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December 12, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF

SUBJECT: Congressional Schedule for January

Rhodes, The Speaker, Mansfield and Scott have signed off on the following schedule if it is satisfactory to the President:

~~Monday, January 19 - The Congress convenes and the President delivers the State of the Union Address.~~

~~Tuesday, January 20 - The Budget is officially transmitted to Congress late on an embargoed basis. Press briefed on the Budget.~~

~~Wednesday - January 21 - The Budget released officially.~~

(10 advance copies to go to Chairman Mahon on Saturday, January 17, 1976.)

APPROVE _____ DISAPPROVE _____

bcc: ✓ Bob Hartmann
✓ Jack Marsh
Dick Cheney



Budget Message Draft March 11/75
comments today
to Byrum or O'Neil.

To the Congress of the United States

It is unfortunate that we have not yet found a way to make the Budget of the United States colorful, interesting reading, so that it attracts the close attention of the general public. I say that because ^{the budget} it captures as well as any other single book where we have been, where we are and where we are going as a people.

What we in government perceive as the proper roles of the Federal Government and the priorities to be given to these roles is measured by the facts in the budget, not by passionate speeches about how much we care about one thing or another.

Accordingly, I have devoted a considerable part of my own time over the last several months to shaping the budget for fiscal year 1977 and laying the groundwork for the years that will follow.

In thinking about the budget it is necessary to understand that the budget has three important dimensions. On the one hand the budget is an element of our economic policy. That is, the total size of the budget and the deficit or surplus that results can substantially affect the general direction of our economy -- in a good way or in a bad way. If we try to stimulate the economy beyond its capability to respond we will reap the whirlwind of inflation. Let us hope we have learned that lesson.



I believe the budget I am proposing for fiscal year 1977 and the direction I am suggesting for the future meets the test of responsible fiscal policy. The combination of tax and spending changes I am recommending will set us on a course that will allow us to achieve a balanced Federal budget within three years and at the same time keep our economy ~~back~~ on a stable growth path that we can sustain -- a path that will provide more and better jobs and progress on beating inflation. This is not a fiscal policy that promises to eliminate inflation and unemployment overnight but it is an honest, achievable policy. No one wants to lower unemployment and inflation faster than I do. But I will not risk the future of the country against the possibility that a bigger budget, a bigger deficit might produce statistics that look good temporarily, and that is all it would be -- temporary.

The second important dimension of the budget is what it tells us about how we choose to divide responsibility and decision-making in our Nation between Governments; Federal, State and local, and private institutions and individual citizens.

Over the last twenty years, Federal, State and local Governments have combined to increase their share of our gross national product from 28% to nearly 38%. The growth in Government's share has been gradual and uneven but the trend is unmistakable.



Although the predominant share of the growth has taken place at the State and local level, the Federal Government has contributed to the trend too. It is a trend we must not continue. The driving force of our two hundred year history has been our private economy. We should rely on it and nurture it and it will continue to grow, providing new and better choices for our people and the resources that are necessary at all levels of Government to meet our shared needs. If instead, we continue to increase Government's share of our economy we will have no choice but to raise taxes and, in the process, dampen further the forces of competition, risk and reward, that have served us so well. With stagnation of these forces, the issues of the future would surely be focused on who gets what from an economy of little or no growth rather than, as it should be, over the use to be made of expanding incomes and resources.

My budget proposals seek to cut the rate of Federal spending growth to 6% -- less than half the average growth rate we have experienced in the last four years. With adoption of this budget, the Federal share of our gross national product will decline slightly in fiscal year 1977. At the same time, I am proposing further, but permanent, tax reductions so that individuals and businesses can spend and invest these dollars instead of having them spent by the Federal Government.

The third important dimension of the budget is the priorities it reflects within its overall totals. In forming the priorities of my budget, I have tried to achieve a sense of fairness and balance between our many competing needs and principles.

- Between the taxpayer and those who will benefit by Federal spending.
- Between national security and other needs.
- Between the shorter term needs and the longer term need to invest in our future.
- Between our own generation and the world we want to leave to our children.
- Between helping everyone in some need and focusing our aid on those most in need.
- Between energy development and environmental protection.
- Between the programs we already have and those we would like to have.
- Between aid to individuals and aid to State and local governments.

- Between immediate implementation of a good idea and the need to allow time for adjustment.
- Between the desire to solve our problems quickly, and the realization that for some problems, good solutions will take more time.
- Between Federal control and direction to assure achievement of common goals and the recognition that State and local governments and individuals are often closer to the real problems.

Among the high priorities I see for our Nation, I have sought first to insure that ^{the} Federal Government meets its single most important test -- providing fully for the defense of our freedom. In this function there is no alternative. If we at the Federal Government level fail in this responsibility then our other objectives are meaningless for we could not long survive as an independent free nation.

Accordingly, I am recommending an increase in defense spending for the next fiscal year. If I could propose less in good conscience I would, because I see as do many others, great good that could be accomplished with these dollars in other areas. My request is based on a careful assessment of the world situation and the contingencies we must be prepared to

meet. Enactment of my request will provide the national defense it now appears we need. We dare not do less. And if our efforts to secure international arms limitations falter, we will need more.

While providing fully for our defense needs, I have imposed in the budget process the same discipline here that I have applied in reviewing the other spending programs of the Federal Government. We cannot afford waste in our defense spending any better than we can afford it in other programs.

In our domestic programs, my objective has been to achieve a balance between the heart and the mind -- a balance between what we would all like to do and what we can realistically afford to do. I believe I have found a good balance. The hundreds of pages that spell out the detail of my program proposals tell the story, but some examples illustrate the point.

I am proposing that we take steps to address the haunting fear of our elderly that a prolonged, serious illness could cost them and their children everything they have. Under my medicare reform proposal, no elderly person would have to pay over \$500 per year for covered hospital care and no more than \$250 per year for covered physician services. However, as part of an effort that must be made to slow down the runaway



increases in federally-funded medical expenses, I am recommending adjustments to the Medicare program so that beneficiaries contribute more to the costs of their care than they do now until they reach the new maximums.

My budget proposes a full cost-of-living increase for those receiving social security or other Federal retirement benefits. However, I am also asking the Congress to raise Social Security taxes, effective January 1, 1977, and to adopt certain other reforms of the system so that we can reestablish the integrity of the Trust Fund. Higher social security taxes and the other reforms I am proposing may not be the popular thing to do, but they are the right thing to do and reflect the respect I have for the average American's understanding that we must pay for the things we want. And I know that those who are working now want to be sure that the Social Security Fund will be able to pay them their benefits when their working days are over.

My budget proposes that we replace _____ narrow categorical grants with broad block grants in four important areas:

- A health block grant that will consolidate Medicaid and 15 other health programs. State matching fund requirements will be removed and States will be able to make their own priority choices for use of funds in helping low-income people with their health needs.



- An education block grant that will consolidate 24 separate grants for education into a single flexible grant to States, without matching requirements, primarily for use in helping disadvantaged and handicapped children.

- A block grant for feeding needy children will consolidate 15 complex and overlapping programs. Under existing programs, 700,000 needy children receive no benefits. Under my program, all needy children will be fed ~~while~~ while subsidies for the non-poor will be eliminated.

- The existing social services program will be converted into a true block grant by eliminating the State matching requirement and by removing requirements that restrict the flexibility of States in providing services to the needy.

The proposed consolidations will distribute funds more equitably and provide greater State discretion and responsibility. These reforms are urgently needed, but my proposals recognize that they will, in some cases, require a period of transition.

In our public service jobs program I am proposing now that full funding be provided to continue the current number of jobs throughout calendar 1976, and that, as our economy continues to



improve, we phase them down so that by October 1977 we are back to the pre-recession levels of 1974.

For the Federal Government's own employment, I am proposing a slight decrease as compared to this year. I have made a rigorous review of Federal employment in forming this budget, starting in the White House.

[REDACTED SECTION]

Many departments and agencies have been held level or decreased, but for some I have proposed significant increases. For example, the Veterans Administration medical program, the Social Security Administration and our air traffic control system clearly require people to perform the services we expect of them. I am asking the Congress to provide those people.

These are only examples of the multitude of recommendations I am making to the Congress. Taken together, all of these decisions reflect my view of the forthright approach we must take to our problems. I believe in the American people and I

believe they already recognize that promises that the Federal Government can do more for all of them every year cannot be kept. I make no such promise. I offer no such illusion. This budget does not shrink from hard choices there necessary, even where conventional political wisdom might have suggested some other course. Notwithstanding those hard choices, however, I believe this budget reflects a forward looking spirit that is in keeping with our heritage.

[1/21/76]

PART 1
THE BUDGET MESSAGE
OF THE
PRESIDENT

M1



BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The Budget of the United States is a good roadmap of where we have been, where we are now, and where we should be going as a people. The budget reflects the President's sense of priorities. It reflects his best judgment of how we must choose among competing interests. And it reveals his philosophy of how the public and private spheres should be related.

Accordingly, I have devoted a major portion of my own time over the last several months to shaping the budget for fiscal year 1977 and laying the groundwork for the years that follow.

As I see it, the budget has three important dimensions. One is the budget as an element of our economic policy. The total size of the budget and the deficit or surplus that results can substantially affect the general health of our economy—in a good way or in a bad way. If we try to stimulate the economy beyond its capacity to respond, it will lead only to a future whirlwind of inflation and unemployment.

The budget I am proposing for fiscal year 1977 and the direction I seek for the future meet the test of responsible fiscal policy. The combination of tax and spending changes I propose will set us on a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path *that we can sustain*. This is not a policy of the quick fix; it does not hold out the hollow promise that we can wipe out inflation and unemployment overnight. Instead, it is an honest, realistic policy—a policy that says we can steadily reduce inflation and unemployment if we maintain a prudent, balanced approach. This policy has begun to prove itself in recent months as we have made substantial headway in pulling out of the recession and reducing the rate of inflation; it will prove itself decisively if we stick to it.

A second important dimension of the budget is that it helps to define the boundaries between responsibilities that we assign to governments and those that remain in the hands of private institutions and individual citizens.

Over the years, the growth of government has been gradual and uneven, but the trend is unmistakable. Although the predominant growth has been at the State and local level, the Federal Government has contributed to the trend too. We must not continue drift-

ing in the direction of bigger and bigger government. The driving force of our 200-year history has been our private sector. If we rely on it and nurture it, the economy will continue to grow, providing new and better choices for our people and the resources necessary to meet our shared needs. If, instead, we continue to increase government's share of our economy, we will have no choice but to raise taxes and will, in the process, dampen further the forces of competition, risk, and reward that have served us so well. With stagnation of these forces, the issues of the future would surely be focused on who gets what from an economy of little or no growth rather than, as it should be, on the use to be made of expanding incomes and resources.

As an important step toward reversing the long-term trend, my budget for 1977 proposes to cut the rate of Federal spending growth, year to year, to 5.5%—less than half the average growth rate we have experienced in the last 10 years. At the same time, I am proposing further, permanent income tax reductions so that individuals and businesses can spend and invest these dollars instead of having the Federal Government collect and spend them.

A third important dimension of the budget is the way it sorts out priorities. In formulating this budget, I have tried to achieve fairness and balance:

- between the taxpayer and those who will benefit by Federal spending;
- between national security and other pressing needs;
- between our own generation and the world we want to leave to our children;
- between those in some need and those most in need;
- between the programs we already have and those we would like to have;
- between aid to individuals and aid to State and local governments;
- between immediate implementation of a good idea and the need to allow time for transition;
- between the desire to solve our problems quickly and the realization that for some problems, good solutions will take more time; and
- between Federal control and direction to assure achievement of common goals and the recognition that State and local governments and individuals may do as well or better without restraints.

Clearly, one of the highest priorities for our Government is always to secure the defense of our country. There is no alternative. If we

in the Federal Government fail in this responsibility, our other objectives are meaningless.

Accordingly, I am recommending a significant increase in defense spending for 1977. If in good conscience I could propose less, I would. Great good could be accomplished with other uses of these dollars. My request is based on a careful assessment of the international situation and the contingencies we must be prepared to meet. The amounts I seek will provide the national defense it now appears we need. We dare not do less. And if our efforts to secure international arms limitations falter, we will need to do more.

Assuring our Nation's needs for energy must also be among our highest priorities. My budget gives that priority.

While providing fully for our defense and energy needs, I have imposed upon these budgets the same discipline that I have applied in reviewing other programs. Savings have been achieved in a number of areas. We cannot tolerate waste in any program.

In our domestic programs, my objective has been to achieve a balance between all the things we would like to do and those things we can realistically afford to do. The hundreds of pages that spell out the details of my program proposals tell the story, but some examples illustrate the point.

I am proposing that we take steps to address the haunting fear of our elderly that a prolonged, serious illness could cost them and their children everything they have. My medicare reform proposal would provide protection against such catastrophic health costs. No elderly person would have to pay over \$500 per year for covered hospital or nursing home care, and no more than \$250 per year for covered physician services. To offset the costs of this additional protection and to slow down the runaway increases in federally funded medical expenses, I am recommending adjustments to the medicare program so that within the new maximums beneficiaries contribute more to the costs of their care than they do now.

My budget provides a full cost-of-living increase for those receiving social security or other Federal retirement benefits. We must recognize, however, that the social security trust fund is becoming depleted. To restore its integrity, I am asking the Congress to raise social security taxes, effective January 1, 1977, and to adopt certain other reforms of the system. Higher social security taxes and the other reforms I am proposing may be controversial, but they are the right thing to do. The American people understand that we must pay for the things we want. I know that those who are working now want to be sure that the money will be there to pay their benefits when their working days are over.

My budget also proposes that we replace 59 grant programs with broad block grants in four important areas:

- A health block grant that will consolidate medicaid and 15 other health programs. States will be able to make their own priority choices for use of these Federal funds to help low-income people with their health needs.
- An education block grant that will consolidate 27 grant programs for education into a single flexible Federal grant to States, primarily for use in helping disadvantaged and handicapped children.
- A block grant for feeding needy children that will consolidate 15 complex and overlapping programs. Under existing programs, 700,000 needy children receive no benefits. Under my program, all needy children can be fed, but subsidies for the nonpoor will be eliminated.
- A block grant that will support a community's social service programs for the needy. This would be accomplished by removing current requirements unnecessarily restricting the flexibility of States in providing such services.

These initiatives will result in more equitable distribution of Federal dollars, and provide greater State discretion and responsibility. All requirements that States match Federal funds will be eliminated. Such reforms are urgently needed, but my proposals recognize that they will, in some cases, require a period of transition.

These are only examples. My budget sets forth many other recommendations. Some involve new initiatives. Others seek restraint. The American people know that promises that the Federal Government will do more for them every year have not been kept. I make no such promises. I offer no such illusion: This budget does not shrink from hard choices where necessary. Notwithstanding those hard choices, I believe this budget reflects a forward-looking spirit that is in keeping with our heritage as we begin our Nation's third century.

GERALD R. FORD.

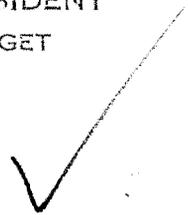
JANUARY 21, 1976.





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

January 14, 1975



MEMORANDUM TO: MAX FRIEDERSDORF

FROM: ALAN M. KRANOWITZ *Alan -*

Because it is likely that questions on the subject of Federal Office Buildings will arise from time to time after the Budget has been transmitted, the attached talking points might prove helpful.

Attachment

- cc: Mr. Rourke 
Mr. Wolthuis
Mr. Kendall
Mr. Loen
Mr. Leppert
Mr. Loeffler



Talking Points

Public Buildings in the 1977 Budget

- There are two stages in the public buildings process. The first is the prospectus or project approval phase and the second is the funding phase. GSA proposes building projects, which first must be approved by OMB and then by the Public Works Committees of the Congress. After a project has been approved, it is funded subject to the availability of resources.
- GSA public buildings are funded through the Federal Buildings Fund (FBF). The FBF is a revolving fund which finances all GSA real property activities (cleaning, guarding, etc.), including new construction. The Fund finances these activities with rental collections, known as standard level user charges (SLUC). SLUC is collected by GSA from its tenant agencies for space and related services. The enabling legislation for the FBF provided for temporary authority to receive loan appropriations. However, since this authority expires at the end of fiscal 1976 and since the Fund does not have authority to receive regular appropriations, all of its activities (including construction) are subject to the amount of rental income (SLUC) which is collected.
- The 1977 budget proposes \$28 million in new authority for construction projects. This includes \$22.5 million for new facilities and \$5.5 million for augmentation of existing projects.
- In 1977, after payments for the \$28 million of new construction and augmentation mentioned above, cleaning, guarding, building repairs, rental space, and other real property activities, the Fund will have an excess of roughly \$22 million. This excess will be available (subject to Congressional approval) for future pay supplementals (estimated at \$10 million), unforeseen contingencies, and other funding priorities (including construction) that the administration and Congress might agree upon.
- The 1977 budget proposes funding for all projects which have been approved by OMB and the Congress. The budget does not provide funding for a number of other projects which have been or may be proposed by GSA. These projects will be reviewed in OMB on a timely basis. The review will focus on cost-effectiveness, employment impact, and redevelopment benefits of the projects. If approved by OMB and the Congress, these projects will be funded subject to availability of resources within the Federal Buildings Fund.

JAN 16 1976



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Assistant to the Director
for Congressional Relations

January 15 1976

Jack -
FYI -
Russ

Russ:

Many thanks for your counsel. All of you folks were of tremendous help and I am most appreciative.

As I was saying about private industry....

Alan -

Alan M. Kranowitz

Attachment





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

C.O.B. Thursday,
January 15, 1976
(This schedule
supersedes all
prior editions).

CONGRESSIONAL BUDGET BRIEFING SCHEDULE

Wednesday, January 21

- 10:00 a.m. Senate Budget Committee
Room 357 Russell Senate Office Building
Mr. Lynn, et. al.
- 11:30 a.m. Senate and House Appropriations Committees
Room H-140 Capitol
Mr. Lynn, et. al.
- 1:30 p.m. Members of the House of Representatives
Caucus Room -- Cannon House Office Building
(All 435 Members have been invited, but there will
be a separate briefing on Thursday for the House
GOP Conference).
Mr. Lynn, et. al.
- 3:30 p.m. House Budget Committee
Room 210 Cannon House Office Building
Mr. Lynn, et. al.
- 5:00 p.m. Members of the United States Senate
Room 1114 Dirksen Senate Office Building
Mr. Lynn, et. al.

Thursday, January 22

- 9:30 a.m. House Republican Conference
Room 2168 A&B (The Gold Room)
Rayburn House Office Building
Mr. Lynn, et. al.
- 11:00 a.m. House Committee Staff
Room 2168 A&B (The Gold Room)
Rayburn House Office Building
Mr. Lynn, et. al.
- 12:00 noon House Office Staff
Room 2168 A&B (The Gold Room)
Rayburn House Office Building
Mr. Lynn, et. al.
- 2:30 p.m. Senate Office Staff
Room 457 Russell Senate Office Building
Mr. O'Neill, et. al.
- 3:30 p.m. Senate Committee Staff
Room 457 Russell Senate Office Building
Mr. O'Neill, et. al.





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

January 15, 1976

TO: Members of the House of Representatives

We are pleased to invite you to a one-hour briefing on the FY 1977 Budget (FOR MEMBERS ONLY) on Wednesday, January 21, 1976, at 1:30 p.m. in the Caucus Room of the Cannon House Office Building. The briefing will be conducted by OMB Director James Lynn, with participation from other Administration officials.

A special briefing for House Committee staff will be conducted on Thursday, January 22, 1976, at 11:00 a.m. in Room 2168 A&B (The Gold Room) Rayburn House Office Building; and a special briefing for your office staff will be held on Thursday, January 22, 1976, at 12:00 noon in Room 2168 A&B (The Gold Room) Rayburn House Office Building.

We look forward to having you and your staff members with us.

With all best wishes.

Sincerely yours,

A handwritten signature in black ink that reads "Alan M. Kranowitz". The signature is written in a cursive style with a large initial "A".

Alan M. Kranowitz
Assistant to the Director
for Congressional Relations



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 15, 1976

TO: Members of the United States Senate

Dear Senator:

We are pleased to invite you to a one-hour briefing on the FY 1977 Budget (FOR MEMBERS ONLY) on Wednesday, January 21, 1976, at 5:00 p.m. in Room 1114 Dirksen Senate Office Building. The briefing will be conducted by OMB Director James Lynn, with participation from other Administration officials.

A special briefing for your office staff will be conducted on Thursday, January 22, 1976, at 2:30 p.m. in Room 457 Russell Senate Office Building; and a special briefing for Senate Committee staff will be held on Thursday, January 22, 1976, at 3:30 p.m. in Room 457 Russell Senate Office Building.

We look forward to having you and the members of your staff with us.

With all best wishes.

Sincerely yours,

Alan M. Kranowitz
Assistant to the Director
for Congressional Relations





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 15, 1976

Dear :

I am very pleased to invite you and your staff to a one-hour briefing on the FY 1977 Budget on Thursday, January 22, 1976, at 3:30 p.m. in Room 457 Russell Senate Office Building. The briefing will be conducted by OMB Deputy Director Paul O'Neill, with participation from other Administration officials.

We look forward to having you and your staff with us.

With all best wishes.

Sincerely yours,

Alan M. Kranowitz
Assistant to the Director
for Congressional Relations





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

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Room 457 Russell Senate Office Building
Mr. O'Neill, et. al.
- 3:30 p.m. Senate Committee Staff
Room 457 Russell Senate Office Building
Mr. O'Neill, et. al.



PROPOSED BUDGET DISTRIBUTION

Monday, January 19

4:30 P.M. -- Embargoed distribution to press.

Issue: Should anyone on Hill receive embargoed copies simultaneously with the press?

Recommendation: No -- not before the State of the Union.

Tuesday, January 20

9:30 A.M. -- PRESS CONFERENCE

Late Morning -- OMB delivers advance, embargoed copies to the Leadership, to the Chairman and Ranking Minority Member of each standing Committee, and bulk distribution to the "budget-oriented" Committees.

Noon -- GPO delivers advance, embargoed copies to the Senate and House Document Rooms -- individual copies will then be delivered by the Document Rooms to each Senate and House office by close of business.

Issue: Should deliveries to individual Members be delayed until Wednesday morning?

Recommendation: Since many individual Members may be called upon by their local press for comments on Wednesday morning, the individual Members ought to have the benefit of perusing the budget overnight.

Early Afternoon -- OMB delivery to the Congressional Budget Office.

Wednesday, January 21

Mid-Morning -- GPO delivers an additional 1000 copies to the Senate and House Document Rooms to be retained in the Document Rooms and used to fulfill requests as received from individual Congressional offices.





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

BUDGET DISTRIBUTION

LAST YEAR:

Friday

Embargoed copies to press.

Advance, embargoed copies to Congressional Leadership; the Chairman and Ranking Minority Member of each standing Committee; and bulk copies to those dozen Congressional Committees which are "Budget-oriented." (For example, the House Appropriations Committee received 120 copies and the Joint Committee on Reduction of Federal Expenditures received 5 copies).

Saturday

Press briefing.

GPO delivered 80 copies to the Senate Majority Leader and 80 copies to the Senate Minority Leader. (These copies were delivered to individual Senate offices on Saturday. Some of the offices were indeed open, many were closed). GPO delivered 470 copies to the House Document Room. (These copies were not delivered to the individual House Members' offices until early Monday morning).

Monday

BUDGET OFFICIALLY TRANSMITTED.

Additional copies delivered to "Budget-oriented" Congressional Committees. (For example, 50 more copies to House Appropriations).

300 copies to Senate Document Room and 700 copies to House Document Room to use in filling additional requests from Congressional offices.



MARSH

THE WHITE HOUSE
WASHINGTON

January 19, 1976

MEETING WITH BIPARTISAN CONGRESSIONAL LEADERS

Tuesday, January 20, 1976
5:00-6:00 p.m. (60 minutes)
The Blue Room

From: Max L. Friedersdorf *M. L.*

I. PURPOSE

To brief the Congressional leaders on the President's 1977 budget recommendations.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: The President's 1977 Budget message will be released on Wednesday, January 21, 1976.
- B. Participants: See TAB A
- C. Press Plan: Press Office to announce the meeting - White House photographer only.

III. TALKING POINTS

See TAB B



PARTICIPANTS

The President
The Vice President

SENATE

Jim Eastland
Mike Mansfield
Bob Byrd
Bob Griffin
John McClellan
Milt Young
Ed Muskie
Henry Bellmon
Russell Long
Carl Curtis
Frank Moss
Bob Stafford
John Tower

HOUSE

Carl Albert
Tip O'Neill
John McFall
John Rhodes
Bob Michel
George Mahon
Al Cederberg
Brock Adams
Del Latta
Al Ullman
Herm Schneebeli
John Anderson
Phil Burton
Barber Conable

STAFF

Bob Hartmann
Jack Marsh
Rog Morton
Dick Cheney
Jim Lynn
Jim Cannon
Max Friedersdorf
Ron Nessen
Alan Greenspan
Brent Scowcroft
Bill Baroody
Paul O'Neill
Vern Loen
Bill Kendall

Pat O'Donnell
Alan Kranowitz
Charles Leppert
Tom Loeffler
Russ Rourke
Bob Wolthuis

REGRETS

Senator Hugh Scott
Secretary Simon
Bill Seidman



TALKING POINTS

I am pleased that you could be here. The 1977 budget has unusual importance. In a procedural sense, it is a landmark budget.

- . It is the first budget under the October to September Fiscal Year, and
- . It is the first budget for which rules of the Congressional Budget Act of 1974 are mandatory.

Every one of us here is completely dedicated to helping make that Act a resounding success. I pledge to you again the full cooperation of my Administration in your work toward that objective.

The substance of the 1977 Budget is also unusually important. The Budget Message states the philosophy and goals of the budget as clearly and as succinctly as I know how.

- . The budget for 1977 and the direction it proposes meet the test of responsible fiscal policy. Its combination of tax and spending changes sets a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path that can be sustained.



This prudent, balanced approach has already begun to prove itself, and it will continue to prove itself-if we stick with it.

- . Over the years, the trend toward bigger and bigger government has been unmistakable. While the predominant growth has been at the State and local level, the Federal Government has contributed its share. Continued drift in the direction will sap the initiative and vitality of our private sector.
- . The budget for 1977 proposes to reverse this trend by cutting the rate of growth in Federal spending to 5-1/2% between 1976 and 1977 -- less than half the average growth rate of the last 10 years. At the same time, the budget proposes further, permanent income tax reductions so that individuals and businesses can spend and invest these dollars.
- . The 1977 budget achieves fairness and balance among the allocation of resources between the private sector and the public sector, the allocation of resources within the public sector, and the manner and timing of the choices it proposes.

Over the past two decades, there have been diverging, largely offsetting trends within the budget totals, with --nondefense spending increasing rapidly in both absolute and relative terms, and --defense spending declining in both real terms and as a share of the total.



Continuation along this path for several more years would erode our military strength and our foreign policy.

The 1977 budget would not allow this erosion to continue and, in fact, provides for a necessary increase in real resources provided for defense. There is no realistic alternative.

The budget also meets our urgent domestic needs. In the domestic area, my objective has been to achieve a balance between all the things we would like to do and those things we can realistically afford to do.

My budget is a tough one, but it is a compassionate one, too. Let me illustrate this point.

- . It proposes that, to help slow down the runaway increases in federally funded medical expenses, Medicare beneficiaries contribute more for the care they receive--

and it proposes that we take steps to dispel the haunting fear of our elderly that a prolonged illness would cost them and their children everything they have.

- . It proposes grant consolidation and spending in the fields of health, education, child nutrition, and social services--

but, in every case, it makes certain that the disadvantaged, the handicapped, and the needy are cared for.



I do not expect you to agree with every detail in my budget. But I do hope that you can accept its direction and the basic priorities that it reflects. It is a tough budget, a compassionate one, and -- above all -- a responsible one.

I look forward to working closely with you on it and to persuading you that it is the proper budget for our Nation at this time.



Ford Defends Budget vs. Reagan's, Democrats' Plans

By David S. Broder
Washington Post Staff Writer

auditorium indicated that they, at least, thought he had passed the test of com-

ected an incumbent President in a year in which both unemployment and in-

has a degree of security and those who don't have a job know the prospects for

Vice President Rockefeller, asked by Mr. Ford for his comments, added that

viewed largely as a political response to Reagan's challenge.

Washington Post
Thursday, January 22, 1976





OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

FEB 4 1976

February 3, 1976

M

MEMORANDUM FOR JOHN O. MARSH, JR.

Attached for your use is information concerning the Fiscal Year 1977 Defense Budget.

These represent the major points addressed in the annual Defense Report and the primary focus of Secretary Rumsfeld's testimony before the Senate and House Armed Services and Appropriations Committees.

The central concern is one of arresting the adverse trend toward Soviet preeminence in military power which would ultimately undermine world stability. The FY 1977 Defense Budget represents our initial effort to reverse that trend.

I hope that you will find this material useful when called upon to discuss the Defense Budget.

Alan Woods

Alan Woods
The Special Assistant



THE FY 77 DEFENSE BUDGETThe Task

A fundamental responsibility of the U.S. Government is to protect the nation from external danger and contribute to world peace and stability. There should be no doubt among us, or in the world at large, that U.S. military strength is today sufficient, and that the continuity of American policy can be relied upon.

The Balance

Specifically, in the four key areas in which we appraise the balance ...

• Strategic.

U.S. strategic forces retain a substantial, credible, capability to deter all-out nuclear attack. However, there remains a basis for concern:

- The submarine and bomber forces are aging, the Soviets are improving their ASW capabilities and their bomber defense.
- A continuation of current Soviet strategic programs -- even within the constraints of SALT -- could threaten the survivability of the Minuteman force within a decade.

• Naval.

The U.S. Navy is capable of carrying out its missions today. However, where we have enjoyed virtual seapower monopoly for thirty years, we face an increasing threat from the expanding Soviet Navy.

• NATO.

In the crucial Central European region, we and our allies have the basic capabilities necessary to respond to a Warsaw Pact attack. However, there are two vulnerabilities which will grow in seriousness if we fail to take remedial action.

- First, we do not have sufficient long-range airlift capability to deploy our reinforcements to Europe in a timely fashion.

-- Second, we are concerned that, unless counterbalanced, increasing Soviet firepower and mobility will begin to give the Pact an unacceptable advantage in the two contingencies against which we design our forces: an attack coming with little or no warning, and one coming after a large-scale mobilization and deployment of Pact forces.

- NE Asia.

Our deployments and basing in Northeast Asia have successfully kept the peace in Korea, maintaining a strong US/Japanese relationship and a favorable climate for democracy there and, in general, preserving the power balance in the area.

-- The growth of Soviet military capabilities in Asia threatens the existence of the PRC and the maintenance of a great power equilibrium in Asia and indeed the world. Continued Soviet naval development increases the threat to US and Japanese LOCs.

U.S. Defense Trends

• The U.S. defense budget has decreased in real terms by more than one-third from the 1968 wartime peak, and is 14% below the levels of the prewar, early 1960's. The FY 1977 budget provides for real increases in Defense from 1976.

- Defense spending today is 24.4% of the Federal total in FY 1976 --- the lowest share since FY 1940, which ended 17 months before Pearl Harbor. In FY 1977, it would be 25.4%, a modest growth from a long-term low.
- U.S. uniformed military strength has dropped from 3.5 million at the 1968 wartime peak to 2.1 million. There are fewer people in uniform now than at any time since the fall of 1950. In prewar 1964, for example, there were 2.7 million personnel in the armed forces. The present figure is almost 600,000 below that.
- The active fleet of Navy ships has dropped from 947 to 482 over the past ten years, having reached a wartime peak of 976 in 1968.

Soviet Defense Trends

While these reductions have been going on in the U.S., the Soviet Union has been moving steadily in the other direction.

- The constant 1977 dollar value of the resources allocated to Soviet national defense has grown from 102 billion in 1965 to 135 billion in 1975, an average annual increase of 3%.
- Since 1962, when they began expanding maritime power in earnest, the Soviets have built more than 1300 ships for their Navy; the U.S. constructed about 300 during the same period.
- Soviet ICBMs have increased from 224 to about 1600 since 1965; their SLBMs have increased from 29 to about 730 over the same period.
- Soviet military manpower has increased from 3.4 to 4.4 million since 1965.

The Problem of Sufficiency

It is clear to those who look at the military balance that, if we are to maintain sufficiency, and therefore stability, the trends must be checked. Like good health, sufficiency can be something that is ignored and taken for granted when we have it, but difficult to regain once lost.

Just as you don't start slowing a car when you are halfway through the intersection, you cannot arrest the momentum the world has been experiencing the past ten years unless action is taken early enough -- well before we reach insufficiency and, thereby, surrender the stability we have and enjoy today.

The world situation can be described in many ways. At best, it is untidy ... it is not static, nor is it particularly friendly. U.S. military strength -- and the world's appreciation of that strength -- is fundamental to stability, maintaining the confidence of our allies,

detering potential adversaries, and to lending weight to our views and values.

While negotiation of equitable arms control measures proceed, we are continuing to demonstrate restraint in the acquisition and deployment of forces. Hopes to achieve arms reduction and limitation agreements are, however, dependent upon an appreciation of our strength -- both deployed and capable of rapid follow-on deployment.

The expansion of Soviet military effort continues steadily -- as measured by technological progress, investment, capacity, output and, finally, military capabilities.

For the United States to remain second to none, logic drives us to the clear conclusion that we must add resources, in real terms, to the Defense budget. Stopping the downward trend is essential if we are to maintain technological leadership, sustain planned force levels, improve readiness, and accomplish needed modernization.

DOD Restraint

While we seek to improve force modernization and readiness, we proposed to tighten the Defense budget in the following ways:

- Restraining personnel costs while working to maintain the quality and professional standards of the All Volunteer Force.
- Instituting further efficiencies including base realignments, headquarters reductions, reduced training costs, and civilian manpower reductions.



- Adjusting the planned rate of modernization, construction, readiness, and Navy surface fleet build-up.

If Congress fails to approve the recommended belt-tightening measures, additional appropriations will be required to avoid unacceptable force level reductions. Moreover, if we fail in the efforts to achieve verifiable agreements which equitably limit strategic arms on both sides, additional appropriations will be required.

The Myth of Defense Budget Flexibility

For years there has been a conviction that the Department of Defense was a near-inexhaustible mother lode from which we could draw, without damage or adverse notice, the resources needed for our other national desires.

The cry "be more efficient" has been heard. DOD is more efficient. And this year, it will become more so -- as it should be.

The cry to "cut the frills" has also been heard. Some cutting has been done. More will be done this year -- as it should be.

The demand "improve the teeth to tail ratio" has been heard. Much has been done to cut support costs to offset increases in combat forces. More is being done this year -- as it should be.



But there is a point where there are no longer billions to be saved by such actions.

- At some point, savings from so-called "efficiencies" are counterproductive and affect combat effectiveness.
- At some point you will have cut the "tail" to the extent that you are up through the headquarters to the shoulders -- and what is left is a set of "teeth" ... with no jaws to move them.

Let's not fool ourselves. It is out of the question to think that the nation's non-defense spending can be further funded out of the Defense Budget. In the extreme:

- A 10% increase in non-defense spending would mean a crippling 30% cut in defense.
- A 33% increase in non-defense spending would wipe out the defense establishment altogether.

The FY 77 Defense budget has been through one of the toughest Federal budget scrubs ever. Further cuts would require unacceptable reductions in our national security. Cutting down on "frills" is being done, "teeth-to-tail" ratios are improving and the savings from the drawdown after the Vietnam war have been spent. Meanwhile, the Soviet expansion proceeds.

Thus, it is clear that the days of finding billions of dollars with the "cut it out of Defense because they'll never miss it" method, are over. Additional savings, yes, some ... but billions, no. Not without cutting forces. Congressional cuts of the magnitude of recent years,

ranging from \$4 billion to \$7 billion, will:

- o Cut into U.S. military capabilities.
- o Continue trends which would move the U.S. to a point of insufficiency.
- o Risk U.S. security by unnecessarily injecting a fundamental instability into a world situation that is already less than tidy.

When, as would be inevitable, the fact was appreciated by the world that the United States had made a decision to slip to an inferior status, we would begin living in a world fundamentally different from the one we have known during our lifetimes.

Decision by Congress

It is perhaps useful to recall the situation which existed just before the Korean War. In a well-publicized appearance before the House Appropriations Committee, General Omar Bradley, Army Chief of Staff, testified in support of the \$13 billion FY 1951 Defense budget approved by the President, acknowledging that the large amount urged by the JCS " ... would be out of all proportion to that which we believe this country could afford at this time." Yet when the Korean War broke out; the Congress quickly increased FY 1951 Defense spending to \$48 billion level and \$60 billion in FY 1952. As history shows, the country can "afford" what is needed for national security. Indeed, we cannot afford not to have what is needed.

The goal is to be prepared to fight the next war so well that war is deterred. The time to reorder priorities is now, not after we are forced to do so in desperation.

In approximately four months the Congress will make its decision in the Concurrent Resolution. It will be one of the most important decisions the Congress will make all year. Its ramifications will affect our people and the world for years to come. It merits the most careful thought and consideration.

The proper course is to act now to begin to reverse the trends. This can only be done by providing real increases in the Defense budget. The President has made his decision. It is now up to the Congress.

FEB 5 1976

THE WHITE HOUSE

WASHINGTON

February 5, 1976

MEMORANDUM FOR:

→ JACK MARSH
BRENT SCOWCROFT
BILL BAROODY
DAVID LISSEY
RON NESSEN
LEE KOLLMORGEN
BILL NICHOLSON
BILL LUKASH
JOHN MAHONEY
BILL GULLEY
ROBERT BARRETT
CHARLES MEAD
LEE DOMINA

FROM:

TED MARRS 

On ~~Tuesday~~, February 10, 1976, the President has invited a number of representatives of military oriented organizations to the East Room for a briefing on the Defense Budget and other related matters.

The meeting will begin at 4:00 p.m. with the President coming in about 5:30 p.m. A reception in the State Dining Room will follow.

If your schedule will permit, you might like to attend this function to which you are cordially invited.







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

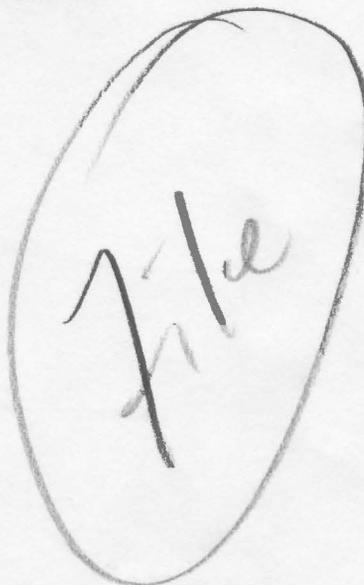
MAY 4 1976

APR 30 1976

MEMORANDUM FOR: Mr. John O. Marsh
FROM: James T. Lynn
SUBJECT: House Budget Resolution

Here is the paper that I have sent to the President on the House action on the Budget Resolution.

cc: Mr. Friedersdorf
Mr. Cannon





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

APR 30 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. Lynn *LS/L*

SUBJECT: House Action on First Concurrent Resolution on FY 1977 Budget

Last night, by a vote of 221 to 155, the House passed its version of the First Concurrent Resolution on the FY 1977 Budget.

Summary

	President (March 25)	House	Difference
	(in billions of dollars)		
Budget authority.....	431.2	454.1	22.9
Outlays.....	395.8	415.4	19.6
Receipts.....	351.3	363.0	11.7
Deficit(-).....	-44.6	-52.4	-7.8

Major program increases. The major program areas in which the House budget authority and outlays exceed yours are:

	Budget authority	Outlays
	(in billions of dollars)	
Energy programs.....	1.7	.6
EPA construction grants.....	1.9	.3
Natural resources.....	1.5	1.0
Mortgage market assistance.....	5.0	--
Postal Service.....	.3	.3
Railroads and mass transit.....	.5	.8
Community development.....	.6	.5
Education.....	2.3	1.6
Public service jobs.....	4.5	3.0
Health.....	1.2	2.7



	Budget authority (in billions of dollars)	Outlays (in billions of dollars)
Child nutrition.....	1.2	.6
Food stamps.....	1.0	1.1
Retirement and disability..... (*Inaction on tax proposal)	-4.4*	.7
Public assistance.....	.8	.8
Veterans:		
Inaction on reductions.....	.9	.9
Cost-of-living adjustment.....	1.2	1.2
Extension of GI bill.....	.6	.6
Job stimulus program.....	4.2	2.2
Start-up for Humphrey-Hawkins "Full Employment" bill and National Health insurance.....	.1	.1

Padded receipts estimates. About \$6 billion of the \$12 billion higher receipts estimates approved by the House is the net result of inaction on your tax legislation proposals. The remaining \$6 billion comes from padded estimates:

- \$2 billion from tax reform legislation that Senator Long told the Senate not to expect, and
- \$4 billion from optimistic guesses on tax collections.

Adjustments for estimating differences. When adjustments are made for estimating and other non-program factors, the difference between the House deficit and yours is much larger than shows on the surface:

	(billions)
President's latest estimate of the deficit.....	-\$44.6
Changes in outlays, excluding estimating differences.....	-17.6
Rejection of tax proposals.....	<u>+6.4</u>
Estimate of deficit, excluding estimating differences (affected by rounding).....	-\$55.6

Amounts added during Floor debate. Only two amendments were approved during the Floor debate, both to increase veterans' programs. A cost-of-living adjustment for veterans' compensation, pensions, and educational benefits added \$1.2 billion without opposition. An Edgar proposal to extend eligibility for the GI bill for an additional two years added \$610 million.

Crucial votes. The crucial Latta substitute to reduce receipts by \$10.9 billion, outlays by \$13.7 billion, and budget authority by \$23.5 billion was rejected by a vote of 230 to 145. The tallies on the Latta substitute and on the final vote were:

	<u>Latta substitute</u>		<u>Final vote</u>	
	<u>For</u>	<u>Against</u>	<u>For</u>	<u>Against</u>
Republicans.....	110	17	13	111
Democrats.....	35	213	208	44
Total.....	145	230	221	155



THE WHITE HOUSE
WASHINGTON

f
MAR 16 1976
Def. bill

March 16, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: BRENT SCOWCROFT
FROM: JAMES E. CONNOR *JEC*
SUBJECT: Telephone Call to Representative Bennett
Regarding the Navy FY 77 Shipbuilding
Program

The following notation was directed to you in the President's outbox in connection with your memorandum of March 14 on the above subject:

"Congressman Bennett wants us to endorse Committee's action which he says follows CNO's recommendations.

I said study underway and we would have results within two months or less.

He thought too late for FY 77. Reaction? Can we expedite?"

Please follow-up with appropriate action.

cc: Dick Cheney
Jim Lynn
Jack Marsh



THE WHITE HOUSE

WASHINGTON

ACTION

March 14, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: BRENT SCOWCROFT *BS*

SUBJECT: Telephone Call to Representative Bennett
Regarding the Navy FY 77 Shipbuilding
Program

PURPOSE:

Representative Charles Bennett wanted to see you as soon as possible about the Navy FY 77 shipbuilding program. A meeting could not be scheduled on Monday (March 15) because of your own commitments in the morning and Representative Bennett's need to be on the House floor in the afternoon. Instead of a meeting, Representative Bennett is expecting a telephone call from you sometime around noon on Monday.

BACKGROUND:

The House Armed Services Committee recently submitted to the House Budget Committee its estimate of the FY 77 Defense Authorization Bill. The Committee proposed a number of additions and deletions to your budget submission, which taken together would add a net \$1.1 billion to the FY 77 Defense budget. Most of the add-on items came in the Navy shipbuilding account.

The shipbuilding program you proposed in your FY 77 budget provided for the construction of 16 new ships:

- One Trident submarine
- Three Attack submarines
- One Conventionally-powered ship equipped with the AEGIS air defense missile system (plus long lead funds for a nuclear AEGIS ship)
- Eight Guided Missile Patrol Frigates
- Three Support ships





The House Armed Services Committee budget estimate deleted funds for the Patrol Frigates and the conventionally powered AEGIS ship. It then added funds for a second Trident submarine, initial funding for three nuclear powered AEGIS ships (two new "strike cruisers" and conversion of the LONG BEACH to the AEGIS system), funds for three more support ships, and funding for an undetermined number of DD-963 destroyers. The Committee also included long lead funds for a new Nimitz-class aircraft carrier. In your budget review, you had decided to defer this initial funding for a new carrier until FY 78.

Representative Bennett is largely responsible for the Armed Services Committee's expansion of the shipbuilding program, and he will be seeking your support. While reaffirming your commitment to a strong Navy, you will probably want to defer commenting on the Armed Services action until completion of the study of naval shipbuilding requirements that is currently underway within the NSC system.

In addition to a general discussion of the overall shipbuilding program, Representative Bennett will probably raise the Committee's decision to favor nuclear propulsion for the ships that will carry the AEGIS air defense missile system. In your review of this issue last fall you decided upon a mixed fleet of both nuclear and conventionally powered ships, and so informed the Congress as required by Title VIII of the Defense Authorization Bill. In your Title VIII submission you compared this mixed approach to an all-nuclear alternative and concluded that between now and 1981 we could build ten ships under the mixed approach (eight conventional and two nuclear) and only seven under the all-nuclear alternative. In addition, the mixed fleet would still cost \$1.7 less.

The Defense Department has since discovered an error in this \$1.7 billion figure. The cost of the all-nuclear alternative mistakenly included long-lead funds for follow-on ships. When these funds are removed, the nuclear alternative is still more costly than the mixed approach but by \$1.1 billion rather than \$1.7 billion. Representative Bennett is aware of this mistake and will probably try to use it to persuade you to shift your support to an all-nuclear AEGIS program. OMB Director Lynn is still in favor of the mixed-propulsion AEGIS program but he is reviewing the relevant cost figures. Your talking points suggest that you defer getting into the details of this issue with Representative Bennett until the OMB review is completed.

TALKING POINTS

1. I want to assure you that I share your firm conviction that the United States Navy should continue to be second to none among the fleets of the

world. It is for this reason that I included a substantial shipbuilding program in my FY 77 budget.

2. To insure that this program is adequate, a study is now underway to take an in-depth look at our overall shipbuilding requirements. If this study indicates a need for an expanded program, I will not hesitate to seek the required funds from the Congress.
3. I am aware of the discrepancies in the cost information that was included in the Title VIII notification of my decision to build a mixed fleet of both conventionally and nuclear-powered AEGIS ships. OMB Director Lynn is looking into the matter and will be reporting to me on it shortly.
4. Striking the proper balance between nuclear and conventional propulsion is difficult, especially since our nuclear shipbuilding capacity is already seriously overtaxed.
5. I appreciate your support for my overall defense budget and your help in defending that budget against unwise reductions.





THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

24 MAY 1976

Honorable John C. Stennis
Chairman, Committee on Armed Services
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman,

It is my understanding that Senators Kennedy and Cranston have distributed a "Dear Colleague" letter outlining their views on the President's Budget Amendment for Fiscal Year 1977 concerning the Minuteman III/Mark 12-A production programs. I am concerned that the letter does not develop the full context within which the President's decision to propose continued production was made, and as such it may mislead your colleagues.

First, I would like to set out the basic facts:

- o The Budget Amendment Request is for \$322.4M (\$266.1M for MMIII; \$56.3M for MK-12A).
- o A review of Soviet strategic programs and the pace of the SALT negotiations led the President to conclude that we should plan to keep the MMIII production line open, and to make a final decision in the fall on whether or not to do so.
- o Therefore the Budget Amendment Request asks for authority for continued MMIII production, while holding open the final commitment to production.
- o If the decision to continue production is made late this year, the funds would buy 60 MMIII missiles, provide additional missile storage facilities, and accelerate MK-12A procurement into FY 77.
- o A decision as to whether this authority will be used will depend on:
 - oo The progress of SALT II negotiations, and on
 - oo Assessment of the Soviet SLBM/ICBM program.

In addition, I would like to respond to certain major points within the Senators' "Dear Colleague" letter:



1. The three points attributed to Secretary Rumsfeld's Posture Statement are verbatim from this year's "Annual Defense Department Report - FY 1977," published four months ago. However, to put those remarks in perspective, three additional points must be remembered:

First, in the same Defense Report the Secretary also said, "Depending on the outcome of SALT II negotiations and our continuing assessment of Soviet ICBM programs, it may be necessary to make further short-term improvements in the U.S. ICBM posture by requesting supplemental funding to continue Minuteman III production." This is precisely what has been recommended in this Budget Amendment Request.

Second, the Vladivostok understanding is, so far, only an understanding. It is not yet a final agreement. It seems prudent, in today's circumstances, not to foreclose options concerning our 1980s force structure until we are closer to a final SALT agreement and have greater certainty about Soviet strategic deployment plans. We should also keep in mind that the Soviets have several active ICBM production lines, and MMIII is our only production line.

Third, whether or not the additional missiles, if produced, would add significantly to the U.S. military capability depends on whether or not they would be deployed; and this in turn depends primarily on the results of the SALT negotiations.

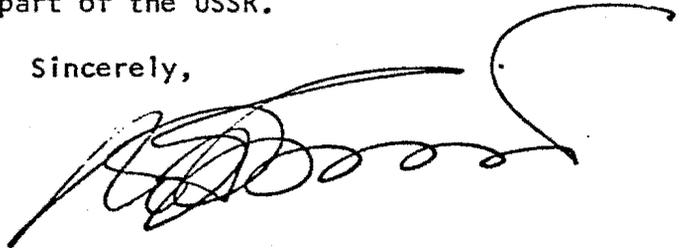
2. The USSR is continuing its large-scale modernization program for their strategic forces, with four advanced ICBMs and two new SLBM programs underway. Keeping open the option for additional MMIII production will help in signalling to the USSR the determination of the United States to maintain strategic equivalence.
3. Continued production of certain MMIII component systems, especially the guidance system, would help to protect against failure, and perhaps also to lower the costs of comparable systems in the Advanced ICBM (M-X) program. The MMIII guidance system is the most accurate, reliable, proven guidance system available today.
4. As for the 1972 and subsequent year comments of General Glasser, Secretary Richardson and General Evans, the facts are plain. The MMIII has been a program we had hoped not to have to continue. That is still our hope. That is why the President did not include it in his original budget request. But it is also a program which is important to our strategic defense posture, one that is under



constant scrutiny; and given the present Soviet attitudes and the momentum of their programs, the President believes that the country should keep open the option for further production.

5. The Defense Department is not requesting funds to produce missiles "to be tested a dozen years from now." The DoD is asking for authority to protect the option of producing 60 additional MMIIIs which could be used, depending upon the outcome of SALT negotiations, for deployment, testing or upgrading of MMII.
6. The MK-12A is not an unrelated "piggy-back" on the MMIII Budget Amendment Request. The MK-12A would be needed for the additional MMIII missiles, since the earlier MK-12 warhead now installed on existing MMIII missiles is out of production. The MK-12A is also a potential warhead for the M-X and Trident II missiles.
7. The MK-12A is an improved warhead but in no sense does it give the United States a disarming "first strike" capability.
 - o The MK-12A is a superior warhead against all types of nuclear targets (sub pens, weapons storage areas, missile silos, for example).
 - o Coupled with guidance improvements, the increase in capability helps to counter a Soviet force of larger size, and one which is being hardened to more effectively withstand attack.
 - o The Soviets are not made vulnerable to a disarming first strike by the MK-12A. Both the U.S. and the USSR will continue to have an assured second strike capability. Thus MK-12A production would not be an incentive for a "hair trigger, launch-on-warning" strategy on the part of the USSR.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

SENATE FLOOR AMENDMENTS TO MILITARY PROCUREMENT BILL

<u>Sponsor</u>	<u>Amendment</u>	<u>\$ Change in SASC Bill</u>	<u>Impact</u>	<u>Tab</u>
McGovern	Delete B-1 production funds (Rejected)	-\$1,050M	End B-1 program	1
Culver	Delay B-1 production funds until 1 Feb 77 or later (Passed)		Delay program; increase costs	2
Taft	President can procure B-1 if he determines that it will improve chances of SALT agreement		Overturn Culver Amendment	
Dole	Increase USNR strength to 102,000 (Rejected)		Additional cost	3
Dole	Increase USNR strength to 92,000; active Navy by 904, Navy civilians by 181		Added cost, questionable gains	3
Bartlett	Increase USMC active strength to 196,000 from 190,000		Meets President's request	22
Abourezk	Feed and Forage Law (Passed)		Cannot obligate funds until appropriated	4
Fong	Study computation of civilian end strength in industrially funded activities (Passed)			6
Fong	Excludes civilians in industrially funded activities from end strength computation (probably will not be offered)		Increase number of civilians	5



<u>Sponsor</u>	<u>Amendment</u>	<u>\$ Change in SASC Bill</u>	<u>Impact</u>	<u>Tab</u>
Kennedy, Cranston	Delete MMIII/MK-12A production	- \$317M	Shut down production line	7
Kennedy, Cranston	Delete funds for MK-12A (Back up amendment in case previous one fails)	- \$ 56M	Lower megatonnage for new missiles	7
Kennedy, Cranston	Delete funds for Minuteman III (back up amendment in case initial one fails)	- \$261M	Closes production line; stops production of useful guidance systems	7
Eagleton	Tie AWACS procurement to NATO commitment		Break-in production of US required aircraft	8
McGovern	No development funds for Long Range Cruise Missile until President certifies USSR probably will not agree to ban them		Cruise missiles will be paper systems in SALT talks and less credible	9
Griffin	Authorize more funds for SCLM	+ \$ 78M	Brings up to President's request	
Hart	Delete 27 A-70's	+ \$120M	Helps meet Budget target	10
Thurmond	Restrict A-10 production to 7 per month during CY 1978 unless aircraft meets certain performance standards		Delay introduction of aircraft	
Bartlett	Continue USMC PLC through FY 1977 (Passed)			23
Hathaway, Muskie	Restore NROTC to Maine and New York Maritime Academies (Passed)			



<u>Sponsor</u>	<u>Amendment</u>	<u>\$ Change In SASC Bill</u>	<u>Impact</u>	<u>Tab</u>
Glenn	Study use of more civilian instructors at professional military schools and academies			
Glenn	Study Base Operating Support Costs			
Hathaway, Muskie	Bars procurement of tank machine gun until Comptroller General decision		Tries to get machine gun procurement for US companies	
Hathaway, Muskie	Bars procurement of tank machine gun until civil action settled		Tries to get machine gun procurement for US companies	
Hathaway, Muskie	Six amendments affecting NATO Standardization <ol style="list-style-type: none"> 1. Eliminate sections 802, 803 requiring standardization 2. Deletes SecDef authority to determine that purchase of US made NATO equipment not in public interest 3. 30-day notification to Congress before buying more expensive non-US equipment 4. Same as 3 but applies only if cost exceeds 25% of cost of US item 5. Redefines term "inter-operable equipment" 6. Eliminates goal of maximum standardization 		Reduced foreign procurement; upset procurement relations with NATO	



<u>Sponsor</u>	<u>Amendment</u>	<u>\$ Change in SASC Bill</u>	<u>Impact</u>	<u>Tab</u>
Hathaway	SecDef cannot choose technically superior weapons if US equipment available at same or lower cost			19
Kennedy	Maintain Services at Armed Forces Institute of Pathology			

Absentees Estimated for Wednesday 5/26

- Baker	
- Brock	Wagna Carta
Brooke	
Chum	
- Fong	
Gravel	On travel
- Hansen	
Jarvis	
Mansfield	Wagna Carta
- M'Lee	
M'Govern	Wagna Carta
Mondale	
- Montoya	
- Morgan	Wagna Carta
- Parkwood	Wagna Carta
Pastore	
Pearson	Wagna Carta
- Scott, H	Wagna Carta
Tunney	



August 27, 1976

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T H E F R I D A Y R E P O R T

STATUS OF CONGRESSIONAL ACTION ON ADMINISTRATION PROPOSALS
FOR APPROPRIATIONS

Status of Appropriations Bills, Fiscal Year 1977..... page 1
Status of Rescissions Bills, Fiscal Year 1976..... page 4
Status of Impoundment Resolutions, Fiscal Year 1976.... page 5

This report reflects the following new Congressional action:

- ° President signed Transportation (P.L. 94-387).
- ° House passed:
 - District of Columbia (H.R. 15193)
 - Public Works Employment (H.R. 15194)
- ° Senate reported:
 - District of Columbia (H.R. 15193)
 - Public Works Employment (H.R. 15194)



STATUS OF 1977 APPROPRIATION BILLS (In millions of dollars)

(See Footnotes Attached)

In each block, top number shows Congressional action; bottom number shows request considered.

	HOUSE COMMITTEE	HOUSE FLOOR	SENATE COMMITTEE	SENATE FLOOR	REPORT OF CONFEREES	FINAL ACTION
AGRICULTURE (H.R. 14237)	11,703 11,465 ¹	11,703 11,465	12,180 11,465	12,181 11,465	11,543 11,465	11,543 P.L.94-351 11,465 7/12/76
DEFENSE (H.R. 14262)	105,947 106,762 ¹	105,397 106,650 ²	104,007 107,824 ³	104,013 107,824		X
DISTRICT OF COLUMBIA (H.R.15193) (Federal funds)	373 397	373 397	364 397			X
FOREIGN ASSISTANCE (H.R. 14260)	4,946 5,497 ¹	4,946 5,497	5,353 5,818 ²			X
HUD-INDEPENDENT OFFICES (H.R. 14233)	42,994 45,292 ¹	42,983 45,292	43,332 45,306 ²	43,336 45,306	43,285 45,306	43,285 P.L.94-378 45,306 8/9/76
INTERIOR (H.R. 14231)	5,589 5,641 ¹	5,681 5,641	5,998 5,768 ²	5,998 5,768	5,814 5,712 ³	5,814 P.L.94-373 5,712 7/31/76
LABOR-HEW (H.R. 14232) 1/	55,868 52,367 ²	55,969 52,367	56,873 52,446 ³	56,888 52,446	56,381 52,446	X
LEGISLATIVE BRANCH (H.R. 14238)	780 794 ¹					X
MILITARY CONSTRUCTION (H.R. 14235)	3,293 3,467	3,293 3,467	3,427 3,467	3,427 3,467	3,339 3,467	3,339 P.L.94-367 3,467 7/16/76
PUBLIC WORKS-ERDA (H.R. 14236) 3/	9,367 ¹ 9,035 ¹	9,661 9,035	9,510 9,214 ²	9,532 9,214	9,519 9,123 ⁴	9,519 P.L.94-355 9,123 7/12/76
STATE-JUSTICE-COMMERCE (H.R. 14239)	6,383 6,237 ¹	6,541 6,237	6,879 6,253 ²	6,880 6,253	6,680 6,253	6,680 P.L.94-362 6,253 7/14/76
TRANSPORTATION (H.R. 14234) 1/	5,271 5,082 ²	5,281 5,082	5,350 5,158 ³	5,396 5,158	5,296 5,253 ⁴	5,296 P.L.94-387 5,253 PP 8/14/76
TREASURY-POSTAL SERVICE-GENERAL GOV'T (H.R.14261)	8,275 7,983 ¹	8,290 7,983	8,301 8,005 ²	8,301 8,005	8,313 8,005	8,313 P.L.94-363 8,005 7/14/76
PUBLIC WORKS EMPLOYMENT (H.R. 15194)	3,452 0	3,452 0	3,952 0			X



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HEW



Agriculture

1/ Includes \$16.4 million transmitted in H.Doc. 94-462.

Defense

1/ Includes \$317 million transmitted in H.Doc. 94-472 and -\$221.3 million in H.Doc. 94-476.

2/ Includes proposed for later transmittal item of -\$111.7 million.

3/ Includes \$1,174 million transmitted in S.Doc. 94-186.

Foreign Assistance, 1977

1/ Includes \$.4 million transmitted in H.Doc. 94-163 and \$1 million in H.Doc. 94-477.

2/ Includes \$23.3 million transmitted in S.Doc. 94-190, \$81.5 million S.Doc. 94-212, \$55.8 million in S.Doc. 94-219 and, \$160.0 million in S.Doc. 94-220.

HUD

1/ Includes \$268.3 million transmitted in S.Doc. 94-199.

2/ Includes \$11.3 million transmitted in S.Doc. 94-197 and \$3.3 million in S.Doc. 94-210.

Interior

1/ Includes \$.9 million transmitted in H.Doc. 94-397, \$12.7 million in H.Doc. 94-445, \$421.4 million in H.Doc. 94-475, and \$1,070.8 million in H.Doc. 94-476.

Excludes \$26.4 million deferred for lack of authorizing legislation.

2/ Includes \$2.8 million transmitted in S.Doc. 94-198, \$2.9 million in S.Doc. 94-209, \$23.3 million in S.Doc. 94-213, \$37.0 million in S.Doc. 94-215, \$11.5 million in S.Doc. 94-222, and \$23.4 million in S.Doc. 94-224.

3/ Excludes \$36.5 million deferred for lack of authorizing legislation.

Labor-HEW

1/ Includes only 1977 amounts.

2/ Includes \$1.8 million transmitted in H.Doc. 94-437, \$4.1 million in H.Doc. 94-452, and \$61.7 million in H.Doc. 94-474.

Excludes \$2,293.4 million deferred for lack of authorizing legislation.

3/ Excludes \$2,214.1 million deferred for lack of authorizing legislation.

Legislative Branch

1/ Includes \$.3 million transmitted in H.Doc. 94-369, \$3.9 million in H.Doc. 94-400, \$.05 million in H.Doc. 94-412, \$2.6 million in H.Doc. 94-438, \$.02 million in H.Doc. 94-473, \$4.5 million in H.Doc. 94-504, and \$1.2 million in S.Doc. 94-188.

Excludes a \$15.5 million request of the Government Printing Office as well as requests for the Senate.

Public Works-ERDA

1/ Includes -\$4.8 million transmitted in H.Doc 94-478.

Excludes \$185 million in appropriations to liquidate contract authorizations.

2/ Includes \$178.8 million transmitted in S.Doc. 94-208.

3/ Excludes a \$200 million transition quarter appropriation transmitted in H.Doc. 94-523 and provided in this bill.

4/ Includes the effect of a -\$90.8 million legislative proposal considered in this bill.

State-Justice-Commerce

1/ Includes \$.4 million transmitted in H.Doc. 94-396, \$.9 million in H. Doc. 94-417. \$.9 million in H.Doc. 94-423, and \$.2 million in H.Doc. 94-441.

Excludes \$60.3 million in informally transmitted requests.

2/ Includes \$1 million in H.Doc. 94-463, \$5.5 million in H.Doc. 94-475, \$.9 million in S.Doc. 94-192, \$7.8 million in S.Doc. 94-204, \$.5 million in S.Doc. 94-214, and \$.4 million in S.Doc. 94-

Transportation

1/ Includes only 1977 amounts.

2/ Includes \$1.4 million transmitted in H.Doc. 94-451, \$102.3 million in H.Doc. 94-471, and \$400 million in S.Doc. 94-196.

3/ Includes \$70 million transmitted in S.Doc. 94-203 and \$6 million in S.Doc. 94-206.

4/ Includes \$95.6 million transmitted in S.Doc. 94-240.

Treasury-Postal Service

1/ Includes \$4.4 million transmitted in H.Doc. 94-460.

2/ Includes \$.4 million transmitted in S.Doc. 94-195, \$20 million in S.Doc. 94-211, and \$1.3 million in S.Doc. 94-218.

Excludes \$70 million transmitted in S.Doc. 94-203 and not considered by the Senate.



STATUS OF RESCISSION BILLS-FISCAL YEAR 1976
AND THE TRANSITION QUARTER
(In thousands of dollars)

Rescission Bill #	House Committee	House Floor	Senate Committee	Senate Floor	Report of Conferees	Final Action
H.R. 9600 (1st and 2nd Special Session)	47,500 -213,800	47,500 -213,800	47,500 -213,800	47,500 -213,800	47,500 -213,800	47,500 PL 94-11 213,800 10/13/76
H.R. 11174 (7th + 8th Special Mess.)	99,587 -2,127,682					
H.R. 11665 (9th + 10th Special Mess.)	5,431 -985,144	12,431 -985,144	15,831 -955,144	75,831 -985,144		75,831 PL 94-249 985,144 3/25/76

✓ House agreed to Senate amendments on March 11, 1976.



STATUS OF IMPOUNDMENT RESOLUTIONS*
FOR FISCAL YEAR 1976
AND THE TRANSITION QUARTER

Impoundment Resolution	Dollars in millions	Reported to House	Passed House	Reported to Senate	Passed Senate	Remarks
S. Res. 205 YOUTH CASELATHIC CORPS USPH	10.0			7/10/75	7/10/75	CONGRESSIONAL ACTION ON GAO REPORT OF DECEMBER - NOT YET TRANSMITTED IN S.D.
S. Res. 267 Emergency Energy Cons.	16.5			9/30/75	10/3/75	D76-48 This is in Community Services Admin
S. Res. 226 Interior - Bureau of Reclamation	1.0			12/4/75	12/4/75	D76-13 Construction & Rehabilitation
S. Res. 313 Agricultural Research Service	7.6			12/4/75	12/4/75	D76-68 Construction
S. Res. 324 Animal & Plant Health Inspection Service	6.3			12/10/75	12/10/75	D76-69 Construction - Fleming Key Animal Import Center
H. Res. 910 Agricultural Research Service	7.6	12/16/75	12/19/75			D76-68 Construction
H. Res. 911 Animal and Plant Health Inspection Service	6.3	12/16/75	12/19/75			D76-69 Construction
H. Res. 912 Agricultural Stabilization & Conservation Service	90.0	12/16/75	12/19/75			D76-70 Agriculture Conservation Program
H. Res. 914 Farmington Home Administration	50.0	12/16/75	12/19/75			D76-72 Rural water/wastewater
H. Res. 915 Soil Conservation Service	22.5	12/16/75	12/19/75			D76-73 Watershed and flood prevention
H. Res. 916 Soil Conservation Service	5.0	12/16/75	12/19/75			D76-74 Resource conservation & development
H. Res. 920 EPA - Research & Development	2.0	12/16/75	12/19/75			D76-79 Air research
H. Res. 921 EPA - Research & Development	4.6	12/16/75	12/19/75			D76-80 Water research
H. Res. 922 EPA - Administration & Control	3.8	12/16/75	12/19/75			D76-81 Air control agency grants
H. Res. 923 EPA - Administration & Control	10.0	12/16/75	12/19/75			D76-82 Water quality control agency grants
H. Res. 924 EPA - Administration & Control	15.0	12/16/75	12/19/75			D76-83 Clean lakes grants

* These items require action by only one house to become effective.

STATUS OF IMPOUNDMENT RESOLUTIONS*
 FOR FISCAL YEAR 1976
 AND THE TRANSITION QUARTER

Impoundment Resolution	Dollars in millions	Reported to House	Passed House	Reported to Senate	Passed Senate	Remarks
H.Res.1058 LEAA Salaries & Expenses	15.0	3/1/76	3/4/76			D76-98 Juvenile Justice program
S.Res. 366 HEW, Health Services Admin.	14.9			3/4/76	3/9/76	D76-39, Indian Health D76-97 Facilities
S.Res. 385 Agriculture, Forest Service	23.7			3/4/76	3/9/76	Youth Conservation Corps D76-101,
S.Res. 386 Interior, Bureau of Indian Affairs	10.9			3/4/76	3/9/76	D76-103, BIA Construction
H.Res.1129 Agriculture, Food & Nutrition Service	61.0	4/9/76	4/12/76			D76-105 Special Supplemental Food (WIC) program
H.Res.1032 Agriculture, Soil Conservation Service	18.0	4/9/76	4/12/76			D76-95 Watershed and flood prevention operations
S.Res. 408 Corps of Engineers	0.7			4/8/76	4/14/76	D76-96 Revolving fund- Design of three dredges
H.Res. 1428 Interior, Bureau of Mines	0.7	8/10/76	8/24/76			D76-110 Salt Lake City Metallurgy Research Center



* These items require action by only one House to become effective.

THE WHITE HOUSE
WASHINGTON

Date

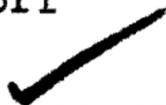
9-1-76

TO:

Jack Marsh

FROM: Max L. Friedersdorf

For Your Information



Please Handle

Please See Me

Comments, Please

Other



BUDGET REPORT

STATUS OF 1977 APPROPRIATION BILLS (In millions of dollars) (See Footnotes Attached)

In each block, top number shows Congressional action; bottom number shows request considered.

	HOUSE COMMITTEE	HOUSE FLOOR	SENATE COMMITTEE	SENATE FLOOR	REPORT OF CONFEREES	FINAL ACTION
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DEFENSE (H.R. 14262)	105,947 106,762 ¹	105,397 106,650 ²	104,007 107,824 ³	104,013 107,824		
DISTRICT OF COLUMBIA (H.R. 15193) (Federal funds)	373 397	373 397	364 397			
FOREIGN ASSISTANCE (H.R. 14260)	4,946 5,497 ¹	4,946 5,497	5,353 5,818 ²			
HUD-INDEPENDENT OFFICES (H.R. 14233)	42,994 45,292 ¹	42,983 45,292	43,332 45,306 ²	43,336 45,306	43,285 45,306	43,285 P.L. 94-378 45,306 8/9/76
INTERIOR (H.R. 14231)	5,589 5,641 ¹	5,681 5,641	5,998 5,768 ²	5,998 5,768	5,814 5,712 ³	5,814 P.L. 94-373 5,712 7/31/76
LABOR-HEW (H.R. 14232) 1/	55,868 52,367 ²	55,969 52,367	56,873 52,446 ³	56,888 52,446	56,381 52,446	
LEGISLATIVE BRANCH (H.R. 14238)	780 794 ¹					
MILITARY CONSTRUCTION (H.R. 14235)	3,293 3,467	3,293 3,467	3,427 3,467	3,427 3,467	3,339 3,467	3,339 P.L. 94-367 3,467 7/16/76
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TREASURY-POSTAL SERVICE- GENERAL GOV'T (H.R. 14261)	8,275 7,983 ¹	8,290 7,983	8,301 8,005 ²	8,301 8,005	8,313 8,005	8,313 P.L. 94-363 8,005 7/14/76
PUBLIC WORKS EMPLOYMENT (H.R. 15194)	3,452 0	3,452 0	3,952 0			

August 27, 1976

U.S. SENATE REPUBLICAN POLICY COMMITTEE
John Tower, Chairman





Agriculture

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