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THE WHITE HOUSE
WASHINGTON

Date: 1/16

TO:

Ron Nessen

FROM: Robert K Wolthuis ✓

For your information _____

Please handle _____

Other

RN
saw





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

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

CONGRESSIONAL BUDGET BRIEFING SCHEDULE

Wednesday, January 21

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

Thursday, January 22

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

<u>AGENCY</u>	<u>TIME</u>	<u>LOCATION AND CONTACT</u>
General Briefing (entire Cabinet)	9:30 a.m.	West Auditorium, State Dept. (23rd St. entrance). Contacts: Alan Wade, 395-4747; Whit Shoemaker, 395-4854.
Science Advisor to the President	11:30 a.m.	Dr. Guyford Stever, Room 540, 1800 G St., N.W.
FEA, ERDA and Interior	1:15 p.m.	Room 3000A, Ben Franklin P.O. Bldg, 12th & Penn. Ave., N.W. Contact: Gene Curella, 964-4781.
NOAA	1:30 p.m.	Room 5230, Commerce Department
NSF	1:45 p.m.	Dr. Guyford Stever, Room 540, 1800 G St., N.W.
Defense	12:00 noon	Pentagon, Room 1E801 (#7)
Agriculture	12:00 noon	Room 218A, Agriculture Admin. Bldg.
Justice	2:00 p.m.	Conference Room "A" (includes FBI, DEA, LEAA)
EPA	2:00 p.m.	Room 3906, 401 M St., S.W.
DOT	2:00 p.m.	Room 10232, DOT Bldg., 400 7th St., S.W.
HUD	2:00 p.m.	10th floor conference room 10233, 451 7th St., S.W.
HEW	2:00 p.m.	HEW Auditorium
Labor	2:00 p.m.	Room S-3215 New Labor Bldg. (3rd & Constitution Ave., N.W.)
NASA	4:00	6th floor auditorium, Room 6104, 400 Maryland Ave., S.W.
Interior	3:30	Interior Auditorium, 18th & C Sts., N.W. Special inquiries contact: Charlie Wallace, 343-3171
Commerce		Budget package available after 9:30 a.m. in Room 5062. Interviews with Commerce officials available 1:30-3:30. Special inquiries contact: Tony Scinta, 967-4901
ICC		Budget package available after 9:30 a.m., Room 2140, ICC, 12th & Constitution, N.W.
Corps of Engineers		Packet available to press 9:30 a.m., Jan. 20, Room 4A131, Forrestal Bldg., 10th & Independence Ave., S.W. Contacts: Locke Mouton & Ed Greene, 693-6326 or 693-6346.
ACTION		Packet 9:30 a.m., Tues., Room 303, 1735 I St, N.
Nat'l Endowment for Arts		Packet 9:30 a.m. Tues., Room 1300, 2401 E St, N.W.
FCC		Budget Director Thomas Campbell available for media calls Tues. after 9:30 a.m., 632-7194.
Nuclear Reg. Agency		Briefing Tues. (time not set). Contact: Frank Ingram, 492-7715
Civil Rights Commission		Budget Officer Bert Silver available for phone queries after 8:45 a.m. Tues., 254-6616.
Selective Svc. Commission		Mr. Ernie Howard available for media phone queries after 1:00 p.m. Tues., 343-7154.
Postal Service		Media queries should be made to Charmayne Marsh 245-4144.
EEO Commission		Media queries on funding should be made to Alfred Sweeney after 11:00 a.m. Tues., 634-6930.
National Park Service		Media queries should be made to Tom Wilson, Sandra Alley or Duncan Morrow after 9:00 a.m. Tues., 343-7394.

BUDGET BRIEFINGS SCHEDULED FOR JAN. 20

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EMBARGOED FOR RELEASE UNTIL
10:00 A.M. WEDNESDAY,
JANUARY 21, 1976

JANUARY 20, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

BRIEFING BY THE PRESIDENT
ON THE
1977 FISCAL YEAR BUDGET

THE STATE DEPARTMENT AUDITORIUM

9:35 A.M. EST

THE PRESIDENT: Good morning.

It seems to me I have seen some of you before in the last 24 hours.

Mr. Vice President, members of the Cabinet, members of the press, and guests:

Let me welcome you to this briefing on the budget this morning. I am going to break with tradition of the recent past and begin with a very few, or very limited, remarks. Then I will respond to your individual questions about the specifics in the new budget.

I might note that over a quarter of a century ago, when President Truman used to conduct similar briefings, he sent up a budget for \$43 billion in expenditures. His message to the Congress on that occasion was over 80 pages long, and here is a copy of it.

This year the budget is \$394.2 billion, but my budget message is only four pages long. So, at least we are beginning to achieve some economies in those areas over which we have some direct control. (Laughter)

Naturally, I hope we have an equal amount of success with the Congress in this regard. I decided to conduct this briefing myself in order to emphasize how important the new 1977 budget is to the future of the United States.

We are at a critical point in our history, a point where we can either allow Federal spending and Federal deficits to mushroom and allow our economic foundations to erode, or on the other hand we can decide to restrain the growth of Federal spending and restore the vitality of our private economy.

MORE



This is what I meant when I spoke last night about striking a new balance within our economy.

Let me call your attention to a few passages from this budget that I regard as particularly important for all. The combination of tax and spending changes I propose will set us on a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path that we can sustain.

This is not a policy of the quick fix. It does not hold out the hollow promise that we can wipe out inflation and unemployment overnight. Instead, it is an honest, realistic policy; a policy that says we can steadily reduce inflation and unemployment if we maintain a prudent balanced approach.

In formulating this budget, I have tried to achieve fairness, as well as balance, between the taxpayer and those who will benefit from Federal spending, between national security and other pressing needs, and between the desires to solve our problems quickly and the realization that for some problems good solutions will take more time.

The American people know that promises that the Federal Government will do more for them every year have not been kept. I make no such promises. I offer no such illusions. Notwithstanding these hard choices, I believe this budget reflects a forward-looking spirit that is in keeping with our heritage as we begin our Nation's third century.

With those introductory comments, I would like to turn to your questions. As you can see, the members of the Cabinet, along with the Vice President, and the heads of the major independent agencies are here. You should feel free to direct questions to them specifically. I will, of course, reserve the right to add to or, if necessary, even subtract from their answers. (Laughter)

With those comments, I will be glad to call on Dick Growald.

QUESTION: Mr. President, we understand that one individual is to be named with authority and scope for authority to handle welfare matters for the Administration, a so-called welfare czar, such as Mr. Zarb's activities in the energy field. Can you please tell us about that?

MORE



THE PRESIDENT: That, of course, is a possibility, although no specific decision has been made as yet. In order to achieve our welfare reform, which is needed and necessary, we have to get some additional authority, some flexibility, from the Congress.

We will ask for that authority, and once that authority is given -- and I hope the Congress will respond -- it is conceivable that we will appoint a so-called welfare czar.

QUESTION: Mr. President, there has been some criticism there might be some gimmickry in your budget. Can you tell me how you square such things as a \$10 billion tax cut with such things as a Social Security increase?

THE PRESIDENT: Fran, the way in which we achieved the spending limitation of \$394.2 billion was not any gimmickry whatsoever. We went through the process which produced this result by giving each department some spending limitation back in the early fall. They then had an opportunity to come forward with their programs within those departmental limitations.

I then made an evaluation in October, predicated on the changed economic trends. We, therefore, were in a position to revise some of those limitations to respond to some of the departmental requests, and the net result is we have been able to take care of the older people in Social Security in all Government retirement programs without any capping, so to speak.

We felt that this was the proper thing to do under the current circumstance, bearing in mind the beneficiaries as well as the failure of Congress to act on those for the current fiscal year, and at the same time be realistic and honest in asking, for example, for additional tax increases in the Social Security Trust Funds payments.

It was an even balance in seeking to impose integrity on the Trust Fund funding on the one hand and benefits for those who were retired on the other.

QUESTION: Mr. President, you have stressed the need to reduce the size of Government and, as you say, restore the vitality of the private sector. Some critics say that in doing so, you are creating additional fiscal restraints for the economy that threatens recovery and perhaps induces a new recession. How do you respond to that criticism?

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THE PRESIDENT: I don't believe that an additional \$10 billion tax reduction will restrain the economy. It will probably be a partial stimulant to the economy if the Congress responds to my request and makes it effective July 1, 1976.

The other side of the coin, the restraint on Federal spending to a limit of \$394.2 billion, is not a cutback in Federal spending, but a 5 percent increase in Federal spending over the present spending growth figures for fiscal 1976.

So, I think the critics are totally wrong. We are adding to a tax cut on the one hand to keep the momentum going, and we are permitting limited growth and spending on the other side.

QUESTION: Mr. President, if I may follow up, when you measure that increase in dollars, 5-1/2 percent against your own projected rate of inflation, isn't there an actual cut in real spending?

THE PRESIDENT: It is my recollection -- and I may be in error -- that that -- no, I am sorry, I am wrong. The rate of inflation for fiscal 1977 is anticipated to be 6 percent, and the growth in Federal spending is roughly 5-1/2 percent.

But, it is growth to that degree. I think the economy will come along very well, particularly with the \$10 billion increase in a tax reduction.

QUESTION: Mr. President, to follow up on that same thing, another measure of the economic effect of the budget is what we call the full employment deficit or surplus, and this budget shows it would be actually in surplus in fiscal 1977, and I wonder how you would respond to the criticism that that is very bad policy at a time of continued high unemployment?

THE PRESIDENT: It seems to me that if we don't get a handle now on the growth of Federal spending -- and this is a critical year, it is a threshold -- we are going to be in serious difficulties in the years projected ahead.

Our projections for the reduction in unemployment show that in 1976 or 1975 it will be 8.5 as an average, 7.7 in 1976 and down to 6.9 or 6.8 in the following year. It seems to me this trend is in the right direction, and the overall balance between spending and tax reductions are in the right proportion.

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QUESTION: Mr. President, you will need the utmost in Congressional cooperation to make this budget valid, as you well know, and my question is to what extent did you consult with the Congressional budget committees or with the leadership in preparing this?

THE PRESIDENT: I did not personally consult with any of the budget committees. I suspect that members of the OMB staff were in communication, but you would have to ask them particularly. I did not consult personally with any of the Members of the House or Senate budget committees.

The responsibility as President is to prepare the budget, and I prepared it. I think I spent over 100 hours in personal attention to the decision-making process as far as the budget was concerned. That is a Presidential responsibility.

The Congress, subsequently, has its responsibility, and I would assume they will undertake it.

QUESTION: Mr. President, most of these cutbacks, reductions and consolidations have been aimed at traditional targets of conservatives; that is, health, education, social services, Medicaid. If you were really and truly seeking Congressional cooperation in controlling Federal spending, do you think it would have been more effective if you were evenhanded in your reductions?

I note there is a pretty big increase in the Defense Department budget. Do you think you would have gotten more cooperation from Congress if you would have tried to be a little more evenhanded in your reductions?

THE PRESIDENT: Let me take each of the consolidations. In the case of education, which includes elementary and secondary education, which includes vocational education, aid to the handicapped and libraries, the figure for fiscal 1977 is \$3 billion 300 million. We have added sweeteners of \$150 million, so there is no cutback, none whatsoever, in the Federal aid to education. It is an increase rather than a cutback.

In the case of health, we are recommending in the consolidation process taking some 15 or 16 categorical grant programs, and in this case we are increasing the Federal contributions to the States over fiscal year 1976. That is not a cutback.

In the case of social services, as I recollect, it is identical. In the case of child nutrition, where we are consolidating 15 programs, there is a cutback, but it is a very good and simple answer. We will give more money to the children at the poverty level or below, and we will cut out child nutrition programs for those families above the poverty line.

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I think that makes sense. We will spend less money but we will concentrate the Federal resources on the children below the poverty line, and the people above the poverty line ought to be able to take care of their own children.

So, overall, I think you will find that in the four programs that we have consolidated, there is more spending contemplated in 1977 than in 1976, so there can't be any valid accusation that we have reduced Federal grants to States for programs that we believe should be carried on.

We simply are emphasizing with this approach a better delivery system of the services, whether it is health, social services, education or child nutrition.

QUESTION: Mr. President, if you are interested in reversing a flow of power toward Washington and giving more flexibility to State and local Government, why don't you go all the way and actually transfer those programs and the tax base to the States, as has been proposed, rather than have the money come to Washington and ship it back in block grants?

THE PRESIDENT: I think the other approach is totally impractical. I can't imagine 50 States having all of these programs dumped on them and then have to increase taxes if they want the programs continued. The better approach is the one that I have recommended. It provides an equal or greater amount in toto of funding from the Federal Government to States, but giving to the individual States the authority to decide at that level what programs they want continued and how they want individual programs to be handled.

I have talked on many occasions to Vice President Rockefeller, who served 15 years as Governor of the State of New York, and he has repeatedly indicated to me that if the approach that we are recommending was in effect, that a substantial percentage of the Federal funds could be saved by better administration.

Perhaps the Vice President, who has had some practical experience in this area of managing State and Federal programs, would be a better witness than myself.

VICE PRESIDENT ROCKEFELLER: I think you asked a very fundamental question, and for those of us who come from States where there has been a long tradition of social responsibility and where we have increased taxes, particularly income taxes, and where our neighbors have no income tax and where other States don't have income tax, we find ourselves able to finance the programs.

But, those States which don't have the income taxes don't have the programs and, therefore, we attract those who need help and we lose those who are trying to manufacture or do business and who move to the States where the taxes are lower.

There is no chance of the States on their own voluntary effort developing uniform tax structures, and we are vulcanizing America. Therefore, I think the President has followed a course which the Governors for 15 years, to my knowledge, have urged that we go to block grants, that we give the States the opportunity to develop their programs with the assistance from the Federal Government, because the Federal Government, since the time that the Federal Government was authorized to collect income taxes, has the fast growing tax source.

Some States have adopted it, but a great many have not. Therefore, we have a tremendously difficult situation as far as the tax structure of the 50 States of this country is concerned.

QUESTION: May I follow that? In that case, why are you dropping the matching funds requirement, since in that case the wealthy States will continue to match funds voluntarily and the poor States won't, and the same harmful effect you mentioned will continue?

VICE PRESIDENT ROCKEFELLER: Yes, but what you don't -- excuse me, sir. I mean, what I would like to point out (Laughter) is that with the requirement that the Federal Government has had for years that you have to enrich and improve your programs if you are going to get matching funds.

If your programs are already rich and improved and you want to get Federal funds, you have to make it more rich and more improved, and the result is that our standards in New York went higher and higher -- higher than we felt they should -- but it was the only way we could get the Federal money and, therefore, it distorted our whole structure.

I understand Congress' attitude on this. They don't want to give money and have it substitute for local tax money, but if you are already doing the job, why should you increase it when there are other things you need more or when you should reduce taxes, which is what we wanted to do, but could not do because of these laws.

This is a very complex situation, and the special interest groups -- and I understand that, too -- instead of going to 50 State Legislatures, that it was much easier for them to go to Congress. They get a constituency in Congress and in the Congressional staffs and in the bureaucracy of the Federal Government.

MORE

They have a situation going that is very powerful, and I admire tremendously the President's courage in stepping up to this thing and facing it as he has and having the confidence and the belief and the faith in the American people and their elected representatives and local Government.

This is what America is all about, and I think this is a very significant step and a turning point in our country, and is going to be welcomed by the States and local Governments, and that includes cities and counties.

Thank you.

THE PRESIDENT: I might make two added comments. We have two block grant programs at the present time; one, the community development program, which consolidated seven categorical grant programs for the aid and assistance of urban communities. That program is in effect, it works well and the communities were held harmless in the transition process.

The Law Enforcement Assistance Act was also a block grant program which gives flexibility to the States in the decision-making process. It is working well, so it can work. I believe the Congress will move, and it is a far better program than one that dumps the responsibility on the States and does not give them any assistance in the funding.

QUESTION: Mr. President, last night you placed great emphasis on your proposal to crank into the Medicare program the catastrophic insurance plan, which would cost an additional \$538 million, but in this morning's document I note that this would be more than offset by taking from Medicare recipients \$1.3 billion and from providers of health services about close to another billion dollars so that the net for Medicare is actually reduced by 2.2.

My question is, do you feel you leveled with the medical profession and the Medicare recipients last night when you told them only about the sweetener and not about the bitter pill?

THE PRESIDENT: Let me remind you, you ought to go back and read my statement. I said in the statement there will be a slight increase in the fees. It is in the sentence where I referred to the \$500 and \$250.

Now, let's talk about the facts. Under the present situation, when a person under Medicare goes into the hospital, that individual in effect gets 60 days free care. After 60 days, that person bears the total financial burden.

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Under my plan, which I think is the soundest, the person pays 10 percent of the hospital care cost up to a total of \$500. After \$500 the individual pays nothing, and after \$250 for physician care the individual pays nothing.

What we are trying to do is help the three million people who are today affected very adversely by catastrophic illness, three million out of 25 million.

The financial burden, the mental fear and apprehension of the individual who is hurt by a catastrophic illness is really extremely serious. In order to protect these three million people, who have no hope, none whatsoever, of protecting themselves after they are afflicted, we think is the right group to concentrate on, and we feel that we can redistribute the financial burden across the 25 other million people in order to protect those three, and all of those who might in the future be affected.

QUESTION: Mr. President, only a month or two ago you were quite insistent that Congress commit itself to a specific spending ceiling as a precondition of any tax cut. Yet, last night, when you proposed your additional \$10 billion in tax cuts, you made no mention of a requirement for such a spending ceiling. Could you explain that?

THE PRESIDENT: I think if you reread the message you will find that I do say -- or did say, rather -- in that message that if we restrain Federal spending, we can have a tax reduction on a dollar for dollar basis. I can't remember the page, but it is in the message that I read to the Congress last night.

QUESTION: Yes, but I think that you are no longer insisting on a specific ceiling being approved by Congress as a precondition to that extra \$10 billion.

THE PRESIDENT: We say that the ceiling is \$394.2. Now, there are uncertainties that take place as we move along, and we have five and one-half months before July 1, 1976. So, there has to be some flexibility,

I have picked a ceiling. I have said that we can, with that ceiling, as of today, have a \$10 billion additional tax reduction over that the Congress has approved. We will have to wait and see how economic conditions develop in the coming months, but the concept of dollar for dollar was set forth in the message last night.

QUESTION: Mr. President, wouldn't one way to help the States and cities the most be to establish comprehensive welfare reform and take most, if not all, of the financial burden off the States and welfare cities. I notice we are just remodeling the present structure without going into any extensive welfare reform.

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THE PRESIDENT: That is a possibility, and there are a number of options for complete and total reform of welfare. When I was in the Congress, on two occasions I voted for what was known as family assistance programs. But, it did not seem to us, as I said last night, that this was the time, as we are coming of the recession, to make a massive reform of welfare.

We believe that the better approach at the present time is to get legislative authority from the Congress in order to take specific actions to remedy defects in the various individual programs. I do not rule out the possibility of a total reform of welfare in the years ahead, but I think at the present time it would be very unwise.

QUESTION: Mr. President, I wanted to follow up on the bitter pill question about Medicare. As it stands now, under Medicare you get \$104 Medicare. There is a \$104 deductible for the first 60 days. That is my understanding of it. But, under your plan it would be 10 percent of that in the first 60 days.

I checked with Social Security Medicare, and your people up in Baltimore, and it turns out the average stay for a Medicare patient is 12 and one-half days. Using your formula, instead of getting \$104 in a Medicare payment for that first 60 days, you would get almost \$240.

Is that your understanding, that this would be an upfront cost to Medicare recipients, that they would have a doubling of cash out of their pocket?

THE PRESIDENT: I can't recall the precise figures, but as I said last night, there is an increase in the front end cost, but the three million people who are saved from the horrendous cost of catastrophic illness are protected.

Anyone who has known a family or had someone in a family who had catastrophic care problems knows that that is the worst thing that could possibly happen, and we think a redistribution of the cost for the people who are relatively well compared to those who are bedridden for months and months is the proper approach.

QUESTION: Mr. President, could you tell us -- or perhaps Mr. Lynn or Mr. Clements or Mr. Ogilvie -- the difference between the defense budget presented here and the one advocated by Secretary Schlesinger?

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THE PRESIDENT: The defense budget that we have submitted includes all of the programs that former Secretary Schlesinger recommended. The defense budget for fiscal year 1977 calls for obligation authority of \$112.7 billion, an increase of around \$10 to \$11 billion over the current fiscal year.

It calls for expenditures of \$100.2, which is roughly \$8 billion over the anticipated expenditures for fiscal year 1976, this year.

The budget provides all of the major programs requested by the Joint Chiefs of Staff. There is virtually no difference in what has been approved in dollars or programs in what the former Secretary of Defense recommended. We keep the exact uniform personnel figures the same. 2.1 million in fiscal 1971; 2.1 million in fiscal 1977.

We do call for a reduction of 25,000 in civilian employment in the Defense Department, but I think better management can bring that about.

Bill, do you want to add any comment?

MR. CLEMENTS: I would only say, to enlarge upon your statement, that the various services and the Joint Chiefs are completely in accord with the budget as you presented it. It provides for real growth in the defense budget and in a reasonable sense it maintains the momentum of the programs that we consider our priority programs, and I would say that the Department of Defense is pleased with the budget.

We are not entirely satisfied, of course, I don't think we would ever be in that particular position. But, we are pleased with the budget. We think it meets our requirements, it maintains our momentum and it gives us the priority programs we need.

QUESTION: Mr. President, a number of leading Democrats, including virtually all the Presidential candidates, are advocating a Government policy that would guarantee a job for everyone who wants to work.

I want to know why you rejected that position, and do you challenge their contention that for every 1 percent decrease in unemployment there is a \$16 billion increase in Federal revenues and, therefore, such a policy would not increase the deficit?

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THE PRESIDENT: I don't believe that the Federal Government should, out of the Federal Treasury, coming from the Federal taxpayers, provide a job for every individual. It seems to me that the better approach is to create an economic environment, so that the private sector provides jobs for those who want to work.

That is the basis of my proposal in the budget, and in the economic message. The employment of individuals by the Government, with the taxpayers paying the bill for their employment, in my opinion is not in concept the American way. We have prospered, and we will prosper in the future, by utilizing the free enterprise system and the private sector far better than making the Government the employer.

QUESTION: Mr. President?

THE PRESIDENT: Yes, Sarah, how are you? (Laughter)

QUESTION: Don't you feel that you may have 50 little nations by sending this money back to the States for this program on children and other block grant ventures? Don't you feel the States might take the money and then might use it badly or they might not have a program at all?

One State might have a better program than the other, and the people in the population might flock to that State.

THE PRESIDENT: Sarah, I think you have forgotten that the Federal Government was established by the States.

QUESTION: I have not forgotten it, sir, but I don't see how that applies here.

THE PRESIDENT: It seems to me the States have a record of handling the problems the best, as far as their individual circumstances are concerned. I believe that States and local units of Government with elected officials can make better judgments than a bureaucracy here in Washington, D.C.

I believe that the closer decisions are made to the people, the better they are. That is the concept in which I firmly believe. It is working in community development. It is working in the law enforcement assistance area.

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I am not going to give up on properly elected officials at the State and local level. I think they do a good job, and all we are doing is giving them money to carry out the kinds of programs. The programs in education may be different in Florida from those in Maine. The programs in the field of health may be different in South Carolina than they are in Alaska.

I happen to believe that the Governor of Alaska and the Governor of Florida or South Carolina can make good judgments in these areas. I think we have an obligation to help give them the money so the programs can be continued and not pull the money away and tell them to undertake the programs.

QUESTION: Mr. President, I notice in your economic assumptions that you predict 7.7 percent unemployment about November of 1978.

Would you talk about politics for a moment and tell us how this might affect your chances for election?

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THE PRESIDENT: Let me point out that the economic assumptions say that in 1975 they were 8.5 and the average in 1976 will be 7.7 and it will go down to 6.9 in 1978. The important point is not the average. The important point is that the trend of unemployment is down. It will be an average of 7.7, but it will start higher in January of this year, and by November of this year, I think it will be something less than 7.7. The trend is down.

What does that mean? It means that everybody who has a job has a degree of security and those who don't have a job know the prospects for getting one are better. That is the situation when the trend is down, as we projected, and it will be. So from an economic point of view, with peripheral political benefits, I think it is a good program.

QUESTION: Mr. President, can you give the specifics on what you project for November?

THE PRESIDENT: I can't give you the specific projection for November. All I know is the trend will be down.

QUESTION: Mr. President, given your difficulties with the Congress last year, and given the fact that you said the Presidential responsibility is to make the budget but, nevertheless, you did consult with the budget committees, and given the fact that many of these programs have been in effect for years and they are already tired of the Congressional way of life, so to speak, do you realistically expect, sir, that you can get cooperation from the Congress to pass the budget that you are recommending, and where will you make the compromise?

THE PRESIDENT: I expect to get full support from the Governors, from local officials. I think they can have an impact on the Congress in those proposed consolidation areas. In fact, I am meeting with some Governors and local officials before lunch -- and having lunch with them today -- just to try and generate real activity by them on behalf of what I have recommended.

Maybe the Congress won't go along, but if you look at those mess charts up there, anybody with any common sense would want to make some changes. And I happen to believe there are quite a few people in the Congress who have some common sense.

Look at those mess charts up there. It is unbelievable. And I think Congress, when they look at it, and the public sees it, will respond.

QUESTION: Mr. President, going back and following up on the medical catastrophic illness. You said there were 3 million out of 25 million with catastrophic illnesses. What have you done, sir, to provide more money for medical research? Last year the NIH medical research funds were cut. What do you provide for research in medicine for these catastrophic illnesses?

THE PRESIDENT: I believe that -- let me say this. Overall research in this budget -- this is across the spectrum -- is \$24 billion-plus, an 11 percent increase in the Federal funds for research, including an 11 percent increase in basic research. It is the largest Federal budget for research in our history -- an 11 percent growth factor. I believe, if you take all of the NIH proposed funding, that we are roughly the same as we have recommended for fiscal 1976.

David, do you want to comment on that?

SECRETARY MATHEWS: To be concise, your budget recommends an increase of \$185 million for all of the institutes under NIH, that is roughly a 10 or 11 percent increase

QUESTION: Mr. President, now that Congress has attached its salaries to this equation and it has also attached the Government pay raises to inflation and the Government pensions to inflation, isn't it true this guarantees we are going to have inflation and also guarantees a continuous erosion of private pensions and private salaries which are not attached to inflation?

THE PRESIDENT: The experience we had this last year worked out very well in getting some restraint on the growth of pay increases in the Federal Government, including the Congressional pay increases. The cap was 5 percent. The proposed increase was 8.6. So, yes, there will be some growth, but I think the connection between the two gives us a better handle on doing it responsibly than the way it was before. I think Government employees should not have their pay frozen ad infinitum. The way it worked last year worked out quite well.

QUESTION: Mr. President, I have a two part question. One, a lot of people -- poor people, rightly or wrongly -- are depending on Medicaid to pay their doctor bills. What will happen in States without that social responsibility that Governor Rockefeller talks about when they decide not to match the Federal payment with the State money.

And, secondly, in States such as New York, when the Medicare gives out, people go over onto Medicaid and this is a de facto catastrophic illness plan. What is the improvement here?

THE PRESIDENT: I don't believe that the public in any State will permit a State Legislature or a Governor from failing to meet their responsibilities. They have the same public interest and pressure on them that the Congress does. The record is good and the money that we plan to give to the States in the health consolidation program is \$10 billion in fiscal 1977, it goes to \$10-1/2 billion in fiscal 1978, and to \$11 billion in fiscal 1979. We are showing our responsiveness, and I believe that States will respond as their citizens want them to.

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Now, on the question of going from Medicaid to Medicare -- or Medicare to Medicaid -- under the catastrophic program that I have, the individual has not reason to do so -- none whatsoever.

QUESTION: Mr. President, in your budget, why is it that proposed outlays for military programs go up 9 percent while proposed outlays for education go down 12 percent, and for such things as community development down about 5 percent?

THE PRESIDENT: It relates precisely to our national security. We have had, over the last ten years, a trend totally in the opposite direction. Ten years ago the Department of Defense got, roughly, 40-some percent of the Federal outlays and domestic programs got 32 or 33 percent. And in fiscal 1976, it was almost reversed. And if we are going to have an adequate national security, if we are going to have a capability and conventional or strategic arms, we have to increase our expenditures in fiscal 1977. It is just that our national security dictates it. We have been pinching the national security forces in the last ten years, and I think we have to have a slight change in that direction.

QUESTION: If I might follow up -- there, of course, are a great many people in this country that think that education is involved in our national security, and I would like to ask you, with a 6 percent projected rate of inflation and a 12 percent cut in Federal education programs, how is education in the United States possibly going to keep up?

THE PRESIDENT: As I recall, the percentage of money spent on education nationwide by the Federal Government is a relatively small part of it, and, actually, in our education program we are recommending \$150 million more, so we are adding to the pot as far as the Federal Government is concerned.

I will ask Secretary Mathews to give you a more complete answer, but the Federal contribution to education is a relatively small part of the total that is spent by States and local communities for education. So the switch here I don't think is significant, particularly when the Federal Government has the total responsibility for our national security, and that is our prime obligation in this complicated world in which we live.

SECRETARY MATHEWS: Up until a minute ago, Mr. President, I thought that our increase in the block grant was \$263 million, but, roughly (Laughter) an increase there of some several hundred million dollars. The figures we have indicate that for your 1976 budget, revised, you have recommended \$6 billion 451 million. This year you are requesting \$6 billion 916 million, which is an increase.

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QUESTION: Mr. President, I would like to ask you about the Social Security tax increase. An increase in Social Security tax rates hits people below the poverty line as well as those up to the wage base. It also raises labor costs to employers and helps cause higher prices. Why did you opt for a Social Security tax rate increase instead of either increasing the wage base very substantially or doing what the original task force that helped create Social Security programs recommended, which was to turn to general revenue financing for the welfare components of Social Security, that initial unfunded liability you create when you raise benefits?

THE PRESIDENT: If you go to the program that you have indicated in the last option, you are in effect losing the concept that a person working is paying for his or her retirement. I think it is important for us to retain that concept, that a person, through Social Security, is in effect contributing to his or her capability to retire at a date certain. I strongly oppose dipping into general funds to supplement the Social Security Trust Fund.

The option of increasing the tax three-tenths of one percent I think is the most responsible way to do it. To broaden the base, as I said last night, it will mean that the person at the wage ceiling of \$15,400 will pay no more than \$47.00 a year or less than one dollar a week. The person at the lower wage base will pay significantly less -- very limited increase.

So I think it is a fair way to distribute the burden for having a retirement certainty at 65.

QUESTION: Mr. President, on the question of jobs again, the Democrats are likely to ask why it is proper, in your view, for the Federal Government to spend \$17 billion on unemployment compensation and not take a portion of that money to create jobs for the people who are out of work. How do you respond to that?

THE PRESIDENT: It has never been proposed in the Congress during the 25 years I was there -- and the Democrats dominated the Congress in all but two years -- that they would use that concept while they were controlling the Congress. This must be a new idea of spending unemployment payments to create jobs. I have never heard of that approach before.

What we think is the better way is to not take that money, which is a well-accepted concept, and stimulate the economy so that we get more people off the unemployment rolls and reduce our unemployment payments and get people working for private enterprise rather than for Government on the one hand or unemployment on the other.

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QUESTION: If I may follow up, Dr. Burns suggested, among other people, that it would be well to limit the period of unemployment compensation and instead provide jobs through Government means.

THE PRESIDENT: Yes, Dave, I saw what Dr. Burns said and I was very interested in what George Meany said in response. Dr. Burns proposed that people who work for the Government under this guaranteed employment program of his, that they be paid less than the going wage, or they be paid less than the minimum wage, and the minute Dr. Burns raised that question, George Meany said he would have no part of it.

So there is not unanimity among those who, in one way or another, indicate that the Federal Government should be the employer of last resort.

QUESTION: Mr. President, I did not have my follow up question. I would like to ask Mr. Lynn, if I might -- I asked him yesterday in our briefing in the Old EOB why it was there was nothing in the State of the Union Message about handling the excessive increases of Federal pensions whereas they were talking of maybe possibly eliminating the increases in Social Security? Can you answer that, sir?

MR. LYNN: Yesterday, you recall, I had my problem of trying to stick to a briefing on the State of the Union. Today I have no such problem. If you will notice, one of the initiatives of the President in this budget is to eliminate the so-called one percent kicker, which is a provision that, in addition to adjustments for cost of living, adds another one percent and which we feel is not appropriate in the way to address the problem.

There, of course, has to be an overall look constantly in every program in the Federal Government, and this is no exception, but we do believe that this is an important step to be taken to bring that program into better long-range prospective.

QUESTION: Mr. President, can you tell us, sir, how much is in your new budget for Angola and, also, the CIA spending?

THE PRESIDENT: The budget for fiscal 1977 follows the long tradition of not identifying the budget recommendations for the intelligence community. I think that is a good procedure. It has worked well, with some exceptions in the last few months, and I don't think that I should comment either on the amount or the specifics for any undertaking in any definite way.

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QUESTION: Mr. President, Mr. Lynn has just indicated that you are going to propose eliminating the one percent kicker on Federal pensions. Have you proposed or are you planning to propose anything which would deal with the so-called flaw in the Social Security cost of living increase which is said to give a double jump to Social Security beneficiaries?

THE PRESIDENT: It is my recollection that we seek to remedy those defects in all cases. Am I correct?

MR. LYNN: That's right, Mr. President. We do address this question and I think the book that you have been handed on 70 issues goes into that in somewhat more detail.

QUESTION: Mr. President, in your Medicare program you suggest that you are going to limit Medicare payment increases to 7 percent for hospitals and 4 percent for physicians. The medical profession has not been known for limiting their increases. If they ignore this plea, would the burden go on to the recipient and would that be over the maximum amount that we have been told they would pay in catastrophic?

THE PRESIDENT: That limit of 7 percent increase on hospitals and nursing care homes and 4 percent limit on physicians fees applies only to those programs where the Federal Government pays the hospital, the nursing home or the physician. And I believe that a physician or a hospital under those programs can't charge extra where the Federal Government has the principal responsibility.

David or Paul?

SECRETARY MATHEWS: Roughly, the theory we are operating on here is -- everybody knows the costs in health care delivered. They are running well above any of the other inflationary costs. Some figures are up to 40 percent. These are two remedies we seek to restrain that cost, but we are obviously operating on the assumption that there can be some moderation both in hospital fees and in doctors fees in this case.

THE PRESIDENT: Paul, do you want to add anything?

MR. O'NEILL: One thing. Under the Medicare program now and under this new proposed legislation, a doctor or a hospital, if they agree to accept assignment -- that is to say, if they agree to work directly with the Medicare program -- they must agree to accept the fees without any further billing to the patient. They do, of course, have the ability, if they wish to take advantage of it, not to deal directly with the program, but rather to deal directly with the patient, but I don't think we would expect the doctors and hospitals to turn down so-called assignments under these new provisions.

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QUESTION: Mr. President.

THE PRESIDENT: Yes, Tom.

QUESTION: Your mess charts and the other indications is that Health, Education and Welfare is a bit huge. Have you given any thought to breaking up the Department?

THE PRESIDENT: I do not think it is needed and necessary to divide the Department of Health, Education and Welfare. The enactment of the necessary legislation to move to the block grants in health, child nutrition, social services and education, will relieve very substantially, Secretary Mathews' administrative problems. As you can well see from the chart, if we were able to do that, which I hope we can, I see absolutely no need and necessity for tearing apart the Department of HEW.

QUESTION: Mr. President, in the defense section of your budget, you refer to the possibility of the need for developing a new generation of ICBM missiles. How likely a possibility do you think that is, and what do you anticipate its cost to be?

THE PRESIDENT: I think it is still in the R&D stage. We have not gone beyond that. We always are looking down the road to make sure that we don't rest on our oars. We know our adversaries are not, so this is one of several programs that takes a look at the future and the need and necessity for the best weapons for our national security.

Bill, do you want to add any comment?

SECRETARY CLEMENTS: That is exactly right. I have nothing to add.

QUESTION: If I could follow up -- there has been some defense theory that holds that land-based ICBM's should be phased out entirely and replaced with sea-based. Since you are calling for an increase in Trident appropriations, I wonder what do you think of that theory and do you envision us maintaining ICBM's as a deterrent?

THE PRESIDENT: I believe our ICBM's Minutemen, various versions, are a very strong deterrent and a very capable military weapon. We do have the Poseidon and potential Trident. We have to have a mix. I think it is important, not only to have land-based, but submarine-launched missiles, ballistic missiles, but I think it is also important to have the manned aircraft, the B-52's and the P-1's that are coming along. We are going to be progressive. We are going to be flexible in our strategic weapon capability. It may mean moving to some version of mobile missiles. It may mean development, as we are, in the cruise missile area. We can't stay static. If we ever get on a plateau and stay there, our national security will be seriously in jeopardy.

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QUESTION: Your budget this year includes Federal assistance for 500,000 housing units. Even with this support I believe you are forecasting 1.4 to 1.6 million units. This is well below the two million units that has been presented for current needs.

How do you answer criticism that this Administration is taking away these units and increasing shortages in housing?

THE PRESIDENT: We think the 500,000 housing construction and rehabilitation program is a good base for a sound Federal housing program. The number of starts in calendar 1975 was roughly one million one hundred thousand.

We are optimistic that the figure will be improved, particularly with interest rates going down and with mortgage money being available.

I would like to ask the Secretary of HUD to add anything to that. She just went down and did not get run out of town in Dallas when she spoke to the homebuilders, so she must have a good program that will be better in 1976.

SECRETARY HILLS: I agree, Mr. President, that the remedy to truly help housing is to get the inflation down so that we close the gap between the actual cost of housing and the real income of people. Now, to correct what I think was implied there, our assistance is to people, not to construction, when we address our over 500,000 units.

That reflects 100,000 units which will give an opportunity for home ownership through a home subsidy program. In addition, we have 400,000 units, which is comprised of new, existing and substantially rehabilitated, where the assistance is in the form of rental subsidy whereby we provide the difference between 15 or 25 percent of the person's income and the fair rental value of a modest unit.

In addition, we have reflected in this budget 6,000 units of housing for our Indians, so we are over 500,000 units. But, I think the real remedy is to expand home ownership for all of our people, and we certainly have done that in an emergency basis through our tandem program where great numbers of dollars -- indeed, over \$15 billion of mortgage purchase assistance -- has been provided over the past 22 months for single family dwellings.

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Just two weeks ago we have released \$3 billion for multifamily assistance. I regard these as purely emergency measures, and by 1977, if our economy continues on the track which it is on now, we can be sure we won't need these emergency measures, but that people will be able to enter the housing market and buy the home of their choice.

QUESTION: Mr. President, if I could follow up on the question on housing and ask either you or Mrs. Hills, we have at least nine million people in this country living in slums or paying a disproportionate share of their income for housing.

Some estimates are up to 15 or 16 million. Congress has set a goal of 2.8 million new housing units in this country as necessary to assure every American decent housing and you are proposing 500,000.

How do you justify that?

THE PRESIDENT: The Congress passed several years ago a ten-year program for two million two hundred thousand homes per year. That is the target over a ten-year period. We did not meet that target last year. We met about 50 percent of it. I think in only one year, in the four or five years, has the housing industry been able to meet that \$2.2 million program.

Now, the best way to get more housing is to make more money at lesser interest rates available to the home purchaser, and as long as you have the Federal Government going in this year with a deficit of \$70 to \$75 billion, you can't possibly have enough money out there in the capital field to make money available to build two million two hundred thousand homes.

Now, the 500,000 program that Secretary Hills mentioned is what the Federal Government can do, and I think that is a good base from which the industry can operate and still give enough capital in the capital market for the private sector to meet the rest of the challenge.

Carla, do you want to add anything?

SECRETARY HILLS: I would only say that Congress suggested 600,000 units to assist our poor. We are over 500,000 units at HUD, and there is a substantial rural assistance program in the Department of Agriculture. For the first time in many years, this Administration has truly addressed the housing needs of our poor, and I think it is a program that fits within budget constraints so that we are not at the same time prejudicing others who would be adversely affected by an increase in the mortgage interest rate.

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QUESTION: Mr. President, a year ago you and your staff made a series of projections in terms of economic performance and budget deficit. I wonder what sort of assurances you can give us that these projections are going to be closer to the mark?

THE PRESIDENT: The projections on the budget deficit last year -- and I was checking them this morning -- were not as accurate as I would certainly have liked. As I recall, we projected a \$50 million deficit, and it is going to be somewhere between \$70 and \$74 billion.

But, bear in mind that budget was put together in October and November and December of last year when we were going through a serious inflationary problem, with inflation over 12 percent and not many, if any, experts were telling us we were going into the kind of unemployment that we experienced in 1975.

A substantial increase in the deficit for the current fiscal year is in the additional amount, some \$12 billion, in unemployment compensation.

Now, we believe that the economy is moving in a much steadier way and with no anticipated, unexpected events coming up, so our projections should be much more accurate.

Alan, do you want to add something to that?

MR. GREENSPAN: Yes, Mr. President. It is certainly true that we overestimated the decline in economic activity in 1975 in the last year's report. We had a 3 percent decline in real GNP, and it was actually only 2. The unemployment figures, however, were miscalculated because of very difficult problems with respect to the period in which the estimate between the economy and unemployment was taken.

It is exceptionally difficult to make estimates, both of economic activity and its reflection on the budgetary process. I think if you go back and look at the data last year, I think you will find that the forecasts were reasonably accurate, specifically in the context of how active you intend to be and that the translation to the budget was, I think, missed in part on the deficit side, as far as economic assumptions were concerned, by our misestimating the relationship between the levels of economic activity and the level of unemployment.

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Even though, as you recall, at the time we had a very high rate of unemployment and at the meeting a year ago we sort of startled everybody by the type of level of unemployment we were forecasting. We were still too low by several tenths.

QUESTION: Mr. President, I want to get back to jobs.

THE PRESIDENT: Somebody who has not asked a question.

QUESTION: Mr. President, last night Ways and Means Chairman Al Ullman said it seemed to him that what you were saying was that if Congress has any spending over \$394.2 billion, that you would veto it.

Was that the case? Would you veto everything over that level?

THE PRESIDENT: I would not hesitate to veto any legislation or appropriations that would go beyond \$394.2 billion.

QUESTION: Is there no room for compromise?

THE PRESIDENT: I carefully used the words. I would not hesitate to veto anything over that spending limitation.

QUESTION: Mr. President, do you think your budget is fair to Federal employees? There have been charges you have been making Federal employees wage scales go down by putting a 5 percent cap on Federal spending.

The basis of the Rockefeller Commission report is that it would in essence lower Federal pay.

THE PRESIDENT: The Rockefeller Commission made a number of specific proposals. One, as I recall, on the basis of comparability, took computer operators and secretaries and said that their pay vis-a-vis the private sector was higher, that they were doing better than comparable employees in the private sector so they made a recommendation for revision there.

There is evidence, I think, that although the aim and objective was comparability for Federal employees, in the last three or four or five years since that program has been in effect, there has been some distortion, and the net result is we have had to take some correction action.

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I think it is also fair to point out that another factor does have some significance. Most Federal employees, once they become qualified, are seldom laid off. That is not true in the private sector. In the private sector, they are subject to much more uncertainty, so you have to balance, not only pay but reliability for continuous employment, and when you add it all up, I think in most instances Federal employees are reasonably fairly paid.

Bob?

QUESTION: Mr. President, in the area of military pay, your defense budget makes several cuts in the area of -- reductions in the area of military pay. Do you feel that military members are adequately paid now or are they underpaid or are they overpaid? What is your feeling on military pay?

THE PRESIDENT: The military pay formula for the last several years is predicated on comparability with the private sector. That was the legislation passed. That is the formula that has been used, and the situation is precisely this, for the benefit of background.

Ten years ago the total pay-related cost of the Department of Defense was 40 percent of the total defense expenditure. At the present time, pay-related expenses of the Department of Defense are 52 percent of what the department gets to spend.

It is getting to be a very serious problem as far as the total piece of Defense Department spending. Now, you take the suggestion that we have made for a three-year phase-out of the direct hire of employees in commissaries. The pay of the employees, military personnel in the Defense Department, is predicated on comparability with the civilian work force.

The commissaries, with a Federal subsidy of about \$180 million a year, gives them an added advantage. They ought to at least absorb the direct hire cost. I think that is a responsible and reasonable request.

QUESTION: Is it fair to say because of the commissary benefits, in regard to comparability, you feel military members are overpaid by that amount?

THE PRESIDENT: I did not say overpaid. I think they are paid properly.

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QUESTION: Overcompensated?

THE PRESIDENT: I said they were paid properly. I don't use your words. I use my own. (Laughter)

QUESTION: In light of what you just said about the seriousness of the problem of 52 percent of military budget being spent on pay, would you consider returning to the old nonvoluntary system, the draft system?

THE PRESIDENT: I firmly believe in the all-volunteer military force. I believe that the experience in the last three years has been good. All of the services have been able to recruit all of the manpower they needed.

They have been able to increase the educational requirements and still get all the manpower that they wanted in a voluntary way. So, I strongly believe in an all-volunteer military force, a career force, and the experience in the last several years has been very encouraging, and I think we should continue it.

QUESTION: Mr. President, your last budget message and your last budget placed emphasis on steps to get the Nation out of the recession. Does this budget represent a shift in emphasis to fighting inflation?

THE PRESIDENT: It is a budget that aims at a balanced economy, continued efforts against inflation and the establishment of a healthy civilian economy that will provide for greater jobs in the private sector.

It is a combination well-balanced Federal in that regard.

Bob?

QUESTION: On page 66 of your budget you say you call for a full-scale development of long-range strategic cruise missiles. Does that mean you have given up hope for achieving some kind of controls or restraints on cruise missiles in Moscow?

THE PRESIDENT: The research and development program on cruise missiles, whether they are from aircraft or submarines, or surface ships, or land-based, is a program that must continue.

Secretary Kissinger is now in Moscow to continue negotiations on SALT II. We certainly expect to continue the research and development in this new weapon system area until we find out whether or not we can negotiate SALT II.

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SALT II may have -- I say may have -- some impact on what we do in the future in cruise missiles, but certainly I can't predicate funding on a research and development program in the budget that begins October 1, 1976 on decisions that have not been made in December of 1975.

It just makes sense to put the money into continued research and development, and we will see what happens in the negotiations.

QUESTION: Mr. President, in May, sir, the Congress is due to invoke its first tentative ceiling on the fiscal 1977 budget. If Congress' ceiling is higher than your \$394.2 level, will you permit the current tax rates to be extended for the rest of the year?

THE PRESIDENT: I think the Congress, when they take a look at the fact, will come to the same conclusion I do, that \$394.2 is a responsible and attainable figure. I don't want to prejudge what they might do, and if they do that, then I will do something else.

I will stand by my figures and hope that they will act responsibly and do the same.

QUESTION: Mr. President, in answer to an earlier question you used the phrase "B-1 bombers that are coming along." Does that mean the decision has already been made?

THE PRESIDENT: The money in this budget, as I recall, provides for the procurement of the B-1 bombers.

Bill, is that right?

MR. CLEMENTS: That is right. And the long lead items related to limited production. I would further add, Mr. President, that the R and D development program with the plans we now have is progressing beautifully. We have not run into any great difficulties with the program, and we are extremely pleased with it.

QUESTION: Can I just follow that? I thought the decision was going to be made at the end of this year on whether to procure them or not, am I wrong?

THE PRESIDENT: We put the money in, as Bill said, for the long lead time items. This is for a budget that begins October 1, 1976. But, we have to make some decision because of the time lag, and it is our judgment at this time that those long lead time items be recommended.

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MR. CLEMENTS: Mr. President, your budget is anticipating that production will start in FY 1977, and we are asking, as I said, for that long lead time money to make that production as efficient as possible and as less costly as possible.

QUESTION: Mr. President, if I could get back to jobs, because that is a central area of disagreement between you and the Democrats, while nobody disputes your contention or your statement that it is better to have people working in private enterprise than for the Government, isn't it common sense that it is better for people who are now unemployed, especially the young, to have temporary jobs than to have them be on unemployment compensation, on welfare or standing around on street corners figuring out how to commit crimes?

THE PRESIDENT: We have recommended in this budget full funding for the summer youth program. The money is about \$450 million. That is a very good program that helps substantially in major metropolitan areas in the undertaking of getting young people off the streets and getting them working.

We have also recommended the full funding of the comprehensive education training program--I think that is around \$1.6 billion--to get people who are unemployed to be trained for subsequent employment. Those are good programs.

I mentioned them last night in the State of the Union Message. Those are constructive. I think they have been proven, but to go into a massive \$17 billion Federal employment program I don't think is the right approach when a better way is to get the private sector to do it.

QUESTION: Mr. President, in nonmilitary terms, in your budget, what are the nonmilitary expenditures aimed at achieving and maintaining peace as opposed to the Defense Department budget? Are they more or less than last year?

THE PRESIDENT: The foreign aid programs, is that what you refer to?

QUESTION: Foreign aid.

THE PRESIDENT: The foreign aid programs, as a whole, are in the magnitude of approximately \$6 billion. They provided traditional economic supporting assistance for a number of countries. There is a heavy concentration in the Middle East.

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As I recall, it is about 30 percent of the overall total, but it is a program designed for economic assistance and some military assistance for nations around the world.

Secretary Sisco, do you want to add anything to that?

MR. SISCO: Mr. President, I would just add that, as you indicated, the emphasis in the AID program is on the high level of economic aid to the Middle East for the obvious reasons that this is a very volatile area. In addition, we are supporting new multilateral development assistance initiatives that are an outgrowth of the statement that we made before the U.N. General Assembly, the economic session, about a year ago, and we are implementing this particular program.

Likewise, there are important elements on the bilateral development aid assistance, as well as maintaining the U.S. food aid at about two-thirds of the worldwide target of ten million tons of food.

QUESTION: Mr. President, will you comment on your energy budget for 1977?

THE PRESIDENT: The energy budget for 1977 shows in the research and development area about a 40 percent increase in the non-nuclear field. In the nuclear field, it is somewhere between 35 and 40 percent, if I recall.

So, overall, the research and development programs in energy are increased very substantially.

Does anybody here want to give any more specific answer?

Here is Dr. Seamans, head of ERDA.

MR. SEAMANS: Just to confirm what you said, Mr. President, that we do show in our energy research and development demonstration budget a very substantial increase in all areas. The largest increase will be in conservation. That is up around 60 percent. The solar, the geothermal and nuclear will run around 35 percent, as you indicated.

We do show a very marked increase on the nuclear fuel cycle. That shows an increase of around 55 percent.

THE PRESS: Thank you, Mr. President.

THE PRESIDENT: Thank you. We all enjoyed it. See you next year.

END (AT 11:00 A.M. EST)

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FEBRUARY 7, 1976

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(Concord, New Hampshire)

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
AT THE
BUDGET BRIEFING FOR THE STATE OF
NEW HAMPSHIRE ELECTED OFFICIALS

RUNDLETT JUNIOR HIGH SCHOOL

12:30 P.M. EST

THE PRESIDENT: I am extremely grateful for the fine turnout. I look forward to the opportunity to say a few words and then respond to your questions concerning the budget and its relationship not only to New Hampshire, but to the country as a whole.

I brought with me a copy of the Federal budget for fiscal year 1977. In the preparation of a document of this magnitude, we have to make certain forecasts: The status of the economy, Gross National Product, all of the factors that go into anticipated revenues and what we think are wise decisions as to expenditures.

We had some good news yesterday that could have a very beneficial impact on the budget. The Department of Labor announced that the unemployment figures for the month of January went from 8.3 down to 7.8, a half percentage point reduction in one month and the largest reduction in the unemployment percentage since 1959.

We also had in that release from the Department of Labor an indication that in that one-month period there were 800,000 more people gainfully employed, so that it indicates that since March, at the bottom of the recession, through January, some two million one hundred thousand more people had been gainfully employed.

Actually, we have regained 96 percent of the job losses that took place during the depths of the recession. Now, that is not good enough. Seven point eight is too high, but it certainly is on target, if not better than what we anticipated in the process of putting together this budget.

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Now, let me give you several very broad guidelines that we used in preparation of the budget. I believe very strongly that we have to get a new balance in the Federal budget between the people who were the beneficiaries of some of the benefits and the taxpayers as a whole.

I believe that we also have to develop a new relationship between the Federal Government on the one hand and States and local communities on the other. This balance is vitally important if the Federal system that we believe in is to continue and grow, not only in strength but in services, and the delivery of services in the best way.

The program that I think in the budget you are mostly interested in would be general revenue sharing. Under general revenue sharing, which went into effect in 1972, total number of States and local units of Governments that have been beneficiaries -- 39,000.

Some \$23 billion has been transferred from the Federal Treasury to State and local units of Government. By the end of this calendar year, almost \$30 billion in Federal funds will have gone to State and local units, with virtually no strings attached whatsoever.

In the State of New Hampshire, as of this date, Federal revenue sharing has totaled \$75 million plus. By the end of this calendar year, some \$96 million will have been paid to the State, to ten counties, to 13 cities and to 221 townships.

MORE

Now the program I have recommended and recommended in 1975 is for the extension of the existing program, which expires on December 31. I have recommended a 5-3/4 year extension that involves almost \$40 billion, approximately a billion dollars more over the five-year span than under the present program.

We have added roughly \$175 million a year as a growth factor. I think this is a sound program, and if some of the charts would be opened up here -- this chart shows the figure of \$75 million as of this date. It shows the distribution -- State government, \$25 million; counties, \$6.6 million; municipalities, \$23.7 million and townships, \$19.9 million.

Here is the distribution for the total of 96 million which will be paid or will have been paid at the end of the present legislation on December 31. And this is the figure for the program that I recommended last year to follow on to the present program, which expires on December 31.

You see it is a growth factor that I described a minute ago.

Now here are some of the individual payments that have been made to a sample of townships, counties, cities. It also shows what would be expected with the new program that I have recommended.

Now, the thrust of this program -- and this is the important point -- this is Federal money that goes to States, cities, counties with no strings attached. And it shows here the kind of distribution, and it covers in the utilization, education, public works, community programs, hospitals, et cetera.

Now the interesting part about this program, we hear a great deal of complaint about the overhead. This year there will be approximately \$6 billion distributed. Less than 100 Federal employees take care of it at a total cost of one-twelfth of one percent for the whole distribution of the Federal money, actually for less than \$3 million, \$6 million go back to the State, to the counties and to the cities.

I think that is a pretty good record of efficiency, and you in your respective areas have virtually total jurisdiction on how you spend the money for your constituents. I think this is a good program, and I urge you to help us to get the Congress to move because the new program of 5-3/4 percent of almost \$40 billion has to be extended.

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I was talking to some mayors from the State of Ohio last week. They, under their State law, have to present their budgets or prepare their budgets by July 1st. And if this law isn't extended shortly, every mayor in the State of Ohio will either have to provide more taxes to pay for services that have come from Federal revenue sharing or they will have to drop the services because they can't, in Ohio as I understand it, operate their cities in a deficit.

So it is vitally important that we get this larger and longer program enacted into law so that you can budget in your respective communities and your State.

We appreciate any help you can give. It will be very beneficial, I think, for a good program.

Now, with those general remarks, I will be glad to answer any questions.

QUESTION: Mr. Ford, I went to the Virginia Seminary. My daughter went to Virginia Seminary and graduated last year. John Harper studied under me in New Hampshire when I was director of the Episcopal Church. Nice to have you.

THE PRESIDENT: We lived for a few years in Alexandria, Virginia, about a half mile from there and used to go to church services up at Emanuel on the hill. You are familiar with it.

QUESTION: That's where my daughter graduated from there and I graduated from there. Nice to have you in New Hampshire, and please remember me to John Harper when you see him.

I don't want to talk rough, tough and commercial but I remind you, scriptures which you will hear in the Presbyterian Church talk more about money than anything else. (Laughter)

In New Hampshire, we live on sin, and we preachers are against it. For example, we have horses, we have puppy dogs, we have lotteries and cigarettes, but our biggest source of revenues in New Hampshire comes from the sale of beveraged alcohol.

Now, we Episcopalians think it's all right to take a drink, and we think this is one of God's great gifts, but there are some of us, Mr. President, like myself, who are alcoholics. And we are much concerned about your budget.

MORE

I was down last week. I had my button with me when I appeared before Mr. Kennedy. I made somewhat of a hit with some of those Democrats down there before the Senate, so I am with you.

But my problem is your budget, which you submitted this week, cuts the alcohol research money by \$2 million, cuts your training by 300 percent; that is, money for kids and for training.

It also is going to cut out 50 percent of your treatment money if block grants go through.

Now, Mr. President, we can't afford to see this happen, and how can we make a believer out of you?

THE PRESIDENT: Let me indicate that under the block grant health program, we have recommended \$10 billion for 15 categorical blocks.-- categorical programs. This is as much money as is available for the 15 programs in the current fiscal year. What we have proposed is to take those 15 categorical grant programs, give you the same or slightly more money and let each State decide how it wants to spend its share of that \$10 billion.

Now, if in the State of New Hampshire they want to take its proportionate share of that \$10 billion and put its money on the programs you have described, the State of New Hampshire could do it.

We have not cut back the dollars in the health categorical programs. We have simply said, eliminate the categorical grant programs, take the same amount of money, or slightly more, and then each State can decide whether they want to put more or less money in any one of the 15 categorical areas.

There is no less money, In fact, we have promised that in fiscal year '78 we would add a half billion dollars and in fiscal year '79 we would add another half billion dollars so there is a hold harmless provision. But we think the State of New Hampshire is better qualified to make its decision on how it wants to distribute its share of the health block grant program, and I am sure with your persuasion you and your associates in this program would be very fortunate to get at least what you have gotten in the past and probably more.

QUESTION: Thank you, Mr. President.

THE PRESIDENT: Yes, sir.

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QUESTION: Mr. President, I am Martin Gross, Mayor of the City of Concord. I very much appreciate your comments in connection with general revenue sharing. It is a very, very important program for us in this city, and your endorsement of its continuation is very much appreciated.

I think, frankly, you are speaking to the converted in this room about general revenue sharing. The question I have for you, sir, is where is the opposition coming from? This program makes so much sense. It almost is like endorsing motherhood to say you are for general revenue sharing, but where is the opposition coming from and how can we help combat it?

THE PRESIDENT: I can't imagine any really legitimate opposition. But, bear in mind that I, in a message to the Congress last summer, recommended its extension.

I thought there would be no problem. It has so much merit. But, here it is January, or February now, and there hasn't been a bill reported out of either a committee or a subcommittee for its extension.

I can tell you where the opposition comes from. It is the same group, primarily, that didn't want it in the first place in 1972.

There are those who like to build their own little fiefdom so that they can take credit for this program or that program, and the net result is a terrible maze, but it gives to individuals or groups that have a particular interest in a certain program almost total control and jurisdiction.

They want expanded categorical grant programs. They want the decision-making made in Washington, not in Concord.

Now, that is one group. They just want their own hand in the decision-making process.

The other group is an element that doesn't believe in the concept, period. They just don't think you should take Federal money and send it back to the States without any control or strings.

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I think this is a very honest opinion, but I believe that the Federal tax system is more equitable than most State tax systems, and that this is the way, under a well-agreed to formula, to get the money back so you in Concord and others can make your own decisions.

I have been talking with the Governors, and county officials and with municipal officials trying to get them to get moving to put pressure on the Congress to get the program through.

I have asked the Vice President to take charge of that effort, and you are going to see some activity, and I think we will get it through. I don't know what your budget situation is in Concord, but if they took away that money from your budget in Concord, you would either have to raise taxes or discontinue services or programs.

Therefore, we have to get a tremendous groundswell of public interest, and I am going to do this in New Hampshire, and will do it elsewhere, just so the public understands what will happen in Concord and elsewhere if this program isn't extended.

Thank you.

QUESTION: Thank you, sir.

QUESTION: Mr. President, I am Rob Trowbridge. I am the Chairman of the Senate Finance Committee here in the State, and I am interested in your remarks on general revenue sharing as in that capacity I have prepared for the last four years -- and I think most selectmen here know it -- a report of where revenue sharing was spent in New Hampshire, county by county, town by town.

It is very interesting, Mr. President, that one of the big areas that the towns of New Hampshire use this money for is for general hardware rather than software, if you want to distinguish.

You know its trucks and its plows and its things like that, which they have difficulty with. One of the problems with revenue sharing now -- and I think this news conference goes both ways, as well as for you to get our views as for us to get yours -- is that there is a limitation that you have to spend the money within two years.

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Many, many towns in New Hampshire would love to be able to put this money into capital research building up to buy the plow or the truck or whatever comes down the road. I think that when you say there are no restrictions on general revenue sharing, you might have someone look back again because there are more restrictions than you might believe.

Frankly, I think you could be a big help not only to us but to every other State if general revenue sharing were exactly what it was meant to be: block grant. If you want to put it into savings, fine. If you want to spend it, fine. I think that is what will help New Hampshire most.

THE PRESIDENT: I remember the debates on the floor of the House in 1972 when this issue was raised, and the argument on the other side was simply this: That the Federal Government was operating then and is operating today in a deficit.

If the Federal Government borrows money to give it to the States or the community and then those communities put the money in the bank and draw interest on it, it makes it a little difficult to justify the program.

Here the Federal Government is borrowing money to give it to communities and States so they can put it in the bank and draw interest.

That is the other side of the coin.

The basic concept is that this is for immediate needs, whether it is buying trucks for the fire department, or doing something for the police department, or any one of a number of other programs.

It would seem to me -- I know this has happened in some Michigan communities -- as long as they know that money is coming, they could plan on a building program and they could finance it over a period of two or three years with this money assured as a way of paying their obligations.

QUESTION: I suppose it is the two-year period that is too short for that kind of planning. I think that is where you don't get the money until after the town meeting. It comes in and you have already missed a year. It is just the way it works out in New Hampshire. It doesn't allow you to do that, and that is where I think somebody should look back at that.

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THE PRESIDENT: I recommend you go down and testify before the House Committee on Government Operations, or go over to the Senate Finance Committee, which has jurisdiction in the Senate.

It is a very legitimate, I think, difference of opinion. I just wanted you to know what the other side of the coin is, and I listened to that debate on the floor of the House and rightly or wrongly, that is the decision the Congress made.

QUESTION: Thank you, Mr. President.

THE PRESIDENT: Thank you very much, sir.

Yes, sir.

QUESTION: Mr. President, I am Selectman William Morrison from the town of Gilford. I just want to let you and Ron Nessen know the skiing is great up there right now. (Laughter) That is Gunstock and Mt. Rowe. (Laughter)

THE PRESIDENT: You know, I really learned to ski up here in New Hampshire, and after I heard about Ron's famous, or infamous, comment, I made the suggestion to him he ought to go up on Tuckerman's and somebody ought to throw him off the side of the mountain. (Laughter)

QUESTION: Mr. President, I am very pleased to hear your revenue sharing views, and I share the opinion of the last speaker regarding the limitations on the funds, the time limits, and I think something should be done about that.

Also, I realize one of your problems, that the Congress is a "do nothing" Congress as far as I am concerned, and a lot of people that I know, if they haven't thought of it first, the idea isn't any good. I think a lot of your ideas are really great.

THE PRESIDENT: Thank you.

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QUESTION: One of the ideas that you brought up is a fact that we should give more incentive to businesses, small and large. I believe that the incentive could be a tax credit, and I think this could be up to 50 percent for employers who would hire extra persons over and above their normal staff and over their projected growth.

This would be monitored by the IRS, would eliminate bureaucrats, more bureaucrats, and it could be administered very easily, the money would be direct, it would help the business and it would help employment. This is the name of the game right now, I think.

THE PRESIDENT: We looked into that program, and there is a great deal of merit to it, but in analyzing it in depth, there are more administrative problems than would appear on the surface. It is something that I think we ought to take another look at because there is, in the broad sense, merit because it gets business to keep people on the payrolls rather than putting them on unemployment insurance or welfare.

That is the overall approach, but there are pretty serious administrative problems, but I decided that rather than go that route to stimulate business and to increase employment, to recommend that there be an added investment tax credit to those companies that would move in to high unemployment areas with new grants to buy new equipment, if they would do it within the next two years.

We think time is of the essence, and the legislative proposals is now before the President, and it would accelerate the amortization schedule in effect for these companies that would move in to high unemployment areas build a plant, buy equipment and modernize their productive facility.

We opted for that over the program you suggested for reasons that we thought were valid. We will continue to study the suggestion you have made. It was a close call.

QUESTION: Thank you, Mr. President. I also think that in doing this, we have to think about the cost of administering it. Most of the bureaus that we have, money doesn't get filtered down to the objective promptly, and I think that is what we have to really study.

THE PRESIDENT: I am sure you know we do have a program here, the Federal Government subsidizes for a limited period of time a portion of the wages of an employee who is employed who is not qualified at the time he takes the job.

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This is a way to permit the employer to hire someone who has very little skill and put him on the job so he earns both from what he gets from his employer and both from the Government so he can take care of his family. This is another approach, somewhat like the one you are suggesting. That is the effect in a somewhat limited way.

QUESTION: Thank you, Mr. President, and good luck.

THE PRESIDENT: Thank you, sir. Yes.

QUESTION: Mr. President, I am Mary Kane from Portsmouth. Mr. President, under your recommendations under impact aid, our small city stands to lose over a quarter million dollars.

We have many students who now are employed in Federal installations who live in private housing. I would like to ask you to reconsider the inclusion of Item B under your impact aid.

THE PRESIDENT: That is a longstanding area of disagreements. I am sure you are familiar with Category A programs where the pupils live on a base. They are imposed on the local school districts. We fully funded that program.

QUESTION: Yes, I understand.

THE PRESIDENT: Category B is the one you describe. There is a Category C which Congress added which I strongly disapprove of and they have added another one for public housing, and the net result is in the budget for this fiscal year. There is roughly \$800 million or thereabouts, isn't there, Paul?

Now Category B, we finally agreed, would be funded at about 70 percent, not in the next year budget, but in the existing budgets. The practical problem is how can you justify people who live in the town but work in the Federal installation and add extra money for the subsidization of the local school system.

Let me give you the grossest example. My wife and our four children lived in Alexandria, Virginia, for 17 or 18 years. Our children went to the public schools in Alexandria. I was a Federal employee. My children were counted as Government employees, and the City of Alexandria got a subsidy for each of our four children. Now, that just doesn't make sense.

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QUESTION: Well, Mr. President, we are not getting any taxes from this Federal installation, and if these children's parents were working in private industry, private industry would be paying a tax to our city, so we justify it that way.

THE PRESIDENT: What installation?

QUESTION: Portsmouth Navy Shipyard, which employs the parents of quite a few of our children.

THE PRESIDENT: All children living on the base are counted in Category A.

QUESTION: Yes, I understand that.

THE PRESIDENT: We are not going to close Portsmouth Naval Yard.--(Laughter)

QUESTION: Thank God for small favors.

THE PRESIDENT: -- Under no circumstances, and I am sure you wouldn't want it closed.

QUESTION: Certainly not, but you cannot blame me for trying, Mr. President. I am just asking. (Laughter)

THE PRESIDENT: You have almost persuaded me. (Laughter) If we could get Members of Congress off the dole as far as impact aid is concerned, because they can afford to pay the necessary taxes to Alexandria or to Montgomery County or any of the other county school systems, it is just totally indefensible.

What it amounts to in my case, and I have used this many times because it is accurate. My taxpayers in Grand Rapids, Michigan, are helping to subsidize my school taxes in Alexandria, Virginia, and it just doesn't make any sense, and that is the kind of screwed up system that Congress has imposed under impact aid in many, many cases.

QUESTION: Maybe we could compromise with a payments in lieu of taxes, Mr. President. Thank you very much. (Laughter)

QUESTION: Mr. President, I am Charlie Richmond, a select man from the Town of Warner, and I have a problem. (Laughter)

I was noticing in your pretty blue book, in fact I was talking with another select man from Hooksett, that our budget committee just wouldn't put up with a fancy publication like this. (Laughter)

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However, I noted happily that highway outlays are rising to \$7 billion in '77 according to your recommendation. Warner is pretty typical, 1,800 people, 15 miles of State and Federal highway, 65 miles of town maintained roads, 21 bridges, two of which we had to close last year. This is my problem.

We were notified by the State that we could qualify for rural road assistance and that it could be used as a 70 percent Federal match of our 30 percent for expenditures on the bridge, which we need.

We have been lucky to get the Army Reserve to put in a bailey bridge to hold us for a couple of years until we can get a permanent one up. But we were told to qualify for the Federal funds, we would have to build a \$260,000 bridge to span a 47-foot stream.

The Town of Andover, about 20 miles up from us, just finished a bridge designed by a registered professional engineer, designed for 20-ton load, which is really all we need to get a firetruck across, 25 cars a day, a school bus and a mailman. (Laughter)

What I am asking is, would it not be possible for Federal agencies to take a look at prudence in design and recognize that, doggone it, maybe we could do for \$60,000 the job that needs doing.

We are not looking for a Lincoln Continental, we want to get across the doggoned river. (Laughter)

THE PRESIDENT: Let me ask you, is this a primary, secondary or interstate highway? (Laughter)

QUESTION: This is a Warner town road, the bridge has been there for over 200 years. This will be the fourth bridge to go in place.

THE PRESIDENT: Well, there is under the Federal program a category -- I have forgotten the precise title, but let me give you what I think is a better answer.

Number one, last year I recommended for an extension of the Federal aid to highway program, the abolishment of all the categorical grant programs for the Federal aid to highway program except interstate, and I recommended that one cent of the Federal gas tax go back to the States.

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Now, unfortunately the Congress hasn't approved that. Under that program, there would have been a block grant to the State of New Hampshire, which could have had greater control over the utilization of that money so that your State highway authority in conjunction with the local authorities could have made that decision for the specifications without having some engineer in Washington, D.C., do it.

I think that makes a lot of sense, but the Congress wouldn't buy it. I can tell you why, they like to keep their fingers on certain specific programs.

In this case, under the existing law, my impression is that I just don't see why a Federal highway engineer should draw the specifications for a town road in Warner. I just don't see by what authority they have that jurisdiction.

But let me tell you this, if you will get me the facts, write them down, give them to me, we will find out.

In all honesty, it doesn't make sense. My program would have avoided it, but we have to deal with realities.

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QUESTION: I think the real point in contention is that the funds are going to the State and the State is setting the specifications and not allowing the town to supply an adequate design by a professional engineer to qualify.

This was a State amount that was quoted to us, and we can't get at the money because the State is administering it.

THE PRESIDENT: I respectfully suggest you go to Concord and ask them. (Laughter)

QUESTION: Thank you, Mr. President.

THE PRESIDENT: Thank you, sir.

QUESTION: Mr. President, when I married a native and moved to the State some 15 years ago, one of my mother's good Southern friends asked her what State New Hampshire was in. (Laughter) Sometimes when I take long looks at information such as the budget package you have given today, I wonder if many of the people in Washington know what State we are in.

I am particularly interested in the question of mass transportation. I notice in your budget, as stated by the Selectman from Warner, there is a huge increase in highway taxes. There was a considerable increase, as a matter of fact, in mass transportation.

I notice further, however, that most of that money seems earmarked for the expansion and betterment of the already existing mass transportation systems, particularly from Washington to Boston.

All over New England we have an old saying that you can't get there from here, and if you are trying to get anywhere by mass transportation in this State, it certainly is true. We have kids going to college in the Western part of the State who can't get home, 90 miles away, without going to Boston to get there.

I wonder how far down the road you see Administrations, and Congress, and the Senate, waking up to the fact we need mass transportation in rural areas and trying to appropriate money to encourage cooperative small rural innovative mass transportation systems?

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THE PRESIDENT: Let me make one comment. There is no increase in transportation taxes. The Federal gas tax stays at 4 cents a gallon. As I indicated, I recommended it be reduced 1 cent and that 1 cent go to the States.

But anyhow, we have three basic mass transit programs. Under the Federal aid to highway program, a local community, if it wants to take its highway money off of construction for highways, it can make that decision and utilize that money on a local mass transit program.

I think they are doing that in Boston. I know they are doing it in Washington, D.C. I know they are doing it in many, many communities. They don't feel they need more highways. They feel they need more mass transit, so they have that flexibility out of the highway money.

Number two, I signed in late 1974 a new mass transit bill that provided approximately \$11.2 billion over a five-year period. Now, that money is earmarked for mass transit exclusively.

If I recall accurately, there is a rural mass transit or transportation aid program. I must admit that it is funded at a far lesser level than metropolitan areas, but there is a program, and I know that some parts of the country are engaged today in rural mass transit programs, if that is the right term. Has the State of New Hampshire applied for any funds for that program?

QUESTION: I don't know at the State level, sir, but on our city level -- I am from Portsmouth. It is very hard for us to get the ear, the eye or the attention of anyone in the regional Federal offices. Maybe it is a matter to be dealt with at the State level.

THE PRESIDENT: In the case of Portsmouth, the City of Portsmouth can take whatever money it gets from the Highway Trust Fund and utilize it for a mass transit program in the City of Portsmouth.

Now, there is another mass transit program that has been on the statute books six or eight years, called UMTA -- I can't remember what it means, but it is UMTA. (Laughter) It is funded at around \$100 million a year, as I recall. I was too low. It is about \$1.8 billion.

Now, that program, again, I think is probably aimed at the major metropolitan areas. But, there is a Federal program for rural transportation demonstration projects and otherwise, and you can go to the regional office. If they don't give you satisfaction, you call Steve McConahey on the Domestic Council staff on State and local unit relations and we will find out what the problems are as far as your community is concerned.

QUESTION: Thank you very much.

QUESTION: Mr. President, I am Patty Blanchette, State Representative from New Market.

You mentioned the unemployment figures which were released by the Department of Labor yesterday. I know you know what I am going to ask you.

Yesterday morning when those were released -- and we all heard that 800,000 more people were gainfully employed -- we agreed it was good news also, but by the end of the day we were also hearing that those figures were inflated because for the first time the department had used a new system in calculating those figures.

I was wondering if you would care to comment on this or if this is indeed true?

THE PRESIDENT: Let me go back just a bit. Under law, periodically a group of professional economists and statisticians take a look at how the Department of Labor accumulates its data for the purpose of releasing unemployment figures.

Late in 1975, this group got together, looked at the existing system for the Department of Labor, and decided that there had to be some improvement in the collection and the analysis of that data.

On the basis of that professional group making these recommendations, they did revise all of the unemployment figures of 1975. Some of them were higher, some of them were lower, but it was the recommendation of a group of professional economists and statisticians that had nothing to do with politics.

Now, the figure that was given to me, and I believe it is accurate, is the figure of 800,000, and this came from Mr. Shiskin, who is the head of the Bureau of Labor Statistics, and he is a thoroughly reliable career non-professional (nonpartisan) person.

So, I will stick with what they told us. I think it is accurate and the reason, if there is any variation, is the one I gave that in a professional way, as required by law, they moved to a new system.

But, the fundamental facts I think are completely accurate.

QUESTION: Thank you.

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QUESTION: Mr. President, I am Mike O'Keefe, State representative from Portsmouth. I have become quite concerned in the last year about the plight of some of our older veterans attending college here in New Hampshire and throughout the country.

I have been teaching night school for New Hampshire College, and I have several of these people in my government classes.

The reason I am concerned is that many of them, when they got out of the service, got married, started a job and began to raise their families and then after several years, decided they wanted to go to college and increase their education so they might be able to move up in their profession or things of this nature.

But they are now faced with an arbitrary cut-off date of May 31, 1976, where they will lose all educational benefits.

I was wondering, Mr. President, if you might consider supporting legislation similar to what Congressman D'Amours of New Hampshire has put in, I believe it is House Resolution 9428, by which these vets, so long as they are attending school and are working on a degree, would be able to continue to receive payments up and to the entitlement they earned when they were in the military service.

THE PRESIDENT: Under existing service, a GI is entitled to receive those benefits for a ten-year period. In other words, he got out of the service and at any time from that date for the next ten years, he can take GI educational training.

I think this is a fairly decent, fair opportunity for a person, and there are many, as a matter of fact, who recommend it ought to be cut back.

I have listened to the arguments, and I have not heard of any proposal to extend it, but the facts are, at the present time it gives a ten-year period between discharge and when the benefits expire.

How long does the Congressman want to permit it, indefinitely?

QUESTION: No, sir, the situation is that the individual, while in the service, has picked up a certain amount of entitlement for educational benefits, at least 36 months.

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Now, many of these people, as I mentioned before, didn't go to school when they got out of service. They got married, they raised a family and now later in life want to go to school. And many of them have a year to two years left to get their degrees when their entitlement runs out.

What the Congressman's bill would do would allow them to continue to receive benefits until they receive their degree so long as they were within the original entitlement.

THE PRESIDENT: The concept that began in World War II was that those who served in World War II in combat and had been deprived of an educational opportunity should be given an opportunity to go back to school and there was this cutoff first at eight years, now at ten years.

I will take a look at it, but we did find, or have found that there were some professional students. (Laughter) And we have to look at the equity across the board and we will take a look at it. But I am somewhat dubious that it would be extended.

QUESTION: Thank you for your consideration.

QUESTION: Mr. President, my name is Murray Clark. I am a representative to the General Court here in New Hampshire from the Town of Lincoln up in the White Mountain region, Sherm Adams' town where Loon Mountain is and excellent skiing is also available. (Laughter)

And I am sure the State of New Hampshire would be glad to have you up at Cannon Mountain and Franconia Notch. (Laughter)

THE PRESIDENT: I would love to come there some day.

QUESTION: Now, so the matter, I would like to know what is your opinion on the millions of illegal aliens now in the U.S. feeding at the public trough and filling jobs that should be available to U.S. citizens?

THE PRESIDENT: We have anywhere from 6 million to 8 million illegal aliens in this country, which is roughly the total amount of unemployment in numbers in this country. It's a very serious matter, and let me tell you what we are trying to do about it.

Number one, we are working very closely in a new program with the Mexican Government. That is one point of entry where there has been this tremendous increase. The cooperation that we are developing with the Mexican Government, I think, will produce some results in stopping the flow on the one hand.

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When I was in Mexico about 18 months ago, I personally talked to President Echeverria about it.

Number two, this budget, this budget I have here, we have recommended additional employees for the Emigration and Naturalization Service so that they can do a better job of finding illegal aliens on the one hand and seeking to get them deported on the other hand.

Now, there is one other thing we are trying to do. I have favored legislation that has passed the House last year, as I recall, that makes it mandatory for an employer to ask whether a prospective employee is an illegal alien. That would be very helpful.

Unfortunately, the Senate has not approved it. But that would make the Administration of this program much, much better. So between better cooperation with Mexico primarily, through more employees to try and find illegal alliens and get them deported, and through prospective legislation, I hope we can make some significant advancements in solving the problem that you are talking about, because it does add to our unemployment, it does add in many major metropolitan communities to the welfare burden.

Those jobs ought to be available to legally, or legal emigrants or certainly American citizens. We are working on it as much as we can because I recognize the difficulty.

QUESTION: Thank you very much.

THE PRESIDENT: Thank you.

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QUESTION: Mr. President, John Hoar, Jr.

The other day you signed a bill which we have been looking for in this State concerning the railroads. I congratulate you for doing that. This encompasses certain provisions and clarifies certain provisions of the Regional Rail Reorganization Act, which we have been looking for.

We have a bad situation in this State, being dependent on one railroad basically. That railroad, or a large part of ConRail, is in a very tenuous condition. We are not unique in this country.

However, my question is, what do you see for the future of railroads and developing of the railroads and encouraging rail traffic, both freight, and I will put in parentheses "passenger" because that depends a lot on the success of the freight.

THE PRESIDENT: The Congress did pass the bill I signed last week. I recommended it. It involved \$6 billion 200 million. It provides for rebuilding of roadbeds, provides for refinancing and consolidation of the New York Central, Penn Central, and it provides for reorganization of the Northeast Rail System.

We have an excellent Secretary of Transportation, who I talked to before I signed the bill, and he has promised to move as rapidly as possible to get the bill totally implemented.

I can't give you the precise timetable, but he understands the urgency, and I can assure you that we are going to press very vigorously. The Northeast Corridor Rail System must be rebuilt, must be vigorously updated with new equipment, running equipment, with roadbeds that permit the traffic to move much more rapidly, improved station facilities and rail freight yards.

It is a comprehensive program. It is the first one ever approved in this country.

In addition to that, of course, we do have the Amtrak program, which is primarily -- or if not primarily, exclusively -- aimed at passenger traffic. That program, I think if Congress would not impose omit some of the totally uneconomic lines, we could do a better job.

But, we will carry out the law, and that ought to provide in the areas where it is needed and justified improved passenger traffic. The real problem in the freight traffic is a roadbed that is not sufficiently strong, if that is the right term. In some areas of the country, freight traffic has to go at five miles an hour.

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QUESTION: Right here in Hampshire. (Laughter)

THE PRESIDENT: It is uneconomic from the rail point of view and not good service from the point of view of the customer. But, this legislation I signed will significantly increase the roadbed improvement operation.

QUESTION: Thank you, Mr. President.

THE PRESIDENT: Thank you, sir.

QUESTION: Mr. President, I am Hilda Fleisher, a representative from Manchester. I am on the health and welfare committee, and I am concerned because there is a Federal program that is giving the State a good deal of trouble.

This is Title 20 of the Social Security Act, which replaces Title A of the Social Security Act, and it has to do with supportive services for people who are on welfare or nearly on welfare, low-income people. These are services like daycare, transportation for the elderly, meals on wheels, elderly homemaker services and so on.

As I understand it, Congress replaced Title 4-A with Title 20 and there were two purposes, aside from the general purposes of it, and one was that we should be accountable for the funds that are distributed and the second is that we should broaden the group of people who may be eligible for these supportive services. They are not money payment programs. They are really supportive services.

Now, we have found that the accountability part is enormous. In fact, it is causing so much trouble that we can't expand the base at all. I am concerned as a State representative because our welfare workers are spending as much as 85 percent of their time on paperwork, 15 percent of their time with clients.

I am concerned because I am associated with the private agency that administers the homemaker service and I have talked to other people in agencies. Their staffs are spending so much time in the paperwork, verifying whether someone is eligible.

If a mother comes in and has six children, 20 forms have to be filled for each one of those children and for herself, and this is absurd.

WE find we are spending an enormous amount of time just doing paperwork, shuffling papers, at the private agency level, at the State level, trying to see what happens to those papers. We have to look at them when they come in.

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I just wonder, who is accountable to us for all of this waste of our time?

THE PRESIDENT: The points you have made convinced me that we ought to approach the problem of delivering these services in a different way. The net result is in one of the four block grant programs that I have recommended, we attack the problem that you are talking about.

Here is what we call a mess chart. (Laughter) What that shows is the 15 health service programs from the Federal Government to the local and State units of Government. That shows where the money comes from, who runs it and the Federal Government cost and all the cross lines that end up down here with the beneficiary.

The one on the right -- no, that is all the same one. We have one here on education, too. But, what you are saying is best illustrated by this particular mess chart.

You have 15 categorical grant programs with all the verification, all of the application, and the net result is you waste half of your time and a good share of your money in paper shuffling.

Now, what we propose to do is to take the money from the Federal Government and give it to the States, and with a passthrough in some cases for local units of Government, and let them take the total amount of money and utilize it at the State or the local level as you in New Hampshire decide you ought to spend it, and you -- or the people working in the program -- are only accountable to the Federal Government in total.

You don't have to apply for it except for one application.

Now, we have to get the Congress to go along with this. But, it will save you money, it will save you time, and your clients will get much better service and more funding in reality.

So, I recognize the problem you are talking about. We have to get the Congress to do this, and any help you can give us would be gratefully received.

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QUESTION: That sounds very good, but you will still be asking us to be accountable for that money and still want to know that it is going to the right people and for the right purposes.

THE PRESIDENT: We will give you the money for the social services program on the one hand or the health programs on the other.

Now, we have to have some understanding of where you spend it. We can't give it to the State for either social services or health and then have it go for highways.

We do have to have some record keeping, but you don't have to go through a multiplicity of applications in health -- 15 programs. You can make one application for a block amount, get the money and then, at the State and local level, you make the decision. As long as we are convinced that the money is going for the overall purpose, we are not going to come looking over your shoulder and have one investigator for every one of your social workers.

It is just the opposite. Under the present system, it is totally impossible. Paul O'Neill is the expert here on this program, but isn't the overhead about 15 to 20 -- about 10 percent on this program as we look at it, and we can reduce that to what percentage, Paul?

This is an interesting statistic, if Congress would go along with that. We could get rid of 2,300 Federal employees and have 50 left, so that shows you how many fewer -- (Laughter) -- how many fewer Federal employees would be bothering you.

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QUESTION: Nevertheless, we do have some control over how that Title 20 money is spent. We make a State plan and we make the decision in the State how the money is to be spent. Nevertheless, one of those 50 people in Washington, or several, would still be saying, "prove to us you spent it right."

And what bothers me, Mr. President, is that there are people in Washington who are doing their darnedest to see that we do not spend that money for the services the Congress wanted.

THE PRESIDENT: I am sure that you will be less harassed with 50 employees than 2300. (Laughter)

QUESTION: I hope so.

THE PRESIDENT: So at least we will make headway in that regard. Now, Paul --

MR. O'NEILL: We are designing legislation at the President's direction and we have been working with the Mayors, the Governors, and County officials and, in the draft legislation that we now have, we would require that the State do its own plan and the State do its own auditing and that the responsible commission at the State level simply certify to the Federal Government that it has met the intent of the statute and that would be the end of it.

QUESTION: And we would be hiring those 2300 people. (Laughter)

THE PRESIDENT: Let me tell you how it works with general revenue sharing. In the first year or two the Federal Government did have its own auditing procedures. But I think in most States today, the Treasury Department, the U. S. Treasury Department has worked out with the respective States their own auditing system.

How many States? There must be 40 or more have now worked out a system under general revenue sharing so there isn't a Federal investigator coming and checking on how general revenue money is spent.

As Paul O'Neill has indicated, that is the same concept we would hope to have in this area.

QUESTION: Thank you.

THE PRESIDENT: Yes.

QUESTION: Mr. President, my name is Charles Pugster. I am the Mayor of the City of Claremont from the other side of the State.

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Your interest in skiing seems to elicit comments and I would be remiss if I didn't bring to your attention a community-based skiing area we have in Claremont called Arrowhead and its unique position is that the operation of this skiing area is volunteer based among our citizens. (Laughter)

But coming to the question I have, the environmental and safety legislation that is prevalent amongst us, I am not concerned with the objectives. I support the objectives of these pieces of legislation but I am concerned with problems that are arising out of the implementation. And in particular I can go back to our own area and community. Some industries and some businesses, not just industries, the manufacturing people, have had to curtail employees and employment. Others have had to completely cease their operation simply because they were not large enough in capital to support an investment in these areas or they had to so increase the cost of their product that they became non-competitive.

This meant losses of jobs, losses of local revenue and a tremendous problem locally. My question is, in terms of trying to assist these small and medium-sized commercial and manufacturing establishments throughout the whole country, what can the Administration do to influence the administration of this legislation to perhaps influence immediate and total tax concessions that would provide immediate capital that they could make at least an investment into this problem area, or influence amendments to the law so that both the environmental and the safety objectives could be met but it would be fair to these segments of the economy and pose fewer problems to us here in New Hampshire that do not have large, huge corporations that have tremendous resources?

THE PRESIDENT: Let me clarify one thing. You are talking about the Environmental Protection Agency, not about the Occupational Health and Safety Organization. You are talking about the former, the Environmental Protection Agency?

QUESTION: Yes, we are and some of the safety implementations are administered with a great deal more of feeling and understanding. This we can say.

But still there are areas there that appear to be actually -- well, they don't make too much sense when you come right down to it.

THE PRESIDENT: In the case of the EPA, they have, in my opinion, been too inflexible in some of their decisions as to certain standards. I think we have gotten a little different objective.

We have a fine person in charge of it, a man named Russell Train. I think there is a realization now in and out of Government that we can't make up in a few years for all the environmental evils we have perpetrated on the country over a period of a hundred years.

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So there is, I think, a little more flexibility on the part of EPA. If you have a specific case, I would recommend that you communicate it to us. I think there is some flexibility, if there is a hardship involving the closing of a plant and the loss of jobs.. It depends on the kind of damage to the environment in each case.

On some occasions -- we have just had a tragic thing happen down in Virginia. You may have read about it, this Kepone, a chemical. For some reason or another that was not promptly or adequately handled by either the State or the Federal authorities. So you almost have to handle each case on an individual basis.

Now as to the tax incentive, there is a provision in the Internal Revenue Code that gives to business a tax write-off up to a certain percentage for the funds they expend in improving their plant and equipment to meet EPA standards.

I know that some small companies that have a bad cash flow have not been able to utilize that but it is available and I think it is 20 percent, as I recall. But anyhow there is such a provision and I think a good many companies I know have used it. But there are some, I am sure, that for economic reasons, can't finance it.

But the concept is good. Whether it can meet every particular plant's problem or not depends on the individual plant.

QUESTION: Part of our problem, Mr. President, is not solely with the existing plants but with our problem of trying to make a turnover of jobs available as we have the ebb and flow of companies moving in and out and trying to attract new industries and new companies, that they come in and are immediately faced with this type of a problem and this is why I address the administration part of it and are there things we could do from the administrative part rather than through the channel of amendment, which takes so long to process?

THE PRESIDENT: We will take a look at it but I do know, as I said a moment ago, there is, I think, a more understanding and flexible attitude today than there was three years ago.

QUESTION: Thank you, Mr. President.

THE PRESIDENT: Yes, sir.

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QUESTION: Mr. President, John McDonald, State representative from Manchester, the home of the McIntyre Ski Area. (Laughter)

Mr. President, both of our New Hampshire Senators are actively pursuing legislation which would, in effect, cut one of the links in the marketing chain of one of the major oil companies wherein they would not be controlling oil from the wellhead to the pump.

If such legislation is passed, Mr. President, would you sign this type of legislation or veto it?

THE PRESIDENT: You are talking about the proposals for divestiture?

QUESTION: That is correct.

THE PRESIDENT: Either horizontal or vertical, and there are a number of proposals in the Congress. I think there is one that has been reported by a Senate committee or subcommittee that would provide for divestiture.

I have no sympathy for the joint oil companies as such. In fact, we are being blamed because FEA and others are watching them too closely.

But anyhow, I don't think divestiture is the way to solve the problem. It seems to me that a well managed oil company, big or small, is the best way to solve our energy problem and to just tear them apart I don't think answers the problem.

We have, as I recall, about 10 to 15 major oil companies. They reaped a financial bonanza a year or so ago. They are having a less desirable year at the present time, but to tear them up, in my opinion, is not the best way to get them to get in and help us solve the energy problem.

So I am against just the kind of legislation that I think you are talking about.

QUESTION: Thank you, Mr. President.

QUESTION: Mr. President, Representative McLaughlin from Nashua.

Would you care to comment on the U.S. Coast Guard's encroachment on the inland waters of the State of New Hampshire? (Laughter)

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THE PRESIDENT: I think you are talking about the problems involving Lake Winnepesaukee?

QUESTION: Yes, sir.

THE PRESIDENT: And there is another one I cannot pronounce. Well, as I understand the history of the situation, several years ago a highway had to be built across the channel. At that time, it was decided by the Coast Guard that they had to give a permit and they determined that those were Federal waters.

Now, I have never been to those lakes, so I can't describe the situation in detail, but the matter has gone personally to the Secretary of Transportation. He has written to the Governor and he makes two suggestions for the solution.

Number one, there is a possibility of remedying the situation by the State, instead of putting a State tax on the boats, put a State tax on the use of ramps on the two lakes. That is one possibility.

The other possibility is for the Congress to pass legislation which is being drafted by the Department of Transportation, which excludes those two lakes from Federal jurisdiction.

I am sure the Department of Transportation will be working with your Members of the House as well as the Senate. It seems to me the better way to solve the problem is to get Congress to make an exception in this case.

As I understand the geography, until they put this highway bridge across there, they were never considered navigable waters. But some bureaucrat decided that they had to grant permission under the existing highway legislation, so they granted the permit on the basis that they were navigable waters and once they are navigable waters then the Federal Government has jurisdiction and your State tax is illegal.

I think the better way to do it is one of the two alternatives recommended by Secretary Coleman to get specific legislation, which I believe can be passed without too much trouble, and it would exclude those two lakes from the category of navigable waters. If that is done by the Congress, I will sign the legislation.

QUESTION: Thank you, sir.

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QUESTION: Mr. President, I am John Scorpo, Selectman from Hudson, and I am happy to hear you are going to continue to try to expand the general revenue sharing because that has allowed Hudson to obtain very good services without having to increase our tax rate almost 10 percent.

However, when we try to get some assistance to comply with the Water Pollution Control Act, we seem to run into all kinds of restrictions. I noticed in your proposed budget that you are recommending a 70 percent increase in sewage treatment facilities.

Then as I read further down the line, you mention there is pending legislation that might reduce the Federal commitment from 333 billion down to 45 billion on a long term basis.

I was wondering if you would comment on that?

THE PRESIDENT: Well, Congress five years ago, as I recollect, passed an \$18 billion program for Federal aid to local units of Government for sewage treatment plants. The law expires, I think, next year, if I recall it correctly.

Now, under the present law, you are correct that there will be \$6 billion 900 million spent on local water pollution units, which is 60 percent more than last year, and I think it is 90 percent more than two years ago.

Now, under the proposed law, we are recommending some changes and one, for example, we don't think that Federal money should go in to a local water treatment plant and participate in a ten-year growth factor.

Under the present law and under the present funding, the Federal Government pays for a ten-year growth factor. The Federal responsibility should be to catch up so that the local community at the present time is able to handle the sewage treatment problem up to the standards at the present time.

Now, the community ought to look down the road at the growth factor and, when you crank that factor in that I have discussed, it does account for a significant part of the reduction in the funds that we are proposing. And there are some other modifications which we think, in the long run, are proper, now that we are going to be more or less caught up in the local communities around the country. There will still be a lot of money there, but it won't be as much because of the one or two factors that I have described. There will be money there, and we have recommended it and I think it will be adequate to handle those communities that didn't qualify or didn't apply under the current program.

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I can assure you that we believe that a Federal contribution is right, but it has to be tailored to meet the needs at the end of this law, or at the termination of this law, not just the same amount as we have had for the last four or five years.

QUESTION: Thank you, Mr. President.

QUESTION: Mr. President, Costas S. Tentas Chairman of the New Hampshire State Liquor Commission. I also want to welcome you to New Hampshire. It's nice to see you again.

THE PRESIDENT: Thank you.

QUESTION: And I want to convey to you the best regards of my counterpart in Michigan, Stan Thayer.

THE PRESIDENT: We both have monopolies.

QUESTION: We certainly do.

THE PRESIDENT: It makes a lot of money for Michigan. I don't know about New Hampshire.

QUESTION: More so in New Hampshire. One of the areas of concern to not only New Hampshire but all the sister controlled States, which are 18 plus one county, Montgomery County in Maryland, is the amount of Federal taxes that are tied up in State funds.

Our association, which is the National Alcoholic Beverage Control Association, which is based in Washington, has been reviewing and at the present time there is some \$115 million tied up in all these 18 controlled States. Specifically for New Hampshire, of our \$10 million inventory, we have some \$6 million of excise taxes tied up.

We have been looking at it carefully with DISCUS, which is Distilled Spirits of the United States, where if at some time the Federal Government will look quite favorably to either the deferment of taxes or possibly the return of some of these funds to the individual controlled States and the open States.

THE PRESIDENT: Let me see if I understand the problem. When your Commission or the one in Michigan buys liquor, they have to pay the Federal tax and you have the inventory on hand until you sell it through your various channels.

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QUESTION: Which includes the Federal taxes?

THE PRESIDENT: Right. I wish I could say yes.

QUESTION: I wish you could, too. (Laughter)

THE PRESIDENT: But we would be treating you, your State differently than we would any other wholesaler. And that is what you are, you are a wholesaler. If we treated Michigan and New Hampshire differently as a wholesaler than we treat others, I think we would have a significant number of complaints. (Laughter)

QUESTION: Our proposal would be that all States be treated equally. That the deferent of taxes be made and then a creation of bonded warehouses within each respective State to monitor those taxes due the Federal Government.

THE PRESIDENT: You know we need a little money, too, and you are making money. (Laughter)

I am sure your organization, you and Stan Thayer will be talking to my people in the Treasury and others in the Congress, but give us a little breathing space on that, will you?

QUESTION: Thank you very much, Mr. President.

THE PRESIDENT: Okay, two more.

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QUESTION: Mr. President, my name is Peter Shapiro, and I represent Concord in the General Court and also in the City Council. We don't have any ski areas, but there is a great cross-country area in my backyard around the corner, if you want to go.

My concern is--and I think it is the concern of a lot of my friends--that education is the strength and the backbone of the country. My son, at the end of your next term, Mr. President, will be getting ready to go to college, and I am wondering what plans you have or what programs you propose to present that will allow those people in the middle areas the ability to have their children attend college and, specifically, the private institutions as opposed to public institutions.

THE PRESIDENT: We have a couple of financial aid programs for students. The emphasis, I must admit, is primarily what we categorize as the needy student and under the Basic Opportunity Grant program, BOGs, we recommended in this budget \$1 billion 100 million.

We also have several other programs. We have a work program, a work incentive program, so a student on a campus can get employment under the direction of the school or university.

We also have a student loan program, which has helped countless thousands. There are one or two other programs, but those are basically the programs. Then, in addition -- and this, I think, is a very fundamental question -- in the tax reduction bill that I recommended last year, which the Congress did not accept in toto, I recommended that a better tax break go to the middle-income people because over the years -- I know from being in the Congress -- there has been an increasing burden put on the middle-income individual, whether he is blue collar or white collar.

In the tax reduction proposal that I submitted with the State of the Union, the economic report, I reiterated that. That will help if Congress passes it. The kind of people who are from \$9,000 to \$25,000 a year. It is a segment of our society that at the Federal level has gotten short shrift compared to others, and I think fundamentally in the long run that is the best which to handle and help the problem you are talking about, plus the individual student aid programs I have indicated.

QUESTION: Thank you, sir.

THE PRESIDENT: One more.

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QUESTION: Mr. President, George Roberts, State Representative from Gilmanton.

In the Northeast we are particularly concerned about the cost of oil, particularly for home fuel oil, and I understand, under your budget, you have a comprehensive program for independence from the foreign nations by 1985.

Could you briefly state how the State of New Hampshire would be affected by that in that interim, and what is your position on the use of nuclear energy as a fuel substitute?

THE PRESIDENT: Let me answer the last part first. A year ago in January in my State of the Union Message, I laid out the things we had to do in order to get energy independence, and one of them was that we had to build 200 new nuclear power plants in the United States between then and 1985.

The unfortunate part is that that program has slowed down for several reasons: One, financing; two, a great many lawsuits filed by environmentalists and others and some concern on the part of people that there was a safety factor.

Now, I strongly believe in a nuclear power program. We have to.

Now, in the meantime, to get over some of these questions that are being raised, I put into the budget -- again, this budget -- a significant increase in funding to check reliability of these power plants, and there has been some evidence where there have been breakdowns.

Two, safety. With the money that we have recommended here, I think we can improve not only reliability but safety. If that is done, I am convinced that we should move much, much faster in our nuclear power program.

We have a new nuclear regulatory agency that was split off from the Atomic Energy Commission, and that agency is supposed to be working on an accelerated basis to handle the applications and the challenges that come on individual plants.

I do not think that I should speak specifically about any particular matter that is in litigation before the nuclear regulatory commission because I am advised if I should that it might be, under the court action, another reason for delaying this Seabrook project down here in your State.

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I am strongly for nuclear energy. I think it has to be accelerated. With the research and development, with the pressure on the NRC and with the better financing situation, I think we are going to see more movement in nuclear power throughout the country.

Now, overall, again in January of last year I proposed a comprehensive energy program that would get us energy independence or sufficiency by 1985. It included a number of things: One, something to stimulate domestic production.

Domestic production of oil and gas in the United States has been going down dramatically since 1972. We are now producing considerably less gas and oil today than we did three or four years ago. We have to give an incentive for people to go out and drill for gas and drill for oil.

In the meantime, we have to have conservation programs. We have to have programs that permit an easier transfer from oil to coal. We have to provide an incentive for insulation of homes. We have to put pressure on the automotive industry to increase the efficiency of their automobiles, and I am glad to report--it is public knowledge--that in the last two years, under this pressure, the automotive industry in the United States has increased their efficiency about 27 percent and they are selling more cars because of it.

They are going to have a good year this year as our economy burgeons.

Now, all of these things put together are aimed at getting us away from dependence on foreign oil. The Congress thus far has passed four of the 13 programs I recommended. We hope to get them to do some other things, to free up the Navy petroleum oil in California, which would give us 300,000 barrels a day more.

If we can get them to move in the relaxation of some of these tests and these limits that they have imposed by law, we can, I think, move more rapidly.

We got a setback last week. The House of Representatives made a bad mistake, in my opinion, in not deregulating natural gas. It is unbelievable. It lost by four votes, or 202 to 196, as I recall. It is just unbelievable.. All they are going to do is keep gas in the ground, and we will be buying more foreign oil.

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That doesn't make any sense, but that is what they have done temporarily. We hope to find a way out of it. But, I am convinced we have made a little headway, not enough, and I am going to keep pressure on the Congress because we have to get some of those laws changed, we have to get some new laws.

One final comment. There are some so-called exotic fuels. Let me tell you -- solar energy, geothermal energy, and even some more exotic than those. In the research and development fund in this budget, I increased research and development money for solar energy by, I think, 35 percent.

It went from around \$85 million a year up to \$112 or \$115 million in this budget. We are pushing as rapidly as we can on solar energy. We have a considerable amount of money in here for geothermal energy. We have some for even more exotic fuels. But, that is the long-term. It is not going to come overnight.

But, with research and development money of the magnitude I have proposed, we can make significant progress, and we are going to keep after it.

QUESTION: Thank you, Mr. President.

THE PRESIDENT: May I first thank you for being so patient and asking tough, unrehearsed questions, and I have benefitted from them and I hope it has been helpful to you.

I invite you now to go down the corridor, where there will be a reception in the gymnasium, and I would like to meet as many of you as I could personally.

Thank you very much.

END (AT 2:02 P.M. EST)