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THE WHITE HOUSE
WASHINGTON

NOV 21 1974

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: Message on Budget Cuts

I. BACKGROUND

At our meeting November 15, we discussed the proposal of including with your Message on budget cuts a further list of reductions that, while not recommended, would permit 1975 outlays to be reduced to \$300 billion. At your request, we gave you on November 16, two alternative lists:

- reduction items that you previously decided not to recommend; and
- a shorter alternative that avoids many of the undesirable items in the first list.

You approved the shorter alternative.

We also indicated that we would send you alternative draft Messages to deal with problems discussed at the November 15 meeting. These Messages are attached.

II. OPTIONS

Tab A is a draft Message that is consistent with the submission of the additional cut list indicated above. It would not endorse the additional cuts, but would place them before the Congress as one means of reaching \$300 billion. Tab B is the list of additional cuts you approved earlier.



Tab C is a draft indicating that we have reached the \$300 billion level, if increases for programs to help the unemployed are excluded.

Tab D is a draft Message that makes the best case possible for a \$302.5 billion level, without one of the rationales used in the first two options.

III. RECOMMENDATION

In the process of writing these Message drafts, it seemed to me that either the Tab C or Tab D option deserves your further consideration. For I see use of the "not recommended" listing as a signal to many constituencies that you view them to be at the margin -- they're next. While you would not actually be recommending that their programs be cut, this is likely to gain little credit from them -- more likely the opposite. It could stimulate pressures limiting your ability to deal with these programs at a later date.

IV. DECISION

1. Tab A, transmitting a second listing of cuts not recommended (Tab B) that would get the budget total to the \$300 billion level
2. Tab C, explaining that we have reached \$300 billion but that unemployment programs have added amounts above that level
3. Tab D, which uses neither of the rationales above

Attachments

cc: DO Records
Director's Chron
Director
Mr. O'Neill
Mr. Ebner
Mr. Laitin (2)
Mr. McOmber
Mr. Modlin
Mr. Mathiasen
Ms. Walker

BRD:FAB:DGMathiasen:rf 11/19/74
Rewritten: DO:RLash:lh 11/20/74

NOTE

Tab A includes two paragraphs that do not appear in the other Messages, as marked on pages 3 and 5. As a result, the ending is somewhat different.

Tab C contains one paragraph that does not appear in the other Messages, as marked on page 2, and the sequence of ideas is different from the other Messages on page 2.

Tab D is identical to Tab A except for the excluded paragraphs indicated above, and the use of the same ending as Tab C.

THE WHITE HOUSE
WASHINGTON



Tab A

DRAFT MESSAGE

TO THE CONGRESS OF THE UNITED STATES:

Last month, I sent a 31-point economic program to the Congress. The program that I submitted was a balanced one. It was designed to help control inflation and, at the same time, to help those ~~who are~~ ^{hit} hardest by inflation and by the slack that has developed in some sectors of the economy.

Responsible restraint of government spending is an integral part of my economic program. Thus, I am grateful that both the House and the Senate ^{also} ~~have clearly~~ ^{agreed} with the necessity to reduce government ~~expenditures~~ ^{spending}.

In my October 8 Message to the Congress, I pledged to ^{forward} ~~transmit~~ a package of proposed actions to reduce the 1975 budget. ^{at the same time,} ~~therefore~~ I ~~therefore~~ asked the heads of Federal agencies to undertake a thorough review of 1975 expenditures. Today, I ^{am reporting} ~~want to report~~ on the results of this review and present my specific recommendations for reducing Federal outlays.

First, let me point out what is happening to the budget. When the current fiscal year began last July 1, budget outlays for the year were estimated ^{at} ~~to be~~ \$305.4 billion. Recent developments in the economy have ^{added} ~~been added~~ to our expected expenditures. Specifically, increased aid to the jobless -- including the additional programs I

proposed last month -- has added \$2.7 billion to the budget. This increase is not only unavoidable, it is necessary ~~to~~ ^{to ease} a means of easing the burden on those ~~who are~~ most affected by current economic stress.

Interest rates are also up, so that interest on the public debt is now expected to be \$1.5 billion more than ~~the estimate last June.~~ ^{last June's estimate.} Veterans benefits ^{also} will ~~also~~ be higher.

However, estimated spending for the Defense Department's military programs has decreased by \$2.2 billion, largely as a result of Congressional action. Spending by the Environmental Protection Agency and the Department of Health, Education, and Welfare is also running below previous estimates.

Taking these developments into account, my present recommendations for \$4.6 billion of budget reductions will result in a budget total of \$302.2 billion. Although this exceeds the \$300 billion target I had set, you will note that it does so by less than the \$2.7 billion of very necessary increases in aid to the jobless.

The fiscal year 1975 budget actions by the Executive and the Congress since July 1, including those ~~heretofore~~ ^{here,} proposed, can be summarized and compared to last year's actual expenditures as follows:

(fiscal years; dollar amounts in billions)

	<u>Defense</u>	<u>Interest on the public debt</u>	<u>Payments to individuals and grants¹</u>	<u>Other government</u>	<u>Total</u>
Actual 1974 expenditures.....	\$ 78.4	\$29.3	\$ 139.5	\$ 21.2	\$ 268.4
1975 Budget (July 1 estimate)...	85.8	31.5	166.0	22.1	305.4
Changes (including those proposed).....	-2.6	+1.5	-1.4	.7	-3.2
Presently proposed levels for 1975.....	83.2	33.0	164.6	21.4	302.2
<hr/>					
1975: Percent change since July 1.....	-3%	+5%	-1%	-3%	-1%
1975: Percent change over 1974.....	+6%	+13%	+18%	+1%	+13%

¹ Nondefense.

Appears only
in Tab A.

With this Message I am also identifying possible further reductions amounting to over \$2.5 billion that the Congress may wish to consider, but which I cannot recommend. These additional reductions would bring budget spending to below \$300 billion.

The 1975 outlay estimates can be affected significantly by variations in income from oil lease sales on the Outer Continental Shelf. This income is treated in the budget as an offset to spending.

If the current schedule for lease sales is not met -- for environmental or other reasons -- or if the bids turn out to be significantly less than anticipated, outlays could increase further -- by \$3 billion or more.

The reductions I am ~~proposing~~ ^{proposing} to the Congress will require a number of changes in basic legislation and in pending appropriations. I am also transmitting proposed rescissions and deferrals, as required by the Congressional Budget and Impoundment Control Act, to ~~achieve reductions in~~ ^{reduce} programs for which funds have already been appropriated. The rescissions would result in decreased outlays of \$_____ million in 1975 and \$_____ million in 1976. Deferrals would reduce 1975 outlays by \$_____ million and 1976 outlays by \$_____ million.

The reductions I am ~~proposing~~ ^{proposing} focus on programs that have grown rapidly in recent years or that have been increased substantially over ~~the~~ budget proposals. In most cases, the level of 1975 outlays will be materially above actual spending last year. Even after the proposed cutbacks, Federal benefit payments to individuals and grants to State and local governments are estimated to reach \$164.6 billion, \$1.4 billion below the June estimate, but \$25 billion, or 18%, above actual spending last year.

While I am recommending further cuts in defense spending, I have ~~taken into account~~ ^{accounted for} the substantial reductions already made by the Congress. My current recommendation for defense spending is \$83.2 billion, \$2.6 billion below the June estimate. I believe that further cuts in defense spending would be unwise.

In determining which budget programs should be reduced, I have tried to ~~take actions to~~ eliminate the less essential and to overcome inequities. I have tried to avoid ~~these~~ actions that would add to unemployment or adversely affect those ~~who have been~~ hurt most by inflation.

Appears only in Tab A.

The additional \$2.5 billion in program reductions necessary to reduce outlays below \$300 billion would require action that many ~~will~~ ^{may} consider unrealistic or undesirable. ~~It is~~ ^F for this reason, ~~that~~ I am not recommending ~~these~~ ^{those} actions. But if the Congress wishes to reduce outlays further, I urge it to analyze the ~~list of~~ additional reductions I have identified. I will be ~~glad to~~ ^{gladly} cooperate with the Congress if it wishes to make further budget cuts.

I hope that the Congress and the Executive can work together rapidly and effectively toward the important goal of budget restraint.

THE WHITE HOUSE,

November , 1974.



Further Budget Cuts Not Recommended
(Outlays in millions)

	<u>1975 reduction</u>	<u>Effect on 1976</u>
Public works programs -- Defer new construction starts and land acquisition, slow project schedules and stop marginal projects:		
Corps of Engineers	112	250
Bureau of Reclamation	20	84
Transportation -- Defer 22% of Federal aid highway program	50	300
Environmental Protection Agency -- Rescind funds to reimburse municipalities for sewage facility construction build without any grant agreement or other Federal commitment to share the costs	100	---
HEW -- Rescind \$415 million for Title I of the Elementary and Secondary Education program ..	155	189
-- Decrease Vocational Rehabilitation matching rate for State grants from 80% to 75%	75	80
HUD -- Postpone start-up of the new community development program for six months to July 1, 1975	150	300
-- Withhold Model Cities funds carried over from 1974 and rely on 1975 funds and community development block grants	50	---
HUD and SBA -- Sell loan assets.....	400	---
Justice -- Defer \$241 million of LEAA grants	44	160

	<u>1975 reduction</u>	<u>Effect on 1976</u>
Labor -- Rescind increase over budget for Comprehensive Manpower Assistance	175	42
-- Enact legislation to termi- nate the Work Incentive program	125	320
Treasury -- Allocate General Revenue Sharing payments over an additional four quarters	888	1,905
VA -- Enact legislation to defer dividends under veterans life in- surance programs effective January 1, 1975	160	344
All agencies -- Freeze grade promo- tions for federal and military personnel for 90 days	<u>40</u>	<u>---</u>
Totals	2,544	3,974

DRAFT MESSAGE

TO THE CONGRESS OF THE UNITED STATES:

Last month I sent a 31-point economic program to the Congress. ^{That}
~~The~~ program ~~that I submitted~~ was a balanced one. It was designed to help control inflation and, at the same time, to help those persons ~~who are~~ ^{hit} hardest by inflation and by the slack that has developed in some sectors of the economy.

Responsible restraint of government spending is an integral part of my economic program. Thus, I am grateful that both the House and the Senate ~~have~~ ^{also} clearly indicated agreement with the necessity to reduce government ~~expenditures~~ ^{spending}.

In my October 8 Message to the Congress, I pledged to ~~present~~ ^{forward} a package of proposed actions to reduce the 1975 budget. I therefore asked the heads of the Federal agencies to undertake a thorough review of 1975 expenditures. Today I ~~want to report~~ ^{am reporting} on the results of this review and present my specific recommendations for reducing Federal outlays.

First, let me point out what is happening to the budget. When the current fiscal year began last July 1, budget outlays for the year were estimated ~~to be~~ ^{at} \$305.4 billion. Recent developments in the economy have ~~been adding~~ ^{added} to our expected expenditures.

However, estimated spending for the Defense Department's military programs has decreased by \$2.2 billion, largely as a result of congressional action. Spending by the Environmental Protection Agency and the Department of Health, Education, and Welfare is also running below previous estimates.

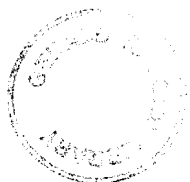
Interest rates are up, so that interest on the public debt is now expected to be \$1.5 billion more than the estimate last June. Veterans benefits will also be higher.

However, the most significant change is the increased aid to the jobless -- including the additional programs I proposed last month -- that ~~has~~ added \$2.7 billion to the budget. This increase is not only avoidable, it is necessary as a means of easing the burden on those who are most affected by current economic stress.

Taking these developments into account, my present recommendations for \$4.6 billion of budget reductions will result in a budget total of \$299.5 billion before considering \$2.7 billion increased spending for aid to the unemployed. They represent a major effort at budgetary restraint. It would be unwise, in my view, to add ~~an~~ additional dollar ~~of~~ reductions for each dollar of increased aid to the unemployed.

Appears
only in
Tab B.

The changes outlined above are summarized and compared to last year's actual expenditures in the following table.



(fiscal years; dollar amounts in billions)

	<u>Defense</u>	<u>Interest on the public debt</u>	<u>Payments to individuals and grants¹</u>	<u>Other government</u>	<u>Total</u>
Actual 1974 expenditures.....	\$78.4	\$ 29.3	\$ 139.5	\$ 21.2	\$268.4
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Presently proposed levels for 1975.....	83.2	33.0	164.6	21.4	302.2
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The 1975 outlay estimates can be affected significantly by variations in income from oil lease sales on the Outer Continental Shelf. If the current schedule ^{of} ~~for~~ lease sales for environmental or other reasons is not met, or if ~~the~~ ^{are} bids ~~turn out to be~~ significantly less than anticipated, outlays could increase ^{further} ~~further~~ -- possibly by \$3 billion or more.



The reductions I ~~am proposing~~ ^{propose} to the Congress will require a number of changes in basic legislation and in pending appropriations. I am also transmitting proposed rescissions and deferrals, as required by the Congressional Budget and Impoundment Control Act, to ~~achieve reductions in~~ ^{reduce} programs for which funds have already been appropriated. The rescissions would result in decreased outlays of \$_____ million in 1975 and \$_____ million in 1976. Deferrals would reduce 1975 outlays by \$_____ million and 1976 outlays by \$_____ million.

The reductions I ~~am proposing~~ ^{propose} focus on programs that have grown rapidly in recent years or that have been increased substantially over ~~the~~ budget proposals. In most cases, the level of 1975 outlays will be materially above actual spending last year. Even after the proposed cutbacks, Federal benefit payments to individuals and grants to State and local governments are estimated to reach \$164.6 billion, \$1.4 billion below the June estimate, but \$25 billion, or 18%, above actual spending last year.

While I am recommending further cuts in defense spending, I have ~~taken into account~~ ^{accounted for} the substantial reductions already made by the Congress. My current recommendation for defense spending is \$83.2 billion, \$2.6 billion below the June estimate. I believe that further cuts in defense spending would be unwise.

In determining which budget programs should be reduced, I have tried to ~~take actions to~~ eliminate the unessential and to overcome inequities. I have also tried to avoid ~~these~~ actions that would add to unemployment or adversely affect those ~~who~~ ~~have been~~ hurt most by inflation.

The \$[4.6] billion budget outlay reduction I now propose ~~is~~
~~is not~~ ^{is not} large when compared with total Federal spending. Never-
theless, the Congress may find it difficult to agree with all my
proposals. I urge ^{strongly} the Congress to accept them. The decreases are
essential to demonstrate to the American people that the Federal
Government is working seriously to restrain the growth of its spend-
ing. They are also a start toward the critical goal of gaining
control over budgets in the future.

THE WHITE HOUSE,

November , 1974.

THE WHITE HOUSE
WASHINGTONDRAFT MESSAGE

TO THE CONGRESS OF THE UNITED STATES:

Last month I sent a 31-point economic program to the Congress. ^{That} ~~The~~ program ~~that I submitted~~ was a balanced one. It was designed to help control inflation and, at the same time, to help those ~~persons who are hit~~ ^{hit} hardest by inflation and by the slack that has developed in some sectors of the economy.

Responsible restraint of government spending is an integral part of my economic program. Thus, I am grateful that both the House and the Senate ~~have clearly~~ ^{also} indicated agreement with the necessity to reduce government ~~expendi-~~ ^{spending.} ~~tures.~~

In my October 8 Message to the Congress, I pledged to ~~transmit~~ ^{forward} a package of proposed actions to reduce the 1975 budget. I therefore asked the heads of Federal agencies to undertake a thorough review of 1975 expenditures. Today I ~~want to report~~ ^{am reporting} on the results of this review and present my specific recommendations for reducing Federal outlays.

First, let me point out what is happening to the budget. When the current fiscal year began last July 1, budget

outlays for the year were estimated ~~to be~~^{at} \$305.4 billion. Recent developments in the economy have ~~been adding~~^{added} to our expected expenditures. Specifically, increased aid to the jobless--including the additional programs I proposed last month--~~has~~ added \$2.7 billion to the budget. This increase is not only unavoidable, it is necessary as a means of easing the burden on those who are most affected by current economic stress.

Interest rates are also up, so that interest on the public debt is now expected to be \$1.5 billion more than the estimate last June. Veterans benefits will also be higher.

However, estimated spending for the Defense Department's military programs has decreased by \$2.2 billion, largely as a result of congressional action. Spending by the Environmental Protection Agency and the Department of Health, Education, and Welfare is also running below previous estimates.

Taking these developments into account, my present recommendations for \$4.6 billion of budget reductions will result in a budget total of \$302.2 billion. ~~Although~~^{but} this exceeds the \$300 billion target I had set, you will note that it does so by less than the \$2.7 billion of very necessary increases in aid to the jobless.

The fiscal year 1975 budget actions by the Executive and the Congress since July 1, including those ~~remain~~ ^{here,} proposed [^] can be summarized and compared to last year's actual expenditures as follows:

(fiscal years; dollar amounts in billions)

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¹ Nondefense.

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The reductions I ~~am proposing~~ ^{propose} to the Congress will require a number of changes in basic legislation and in pending appropriations. I am also transmitting proposed rescissions and deferrals, as required by the Congressional Budget and Impoundment Control Act, to ~~achieve reductions~~ ^{reduce} in programs for which funds have already been appropriated. The rescissions would result in decreased outlays of \$ ___ million in 1975 and \$ ___ million in 1976. Deferrals would reduce 1975 outlays by \$ ___ million and 1976 outlays by \$ ___ million.

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governments are estimated to reach \$164.6 billion, \$1.4 billion below the June estimate, but \$25 billion, or 18%, above actual spending last year.

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In determining which budget programs should be reduced, I have tried to ~~take actions to~~ eliminate the less essential and to overcome inequities. I have tried to avoid ~~these~~ actions that would add to unemployment or adversely affect those ~~who have been~~ hurt most by inflation.

The \$4.6 billion budget outlay reduction I now propose ~~is~~ ^{is} not ~~as~~ large when compared with total Federal spending. Nevertheless, the Congress may find it difficult to agree with all my proposals. I ^{strongly} urge the Congress to accept them. The decreases are essential to demonstrate to the American people that the Federal Government is working seriously to restrain the growth of its spending. They are also a start toward the critical goal of gaining control over budgets in the future.

THE WHITE HOUSE

November , 1974

Substitute Table for Budget Restraint Message

(fiscal years; dollar amounts in billions)

	<u>Defense¹</u>	<u>Interest on the public debt</u>	<u>Nondefense payments for individuals</u>	<u>Other</u>	<u>Total</u>
Actual 1974 expenditures..	78.4	29.3	110.1	50.5	268.4
1975 Budget (July 1 estimate).....	85.8	31.5	130.5	57.6	305.4
Changes (including those proposed).....	-2.6	+1.5	+1.0	-3.2	-3.3
Presently proposed levels for 1975.....	83.2	33.0	131.5	54.4	302.2
<hr/>					
1975: Percent change since July 1.....	-3.0	+4.8	+7	-5.5	-1.1
1975: Percent change over 1974.....	+6.1	+12.6	+19.4	+7.8	+12.6

¹ Department of Defense, Military and Military Assistance.



1975 BUDGET OUTLAYS
(fiscal years; in millions of dollars)

	<u>Defense¹</u>	<u>Interest on the public debt</u>	<u>Nondefense payments to individuals</u>	<u>Nondefense Grants</u>		<u>Government operations</u>	<u>Total</u>
				<u>For individuals</u>	<u>Other</u>		
February budget estimate...	85,800	30,500	111,508	16,918	34,760	24,959	304,445
Changes.....	---	1,000	1,488	628	696	-2,819	993
June estimate.....	85,800	31,500	112,996	17,546	35,456	22,140	305,438
Changes.....	-2,174	1,500	2,665	952	-1,032	-588	1,323
Current base.....	83,626	33,000	115,661	18,498	34,424	21,552	306,761
Proposed reductions.....	-381	---	-1,770	-893	-371	-1,166	-4,581
Revised estimate.....	83,245	33,000	113,891	17,605	34,053	20,386	302,180

¹ DOD Military and Military Assistance; includes military retired pay.

THE WHITE HOUSE

WASHINGTON

November 25, 1974

MEMORANDUM FOR:

ROBERT HARTMAN
JACK MARSH ✓
BILL TIMMONS
RON NESSEN
DICK CHENEY

FROM:

~~ROY L. ASH~~

SUBJECT:

FY 75 Budget Reduction Materials
for 12:00 Noon Meeting with the
President

Attached for your information are the materials that will be considered at our 12:00 noon meeting today with the President.

Attachment



SUPPLEMENT
TO
MESSAGE ON
BUDGET RESTRAINT



SUMMARY OF REVISED BUDGET ESTIMATES

This section provides further detail on the current status of the 1975 budget estimates and the 1975 and 1976 outlay impact of the reductions identified in this Message.

As Table 1 shows, the current base estimate of 1975 outlays is now \$306.8 billion, \$1.4 billion above the June estimate. Completion of the actions outlined in this Message will bring the outlay total down to \$302.2 billion. Based on current receipts estimates, this would result in a budget deficit of \$9.2 billion.

Receipts for fiscal year 1975, as shown in Table 2, are now estimated at \$293 billion, \$1 billion below the June estimate. This estimate includes the effect of the President's income tax surcharge and investment tax credit proposals announced in the Economic Message on October 8, along with the tax bill reported by the Ways and Means Committee last week. Together these proposals raise 1975 receipts by about \$1 billion.

Individual income taxes have been revised downward by \$3 billion since June, in large part due to a downward reestimate of capital gains income. Taxes on corporate profits are expected to be somewhat higher than the June estimate due to higher-than-anticipated inventory profits. Other tax receipts have been revised upward by over \$1 billion based on collection experience during the first 4 months of the fiscal year.

Table 3 summarizes the major program changes that have caused the 1975 base estimates of outlays to rise by \$1.3 billion since June. The largest change in outlays is in aid to the jobless, which is now estimated

to be \$2.7 billion higher than in June. Estimated outlays by the unemployment trust fund are up by \$2.0 billion due to both higher-than-anticipated rates of unemployment and the extended benefits program enacted by the Congress. In addition, outlays for the proposed National Employment Assistance program of special unemployment assistance and community improvement projects in areas of high unemployment are estimated to be \$1.5 billion. This increase is offset in part by the Congress' decision not to enact the proposed extended benefits proposal, estimated at \$0.8 billion, which was included in the June estimates.

In addition, estimated outlays for veterans benefits and interest on the public debt have increased significantly since June. The \$1.4 billion increase in veterans benefits is largely due to congressional increases in veterans education. Higher-than-anticipated interest rates are responsible for the \$1.5 billion upward revision in estimated interest on the public debt.

Estimated outlays for several programs -- notably defense -- are now lower than in June. Congressional cuts in the defense appropriations reduced outlays by \$3.1 billion. This is in part offset by congressional rejection of the Federal pay raise deferral proposed by the President and other changes. As a result, spending for the Department of Defense military programs is now estimated to be \$2.2 billion less than in June. In addition, estimated outlays for grants for sewage plant construction are down by \$1.0 billion because anticipated construction schedules have not been met. Estimated outlays for Medicare and social security are also running below previous estimates.

Table 4 summarizes the changes in the 1975 base estimates in terms of congressional changes and reestimates and other changes. As the table shows, the congressional reduction of defense spending is more than offset by congressional increases in other programs. On a net basis, the Congress has increased 1975 outlays by \$1 billion.

Additional information on the revisions in the base estimates and the proposed reductions is shown in Table 5, which shows outlays by agency, and Table 6, which shows outlays by function.



Table 1

1975 BUDGET TOTALS
(fiscal years; in billions of dollars)

	<u>June estimate</u>	<u>Current base</u>	<u>Revised estimate</u>
Outlays.....	305.4	306.8	302.2
Receipts.....	<u>294.0</u>	<u>293.0</u>	<u>293.0</u>
Deficit (-).....	-11.4	-13.8	-9.2

Table 2

RECEIPTS
(fiscal years; in billions of dollars)

	<u>1974 Actual</u>	<u>1975</u>		
		<u>June estimate</u>	<u>Current estimate¹</u>	<u>Change</u>
Individual income taxes.....	119.0	131.0	128.1	-2.9
Corporation income taxes.....	38.6	44.5	45.1	+1.6
Social insurance taxes and contributions.....	76.8	86.1	86.9	+1.8
Other.....	<u>30.6</u>	<u>32.4</u>	<u>32.9</u>	<u>+1.5</u>
Total.....	264.9	294.0	293.0	-1.0

¹ These estimates include the effect of the income tax surcharge and investment tax credit proposed by the President on October 8, and the tax bill reported by the Ways and Means Committee in November. Together, these proposals reduce individual income tax receipts by \$0.2 billion and increase corporation income taxes by \$1.0 billion.

Table 3

CHANGE IN 1975 OUTLAYS
(in billions of dollars)


	<u>Amount</u>
June estimate (Mid-Session Review).....	305.4
Change in outlays related to unemployment:	
Unemployment trust fund, including effects of P.L. 93-368 on extended benefits.....	2.0
National Employment Assistance.....	1.5
Federal extended benefits legislative proposals (replaced by National Employment Assistance).....	<u>-0.8</u>
Subtotal, unemployment.....	2.7
Change in defense outlays:	
Congressional changes to defense appropriations (including 1974 supplemental).....	-3.1
Rejection of postponement of Federal pay raise.....	0.5
Other changes, including fuel cost increases.....	<u>0.4</u>
Subtotal, defense.....	-2.2
Other changes:	
Veterans benefits.....	1.5
Interest on the debt.....	1.5
Environmental Protection Agency construction grants.....	-1.0
Medicare; old-age, survivors, and disability trust funds.....	-1.0
Education program re-estimates.....	-0.4
All other.....	<u>0.3</u>
Subtotal, other.....	<u>0.8</u>
Current base estimate.....	306.8

CONGRESSIONAL AND OTHER CHANGES IN 1975 OUTLAYS
(in billions of dollars)

	<u>Amount</u>
June estimate (Mid-Session Review).....	305.4
 <u>Congressional changes</u>	
Appropriations changes:	
Congressional changes to defense appropriations (including second 1974 supplemental).....	-3.1
Comprehensive manpower assistance:	
Second 1974 supplemental.....	0.5
1975 Labor-HEW appropriations.....	<u>0.2</u>
Subtotal, comprehensive manpower.....	0.7
Other changes.....	<u>-0.2</u>
Subtotal, appropriations changes.....	-2.6
Mandatory changes:	
Veterans education benefits -- extend delimiting period (P.L. 93-337).....	0.6
Veterans education benefits increase (H.R. 12628).....	0.6
Rejection of postponement of pay raise deferral (S.Res. 394).....	0.7
Unemployment benefits extension (P.L. 93-368).....	0.7
All other.....	<u>0.2</u>
Subtotal, mandatory changes.....	2.8
Inaction on Administration savings proposals:	
OASI retroactive benefit options.....	0.3
AFDC income disregard.....	0.2
Medicaid revisions.....	0.1
Veterans duplicate burial benefits.....	0.1
Veterans medical care -- reimbursable from private insurers.....	<u>0.1</u>
Subtotal, inaction.....	0.8
Total, congressional changes.....	1.0
 <u>Re-estimates and other changes</u>	
Change in outlays related to unemployment:	
Unemployment trust fund, excluding effect of P.L. 93-368 on extended benefits.....	1.3
National Employment Assistance.....	1.5
Federal extended benefits legislative proposal (replaced by National Employment Assistance).....	<u>-0.8</u>
Subtotal, unemployment excluding P.L. 93-368.....	2.0
Interest on the debt.....	1.5
Increase in interest paid to government accounts.....	-0.6
Environmental Protection Agency construction grants.....	-1.0
Medicare; old-age, survivors, and disability trust funds.....	-1.0
Education programs.....	-0.4
All other.....	<u>-0.2</u>
Total, re-estimates and other changes.....	0.3
Current base estimate.....	306.8

Table 5

 1975 OUTLAYS BY AGENCY
 (in billions of dollars)



	1974 Actual	1975					Effect on 1976
		June estimate	Revisions	Current base estimate	Proposed reductions	Revised total	
Department of Defense, including military assistance.....	78.4	85.8	-2.2	83.6	-0.4	83.2	-0.3
Agriculture.....	9.8	8.9	-0.1	8.8	-0.6	8.2	-0.7
Commerce.....	1.5	1.7	-0.1	1.7	*	1.6	*
Corps of Engineers.....	1.7	1.7	0.1	1.8	*	1.8	---
Health, Education, and Welfare.....	93.7	111.0	-0.8	110.2	-1.7	108.5	-3.5
Social security trust funds.....	(67.2)	(79.3)	(-0.6)	(78.7)	(-0.7)	(77.9)	(-2.1)
Housing and Urban Development.....	4.8	6.1	-0.4	5.7	-0.1	5.6	-0.1
Interior.....	1.9	2.5	-0.1	2.4	-0.1	2.4	*
Justice.....	1.8	2.1	-0.1	2.0	*	2.0	---
Labor.....	9.0	11.6	3.7	15.3	---	15.3	---
Unemployment trust fund.....	(6.1)	(8.0)	(2.0)	(10.0)	(---)	(10.0)	(---)
State.....	0.7	0.8	*	0.8	*	0.8	---
Transportation.....	8.1	9.3	-0.2	9.1	-0.1	8.9	-0.3
Treasury.....	36.0	38.7	1.4	40.1	*	40.1	-0.1
Interest on the debt.....	(29.3)	(31.5)	(1.5)	(33.0)	(---)	(33.0)	(---)
General revenue sharing.....	(6.1)	(6.2)	(---)	(6.2)	(---)	(6.2)	(---)
Atomic Energy Commission.....	2.3	3.0	*	3.1	-0.1	3.0	---
Environmental Protection Agency....	2.0	4.1	-1.1	2.9	*	2.9	---
General Services Administration....	-0.3	-0.8	0.1	-0.8	-0.2	-0.9	-0.5
National Aeronautics and Space Administration.....	3.3	3.3	*	3.3	-0.1	3.2	---
Veterans Administration.....	13.3	14.2	1.5	15.6	-1.1	14.5	-1.3
All other agencies.....	17.1	19.6	0.3	19.9	*	19.8	---
Allowances.....	---	0.9	-0.1	0.8	---	0.8	---
Undistributed offsetting receipts ¹ .	-16.6	-18.9	-0.6	-19.5	---	-19.5	---
Total.....	268.4	305.4	1.3	306.8	-4.6	302.2	-6.7

¹ Includes offshore oil and receipts.

* \$50 million or less.

Table 6

OUTLAYS BY FUNCTION
(fiscal years; in billions of dollars)

	1974 <u>Actual</u>	1975			
		<u>June estimate</u>	<u>Revisions</u>	<u>Proposed reductions</u>	<u>Revised estimate</u>
National defense.....	79.4	87.9	-2.1	-0.6	85.1
International affairs and finance.....	3.5	4.4	-0.1	-0.3	4.1
Space research and technology.....	3.3	3.3	-*	-0.1	3.2
Agriculture and rural development.....	5.2	2.1	-0.1	-*	1.9
Natural resources and environment.....	5.7	8.5	-0.6	-0.1	7.7
Commerce and transportation.....	12.6	13.8	-0.2	-0.2	13.4
Community development and housing.....	5.2	6.2	-0.3	-0.1	5.8
Education and manpower.....	10.6	11.6	+0.6	-0.2	12.0
Health.....	21.5	26.3	-0.3	-1.1	25.0
Income security.....	84.1	102.1	+2.3	-0.9	103.6
Veterans benefits and services.....	13.4	14.2	+1.5	-1.1	14.5
Interest.....	28.1	30.1	+1.5	---	31.7
General government.....	6.5	7.0	-0.1	-0.1	6.8
General Revenue Sharing.....	6.1	6.2	*	---	6.2
Allowances.....	---	0.9	-0.1	---	0.8
Undistributed offsetting receipts ¹	<u>-16.6</u>	<u>-18.9</u>	<u>-0.6</u>	<u>---</u>	<u>-19.5</u>
Total.....	268.4	305.4	+1.3	-4.6	302.2

* \$50 million or less.

¹ Includes offshore oil and receipts.

ACTIONS TO REDUCE 1975 SPENDING

A variety of actions are needed to achieve the reductions proposed by the President in today's message. Some can be achieved by the Executive Branch under current law. Others require congressional action on appropriations or other legislation. Still others propose withdrawal (rescission) or deferral of funds previously provided.

A summary of these actions follows:

Effect on Federal Spending
(in millions of dollars)

Actions for consideration by the Congress: 1975 1976

Enact new legislation transmitted with this message (Part 1).....	-1,783	-3,250	<u>13</u>
Enact legislation previously transmitted and pending before the Congress (Part 2).....	-896	-1,798	<u>7</u> 7
Modify appropriation bills now pending before the Congress (Part 3).....	-337	-281	<u>32</u>
Consider revised appropriations requests transmitted with this message (Part 4).....	-50	-30	<u>3</u>
Rescind (withdraw) funds previously provided (Part 6).....	-224	-227	<u>39</u>
Defer use of funds previously provided (Part 7).....	<u>-317</u>	<u>+18</u>	<u>41</u>
Total, actions for consideration by the Congress.....	-3,607	-5,568	<u>135</u>
* Executive actions under current law (Part 5).....	<u>-979</u>	<u>-1,110</u>	<u>11</u>
Total, proposed reductions.....	-4,586	-6,678	<u>146</u>

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Part 1. New Substantive Legislation Proposals

The Congress is requested to enact legislation that would make possible 1975 outlay savings of \$1,783 million and 1976 outlay savings of \$3,250 million. The draft bills included in this part would accomplish savings in the programs listed below. The draft bill entitled "Social Security Cost Control Amendments of 1974" repeats proposals that have previously been transmitted to the Congress (and are discussed in Part 2) for Medicaid; Old Age, Survivors, and Disability Insurance; and Aid to Families of Dependent Children.

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect on Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
<u>Department of Defense</u>			
Reduce reserve component strength.....	1,550	-63	-13

The average Reserve Forces strength plan would be reduced by approximately 22,000 from the currently planned level as follows: Army National Guard, 12,000; Air National Guard, 1,000; Army Reserve, 5,000; Naval Reserve, 4,000. A bill to amend the Department of Defense Procurement Authorization Act of 1975 (P.L. 93-365) to make possible these changes is included in this part. The bill would make the minimum average strengths in each of the Reserve components the same as requested in the President's budget. The changes in the plan would not go as low as the proposed floors in the draft bill, thus providing some flexibility among components in achieving the overall plan. Enactment of the bill would make it possible to achieve savings to partially offset higher pay costs arising from pay raises effective October 1, 1974.

Department of Health, Education, and Welfare

Medicare.....	13,823	-465	-1,311
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The draft bill would reform cost-sharing provisions to provide financial incentives for appropriate utilization and to better protect beneficiaries against large out-of-pocket expenses. Current hospital cost-sharing provisions include a \$92 deductible, no cost-sharing from the 2nd to 60th hospital day, \$23/day for the 61st to 90th day, and \$46/day for the 91st to 150th day. There are presently no cost-sharing limits and a beneficiary could be subject to \$4,462 in copayments for inpatient services and unlimited liability for physician services.

(Dollars in millions)

Current 1975 Outlay Estimate	Effect of Action on Outlays	
	1975	1976

Department of Health, Education, and Welfare (continued)

The need for re-designed cost-sharing for inpatient services is evidence by wide variation in utilization that reflect the availability of free services. For example, in the West--which has 5.9 hospital beds for 1,000 population--lengths of stay for Medicare beneficiaries average 10.1 days. In the Northeast--which has 8.7 hospital beds per 1,000 population--lengths of stay average nearly 50% longer--15.0 days.

Modest cost-sharing can introduce some cost awareness into utilization decisions and help to assure that the taxpayers' money is going only for necessary care. The proposed reform would establish a 10% coinsurance rate after the \$92 deductible, and a \$750 limit would be placed on maximum cost-sharing. The \$750 limit would end cost-sharing after about the 60th hospital day, providing better protection for the aged against catastrophic expenses than the present program.

For physician and other services covered by supplementary medical insurance, the fixed \$60 deductible would be adjusted with increases in social security cash benefits and a limit would be set on maximum cost-sharing. The deductible would rise to \$67 in 1975, reflecting the 11% cash benefit increases in 1974. The open-ended patient liability would be replaced by an annual cost-sharing limit of \$750.

Effect of proposals for Medicare and Aid to Families of Dependent Children on Medicaid....	6,752	+37	+105
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These estimates simply reflect the impact on Medicaid of legislative proposals elsewhere in this part for Medicare cost-sharing and changes in the Aid to Families of Dependent Children program.

(Dollars in millions)

	Current 1975 Outlay Estimate	Effect of Action on Outlays	
		1975	1976
<u>Department of Health, Education, and Welfare (continued)</u>			
Medicaid, Federal matching provisions.....	6,752	-295	-636

Legislation is proposed to reform the provisions for Federal matching funds. The present matching formula is based on State per capita income, but assures that the highest income States will receive at least 50% Federal matching. This provision has disproportionately distributed Federal funds toward these highest income States.

The reform would lower the floor on Federal matching to 40% and thus target the growth of Federal outlays more toward improving the low eligibility and benefits in lower income States. Only the thirteen highest income States would be affected.

Impact aid program.....	458	-65	-30
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The draft bill would revamp the payment schedule to local educational agencies, for both "A" (those whose parents both live and work on Federal Property) and "B" (those whose parents either live or work on Federal property) category students. Payments would be scheduled to each eligible district that would derive in excess of 5% of its total operating budget from impact aid funds. If the district's entitlement was less than 5% of its total operating budget, impact aid payments would not be made.

The proposed change would affect only those districts which derive a relatively minor share (5% or less) of their total operating budgets from the impact aid program. These school districts have sufficient alternative sources of revenue to absorb the reduction in Federal support. There would be continuing support for the more heavily supported districts (those which derive more than 5% of their total operating budgets from this program).

Public assistance, Aid to Families of Depend- ent Children (AFDC), support from absentee parents.....	5,101	-15	-90
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Legislation is proposed to provide incentives for State and local law enforcement officials to pursue and obtain support from

(Dollars in millions)

	Current 1975 Outlays Estimate	Effect of Action on Outlays	
		1975	1976

Department of Health, Education, and Welfare (continued)

absentee parents who are liable for such support. The goal of this action is to adhere more closely to the objectives of the welfare system. This action will more strongly place the burden of family support on those who have a legal obligation to bear it.

Public assistance, Aid to Families of Dependent Children (AFDC), matching formula.....	5,101	-30	-60
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The State option of using the liberal AFDC matching formula to obtain Federal funds would be eliminated by the proposed legislation and the Medicaid formula would be used exclusively. This proposal would bring the AFDC program more into line with other welfare programs and promote administrative simplicity.

Social Security Administration; Old Age, Survivors, and Disability Insurance.....	64,879	-35	-215
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Retirees may now earn unlimited amounts in any single month and still get benefits for the other 11 months of the year. The proposed legislation would eliminate the monthly earnings test, but retain the yearly test which makes ineligible those who earn more than \$2,400 during the course of the year.

Department of Transportation

Inland waterways user charges.....	--	-25	-100
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New legislation is recommended which, if enacted, would improve equity of treatment for users of Federally-funded transportation facilities. This bill is designed to assess users for the costs of operation and maintenance of inland waterway facilities by charging for transporting goods on specified segments of inland waterways on "ton-mile" basis. In addition, a lockage fee will be charged to vessels for each transit of a lock. Full year receipts are estimated at \$100 million. The estimate for 1975 is based on an effective date of April 1, 1975.

(Dollars in millions)

Current 1975 Outlays Estimate	Effect of Action on Outlays	
	1975	1976

Department of Transportation (continued)

Airport landing fees.....	--	-25	-95
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Draft legislation would institute general aviation airport landing fees at airports with Federal Aviation Administration-operated air traffic control towers by amending the Airport and Airway Revenue Act of 1970, Public Law 91-258. The Secretary of Transportation, in the Congressionally-mandated "Airport and Airway Cost Allocation Study," found that general aviation users are responsible for \$500 million of the Airport and Airway System cost and are currently paying only about \$90 million in user fees. The proposed fee, to be imposed on full stop landings, will relieve the general taxpayer from a small portion of this general aviation subsidy and will insure that costs are assessed against those creating the demand for services.

Veterans Administration

Repeal of 2-year GI Bill Extension.....	618	-300	-618
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Draft legislation would restore the 8-year period within which veterans, wives, and widows pursuing programs of education under the GI Bill and the War Orphans' and Widows' Educational Assistance Act, have to complete their programs. Public Law 93-337, enacted July 10, 1974, revised the delimiting period granted under the current programs from 8 years to 10 years.

Veterans education.....	814	-502	-187
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The enrolled veterans education bill containing a 22.7% rate increase, a direct student loan program, a fifth year of entitlement for undergraduate college students, and many other program changes is unacceptable. An alternative (as set forth in the revised draft legislative proposal) would provide for a simple 18.2% rate increase, effective January 1, 1975. This will give a married veteran with a child \$352 per month, or \$3,168 of tax-free money for a school year, nearly \$500 more than at present.

Part 2. Requests for Congressional Action on Pending Substantive Legislation

Outlined below are actions now proposed on legislation pending before the Congress in eight areas. In three of these areas--Medicaid; Old Age, Survivors, and Disability Insurance; and Aid to Families of Dependent Children--legislation to carry out the proposals is again being submitted in the Social Security Cost Control Amendments of 1974, included in Part 1. The recommendations would permit outlay savings of \$896 million in 1975 and \$1,798 million in 1976 as follows:

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect of Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
<u>Department of Defense</u>			
Navy petroleum reserves...	-0-	-125	-148

Senate Joint Resolution 176 authorizing production and sale of oil from Petroleum Reserve No. 1 (Elk Hills, California) for one year was passed by the Senate last December, but there has been no action on this bill by the House. Prompt passage by the House will permit the Department of Defense to move forward with sales of this oil and to use the proceeds from these sales to finance costs of exploring for and developing additional petroleum reserves (Receipts from such sales are counted as offsets to budget outlays.)

Department of Health, Education, and Welfare

Health resources planning.....	20	-10	-15
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Upon enactment of the Administration's new health planning legislation, the Administration will request a funding level for FY 1975 of \$50 million (\$41.5 million in budget authority in "Health Resources", \$8.5 million to be transferred to this activity from the Social Security trust funds). This represents a \$25 million reduction from the budget authority amount proposed for later transmittal for this new legislation in the February budget.

The lower budget estimate for health resources planning reflects the delay by the Congress in enacting the legislation. The revised amount will still enable the Department of Health, Education, and Welfare to make a good start on implementing the new legislation during the last half of the fiscal year.

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect of Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
Medicaid.....	6,752	-35	-76

A draft bill that would accomplish these savings has been previously made available to the Senate Finance Committee and is again being submitted (see Part 1). It would eliminate Federal payments for non-emergency adult dental services. States, at their discretion, could continue to finance such services with their own funds.

Federal matching for children's preventive dental care -- the most important area of dental care -- will be continued for Medicaid eligible children up to age 21.

Social Security; Old age, Survivors, and Disabil- ity Insurance.....	64,605	-170	-430
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All applicants for social security cash benefits have the option of setting their effective retirement date back as much as one year and taking a lump sum retroactive payment, if they could have qualified during that period. For some, this means permanently reduced future payments. Administration legislation pending as S. 2312 is also resubmitted in Part 1. It would bar retroactive entitlement if such entitlement would result in retirement before age 65 and, therefore, in reduced future benefits. While this legislation will result in budget savings in the next few years, individual benefits will be maintained at higher levels in the longer term.

Public assistance, Aid to Families of Dependent Children.....	5,101	-95	-203
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Administration legislation pending as S. 2311 and resubmitted in Part 1, would reduce the amount of income which may be disregarded for work-related expenses in ascertaining welfare eligibility. The legislation provides a more realistic basis for calculating work-related expenses than the current special allowance does.

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect of Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
<u>General Services Administration</u>			
Stockpile disposals.....	-964	-150	-443

Enactment of disposal legislation (H.R. 15495, H.R. 11557, and one of the following three bills: H.R. 14845, H.R. 15914, H.R. 15953) for 1,000,000 long tons of tin, 118 million troy ounces of silver, and 455,000 short tons of lead will permit GSA to hold additional stockpile sales and realize the savings shown.

Veterans Administration

Pension reform.....	2,852	-250	-361
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The Administration recommends that its proposals (contained in the 1975 budget) for reform of the Veterans Administration pension program be deferred, but that the Congress continue its review of reform alternatives.

Medical care.....	3,177	-61	-122
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H.R. 5936 would authorize the Veterans Administration to be reimbursed from private health insurance policies for medical treatment of non-service-connected disabilities. Prompt action will yield the savings shown.

#

The draft bills follow.

A BILL

To amend provisions of the Department of Defense Appropriation Authorization Act of 1975 which provide for the authorized personnel strength of the Selected Reserve of each Reserve component of the Armed Forces and for other purposes.

1 Be it enacted by the Senate and House of Representatives of
2 the United States of America in Congress assembled, That

3 Section 401 of Public Law 93-365, approved August 5, 1974
4 (88 Stat. 402) is amended to read as follows:

5 "SEC. 401. For the fiscal year beginning July 1, 1974, and
6 ending June 30, 1975, the Selected Reserve of each Reserve com-
7 ponent of the Armed Forces will be programed to attain an average
8 strength of not less than the following:

- 9 (1) The Army National Guard of the United States, 379,848;
10 (2) The Army Reserve, 215,842;
11 (3) The Naval Reserve, 107,526;
12 (4) The Marine Corps Reserve, 36,703;
13 (5) The Air National Guard of the United States, 89,128;
14 (6) The Air Force Reserve, 51,319;
15 (7) The Coast Guard Reserve, 11,700."

16 SEC. 2. Section 403(a) of Public Law 93-365, approved August 5,
17 1974 (88 Stat. 403) is amended by deleting "91 flying units" and
18 inserting in lieu thereof the number "86 flying units".

A B I L L

To amend the Social Security Act to improve and control the cost of the program of old-age, survivors, and disability insurance, the program of grants to States for aid to families with dependent children, the program of health insurance for the aged and disabled, and the program of grants to States for medical assistance programs.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Cost Control Amendments of 1974".

ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCEDURES UNDER THE
OASDI PROGRAM

Sec. 2. (a) (1) The first sentence of section 202(j) (1) of the Social Security Act is amended by striking out "An individual" and inserting "Subject to the limitations contained in paragraph (4), an individual" in lieu thereof.

(2) Section 202(j) of such Act is further amended by inserting at the end thereof the following new paragraph:

"(4) (A) Except as provided in subparagraph (B), no individual shall be entitled to benefits under subsections

(a), (b), (c), (e), or (f) for any month prior to the month in which he files an application for such benefits if the effect of such payment would be to reduce, pursuant to subsection (q), the monthly benefits to which such individual would otherwise be entitled.

"(B) (i) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would, except for subparagraph (A), be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (q), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(ii) If the individual applying for retroactive benefits is a widow, widower, or surviving divorced wife who is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled widow, widower, or surviving divorced wife for any month before he or she

attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible."

(3) Section 226(h) of such Act is amended by inserting at the end thereof the following new paragraph:

"(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b)(2)(A), the entitlement of such individual to widow's or widower's insurance benefits under section 202(e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j)(4)."

(b) The amendments made by this section shall apply with respect to applications for benefits under title II of the Social Security Act filed after November 30, 1974.

REVISION OF THE RETIREMENT TEST
UNDER THE OASDI PROGRAM

Sec. 3. (a) Section 203(f)(1)(E) of the Social Security Act is amended to read as follows: "(E) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5) of this subsection) of more than the exempt amount as determined under paragraph (8), but only if the month is in that taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 without regard to any previous entitlement under any other of such subsections, and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5) of this subsection) of more than the exempt amount as determined under paragraph (8)."

(b) The amendment made by this section shall apply with respect to taxable years beginning after December 31, 1974.

ADJUSTMENT IN THE AMOUNT OF INCOME
TO BE DISREGARDED IN DETERMINING NEED UNDER
THE AFDC PROGRAM

Sec. 4. (a) Section 402(a)(7) of the Social Security Act is amended by striking out "as well as any expenses reasonably attributable to the earning of any such income".

(b) Section 402(a)(8)(A)(ii) of such Act is amended by striking out "the first \$30 of the total of such earned income for such month plus one-third of the remainder of such income" and inserting in lieu thereof "the first \$60 of the total of such earned income for such month plus an amount equal to any expenses (subject to such limitations as to amount or otherwise as the Secretary may prescribe) which are for the care of a dependent child and are reasonably attributable to the earning of any such income plus one-third of the remainder of such income".

(c) Section 402(a)(8)(D) of such Act is amended by striking out "was in excess of their need" and inserting in lieu thereof "was in excess of their need (after deducting from such income \$60 plus an amount equal to any expenses, subject to such limitations as to amount or otherwise as the Secretary may prescribe, which are for the care of a dependent child and are reasonably attributable to the earning of any such income)".

(d) The amendments made by this section shall be effective with respect to payments under section 403 of the Social Security Act for quarters beginning after December 31, 1974.

CHILD SUPPORT OBLIGATIONS
UNDER AFDC PROGRAMS

Sec. 5. (a)(1) Section 1106(c)(1)(A) of the Social Security Act is amended by inserting "that such information is to be used to locate a parent for the purpose of enforcing support obligations against such parent pursuant to the provisions of the plan of the State approved under part A of title IV required by section 402(a)(17), or" immediately after "if such agency certifies".

(2) Section 1106(c)(2) of such Act is amended by--

(1) inserting "where applicable" immediately

before "inserted", and

(2) inserting at the end thereof the following:

"Notwithstanding the provisions of paragraph (1), the Secretary may by regulation provide for the denial of information requested under that paragraph for the purpose of protecting the privacy of individuals with respect to whom information is requested."

(b) (1) Section 402(a)(17)(A) of the Social Security Act is amended by inserting at the end thereof the following new clauses:

"(iii) to identify and locate absent parents of children receiving such aid, including utilization of information available from the Secretary pursuant to section 1106(c), and

"(iv) provide for the equitable distribution between the State and political subdivisions of the State involved in obtaining any support payment under the program so much of the payment as is, under section 403(b)(2)(B)(ii), retained by the State from the pro rata share of a recovery to which the United States is equitably entitled, and".

(2) Section 402(a)(17) is further amended by redesignating clause (B) as clause (D) and inserting the following new clauses after clause (A):

"(B) that in carrying out the program required by clause (A), voluntary or administrative arrangements to recover child support obligations will be made only if enforceable by law, and that any such arrangements will provide that support payments will not cease if the family ceases to receive assistance under this part,

"(C) for compliance with such other requirements as the Secretary determines to be necessary to the establishment of an effective program for locating absent parents, determining paternity, obtaining support orders, and collecting support payments, and consistent with the rights of affected individuals, including, but not limited to, requiring a full record of collections and disbursements, and".

(3) Section 402(a)(22)(A) is amended by inserting "in establishing the paternity of a child with respect to whom aid is being provided under the plan of such other State," before "in locating a parent".

(c) (1) Section 403(a) (3) (B) of such Act is amended by inserting ", including all expenditures for conduct of the activities required by section 402(a) (11), (17), (18), (21), and (22)" immediately before the period at the end thereof.

(2) Section 403(b) (2) (B) of such Act is amended by--

(1) inserting "(i)" immediately after "a sum equivalent to",

(2) inserting ", other than the amount recovered under the program required by section 402(a) (17)," immediately after "the net amount recovered"; and

(3) inserting ", and (ii) the pro rata share to which the United States is equitably entitled, as determined by the Secretary of Health, Education, and Welfare, of the amount recovered during any prior quarter by the State or any political subdivision thereof with respect to such aid under the program required by section 402(a) (17) less 20 percent of such amount" immediately after "furnished under the State plan".

(d) (1) Section 402(a) (10) is amended by inserting immediately before "be furnished" the following: ", subject to paragraphs (25) and (26),".

(2) Section 402(a) is further amended --

(A) by striking out "and" at the end of paragraphs (22) and (23);

(B) by striking out the period at the end of paragraph (24) and inserting a semicolon in lieu thereof; and

(C) by inserting at the end thereof the following new paragraphs:

"(25) provide that, as a condition of eligibility under the plan, each applicant for or recipient of aid shall furnish to the State agency his social security account number (or numbers, if he has more than one such number); and

"(26) provide that, as a condition of eligibility for aid, each applicant or recipient will be required, consistent with regulations prescribed by the Secretary to protect the rights of such applicant or recipient, to cooperate with the State or local agency administering the State plan, (A) in establishing the paternity of a child born out of wedlock with respect to whom aid is claimed, and (B) in obtaining support payments for such applicant or recipient and for a child with respect to whom such aid is claimed, or in obtaining any other payments or property due such applicant or recipient or such child."

(e) Section 406 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(f) Notwithstanding the provisions of subsection (b), the term 'aid to families with dependent children' does not mean payments with respect to a dependent child, a relative with whom any dependent child is living, or any other individual (living in the same home as such a child and relative) whose needs such State determines should be considered in determining the need of the child or relative claiming aid under the plan of such State approved under this part, who for any month is the parent of a child with respect to whom such aid is claimed who fails to cooperate with any agency or official of the State or of the United States in obtaining support payments for herself or such child."

(f) Section 402 of such Act is amended by inserting at the end thereof the following new subsection:

"(d) A State plan approved under this part (1) may provide that, as a condition of eligibility for aid, each applicant or recipient will be required to assign any rights to support from any other person such applicant may have in his own behalf or in behalf of any other family member for whom the applicant is applying for or receiving aid and which have accrued at the time such assignment is executed;

(2) may provide that any such rights assigned to the State shall constitute an obligation owed to the State by the individual responsible for providing such support; and (3) may provide that payments collected pursuant to any such assignment will be paid directly to the State."

(g) The amendments made by this section shall be effective with respect to payments under section 403 of the Social Security Act for quarters beginning after December 31, 1974.

MODIFICATION OF RATE OF FEDERAL FINANCIAL
PARTICIPATION IN STATE PROGRAMS OF AID TO NEEDY
FAMILIES WITH CHILDREN AND AGED, BLIND, OR DISABLED
INDIVIDUALS

Sec. 6. (a) (1) Section 3(a) of the Social Security Act is amended by striking out clauses (1) and (2) and inserting in lieu thereof the following:

"(1) in the case of any State, an amount equal to the Federal percentage (as defined in section 1101(a)(8)) of the total amount expended during such quarter as old-age assistance under the State plan;"

(2) Section 403(a) of that Act is amended by striking out clauses (1) and (2) and inserting in lieu thereof the following:

"(1) in the case of any State, an amount equal to the Federal percentage (as defined in section 1101(a)(8)) of the total amount expended during such quarter as aid to families with dependent children under the State plan; and"

(3) Section 1003(a) of that Act is amended by striking out clauses (1) and (2) and inserting in lieu thereof the following:

"(1) in the case of any State, an amount equal to the Federal percentage (as defined in section 1101(a)(8)) of the total amount expended during such quarter as aid to the blind under the State plan; and"

(4) Section 1403(a) of that Act is amended by striking out clauses (1) and (2) and inserting in lieu thereof the following:

"(1) in the case of any State, an amount equal to the Federal percentage (as defined in section 1101(a)(8)) of the total amount expended during such quarter as aid to the permanently and totally disabled under the State plan; and".

(5) Section 1603(a) of that Act is amended by striking out clauses (1) and (2) and inserting in lieu thereof the following:

"(1) in the case of any State, an amount equal to the Federal percentage (as defined in section 1101(a)(8)) of the total amount expended during such quarter as aid to the aged, blind, or disabled under the State plan;".

(6) (A) Section 1101(a)(8)(A) of that Act is amended to read as follows:

"(8) (A) The Federal percentage for any State is 100 percent less the State percentage; and the State percentage is that percentage which bears the same ratio to 45 percent as the square of the per capita income of the State bears to the square of the per capita income of the continental United States (including

Alaska) and Hawaii; except that (i) the Federal percentage shall in no case be less than 50 percent or more than 83 percent, and (ii) the Federal percentage for Puerto Rico, the Virgin Islands, and Guam is 50 percent."

(B) Section 1101(a)(8)(B) of that Act is amended by striking out everything after "such promulgation" and inserting a period in lieu thereof.

(C) Section 1101(a)(8) of that Act is further amended by striking out subparagraphs (C) and (D).

(7) Section 1118 of that Act is repealed.

(b) The amendments made by this section shall be effective with respect to payments under section 3, 403, 1003, 1403, or 1603 of the Social Security Act for quarters beginning after December 31, 1974.

REFORM OF MEDICARE HOSPITAL INSURANCE
DEDUCTIBLES AND COINSURANCE

Sec. 7. (a) Paragraph (1) of subsection (a) of section 1813 of the Social Security Act is amended to read as follows:

"(1) Except as provided in paragraph (4), the amount payable for inpatient hospital services furnished

an individual during any spell of illness shall be reduced by a deduction equal to the inpatient hospital deductible or, if less, the charges for such services imposed with respect to such individual for such services, and by a coinsurance amount equal to one-tenth of the charges imposed for such inpatient hospital services, other than--

"(A) charges subject to the inpatient hospital deductible, and

"(B) charges imposed for the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined in regulations) furnished to such individual during such spell."

(b) Paragraph (3) of such subsection is amended to read as follows:

"(3) Except as provided in paragraph (4), the amount payable for post-hospital extended care services during any spell of illness and post-hospital home health services during the period after the beginning of one spell of illness and before the beginning of the next spell of illness shall be reduced by a coinsurance amount equal to one-tenth of the charges imposed for such services, other than charges

imposed for the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined in regulations) furnished to such individual during such spell."

(c) Subsection (a) of such section is further amended by adding at the end thereof the following:

"(4) (A) The total amount of the reductions imposed under paragraphs (1) and (3) with respect to inpatient hospital services and post-hospital extended care services during a spell of illness and post-hospital home health services during the period after the beginning of that spell of illness and before the beginning of the next spell of illness shall not exceed \$750 if such spell of illness begins in calendar year 1975, or the amount determined under subparagraph (B) if such spell of illness begins in calendar year 1976 or any year thereafter, and when such limit is reached no further reductions shall be imposed under paragraph (1) or (3).

"(B) The Secretary shall, during October of 1975, and of each year thereafter, determine and promulgate the limitation on reductions to be applied under subparagraph (A) with respect to spells of illness beginning in the succeeding calendar year. Such limitation shall be computed by increasing or decreasing \$750 by the same percentage (rounded to the nearest one-tenth of one percent) by which the representative primary insurance amount exceeds or is less than \$393.50. For the purpose of such computation the representative primary insurance amount shall be the primary insurance amount used to determine the amount payable under section 202 for January of the year succeeding the year in which such determination is made to an individual whose primary insurance amount (as determined under section 215(a) (1) (A)) is based on an average monthly wage of \$750, taking into account all applicable laws and administrative determinations which have been enacted and promulgated, respectively, at the time of such computation, even if not yet effective. If the limitation derived from such computation is not a multiple of \$10, it shall be reduced to the next lower multiple of \$10.

"(5) In determining the reductions required under paragraphs (1) and (3), the customary charges of a provider for services furnished an individual, other than the services described in clause (B) of paragraph (1), shall be deemed to be the charges imposed for such services by such provider if such customary charges are greater than the charges imposed."

(d) Section 1861(y) of such Act is amended by striking out paragraph (3) and renumbering paragraph (4) as paragraph (3).

(e) The amendments made by this section shall be effective with respect to spells of illness, as defined in section 1861(a) of the Social Security Act, beginning after December 31, 1974.

REFORM OF MEDICARE SUPPLEMENTARY MEDICAL
INSURANCE COINSURANCE

Sec. 8. (a) Section 1833(a) of the Social Security Act is amended to read as follows:

"Sec. 1833. (a) Except as provided in section 1876, and subject to the succeeding provisions of this section, there shall be paid from the Federal Supplementary Medical



Insurance Trust Fund, in the case of each individual who is covered under the insurance program established by this part and incurs expenses for services with respect to which benefits are payable under this part, amounts equal to--

"(1) in the case of services described in section 1832 (a) (1), the reasonable charges for the services reduced by a coinsurance amount equal to 20 percent of such reasonable charges; except that (A) an organization which provides medical and other health services (or arranges for their availability) on a prepayment basis may elect to be paid the reasonable cost of services for which payment may be made under this part on behalf of individuals enrolled in such organization reduced by a coinsurance amount equal to 20 percent of such reasonable cost if the organization undertakes to charge such individuals no more than the amount of any such reduction plus the amount of any reduction under subsection (b), (B) with respect to expenses incurred for radiological or pathological services for which payment may be made under this part, furnished to an inpatient of a hospital by a physician

in the field of radiology or pathology, the amounts paid shall equal the reasonable charges for such services reduced by a coinsurance amount equal to ten percent of the charges imposed for such services (or ten percent of the customary charges for such services if the customary charges for such services are greater than the charges imposed), (C) with respect to expenses incurred for those physicians' services for which payment may be made under this part that are described in section 1862(a)(4), the amounts paid shall be subject to such limitations as may be prescribed by regulations, and (D) with respect to diagnostic tests performed in a laboratory for which payment is made under this part to the laboratory, the amounts paid shall be equal to the negotiated rate for such tests (as determined pursuant to subsection (g) of this section), and

"(2) in the case of services described in section 1832(a)(2)--

"(A) the lesser of (i) the reasonable cost of such services, as determined under

section 1861(v), or (ii) the customary charges with respect to such services; or

"(B) if such services are furnished by a public provider of services free of charge or at nominal charges to the public, the amount determined in accordance with section 1814(b)(2); or

"(C) if such services are services to which the second sentence of section 1861(p) applies, the reasonable charges for such services, reduced, in the case of home health services, by a coinsurance amount equal to ten percent of the charges imposed for such services (or ten percent of the customary charges for such services if the customary charges for such services are greater than the charges imposed), and, in the case of other services, by a coinsurance amount equal to 20 percent of the amount otherwise payable."

(b) Section 1833(f)(1) of such Act is amended by striking out "the 20 percent coinsurance amount" and inserting "any coinsurance amount" in lieu thereof.

(c) Section 1833 of such Act is further amended by redesignating the second subsection (g) as subsection

(h) and by inserting at the end thereof the following new subsection:

"(i) (1) The total amount of--

"(A) the reductions imposed under subsection (a) (1) (other than clause (C)),

"(B) the reductions imposed under subsection (a) (2) with respect to home health services, and

"(C) the amounts chargeable under section 1866(a) (2) (A) (ii),

with respect to expenses incurred by an individual in any calendar year shall not exceed \$750 for calendar year 1975 and the amount determined under paragraph (2) for calendar year 1976 and each year thereafter, and when such limit is reached no further reductions shall be imposed under subsection (a) (other than clause (1) (C)) or under the first sentence of subsection (b) with respect to such expenses incurred by such individual in such year.

"(2) The Secretary shall, during November of 1975 and of each year thereafter, determine and promulgate the limitation on reductions to be applied under paragraph (1) for the succeeding calendar year. Such limitation shall be

computed by increasing or decreasing \$750 by the same percentage (rounded to the nearest one-tenth of one percent) by which the representative primary insurance amount exceeds or is less than \$393.50. For the purpose of such computation the representative primary insurance amount shall be the primary insurance amount used to determine the amount payable under section 202 for January of the year succeeding the year in which such determination is made to an individual whose primary insurance amount (as determined under section 215(a)(1)(A)) is based on an average monthly wage of \$750, taking into account all applicable laws and administrative determinations which have been enacted and promulgated, respectively, at the time of such computation, even if not yet effective. If the limitation derived from such computation is not a multiple of \$10, it shall be reduced to the next lower multiple of \$10."

(d). Section 1866(a)(2)(A) is amended to read as follows:

"(2)(A)(i) A provider of services may charge such individual or other person the amount of any deduction or

coinsurance amount imposed pursuant to section 1813(a) (1) or (a) (3) with respect to such items and services.

"(ii) A provider may charge such individual or other person the amount of any deduction imposed pursuant to section 1833(b) with respect to such items and services (but such amount may not exceed the amount customarily charged for such items and services by such provider); and may also, except as provided in paragraph (iii), charge such individual or other person an amount equal to 20 percent of the reasonable charges for such items and services for which payment is made under part B (but such amount may not exceed 20 percent of the amount customarily charged for such items and services by such provider), except that such charges may not be imposed to the extent that, pursuant to section 1833(i), payment under part B for such items and services is not reduced by a coinsurance amount.

"(iii) In the case of home health services described in section 1833(a) (2), a provider may charge such individual or other person the amount of any coinsurance amount imposed pursuant to section 1833(a) (2) with respect to such services."

(e) The amendments made by this section shall be effective with respect to items and services provided after

December 31, 1974, for which payment is made under title XVIII of the Social Security Act.

AUTOMATIC ADJUSTMENT OF MEDICARE SUPPLEMENTARY
MEDICAL INSURANCE DEDUCTIBLE

Sec. 9. (a) The first sentence of subsection (b) of section 1833 of the Social Security Act is amended by striking out "a deductible of \$60" and inserting "a deductible of \$60 for calendar year 1974, \$67 for calendar year 1975, and the amount determined under paragraph (2) of this subsection for calendar year 1976 and each year thereafter" in lieu thereof.

(b) Subsection (b) of such section is further amended by redesignating clauses (1) and (2) as clauses (A) and (B), respectively, by inserting "(1)" after "(b)", and by inserting at the end thereof the following new paragraph:

"(2) The Secretary shall, during November of 1975 and of each year thereafter, determine and promulgate the deductible to be applied under paragraph (1) of this subsection for the succeeding calendar year. Such deductible shall be computed by increasing or decreasing \$67 by the same percentage (rounded to the nearest one-tenth of one percent) by which the representative primary insurance amount

exceeds or is less than \$393.50. For the purpose of such computation the representative primary insurance amount shall be the primary insurance amount used to determine the amount payable under section 202 for January of the year succeeding the year in which such determination is made to an individual whose primary insurance amount (as determined under section 215 (a) (1) (A)) is based on an average monthly wage of \$750, taking into account all applicable laws and administrative determinations which have been enacted and promulgated, respectively, at the time of such computation, even if not yet effective. If the deductible derived from such computation is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1."

SCOPE OF DENTAL SERVICES FOR WHICH
FEDERAL MATCHING PAYMENTS WILL BE MADE UNDER STATE MEDICAL
ASSISTANCE PROGRAMS

Sec. 10. (a) Paragraph (10) of subsection (a) of section 1905 of the Social Security Act is amended by inserting "for individuals under the age of 21" immediately after "dental services".

(b) The matter after clause (17) in subsection (a) of such section is amended by--

(1) striking out "or" at the end of clause (A);

(2) striking out the period at the end of clause (B) and inserting "; or" in lieu thereof; and

(3) inserting after clause (B) the following new clause:

"(C) any such payment with respect to dental services for any individual who is 21 years of age or older, other than emergency dental services (as defined in regulations prescribed by the Secretary), and oral surgical services and treatment related thereto which legally may be performed by a doctor of medicine or osteopathy or of dentistry."

(c) Clause (I) of section 1902 (a) (10) of such Act is amended by inserting ", (10)," immediately after "paragraph (4)".

(d) The amendments made by this section shall be effective with respect to payments under section 1903 of the Social Security Act for quarters beginning after December 31, 1974.

MINIMUM RATE OF FEDERAL FINANCIAL
PARTICIPATION UNDER STATE MEDICAL ASSISTANCE PROGRAMS

Sec. 11. (a) The first sentence of section 1905 (b) of the Social Security Act is amended by striking out

"less than 50 per centum" and inserting "less than 40 per centum" in lieu thereof.

(b) The amendment made by this section shall be effective with respect to payments under section 1903 of the Social Security Act for quarters beginning after December 31, 1974.

To amend the program of financial assistance for local educational agencies in areas affected by Federal activity to reduce payments to certain local educational agencies.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That, effective July 1, 1974, section 5(b) of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress) is amended to read as follows:

"Payments by the Commissioner

"(b) (1) Notwithstanding the provisions of section 2, 3, and 4 of this title and subsection (c) of this section, the Commissioner shall pay to each local educational agency for the fiscal year ending June 30, 1975, and the three succeeding fiscal years, the total of the amounts specified in subparagraphs (A) through (E) of this paragraph less 5 per centum of the current expenditures for such agency during the preceding fiscal year:

"(A) 100 per centum of the amount such agency would receive under section 2 of this title;

"(B) in the case of an agency in which 25 per centum or more of the children in average daily attendance

are eligible under section 3(a) of this title, 100 per centum of the amount such agency would receive under section 3(a) of this title;

"(C) in the case of an agency in which less than 25 per centum of the children in average daily attendance are eligible under section 3(a) of this title, 90 per centum of the amount such agency would receive under section 3(a) of this title;

"(D) 68 per centum of the amount such agency would receive under section 3(b) of this title, less any amount such agency would receive on account of children described in such section 3(b) residing with a parent employed on Federal property situated in a State other than the State in which the district of such agency is located; and

"(E) 100 per centum of the amount such agency would receive under section 4 of this title.

"(2) Sums appropriated, for any fiscal year, to enable the Commissioner to make payments pursuant to this title shall, notwithstanding any other provision of law unless enacted in express limitation of this subsection, remain available for obligation and payments with respect to amounts due local educational agencies under this title for such fiscal year, until the end of the fiscal year succeeding the fiscal year for which such sums are appropriated."

Sec. 2. Section 305 of the Education Amendments of 1974 is repealed.

A BILL

To provide for the imposition of waterway user taxes
and for other purposes.

Be it enacted by the Senate and the House of
Representatives of the United States of America in Congress
assembled.

TITLE I--WATERWAY USER TAX ACT OF 1974

SECTION 101. SHORT TITLE, ETC.

(a) Short Title. --This title may be cited as the
"Waterway User Tax Act of 1974".

(b) Amendment of 1954 Code. --Except as otherwise
expressly provided, whenever in this title an amendment or
repeal is expressed in terms of an amendment to, or repeal
of, a section or other provision, the reference shall be
considered to be made to a section or other provision of the
Internal Revenue Code of 1954.

SEC. 102. WATERWAY USER TAX.

(a) Imposition of Tax. --Chapter 36 (relating to certain
other excise taxes) is amended by adding at the beginning thereof
the following new subchapter:



"Subchapter A - Waterway User Tax	
"Sec. 4451.	Imposition of tax
"Sec. 4452.	Definitions
"Sec. 4453.	Exemptions
"Sec. 4454.	Cross reference

"SEC. 4451. IMPOSITION OF TAX

"(a) In General.--There is hereby imposed upon any person who transports property by vessel over segments of the inland waterways of the United States specified in or designated pursuant to subsection (c) a tax determined under subsection (b).

"(b) Amount of Tax.--

"(1) Computation of Tax.--The tax imposed by subsection (a) shall be an amount determined by multiplying--

"(A) the number of vessel ton-miles performed by a transporter of property within each waterway segment, by

"(B) the ton-mile unit rate for the waterway segment specified in or designated pursuant to subsection (c).

"(2) Ton-Mile Unit Rate.--Except as provided in paragraph (4), the ton-mile unit rate for a calendar year (or, in the case of 1975, portion of a calendar

year) for each waterway segment shall be determined by dividing--

"(A) the projected total navigation-related costs of operation and maintenance with respect to such waterway segment to be incurred during such calendar year (or portion thereof) by

"(B) the total vessel ton-miles projected to be performed within such waterway segment during such calendar year (or portion thereof).

The ton-mile unit rate for each calendar year (or portion thereof) shall be determined by the Secretary of the Army (after consultation with the Secretary of Transportation) and shall be certified to the Secretary of the Treasury. The Secretary of the Treasury shall publish in the Federal Register the rate certified for calendar year 1975 as soon as possible after the date of enactment of this section. Thereafter, the Secretary of the Treasury shall publish in the Federal Register the rate certified for a calendar year not later than December 1 of the preceding calendar year.

"(3) Special Rules. --

"(A) For purposes of paragraph (2) (A) of this subsection, the projected total navigation-related costs of operation and maintenance with respect to each waterway segment for a calendar year shall be based upon an average of such costs incurred in the period of five fiscal years (or such shorter period as a portion of a waterway segment has been opened to and operated for commercial traffic as a commercial waterway) ending on June 30 of the year immediately preceding such calendar year.

"(B) In any case where a portion of a waterway segment has been opened to and operated for commercial traffic as a commercial waterway for less than five fiscal years ending on June 30 of the year immediately preceding the calendar year, the projected total navigation-related costs of operation and maintenance for such portion of a waterway segment shall be reduced, in determining the ton-mile unit rate for the segment under paragraph (2) of this subsection, by the

following percent of such total:

<u>Fiscal Years of Operation As a Commercial Waterway</u>	<u>Percent</u>
5 or more	None
4	20
3	40
2	60
1	80
less than 1	100

"(4) Continuation of Rate. --The ton-mile unit rate determined for a waterway segment with respect to a calendar year shall remain in force and effect until such time as a new rate is computed in accordance with the provisions of paragraph (2) and published by the Secretary of the Treasury in the Federal Register.

"(c) Designation of Inland Waterway Segments. -- For purposes of the tax imposed by this section the inland waterways described in this subsection are hereby designated waterway segments:



INLAND WATERWAY

SEGMENT

	<u>FROM</u>	<u>TO</u>
Allegheny River	East Brady, Pennsylvania	Confluence with the Monongahela River
Apalachicola- Chattahooche Rivers	Columbus, Georgia	Intersection with Gulf Intracoastal Waterway
Arkansas River	Catoosa, Oklahoma	Confluence with the Mississippi River
Atlantic Intra- coastal Waterway	Norfolk, Virginia	Miami, Florida
Columbia River	Point 10 miles Upstream of Pasco, Washington	The Dalles
Cumberland River	A point 8 miles upstream from Carthage, Tennessee	Confluence with the Ohio River
Green and Barren Rivers	Bowling Green, Kentucky	Confluence with the Ohio River
Gulf Intracoastal	Brownsville, Texas	Carrabelle, Florida
Illinois Calsag Waterway	Indiana Harbor	Confluence with the Mississippi River
Kanawha River	Deepwater, West Virginia	Confluence with the Ohio River
Kentucky River	Confluence of North and Middle Forks	Confluence with the Ohio River
Lower Mississippi River	Confluence of Ohio and Mississippi Rivers	Baton-Rouge, Louisiana
Missouri River	Sioux City, Iowa	Confluence with the Mississippi River

INLAND WATERWAY

SEGMENT

	<u>FROM</u>	<u>TO</u>
Mobile - Tombigbee- Warrior-Black Warrior Rivers	Head of Navigation on Mulberry and Locust Forks	Head of Mobile Bay at Chickasaw Creek
Monongahela River	Fairmont, West Virginia	Confluence with the Allegheny River
Ohio River	Confluence of the Allegheny and Monongahela Rivers	Confluence with the Mississippi River
Ouachita-Black Rivers	Camden, Arkansas	Confluence with the Mississippi River
Tennessee River	Confluence of Holston and French Broad Rivers	Confluence with the Ohio River
Upper Mississippi River	Minneapolis, Minnesota	Confluence with the Ohio River
Willamette River	Eugene, Oregon	Confluence with the Columbia River

At any time after 24 months after the date of enactment of this ,
section, the President of the United States may, by regulation
add to, delete from, alter, or modify the inland waterway
segments designated in this subsection.

"(d) Liability for Tax. --The transporter of property
by vessel over designated inland waterway segments shall be
liable for the tax imposed by subsection (a).

"SEC. 4452. DEFINITIONS.

"(a) Vessel.--For purposes of this subchapter, the term "vessel" includes every description of watercraft or other artificial contrivance used, or capable of being used, for transporting property by water. Two or more watercraft or other artificial contrivances navigated as a unit shall be considered to be a single vessel.

"(b) Ton-mile.--For purposes of this subchapter the term "ton-mile" means the movement one mile of one short ton of property.

"SEC. 4453. EXEMPTIONS.

"No tax shall be imposed under section 4451 in respect of:

"(a) Any vessel operated by the United States Coast Guard; or

"(b) Any vessel operated by the Secretary of the Army while engaged in the construction, operation, maintenance, or protection of the waterways of the United States.

"SEC. 4454. CROSS REFERENCE.--

"For penalties and other general and administrative provisions applicable to this subchapter, see subtitle F."

(b) Clerical Amendments, etc.--The table of subchapters for chapter 36 of subtitle D is amended by adding at the beginning thereof the following new subchapter:

"Subchapter A. Waterway User Tax".

SEC. 103. EFFECTIVE DATE.

The amendments made by this title shall take effect on April 1, 1975.

TITLE II -- CHARGE FOR USE OF LOCKS WITHIN THE
INLAND WATERWAYS

SEC. 201. IMPOSITION OF CHARGE.

The Secretary shall charge and collect a lockage fee of \$10.00 for each lockage occurring at any location within any waterway segment specified in or designated pursuant to section 4451 (c) of the Internal Revenue Code of 1954 (26 U.S.C. 4451).

SEC. 202. REGULATIONS.

The Secretary is empowered to make and amend such regulations as he considers necessary to carry out the provisions of, and to perform his powers and duties under, this title.

SEC. 203. EXPLANATION OF TERMS.

As used in this title --

- (1) "Secretary" means the Secretary of the Army. However, wherever in this title a function, power, or duty of the Secretary applies to any lock along the Tennessee River, such function, power, or duty shall be deemed to be that of the Tennessee Valley Authority.

- (2) "Lockage" means the passing of a vessel through a lock.
- (3) The term "vessel" includes every description of watercraft or other artificial contrivance used, or capable of being used, as a means of transportation by water. For purposes of this title, the term does not include any vessel operated (a) by the United States Coast Guard; (b) by the Secretary while engaged in the construction, operation, maintenance, or protection of the waterways of the United States; or (c) in the transportation of property by water, whether or not laden.

SEC. 204. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title.

SEC. 205. REPEALS.

All other Acts or parts of Acts inconsistent with section 201 of this title are repealed.

SEC. 206. EFFECTIVE DATES.

Section 201 of this title shall take effect on April 1, 1975. Sections 202 through 205 of this title shall take effect upon the date of enactment of this title.

A BILL

To provide for the imposition of an airport user tax; to amend the Airport and Airway Development Act of 1970 to permit the financing of certain airport and airway system operating costs from the Airport and Airway Trust Fund, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled

TITLE I -- AIRPORT USER TAX

Sec. 101. SHORT TITLE, ETC.

(a) Short Title. - This title may be cited as the "Airport User Tax Act of 1974."

(b) Amendment of 1954 Code. - Except as otherwise expressly provided, wherever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

Sec. 102. AIRPORT USER TAX. Chapter 33 (relating to excise taxes on facilities and services) is amended by adding at the beginning thereof the following new subchapter:

"Subchapter A - Airport User Tax

"Sec. 4231. Imposition of tax.

"Sec. 4232. Definitions.

"Sec. 4233. Exemption.



"Sec. 4231. Imposition of tax.

"(a) In general. - There is hereby imposed on each departure by an aircraft in noncommercial aviation from an airport at which there is in operation a Federal Aviation Administration control tower a tax of \$5. If there also is in operation at the airport Federal Aviation Administration radar facilities for providing terminal air traffic control, the tax shall be \$10 for each departure.

"(b) By whom paid. - The tax imposed by this subchapter shall be paid at the time of the departure by the person operating the aircraft.

"(c) Termination. - On and after July 1, 1980, the tax imposed by subsection (a) shall not apply.

"Sec. 4232. Definitions.

"(a) Departure. - For purposes of this subchapter, the term 'departure' means a takeoff from an airport from a full stop position.

"(b) Noncommercial aviation. - For purposes of this subchapter, the term 'noncommercial aviation' has the same meaning that term has in section 4041(c)(4).

"Sec. 4233. Exemption for military aircraft.

"The tax imposed by this subchapter shall not apply in the case of military aircraft within the meaning of 'vessels of war of the United States or any foreign nation' as defined in section 4221(d)(3)."

Sec. 103. REQUIREMENT TO COLLECT TAX. Section 4291 is amended to read as follows:

"Sec. 4291. Cases where persons operating airports or receiving payment for other facilities or services must collect tax.

"Every person operating an airport where tax is imposed by subchapter A shall collect the amount of the tax from the person operating the aircraft at the time of a departure; and, except as otherwise provided in section 4263(a), every person receiving any payment for facilities or services on which a tax is imposed by subchapters B or C shall collect the amount of the tax from the person making such payment."

Sec. 104. CONFORMING AMENDMENT. The table of subchapters for Chapter 33 is amended by adding at the beginning thereof the following new subchapter:

"Subchapter A - Airport User Tax."

Sec. 105. AIRPORT AND AIRWAY TRUST FUND.

(a) Transfer to Trust Fund. - Section 208(b) of the Airport and Airway Revenue Act of 1970 is amended by deleting from paragraph (1) thereof the words "sections 4261, 4271, and 4491 (taxes on transportation by air" and by inserting in their place "sections 4231, 4261, 4271, and 4491 (taxes on use of airports, on transportation by air,".

(b) Management of Trust Fund. - Section 208(e) of the Airport and Airway Revenue Act of 1970 is amended as follows:

- (1) Paragraph (2)(A) is amended by deleting the period at the end of the first sentence and inserting in lieu thereof ", except that amounts appropriated to the Trust Fund under subsection (d) of this section may not be invested."
- (2) Paragraph (3) is repealed.

Sec. 106. EFFECTIVE DATE. The amendments made by this title shall take effect on April 1, 1975.

TITLE II - USE OF AIRPORT AND AIRWAY TRUST FUND

Sec. 201. The first sentence of section 14(d) of the Airport and Airway Development Act of 1970, as amended (49 U.S.C. 1714(d)), is amended to read as follows:

"(d) Other Expenses. -- The balance of the moneys available in the trust fund may be allocated for necessary expenses incident to the administration of programs for which funds are to be allocated as set forth in subsections (a), (b), and (c) of this section, for the maintenance and operation of air navigation facilities and the conduct of other functions under section 307(b) of the Federal Aviation Act of 1958 not otherwise provided for in those subsections, and for research and development activities under section 312(c) (as it relates to safety in air navigation) of the Federal Aviation Act of 1958."

Sec. 202. (a) Paragraph (1) of section 14(e) of the Airport and Airway Development Act of 1970, as amended (49 U.S.C. 1714 (e) (1)), is repealed, and paragraphs (2) and (3) of section 14(e) are redesignated as paragraphs (1) and (2), respectively.

(b) Paragraph (2) of section 14(e) of the Airport and Airway Development Act of 1970 as redesignated herein is amended to read as follows:

"(2) Notwithstanding any other provision of law to the contrary, in any fiscal year, not more than 80 per centum of the total costs for which funds may be allocated from the trust fund under subsection 13 of this part and subsections (a), (b), (c), and (d) of this section may be financed from amounts transferred to the trust fund under section 208(b) of the Airport and Airway Revenue Act of 1970."

Sec. 203. The amendments made by this title shall take effect on July 1, 1975.

A BILL

To amend title 38, United States Code, to increase the rates of vocational rehabilitation, educational assistance, and special training allowances paid to eligible veterans and other persons, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,
That this Act may be cited as the "Veterans' Education and Rehabilitation Amendments Act of 1974".

SEC. 2. The table contained in section 1504(b) of title 38, United States Code, is amended to read as follows:

<i>"Column I</i>	<i>Column II</i>	<i>Column III</i>	<i>Column IV</i>	<i>Column V</i>
<i>Type of training</i>	<i>No dependents</i>	<i>One dependent</i>	<i>Two dependents</i>	<i>More than two dependents</i>
				<i>The amount in column IV, plus the following for each dependent in excess of two:</i>
<i>Institutional:</i>				
<i>Full-time</i>	\$201	\$249	\$293	\$21
<i>Three-quarter-time</i>	151	188	221	17
<i>Half-time</i>	100	125	147	11
<i>Farm cooperative, apprentice, or other on-job training:</i>				
<i>Full-time</i>	175	212	245	17 ^m .

SEC. 3. Chapter 34 of title 38, United States Code, is amended as follows:

(1) by striking out in the last sentence of section 1677(b) "\$220" and inserting in lieu thereof "\$260";

(2) by amending the table contained in section 1682(a)(1) to read as follows:

"Column I	Column II	Column III	Column IV	Column V
Type of program	No dependents	One dependent	Two dependents	More than two dependents
Institutional:				The amount in column IV, plus the following for each dependent in excess of two:
Full-time.....	\$260	\$309	\$352	\$ 21
Three-quarter-time.....	195	232	265	17
Half-time.....	130	155	176	11
Cooperative.....	209	246	279	17";

(3) by striking out in section 1682(b) "\$220" and inserting in lieu thereof "\$260";

(4) by amending the table contained in section 1682(c)(2) to read as follows:

"Column I	Column II	Column III	Column IV	Column V
Basis	No dependents	One dependent	Two dependents	More than two dependents
Full-time.....	\$209	\$246	\$279	The amount in column IV, plus the following for each dependent in excess of two: \$17
Three-quarter-time.....	157	184	209	13
Half-time.....	105	123	139	8";

and

(5) by striking out in section 1696(b) "\$220" and inserting in lieu thereof "\$260".

SEC 4. Chapter 35 of title 38, United States Code, is amended as follows:

(1) by amending section 1732(a)(1) to read as follows:

"(a)(1) The educational assistance allowance on behalf of an eligible person who is pursuing a program of education

consisting of institutional courses shall be computed at the rate of (A) \$260 per month if pursued on a full-time basis, (B) \$195 per month if pursued on a three-quarter-time basis, and (C) \$130 per month if pursued on a half-time basis.";

(2) by striking out in section 1732(a)(2) "\$220" and inserting in lieu thereof "\$260";

(3) by striking out in section 1732(b) "\$177" and inserting in lieu thereof "\$209"; and

(4) by amending section 1742(a) to read as follows:

"(a) While the eligible person is enrolled in and pursuing a full-time course of special restorative training, the parent or guardian shall be entitled to receive on his behalf a special training allowance computed at the basic rate of \$260 per month. If the charges for tuition and fees applicable to any such course are more than \$82 per calendar month, the basic monthly allowance may be increased by the amount that such charges exceed \$82 a month, upon election by the parent or guardian of the eligible person to have such person's period of entitlement reduced by one day for each \$8.66 that the special training allowance paid exceeds the basic monthly allowance."

SEC. 5. Chapter 36 of title 38, United States Code, is amended as follows:

(1) by striking out in section 1786(a)(2) "\$240" and inserting in lieu thereof "\$260";

(2) by amending the table contained in paragraph (1) of section 1787(b) to read as follows:

<i>"Column I</i>	<i>Column II</i>	<i>Column III</i>	<i>Column IV</i>	<i>Column V</i>
<i>Periods of training</i>	<i>No dependents</i>	<i>One dependent</i>	<i>Two dependents</i>	<i>More than two dependents</i>
<i>First 6 months.....</i>	<i>\$189</i>	<i>\$212</i>	<i>\$232</i>	<i>\$9</i>
<i>Second 6 months.....</i>	<i>142</i>	<i>164</i>	<i>184</i>	<i>9</i>
<i>Third 6 months.....</i>	<i>95</i>	<i>117</i>	<i>137</i>	<i>9</i>
<i>Fourth and any succeeding 6-month periods.....</i>	<i>47</i>	<i>70</i>	<i>90</i>	<i>9";</i>

and

(3) by amending section 1787(b)(2) to read as follows:

"(2) The monthly training assistance allowance of an eligible person pursuing a program described under subsection (a)

shall be (A) \$189 during the first six-month period, (B) \$142 during the second six-month period, (C) \$95 during the third six-month period, and (D) \$47 during the fourth and any succeeding six-month period."

SEC. 6. Section 1662 of title 38, United States Code, is amended as follows:

(1) by striking out in subsection (a) "10" and inserting in lieu thereof "8";

(2) by striking out in subsection (b) "10-year" and inserting in lieu thereof "8-year";

(3) by striking out in subsection (c) "10-year" each time it appears and inserting in lieu thereof "8-year"; and

(4) by striking out in subsection (d) "10-year" and inserting in lieu thereof "8-year".

SEC. 7. Section 1712 of title 38, United States Code, is amended as follows:

(1) by striking out in subsection (b) "10" and inserting in lieu thereof "8"; and

(2) by striking out in subsection (f) "10" and inserting in lieu thereof "8".

SEC. 8. Section 604(a) and (b) of Public Law 92-540 (82 Stat. 1333, October 24, 1972) is amended by deleting "10" and inserting in lieu thereof "8".

SEC. 9. This Act shall be effective January 1, 1975.

SEC. 10. Notwithstanding the provisions of section 6 of this Act, any veteran who is otherwise entitled and whose eligibility would be terminated as the result of the enactment of such section and who is enrolled in and pursuing a program of education on the effective date of this Act, shall be permitted to continue such program of education to the termination of the unexpired quarter or semester in which he is enrolled where he is enrolled in an institution operated on a quarter or semester system, or to the end of the course or for twelve weeks, whichever is the lesser period, where he is enrolled in an institution which is not operated on a quarter or semester basis.

Part 3. Pending Appropriation Bills

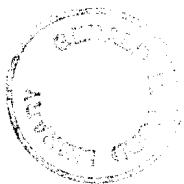
Three appropriation bills--Labor-Health, Education, and Welfare, the First Supplemental for 1975, and Agriculture-Environmental and Consumer Protection--are nearing completion in the Congress. In order to restrain 1975 spending, the Congress is requested to revise its action on these bills as follows:

Labor-Health, Education, and Welfare
Appropriations Act
(H.R. 15580)

The Congress is requested to reconsider its actions on the Labor-HEW bill before this bill is enrolled and sent to the President for his action. In summary, the President is asking the Congress to reconsider many of his initial requests for the bill, is accepting some Congressional increases and all Congressional decreases to the bill, and is reducing several of his previous requests. The following table summarizes the action that the President is now requesting the Congress to take on the pending bill:

	(dollars in millions)	
	<u>1975</u>	
	<u>Budget Authority</u>	<u>Outlays</u>
Presidential requests considered		
by the Senate.....	33,531	22,174
<u>Plus</u> acceptable increases.....	+283	+181
<u>Minus</u> Congressional reductions and reduced Presidential requests.....	<u>-306</u>	<u>-199</u>
Total revised requests.....	<u>33,508</u>	<u>22,156</u>
Effect on 1976.....	xxx	-100

Unless a revised request is noted below, the requests made by the President in time for Senate consideration are renewed. The revised requests follow:



(dollars in thousands)
Appropriation
 now requested

Center for Disease Control:
 Preventive health services..... 123,627

As indicated in Secretary Weinberger's July 25, 1974, letter to the Chairman of the Senate Appropriations Committee, the President accepts the \$2 million Congressional increase for the National Institute of Occupational Safety and Health to support 95 additional positions. The purpose of the additional positions is to expand the Institute's criteria development activities.

This increase can be more than offset by two proposed reductions for the Center for Disease Control: \$1.642 million for administrative overhead expenses and \$1.445 million for low priority research contracts, similar to what is being proposed for other health agencies. These economies will still enable the Center for Disease Control to perform fully its essential responsibilities.

National Institutes of Health..... 1,724,884

Accepted by the Administration is a \$2.7 million increase that will provide salaries for an additional 200 positions allocated to the National Institutes of Health in 1974.

Congress is requested, however, to reduce other appropriations by \$112 million. These reductions would result in a 25% lower level in new research grants and contracts and a 5% savings for continuation grants and contracts. Additional reductions would be taken against certain administrative expenses, travel, and the use of consultants. The additional cost of the physician's bonus pay would be absorbed within the amounts remaining.

The proposed savings can be accomplished without seriously altering the momentum in biomedical research achieved by sustained and substantial growth in the National Institutes of Health in recent years. The lower amounts for continuation grants can be accomplished without terminating any ongoing research. The savings from a lower level of grants and contracts will only result in the deferral of some lower priority research activities. The administrative and travel savings are in line with reductions suggested by the Senate Appropriations Committee.

(dollars in thousands)
Appropriation
now requested

Alcohol, Drug Abuse, and
Mental Health Administration..... 715,888

The Administration accepts the \$3.5 million increase for the restoration of 226 positions. It also accepts the \$2 million reduction in the Senate version of the Labor-HEW appropriation bill for management information and program direction activities.

The Administration recommends, however, that Congress decrease research and demonstration activities \$13 million below the previous request. Awards for new research and demonstration projects would be reduced by about 25%. Continuing support for existing research and demonstration projects would be reduced by about 5%.

The Administration is also proposing a related savings of \$7 million from the 1975 budget which reflects a lower level of general overhead, travel, information, consultants, grants and contracts to national organizations, and other administrative activities.

These savings can be accomplished with only a minimal impact on the Alcohol, Drug Abuse, and Mental Health Administration's program goals. The lower level of new and continuation awards for research and demonstration projects would not delay ongoing efforts to gain new knowledge. The demonstration of innovative or more effective service delivery approaches that appear to be the most promising would also continue because there would still be sufficient funds to support the new higher priority and necessary program efforts. Moreover, the 5% reduction in continuation support would not cause any project to terminate.

The overall savings in administrative overhead and travel would only be about 5% below the budget request and can be accomplished through the more frugal use of administrative support services and through the curtailment of low priority travel. Information activities, the number of consultants, and other related management activities would be held to an essential minimum and no loss in the ability to manage alcoholism, drug abuse, and mental health programs should result.

Office of the Assistant Secretary
for Health..... 73,637

The Administration accepts \$22.084 million of the \$29.084 million reduction contained in the Senate version of the Labor-HEW appropriation bill--\$20.900 million of which is for the Professional Standards Review Organizations program and \$1.184 million of which is for GSA rent and administrative expenses. The resulting funding level for the Professional Standards Review Organization program is \$37 million.

(dollars in thousands)
Appropriation
now requested

Elementary and secondary
 education: Occupational,
 vocational, and adult
 education..... 578,276

The Congress is requested to reduce by \$11 million the pending appropriation for the Vocational Education Grants to States program in FY 1975. This program allocates funds to States for the purpose of encouraging States and local jurisdictions to finance and operate vocational education programs. This reduction, which will restrain this program to the FY 1974 funding level, is based on a program evaluation determination that Federal vocational education funds which are supposed to encourage State and local funding have not actually served that purpose. Instead, funds have often been used to pay administrative costs or to support traditional programs. This action would allow no expansion in FY 1975 until new 1976 legislation to correct these problems is implemented.

The Administration accepts the conference reduction of \$3 million for curriculum development. This reduction will not adversely affect the programs since they could be funded under the Commissioner's exemplary program discretionary authority.

Higher education..... 2,077,771

The Administration accepts the conference reduction of \$32.252 million for developing institutions (\$10 million) and college construction (\$22.252 million). Neither of these actions will adversely affect overall support for higher education.

Educational activities overseas..... 1,000

The Administration accepts the conference reduction of \$1 million for this program. This change will reduce the number of individual and group projects of research and training abroad which are financed by excess foreign currency but will not seriously decrease the overall level of foreign language and area studies.

Office of Education, Salaries and expenses... 114,400

The Administration accepts the conference reduction of \$12.884 million. This will reduce travel and administrative overhead at the Office of Education.

(dollars in thousands)
Appropriation
now requested

National Institute of Education (NIE)..... 70,000

The Administration accepts the conference reduction of \$60 million.

Assistant Secretary for Education,
 Salaries and expenses..... 2,307

The Administration accepts the conference reduction of \$1.364 million. Administrative overhead in the Office of the Assistant Secretary will be reduced.

Assistant Secretary for Education,
 Fund for improvement of postsecondary
 education..... 11,500

The Administration accepts the conference reduction of \$3.5 million. This level of funding will permit a moderate increase in activity above FY 1974.

Social and Rehabilitation Service,
 Salaries and expenses..... 63,819

The revised estimate reflects the Administration's acceptance of the amount included in the conference report.

Assistant Secretary for Human
 Development, Human development..... 160,378

The revised estimate reflects the Administration's acceptance of the reduction for salaries and expenses included in the conference report.

Office of the Secretary, Office for
 Civil Rights..... 22,207

The amount appropriated by the Senate for this program is acceptable.

Office of the Secretary, Departmental
 management..... 82,722

The revised estimate reflects the Administration's acceptance of most of the reductions which the House and Senate have made.

FIRST SUPPLEMENTAL
APPROPRIATIONS ACT FOR 1975
(H.R. 16900)

The Congress is requested to reconsider its actions on the First Supplemental bill before it is enrolled and sent to the President for his action. In summary, the President is asking the Congress to reconsider many of his initial requests for the bill, is accepting Congressional decreases to the bill, and is reducing several of his previous requests.

The President also requests deletion of those provisions added by the Congress which would require the use of funds or authority available under Section 202 of the Housing Act of 1959, Section 235 and 236 of the National Housing Act, and The United States Housing Act of 1937.

Further, the Congress is hereby requested to consider proposed fiscal year 1975 supplemental language for the Department of Transportation as follows:

Department of Transportation

Federal Aviation Administration

Section 313 of the Department of Transportation and Related Agencies Appropriation Act, 1975 (88 Stat. 781) is repealed.

Section 313 of the Department of Transportation and Related Agencies Appropriation Act, 1975 (Public Law 93-391) prohibits the Secretary from implementing through regulations a user fee program applicable to various Federal Aviation Administration functions unless the program is reviewed and approved by the appropriate committees of the Congress. It is the Administration's view that such a provision is an unconstitutional limitation on Executive establishment of such fees. However, we believe that it would eliminate potential legal uncertainties if the Congress would repeal Section 313. This supplemental would repeal that provision.

The Department plans to proceed expeditiously to establish by regulation a schedule of fees for the use of various safety-related services afforded to all segments of aviation. These charges would not duplicate user taxes imposed to offset costs of improving and operating the airport and airway system, but would be designed to offset expenses incurred by the Federal Aviation Administration in connection with certain regulatory

functions. The Department would continue to consult with the appropriate Congressional committees on such fees, following customary practice.

The following table summarizes the action that the President is now requesting the Congress to take on amounts in the pending bill:

	(dollars in millions)	
	1975	
	<u>Budget Authority</u>	<u>Budget Outlays</u>
Presidential requests considered by the Senate. ^{1/}	5,955	2,438
Acceptable Congressional reductions.....	-67	-38
Reduced Presidential requests.....	-29	-23
Revised request.....	<u>5,858</u>	<u>2,377</u>
Effect on 1976.....	XXX	-18

^{1/} Includes \$1.8 million for Saint Elizabeth's Hospital and \$16 million for the Federal Energy Administration (S. Doc. 93-126).

Unless a revised request follows, the requests made by the President in time for Senate consideration are renewed. The revised requests follow:

(dollars in thousands)

Appropriation now
requested

Department of Health, Education, and Welfare

Health Resources Administration, Health resources.....	128,673
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The President accepts Congressional decreases of \$8.6 million to the pending bill and proposes additional reductions. Together, these reductions would result in the following revised appropriation levels for three programs:

	(dollars in thousands)
Health statistics.....	21,511
Health services research.....	35,905
National Health Service Corps scholarships.....	12,500

These savings are in program areas that will not jeopardize essential ongoing activities of the Health Resources Administration. The decreased level for health statistics funding would still provide approximately \$2 million more than was appropriated in 1974 and would permit continued development of the cooperative health statistics system. The lower spending for health services research would permit meeting commitment costs on prior year grants and contracts, as well as initiating approximately \$10 million of new research awards.

The lower funding level for National Health Service Corps scholarships would concentrate scholarship assistance on medical students close to graduation and thus available for service in the near future. It still represents a four-fold increase over the 1974 funding level and will assist approximately 1,250 upper class medical students in meeting their educational costs. Assisting these students will do much to assure meeting the probable future physician manpower requirements of the Indian Health Service, the National Health Service Corps, and other direct care programs of the Public Health Service.

Health Services Administration, Health services.....	1,722
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The President accepts Congressional decreases of \$4 million to the pending appropriations as follows:

	(dollars in thousands)
Health maintenance organizations (HMO).....	500
Community and migrant health centers.....	1,222

The remaining level for HMO technical assistance contracts will still enable the HMO program to sufficiently supplement technical assistance provided by the HMO staff and through individual grantee funds. Similarly, the lower level of funding for technical assistance to Community and migrant health centers will still permit an adequate level of program activity.

Office of Education, Elementary and secondary education.....	2,106,000
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The President accepts Congressional decreases of \$55 million to the pending appropriations and revises his request for the Title V program of the Elementary and Secondary Education Act, strengthening State departments of education, to \$20 million.

This reduction will require State education departments to assume the support of both staff and planning activities that were previously provided through this program.

AGRICULTURE-ENVIRONMENTAL AND
CONSUMER PROTECTION ACT
(H.R. 16901)

	(dollars in millions)	
	<u>Budget authority</u>	<u>Outlays</u>
As passed by the House.....	13,379	11,986
Amendment for brucellosis, screw- worm, meat and poultry inspection (S. Doc. 93-128).....	+16	+16
Reductions now recommended below the House bill.....	<u>-205</u>	<u>-62</u>
Total revised request.....	<u>13,190</u>	<u>11,940</u>
Effect on 1976.....	XXX	-138

To help restrain the 1975 budget, the Congress is requested to take further action to reduce the pending Agriculture-Environmental and Consumer Protection Act. Some of these further reductions are requested to offset the recent increase requested for screw-worm and brucellosis eradication and for grants to the States for meat and poultry inspection programs. The Congress is requested to make the following revised appropriations to several of the accounts included in the House-passed version of H.R. 16901:

(dollars in thousands)
Appropriation
now requested

Department of Agriculture

Agriculture conservation program.....	42,750
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Reducing the program to this level for 1975 would discontinue the program, but sufficient funds would be left to cover long-term contracts entered into under the 1974 program. This is a reduction from the \$190 million recommended by the House.

(dollars in thousands)
Appropriation
now requested

Department of Agriculture (cont.):

Water bank program..... 0

This program would be discontinued by this action and by a rescission (proposed in Part 6) of carryover funds. The House recommended \$10 million for this program.

Forestry incentives program..... 0

This new program would be discontinued. The House recommended this program.

Extension Service: Payments for the
 nutrition and family education
 program for low-income areas..... 47,360

This program would be held to the level proposed in the 1975 budget rather than the \$50,560,000 level passed by the House.

Rural development grants..... 10,000

This program would be held to the level proposed in the 1975 budget rather than the \$13,750,000 level passed by the House.

Rural community fire protection grants. 0

Initiation of this new program would be postponed indefinitely. The House recommended \$3,500,000 for these grants.



(dollars in thousands)
 Appropriation
now requested

Environmental Protection Agency

Abatement and control..... 266,801

The reduced appropriation would limit grants to State and local air and water pollution control agencies to the President's budget level of \$91.5 million. This is \$10 million below the level in the House bill and will result in a \$10 million reduction in 1975 outlays.

Consumer Product Safety Commission

Salaries and expenses..... 35,000

The Administration accepts the \$5 million reduction included in the House version of H.R. 16901. The Administration proposes a further decrease of \$2.5 million in budget authority. The new funding level of \$35 million still represents a 22% increase over the 1974 program level and allows for continued substantial growth in all of the Commission's program activities. The Commission will continue to be able to fulfill its statutory responsibilities to assure consumer product safety and discharge its essential program mission at this lower funding level.

Part 4. Amendments to 1975 Budget Requests

The Congress is hereby requested to consider amendments to the requests for appropriations transmitted in the budget for the fiscal year 1975 for the Department of Health, Education, and Welfare in the following amounts:

Department of Health, Education, and Welfare

<u>Budget Appen- dix Page</u>	<u>Heading</u>	<u>Requested in Budget Appendix</u>	<u>Considered in H.R.15580 & H.R.16900</u>	<u>Proposed Amendment</u>	<u>Revised Request</u>
	<u>Health Services Adminis- tration</u>				
387	Health services..	923,405,000 ^{1/}	499,135,000	-45,000,000	379,270,000

^{1/} Includes \$27 million for emergency health services requested under the heading: "Health Resources Administration, Health resources".

The proposed budget amendment would result in an outlay savings of \$25 million in 1975 by reduced spending in the comprehensive health State formula grant program. These grants have traditionally been awarded to State health agencies to assist these agencies in the provision of adequate public health services. Many of the activities supported by this program, however, are already supported by other Federally-funded health programs.

This savings will result in a slight decrease (about 2%) in total Federal assistance funds available to State and local health agencies. The decrease is about .2% of total State and local spending for health and hospitals.

Budget Appen- dix Page	Heading	Requested in Budget Appendix	Considered in H.R. 16900	Proposed Amendment	Revised Request
	<u>Health Resources Adminis- tration</u>				
413	Health resources....	456,880,000 ^{1/}	127,757,000	-9,900,000	319,223,000

^{1/} Excludes \$27 million for emergency health services requested under this heading.

The proposed budget amendment would restrain 1975 outlays by \$5 million and 1976 outlays by \$15 million. These savings are in program areas that will not jeopardize essential ongoing activities of the Health Resources Administration.

Funding for health manpower special projects would be reduced by \$7.1 million, lowering the total from \$125 million to \$118 million. These savings will be distributed in relatively small amounts among several activities. An ample number of new grant awards will be made in the higher priority areas, such as improving the geographic and specialty distribution of health professionals.

Program management funds for the Health Resources Administration would be reduced by \$2.8 million, which represents the agency's share of an overall restraint in the health agencies' general overhead expenses. These savings will result in less travel and fewer consultants, but are not expected to cause major disruption or inability to manage the programs for which the agency is responsible.

Budget Appen- dix Page	Heading	Requested in Budget Appendix	Proposed Amendment	1975 Revised Request
	<u>Social and Rehabilitation Service</u>			
447	Assistance to refugees in the United States....	60,000,000	18,000,000	78,000,000

This request would provide for initiation of the orderly phase-out of this program, beginning January 1, 1975. In the budget submitted to the Congress on February 4, 1974, it was proposed to

phase-out this program starting July 1, 1974. The phase-out is currently being postponed because the program is being funded at the 1974 level under the provisions of the Continuing Resolution (P.L. 93-448, as amended). The 1974 appropriations level is more than double that requested for 1975. Assuming enactment of this revised request in the Foreign Assistance Appropriations Act for 1975, the planned phase-out of the Cuban Refugee program would be instituted for the second half of FY 1975, to proceed through FY 1978. Immigration from Cuba has virtually ceased for more than a year. This action would progressively transfer caseload to regular, national welfare programs.



Part 5. Executive Actions Under Current Law

Executive actions to be taken under current law in five agencies--Agriculture; Defense; Health, Education, and Welfare; Housing and Urban Development; and Transportation--and improved personnel management in all Executive Branch agencies will yield \$979 million in 1975 outlay savings and \$1,110 million in 1976 outlay savings. The cooperation of the committees of the Congress in approving several associated reprogramming actions is sought. A brief description of the actions to be taken follows:

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect of Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
<u>Department of Agriculture</u>			
Child nutrition program..	1,269	-10	-24
Federal enforcement of State program administration in the 300 largest school systems will be intensified. Careless administration and poor records have resulted in excessive claims for reimbursement of meals served. There will be minimal increase in Federal employment and administrative costs (\$3 million) in FY 1975.			
Commodity Credit Corporation, special export credit sales.....	700	-250	+80
The effect of this action will be to hold the level of special export credit sales of farm products to \$450 million. Commitments to extend credit have reached \$432 million so far this fiscal year. With crops short and demand high, a credit inducement to increase exports of farm products is unnecessary.			
Food stamp program.....	3,998	-325	-650

The purchase price of food stamps will be raised to 30 percent of monthly household income, the maximum permitted by law, effective March 1, 1975. This action will result in an increase in what an eligible household has to pay for food stamps and a comparable decrease in benefits. Those entitled to free food stamps will not be affected by this action.

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect on Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
<u>Department of Defense</u>			
Rephase payment of lump sum reenlist- ment bonuses.....	-0-	-58	-1

Reenlistment bonuses have been paid largely as a lump sum upon reenlistment. New procedures will make these payments annually over the entire reenlistment period. Savings from these new procedures will be made available to offset requirements for higher pay costs arising from pay raises effective October 1, 1974.

Department of Health, Education, and Welfare

Medicare.....	13,822	-48	-193
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A number of reforms to improve Medicare program administration will be undertaken. Implementation of cost control regulations will be accelerated. A tighter definition of reasonable hospital costs will be established to limit reimbursement for exceptionally high cost providers. The extra Medicare payment for routine hospital nursing services will be terminated. Non-interest-bearing intermediary bank balances will be reduced.

Medicaid.....	6,752	-35	-20
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The implementation of utilization review regulations will be accelerated. States will be encouraged to collect from private insurance for dual coverage. The lower definition of reasonable hospital costs proposed herein for Medicare will be reflected in Medicaid reimbursements. Special review of high volume providers will be initiated.

(Dollars in millions)

	<u>Current 1975 Outlay Estimate</u>	<u>Effect on Action on Outlays</u>	
		<u>1975</u>	<u>1976</u>
Public assistance regulations.....	5,101	-100	-172

Public assistance regulations will be amended to (1) tighten definition of incapacity and put it more in line with Supplementary Security Income criteria; (2) require quarterly redetermination of income of Aid to Families with Dependent Children recipients, with monthly reporting by recipients, and lengthen the accounting period from one to three months of determination of eligibility on the basis of income; and (3) limit training under the State and local training program and insure it is not a substitute for regular personnel costs. These actions would improve administration and tend to reduce errors and fraud.

Department of Housing and Urban Development

Government National Mortgage Association, Special Assistance Functions Fund.....	650	-75	-80
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The interest rate on the mortgages to be purchased under the Tandem Plan announced in May will be increased from 8% to 8-1/2%. This is consistent with the rate on mortgages to be purchased under the Tandem Plan for conventional mortgages authorized by the Emergency Home Purchase Assistance Act of 1974. The higher interest rate will not prevent the program from achieving its goal of increasing the supply of mortgage credit.

Department of Transportation

U.S. Coast Guard.....	931	-28	-0-
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Due to extraordinary price increases for the fuel, maintenance, and supplies necessary for Coast Guard operational missions (e.g., search and rescue and maintenance of aid to navigation), maintaining the same level of effectiveness as 1974 is requiring \$52M in additional funds. This \$52 million, already in the current budget plan, will be reduced by \$28 million: \$15.5 million will be absorbed by decreases in support missions, deferral of commissioning two icebreakers, advancing planned decommissioning of two icebreakers and one buoy tender, deferral

(Dollars in millions)

Current 1975 Outlay Estimate	Effect on Action on Outlays	
	<u>1975</u>	<u>1976</u>

Department of Transportation, U.S. Coast Guard(continued)

of selected program expansion scheduled for 1975 and suspension of escort and some pollution sensor flights. The remaining \$12.5 million will be transferred from a combination of the acquisition, construction and improvements, and research and development appropriations through rescheduling of lower priority projects.

Urban Mass Transit Program.....	850	-50	-50
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Currently pending before the Congress is legislation to establish a long-term, comprehensive public transportation assistance program (S. 386, the National Mass Transportation Act). This legislation, which the Administration believes should be enacted before the end of the 93rd Congress, would establish a new formula program which permits State and local officials to use, at their option, Federal public transportation assistance funds for transit capital or operating purposes.

With FY 1975 obligations for this new formula estimated at \$300 million, it is anticipated that enactment of this new legislation will increase FY 1975 Federal outlays by approximately \$200 million. This additional increment was included in the June 1974 outlay estimate submitted to the Congress.

In view of the need to restrain all Federal outlays to a non-inflationary minimum, this new formula program will be financed by redirecting approximately \$300 million of existing FY 1975 obligational authority in the urban mass transit program. This step, coupled with a more gradual phase-in of the new provision, will result in a savings of \$50 million from prior estimates. To realize the savings, the Congressional appropriations committees are requested to interpose no objection to the proposed \$300 million reprogramming.

(Dollars in millions)

Current 1975 Receipts Estimate	Effect of Action on Receipts	
	1975	1976

All Executive Branch Agencies

Improved personnel management.....	---	*	*
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Agencies will be directed to: reorganize work, as vacancies occur, so that fewer and lower graded positions are needed; eliminate unnecessary organizational layers; use more part-time rather than full-time employees to handle peak workloads; reduce costly overtime by finding new ways to accomplish essential work; and use internal evaluation systems to help bring about reduced personnel costs. Comparable measures will be applied to military personnel.

*While the specific effect on outlays cannot be identified at this time, savings generated are expected to be used to help offset the October 1974 pay increase costs.

Part 6. Proposed Rescissions

A total of 39 new rescissions are proposed: 37 totalling nearly \$862 million in budget authority are transmitted under the provisions of Title X of the Impoundment Control Act of 1974, (P.L. 93-344). Two rescissions totalling \$2.1 million in budget authority are proposed under provisions of the Antideficiency Act (31 U.S.C. 3679) and reported to the Congress under the provisions of Title X.

An agency summary of the outlay reductions that would result from Congressional approval of the proposed rescissions follows:

EFFECT OF RESCISSION ACTIONS ON OUTLAYS
(outlay reductions in millions of dollars)

	<u>1975</u>	<u>1976</u>
Agriculture	- 13	- 6
Commerce	- 6	- 4
Defense	- 136	- 169
Health, Education, and Welfare	- 15	- 35
Justice	- 16	--
State	- 2	--
Treasury	- 24	--
General Services Administration	- 10	- 10
Special Action Office for Drug Abuse Programs	- 2	- 3
Total	- 224	- 227

The outlay reductions for each item are identified in the reports in this part.

As noted in the individual reports, the withholdings associated with new rescissions proposed will generally be delayed until December 16, 1974.

The reports transmitted herein are not the only rescissions proposed to the Congress in this fiscal year that are needed to restrain the 1975 budget. Special messages of the President of September 20 and October 4, as amended by the supplementary reports of November 13, proposed seven rescissions totalling \$672 million in budget authority. Prompt approval of these rescissions is also requested to reduce Federal spending by nearly \$160 M in 1975 and \$250 M in 1976.



SUMMARY OF
PROPOSED RESCISSIONS

(dollars in thousands)

Resci- sion #	Item	Budget Authority
<u>Resciissions:</u>		
Agriculture:		
Agricultural Stabilization and Conservation Service:		
R75-8	Water Bank Act Program-1974.....	11,213
Forest Service:		
Forest Protection and Utilization:		
R75-9	Cooperation in Forest Fire Control....	4,921
Reforestation and Stand Improvement.....		
R75-10		10,000
Commerce:		
Social and Economic Statistics Administration:		
R75-11	Salaries and Expenses.....	373
Economic Development Administration:		
Economic Development Assistance Programs.....		
R75-12		2,000
Domestic and International Business Administration:		
Financial and Technical Assistance.....		
R75-13		12,000
United States Travel Service:		
R75-14	Salaries and Expenses.....	250
National Oceanic and Atmospheric Administration:		
Operations, Research and Facilities.....		
R75-15		500
Patent Office:		
R75-16	Salaries and Expenses.....	700
Defense, Military:		
Operation and Maintenance		
R75-17	Army.....	41,000
R75-18	Navy.....	27,500
R75-19	Marine Corps.....	5,000
R75-20	Air Force.....	40,000
R75-21	Defense Agencies.....	1,900
R75-22	Army Reserve.....	1,800
R75-23	Navy Reserve.....	1,100
R75-24	Air Force Reserve.....	400
R75-25	Army National Guard.....	1,400
R75-26	Air National Guard.....	500
Aircraft Procurement:		
R75-27	Army.....	13,500
R75-28	Air Force.....	248,000

<u>Resci- sion #</u>	<u>Item</u>	<u>Budget Authority</u>
Rescissions: (continued)		
	Health, Education, and Welfare:	
	Health Resources Administra- tion; Health Services	
R75-29	Planning and Development.....	372,466
	Justice:	
	Federal Bureau of Investigation:	
R75-30	Salaries and Expenses.....	5,300
	Immigration and Naturalization Service:	
R75-31	Salaries and Expenses.....	1,300
	Bureau of Prisons:	
R75-32	Salaries and Expenses.....	5,250
R75-33	Buildings and Facilities.....	1,750
	Drug Enforcement Administration:	
R75-34	Salaries and Expenses.....	2,400
	State:	
	International Organizations and Conferences:	
R75-35	Contributions to International Organizations.....	2,000
R75-36	International Trade Negotiations...	100
	Treasury:	
	Office of the Secretary:	
R75-37	Salaries and Expenses.....	310
	Federal Law Enforcement Training Centers:	
R75-38	Salaries and Expenses.....	60
	Bureau of Accounts:	
R75-39	Salaries and Expenses.....	630
	U.S. Customs Service:	
R75-40	Salaries and Expenses.....	3,000
	Internal Revenue Service:	
R75-41	Salaries and Expenses.....	530
	Accounts, Collection and Taxpayer Service.....	9,230
R75-42	Compliance.....	10,240
R75-43	Compliance.....	10,240
	General Services Administration	
	Public Buildings Service:	
R75-44	Federal Buildings Fund.....	20,023
	Special Action Office for Drug Abuse Programs:	
R75-45	Pharmacological research.....	2,760
R75-46	Special fund for drug abuse.....	2,240
	Total rescissions.....	863,646



PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Agriculture	New budget authority	\$ _____
Bureau Agricultural Stabilization and Conservation Service	(P.L. _____)	
Appropriation Title & Symbol	Other budgetary resources	<u>17,543,635</u>
	Total Budgetary Resources	<u>17,543,635</u>
Water Bank Act Program - 1974 12X3320	Amount proposed for rescission	<u>11,212,940</u>

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Under the Water Bank Program, authorized by the Water Bank Act (P.L. 91-559), the Federal Government shares with farmers and landowners the cost of keeping certain wetlands out of production for the purpose of improving habitats (nesting and feeding areas) for migratory waterfowl and other wildlife. The Act provides that participants in the program enter into its long-term (10 year) agreements with the Secretary of Agriculture not to drain or otherwise alter the condition of these wetlands which have been designated as wildlife nesting and feeding areas. Under the Act, funds appropriated remain available until expended.

This program duplicates to a large degree an Interior Department program (Migratory Bird Conservation Fund).

Estimated Effect

This program provides little conservation benefits to the Nation and can therefore be eliminated with little consequence. Outlay reductions would be \$1M in FY 1975 and \$4M in FY 1976.

The funds remaining are needed to fund commitments under the 1974 program.

Total 1975 OutlaysDollars in Millions

1975 Budget (February transmittal)	3.8
Without rescission (current estimate)	2.8
With rescission (revised estimate)	<u>1.8</u>
(Effect of action on 1976 outlays)	<u>-4.0</u>

DEPARTMENT OF AGRICULTURE

Agricultural Stabilization and Conservation Service

Water Bank Program

Appropriations provided in the Agriculture-
Environmental and Consumer Protection Act of 1974 to carry
into effect the provisions of the Water Bank Act (16 U.S.C.
1301-1311), are rescinded in the amount of \$11,212,940.

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PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Agriculture	New budget authority (P.L. 93-404)	\$ 25,088,000
Bureau Forest Service	Other budgetary resources	--
Appropriation Title & Symbol Forest Protection and Utilization: 1251100 (State and Private Forestry Cooperation: Cooperation in Forest Fire Control)	Total Budgetary Resources	25,088,000
	Amount proposed for rescission	4,921,000

Justification

Rescission of \$4,921,000 of the annual appropriation for cooperation in forest fire control is one of the special actions proposed by the President to restrain 1975 budget outlays. This program provides technical support and financial assistance to the States as an incentive to the States in their efforts to protect non-Federal land from fire. \$20,167,000 has been made available for assistance to States for FY 1975. Protection of these lands is primarily a State and local responsibility. In FY 1973, the latest year for which complete data is available, \$20 million of Federal funds was made available to the States. State and local governments provided more than \$116 million. In addition, although no precise statistics exist, it is believed that private landowners expend annually amounts considerably in excess of all governmental expenditures for these purposes.

Estimated Effects

The estimated effect of the proposed rescission on forest fire control on State and private lands is negligible for two reasons. First, the amount of the rescission is estimated to be only about 1 to 2 percent of the total expenditures for this purpose. Secondly, it is reasonable to expect that highest priority activities will be accomplished within the funds available. Therefore, the funds proposed for rescission would affect the lowest priority activities.

The proposed rescission will bring the cooperative Forest Fire Control Program to the same level as FY 1974 and will result in outlay savings of \$3.5 million in FY 1975 and \$1.4 million in FY 1976. Direct Federal employment would be reduced by an estimated 5 man-years. Other employment would also be expected to be less than if the \$4,921,000 were allocated to the States.

<u>Total 1975 Outlays</u>	<u>Dollars in Millions</u>
1975 Budget (February transmittal)	20.3
Without rescission (current estimate)	23.8
With rescission (revised estimate)	<u>20.3</u>
(Effect of action on 1976 outlays)	-1.4)

DEPARTMENT OF AGRICULTURE

Forest Service

Forest Protection and Utilization

Appropriations for the fiscal year 1975 for "Forest Protection and Utilization" for "State and Private Forestry Cooperation" are rescinded in the amount of \$4,921,000.

PROPOSED RESCISSION OF BUDGET AUTHORITY
 Report Pursuant to Sec. 1012 of P.L. 93-344

R75-10

Agency Department of Agriculture	New budget authority (P.L. 93-404)	\$ 50,079,000
Bureau Forest Service	Other budgetary resources	--
Appropriation Title & Symbol Forest Protection and Utilization: 1251100 (Forest Land Management: Reforestation and Stand Improve- ment)	Total Budgetary Resources	50,079,000
	Amount proposed for rescission	10,000,000

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Rescission of \$10,000,000 of the annual appropriation for reforestation and stand improvement is proposed as part of the overall program of budgetary restraint. The program would then be \$40,079,000, which is \$6,748,000 more than the FY 1974 program. In addition, trust funds totaling \$44,440,000 will be used for similar purposes on areas affected by timber sales. Reduction in the level of investments is possible without severe impacts on the on-going program.

Estimated Effects

It is estimated that the funds proposed for rescission would be sufficient to reforest about 22,000 acres and to accomplish stand improvement on about 108,000 acres. Annual growth would be reduced by about 40 million board feet. Direct Federal employment would be reduced by about 200 man-years. Non-Federal employment would also be reduced by about 200 man-years. Outlays would be reduced by \$9M in FY 1975 and \$1M in FY 1976.

Total 1975 Outlays

Dollars in Millions

1975 Budget (February transmittal	35.3
Without rescission (current estimate)	49.3
With rescission (revised estimate)	40.3
(Effect of action on 1976 outlays	-1.0)

DEPARTMENT OF AGRICULTURE

Forest Service

Forest Protection and Utilization

Appropriations for the fiscal year 1975 for "Forest Protection and Utilization" for "Forest Land Management" are rescinded in the amount of \$10,000,000.



PROPOSED RECISSION OF BUDGET AUTHORITY
 Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Commerce	New budget authority (P.L. 93-433)	\$ 47,977,000
Bureau Social and Economic Statistics Administration	Other budgetary resources	\$...
Appropriation Title & Symbol	Total budgetary resources	\$ 47,977,000
Salaries and Expenses		
1350401	Amount proposed for rescission	\$ 373,000

JUSTIFICATION:

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

The programs of the Social and Economic Statistics Administration (SESA) provide for the collection, compiling, and publishing of a broad range of demographic, economic, and social statistics. In the current economic analysis programs, data is prepared and analyzed on the import and export of all types of merchandise and their method of transportation.

It is proposed to defer \$373,000 for the reconciliation of discrepancies in bilateral merchandise trade balance figures as reported by the U.S. and Japan. Initial exploratory discussions were to be held with both Japan and West Germany in FY 1975 to develop implementation plans. An agreement to proceed with a joint undertaking has been reached with West Germany. The efforts with Japan will be deferred until FY 1976.

The funds proposed for rescission are available only in fiscal year 1975.

ESTIMATED EFFECTS:

The remaining funds will still permit the completion of the U.S.-Canada reconciliation now underway.

TOTAL 1975 OUTLAYS:

DOLLARS IN MILLIONS

1975 Budget (February transmittal)	49.5
Without rescission (current estimate)	47.7
With rescission (revised estimate)	<u>47.3</u>
(Effect of action on 1976 outlays.)	0)

DEPARTMENT OF COMMERCE

Social and Economic Statistics Administration

Salaries and Expenses

Appropriations provided under this head in the Department of Commerce
Appropriation Act, 1975 are rescinded in the amount of \$373,000.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Commerce	New budget authority (P.L. 93-433)	\$ 184,200,000
Bureau Economic Development Administration		
Appropriation Title & Symbol Economic Development Assistance Programs 1352050	Other budgetary resources	\$
	Total budgetary resources	\$ 184,200,000
	Amount proposed for rescission	\$ 2,000,000

JUSTIFICATION:

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

The EDA appropriation provides funds for the full range of programs including public works, business development, planning, technical assistance and research. The total amount currently appropriated for all EDA programs in fiscal 1975 is \$184,200,000.

It is proposed to rescind \$2,000,000 of the \$9,281,000 allocated to technical assistance. EDA's technical assistance program finances projects related to particular economic adjustment problems of distressed areas. The funds proposed for rescission are available only in fiscal year 1975.

ESTIMATED EFFECTS:

The rescission will reduce the amount of funding available for new technical assistance efforts in 1975, but it is not expected to seriously delay economic adjustment activities being funded by the EDA.

TOTAL 1975 OUTLAYS:

DOLLARS IN MILLIONS

1975 Budget (February transmittal)	268
Without rescission (current estimate)	275
With rescission (revised estimate)	<u>274</u>
(Effect of action on 1976 outlays)	-1)

DEPARTMENT OF COMMERCE

Economic Development Administration

Economic Development Assistance Programs

Appropriations provided under this head in the Department of Commerce
Appropriation Act, 1975 are rescinded in the amount of \$2,000,000.

PROPOSED RESCISSION OF BUDGET AUTHORITYReport Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Commerce	New budget authority \$ _____ (P.L. _____) Other budgetary resources 19,821,000
Bureau Domestic and International Business Administration	Total Budgetary Resources 19,821,000
Appropriation Title & Symbol Financial and Technical Assistance 13x1210	Amount proposed for rescission 12,000,000

Justification:

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

The Financial and Technical Assistance program was authorized by the Trade Expansion Act of 1962. The program provides financial and/or technical assistance to firms who are injured or threatened by increased imports, when the increase is due to a trade agreement entered into by the United States. Firms, which have been certified eligible by the Tariff Commission and the Department, may receive this financial assistance in the form of a direct loan, a loan guarantee and/or technical assistance. These funds are available without regard to fiscal year limitation.

To date, 34 firms have received approval of eligibility to apply for assistance. Of the 34 firms, 18 adjustment proposals have been approved, 1 is pending, and 15 have not yet been received. The proposed Trade Reform Act of 1974 establishes new criteria for financial and technical assistance. When the Act is passed, significant changes to the present program are anticipated. This proposed rescission will terminate funding for the existing program, when the remaining funds are used.

Estimated Effects:

Rescission of the \$12,000,000 will leave an available balance of approximately \$7,821,000. This balance will be sufficient to honor pending proposals from firms which have received approval of eligibility where preproposal technical assistance has been committed, or where a firm is well along in its proposal development. It is expected that the Trade Reform bill will be enacted, and that the new adjustment assistance program under that Act will assist firms in adjusting to imports in the future.

Total 1975 Outlays

Dollars in Millions

1975 Budget (February transmittal).....	9.3
Without rescission (current estimate).....	9.2
With rescission (revised estimate).....	<u>6.0</u>
(Effect of action on 1976 outlays.....	-3.0)

DEPARTMENT OF COMMERCE

Trade Adjustment Assistance

Financial and Technical Assistance

Appropriations provided under this head in the Department of Commerce
Appropriation Act, 1972 are rescinded in the amount of \$12,000,000.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Commerce	New budgetary authority (P.L. 93-433)	\$ <u>11,250,000</u>
Bureau United States Travel Service		
Appropriate Title & Symbol	Other budgetary resources	\$ <u>...</u>
Salaries and Expenses	Total budgetary resources	\$ <u>11,250,000</u>
1350700		
	Amount proposed for rescission	\$ <u>250,000</u>

JUSTIFICATION:

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Funds have been appropriated for the 1975 programs to encourage foreign travel to the U.S. with emphasis concentrated on travel from 6 major tourism markets. It is proposed that USTS will reduce its consumer advertising, brochures and display programs, and research programs by \$250,000 in FY 1975. The funds proposed for rescission are available only in fiscal year 1975.

ESTIMATED EFFECTS:

Consumer Advertising: The \$100,000 reduction will decrease the frequency of print inserts in advertising campaigns by approximately 20% in U.K. and 7% in Germany.

Brochures and Displays: \$80,000 proposed reduction will cause a deferral in the production of 4,700 cube displays and 450,000 VISIT USA maps.

Research and Analysis: \$70,000 proposed reduction in Research and Analysis will defer the following projects for FY 1975: Canadian/Mexican Exits Survey; follow up to 1974 German Market Study; evaluation of Public Information activities.

<u>Total 1975 Outlays</u>	<u>Dollars in Millions</u>
1975 Budget (February transmittal).....	10.8
Without rescission (current estimate).....	10.7
With rescission (revised estimate).....	<u>10.4</u>
(Effect of action on 1976 outlays.....	0)

DEPARTMENT OF COMMERCE
United States Travel Service
Salaries and Expenses

Appropriations provided under this head in the Department of Commerce
Appropriation Act, 1975 are rescinded in the amount of \$250,000.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 101² of P.L. 93-344

R75-15

Agency Department of Commerce <hr/> Bureau National Oceanic and Atmospheric Administration <hr/> Appropriation Title & Symbol <hr/> Operations, Research and Facilities 13X1450	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">New budget authority (P.L. 93-433)</td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 35%; text-align: right;">440,930,000</td> </tr> <tr> <td>Other budgetary resources</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">4,175,851</td> </tr> <tr> <td>Total Budgetary Resources</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">445,105,851</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Amount proposed for rescission</td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 35%; text-align: right;">500,000</td> </tr> </table>	New budget authority (P.L. 93-433)	\$	440,930,000	Other budgetary resources	\$	4,175,851	Total Budgetary Resources	\$	445,105,851	Amount proposed for rescission	\$	500,000
New budget authority (P.L. 93-433)	\$	440,930,000											
Other budgetary resources	\$	4,175,851											
Total Budgetary Resources	\$	445,105,851											
Amount proposed for rescission	\$	500,000											

JUSTIFICATION:

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

The Interstate Marine Fisheries Commissions encourage cooperative interaction between state and industry fishery interests through meetings on fisheries problems and management programs.

The Congress appropriated \$500,000 in FY 1975 for the Atlantic, Gulf and Pacific Commissions to be used for data gathering leading to the development of a national fisheries policy. It is proposed that these funds be rescinded. NOAA is currently in the advanced stages of developing a national fisheries plan. Since the plan is due to be completed in 1975, the input that would be provided by this research would not be available in time for inclusion in the plan. The funds proposed for rescission are available without regard to fiscal year limitation.

ESTIMATED EFFECTS:

NOAA has a direct program of fisheries research which contributes a broad range of scientific knowledge on fisheries problems. This, along with public comment and input from private research groups, should provide adequate information for development of the national plan.

TOTAL 1975 OUTLAYS:

DOLLARS IN MILLIONS

1975 Budget (February transmittal)	0
Without rescission (current estimate)5
With rescission (revised estimate)	<u>0</u>
(Effect of action on 1976 outlays)	0)

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

Operations, Research, and Facilities

Appropriations provided under this head in the Department of Commerce Appropriation Act, 1975, are rescinded in the amount of \$500,000: Provided, That no part of the remaining sums shall be subject to the second proviso of said appropriation.

PROPOSED RESCISSION OF BUDGET AUTHORITY
 Report Pursuant to Sec. 1012 of P.L. 93-344

R75-16

Agency Department of Commerce	New budget authority (P.L. 93-433)	\$	<u>76,300,000</u>
Bureau Patent Office	Other budgetary resources	\$	<u> </u>
Appropriation Title & Symbol	Total Budgetary Resources	\$	<u>76,300,000</u>
Salaries and Expenses			
13X51006	Amount proposed for rescission	\$	<u>700,000</u>

JUSTIFICATION:

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated. Funds are appropriated to the Patent Office in FY 1975 in order to examine patent and trademark applications, print patents and trademarks, and for related activities. It is proposed to defer the examination of 2,160 patents in 1975 at a savings of \$625,000. Additional miscellaneous economies in patent classification, trademark examination, and customer services will allow the savings of an additional \$75,000. The total amount of \$700,000 is proposed for rescission in 1975. **The funds proposed for rescission are available only in fiscal year 1975.**

ESTIMATED EFFECTS:

At the current patent examiner productivity and the current rate of receipt of applications, rescission of funding for patent examination will have no impact on the achievement of the Patent Office's longstanding goal of reducing processing time of a patent application to 18 months by 1977. Disposal of patent applications has exceeded receipt of new applications by over 10,000 cases annually in 1973 and 1974. Productivity of the patent examining corps increased to an all time high in 1974, 116,003 application disposals. If apportioned, these funds would of necessity be used for additional examiner overtime. Miscellaneous economies in patent classification, trademark examination and customer services will result in a savings of \$75,000. Rescinding this amount will have no serious impact on these programs in 1975.

TOTAL 1975 OUTLAYS:

DOLLARS IN MILLIONS

1975 Budget (February transmittal).....	76.1
Without rescission (current estimate).....	75.4
With rescission (revised estimate).....	<u>74.7</u>
(Effect of action on 1976 outlays.....)	0

DEPARTMENT OF COMMERCE

Patent Office

Salaries and Expenses

Appropriations provided under this head in the Department of Commerce

Appropriation Act, 1975 are rescinded in the amount of \$700,000.



PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Defense	New budget authority	\$ <u>6,137,532,000</u>
Bureau	(P.L. <u>93-437</u>)	
	Other budgetary resources	<u>922,997,294</u>
Appropriation Title & Symbol Operation and Maintenance, Army 2152020	Total Budgetary Resources	<u>7,060,529,294</u>
	Amount proposed for rescission	<u>41,000,000</u>

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Real property maintenance levels can be varied from year to year. A one-time reduction of about ten percent in this annual account is proposed. This would result in a twenty percent reduction over the last half of fiscal 1975. If this reduced level of maintenance were continued over a period of time, it could become serious; however, a one-time reduction would have minimal adverse impact.

The appropriation language specifies that funds appropriated for real property maintenance may be used only for that purpose. Thus, savings in this area of activity may not be reprogrammed for increased pay costs, and a rescission is necessary to achieve this savings.

Estimated Effects

This rescission will reduce 1975 budget authority by \$41 million and result in outlay reductions of \$34.6 million in 1975 and \$5.5 million in 1976.

<u>Total 1975 Outlays</u>	<u>Dollars in millions</u>
1975 Budget (February transmittal)	\$6,701.0
Without rescission (current estimate)	6,395.4
With rescission (revised estimate)	6,360.8
(Effect of action on 1976 outlays	-5.5)

DEPARTMENT OF DEFENSE - MILITARY

Operation and Maintenance

Operation and Maintenance, Army

Appropriations provided under this head in the Department of Defense Appropriation Act, 1975, are rescinded in the amount of \$41,000,000, to be derived from the sum provided for the maintenance of real property facilities.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency		
Department of Defense	New budget authority	\$ <u>7,151,175,000</u>
Bureau	(P.L. <u>93-437</u>)	
	Other budgetary resources	<u>190,000,000</u>
Appropriation Title & Symbol		
Operation and Maintenance, Navy 1751804	Total Budgetary Resources	<u>7,341,175,000</u>
	Amount proposed for rescission	<u>27,500,000</u>

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Real property maintenance levels can be varied from year to year. A one-time reduction of about ten percent in this annual account is proposed. This would result in a twenty percent reduction over the last half of fiscal 1975. If this reduced level of maintenance were continued over a period of time, it could become serious; however, a one-time reduction would have minimal adverse impact.

The appropriation language specifies that funds appropriated for real property maintenance may be used only for that purpose. Thus, savings in this area of activity may not be reprogrammed for increased pay costs, and a rescission is necessary to achieve this savings.

Estimated Effects

This rescission will reduce 1975 budget authority by \$27.5 million and result in outlay reductions of \$20.6 million in 1975 and \$6.1 million in 1976.

<u>Total 1975 Outlays</u>	<u>Dollars in millions</u>
1975 Budget (February transmittal)	\$6,763.0
Without rescission (current estimate)	6,876.0
With rescission (revised estimate)	6,855.4
(Effect of action on 1976 outlays)	-6.1)

DEPARTMENT OF DEFENSE - MILITARY

Operation and Maintenance

Operation and Maintenance, Navy

Appropriations provided under this head in the Department of Defense Appropriation Act, 1975, are rescinded in the amount of \$27,500,000, to be derived from the sum provided for the maintenance of real property facilities.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency	New budget authority	\$ 449,284,000
Department of Defense	(P.L. 93-437)	
Bureau	Other budgetary resources	3,828,000
Appropriation Title & Symbol	Total Budgetary Resources	453,112,000
Operation and Maintenance, Marine Corps 1751106	Amount proposed for rescission	5,000,000

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Real property maintenance levels can be varied from year to year. A one-time reduction of ten percent in this annual account is proposed. This would result in a twenty percent reduction over the last half of fiscal 1975. If this reduced level of maintenance were continued over a period of time, it could become serious; however, a one-time reduction would have minimal adverse impact.

The appropriation language specifies that funds appropriated for real property maintenance may be used only for that purpose. Thus, savings in this area of activity may not be reprogrammed for increased pay costs, and a rescission is necessary to achieve this savings.

Estimated Effects

This rescission will reduce 1975 budget authority by \$5 million and result in outlay reductions of \$4 million in 1975 and \$.9 million in 1976.

<u>Total 1975 Outlays</u>	<u>Dollars in millions</u>
1975 Budget (February transmittal)	\$437.0
Without rescission (current estimate)	462.1
With rescission (revised estimate)	458.1
(Effect of action on 1976 outlays)	-.9)

DEPARTMENT OF DEFENSE - MILITARY

Operation and Maintenance

Operation and Maintenance, Marine Corps

Appropriations provided under this head in the Department of Defense Appropriation Act, 1975, are rescinded in the amount of \$5,000,000, to be derived from the sum provided for the maintenance of real property facilities.



PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency Department of Defense	New budget authority	\$ 7,062,030,000
Bureau	(P.L. <u>93-437</u>)	
	Other budgetary resources	987,147,974
Appropriation Title & Symbol	Total Budgetary Resources	8,049,177,974
Operation and Maintenance, Air Force 5753400	Amount proposed for rescission	40,000,000

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Real property maintenance levels can be varied from year to year. A one-time reduction of about ten percent in this annual account is proposed. This would result in a twenty percent reduction over the last half of fiscal 1975. If this reduced level of maintenance were continued over a period of time, it could become serious; however, a one-time reduction would have minimal adverse impact.

The appropriation language specifies that funds appropriated for real property maintenance may be used only for that purpose. Thus, savings in this area of activity may not be reprogrammed for increased pay costs, and a rescission is necessary to achieve this savings.

Estimated Effects

This rescission will reduce 1975 budget authority by \$40 million and result in outlay reductions of \$34.8 million in 1975 and \$4.9 million in 1976.

<u>Total 1975 Outlays</u>	<u>Dollars in millions</u>
1975 Budget (February transmittal)	\$7,146.0
Without rescission (current estimate)	7,122.3
With rescission (revised estimate)	7,087.5
(Effect of action on 1976 outlays)	-4.9)

DEPARTMENT OF DEFENSE - MILITARY

Operation and Maintenance

Operation and Maintenance, Air Force

Appropriations provided under this head in the Department of Defense Appropriation Act, 1975, are rescinded in the amount of \$40,000,000, to be derived from the sum provided for the maintenance of real property facilities.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Sec. 1012 of P.L. 93-344

Agency		
Department of Defense	New budget authority	\$ <u>2,350,159,000</u>
Bureau	(P.L. <u>93-437</u>)	
	Other budgetary resources	<u>172,658,822</u>
Appropriation Title & Symbol		
Operation and Maintenance, Defense Agencies 9750100	Total Budgetary Resources	<u>2,522,817,822</u>
	Amount proposed for rescission	<u>1,900,000</u>

Justification

This withholding of funds is one of several special actions proposed by the President to restrain 1975 budget outlays. Since these restraints are being proposed after Congressional action affecting most 1975 funds has been completed, this withholding will be delayed until December 16, 1974, to permit Congressional review of the action contemplated.

Real property maintenance levels can be varied from year to year. A one-time reduction of ten percent in this annual account is proposed. This would result in a twenty percent reduction over the last half of fiscal 1975. If this reduced level of maintenance were continued over a period of time, it could become serious; however, a one-time reduction would have minimal adverse impact.

The appropriation language specifies that funds appropriated for real property maintenance may be used only for that purpose. Thus, savings in this area of activity may not be reprogrammed for increased pay costs, and a rescission is necessary to achieve this savings.

Estimated Effects

This rescission will reduce 1975 budget authority by \$1.9 million and result in outlay reductions of \$1.7 million in 1975 and \$.2 million in 1976.

<u>Total 1975 Outlays</u>	<u>Dollars in millions</u>
1975 Budget (February transmittal)	\$1,827.0
Without rescission (current estimate)	2,314.2
With rescission (revised estimate)	2,312.5
(Effect of action on 1976 outlays)	-.2)