate the State matching re
respect to free and reduce
The current rate is 1 Feder
every 3 State dollars.

ni-
1
5.

no Federal cost

Comment: Although no co
available for this provi
and Congress believe it
outlay impact since all
receiving the maximum
there are other cons
3:1 matching require
places a limit on the
for those states who
meet their matching

re



Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

in-State sources (payments for full-price lunches, State and local revenues). The Department of Agriculture does not closely monitor the State contributions and therefore the State adherence to the matching requirement ceiling. Strict enforcement of the existing provision would probably reduce or limit Federal contributions in as many as 10 states who would be unable to meet their matching requirements. The Federal funds would have to be replaced by State appropriations or local revenues.

School Lunch and School Breakfast Program for Child Care Institutions--Expands the School Lunch and School Breakfast program eligibility to include private nonprofit residential institutions serving children, e.g., reformatories, detention homes, and hospitals.

1/

Additional Objectionable Provisions

Free or reduced price lunches for children from families whose principal breadwinner is unemployed--Establishes eligibility for all such children but requires that the rate of breadwinners' income while unemployed fall within eligibility standards for free lunches.

2/

Comment: Under current law, states are allowed but not required to provide free or reduced price lunches to children from families whose principal breadwinner is unemployed.

1/ No estimate was made of the impact of this provision. OMB believes it would be nearly \$100 million.

2/ Estimates not yet available.



Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

Special appropriations for the Trust Territory of the Pacific Islands--
Authorizes \$500,000 in FY 76 to enable the Secretary to assist the Trust territories in carrying out various developmental and experimental projects relating to the programs under the Child Nutrition and School Lunch Act.

+ \$0.5

Expansion of Non-Food Assistance Program to more schools with food service facilities and programs--Requires that only 33 1/3 percent of all funds provided for equipment be reserved by the Secretary for schools without a food service program or without food service facilities (50 percent must be reserved under current law).

-0-

Comment: Although no cost estimates are available for this provision, and USDA and Congress believe it will have no impact on outlays, we believe it would increase outlays by \$6-12 million. USDA feels that this program would continue to be level, as in the past. However, by easing program restriction so that 33 1/3 percent of program funds instead of 50 percent be limited to "no-facilities" schools, the number of potential applicants would increase, thus increasing demand for the program. The FY 76 budget requests \$28 million for non-food assistance (current law authorizes \$40 million per year).

Election to receive cash payments--Provides that any State that phased out its commodity distribution facilities prior to June 30, 1974 (Kansas only), may elect to receive cash payments in lieu of donated foods.

-0-



Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

Comment: Although there is no budgetary impact, this provision would penalize other states who would elect to receive cash in lieu of commodities and discontinue their commodity distribution facilities.

Expansion of the School Breakfast Program--
Provides permanent authorization for this program and states as national policy that "the School Breakfast program be made available in all schools where it is needed to provide adequate nutrition for children in attendance." (previously, "all schools which make application.") Requires the Secretary to develop plans to expand the School Breakfast program.

+ \$37



THE WHITE HOUSE

WASHINGTON

October 15, 1975

MEMORANDUM FOR: JIM CONNOR
THROUGH: PHIL BUCHEN *P.*
FROM: DUDLEY CHAPMAN *DC*
SUBJECT: James T. Lynn's memo 10/7/75 re
HEW Education Appropriation Rescissions

This memorandum poses the dilemma of whether we should continue to submit hopeless requests for rescission or appear to have given up the fight against new spending.

The best strategy for this and kindred spending issues may be to forego the rescission device, except in selected cases as noted in Option 3, and rely instead on the \$28 billion spending reduction proposal. In the absence of this comprehensive approach, rescissions and vetoes have been our only tools. We now have the alternative of relying on the \$28 billion spending reduction rather than the submission of hopeless rescissions. This would seem to make the most political sense, as well as the most practical sense, for the President.

We should also avoid sending up as rescissions with no hope of success the reductions to be proposed as part of the \$28 billion reduction, which would give it the appearance of a collection of losers.

ERALD R. FUND

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 13, 1975

Time:

FOR ACTION:

cc (for information):

Phil Buchen

FROM THE STAFF SECRETARY

DUE: Date: As soon as possible

Time:

SUBJECT:

James T. Lynn's memo 10/7/75 re
HEW Education Appropriation Rescissions

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Regret we did not send this to you in the original staffing -
Jim Cannon has recommended that it be sent to you for
review and recommendation. Thank you.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor
For the President





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

OCT 7 - 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
 FROM: James T. Lynn
 SUBJECT: HEW Education Appropriation Rescissions

Background

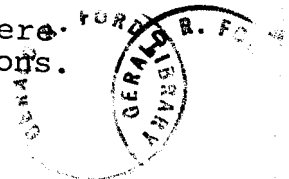
HEW has submitted proposals to rescind certain of the increases to your budget contained in the 1976 Education Appropriations Bill (H.R. 5901). This bill provided more than \$1.5 billion above the \$6.4 billion you requested. The actual spending effect of this increase over the years is as follows:

FY 1976	+\$350 million
Transition Quarter	+\$125 million
FY 1977	+\$837 million
Outyears	+\$230 million

HEW is proposing selected increases in programs totaling \$692 million. However, these increases are partially offset by acceptance of some \$369 million in decreases made by the Congress. The result is a net increase to the FY 1976 request level of \$324 million.

There will be considerable resistance to submitting rescission proposals. HEW submitted the rescission proposals at the request of OMB. Secretary Mathews has indicated, informally, the following general views on the rescission package.

- None of the rescissions can possibly be enacted.
- Congressional reaction will be so bad that there is a downside risk in even proposing rescissions.



- He would rather not send up any rescission proposals.

In addition, in its report on the FY 1976 education appropriations, the Senate indicated as follows:

"For the most part, the Committee found the budget requests to be either unrealistic or insufficient. The estimates transmitted to the Congress, in the main, appear to underestimate the difficulties being experienced throughout the educational system..."

In addition, the Senate Budget Committee protested strongly to the Administration's sending up rescissions of amounts which Congress has deliberately added to the Administration's health budget requests. Senator Humphrey, in reference to the add-ons in this Education Appropriations Bill, said, it would be "intolerable and demeaning to the Congress" if rescissions of add-ons were proposed.

This memorandum discusses the HEW proposal, provides related OMB recommendations, and seeks your decisions on the following questions:

- How do you want to treat Education Appropriation (H.R. 5901) increases above your 1976 budget? The options are: (1) Propose no rescissions, (2) Propose to rescind all increases or (3) Propose rescission of some increases and allow some add-ons.
- If you decide for Option #3, which increases should not be proposed for rescission?

H.R. 5901 became law on September 10, 1975. Apportionments must be signed by October 10, 1975. Early submittal of rescissions would forestall congressional criticisms that the Administration deliberately withholds the spending of appropriated funds.

Issue #1. How should increases be treated?

Option #1. Propose no rescissions.



Reasons for:

- There is virtual certainty that Congress will reject all rescissions and that this action will have no impact on education spending in FY 1976.
- You have already made your views on education spending very clear in vetoing the bill.
- Rescission proposals would further irritate the Congress which will claim that the move is a political one which serves only to delay the final result and create uncertainty in the education community.
- Submission of rescission proposals may be strategically counterproductive to achieving program reform and justified budget cutbacks in education. These objectives will not likely be achieved unless there is some spirit of accommodation with the Congress.

Option #2. Rescind all increases.Reasons for:

- Your budget restraint arguments would be supported.
- The rescission process would provide another opportunity for the Administration to present its arguments and for the Congress to exercise restraint.
- There are defensible programmatic reasons for proposing rescission of all increases.
- Failure to do so would mean abandonment of the education program and legislative reform contained in the 1976 budget.
- The inflated 1976 program levels contained in H.R. 5901 have serious implications for our current FY 1977 budget estimates, which assume passage of all legislation and appropriation of amounts recommended in the 1976 budget.

Option #3. Accept some increases (HEW arguments).

Reasons for:

- Because of the margins by which your veto was overridden, some accommodation with the Congress is necessary if any rescission proposals are to be seriously considered.
- The budget was based on reform legislation which Congress failed to enact. It is too late to realistically expect passage of your reform legislation this fiscal year. HEW believes FY 1977 reform proposals are more likely to succeed if some increases are allowed.
- There are special reasons in some programs, including failure of the Congress to accept the 1975 rescissions on which 1976 budget recommendations were based and continuation under the Continuing Resolution of certain programs which the budget proposed for termination, for accepting some increases.

Recommendation

That you propose to rescind some of the increases but that you allow for increases of some \$250 million. The OMB recommendation is based, in large part, upon our perception of a likely impasse with the Congress if the Administration were to go forward with rescissions for the full amount above the requested level.

Decision

- _____ Option #1. Propose no rescissions.
- _____ Option #2. Propose rescission of all increases.
- _____ Option #3. Propose a mixture of rescissions and add-ons.

Issue #2. Which increases should not be proposed for rescission?

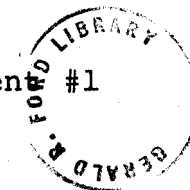
Attachment #1 summarizes the HEW and OMB proposals.

Attachment #2 lists the H.R. 5901 increases, which OMB and HEW agree should be rescinded back to the 1975 budget level and shows the effect of the HEW and OMB proposed rescissions on your 1976 budget request. HEW proposes to allow



a gross increase of \$692 million and a net increase of \$324 million after the congressional reductions. OMB recommends gross increases of \$250 million. In allowing these increases, OMB proposes also to accept congressional decreases of \$369 million. If Congress approves the OMB recommendations and if you accept decreases already made by the Congress, the results will be a net decrease of \$118 million below the budget. Attached are documents showing the HEW rationale for each request and the reasons supporting the OMB position.





Summary of HEW and OMB Proposals

(BA in millions of \$)

HEW Proposal

H.R. 5901 Increases	+\$1,714.5
Proposed Rescissions	<u>- 1,022.2</u>
Proposed Increases	+\$ 692.3
Offsetting Congressional Decreases Accepted	<u>- 368.5</u>
Net Increase	+\$ 323.8

OMB Proposal

H.R. 5901 Increase	+\$1,714.5
Recommended Rescissions	<u>- 1,464.0</u>
Recommended Increases	+ 250.2
Offsetting Congressional Decreases Accepted	<u>- 368.5</u>
Net Reduction	- 118.3

HEW Rescission Proposals and OMB Recommendations

(\$ in Millions)



	H.R. 5901 Increases	HEW		OMB	
		Rescission	Alternative Increase	Rescission	Recommendation Increase
<u>Elementary and Secondary Programs</u>					
Disadvantaged	150.0	-150.0	-0-	-150.0	-0-
Support and Innovation	11.6	- 11.6	-0-	- 11.6	-0-
Bilingual	27.8	- 13.5	+ 14.3	- 27.8	-0-
Right to Read	5.0	- 5.0	-0-	- 5.0	-0-
Follow Through	17.5	- 12.0	+ 5.5	- 17.5	-0-
Drug Abuse	2.0	- 2.0	-0-	- 2.0	-0-
Environmental Education	3.0	- 1.0	+ 2.0	- 3.0	-0-
Broadcast Facilities	5.5	- 5.5	-0-	- 5.5	-0-
Subtotal	<u>222.4</u>	<u>-200.6</u>	<u>+ 21.8</u>	<u>-222.4</u>	<u>-0-</u>
<u>Other Elementary and Secondary</u>					
Impact Aid	414.0	- 96.0	+318.0	-351.0	+ 63.0
Emergency School Aid	140.0	- 90.0	+ 50.0	-0-	+140.0
Handicapped	61.4	-0-	+ 61.4	- 36.4	+ 25.0
Vocational Education	22.2	-0-	+ 22.2	-0-	+ 22.2
Adult Education	4.0	- 4.0	-0-	- 4.0	-0-
Education Professions Development	10.3	- 5.0	+ 5.3	- 10.3	-0-
Subtotal	<u>651.9</u>	<u>-195.0</u>	<u>+456.9</u>	<u>-401.7</u>	<u>+250.2</u>
<u>Higher Education</u>					
Student Aid	703.1	-521.0	+182.1 <u>1/</u>	-703.1	-0-
Institutional Aid					
International	6.0	- 6.0	-0-	- 6.0	-0-
University Community Services	12.1	- 11.0	+ 1.1	- 12.1	-0-
Land Grant Colleges	9.5	-0-	+ 9.5	- 9.5	-0-
State Commissions	3.5	- 2.5	+ 1.0	- 3.5	-0-
Veterans Cost of Instruction	23.8	- 23.8	-0-	- 23.8	-0-

1/ Includes \$2 million for National Defense Student Loans which HEW did not propose to rescind and is not treated in the issue paper. The \$2 million represents loans to selected institutions for their matching requirements in the regular NDSL program.



	H.R. 5901 Increases	HEW Alternative Rescission Increase		OMB Recommendation Rescission Increase	
Cooperative Education	2.8	- 2.8	-0-	- 2.8	-0-
Public Service Fellowships	4.0	- 4.0	-0-	- 4.0	-0-
Mining Fellowships	3.0	- 3.0	-0-	- 3.0	-0-
Ethnic Heritage	1.8	- 1.8	-0-	- 1.8	-0-
Subtotal Higher Education	<u>769.6</u>	<u>-575.9</u>	<u>+193.7</u>	<u>-769.6</u>	<u>-0-</u>
<u>Library Resources</u>					
Public	41.7	- 21.7	+ 20.0	- 41.7	-0-
School (FY 77)	10.0	- 10.0	-0-	- 10.0	-0-
College Libraries	9.9	- 9.9	-0-	- 9.9	-0-
Training and Demonstration	1.5	- 1.5	-0-	- 1.5	-0-
Undergraduate Equipment	7.5	- 7.5	-0-	- 7.5	-0-
Subtotal Libraries	<u>70.6</u>	<u>- 50.7</u>	<u>+ 20.0</u>	<u>- 70.7</u>	<u>-0-</u>
Totals	1,714.5	-1,022.2	+692.4	-1,464.0	+250.2

Congressional Reductions to the 1976 Budget Accepted

Basic Opportunity Grants	-335.0
O E Salaries and Expenses	- 7.3
National Institute of Education	- 10.0
Innovation Programs	- 2.1
Education Leadership Program	- 3.0
Assistant Secretary for Education	- 10.3
Disadvantaged Fellowships (CLEO)	- .8
Totals	<u>-368.5</u>

Bilingual Education

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	84.3	70.0	97.8	-13.5	+14.3	--
O	42.3	73.9	75.4	-1.0	+1.0	--



This is a program to provide educational assistance to children with a primary language other than English.

HEW Alternative

Provide an increase above the President's budget request of some \$14.3 million to bring the program back up to the FY 1975 appropriation level. This represents an approximate middle ground between the President's budget request level and the level provided in H.R. 5901. The effect would be to increase the project level approximately 25%. The total project level would be approximately 400 school districts serving some 250,000 students. H.R. 5901 would provide more support for teacher pre-service training and could support more than 100 new projects in additional local educational agencies serving bilingual children.

OMB Comment

This proposal would propose to continue the program at a level some 20% above that requested. In addition, we do not believe that previous operating levels form imperative bases for subsequent years. The outlay impact in FY 1976 would be minimal, with the bulk of the outlay effect felt in FY 1977.

OMB Recommendation

OMB recommends the level that was in the President's budget as submitted. We believe that this amount, which represents a doubling of the original President's FY 1975 budget request of \$35 million, (this was later doubled by the Administration via a supplemental) is sufficient to continue this demonstration activity.



The question of the Federal role is one that has caused considerable debate. Specifically, there has been, and will continue to be, pressure to expand bilingual education from a demonstration or emergency aid program to a universal aid program, similar to Title I of the Elementary and Secondary Education Act. At present, in all court cases decided in this regard, the courts have held that it is a State and local responsibility to provide bilingual children with equal educational opportunity. However, State and local educational authorities are increasingly looking to the Federal Government to provide support to enable them to comply.



Follow Through

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	55.5	41.5	59.0	-12	+5.5	--
O	39.4	36.4	37.0	-.4	+.2	--

This is a program to assist educationally disadvantaged children in the early primary grades.

HEW Alternative

Provide an increase of some \$5.5 million to provide for the maintenance of the existing classes, but not provide for any new classes. The outlay impact would not be great in FY 1976, with the bulk of the effect being felt in FY 1977.

OMB Comment

The result of this proposal would be a postponing of the phaseout strategy as contained in the President's budget. This phaseout strategy anticipated eliminating the program over several years. In conjunction with this proposal, there would be a large, national evaluation study conducted at the 169 program sites throughout the nation. These sites, which consist of grades K-3, would be examined and the results of the findings would be made available to all school districts. H.R. 5901 provided funding to continue the program for another year at the current sites only.

OMB Recommendation

We recommend rescinding the full add-on. We believe that the phaseout strategy is justified and that the budget level should reflect this. The OMB recommendation would provide funding for grades 1-3 and not allow the introduction of a new kindergarten class.

Environmental Education

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	1.9	---	3.0	-1.1	+1.9	---
O	4.3	.4	1.3	-.3	+.6	---



This program provides grants and contracts to support research demonstration and pilot projects designed to educate the public on the problems of environmental quality.

HEW Alternative

H.R. 5901 would provide \$3 million dollars supporting 160-180 local projects. HEW proposes to maintain the 1975 level of support or \$1.9 million which would fund 110-120 projects.

OMB Comment

The HEW proposal negates Administration efforts to terminate the program. It would increase outlays by \$.6 million in 1976, \$.3 million in the TQ, and \$.5 million in 1977.

OMB Recommendation

Terminate the program by returning to the President's budget level. We believe that the program has successfully completed its mission of stimulating awareness in the environment. Additionally, several alternative funding sources (e.g., EPA and the Department of the Interior) continue programs of environmental education.

Impact Aid

(\$ millions)

		<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>
Proposal #1	BA	656	266	680	-96	+318
HEW Req.	0	631	371	661	-67	+223
Proposal #2	BA	656	266	680	-351	+63
OMB Rec.	0	631	371	661	-246	+44
Proposal #3	BA	656	266	680	-414	-0-
	0	631	371	661	-290	-0-

This is a program that provides support to local educational agencies who experience loss of revenue due to a Federal presence.

Background

This item in the education budget represents the single largest increase above that requested in the FY 1976 budget. The three proposals that are discussed below provide for the following:

- Proposal #1 - HEW: This proposal would reduce the vetoed bill's level from \$680 million to \$584 million. In addition, in making this reduction, this proposal would provide for programmatic change in this activity.
- Proposal #2: This would reduce the \$680 million appropriation by \$351 million to the \$329 million level. Programmatic change would also be involved.
- Proposal #3: This would return the \$680 million level back to the original FY 1976 request amount of \$266 million, with no accompanying program reforms.





However, with regard to the first two of these proposals, there are accompanying difficulties. Specifically, by including programmatic changes in any rescission proposal, we are jeopardizing the proposal's chance for success since the House Appropriations Committee and the Congressional Budget and Impoundment Act of 1974 provide that rescission requests only make reductions in funding and not program revisions. The basis for this appears to be a jurisdictional question as to whether the rescissions are referred to the substantive committees or the appropriations committee. This fact, coupled with the highly privileged status of rescission bills does place these two proposals in a questionable posture.

The third proposal, which would require a pro-rata reduction of payments may be in question, given the fact that HEW claims that the Education Amendments of 1974 provide certain mandated funding levels once a specific initial funding level is reached. However, we believe the law does not mandate levels and should not preclude this as an option.

Proposal #1 - HEW Alternative

The HEW alternative would permit the bulk of the funds provided by the Congress for this program. The Department's proposed rescission of \$96 million would consist of the following:

- Rescind the \$56 million provided for the public housing ("c" category) children.
- Rescind some \$40 million which is the result of overpricing by the Congress in estimating the needs of this program.

HEW believes that it is necessary to increase the amount of funding for this program for primarily political reasons. Specifically, the Department has indicated that this level is required in light of both the amount in H.R. 5901 and the utter rejection by the Congress of the Administration's legislative proposal for this program and that any decrease in funding now would be disruptive to school districts. This may be true, but only those districts that did not budget on the basis of the budget request. The impact of the HEW proposal would be felt principally in those districts which have large public housing populations. The major objective of the HEW rescission proposal is to eliminate new program starts; specifically for public housing children. The re-estimated savings of \$40 million would be spread throughout the program. Under H.R. 5901 and the HEW proposal, some 4,400 school districts would receive funds.

Pros:

- Provides for a reduction of \$96 million, an amount that appears politically realistic in light of the overwhelming override of the veto.
- Excludes funds for public housing children, a group that has never been funded previously, although authorized.

Cons:

- Provides for a level of support for this program some \$318 million above the request level of \$266 million.
- Achieves only minimal success in truly reforming this program, one which you cited in your veto message as being "bankrupt."
- Proposes program changes in a rescission request which, as we noted, is contrary to House Appropriations Committee wishes and is of questionable legality.

Proposal #2 would provide for the following:

- Funding for the "a" category children at levels specified in the Education Amendments of 1974.
- Funding for the "b" category children at levels specified in the same law, but require that 5% of the district's previous year's total operating budget be subtracted from this payment. No payments would be made for "c" category children.

This proposal would acknowledge a Federal responsibility for the "a" category children. However, by requiring a district to absorb 5% of its "b" category payment, this proposal would be based upon the notion that the ancillary economic benefits that accrue to the district due to the Federal presence should be taken into account in making payments. Moreover, since the great majority of "b" category children live on private, taxable land, the true impact of the Federal presence is much less than for "a" category children.

Pros:

- Provides for a saving of some \$351 million against the enacted appropriation level of \$680 million.
- Proposes overall reform of the program, while at the same time provides for a commitment to support those "a" category children who would, ordinarily, have a heavy impact on a school district.

Cons:

- Provides for an increase of some \$63 million above the FY 1976 request levels.
- Continues to provide support to school districts on the traditional child category basis. This is in contrast to the original FY 1976 budget request strategy that tied support to actual fiscal impact.
- Proposes program changes in a rescission request which, as we noted, is contrary to House Appropriations Committee wishes and is of questionable legality.

Proposal #3 would entail a return to the FY 1976 budget level. This proposal would provide that the program be funded in accord with current law, with its complex funding mechanisms. This would result in considerably reduced payments to school districts. Moreover, although we believe the law provides for proportionate reductions in each funding category when appropriations are reduced, some may claim that the law mandates spending levels and law suits will probably result.

Pros:

- Provides for a saving of some \$414 million in FY 1976; a return to the original request level of \$266 million.

Cons:

- Continues all the present eligibility and requirements which we believe inequitable.
- Does not satisfy the program desires of either the Administration or the Congress.

Emergency School Aid

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	236	75	215	-90	+50	+140
O	215	122	144	-9	+5	+14

This is a program designed to help school districts that are in the process of desegregating.

HEW Alternative

The Department is proposing to increase the President's budget by some \$50 million, bringing the total to \$125 million. The bulk of the impact of this increase would not be felt until FY 1977, since the program is forward funded. However, HEW staff have advised us that they are planning to spend some of these funds in FY 1976 through a mid-year award for certain hard pressed school districts. Finally, the figure of \$125 million is the amount HEW staff have advised is a "minimum" for operating the program. No material has been provided to substantiate this claim.

OMB Comment

The Department believes that this increase is necessary from the political viewpoint as a fitting compromise between the requested level of \$75 million and the appropriations bill's level of \$215 million.

The original budget request provided sufficient funds if targeted on the declining number of school districts in the process of desegregating. However, the recent busing controversy and the Administration's public commitment to provide the funds necessary to help in these and similar situations, now appear to make it politically difficult to rescind any of the appropriation.

OMB Recommendation

Accept the congressional increase of \$140 million above the request level of \$75 million.

Education for the Handicapped

(\$ millions)

	FY 1975 Operating <u>Level</u>	FY 1976 Pres. Budg.	FY 1976 Revised Pres. Budg.	H.R. 5901	HEW Prop. Resc.	Increase Over 76 <u>Request</u>	OMB Recommended <u>Increase</u>
State Grant	47.5	--	--	--	--	--	--
Advanced Approp. Discretionary	52.5 <u>1/</u>	50.0 <u>1/</u>	100.0 <u>1/2/</u>	110.0	--	+60.0	+25.0
	<u>100.0</u>	<u>125.0</u>	<u>125.0</u>	<u>126.4</u>	--	+ 1.4	
Total	200.0	175.0	225.0	236.4	--	+61.4	+25.0
Outlays	142.0	138.0	138.0	138.0		-- <u>3/</u>	-- <u>3/</u>

This program provides 100% Federal financial assistance to the States through grants for the initiation, improvement and expansion of programs and projects for the education of handicapped children at the preschool, elementary and secondary levels. The current program also provides support in the area of research, innovation and demonstration.

HEW Alternative

The HEW proposal would add \$60 million to the level proposed in the budget for the State Grant program. The HEW proposal would also allow increases of a +\$1.4 million in the discretionary programs for an overall budgetary level of \$236.4 million for FY 1976.

OMB Comment

The HEW proposed increases would alter the budget strategy of restraining the too rapid influx of funds to the States under the Mathias amendment formula. However, acceptance of this level may serve as a basis for a veto of new handicapped legislation currently before the Congress, which would considerably

1/ The amount provided in FY 1975 is for use in FY 1976 and the amount provided in FY 1976 is for use in FY 1977.

2/ The increase of \$50 million represents the amount proposed for rescission in FY 1975, but rejected by the Congress.

3/ Outlay increases would not be felt until 1977



increase expenditure levels. The outlay impact of these increases would not be felt until FY 1977 due to the advance funded nature of the State Grant program. Outlays would increase in the transition quarter by \$6.8 million and by \$30 million in FY 1977.

OMB Recommendation

OMB recommends that an increase of \$25 million over the original budget request of \$175 million be allowed. This would return the program to the FY 1975 appropriation level.

Vocational Education

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	545	523	545	---	+22	+22
O	549	260	545	---	+22	+22

Provides formula grants to States to assist them in conducting vocational education programs for persons of all ages to facilitate attainment of gainful employment. Initiatives in research and demonstration are also provided to enhance the development of relevant curriculums and programs.

HEW Alternative

The HEW proposal would maintain funding at the FY 1975 level under the expired vocational education legislation due to congressional failure to enact the Administration's proposed new legislation. The program is extended under the 1-year extender provision of General Education Provisions Act. This proposal will provide continued support for approximately 14 million students.

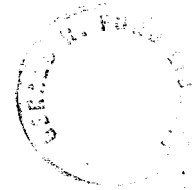
OMB Comment

This action delays the proposed consolidation of vocational education and reduction in direct operational support in the State Grant program as proposed in the FY 1976 budget. This abandons the Administration's legislative proposal this year. Under the HEW proposal, outlays would be increased by \$30 million in FY 1976, +\$64.2 in the transition quarter and +\$27 million in FY 1977.

OMB Recommendation

We recommend that the HEW proposal be accepted. The FY 1976 budget proposal sought to reduce the State Grant program, which provides mainly basic operation support and increase our R&D, or "capacity building role." In reducing the State Grant program, programs such as Work Study and Cooperative Education, which are income transfer oriented were zeroed out and the programs with R&D potential were consolidated under the proposal's "innovation" category. Due to the failure of Congress to enact the Administration's proposal, HEW must provide for the programs which would have been terminated. It would not be possible, without some legislative

Supplemental Opportunity Grants



(\$ millions)

	1975 Approp. <u>Level</u>	1976 President's <u>Budget</u>	<u>H.R. 5901</u>	HEW Proposed <u>Rescission</u>	Increase Over '76 <u>Request</u>	OMB Recommended <u>Increase</u>
BA	240	--	240	-110	+130	--
O	--	--	216*	-99*	+117*	--

This program provides grants through institutions of higher education to provide additional resources to students whose finances are otherwise insufficient to permit attendance without such a grant.

HEW Alternative

Under the HEW proposal, which would provide \$130 million for the Supplemental Opportunity Grant program, 232,000 students would receive awards. Under H.R. 5901, \$240 million would assist over 300,000 students.

OMB Comment

The 1976 budget request for higher education student assistance was \$1,804 million; Congress appropriated \$2,173 million (\$368 million more). The rationale for not asking for a complete rescission (i.e., \$240 million versus \$110 million rescission) in the SEOG program is based upon three factors: (1) The budget was based on reform legislation which the Congress failed to enact; (2) it helps meet the minimum specified in law; and (3) helps to offset overall reduction in scholarship assistance caused by Basic Grant reductions. However, the Administration has, in the past, requested no funds for SEOG without submitting "reform legislation." With respect to the second point, the Administration has, in the past, ignored this minimum in submitting higher education funding requests. Finally, it is not clear that those students who were adversely affected by the reduction in scholarship assistance caused by Basic Grant reductions would be the same students helped by the \$130 million the Department is proposing to keep in the SEOG program.

OMB Recommendation

Rescind the entire \$240 million appropriation. This would maintain the President's emphasis upon direct student assistance as the best method for allocating higher education dollars.

* These outlays are FY 1977 outlays. Because the program is forward funded, there are no outlay effects in 1976.

Work Study

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	300	250	390	-90	+50	--
O	--	225*	351*	-81*	+45*	--

This program provides part-time employment for students. Employment may be made available only to those students who need additional funds to pursue a course of study at an eligible college or university.

HEW Alternative

The Department maintains that a partial rescission in this case recognizes the employment impact of this program. The \$50 million amount that HEW proposes to leave in could provide as many as 100,000 part-time jobs for students who might otherwise not obtain employment. A complete rescission (i.e., \$140 million) could reduce part-time work for as many as 300,000 students.

OMB Comment


The 1976 budget requested \$1,804 million for student assistance. The 1976 student assistance appropriation was \$2,173 million (\$368 million more). Two factors must be taken into consideration. First, to the extent that employers can spread money more thinly by increasing their share of payments for work-study employees, employment effects can be mitigated. Secondly, the work-study program is administratively forward funded and therefore employment effects would not be felt until school year 1976-77. It is not known what the overall policy of the Administration will be on employment support for 1976-77.

OMB Recommendation

Rescind \$140 million. This would present a consistent policy for student assistance, given the policy with respect to Basic Grants and with respect to the elimination of SEOG.

* These outlay effects are FY 1977 outlay effects. Because the program is forward funded, there are no outlay effects in 1976.

4



Public Libraries

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended Increase</u>
BA	51.8	10.0	51.8	-21.8	+20.0	--
O	45.8	23.0	39.7	-11.7	+5.0	--

This program provides grants to States for assistance in the extension and improvement of public library services.

HEW Alternative

H.R. 5901 would continue library services to 28 million disadvantaged, 800,000 institutionalized and 400,000 handicapped persons. The HEW proposal would continue services to about 17 million of the above target population on a twenty million dollars program budget. This level assumes that the Administration's proposed Library Partnership Act will not be enacted in FY 1976 and therefore shifts the requested appropriation for that program (\$20 million) to the public library service program.

OMB Comment

Acceptance of the proposed increase would abandon the budget strategy of terminating public library programs under the Library Services and Construction Act. It would thereby weaken the Administration's efforts to initiate the Library Partnership Act. Outlays would be increased by \$9 million in 1976, \$.4 million in the TQ and \$7.4 million in 1977.

OMB Recommendation

Return to the FY 1976 budget level of \$10 million. We believe the Federal role should move from operational support toward demonstration. Further, the \$450 million Federal investment since the program's inception is a sufficient catalyst to stimulate support of public libraries.

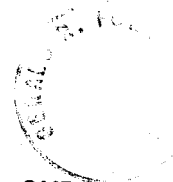
authority, to provide no funds for these programs. HEW proposes to maintain the FY 1975 funding level for this activity. Further, the "hold-harmless" provisions under the expired legislation would require maintenance of the FY 1975 funding level.



Vocational Education Training (EPD)

(\$ millions)

	<u>1975 Approp. Level</u>	<u>1976 President's Budget</u>	<u>H.R. 5901</u>	<u>HEW Proposed Rescission</u>	<u>Increase Over '76 Request</u>	<u>OMB Recommended</u>
BA	9.0	---	10.0	-5.0	+5.0	---
O	9.8 <u>1/</u>	6.2	6.2 <u>1/</u>	---	---	---



Vocational Education Training Part F EPDA

This program provides awards for vocational educators to improve occupational competencies through advanced study and training.

HEW Proposal

H.R. 5901 would continue the program at ten million dollars to fund programs approved by State boards for vocational education or 11% above the 1975 appropriations. HEW proposes to fund the program during the first and second quarters at the 1975 appropriation level.

Staff Comment

The HEW proposal continues a program recommended for termination by the President. It also runs counter to the Administration's legislative initiative to repeal the authorizing legislation for Part F in 1976. Outlays would be increased by \$1.25 million in the TQ and \$3.75 million in 1977 under the proposal.

Staff Recommendation

Return to the President's budget and terminate the program. Such move supports the legislative proposal and recognizes the shift in Federal responsibility in the vocational education area to support of research and innovation.

1/ Appropriations do not spend in current year.

October 20, 1975

Mr. Buchen,

Ken reviewed in Dudley's absence. Says they have no comments.

Shall I inform Connor's?

shirley

*Mr B. said
OK*

Date: October 20, 1975

Time:

FOR ACTION:

cc (for information):

- Phil Buchen
- Jim Cannon
- Jack Marsh
- Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: AS SOON AS POSSIBLE

Time:

SUBJECT:

Lynn memo (undated) re Northeast
Corridor Rail Passenger Legislation

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

PRESIDENT ALREADY MADE DECISION OVER THE
WEEKEND ---- No time to staff before sending it to
the residence ---- we would like your comments however
as soon as possible.

No comment. Ken Lazarus 10/20/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

~~K. R. COLE, JR.~~
For the President





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. Lynn

SUBJECT: Northeast Corridor Rail Passenger
Legislation

On Monday, October 20, 1975, Secretary Coleman must testify before the Senate Commerce Committee to explain the Administration's position on Northeast Corridor Rail Passenger (NEC) legislation.

In 1971, the Department of Transportation, in a report to Congress, recommended Federal assistance to upgrade rail passenger service on the Boston-New York-Washington run. The report called for train speeds of up to 150 miles per hour and attendant reductions in trip times. The 1971 estimated cost of this major upgrading project was \$460 million.

DOT now estimates that the same service levels would require an investment in inflated dollars of about \$4.5 billion.

Congressional interest in the NEC project is high. The region is said to be "counting on" high-speed rail service ever since the 1971 DOT report and before. Senators Magnuson and Hartke, as well as many New England members in both the House and Senate (including Tip O'Neill) will probably support full implementation of the 1971 DOT report.

Moreover, the NEC proposals are tied legislatively to Administration-supported proposals to improve freight service through ConRail and Railroad Revitalization (de-regulation, restructuring, and loan guarantees).

Secretary Coleman has developed several options for NEC improvements. These options are tied to various service levels which range from maintaining 1969 levels of service (low-cost option) to fully implementing the 1971 report.



FIRST RECOMMENDATION

To maintain 1969 levels of service, DOT and OMB estimate a capital investment of \$1 billion over 5 years. Planned budget outlays would be:

(\$ in Millions)

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
25	180	210	250	210	125

Both Secretary Coleman and I recommend that you approve this plan, which constitutes a minimum level of funding for NEC.

Approve _____

Disapprove _____

See me _____

SECOND RECOMMENDATION

In addition to providing for maintenance of 1969 levels of service, Secretary Coleman and I recommend that you approve increased service levels for that portion of NEC between Boston and New Haven.

The NEC is currently electrified only from Washington to New Haven. This proposal would complete electrification of the remaining New Haven-to-Boston segment, thus permitting operation of one type of equipment and achieving trip time savings.

At present operation of uniform equipment in the NEC is impossible--electric-powered trains must exchange locomotives to continue north beyond New Haven, adding 10 minutes to trip time. Electric power is desirable from both a performance (further time savings due to faster acceleration and deceleration) and an energy viewpoint.

Making these improvements would diminish some of the Congressional pressure for a major program in the New England region. Additional cost for this segment is \$120 million in inflated dollars. The additional outlay effects of these improvements are:



(\$ in Millions)

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
-	20	30	40	20	10

OMB and DOT recommend that you approve this addition.

Approve _____

Disapprove _____

See me _____

THIRD RECOMMENDATION

Secretary Coleman believes that you should approve increased service levels between New Haven and New York.

At present, the New Haven-New York segment is electrified, but at a lower voltage than the remainder of the NEC service. DOT proposes to make this portion compatible with the rest of the electric system by converting to higher voltage, thus reducing rolling stock cost.

The cost of this is \$50 million. The additional outlay effects of this improvement are:

(\$ in Millions)

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
-	5	20	20	5	-

I recommend against this addition for long-range budgetary reasons and because this improvement can be considered in the future.

Approve _____

Disapprove _____

See me _____

FOURTH RECOMMENDATION

Finally, Secretary Coleman believes that you should approve funding of certain efficiency-producing improvements for NEC.



At present NEC train operations are controlled by over 40 antiquated, labor-intensive towers spaced at intervals along the corridor. DOT proposes to consolidate traffic control into four centers, thus eliminating these towers and improving train operations and safety. The highest priority areas are Philadelphia, New York and Boston where traffic is the densest and the towers most antiquated. DOT proposes to fund these areas and estimates an annual operating savings of \$10 - 15 million resulting from reduced labor expense and improved operating efficiencies.

The cost of these improvements is \$100 million in inflated dollars. The additional outlay effects of these improvements are:

(\$ in Millions)

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
-	10	25	25	20	10	10

I also recommend against this proposal for long-range budgetary reasons and because these improvements can be considered at a later time.

Approve _____
 Disapprove _____
 See me _____



0413

THE WHITE HOUSE
WASHINGTON
October 31, 1975

MEMORANDUM FOR: JIM CONNOR
THROUGH: PHIL BUCHEN *P.*
FROM: DUDLEY CHAPMAN *DC*
SUBJECT: James T. Lynn's memo 10/29/75 re
Administration's position on H. R. 1288
dealing with the transportation of
passengers between U.S. ports on
foreign vessels

The Counsel's office concurs in the recommendation to approve Option 1. Any loosening of the restrictions on coastal shipping is a contribution to regulatory reform.

NOV 1 1975

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 29, 1975

Time:

FOR ACTION:

Phil Buchen

Jim Cannon

Max Friedersdorf

Jack Marsh

Bill Seidman

Brent Scowcroft

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date:

Friday, October 31

Time:

2 P.M.

SUBJECT:

James T. Lynn's memo 10/29/75 re
Administration's position on H. R. 1288
dealing with the transportation of passengers
between U. S. ports on foreign vessels

ACTION REQUESTED:

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

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor
For the President

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

OCT 29 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. Lynn
Director

SUBJECT: Administration's position on H.R. 1288
dealing with the transportation of
passengers between U.S. ports on
foreign vessels

I. BACKGROUND

Under the Jones Act, foreign flag passenger vessels are prohibited from transporting passengers in the U.S. coastal trade (i.e., to serve more than one U.S. port on a given voyage), either directly or by way of a foreign port. Penalties of \$200 per passenger apply to violations.

H.R. 1288 would amend the Jones Act to allow foreign flag passenger vessels into the U.S. coastal trade if the following conditions are met:

- the proposed voyage itinerary includes at least one foreign port (e.g., Miami-Barbados-New Orleans), and
- the proposed voyage "does not involve direct and immediate competition with any U.S. -flag vessel."

The Treasury Department (Customs) would make the determinations regarding the two conditions above, and the approval would be statutorily limited to two years, although renewable.

Treasury states that if the bill is enacted without a more precise definition of the term "direct and immediate competition," then Treasury will interpret it as meaning that no U.S. flag vessel will be traveling between the same two ports within 30 days of a proposed foreign vessel voyage.

II. OPTIONS

- _____ 1. Support the bill. (Treasury, OMB support this option)
- _____ 2. Oppose the bill. (Commerce, Labor support this option)

Justice has no objection to the bill. Transportation and State defer to the other departments on the merits of the bill.

The reasons for supporting the bill are as follows:

- U.S. flag passenger service has not proven to be economically viable. The demand for ocean passenger service has held relatively steady, while the U.S. flag fleet has dwindled almost to nothing (currently there are only six U.S. flag passenger and passenger/cargo vessels which cruise or serve foreign points). In this context, the argument that U.S. coastal passenger trade should be exclusively reserved for U.S. flag vessels (even in cases where U.S. flag vessel service does not now exist) ignores the interests of the U.S. travelling public.
- The restrictions imposed by the bill on the operators of foreign-flag vessels (i.e., required service of foreign ports between U.S. ports; no direct competition with U.S. vessels; requirement for license renewal every two years) are more than sufficient to guarantee that U.S. - flag vessel services will not be unduly harmed.
- In a period in which the Administration is seeking to loosen the regulations and restrictions imposed by the Government on the transportation industries, it is appropriate to support minor modifications of the heavily protectionist Jones Act. Treasury points out a precedent whereby it may allow the use of foreign flag salvage vessels within U.S. waters if no U.S. vessels are available to provide the required services.

The reasons for opposing the bill are as follows:

- Preserving the Jones Act will continue to provide blanket protection for the U.S. shipping industry in the coastal trades, a 90-year U.S. policy.



- Allowing foreign-flag vessels to enter the domestic trades reduces incentive for U.S. -flag operators to try to develop this trade.
- Since many U.S. flag ships carry both cargo and passengers, foreign vessel competition in the U.S. coastwide passenger trade may have a negative impact on the future of the U.S. flag cargo trade as well.
- Administration support of the bill may have a negative impact on relations with the maritime industry.

III. RECOMMENDATION

That you approve Option 1, which provides for support of the bill.

Approve _____

Disapprove _____

See me _____

