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GSA

1977 Presidential Review
General Services Administration
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TAB A

1977 Budget
 General Services Administration
 Summary of Recommended Program Reductions
 (\$ in millions)

	1976		TQ	1977			1978	
	0	FTP Employ.	0	PL	0	FTP Employ.	0	FTP Employ.
Current base	194	36,811	44	1,548	226	36,727	290	36,727
Recommended level	<u>194</u>	<u>36,811</u>	<u>44</u>	<u>1,438</u>	<u>-598</u>	<u>36,032</u>	<u>-150</u>	<u>35,462</u>
Reduction	0	0	0	110	824	695	440	1,265

Program reductions:

Accelerated stockpile sales (legislation required)	0	xxx	0	xxx	746	xxx	380	xxx
Program reduction in Federal Buildings Fund	0	0	0	110	50	695	60	1,265
Increased asset sales (legislation required)	0	xxx	0	xxx	28	xxx	0	xxx
Total reductions	0	0	0	110	824	695	440	1,265

GENERAL SERVICES ADMINISTRATION
1977 Budget
Summary Data a/

	(In millions)		<u>Employment, end-of-year</u>	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
1975 actual	-747	-624	36,400	38,219
1976 February budget	-331	-478	36,687	39,507
enacted	187	166	xxx	xxx
supplementals recommended (see attached list)	5	13	xxx	xxx
re-estimates	+15	+15	xxx	xxx
agency request	210	197	37,139	39,955
OMB recommendation	207	194	36,811	38,811
OMB employment ceiling	xxx	xxx	36,697	39,517
TQ February budget	-106	-129	xxx	xxx
enacted	46	41	xxx	xxx
supplementals recommended (see attached list)	1	6	xxx	xxx
OMB recommendation	47	47	xxx	xxx
1977 Planning target	-151	-227	xxx	xxx
reduction target	xxx	-519	xxx	xxx
agency request	-586	-604	37,135	39,955
OMB recommendation	-591	-598	36,032	38,032
1978 OMB estimate	-189	-151	35,462	37,462

a/ includes pay supplementals

1977 Outlay Reductions
 General Services Administration (GSA)
 Federal Buildings Fund (FBF)
 (dollars in millions)

	1976		TQ	1977			1978	
	0	FTP Employ.	0	PL	0	FTP Employ.	0	FTP Employ.
Amount:								
Current base	32	19,830	0	1,200	57	19,830	93	19,830
Recommended level	32	19,830	0	1,090	7	19,135	33	18,565
Reduction	0	0	0	110	50	695	60	1,265

Actions required:

10% reduction in 1977 FBF program below the base level.

Program impact:

OMB recommendation will require:

- no new building construction.
- funding of only the most essential building repairs.
- modest reduction in cleaning of buildings.
- no increase in FBF overhead.
- modest (2%) reduction in leased space inventory below 1977 base level.

While accepting the total program reduction and no new construction starts, GSA had proposed greater allocation of funds for building repairs, cleaning and overhead, with less money for rental of space. GSA proposed funding for space rental was not considered to be realistic, since it would require a reduction in space below 1976 levels. Accordingly, GSA's rent estimate was increased, with offsetting reductions made in repairs, cleaning and overhead.

1977 Outlay Reductions
General Services Administration
Increased asset sales

	1976		TQ	1977		1978		
	0	FTP Employ.	0	PL	0	FTP Employ.	0	FTP Employ.
Amount:								
Current base	-38	xxx	-10	xxx	-45	xxx	-45	xxx
Recommended level ^{1/}	<u>-38</u>	<u>xxx</u>	<u>-10</u>	<u>xxx</u>	<u>-73</u>	<u>xxx</u>	<u>-45</u>	<u>xxx</u>
Reduction	0	xxx	0	xxx	28	xxx	0	xxx

Background:

In 1972 legislation was enacted to permit GSA to sell some rare Carson City silver dollars. Because of a desire of then Chairman of the House Banking Committee, Wright Patman, to prevent the coins from going to high volume coin dealers, the legislation provided that not more than one coin could be sold to any person. Although GSA was successful in selling \$60M of coins, the sales restriction imposed by Congressman Patman coupled with a certain degree of "market saturation" generated a situation where further sales were not possible.

Actions required:

Enactment of legislation to give GSA more flexibility in selling rare Carson City silver dollars and subsequent sale of coins below their numismatic value.

Program impact:

Actions will have no significant program impact, but will require selling coins below their numismatic value.

Other considerations:

By selling the rare silver dollars below their numismatic value, GSA would violate prior assurances made to coin collectors. This would likely generate a strong lobbying effort by the coin collectors with the Congress. If GSA plans to sell coins at a discount were revealed too soon, Congress probably would not enact legislation to provide more sales flexibility.

^{1/} Include both excess real property and silver dollar sales.

TAB B

ISSUE PAPER
General Services Administration
1977 Budget
Issue #1 Stockpile Disposals

Statement of Issue

What level of sales of stockpiled strategic and critical materials should be projected in the 1977 budget?

Background

The strategic stockpile is a reserve of critical materials which was accumulated to prevent a costly dependence on foreign supply sources in a national emergency. Although the stockpile was created for defense purposes, it is managed by the Federal Preparedness Agency (FPA), a civilian agency within the General Services Administration (GSA).

In 1973, a new methodology to calculate stockpile objectives was implemented and assumptions were made that lowered stockpile requirements significantly. At the same time an aggressive sales program was undertaken that generated receipts of \$1.4B in 1974 and \$1B in 1975. The sales effort was supported by disposal legislation of \$1B that was enacted in 1974 in spite of reservations expressed by Representative Bennett, Chairman of the Subcommittee on Seapower and Strategic and Critical Materials. However, as commodity markets softened, and outside pressure for disposal legislation subsided, Representative Bennett's resistance to sales increased. Since 1974 he has blocked all further disposal legislation, without which receipts in 1977 and beyond will be less than \$150M per year.

Congressman Bennett has been most vocal in opposing the stockpile assumption that provides for only one year planning. However, he also has expressed his suspicion that the 1973 guidance was not directly reviewed by the President and that it was implemented over the objections of the Department of Defense/Joint Chiefs of Staff (DOD/JCS). He also seems generally to favor a large stockpile, regardless of policy assumptions. Chairman Bennett's views are shared by DOD, which in testimony before Representative Bennett's Subcommittee in March of 1975 opposed Administration policy to sell stockpile materials. Consequently, Bennett will not consider disposal legislation unless it is supported by DOD/JCS.

In order to placate Representative Bennett and DOD/JCS, the National Security Council issued a National Security Study Memorandum (NSSM) calling for a review of stockpile guidance. In August of 1975, an interagency steering committee was formed to study the issue and recommend new stockpile guidance. The alternatives generated from the study led to objectives that were significantly higher than current objectives because all were based on three year planning in a conventional war and included civilian requirements for each of the three years. All options generated required some acquisitions as well as sales.

OMB's response to FPA's report recommended that the study be reopened so that more alternatives could be provided. Despite this recommendation, FPA has sent its report to the NSC which now has the matter under review. We understand that the NSC is not likely to go forward to the President with its recommendation in time to impact in the 1977 budget.

Alternatives

- (1) Project 1977 stockpile sales on the basis of 1973 guidance.
- (2) Project 1977 stockpile sales on the basis of the policy option supported by DOD/JCS, which will require purchases as well as sales (DOD/JCS rec.).
- (3) Project 1977 stockpile sales on the basis of a compromise option which would include some of the assumptions of the DOD/JCS alternative, but require a smaller total stockpile and lower purchases. (OMB rec.).

Analysis

<u>Receipts from Stockpile^{1/} Sales (\$ in millions)</u>	<u>Receipts</u>		<u>Purchases</u>	<u>Net Receipts</u>
	<u>1977</u>	<u>Later yrs.</u>		
#1 (current guidance)	910	5,090	0	6,000
#2 (DOD/JCS rec.)	745	4,055	3,500	1,300
#3 (OMB rec.)	870	5,360	600	5,630

Current Guidance: Alternative #1

Alternative #1 is based on current guidance which we believe is reasonable. It is based on the assumption of a conventional war with stockpile planning to meet military and civilian needs only in the first year of the war. To achieve the receipts indicated in this alternative could be difficult in view of DOD/JCS and Representative Bennett's known opposition to current guidance.

^{1/} All options assume enactment of new disposal legislation

Agency Request: Alternative #2

Alternative #2 projects \$745M in receipts in 1977, with purchases of \$3.5B in future years. It reflects conservative planning guidance, stockpiling for both defense and civilian requirements in all three years of a major conventional war. It would provide for increases in total investment and require relatively little austerity in civilian consumption. It assumes the stockpile guidance supported by DOD/JCS and therefore most likely to be accepted by Congressman Bennett.

OMB Recommendation: Alternative #3

Alternative #3 projects 1977 stockpile receipts of \$870M, with future stockpile purchases of only \$600M. In addition to the favorable net receipts forecast reflected in this option, we believe the policy assumptions underlying it are the most reasonable. These include three year planning for defense requirements in a major conventional war, with planning for essential civilian requirements in the first year of such a war and no provision for unessential civilian requirements. Thus, military requirements are protected, but resources are not unnecessarily tied up in the stockpile to meet large civilian requirements in the unlikely event of a prolonged major conventional war.

Proposed Transfer:

Since the stockpile exists for defense purposes and since the stockpile subcommittee of the House Armed Services Committee has expressed a desire for DOD/JCS to be directly involved in stockpile policy formulation, I have asked my staff to explore the possibility of transferring stockpile management responsibilities from GSA to DOD. Such a transfer would permit stockpile sales to be reflected as an outlay offset in DOD's budget. From a management standpoint, this would offer the advantage of having stockpile objectives viewed in the overall context of other defense spending priorities. This proposal is discussed in the issue that follows.

OMB Recommendation

<u>(Difference from Alt. #3 (OMB recommendation)</u>	<u>1977 Outlays</u>	<u>Outlays in Subsequent years</u>
(Alt. #2 (DOD/JCS recommendation)	+165	+4105
(Alt. #1 (current guidance)	-40	+430

ISSUE PAPER
General Services Administration
1977 Budget
Transfer of Stockpile to DOD

NOV 17 1976

Statement of Issue

Should responsibility for policymaking and for determining sales and acquisitions of the critical and strategic materials stockpile remain in GSA or be transferred to the Department of Defense (DOD)?

Background

Stockpiling of critical and strategic materials is being done as prescribed in the Strategic and Critical Materials Stockpiling Act to supply "the industrial, military and naval needs of the country for common defense". The Act does not provide for or require stockpiling to meet civilian needs per se.

The value of materials now in the stockpile is \$7.2B, while current planning guidance has an objective of \$1.3B worth of materials.^{1/} 1974 receipts from stockpile sales totaled \$1B, but 1976 receipts are estimated at less than \$150M due to Congressional refusal to approve further disposal legislation. Receipts from stockpile sales are transferred to miscellaneous receipts of the Treasury and show up as negative outlays for GSA, but are not available for additional stockpile purchases. All purchases of commodities for the stockpile require new appropriations.

The 1947 National Security Act assigned a wide variety of emergency preparedness functions to the Office of Emergency Preparedness. This office was abolished in 1973 when a wide range of functions including the management of the stockpile were made the responsibility of the Administrator of GSA. The stockpile is budgeted and handled by the Federal Preparedness Agency in GSA which is responsible for national mobilization policies.

This assignment to GSA creates a management problem in which DOD influences stockpile decisions, but is not held responsible for the budgetary consequences. Thus, DOD faces no restraints in recommending large stockpile objectives, acquisitions of materials, and little or no disposals. DOD voiced reservations about the adequacy of current objectives in March 1975 in testimony before Representative Bennett, Chairman of the Subcommittee on Seapower and Critical and Strategic Materials. DOD joined Commerce, Interior and State in recommending a \$5 to \$6 billion stockpile in the course of an inter-agency study conducted by FPA in the fall of 1975. Representative Bennett favors a large stockpile and will not consider disposal legislation unless it is supported by DOD/JCS. Since 1974, all disposal legislation has been opposed by Representative Bennett.

^{1/} The proportion of the \$1.3B attributable to defense as opposed to civilian needs has not been calculated. The \$5.9B held in excess of the objective is not required for either Defense or civilian needs.

Alternatives

- (1) Stockpile planning, policy and management functions remain in FPA, GSA (12 person years and \$433K).
- (2) Stockpile planning, policy and management functions are transferred from GSA to the Department of Defense (OMB rec.).

Analysis

DOD currently has no budgetary restraint to keep them from trying to set high stockpile requirements that could result in new purchases and little or no stockpile disposals. All new purchases are funded in the GSA budget rather than the Defense budget. Receipts from sales are not credited to Defense. Recently Defense has made efforts to set large requirements (FPA study) and to block disposals (Bennett committee testimony). If the stockpile function were transferred from GSA to Defense (Alternative #2), DOD would be required to trade off any new purchases against other Defense needs since the purchases would be directly funded in the Defense budget. The Senate Budget Committee has questioned whether stockpile sales could be viewed as an offset to the total Defense budget. Viewed in this way, sales would be desirable to DOD, and with DOD support, disposal legislation would be expected to be obtained easily. However, this incentive might not be strong enough to lead to large sales since if sales were budgeted for and did not materialize, DOD might be penalized by having to reduce outlays in other areas. All new purchases require OMB and Congressional approval regardless of the agency involved.

Agency Request (Alternative #1)

GSA is not expected to favor the transfer to DOD. It would lose a function that comprises 12 person years plus additional shared computer personnel. The stockpile handling is done in the Federal Supply Service where 73 person years and \$1,923K are budgeted. This function could be transferred to DOD or remain in FSS. GSA also currently receives the benefits of negative outlays from disposals in its budget and has considerable influence in setting stockpile requirements through its interagency reviews ^{1/} Defense staff is opposed to the change for the following reasons: (1) DOD does not view itself as the chief user of the stockpile and would be reluctant to take over responsibility for a civilian-economic requirement, (2) Defense does not want the administrative burden for an activity that in their view supports mainly civilian purposes, and (3) Defense now has enough input to satisfy its own mission requirement.

^{1/} The views of Commerce, Interior, State, and Treasury regarding the transfer are not known.

NSC staff also basically oppose the change and believe that it should be extensively studied before any transfer recommendations are made, the main reasons being their view that the stockpile is primarily to support civilian requirements in a war and the post-war period, during which Defense requirements would represent only a small fraction of the total demand in the economy. Defense control of the stockpile they believe might not properly consider the total needs of the economy in a mobilization or war period.

OMB Recommendation.(Alternative #2)

To move the responsibility for stockpile policy and budgeting to DOD may be useful from a management view as well as from the standpoint of gaining greater probability of obtaining Representative Bennett's approval for disposals. The stockpile objective should be based on planning for mobilization and wartime needs. Therefore, new requirements should be viewed by DOD in the context of their total Defense budget with civilian requirements squeezed to a minimum or dropped out.

Defense would have about the same incentive for disposals as GSA in that resulting negative outlays would reduce the overall Defense budget total. Overall constraints on the Defense budget would tend to dampen Defense stockpile purchase requirements.