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12/11/74

Ash has decisions

THE WHITE HOUSE

WASHINGTON

December 11, 1974

MEETING WITH ROY L. ASH

Thursday, December 12, 1974

2:00 p.m. (60 minutes)

Cabinet Room

From: Roy *L* Ash

I. PURPOSE

- To make final decisions on the issues raised by the FY 76 budgets of the Environmental Protection Agency and several smaller agencies.
- To hear the appeal from earlier Presidential decisions on the FY 76 budget for the Department of Health, Education and Welfare by Secretary Weinberger.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The FY 76 budget submissions by the EPA and several smaller agencies have been reviewed by OMB and the White House staff. The results of these reviews have been discussed with each of the agencies. The first part of this meeting will deal with the issues raised during the above discussions of the FY 76 budget submissions that require Presidential consideration and determinations.

The second part of the meeting will focus on the appeal of Secretary Weinberger of prior Presidential determinations regarding the FY 76 budget for the Department of Health, Education and Welfare.

- B. Participants: Roy L. Ash, Paul O'Neill, Frank Zarb, and Dale McOmber for the first part of the meeting. Later, Secretary Weinberger, Under Secretary Carlucci, and perhaps Assistant Secretary for Education, Virginia Trotter, and Assistant Secretary for Health, Charles Edwards will join the meeting.

C. Press Plan: David Kennerly photo

III. TALKING POINTS

- A. Frank Zarb, will you describe the first issue raised by the FY 76 budget of the Environmental Protection Agency that we should discuss?
- B. Paul O'Neill, which of the smaller agencies should we consider first?
- C. Secretary Weinberger, what is the first issue you would like to discuss as a part of your budget appeal?



THE WHITE HOUSE  
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT  
FROM: ROY ~~A.~~ ASH  
SUBJECT: 1976 Budget Decisions: Environmental  
Protection Agency

The Environmental Protection Agency dollar and personnel requests and my recommendations on the 1976 budget are summarized in the following table (Tab A). A discussion of the principal budget decisions and my recommendations are included under Tab B.

Five key issues remain for your consideration (detail at Tab C).

I. Control Agency Grants

These grants partially fund regulatory, control and enforcement activities of State/local air and water pollution control agencies. These grants are in addition to the grants made for the construction of sewage treatment plants discussed in Issue II.

EPA requested \$127 million for FY 1976, an increase of \$36 million from the FY 1975 President's Budget level of \$91 million, and \$26 million over the anticipated 1975 appropriation of \$101 million. EPA wants to increase the program because it believes the grants will induce States to assume or continue to perform tasks under laws that EPA would otherwise have to perform. There is strong constituent and Congressional support for EPA's position.

The FY 1975 budget decision included a publicly announced plan to begin phasing out the grants in FY 1976 in furtherance of New Federalism principles. Our position has been that direct payments by a Federal agency to its counterparts at the State and local levels bypasses elected officials with the consequence that non-Federal employees become more responsive to the objectives of the Federal Government than they do to the objectives of State and local governments. Your \$300 billion 1975 budget plan proposes to defer the \$10 million Congressional addition for control agency grants and OMB now recommends holding the 1976 grants at the same \$91 million level as 1975. This is a fallback from the phase-out position. EPA continues to prefer increasing the grants to \$127 million in 1976.

Decision: Approve agency recommendation (\$127 million)

Approve OMB recommendation (\$91 million) WRT

## II. Sewage Facility Construction Grant Program Allotments

Initially, EPA requested an allotment of \$7 billion. EPA is now requesting an allotment of \$5 billion although Administrator Train probably would agree to an allotment of \$4 billion.

The Congress authorized allotments of \$18 billion of which \$9 billion has been allotted and \$9 billion has been reserved for future allotment. Of the \$9 billion allotted to the States, only \$3.6 billion has been obligated over the past two years.

There have been some suggestions that an allotment of \$5 billion would help the unemployment problem. We believe that the construction grant program is a very inefficient way to increase employment. First, waste treatment projects are very capital intensive and probably bid up the prices for scarce equipment and materials and secondly, those components of the program which are labor intensive, such as collection sewers, generally are, or should be, the responsibility of local and State governments and have a minimal impact on pollution abatement.

OMB is recommending that the \$9 billion in reserve be used in the following manner: \$3 billion would be allotted in FY 1976, and a simultaneous announcement would be made of our intent to allot \$3 billion in 1977 and \$3 billion in 1978.

Decision: Approve agency recommendation (\$5 billion) \_\_\_\_\_

Approve OMB recommendation (\$3 billion) \_\_\_\_\_

### III. Reimbursable Payments for Sewage Construction Projects

Administrator Train has requested \$700 million to reimburse municipalities for projects built prior to the passage of the Federal Water Pollution Control Act Amendments of 1972.

\$1.9 billion has been appropriated to pay these reimbursables. Our earlier position was to use these funds to reimburse only those municipalities that had not received all the funds they were entitled to under the old law. Consequently, municipalities that prefinanced projects without any prior Federal approval or financial commitment would not be entitled to reimbursable payments.

Congress opposed our position and passed a law requiring that the \$1.9 billion be distributed among both those projects that had received prior Federal approval as well as those that had not received such an approval or Federal commitment. Since the \$1.9 billion appropriation was insufficient to meet the new requirements under the amended law, those States which had received Federal approval of their projects will receive only 60 cents on the dollar. You will recall that as part of the 1975 cutback exercise we recommended a rescission of \$100 million of the existing appropriation earmarked for projects which had not had any prior Executive Branch commitment.

Subsequent to the aforementioned Congressional action, Governor Rockefeller was instrumental in getting the authorization for reimbursables increased from \$2 billion to \$2.6 billion. Mr. Train's request of \$700 million would provide appropriations equal to the total amount authorized for reimbursables. OMB recommends that the agency request be denied.



Congressional action which required that the appropriated funds be distributed among all applicants for reimbursable payments did not commit the Executive Branch to request additional funds.

Decision: Approve agency recommendation (\$700 million) \_\_\_\_\_  
 Approve OMB recommendation (0)     *MR*    

IV. Amendments to the Federal Water Pollution Control Act

The recent "Needs Survey" conducted at Congressional direction identified over \$350 billion of projects believed by the States to be eligible for 75 percent Federal funding under the current Water Pollution Control Act over the next ten years (a Federal liability of \$260 billion). This requires a change in the program to remove incentives to build unnecessary or costlier than necessary projects. OMB believes that a legislative package should be prepared which will remove incentives to waste and reduce the Federal liability to about \$24 billion. The amendments would:

- Reduce the Federal share of treatment plant costs from 75 percent to 55 percent.
- X* -- Discontinue Federal funding of excess plant capacity related to anticipated growth.
- X* -- Restrict eligibility for grants to sewage treatment plants and interceptors.
- X* -- Delegate administrative responsibilities to States.

The program changes in the package are essential to keeping down the long-term Federal cost of the construction grant program which could go up to \$260 billion in current dollars without the amendments and could be held to \$24 billion with the amendments.

EPA recommends that the submittal of a legislative package be deferred until exploratory negotiations with Congressional delegations and environmental groups are completed. (Some discussions have already been held.) Mr. Train also believes that an allotment of \$4 to \$5 billion this year is necessary to obtain Congressional consideration of any of the above legislative proposals. OMB believes that the package should be prepared now for submission to Congress in January and that both the allotment and the legislation be restrictive -- to create some room for upward compromise during the legislative process.

Decision: Approve agency recommendation \_\_\_\_\_

Approve OMB recommendation \_\_\_\_\_

#### V. Areawide Waste Treatment Planning Grants

EPA requests \$75 million for 100 percent grants to regional agencies for preparing pollution control plans. The agencies are funded with a one-time obligation sufficient to cover a two-year planning period.

OMB believes that the highest priority planning needs in this area can and should be met with FY 1975 funds and that planning in additional high-priority areas in FY 1976 can be accomplished with \$15 million granted on a 50-50 cost sharing basis.

Decision: Approve agency recommendation \_\_\_\_\_

Approve OMB recommendation \*15 ✓

ENVIRONMENTAL PROTECTION AGENCY

1976 Budget

Summary Data

	(In millions) Budget <u>authority</u>	<u>Outlays</u>	Employment, end-of-period Full-time <u>Permanent</u>	<u>Total</u>
1974 actual	4,629	2,032	9,144	10,159
1975 January budget	695	3,991	9,203	10,218
enacted	3,697	2,935	xxxxxx	xxxxxx
OMB recommendation	3,697	2,935	9,203	10,218
Agency recommendation	4,397	3,335	9,203	10,218
1976 planning ceiling	4,738	4,828	xxxxxx	xxxxxx
agency request	7,886	3,572	9,680	10,695
OMB recommendation	3,688	3,047	9,203	10,218
Agency recommendation	4,787	3,101	9,203	10,218
Transition period				
agency request	222	890	9,203	10,218
OMB recommendation	172	760	9,203	10,218
Agency recommendation	197	775		
1977 OMB estimates	3,650	4,200	9,203	10,218

ENVIRONMENTAL PROTECTION AGENCY

1976 BUDGET

BACKGROUND AND STRATEGY

BACKGROUND

The Environmental Protection Agency was Presidentially created in 1970 by pulling together portions of a number of agencies with diverse environmental programs. Since its creation, Congress has almost totally revised the legislative mandate--often with acts not in consonance with Administration policy; for example, the Water Pollution Control Act Amendments of 1972 enacted over Presidential veto. In addition, the Clean Air Act, the Resources Recovery Act, the Insecticide, Fungicide and Rodenticide Act, and the Noise Control Act have added to the legislative reshaping of EPA. Most recently, the Safe Drinking Water Act has contributed to this process.

All of these bills have imposed extremely complex and costly goals, and established unrealistically short deadlines for achievement. Three principles pervade most of this recent legislation:

- The Federal role in pollution control is a regulatory one;
- Federally created standards are to be implemented by the States and if the States fail, EPA must assume direct responsibility for carrying out the State and local governmental activities needed to meet the Federal standards;
- Citizens have avenues for forcing full implementation of the law via citizen suits.

Thus, the context of budget decisions includes these elements. EPA is:

- Young, but made up of many old line agency elements;
- A creation of the Executive which has been "captured" by the Congress;
- The bearer of numerous mandates which are largely uncontrollable-- in that the goals, timetables and administrative steps to achievement are not discretionary under the law.

Recent history has brought EPA's implementation of legal mandates to the forefront because of the implications of pollution controls in both energy consumption and economic costs.

#### EPA'S 1976 BUDGET SUBMISSION

Within this overall context the 1976 proposal involves the following major themes:

- Placing maximum reliance on State and local governments through delegations of authority, contracts, and legislative changes;
- Inducing State and local acceptance of a significant share of the public costs of achieving environmental standards;
- Shifting personnel resources and responsibilities from Washington to Regional Offices and a shifting of research activities from centralized to decentralized management;
- Major internal resource realignments to reflect changing requirements and the maturation of organization requirements.

EPA's budget is deceptive when considered in total. Of the \$7,886 million in Budget Authority requested for 1976, fully \$7 billion would go into a single program, the construction of wastewater treatment facilities under the Water Pollution Control Act. The balance of the request funds all other activities and programs of the agency. This budget request would result in outlays of \$3,572 million. The \$3,688 million budget recommended by OMB includes \$3 billion for wastewater treatment construction grants and \$688 million for other programs, and entails outlays of \$3,047 million.

The major difference between the budget requested and that being recommended is in the level of funding for the construction grant program. Thorough examination of this level has led to the following conclusions:

- There are really no sound measures for setting the total program level other than making an overall priority judgment of the merits of this program compared with others;
- The guidelines for funding, both those legislated and those set administratively, need careful evaluation and change;
- The recent projection of estimated construction needs reported by States of \$350 billion in planned facilities eligible for 75 percent Federal grants over the next ten years raises questions about the feasibility of the program.

The difference between EPA's request and OMB's recommendation rests largely on different perceptions of Federal versus State responsibility, which in turn affect conclusions on what the overall Federal cost should be and the rate of funding.

With respect to EPA's operating programs, the differences between the agency's request and OMB's recommendation arise largely from the differences between honest and vital advocacy and the application of frugality in an inflationary setting. There are two disagreements of a policy nature:

- EPA wishes to increase its grants to State and local air and water pollution control agencies as an incentive to their accepting increased responsibilities. OMB wishes to decrease these grants because the States should have increased control over the methods and funding levels associated with their environmental responsibilities. On this issue, Congress and some States side with EPA.
  
- EPA wishes to continue 100 percent Federal funding of a \$75 million program in which area water management agencies prepare pollution control plans while OMB wishes to reduce the program to \$15 million and require 50 percent fund-matching by the recipients. It is not yet clear what Congress might prefer, but the potential recipients would side with the EPA position.

These issues, along with a number of other disagreements are discussed in the following issue papers.

Issue Paper  
Environmental Protection Agency  
1976 Budget  
Issue #1: Control Agency Grants

Statement of Issue

- A. Should the budget decision announced last year of beginning to phase-out control agency grants in FY 1976 proceed?
- B. What should the FY 1976 funding level be?

Background

These grants support State and local activities under the Water and Air Acts. The phase-out decision was made on New Federalism grounds, a desire to shift State funding sources to user fees, and a desire to reverse the precedent of Federal funding of State environment programs.

Alternatives

- #1. Increase the program level to \$127 million, (an increase of \$35 million over the FY 1975 President's Budget level). EPA believes increase to \$127 million level is needed to assure continued State/local assumptions of responsibilities and their meeting of increasing workload. They foresee continuing need for program into 1980's. (Agency request)
- #2. Retain FY 1975 President's Budget level of \$91 million, (a \$10 million reduction from the expected 1975 appropriation level; no reduction from FY 1975 Budget request). OMB believes \$91 million level is appropriate for program pending further experience with it. (OMB recommendation)



Summary Analysis

- Grants are made to State and local agencies under the Clean Air Act; to State and interstate agencies under the Clean Water Act.
- Amounts are determined partially by formula and partially by program plans; EPA exercises tight controls via the grants.
- All recipients supply funding of their own, and all States are recipients. The average Federal share is about 40 percent of total recipient expenditures for both programs. States are experiencing overall budgetary surpluses in recent years.
- Program relationships are between EPA Regional Officers and recipient program officers, bypassing elected officials.
- Total funding level is judgmental rather than based on objective criteria.
- Recipients have relieved EPA of costly responsibilities under both laws, and could assume more. The grants are used to encourage this process.
- The central issue is whether a program should continue which enables Federal bureaucracy (i.e., EPA) to buy State and local bureaucracies versus State/local implementation of environmental laws through State/local appropriations processes. The choice is between acceptance or rejection of this procedure as an acceptable system for achieving environmental goals. If system is rejected; is 1976 the proper time to end it?

Agency Request: Alternative #1. \$127 million

OMB Recommendation: Alternative #2. \$91 million

Issue Paper  
Environmental Protection Agency  
1976 Budget  
Issue #2: Sewage Facility Construction Grant Program Allotment

Statement of Issue

What amount should be allotted for the municipal sewer facility construction grant program in 1976?

Background

P.L. 92-500 provided \$18 billion contract authority to be allocated in an ascending order of \$5 billion for 1973, \$6 billion for 1974, and \$7 billion for 1975. The Administration believed these levels would be inefficient and inflationary and allotted \$2 billion, \$3 billion, and \$4 billion for 1973-1975 respectively. This leaves a balance of \$9 billion for allotment in 1976 and future years. The Administration has sent a deferral of this \$9 billion to Congress, and pointed out that a substantial portion would be allotted this coming January.

Alternatives

- #1. Provide \$5 billion for 1976 and in the meantime assess funding need for later years. Administrator Train would accept \$4 billion if it becomes absolutely necessary. (Agency request)
- #2. Allot the remaining \$9 billion in three equal amounts of \$3 billion during the next three years and plan on continuing that level through the forecast period. This recommendation includes a 1976 allotment of \$3 billion and a public commitment to allot all of the remaining \$6 billion in two equal amounts for 1977 and 1978. (OMB recommendation)

One of the difficulties with the Agency request for \$5 billion is that it will be very difficult if not impossible to move back to a lower number in later years. On the other hand, the request, which provides a \$1 billion increase over 1975, has the obvious advantage of probably satisfying all but the most ardent proponents of higher spending for water pollution abatement. Administrator Train believes this amount is necessary to establish enough credibility with Congress to get serious attention paid to whatever amendments the Administration may send up to the Hill.

Alternative #2 makes the most sense from a strictly program standpoint. OMB believes this is the level of funding that would result in the highest priority projects getting first consideration, and which strikes the best balance between making progress in meeting water pollution problems and avoiding putting more inflationary pressures on the economy. It also neatly disposes of the \$9 billion balance in three equal chunks. The chances of succeeding with this alternative would be enhanced significantly by not only allotting \$3 billion for 1976 but publicly committing to allot the balance in 1977 and 1978.

From a tactical standpoint, OMB believes that the recent cost estimate of \$350 billion for this program sent to Congress will provide sufficient incentive to seriously consider Administration recommendations for tightening up the goals, priorities, and the management of the program. Any reasonable allotment level that the Administration could afford to recommend undoubtedly will be the starting point for upward negotiation.

Agency Request: Alternative #1. \$5 billion for 1976.

OMB Recommendation: Alternative #2. \$3 billion for 1976, and announce intention to allot \$3 billion in 1977 and \$3 billion in 1978.

Issue Paper  
Environmental Protection Agency  
1976 Budget

Issue #3: Reimbursable Payments for Sewage Construction Projects

Statement of Issue

Should the Administration recommend an EPA request for a 1975 supplemental for additional reimbursable payments to municipalities for sewage facility construction projects?

Background

Congress has authorized \$2.6 billion for sewage treatment grant reimbursement claims for certain sewage projects initiated between 1966 and 1972; \$1.9 billion has been appropriated. Since a large share of the difference between the authorized amount and the appropriated amount would go to New York State, Governor Rockefeller asked the Administration last winter to request an increase in authorization to finance additional reimbursement claims. The Administration indicated that while it would not formally recommend an amendment to Congress, neither would it oppose the amendment if it were enacted by Congress. Congress subsequently passed the amendment raising the level to \$2.6 billion. Last spring, Congress considered an unbudgeted increase to the 1975 EPA appropriation bill but finally decided not to add the item without the benefit of a formal budget request.

On the House side, we understand that Congressman Whitten asked Administrator Train if he could work out a request for the 1976 budget. Mr. Train checked with OMB and was told that we would consider any proposal for this purpose along with the other recommendations he might make for 1976.

On the Senate side, the Committee put language in the Committee report that the Administration should make a formal request for the balance of the authorization (\$.7 billion) in the next supplemental appropriation bill.

Agency Request: Administrator Train signed and transmitted a 1975 supplemental request of \$.7 billion to OMB on November 18, 1974.

OMB Recommendation: Advise EPA that there is no provision in the 1975, 1976, or 1977 allowances for the requested \$.7 billion.

Issue Paper  
Environmental Protection Agency  
1976 Budget

Issue #4: Amendments to Federal Water Pollution Control Act

Summary of Issues

1. What provision should be made for Federal funding of population growth?
2. What should be the level of Federal cost-sharing?
3. What types of projects should be eligible for Federal grants?
4. How much of the responsibility for this program should be delegated to the States?

Summary of Requests and Recommendations

<u>Issue</u>	<u>Agency Request</u>	<u>OMB Recommendation</u>
1. Funding for growth	Fund for growth	Fund for existing population
2. Cost-sharing	Retain 75 percent Federal share	55 percent Federal share
3. Project Eligibilities	Plants, interceptors, collection sewers, sewer overflows, storm water	Plants, interceptors
4. Delegation to States	Substantial delegation of administrative workload	Same as agency request

AnalysisEstimates of Total Needs  
(Billions of dollars)

	Estimated in 1973	1974	Given OMB Policy Changes
I. Secondary Treatment Plants	16.6	11.7	11.7
II. Tertiary Treatment Plants	5.6	21.3	21.3
III. a. Infiltration Collector Sewers	.7	5.4	5.4
III. b. Repair or Replace Existing Collector Sewers		7.1	-
IV. a. New Collector Sewers	10.8	23.1	-
IV. b. New Interceptor Sewers	13.6	19.9	19.9
V. Correction combined sewer overflows	<u>12.7</u>	<u>26.1</u>	<u>-</u>
Subtotal, I-V	60.1	114.6	58.3
VI. Storm water discharges	<u>-0-</u>	<u>235.1</u>	<u>-</u>
Totals	60.1	349.7	58.3

Federal Funding for growth

Federal share (75%)	---	263.3	43.7
Federal share (55%)	---	192.3	32.1

No Federal funding for growth

Federal share (75%)	---	196.7	32.7
Federal share (55%)	---	144.3	24.0

Impact of OMB Recommendations

- Reduce inflationary impacts
- Increase incentives for cost-effective projects
- Move toward block grants
- Minimize Federal employment
- Reduce slightly short-term obligations and outlays
- Reduce potential long-term Federal investment from \$261 billion to \$24 billion
- Move toward eventual phase-out of program
- Result in Congressional and constituent opposition
- Be opposed, in part, by EPA
- Given nearly \$6 billion of unobligated funds, an additional allotment of \$3 billion maintains positive environmental posture

Agency Request: Fund for growth; 75 percent cost-sharing; broad definition of eligible types of projects; substantial delegation. Postpone sending any package until later.

OMB Recommendation: Fund for existing population; 55 percent cost-sharing; restrict eligible projects to treatment plants and interceptor sewers; substantial delegation. Send package to Congress in January.



Issue Paper  
 Environmental Protection Agency  
 1976 Budget  
 Issue #5: Areawide Waste Treatment (Planning Grants)

Statement of Issue

What should be the levels of funding and cost-sharing for grants to localities for waste treatment management planning?

Background

Section 208 of the Federal Water Pollution Control Act authorizes a grant program for localities to perform areawide planning. The objective of the planning is to produce comprehensive regional plans which identify cost-effective waste treatment solutions. Plans are funded with a one-time obligation, expected to cover a two-year period.

Alternatives

- #1. Continue 100 percent Federal funding at a level of \$75 million (Agency request)
- #2. Provide 50-50 cost-sharing with Federal funding of \$15 million (OMB recommendation)
- #3. Terminate program.

Analysis

	<u>FY 74</u>			<u>FY 75</u>			<u>FY 76</u>		
	<u>BA</u>	<u>OBS</u>	<u>BO</u>	<u>BA</u>	<u>OBS</u>	<u>BO</u>	<u>BA</u>	<u>OBS</u>	<u>BO</u>
Alt. #1 (Agency Req.)	100.0	13.2	4.0	150.0	120.0	26.0	75.0	75.0	96.0
Alt. #2 (OMB Rec.)	100.0	13.2	4.0	150.0	120.0	26.0	15.0	15.0	72.0
Alt. #3	100.0	13.2	4.0	150.0	120.0	26.0	--	--	66.0

Over \$130 million will have been made available by the end of FY 1975 to fund approximately 120 regional planning agencies. With proper selection of localities, this will provide areawide planning in all of the most serious areas of water pollution in the country. Analysis thus far has indicated that the program will have little or no impact on the cost-effectiveness of construction grant awards. Most of the other potential benefits of these plans can be achieved through other Federal programs (EPA 201 facilities planning and 303 statewide planning, HUD 701 planning, State water planning grants, Corps of Engineers Urban Studies program etc.).

The need for 100 percent Federal funding raises questions as to the interest among local authorities for this program. The legislative history of this program calls for increasing the local share in future years. The authority for this program as it is now constituted expires this year, thereby providing an opportunity to raise the cost-sharing issue in substantive legislation.

Although there is little programmatic justification for any continuation of the program, a phase-out would result in strong opposition from environmentalists and Public Interest Groups. A \$15 million program in FY 1976 should provide sufficient funds for new high-priority areas where there is interest in the program.

Agency Request: Alternative #1.

OMB Recommendation: Alternative #2.

Smaller Agencies

OFFICE OF TELECOMMUNICATIONS POLICY

Comments

OMB recommendation would generally maintain 1975 program level but would increase support for Domestic Council Committee on the Right to Privacy.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	2,126	2,389	45
1975 current estimate.....	8,450	8,629	60
1976 agency request.....	11,199	10,949	60
1976 OMB recommendation.....	9,287	9,500	60
Effect of OMB recom- mendation on agency request.....	--	--	--
Transition period.....	2,100	2,100	60
1977 estimate.....	9,287	9,500	60

CABINET COMMITTEE ON OPPORTUNITIES  
FOR SPANISH-SPEAKING PEOPLE

Comments  
Issue paper attached.

	Budget authority	Outlays	Full-time permanent employment
	(in thousands of dollars)		
1974 actual.....	1,000	1,044	35
1975 current estimate.....	1,048	1,037	42
1976 agency request.....	1,200	1,180	35
1976 OMB recommendation....	--	--	--
Effect of OMB recom- mendation on agency request.....	1,200	-1,180	-35
Transition period.....	--	--	--
1977 estimate.....	--	--	--

CABINET COMMITTEE ON OPPORTUNITIES FOR  
SPANISH-SPEAKING PEOPLE

	1974	1975	1976	
	<u>Act.</u>	Current <u>Est.</u>	<u>Req.</u>	<u>Recom.</u>
(in thousands of dollars)				
Budget Authority.....	1,000	1,048	1,200	--
Outlays.....	1,044	1,037	1,180	--

The Cabinet Committee on Opportunities for Spanish-Speaking People (CCOSS) was established for five years to advise Federal agencies on the needs and problems of the Spanish-speaking. The Act authorizing the Committee expires on December 30, 1974. Prior attempts to phase-out the Cabinet Committee have been unsuccessful. For FY 1975, the President's budget recommended phase-out by June 30, 1975, or, if Congress did not act on a six-month extension of the legislation, on December 30, 1974. CCOSS has submitted an FY 1976 budget request for 35 positions and \$1.2 million.

Discussion

Since its inception, the Cabinet Committee has had difficulty establishing an appropriate role for itself and developing an efficient method of operation. Former Chairman Ramirez perceived technical assistance as the "real bread and butter of CCOSS staff work". While a few individuals have benefited from this approach, there has been little attempt to make a systematic evaluation of the Federal program structure in order to recommend changes in the existing institutions so that the Spanish-speaking population is better served.

CCOSS has also been hampered by internal struggles among the major elements of the Spanish-speaking community. Much attention and energy has been expended in the need to balance positions and prestige among the staff to reflect the claims of the Mexican-American, Puerto Rican, and Cuban elements. This divisiveness has hampered both the recruitment of a competent staff and the execution of the agency's programs.

Issue

Should legislation be proposed to extend CCOSS after its statutory authority expires?

Arguments for seeking legislation to extend CCOSS:

- Termination of CCOSS might be strongly and vocally resented by some elements of the Spanish-speaking community. Some adverse congressional reaction would occur.
- A new Chairman could be appointed who might be more effective in monitoring Federal agencies and in effecting real change. (Such a reversal, however, would be contrary to the past experience of CCOSS and the institutional problems inherent in the organization.)

Arguments against seeking legislation to extend CCOSS:

- CCOSS now serves little or no program purpose. Most Federal agencies now have staff specifically designated to deal with problems of the Spanish-speaking. The responsibility for making Federal programs responsive to community needs rests under law with individual agencies, not with minority interest groups.
- From the beginning, CCOSS has been plagued with management problems. Factional splits with the Hispanic community, over jobs and grants, have been and continue to be a major deterrent to effective operation of the agency.
- CCOSS creates a bad precedent in that it tends to exacerbate tensions by singling out one ethnic group for favored treatment by the Federal Government leading to pressures from other minority groups to follow that precedent.
- Charges that CCOSS has unduly been involved in partisan politics has lessened enthusiasm for action by Congress on CCOSS legislation. If the Administration recommends legislation to extend the CCOSS beyond FY 1975, CCOSS will continue in a state of uncertainty for months and consequently little will be accomplished until such legislation is enacted.
- Fernando DeBaca, recently appointed Special Assistant to the President for Hispanic Affairs, can monitor agency activities as they affect the Spanish-speaking. This can be presented as a positive forward step.

Recommendation

Proceed with phase-out of the agency on December 30, 1974, or June 30, 1975, whenever the authorizing legislation

expires. Emphasize the appointment of the Special Assistant for Hispanic Affairs as evidence of continued concern for the Spanish-speaking people.

Should a decision be made to seek extension beyond FY 1976, OMB recommends \$1,075,000 and 35 positions.



COMMISSION ON CIVIL RIGHTS

Comments

OMB recommendation would increase this program by 12% over 1975 levels. A 49% increase was requested.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	5,864	6,056	243
1975 current estimate.....	6,850	6,740	263
1976 agency request.....	10,226	10,117	332
1976 OMB recommendation.....	7,652	7,542	280
Effect of OMB recom- mendation on agency request.....	-2,547	-2,575	-52
Transition period.....	1,810	1,795	280
1977 estimate.....	7,652	7,542	280

CORPORATION FOR PUBLIC BROADCASTING

Comments

OMB recommendation allows slow growth and expanded local control. An appeal is anticipated.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	47,750	47,750	
1975 current estimate.....	62,000	62,000	Not applicable
1976 agency request.....	88,000	88,000	to
1976 OMB recommendation....	70,000	70,000	this agency
Effect of OMB recom- mendation on agency request.....	-18,000	-18,000	
Transition period.....	17,500	17,500	
1977 estimate.....	70,000	70,000	

DISTRICT OF COLUMBIA

Comments

OMB recommendation allows the maximum authorized federal payment and provides for increased Federal Water and Sewer payment (uncontrollable). In the face of continued congressional failure to act on authorizing legislation, the recommendation excludes a proposed payment to the D.C. Stadium Sinking Fund.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	405,606	331,383	
1975 current estimate.....	353,606	406,422	
1976 agency request.....	497,889	497,094	Not applicable to this agency
1976 OMB recommendation....	496,389	485,589	
Effect of OMB recom- mendation on agency request.....	-1,500	-11,505	
Transition period.....	64,922	64,922	
1977 estimate.....	375,104	375,104	

FEDERAL COMMUNICATIONS COMMISSION

Comments

OMB recommendation would continue 1975 program level except for increased field enforcement activities. An appeal is anticipated

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	40,155	38,145	1,981
1975 current estimate.....	47,454	49,000	1,971
1976 agency request.....	51,885	52,545	2,202
1976 OMB recommendation.....	49,596	49,700	2,048
Effect of OMB recom- mendation on agency request.....	-2,289	-2,845	-154
Transition period.....	12,400	12,500	2,048
1977 estimate.....	49,596	49,700	2,048

AMERICAN REVOLUTION BICENTENNIAL ADMINISTRATION

<p>Comments</p> <p>No change from agency request.</p>
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	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	19,705	6,620	122
1975 current estimate.....	9,686	23,582	141
1976 agency request.....	10,000	10,400	141
1976 OMB recommendation...	10,000	10,400	141
Effect of OMB recom- mendation on agency request.....	--	--	--
Transition period.....	1,876	2,354	141
1977 estimate.....	4,000	6,499	141

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

Comments

OMB recommendation would continue program at 1975 level. Agency is not expected to appeal.

	Budget authority (in thousands of dollars)	Outlays	Full-time permanent employment
1974 actual.....	1,108	1,165	33
1975 current estimate.....	1,095	1,110	37
1976 agency request.....	1,298	1,441	38
1976 OMB recommendation.....	1,248	1,391	37
Effect of OMB recom- mendation on agency request.....	-50	-50	-1
Transition period.....	337	322	3
1977 estimate.....	1,286	1,284	37

APPALACHIAN REGIONAL COMMISSION

Comments

No major differences exist on the 1976 recommendation, discussions on the transition period are continuing.

	Budget authority (in thousands of dollars)	Outlays of dollars)	Full-time permanent employment
1974 actual.....	301,492	291,122	10
1975 current estimate.....	320,240	339,546	10
1976 agency request.....	320,405	339,905	10
1976 OMB recommendation.....	320,352	339,852	10
Effect of OMB recom- mendation on agency request.....	-53	-53	--
Transition period.....	12,980	95,980	10
1977 estimate.....	315,352	339,852	10

NATIONAL MEDIATION BOARD

Comments

Issue paper attached.

	Budget authority (in thousands of dollars)	Outlays	Full-time permanent employment
1974 actual.....	2,924	2,829	70
1975 current estimate.....	3,168	3,160	71
1976 agency request.....	3,376	3,366	73
1976 OMB recommendation....	3,010	2,990	71
Effect of OMB recom- mendation on agency request.....	-366	-376	-2
Transition period.....	752	748	71
1977 estimate.....	3,010	2,990	71



## NATIONAL MEDIATION BOARD

Federally financed arbitration for labor-management grievances is unique to the railroad industry. Caseloads have been growing as the parties need not pay for the use of arbitrators. The OMB allowance provided for appropriations limited to 75% of these arbitration costs with the remainder to be financed by the parties.

The National Mediation Board believes the proposed apportioning of costs is arbitrary, without statutory authority, and is untimely as the railroad industry is engaged in National negotiations which will involve mediation.

OMB recommends seeking an appropriation limitation on Federal costs to encourage healthier relations between the parties by expeditious settlement of trivial cases and to reduce Federal involvement in minor railroad labor-management issues.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	2,924	2,829	70
1975 current estimate.....	3,168	3,160	71
1976 agency request.....	3,376	3,366	73
1976 OMB recommendation.....	3,010	2,990	71
Effect of OMB recommendation on agency request.....	-366	-376	--
Transition period.....	752	748	71
1977 estimate.....	3,010	2,990	71

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

<p>Comments</p> <p>Issue paper attached.</p>
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	Budget authority (in thousands of dollars)	Outlays	Full-time permanent employment
1974 actual.....	500	556	12
1975 current estimate.....	824	845	20
1976 agency request.....	331,359	10,061	35
1976 OMB recommendation.....	331,256	9,967	30
Effect of OMB recom- mendation on agency request.....	-103	-94	-5
Transition period.....	314	5,565	30
1977 estimate.....	1,256	26,554	30

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

(In thousands of dollars)

	1974	1975		1976		7/1-9/30/76		1977
	Act.	Req.	Recom.	Req.	Recom.	Req.	Recom.	Est.
Budget Authority.	500	824	824	331,359	331,256	340	314	1,256
Outlays.....	556	845	845	10,061	9,967	5,589	5,565	26,554

Statement of Issue

What should the Executive Branch position be regarding the development of Pennsylvania Avenue?

Background

The Pennsylvania Avenue Development Corporation was established by P.L. 92-578 on October 27, 1972, and charged with the responsibility of preparing and implementing a development plan for the north side of Pennsylvania Avenue between the White House and the Capitol.

The Avenue has been the subject of active planning since 1962. A master plan was developed and presented to President Johnson in April 1964. By Executive order of March 25, 1965, the President's Commission on Pennsylvania Avenue was established to refine and implement the master plan. Also in 1965, the Avenue and its environs were designated a National Historic Site.

The temporary Commission continued its planning work with the endorsement of President Nixon, who stated in his message to Congress on the District of Columbia of April 1969, his intention to submit new legislation on Pennsylvania Avenue. Funding for the temporary Commission was terminated in October 1969, and shortly thereafter an Administration-sponsored bill was introduced proposing the establishment of a Government corporation with the power to implement a plan for the Avenue.

In passing this law, Congress determined that it was in the national interest that the area adjacent to Pennsylvania Avenue between the Capitol and the White House be developed and used in a manner suitable to its ceremonial, physical, and historic relationship to the legislative and executive branches of the Federal Government, and to the governmental buildings, monuments, memorials and parks in and around the area.

The principal stages of the Corporation's work are plan formulation and plan execution. On October 24, 1974, the Corporation's Board unanimously approved the formulated plan. On November 19, 1974, the Corporation transmitted the plan to Congress. Where

it is to lie for 60 legislative days. If, during this period neither House passes a resolution rejecting the plan, then execution may begin. It should be noted that the law provided for corporate transmittal of the plan to the Congress and no formal transmittal to the President.

Discussion:

Until this year, the budget requests of the Corporation have been limited to the salaries and expenses necessary to formulate the Pennsylvania Avenue Development Plan. The Corporation's budget for FY 1976 requests additional resources (+\$535K and +15 staff) in the salaries and expenses account for plan implementation and also a \$130M Federal appropriation for the "public improvements", included in the plan, and two loan requests totalling \$200M to assist in the development of the project. The Corporation requests that the \$130M Federal appropriation and the \$200M loan be made available at this time, though the outlays from these authorities would occur over the approximately 14-year life span of the Corporation's development of the project.

The rationale for this form of financing is that of using the Federal involvement as a catalyst for private investment in the project. Presently, there is little likelihood of private capital given the current surroundings. The Corporation staff strongly argues that the front-end authority is needed to provide adequate assurance to private entrepreneurs so that the \$250M private investment called for by the plan can be realized.

The \$130M appropriation (FY 1976 Outlays--\$8.8M) would be used to pay for public costs not normally borne by private developers. These costs include public works, relocation assistance, site improvements, historic preservation and renovation, and costs for changes in land use, e.g., the downzoning of one site from commercial to residential. Included in this amount is an estimated \$5M for renovation of the Willard Hotel. A consultant study done for the National Trust for Historic Preservation indicates that this amount is needed to attract the estimated \$22M to be spent by private developers to assume operation of the Willard as a commercial operation. Also included in the \$130M is approximately \$20M for land costs involved in downzoning to the residential use for the 1500 housing units.

The \$200M in borrowing authority is to be used to finance land acquisitions. These costs would be recovered from either ground sales or ground leases. It is anticipated that \$50M of the \$200M in borrowing authority would be used in a construction

revolving fund to finance all mortgageable expenses involved in building costs (construction, taxes, interest, insurance, etc.) These costs would be recovered at mortgage closings and the use of revolving funds should allow the savings in time and cost.

#### OMB Recommendation

In general, this year's budget will have few new construction starts. However, the existing commitment to Pennsylvania Avenue Development appears to warrant an exception in this case. It is recommended that the level of development financing sought by the Corporation be approved in order that plan execution may begin. It is also recommended that the Budget Authority for development be made available in 1976 in order to facilitate development planning. These recommendations are premised upon (1) congressional approval of the plan, and (2) the need to take positive action on a project which has created uncertainty for over a decade. If funding is not approved, OMB recommends that all Federal plans for the Avenue be specifically dropped in order that normal market forces can work. This action would also lift the cloud which has negatively affected private property on the Avenue.

RAILROAD RETIREMENT BOARD

<p>Comments</p> <p>OMB and agency agree.</p>
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	Budget authority (in thousands of dollars)	Outlays	Full-time permanent employment
1974 actual.....	2,623,756	2,675,490	1,730
1975 current estimate.....	2,809,516	3,026,256	1,900
1976 agency request.....	3,232,100	3,383,118	1,900
1976 OMB recommendation...	3,232,100	3,383,118	1,900
Effect of OMB recom- mendation on agency request.....	--	--	--
Transition period.....	480,400	902,400	1,900
1977 estimate.....	3,765,000	3,660,000	1,900

NATIONAL CAPITAL AREA SERVICE DIRECTOR

<p>Comments</p> <p><del>Issue paper attached.</del></p>
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	Budget authority (in thousands of dollars)	Outlays	Full-time permanent employment
1974 actual.....	0	0	0
1975 current estimate.....	0	0	0
1976 agency request*.....	80	78	2
1976 OMB recommendation.....	0	0	0
Effect of OMB recom- mendation on agency request.....	-80	-78	2
Transition period.....	0	0	0
1977 estimate.....	0	0	0

\*Represents anticipated funding requirements should the NCASD be established as a separate organizational unit.