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THE PRESIDENT HAS SEEN.....

CURRENT BUDGET OUTLOOK
(in billions of dollars)

	<u>1976</u>	<u>1977</u>
Base estimate:		
Outlays.....	370.8	419.1
Receipts.....	<u>292.3</u>	<u>351.4</u>
Deficit.....	-78.5	-67.7
Suggested changes:		
Outlays.....	-1.4	-23.5
Receipts:		
Relatively desirable increases.....	---	2.4
Offsetting economic effects of all proposals.....	---	-4.0
Outlays.....	369.4	395.5
Receipts.....	<u>292.3</u>	<u>349.8</u>
Deficit.....	-77.1	-45.7



September 18, 1975

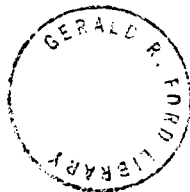
1977 BUDGET OUTLAY REDUCTIONS
(Dollars in millions)

Agency	1976			1977			1978 Outlay Effect of Reductions
	Current Estimate	Suggested Reductions	Revised Estimate	Current Estimate	Suggested Reductions	Revised Planning Guidance	
<u>Civilian Programs:</u>							
Agriculture.....	14,685	-640	14,045	14,767	-2,815	11,952	-2,970
Commerce.....	1,789	--	1,789	2,239	-11	2,228	--
Corps of Engineers.....	1,997	-24	1,973	2,122	-207	1,915	-407
HEW.....	127,089	-32	127,057	142,798	-9,018	133,780	-10,467
HUD.....	5,808	-15	5,793	8,723	-488	8,235	-541
Interior.....	2,469	-30	2,439	2,186	-189	1,997	-144
Justice.....	2,253	-6	2,247	2,309	-100	2,209	-38
Labor.....	26,072	-57	26,015	24,801	-783	24,018	-3,023
State.....	1,242	-14	1,228	1,144	-54	1,100	-24
Transportation.....	12,075	--	12,075	12,950	-230	12,720	-230
Treasury.....	46,592	--	45,592	55,614	-1,168	54,446	-73
ERDA.....	4,059	--	4,059	5,070	-30	5,040	--
EPA.....	3,185	--	3,185	4,864	-403	4,461	-803
GSA.....	14	--	14	173	-753	-580	-430
NASA.....	3,498	-77	3,421	3,805	-250	3,555	-143
VA.....	18,167	--	18,167	17,704	-1,202	16,502	-1,293
CSC.....	8,712	--	8,712	10,358	-312	10,046	-339
Export-Import Bank.....	(1,700)	(-65)	(1,635)	1,700	-390	1,310	-1,170
NSF.....	720	-12	708	775	-50	725	-69
RRB.....	3,443	--	3,443	3,567	-110	3,457	-110
TVA.....	781	--	781	820	-25	795	-1
Foreign Economic Assistance.....	2,554	--	2,554	3,811	-43	3,768	-68
<u>Military Programs:</u>							
Department of Defense.....	91,800	-505	91,295	98,765	-5,765	93,000	-1,105
Military Assistance.....	1,238	--	1,238	1,708	-26	1,682	-33



Agency	1976			1977			Revised 1978 Outlay
	Current Estimate	Suggested Reductions	Revised Estimate	Current Estimate	Suggested Reductions	Planning Guidance	Effect of Reductions
All other agencies.....	6,404	—	6,404	6,261	-71	6,190	—
<u>Allowances:</u>							
Pay adjustment.....	550	—	550	2,600	-1,050	1,550	—
Contingencies.....	400	—	400	2,000	—	2,000	—
Energy (rebate) payments.....	750	—	750	1,000	—	1,000	—
Threatened Congressional add-ons.....	2,500 <u>2/</u>	—	2,500 <u>2/</u>	5,250 <u>3/</u>	—	5,250 <u>3/</u>	—
<u>Undistributed Offsetting Receipts:</u>							
OCS Receipts.....	-8,000	—	-8,000	-8,000	—	-8,000	—
Other.....	-12,057	—	-12,057	-12,804	—	-12,804	—
Total.....	<u>370,789</u>	<u>-1,412</u>	<u>369,377</u>	<u>419,090</u>	<u>-25,543</u>	<u>393,547</u>	<u>-23,481</u>
 <u>Memorandum:</u>							
Assume slower phase-in.....					2,000	2,000	
Total.....	<u>370,789</u>	<u>-1,412</u>	<u>369,377</u>	<u>419,090</u>	<u>-23,543</u>	<u>395,547</u>	<u>-23,481</u>

- 1/ Assumes new budget authority at the same level as in FY 1976.
- 2/ Middle point of \$2-3 billion range.
- 3/ Middle point of \$4.5-6 billion range.



Department of Agriculture
1977 Outlay Reductions
(In millions of \$)

<u>Program</u>	<u>Planning guidance</u>	<u>Adjustment</u>	<u>Current estimate</u>	<u>Suggested reduction</u>	<u>Revised planning guidance</u>
Food stamp program	6919	--	6919	1335	5584
Child nutrition program	1900	820	2720	1110	1610
CCC price support and related programs	1229	--	1229	250	979
Conservation and related programs	620	--	620	50	570
Rural development & housing programs	840	--	840	50	790
Public Law 480	1042	--	1042	--	1042
Research, regulatory and extension	974	--	974	--	974
Forestry	832	--	832	--	832
Other	270	--	270	--	270
Less receipts	-679	--	-679	--	-679
Employment reduction	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>20</u>	<u>-20</u>
TOTAL	13947	820	14767	2815	11952

NOTE: If, as is likely, the Congress restores programs proposed for termination in the 1976 budget, 1977 outlays would be increased by about \$250 million.



Summary of Outlay Reductions (Part I)
 Department of Agriculture
 (dollars in millions)

Date: <u>Sept. 5, 1975</u>	Effect on outlays in		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
A. 1977 planning guidance	xxx	13,947	xxx
Adjustments:			
Congressional inaction,		820	xxx
Child nutrition	<u>xxx</u>	<u>820</u>	<u>xxx</u>
Current estimate	14685	14,767	xxx
B. Suggested program reductions:			
Food Stamps (4 items):			
Current estimate	6800	6919	7200
OMB recommendation	<u>6260</u>	<u>5584</u>	<u>6025</u>
Suggested reduction	540	1335	1175
Child Nutrition (2 items):			
Current estimate	2520	2720	3115
OMB recommendation	<u>2520</u>	<u>1610</u>	<u>1740</u>
Suggested reduction	--	1110	1375
Tobacco Price Support:			
Current estimate	89	102	128
OMB recommendation	<u>89</u>	<u>52</u>	<u>78</u>
Suggested reduction	--	50	50
Peanut Price Support:			
Current estimate	620	587	670
OMB recommendation	<u>520</u>	<u>387</u>	<u>420</u>
Suggested reduction	100	200	250

	Effect on outlays in		
	1976	1977	1978
Technical Assistance:			
Current estimate	201	200	200
OMB recommendation	<u>201</u>	<u>150</u>	<u>150</u>
Suggested reduction	--	50	50
Water and Sewer Grants:			
Current estimate	66	70	200
OMB recommendation	<u>66</u>	<u>20</u>	<u>150</u>
Suggested reduction	--	50	50
Employment reduction	--	20	20
Total suggested reduction	<u>640</u>	<u>2815</u>	<u>2970</u>
Revised planning guidance and related 1976 amount	14045	11952	



1977 Outlay Reductions (Part II)

USDA/Food Stamps
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input checked="" type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	6,800	6,800	6,900	6,900	xxx	7,200
OMB recommendation.....	<u>6,550</u>	<u>6,550</u>	<u>6,300</u>	<u>6,300</u>	<u>xxx</u>	<u>6,600</u>
Suggested reduction.....	-250	-250	-600	-600	xxx	-600

Actions required:

Assuming that the legislative prohibitions on changing food stamp regulation lapse on December 31, 1975, amend current regulations so that selected itemized deductions (i.e., shelter and child support) would not be allowed in excess of a specific amount; eliminate deductions for education, pension and union dues, and limit medical deductions to costs in excess of a percentage of income.

Program impact:

This proposal would eliminate from participation or reduce the benefits of some households with relatively high gross incomes and large shelter expenditures. Depending on the shelter deduction limit assumed, program costs could be reduced \$500-\$700 million.

Other consideration:

Changes of this sort are now being considered by the Domestic Council Task Group.

*additive with other food stamp issues



1977 Outlay Reductions (Part II)

USDA/Food Stamps
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	6,800	6,800	6,900	6,900	xxx	7,200
OMB recommendation.....	<u>6,660</u>	<u>6,660</u>	<u>6,625</u>	<u>6,625</u>	<u>xxx</u>	<u>6,925</u>
Suggested reduction.....	-140	-140	-275	-275	xxx	-275

Actions required:

Resubmit proposed legislation which would make SSI & public assistance recipients eligible for Food Stamp benefit only if they qualify under Food Stamp income and assets test.

Program impact:

This proposal would reduce Food Stamp participation by approximately 1.2 million. Program costs would decrease \$250-300 million. Reduced participation would impact elderly households.

Other consideration:

Changes of this sort are now being considered by the Domestic Council Task Group.



1977 Outlay Reductions (Part II)

USDA/Food Stamps
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input checked="" type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	6,800	6,800	6,900	6,900	xxx	7,200
OMB recommendation.....	<u>6,800</u>	<u>6,800</u>	<u>6,600</u>	<u>6,600</u>	<u>xxx</u>	<u>6,800</u>
Suggested reduction.....	-0-	-0-	-300	-300	xxx	-400

Actions required:

Administratively implement an allotment schedule based on the current Economy Food Plan and providing individualized computation of coupon allotment for all recipient households; and a partial hold-harmless of current participants. Regulations along these lines are in process.

Program impact:

Would decrease the cost of bonus coupons by \$300 million annually. The proposal would reduce allotment levels for about two thirds of participating households. The major impact would be on the one and two-person households. This proposal would incur an increase in Administrative costs (certification and issuance).

Other consideration:



* This proposal is related but distinct from the Domestic Council effort.

1977 Outlay Reductions (Part II)

USDA/Food Stamps
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	6,800	6,800	6,900	6,900	xxx	xxx
OMB recommendation.....	<u>6,800</u>	<u>6,800</u>	<u>6,740</u>	<u>6,740</u>	<u>xxx</u>	<u>xxx</u>
Suggested reduction.....	--	--	160	160	xxx	xxx

Actions required:

Limit cost-of-living increases to 60% of the change in the applicable index.

Program impact:

Food Stamp recipients would receive lower allotments than those to which they might be entitled without a "cap".

Other consideration:

Congressional enactment is unlikely in view of FY 1976 experience with a similar proposal.

1977 Outlay Reductions (Part II)

USDA/Child Nutrition
(dollars in millions)

Date: 9/5/75

- | | |
|---|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	2,580	2,520	2,790	2,720	xxx	3,115
OMB recommendation.....	<u>2,580</u>	<u>2,520</u>	<u>1,695</u>	<u>1,610</u>	<u>xxx</u>	<u>1,740</u>
Suggested reduction.....	-0-	-0-	-1,095	-1,110	xxx	-1,375

Actions required:

Amend the Block Grant proposal to include use of food stamps by children from eligible households for payment of school meals. Children from participating food stamp households would be able to purchase meals (now provided free or at a reduced price) using coupons which represent their per meal portion of the households food stamp allotment. Severe administrative problems such as determination of children's per meal cost in food stamps by age, sex and household allotment levels may be encountered and need study. Use of food stamps for this purpose, however, could reduce the duplication of Federal nutritional support which provide more than 100% of nutritional needs.

Program impact:

Reduced participation of non-needy children since Block Grant treats only with needy children.

Other consideration:

- Non-enactment of H.R. 4222 in FY 76: programs authorized under the continuing resolution (includes non-enactment of Administration's cost-of-living caps) - simple extension of current law.
- Enactment of the Administration's Block Grant proposal in FY 77 which would replace a number of narrow categorical programs (including the Special Supplemental Foods for Women, Infants and Children; Food Donations; and Special Milk) with a comprehensive State grant.

*If H.R. 4222 becomes law, FY 76 outlays would be increased to \$2,942 million. FY 77 and 78 costs would proportionately increase.



1977 Outlay Reductions (Part II)
 CCC/Peanut Price Support
 (Dollars in Millions)

Date: September 5, 1975

- | | |
|---|---|
| <input type="checkbox"/> appropriation request
<input checked="" type="checkbox"/> other administrative action
<input type="checkbox"/> substantive legislation | <input type="checkbox"/> deferral action
<input type="checkbox"/> rescission action
<input type="checkbox"/> other congressional action |
|---|---|

	1976		1977		1978	
<u>Amount:</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Current estimate	xxx	620	xxx	587	xxx	670
OMB recommendation	<u>xxx</u>	<u>520</u>	<u>xxx</u>	<u>387</u>	<u>xxx</u>	<u>420</u>
Suggested reduction	xxx	100	xxx	200	xxx	250

Actions required:

Return to USDA's former practice of selling surplus peanuts (acquired under the price support program) to crushers for conversion into peanut oil. Currently CCC crushes the peanuts and holds the oil for sale when prices are higher than at present.

Program impact:

Peanut oil prices would be lowered. Outlays would be reduced as shown.

Other consideration:

The current run-up in costs for the peanut program is a result of a decision to make the program look so bad that Congress would pass peanut legislation more to the Administration's liking. Although the strategy is not working, USDA is continuing with it, and has proposed shipping the oil through P.L. 480 rather than selling it commercially.

A return to the old practice would mean abandonment of the strategy but not an abandonment of the effort to reform the peanut program.

1977 Outlay Reductions (Part II)
 CCC/Tobacco Price Support
 (dollars in millions)

Date: September 5, 1975

- | | |
|---|---|
| <input type="checkbox"/> / appropriation request | <input type="checkbox"/> / deferral action |
| <input checked="" type="checkbox"/> / other administrative action | <input type="checkbox"/> / rescission action |
| <input type="checkbox"/> / substantive legislation | <input type="checkbox"/> / other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	xxx	89	xxx	102	xxx	128
OMB recommendation	<u>xxx</u>	<u>89</u>	<u>xxx</u>	<u>52</u>	<u>xxx</u>	<u>78</u>
Suggested reduction	xxx	0	xxx	50 <u>1/</u>	xxx	50 <u>1/</u>

Actions required:

Reduce poundage quotas to bring production into better balance with demand.

Program impact:

Would reduce amount of burley and flue-cured tobacco farmers could produce and thus reduce CCC loan outlays.

Other consideration:

Would reduce pressure to ship surplus tobacco under Food for Peace program.

1/ An approximation. Harder estimate expected to follow discussions with USDA.



1977 Outlay Revisions (Part II)

USDA: Technical Assistance to Farmers and Landowners
(dollars in millions)

Date: September 5, 1975

- | | |
|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administrative action | <input type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	200	201	200	200	xxx	200
OMB recommendation	<u>200</u>	<u>201</u>	<u>150</u>	<u>150</u>	<u>xxx</u>	<u>150</u>
Suggested reduction	--	--		50	xxx	50

Actions required:

Reduce budget request for Soil Conservation Service (conservation operations).

Program impact:

Preparation of farm plans (soil suitability for various farm operations) and other technical assistance to farmers and landowners would be severely curtailed.

Other consideration:

Although there are no specific studies of this program, the assistance it provides improves the income of the recipient; such assistance is available, for a fee, from private organizations.

1977 Outlay Reductions (Part II)
 USDA Water and Sewer Grants
 (Dollars in Millions)

Date: September 5, 1975

- | | |
|---|---|
| <input checked="" type="checkbox"/> / appropriation request | <input type="checkbox"/> / deferral action |
| <input type="checkbox"/> / other administrative action | <input type="checkbox"/> / rescission action |
| <input type="checkbox"/> / substantive legislation | <input type="checkbox"/> / other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	150	66	150	70	xxx	200
OMB recommendation	<u>150</u>	<u>66</u>	<u>--</u>	<u>20</u>	<u>xxx</u>	<u>150</u>
Suggested reduction	--	--	150	50		50

Actions required:

A one-year moratorium on providing new funding for water and sewer grants for FY 1977.

Program impact:

Eliminate the availability of grants during FY 1977 for approximately 700 water and sewer projects. The roughly 1,000 projects to be assisted by the \$400 M water and sewer 5% loan program would have to be implemented on a "loan only" basis rather than - on the average - with 1/3 grant assistance. The previous grant moratorium - FY 1974, when grant funding was reduced to \$24 M - did not prevent full utilization of water and sewer loan funds - \$470 M. The lowest income communities would likely not be eligible for project assistance on a "loan only" basis.

Other consideration:

This program would be included in any future reforms of community or economic development programs (e.g., conversion to block grants).



COMMERCE

DEPARTMENT OF COMMERCE

1977 OUTLAY REDUCTIONS
(dollars in millions)

<u>Program</u>	<u>Planning guidance</u>	<u>Adjustments</u>	<u>Current estimate</u>	<u>Suggested reductions</u>	<u>Revised planning guidance</u>
EDA/Regional Commissions	452	+190	642	0	
Maritime	691	-	691	0	
NOAA	556	-	556	0	
Patent	84	-	84	0	
DIBA	61	-	61	0	
NBS/OT	74	-	74	0	
Census	100	-	100	0	
Minority Business	51	-	51	0	
All other (including offsetting receipts)	(20)	-	(20)	0	
Savings from using Job Opportunities funds	-	-	-	10	
Personnel reductions	-	-	-	<u>1</u>	
Total	2049	+190	2239	11	<u>2228</u>



SUMMARY OF OUTLAY REDUCTIONS

DEPARTMENT OF COMMERCE
(dollars in millions)

	Effect on outlays in		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
A. 1977 Planning guidance.	xxx	2,049	xxx
Adjustments:			
Increase resulting from			
\$375M for Job			
Opportunities	<u>xxx</u>	<u>190</u>	<u>xxx</u>
Current estimate.	1,789	2,239	xxx
B. Suggested program reductions:			
Job Opportunities Program*			0
- Reduction in Commerce	0	10	
- Reduction in other agencies	0	70	
C. Personnel reduction	xxx	1	
Total suggested reduction	<u>0</u>	<u>11</u>	<u>0</u>
Revised 1977 planning guidance and related 1976 amount	1,789	2,228*	xxx

* Every effort would be made to use Job Opportunities funds to substitute for otherwise required 1977 outlays by Commerce and other Federal agencies. We estimate potential reduction of \$10M in Commerce and \$70M in other agencies which have not yet been identified.



1977 Outlay reductions (Part II)
 Commerce/Job Opportunities Program
 (dollars in millions)

Date: September 5, 1975

- | | |
|--|--|
| <p><input type="checkbox"/> appropriation request</p> <p><input checked="" type="checkbox"/> other Administration action</p> <p><input type="checkbox"/> substantive legislation</p> | <p><input type="checkbox"/> deferral action</p> <p><input type="checkbox"/> rescission action</p> <p><input type="checkbox"/> other congressional action</p> |
|--|--|

	<u>BA</u>	<u>1976</u> <u>Outlays</u>	<u>BA</u>	<u>1977</u> <u>Outlays</u>	<u>BA</u>	<u>1978</u> <u>Outlays</u>
<u>Amount:</u>						
Current estimate.	--	125	--	190	xxx	--
OMB recommendation (net increase in outlays). . . .	--	<u>125</u>	--	<u>110</u>	<u>xxx</u>	<u>--</u>
Suggested reduction. . . .		---		80	xxx	

Action Required:

Federal agencies would be requested to submit and the Secretary of Commerce would be instructed to select projects for Job Opportunities funding which to the maximum extent consistent with authorizing legislation would reduce the requirement for FY 1977 expenditures.

Program Impact:

Agency projects now planned for FY 1977 which would otherwise result in FY 1977 expenditures would be funded with the FY 1975 Job Opportunity appropriations of \$375M.

Other Consideration:

Congressional opposition to this approach would be severe if actions in this direction are too blatant and might result in congressional prohibitions to use the money as a substitute for other Federal funds. Senator Montoya particularly has advocated that priority in the allocation of funds go to State and local projects.



CORPS OF
ENGINEERS

CORPS OF ENGINEERS
1977 Outlay Reductions

<u>Program</u>	<u>Planning guidance</u>	<u>Adjustments</u>	<u>Current estimate</u>	<u>Suggested reductions</u>	<u>Revised planning guidance</u>
Construction	2122	xxx	2122	200	1922
Employment reduction				7	-7
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	2122	xxx	2122	207	1915



SUMMARY OF OUTLAY REDUCTIONS
CORPS OF ENGINEERS
(dollars in millions)

	Effect on outlays in		
	1976	1977	1978
A. 1977 Planning guidance	xxx	2122	xxx
Current estimate.....	1997	2122	xxx
B. Suggested program reductions:			
Construction	20	200	400
C. Employment reduction:	4	7	7
Total suggested reduction	24	207	407
Revised 1977 planning guidance and related 1976 amount	1973	1915	xxx



1977 Outlay Reductions (Part II)
Corps of Engineers/Construction
(dollars in millions)

Date: September 5, 1975

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| <input checked="" type="checkbox"/> appropriation request
<input type="checkbox"/> other administration action
<input type="checkbox"/> substantive legislation | <input type="checkbox"/> deferral action
<input checked="" type="checkbox"/> recission action
<input type="checkbox"/> other congressional action |
|---|---|

<u>Amount:</u>	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Current estimate.....	1271	1268	1450	1559	xxx	1485
OMB recommendation....	<u>1251</u>	<u>1248</u>	<u>1250</u>	<u>1359</u>	<u>xxx</u>	<u>1085</u>
Suggested reduction	-20	<u>-20</u>	-200	<u>-200</u>	xxx	<u>-400</u>

Actions required:

Reduce the current pace or curtail Corps of Engineers construction on some of the 294 flood control, water supply, navigation and hydroelectric projects now underway by (A) proposing recission of funds for a large proportion of the new construction contracts to be let after January 1, 1976, and (B) reducing the currently anticipated budget request in 1977. Although there is a large number of projects in this program, less than half have contracts to be let within the appropriate time frame. The size of the savings desired (\$200 M) largely eliminates the possibility of selectively choosing among them.



Program impact:

Approximately 130 projects would be affected by the construction slowdown; about 50 of these would be shutdown completely -- have no work in progress -- for various lengths of time. This would allow all hydroelectric power on-line dates to be met. The selection of the projects would be arbitrary and depend solely on when contracts were due as discussed above.

Other considerations:

There are particular projects which could be picked out for environmental or economic reasons for termination (such as CEQ's dirty dozen) saving considerable amounts now and in the future. The more practical approach, however, would be the procedure recommended.

The unemployment rate in the construction industry is at a high level. A \$200 M reduction from the current planning level would imply an unemployment impact of about 10,000 jobs in the private sector.

These projects are generally popular with the Congressional delegation involved.

HEW

Department of Health, Education, and Welfare
1977 Outlay Reductions
(millions)

<u>Program</u>	<u>1977 Planning guidance</u>	<u>Adjustments</u>	<u>Current estimates</u>	<u>Suggested reductions</u>	<u>Revised planning guidance</u>
Health agencies	5,104		5,104		5,104
Medicaid	8,327	711	9,038	-1,230	7,807
Medicare	18,336	1,837	20,173	-2,500	17,673
Education programs	6,503	837	7,340	-406	6,934
Income maintenance and other					
Public assistance ...	4,977	1,072	6,049	-353	5,696
Social services	1,100	1,240	2,340	-857	1,483
OASDI	83,534	704	84,238	-3,254	80,984
Coal miners benefits.	987		987	-15	972
Supplemental security income	5,874		5,874	-170	5,704
Human development ...	1,505		1,505	-200	1,305
All other	150		150		150
Employment reduction (agency-wide)	---	---	---	-33	-33
Total	<u>136,397</u>	<u>6,401</u>	<u>142,798</u>	<u>-9,018</u>	<u>133,780</u>



Summary of Outlay Reductions
Department of Health, Education, and Welfare
(dollars in million)

	Effect on Outlays in		
	1976	1977	1978
A. 1977 planning guidance & related 1976 amount	xxxx	136,397	xxxx
<u>Adjustments</u>			
Congressional failure to enact cost savings legislation:			
Medicare	xxxx	1,837	
OASDI	xxxx	704	
Public Assistance	xxxx	353	
Social Services	xxxx	1,000	
Medicaid	xxxx	711	
Override of Education appropriations bill veto.....	xxxx	837	xxxx
	xxxx	5,442	xxxx
Reestimates of the Base:			
Public Assistance	xxxx	719	
Social Services	xxxx	240	
	xxxx	959	xxxx
Current estimate	127,089	142,798	xxxx
B. Suggested program reductions			
<u>Medicare:</u>			
Current estimate	16,833	20,173	23,193
OMB recommendation	16,833	17,673	20,393
Suggested reduction	---	-2,500	-2,800
<u>Medicaid:</u>			
Current estimate	7,765	9,037	10,188
OMB recommendation	7,765	7,807	8,948
Suggested reduction	---	-1,230	-1,240



Summary of Outlay Reductions
Department of Health, Education, and Welfare
 (Con't) (doll in millions)

		Effect on Outlays in		
		<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Public Assistance:</u>				
Current estimate.....	5,763	6,049	6,308	
OMB recommendation.....	<u>5,763</u>	<u>5,696</u>	<u>5,955</u>	
Suggested reduction.....	---	-353		-353
<u>Social Services:</u>				
Current estimate.....	2,331	2,340	2,400	
OMB recommendation.....	<u>2,331</u>	<u>1,483</u>	<u>800</u>	
Suggested reduction.....	---	-857		-1,600
<u>Aging/Nutrition:</u>				
Current estimate.....	131	135	100	
OMB recommendation.....	<u>131</u>	<u>44</u>	<u>20</u>	
Suggested reduction.....	---	-80		-80
<u>Rehabilitation Services:</u>				
Current estimate.....	686	740	720	
OMB recommendation.....	<u>686</u>	<u>620</u>	<u>515</u>	
Suggested reduction.....	---	-120		-205
<u>Black Lung:</u>				
Current estimate.....	996	991	1,021	
OMB recommendation.....	<u>996</u>	<u>976</u>	<u>1,001</u>	
Suggested reduction.....	---	-15		-20
<u>OASDI:</u>				
Current estimate.....	72,865	84,238	92,966	
OMB recommendation.....	<u>72,865</u>	<u>80,984</u>	<u>89,527</u>	
Suggested reduction.....	---	-3,254		-3,439
<u>SSI:</u>				
Current estimate.....	5,517	5,874	6,103	
OMB recommendation.....	<u>5,517</u>	<u>5,704</u>	<u>5,833</u>	
Suggested reduction.....	---	-170		-180



Summary of OMB Day Reductions
Department of Health, Education, and Welfare
(Con't) (dollars in millions)

	Effect on Outlays in		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Title I, ESEA:</u>			
Current estimate	1,755	1,895	1,897
OMB recommendation	<u>1,755</u>	<u>1,830</u>	<u>1,800</u>
Suggested reduction ..	---	-65	-97
<u>Adult Education:</u>			
Current estimate	66	66	66
OMB recommendation	<u>34</u>	---	---
Suggested reduction ..	-32	-66	-66
<u>Vocational Education - Basic</u>			
<u>Grants:</u>			
Current estimate	186	446	396
OMB recommendation	<u>186</u>	<u>396</u>	<u>352</u>
Suggested reduction ..	---	-50	-44
<u>Work-Study:</u>			
Current estimate.....	287	313	310
OMB recommendation	<u>287</u>	<u>212</u>	<u>166</u>
Suggested reduction ..	---	-101	-144
<u>Non-Student Assistance:</u>			
Current estimate	284	243	274
OMB recommendation	<u>284</u>	<u>119</u>	<u>108</u>
Suggested reduction ..	---	-124	-166
C. Employment Reduction (agency-wide)	---	-33	-33
Total suggested reduction	<u>-32</u>	<u>9,018</u>	<u>-10,467</u>
Revised planning guidance	127,057	133,780	xxx



1977 Outlay Revisions (Part II)

Medicare
(dollars in millions)

Date: September 5, 1975

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|---|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |



	1976		1977		1978	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	18,364	16,833	21,533	20,173	---	23,193
OMB recommendation	<u>18,364</u>	<u>16,833</u>	<u>21,533</u>	<u>17,673</u>	---	<u>20,393</u>
Suggested reduction	--	--	--	-2,500	---	-2,800

Actions required: Legislation would be proposed to freeze the Medicare payment rates for hospitals and physicians for one year beginning July 1, 1976. Hospital cost increases would be permitted, if approved by a State, within a maximum of an aggregate average 5% per diem State-wide. Physicians would also be required to accept Medicare payment as full compensation, i.e., assignment, and prohibited from charging patients more than specified deductible and coinsurance in law (savings of \$1 billion in 1977 and \$800 million in 1978). Any limitation on hospital cost increases must be arbitrary since there is no agreement by the medical profession or by the public as to what constitutes "quality" of care or how much is a fair or reasonable cost for hospital care. A freeze on physician reimbursement is justifiable on grounds that physician fees should be permitted to rise only if higher prices are needed to induce more persons to enter medical schools or if public policy dictates that prices should be allowed to increase to restrict use of services. Since neither of these reasons is now applicable, there is no basis in social welfare for allowing physician incomes to increase beyond their current level.

The Medicare cost-sharing proposal would continue to be supported (savings of \$1.5 billion in 1977 and \$2.0 billion in 1978). This proposal is consistent with principles in nearly all of the

national health insurance proposals that recognize that moderate cost-sharing is needed to prevent unnecessary utilization of services and that limits must be established on total cost-sharing for adequate financial protection. The major element of the proposal is to require beneficiaries to pay 10% of charges from the 2nd to 60th day of hospitalization, which is now free. Lengths of stay in the Medicare program are often longer than necessary, reflecting variation in the supply of hospital beds. For example, in the West--which has 5.9 hospital beds for 1,000 population--lengths of stay for Medicare beneficiaries average 10.1 days. In the Northeast--which has 8.7 hospital beds per 1,000 population--lengths of stay average nearly 50% longer--15.0 days. The cost-sharing proposal also includes separate \$750 limits on cost-sharing for hospital and physicians' services, replacing current potential liability of about \$4,500 for inpatient services and unlimited financial liability for physicians' services.

Program impact: Medicare hospital cost increases would be reduced from about 14% to 5% per diem and Medicare physician fee increases would be frozen rather than rising about 10%. To the extent that a hospital's cost rise exceeded approved limits, these costs would be passed on to other payors of hospital expenses. The overall 5% limit would permit States to assess the justification for increases on a case-by-case basis. Announcement of the proposals in the budget would permit nearly six months for hospitals to adjust spending plans. Less restrictive limits would make transition a more manageable problem but reduce savings. Some hospitals and physician may, however, refuse to serve Medicare patients under these reimbursement policies. The cost-sharing proposal would increase cost-sharing for a typical hospital stay from about \$100 to about \$275. The proposed \$750 cost-sharing limits would assist less than 1% of beneficiaries.

Other considerations: The cost-savings estimates are uncertain and include an assumption that future legislative proposals would not permit hospitals and physicians to "catch-up" for the limit period in 1978. Adjusting such maximum increase amounts by an index, e.g., the CPI, is one alternative for future years. Congress will oppose the Administration proposals.

1977 Outlay Revisions (Part II)

Medicaid
(dollars in millions)

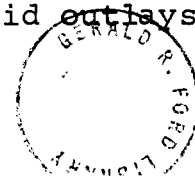
Date: September 5, 1975

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| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Amount:						
Current estimate	7,765	7,765	9,037	9,037	10,188	10,188
OMB recommendation	<u>7,765</u>	<u>7,765</u>	<u>-7,807</u>	<u>-7,807</u>	<u>-8,948</u>	<u>-8,948</u>
Suggested reduction	--	--	<u>-1,230</u>	<u>-1,230</u>	<u>-1,240</u>	<u>-1,240</u>

Actions required: Medicaid program expenditures would be limited in FY 1977 by putting a cap on cost increases eligible for Federal matching consistent with the proposed Medicare limits, i.e., a 5% limit on increases in institutional per diem costs and no increase in physician fees (savings of \$400 million in 1977 and \$300 million in 1978). These Medicaid limits would reflect the view that it is a State responsibility to control health costs through planning and regulation and that the Federal budget should not be liable for open-ended spending for health programs for which States largely determine the eligibility, benefits, and reimbursement rates. The limits are essentially arbitrary, but would create incentives for firmer State actions to control per unit costs of health services.

Legislation would again be proposed to lower the minimum Federal share of Medicaid from 50% to 40% in the highest income States (savings of \$700 million and \$800 million), and thus more equitably relate Federal matching to States' ability to pay. Current law relates the Federal share of Medicaid to State per capita income--but assures that the Federal Government will pay at least 50% of costs for the wealthiest States. As a result, these States have generally established higher eligibility and benefits than lower income States. Over 50% of Federal Medicaid outlays now go to only six States, and over 30% to just two States--New York and California.



Legislation would also be proposed to end Federal Medicaid matching for State purchase of the Medicare physician insurance program for eligible Medicaid beneficiaries (savings of \$130 million in 1977 and \$140 million in 1978). The premium for this program is already more than 50% subsidized by Federal funds and the Federal matching through Medicaid results in a Federal subsidy of 75% of State costs.

Program impact: These proposals do not require benefit reductions, but could have that effect. States could pay for higher costs than allowed by the "cap" on Federal matching from their own funds. Announcement of the proposal in the January budget would give States nearly nine months in which to revise their budget and health costs control plans. The change in the minimum Federal matching would impact heavily on only a few of the thirteen States. About \$350 million of the \$700 million in FY 1977 savings would be in payments to New York, \$140 million in California, \$70 million in Illinois, and \$50 million in New Jersey. The elimination of the Federal Medicaid match for State government purchase of the Medicare physician insurance program would leave State expenses more than 50% subsidized by Federal funds. This would still be a bargain for most States, which could be expected to continue to purchase such coverage.

Other considerations: No "catch-up" inflation is assumed for FY 1978.

Congress, however, is unlikely to enact these proposals. Savings estimates are uncertain. The Medicaid program could also be "capped" or limited in other ways, e.g., by setting maximum limits on eligibility, by putting a ceiling on average per capita spending, by lowering the Federal matching for optional services, etc. The development of such options will depend on decisions made concerning future Medicaid structure in the context of national health insurance.

1977 Outlay Reductions (Part II)

SRS/Maintenance Payments
(dollars in millions)

Date: 9/5/75

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|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976*</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	6294	5763	6049**	6049**	xxx	6308**
OMB recommendation.....	<u>6294</u>	<u>5763</u>	<u>5696</u>	<u>5696</u>	<u>xxx</u>	<u>5955</u>
Suggested reduction.....	--	--	-353	-353	xxx	-353

Actions required:

Repropose cost-saving legislation contained in 1976 budget, to restrict the Federal matching percentage option to the Medicaid formula, revise work-related expense provisions and increase the number of redetermination periods, and collect child support.

Program impact:

In the case of the matching percentage, nine states, mostly low income, lower payment level southern states, would be required to use the Medicaid formula. Approximately one in seven AFDC families would experience a change in the calculation of their child care and work-related expenditures. Every family would be subject to the redetermination process, which would tend to remove ineligible and eliminate overpayments more rapidly, though with partially offsetting higher State administrative expenses. There are 2,000,000 AFDC families for which a liable absent parent is not supplying child support. Under this legislative proposal, a share of the amounts collected would be earmarked for the family, in addition to its welfare benefit.

Other consideration:

No action has been taken by Congress on these proposals, and further action is unlikely since these proposals were included in a legislative package that included several other, more controversial items, such as the 5% cap on social security benefits.

- * 1976 estimates reflect the latest HEW report to Congress (July 15, 1974) on current program level and assumes July 1, 1976 effective date of legislative proposals. 1976 BA also includes an added \$531 M to provide for FY 1975 costs paid out of advance from 1976 appropriations.
- * Assumes constant caseload of 11,354,000 persons with average monthly benefits of \$74.55 in 1977 and \$78.00 in 1978, reflecting substantial increases in 1975 and 1976, as portrayed in the HEW quarterly report to Congress. Also reflects loss of \$260 M in Quality Control savings due to change in method of calculating State error liability. Cost of non-AFDC items is assumed constant at \$660 M.

1977 Outlay Reductions (Part II)

SRS/Social Services
(dollars in millions)

Date: 9/5/75

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| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	2331	2331	2340	2340	xxx	2400
OMB recommendation.....	<u>2331</u>	<u>2331</u>	<u>1483</u>	<u>1483</u>	<u>xxx</u>	<u>800</u>
Suggested reduction.....	--	--	-857	-857	xxx	-1600

Actions required:

Proposed legislation to reduce the Federal matching rate from 75% to 65% in 1977 and to 50% in 1978. (The 1976 budget proposed such reductions for 1976 and 1977 respectively.)

Program impact:

Assumes the states will maintain or slightly increase their funding participation in this program. Practically every State would lose approximately one-third of its Federal grant in 1976, with consequent reduction or elimination of a wide range of services (including child care, protective services, food delivery, services to alcoholics and drug addicts, etc.) currently affecting approximately 5.5 million individuals. While this program is not especially meritorious intrinsically, the proposed reduction cannot be justified on programmatic grounds, but instead would be simply an effort to shift a major share of the burden of funding from the Federal government to the states.

Other consideration:

Congress has already placed a \$2.5 billion ceiling on Federal expenditures for this program, but has not shown any interest in the existing 1976 budget proposal. Under extreme pressure from states and localities, it is highly likely that no action would be taken by the Congress to reduce the matching rate. There is evidence that the social services program tends to increase dependency for individuals. Placing a greater funding burden on the states may result in the elimination of some of the more ineffective services.



1977 Outlay Reductions (Part II)

OHD/Aging Nutrition
(dollars in millions)

Date: 8/19/75

- | | |
|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	100	131	100	135	xxx	100
OMB recommendation.....	<u>100</u>	<u>131</u>	<u>--</u>	<u>55</u>	<u>xxx</u>	<u>20</u>
Suggested reduction.....	--	--	-100	-80	xxx	-80

Actions required:

This program duplicates services provided under the Older American's Act Title III authority as well as other programs -- a Spring Preview issue. As an alternative, these programs could be consolidated with a single appropriation request. This action would allow for a phase-out of the Title VII -- Aging Nutrition program.

However, this proposal would require either no request for FY 1977 funds or legislation to terminate the Title VII program, justified on the grounds that this is a welfare-type benefit with no income test, and that poor elderly can buy such meals with food stamps while wealthier elderly could pay the cost of their food.

Program impact:

275,000 elderly per day (1.3 million annually) would be required to pay for their meal, pay an increased amount, or discontinue utilizing such service.

Other Consideration:

A wide array of services are linked with the provision of meals. Thus, termination of Title VII might have an adverse effect on the HEW effort to provide services to the elderly which may delay institutionalization. Impact measures (evaluations) of these activities will not be available prior to the FY 1978 budget review.

1977 Outlay Reductions (Part II)

HEW/OHD/RSA
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	720	686	720	740	xxx	720
OMB recommendation.....	<u>620</u>	<u>686</u>	<u>675</u>	<u>680</u>	<u>xxx</u>	<u>590</u>
Suggested reduction.....	-40	--	-45	-60	xxx	-130

Actions required:

Propose legislation to reduce the Federal share from 80% to 75%. The program, as originally enacted by the Congress required a 50% match. Over the years the Federal match has "creeped" upward. This action would more closely approximate this activity to matching provisions contained in the Social Services Block Grant and the Allied Services proposal. Such an action would be a step towards moving to consolidate these programs.

Program impact:

This proposal assumes that the States would be able to supply enough additional matching funds to keep the overall program level constant. This legislative authority is an entitlement to the States up to their ability to match Federal funds to the authorization level. If the States do not raise additional revenues to meet the modified match, the proposal could reduce the Federal requirement to as low as \$540 million - thus generating a potential BA savings of \$180 million, with outlay savings of about \$115 million in 1977.

Other consideration:

The Congress will not be receptive to a proposal which reduces funding for Vocational Rehabilitation. In addition, the President has decided to call a White House Conference on Handicapped Individuals in December, 1976, which would place further obstacles to reduced funding.

1977 Outlay Reductions (Part II)

HEW/OHD/RSA

(dollars in millions)

Date: 8/19/75

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|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input checked="" type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	720	686	720	740	xxx	720
OMB recommendation.....	<u>680</u>	<u>686</u>	<u>645</u>	<u>680</u>	<u>xxx</u>	<u>645</u>
Suggested reduction.....	-40	-0-	-75	-60	xxx	-75

Actions required:

Consideration of this proposal is subordinate to Medicaid modifications proposed by Health Branch. Nonetheless, propose modifications of the regulations for Medicaid and the Vocational Rehabilitation Services (VR) programs to require use of Medicaid authority to provide medical services to VR clientele. The Social Security Act would require amendment.

Program impact:

Presently, States utilize VR authority to provide required health services for rehabilitation - 80% Federal match. This proposal would require States to utilize Medicaid - 50% Federal match. VR regulations presently require that other benefits be utilized insofar as they are adequate and do not interfere with achieving the rehabilitation objective of an individual. HEW conservatively estimates 10% of the VR expenditure is health related.

Other consideration:

States will resist the additional State costs resulting from the reduced match. However, additional State costs may serve to introduce added efficiencies into the program.

1977 Outlay Reductions (Part II)

HEW/SSA/Black Lung
(dollars in millions)

Date: 9/5/75

- | | |
|---|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	996	996	991	991	xxx	1021
OMB recommendation.....	<u>996</u>	<u>996</u>	<u>976</u>	<u>976</u>	<u>xxx</u>	<u>1001</u>
Suggested reduction.....	--	--	-15	-15	xxx	-20

Actions required:

Limit cost-of-living increase to the same level as the Federal salary increase (to which this program's benefits are tied)--i.e., enactment of proposed 60% limit on CPI increases.

Program impact:

Beneficiaries would receive less than the expected benefit increase.

Other consideration:

Enactment is extremely unlikely.



1977 Outlay Reductions (Part II)
DHEW/SSA/OASDI
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	68,388	74,681	79,055	84,238	xxx	92,966
OMB recommendation.....	<u>68,388</u>	<u>74,681</u>	<u>79,055</u>	<u>81,788</u>	<u>xxx</u>	<u>90,366</u>
Suggested reduction.....	--	--	--	-2,450	xxx	-2,600

Actions required:

Limit cost-of-living increase to 60% of the increase in the applicable index.

Program impact:

31 million beneficiaries would receive less than the expected benefit increase.

Other consideration:

Enactment is extremely unlikely.



1977 Outlay Reductions (Part II)

DHEW/SSA/OASDI
(dollars in millions)

Date: 9/5/75

- | | |
|---|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	68,388	74,681	79,055	84,238	xxx	92,966
OMB recommendation.....	<u>68,388</u>	<u>74,681</u>	<u>79,130</u>	<u>83,534</u>	<u>xxx</u>	<u>92,232</u>
Suggested reduction.....	--	--	+75	-704	xxx	-739

Actions required:

Enactment of 1976 cost-savings legislation (elimination of monthly retirement test and retroactive payment of actuarially-reduced benefits.)

Program impact:

The proposal to eliminate retroactive payments (which was recommended by the 1971 Advisory Council on Social Security), provides that social security benefits not be paid retroactively for months before an application is filed when this would require a permanent reduction in the beneficiary's future monthly benefits. The advisory council recommendation is intended to insure that an OASDI beneficiary's continuing benefit income, on which he has to rely for the remainder of his life, is not reduced. The proposal would make the law more consistent with the objective of providing adequate benefit income for the aged.

The retirement test would be modified so that it would no longer include a monthly test except for the first year an individual receives a cash benefit. This proposal would make the retirement test more equitable and less complex thereby increasing public understanding and acceptance, and providing for more efficient administration.

Other consideration:

Unlikely of enactment (proposed for 1975 and ignored).



1977 Outlay Reductions (Part II)

SSA/HEW/OASDI
(dollars in millions)

Date: 9/5/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input checked="" type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	68,388	74,681	79,055	84,238	xxx	92,966
OMB recommendation.....	<u>68,388</u>	<u>74,681</u>	<u>79,055</u>	<u>84,138</u>	<u>xxx</u>	<u>92,866</u>
Suggested reduction.....	--	--	--	-100	xxx	-100

Actions required:

Enactment of legislation barring receipt of minimum OASDI benefits by those receiving other publicly-financed pension benefits (primarily Federal employees).

Program impact:

Would reserve welfare-weighted minimum benefit for originally intended recipients -- long-term, low wage workers. Increases program efficiency and equity.



1977 Outlay Reductions (Part II)
 HEW/SSA/SSI
 (dollars in millions)

Date: 9/5/75

appropriation request

deferral action

other administration action

rescission action

substantive legislation

other congressional action

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate.....	5,517	5,517	5,874	5,874	xxx	6,013
OMB recommendation.....	<u>5,517</u>	<u>5,517</u>	<u>5,704</u>	<u>5,704</u>	<u>xxx</u>	<u>5,833</u>
Suggested reduction	--	--	<u>-170</u>	<u>-170</u>	xxx	<u>-180</u>

Actions required:

Limit cost-of-living increases to 60% of the change in the applicable index.

Program impact:

4.5 million beneficiaries would receive less than the expected benefit increase.

Other consideration:

Enactment is extremely unlikely.

1977 Outlay Reduction (Part II)

Attachment B

HEW/OE Education for the Disadvantaged: Title I, ESEA

Date: 9-5-75

- | | |
|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input checked="" type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	1,900	1,755	1,900	1,895	xxx	1,897
OMB recommendation	<u>1,800</u>	<u>1,755</u>	<u>1,800</u>	<u>1,830</u>	<u>xxx</u>	<u>1,800</u>
Suggested reduction ..	-100	--	-100	-65	xxx	-97

Actions required: Propose a rescission of \$100 million in FY 1976 budget authority and an immediate budget amendment for the advance funded amount for FY 1977 that is in the FY 1976 President's budget. Since this program is advance funded, the impact of these reductions would not be felt until FY 1977.

Program impact: The overall impact of this reduction would be a decrease in the national average per pupil expenditure under this program of some \$18 from \$277 to \$259 per child. If State and local educational agencies want to maintain the average per pupil expenditures at projected levels, they should do so from their own revenues. This suggestion is based upon the following considerations.

- There is an estimated \$930 billion from prior year obligations which States have yet to draw upon.

- Past evaluations, although some three years old, have indicated that an average per pupil expenditure of \$300 has, in some instances, been effective. Consequently, \$300 per child became a norm of effectiveness. However, that evaluation also indicated that there were instances and studies that showed that amounts less than \$300 (in some cases \$200) have been effective in significantly increasing pupil achievement.

Other consideration: There have been major efforts in the past several budgets to consolidate certain Federal education programs. Some success has been achieved with the smaller programs. However, Congress has been extremely reluctant to "bloc-grant" large programs. In addition, any "hold-harmless" would prevent the achievement of any savings from the 1977 planning target.



1977 Outlay Reductions (Part II)
HEW/OE Adult Education

Attachment B

(dollars in millions)

Date: 9-5-75

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|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input checked="" type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	68	66	68	66	xx	66
O:EB recommendation	--	34	--	--	xx	--
Suggested reduction	<u>-68</u>	<u>-32</u>	<u>-68</u>	<u>-66</u>	xx	<u>-66</u>

Actions required: Rescind the advanced funded portion of the 1975 appropriation for Adult Education and immediately amend the 1976 budget request to eliminate the Adult Education advance funding request available for obligation in FY 1977.

Program impact: Terminates Federal support for this activity which currently serves some 1 million adults in literacy training and similar activities. If State and local educational authorities wish to continue to support this activity, they can do so from their own revenues. However, the implications of this proposal with regard to the Voting Rights Act are potentially significant. It could hinder citizens who are illiterate from achieving literacy through adult education. The Voting Rights Act of 1975 defines illiteracy as failure to complete the fifth primary grade. In terms of voter turnout and registration, the inability to read and write has had an impact on participation. Further, adult education programs have provided the potential of reducing the unemployment and welfare rolls through increased employability. However, at present, the Federal Government is also providing nearly \$3 billion through Social Services and the Work Incentive program which can (and is, in part) being used to overcome illiteracy among welfare recipients.

Other consideration: It is unlikely that Congress will approve this reduction.

1977 Outlay Reductions (Part II)
 HEW/OE Vocational Education/Basic Grants
 (dollars in millions)

Attachment B

Date: 9-5-75

- | | |
|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	1976		1977		1978	
	BA	Outlays	BA	Outlays	BA	Outlays
Amount:						
Current estimate	359	186	302	446	xxx	396
OMB recommendation	359	186	208	396	xxx	352
Suggested reduction	---	---	-94	-50	xxx	-44

Actions required: Reduce the appropriation request by \$94 million in FY 1977. This would be an acceleration of approximately one-year in the proposed increase in non-Federal support in this area.

Program impact: The Federal formula grants to States, used to maintain, extend, or improve vocational education programs, would be reduced. If State and local educational agencies wish to keep the program at projected levels, they should do so from their own revenues. This proposed reduction is reflected in the legislation the Administration has submitted to the Congress. Rather than continue basic State support, the legislation would allow Federal funds to be targeted on demonstration and "capacity building" activities. In addition, GAO has recently issued a study that indicates that there are high overhead costs at the State level. HEW maintains that this is not the case, however.

Other consideration: It is unlikely that this proposal will meet with congressional approval.

1977 Outlay Reductions (Part II)

Attachment B

HEW/OE Work-Study
(Dollars in millions)

Date: 9-5-75

- | | |
|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input checked="" type="checkbox"/> other administration action | <input checked="" type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	250	287	250	313	xxx	310
OMB recommendation	106	<u>287</u>	106	212	<u>xxx</u>	<u>166</u>
Suggested reduction	<u>-144</u>	<u>---</u>	<u>-144</u>	<u>-101</u>	<u>xxx</u>	<u>-144</u>

Actions required: Rescind FY 1976 funds and alter the ratio of Federal/non-Federal matching funds from the current one non-Federal to four Federal to a one-to-one basis. Program regulations would have to be amended accordingly. This results in a savings in FY 1977 of some \$100 million. There is an evaluation study of the program done by the Bureau of Applied Social Research at Columbia University. One of the conclusions of that study, as well as the consensus of evaluation opinion and congressional testimony, is that the subsidy could be cut without materially affecting the willingness of colleges to hire college work-study students. Some estimates of the increased share that colleges could be persuaded to pay without any employment impact, are as high as 50% of the wage.

Program Impact: If institutions of higher education so wished, they would make up the reduction in Federal support from their own revenues. No student employment impact since total level of effort would remain constant.

Other consideration: It is unlikely that this proposal will meet with the approval of the Congress.

1977 Outlay Reduction (Part II)

Attachment B

HEW/OE Non-Student Assistance Portion of Higher Education Support
(dollars in millions)

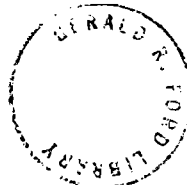
Date: 9-5-75

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|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input checked="" type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	200	284	198	243	xx	274
OMB recommendation	--	284	--	119	xx	108
Suggested reduction	-200	--	-198	-124	xx	-166

Actions required: Rescind funds for all non-student assistance higher education programs. This would place the Federal role as one based entirely upon direct support for students in postsecondary education.

Program impact: This would eliminate all non-student assistance programs, such as institutional support for developing (ie. minority) institutions, support for disadvantaged students, cooperative education, etc. This would place considerable strain upon the higher educational community. However, we believe that continued emphasis upon the BEOGs (Basic Educational Opportunity Grants) program, which serves a great many disadvantaged students at those institutions that traditionally have served poor students and are now receiving Federal institutional aid, will offset these reductions. Greater numbers of these students, due to BEOGs support, should insure institutional vitality. Although the impact could be reduced by phasing the program out over 4 - 5 years, such an approach would not produce the assigned 1977 outlay reductions.



Other consideration: This would complete the process, already recommended by the President, of giving aid to needy students, allowing them to pick their college, rather than subsidizing the colleges. Since Congress rejected this year's first step, it is unlikely that this reduction will be accepted by the Congress.

HUD

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 1977 OUTLAY REDUCTION
 (Outlays in Millions of Dollars)

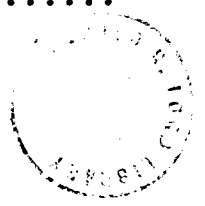
<u>Program</u>	<u>Planning Guidance</u>	<u>Adjustments</u>	<u>Current Estimate</u>	<u>Suggested Reduction</u>	<u>Revised Planning Guidance</u>
Federal Housing Administration Fund.....	1,000	+500	1,500	-308	1,192
Government National Mortgage Association: Special Assistance Functions Fund....	87	...	87	...	87
Housing Payments.....	2,560	...	2,560	...	2,560
Payments for the Operation of Low-Income Housing Projects..	550	...	550	-120	430
Community Development Grants..	2,450	...	2,450	...	2,450
Comprehensive Planning Grants.	67	...	67	-45	22
Urban Renewal.....	1,125	...	1,125	...	1,125
Flood Insurance.....	130	...	130	...	130
All Other.....	<u>254</u>	<u>...</u>	<u>254</u>	<u>-15</u>	<u>239</u>
Total.....	8,223	+500	8,723	-488	8,235



SUMMARY OF OUTLAY REDUCTIONS

Department of Housing and Urban Development
(dollars in millions)

	Effect on outlays in		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
A. 1977 Planning guidance.....	xxx	8,223	xxx
Adjustments:			
FHA Fund increase in net claims under mortgage insurance programs.....	xxx	+500	xxx
Current estimate.....	<u>5,808</u>	<u>8,723</u>	<u>xxx</u>
 (Current estimate, excluding sale of tandem mortgages deferred from 1975 to 1976).....	(7,980)	(8,723)	(xxx)
B. Suggested program reductions:			
Federal Housing Administration mortgage insurance programs:			
Higher mortgage insurance premiums... ---		-18	-26
Increased foreclosures on multifamily projects in default..... ---		-250	-125
Discontinuation of premium rebates... ---		-40	-40
Payment for the Operation of Low- Income Housing Projects..... ---		-120	-300
Comprehensive Planning Grants..... -10		-45	-40
Research and Technology..... -5		-15	-10
Total suggested reduction.....	-15	-488	-541
Revised 1977 planning guidance and related 1976 amount.....	5,793	8,235	xxx



1977 Outlay Reductions (Part II)
 Department of Housing and Urban Development
 FHA Fund/Mortgage Insurance Premiums
 (dollars in millions)

Date: 9/4/75

- | | | | |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|
| <input type="checkbox"/> | appropriation request | <input type="checkbox"/> | deferral action |
| <input checked="" type="checkbox"/> | other administration action | <input type="checkbox"/> | rescission action |
| <input type="checkbox"/> | substantive legislation | <input type="checkbox"/> | other congressional action |

	1976		1977		1978	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Amount:						
Current estimate.....	1,570	1,500	1,500	1,500	1,000	1,000
OMB recommendation.....	<u>1,570</u>	<u>1,500</u>	<u>1,482</u>	<u>1,482</u>	<u>974</u>	<u>974</u>
Suggested reduction.....	-0-	-0-	18	18	26	26

Actions Required: Make each mortgage insurance program actuarially sound by raising insurance premiums where warranted. Annual premiums for high risk programs would be increased up to the 1-percent statutory limit.

Program Impact: The increase in the annual cost of mortgage insurance would reduce the volume of insurance written (estimate not available). It is not clear, however, what impact this would have on claims. To the extent the marginal homebuyer is squeezed out, claims would drop. On the other hand, if the risks still using FHA insurance turned to the conventional market, the default rate would increase. The proposed action would require poor families to pay higher premiums.

Other Considerations: Good estimates of actuarially sound premiums are available for single-family programs; the estimates for the multifamily programs are less reliable. HUD opposed this action last year on the grounds that the Department could not defend it with the default data then available. The data has improved considerably since then, but HUD's likely reaction to this alternative is unclear. HUD is setting up a committee to review the role of FHA and to develop a Presidential options paper. HUD probably would prefer to have this reduction considered as part of that decision process.

1977 Outlay Reductions (Part II)
 Department of Housing and Urban Development
 Federal Housing Administration Fund
 (dollars in millions)

Date: 9/4/75

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|---|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

<u>Amount:</u>	1976		1977		1978	
	BA	Outlays	BA	Outlays	BA	Outlays
Current estimate.....	1,570	1,500	1,500	1,500	1,000	1,000
OMB recommendation.....	1,570	1,500	1,460	1,460	960	960
Suggested reduction.....	-0-	-0-	-40	-40	-40	-40

Actions Required: Enactment of legislation halting the rebate of premiums under mutual and cooperative insurance funds.

Program Impact: The provision for mutuality does not appear to have a significant influence on the demand for FHA insurance. Few families are aware of the possibility of a rebate when they obtain FHA insurance. Consequently, few potential insureds would be influenced by this change. Those homebuyers who would be dissuaded from FHA insurance could still turn to conventional financing.

Other Considerations: HUD contends that this would be controversial, and that enactment probably would be difficult to obtain. It also would be unfair to those few families who obtained FHA insurance with the expectation of receiving rebates. HUD has noted that even with legislation, it is possible that these participants would still be legally entitled to payments. If this turned out to be the case, no savings would result in 1977 or 1978.

1977 Outlay Reductions (Part II)
 Department of Housing and Urban Development
 Federal Housing Administration Fund
 (dollars in millions)

Date: 9/5/75

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|---|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input checked="" type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	1976		1977		1978	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Amount:						
Current estimate.....	1,570	1,500	1,500	1,000	1,000	1,000
OMB recommendation.....	<u>1,570</u>	<u>1,500</u>	<u>1,250*</u>	<u>1,250*</u>	<u>875</u>	<u>875</u>
Suggested reduction.....	-0-	-0-	-250*	-250*	-125	-125

Actions Required: Accelerate foreclosure and sale of assigned multifamily housing mortgages. This would involve instituting foreclosure on all mortgages assigned for (say) more than 6 months, followed by sale in "as-is" condition.

Program Impact: Sale proceeds would offset outlays elsewhere in the budget. This action might lead to rent increases under new ownership, creating a financial burden on lower income families. However, the large write-downs in capital value needed to sell the projects, plus the location of many projects in low-income areas would tend to limit such increases. Tenants would still be better off than comparable families not benefiting from the implicit subsidy of large write-downs. Moreover, they could be protected from severe changes in rental charges through grandfather clauses or priority on Section 8 subsidy lists. Greater emphasis on foreclosure-and-sale would have a favorable impact on management efficiency, and thus reduce default claims over time.

Other Considerations: Congress would probably respond with operating subsidies to keep the projects afloat, or a statutory ban on foreclosures. HUD would resist this action on political grounds, although the Department's own analysis of the multifamily default problem indicates that this is the most cost-effective solution.

* Assumes 13% reduction in 1977 inventory, instead of a 13% increase.

1977 Outlay Reductions (Part II)
 Department of Housing and Urban Development
 Payments for the Operation of Low-Income Housing Projects
 (dollars in millions)

Date: 9/5/75

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|---|---|
| <input type="checkbox"/> appropriation request
<input type="checkbox"/> other administration action
<input checked="" type="checkbox"/> substantive legislation | <input type="checkbox"/> deferral action
<input type="checkbox"/> rescission action
<input type="checkbox"/> other congressional action |
|---|---|

<u>Amount:</u>	1976		1977		1978	
	BA	Outlays	BA	Outlays	BA	Outlays
Current estimate.....	525	210	572	550	637	602
OMB recommendation.....	525	210	272	430	337	302
Suggested reduction.....	-0-	-0-	-300	-120	-300	-300

Actions Required: Enactment of legislation removing the ceiling on rents which public housing tenants may be charged (the so-called Brooke amendments).

Program Impact: On tenants--Repeal of the Brooke amendment would allow local housing authorities (LHA's) to charge public housing families higher rents, although deep subsidies on behalf of these families (covering 100% of capital costs, including interest) would continue to hold rents well below those prevailing in the private market. While LHA's would not be obligated to take this opportunity, it would provide justification for reducing operating subsidies via the Performance Funding System. Higher rents would represent a major financial burden for the poorest of these families, although they would still be much better off than families with similar incomes who do not live in public housing.

On LHA's--LHA's would suffer financially, as tenants faced with rent increases stage rent strikes and increase vandalism. This would not affect the Performance Funding



System, and therefore there need not be any offsetting increase in operating subsidies.

Other Considerations: HUD would argue that the savings--even from complete repeal of the Brooke amendment--would be infinitesimally small in 1977 because of delays in implementation due to phase-in of rent adjustments, court suits, and the like. While complete repeal of the rent ceiling is most unlikely, some improvements might be possible that would reduce operating subsidy requirements (e.g., legislation requiring LHA's to charge the maximum rents, improvements in the definition of income).

1977 Outlay Reductions (Part II)
 Department of Housing and Urban Development
 701 Comprehensive Planning Grants
 (dollars in millions)

Date: 9/5/75

- | | |
|--|---|
| <input type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input checked="" type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

Amount:	1976		1977		1978	
	BA	Outlays	BA	Outlays	BA	Outlays
Current estimate.....	50	113	50	67	50	45
OMB recommendation.....	0	103	0	22	50	5
Suggested reduction.....	-50	-10	-50	-45	-0-	-40

Actions Required: Suspension of the 701 Comprehensive Planning Grants Program in 1976 and 1977. This would require a budget amendment and/or a rescission of the 1976 appropriation. No funding would be requested for 1977.

Program Impact: The 701 program is one of 45 Federal planning assistance programs. Grants for planning activities are awarded on a discretionary, case-by-case basis, and there is little equity in the allocation of funds--a recipient who has traditionally received a large proportion of the 701 funds will tend to receive that same proportion in the future. The larger, more sophisticated State and local governments receive more funding because they are better equipped to cope with the paperwork involved in applying for grants. The 701 funding pattern for 1974 illustrates the traditional yearly funding pattern:

<u>Recipient</u>	<u>Number Eligible</u>	<u>Percent of Total Funding</u>
States	55	24
Metropolitan regional bodies	270	28
Large cities	422	23
Nonmetropolitan regional bodies	388	16
Counties and small cities	20,000	9

Suspension of the program should have no impact on any high priority projects; presumably, they would be undertaken by local governments with or without Federal funds. Marginal projects could not be financed. However, under the Community Development Block Grant Program, funds may be used for activities leading to formulation of a comprehensive community development plan and enhancement of a recipient's policy-planning-management capacity--the same types of activities financed by 701. Further, the House Appropriations Committee, in its report on the 1976 HUD appropriations bill, endorsed the use of community development block grants as a supplementary source of planning funds. HUD is studying the issue as to whether community development block grants can be used for all activities eligible under 701. Some 701 recipients, specifically regional bodies, are not eligible for community development block grants; they would lose their independent financing and, thus, be dependent on recipients of community development block grant money to finance regional planning activities.

Other Considerations: The 701 program is politically very sensitive.

1977 Outlay Reductions (Part II)
 Department of Housing and Urban Development
 Research and Technology
 (dollars in millions)

Date: 9/4/75

- | | |
|---|---|
| <input checked="" type="checkbox"/> appropriation request | <input type="checkbox"/> deferral action |
| <input type="checkbox"/> other administration action | <input type="checkbox"/> rescission action |
| <input type="checkbox"/> substantive legislation | <input type="checkbox"/> other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate.....	57	61	65	65	65	65
OMB recommendation.....	57	56	35	50	65	55
Suggested reduction.....	<u>-0-</u>	<u>-5</u>	<u>-30</u>	<u>-15</u>	<u>-0-</u>	<u>-10</u>

Actions Required:

Defer \$15 million in 1976 budget authority and reduce the 1977 appropriation request from \$65 million to \$35 million.

Program Impact:

This action would allow the Department to continue major ongoing research activities focusing on housing allowances, lead-based paint hazards, energy conservation, and State and local management. The cutback would not allow for the initiation of any new research projects (e.g., research on safety and standards, environmental improvement, and public service delivery).

Other Considerations:

Opposition from within the Department would be most intense. HUD believes a \$70 million research program is the irreducible minimum.

INTERIOR

DEPARTMENT OF THE INTERIOR

1977 OUTLAY REDUCTIONS

<u>Program</u>	<u>Planning guidance</u>	<u>Adjustments</u>	<u>Current estimate</u>	<u>Suggested reductions</u>	<u>Revised planning guidance</u>
Indians	\$921	0	\$921	\$8	\$913
Territories	125	0	125	0	125
Recreation	900	0	900	66	834
Energy and Minerals	498	0	498	0	498
Land Management	505	0	505	51	454
Water	633	0	633	50	583
Power	-6	0	-6	0	-6
Administration	49	0	49	0	49
Employment Reduction	_____	_____	_____	14	-14
Total, Gross	\$3,624	\$0	\$3,624	\$189	\$3,635
Offsetting Deductions	<u>-1,438</u>	<u>0</u>	<u>-1,438</u>	<u>0</u>	<u>-1,438</u>
Total, Net	\$2,186	\$0	\$2,186	\$189	\$1,997



SUMMARY OF OUTLAY REDUCTIONS

DEPARTMENT OF THE INTERIOR
(dollars in millions)

	Effect on outlays in		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
A. 1977 Planning guidance	xxx	2,186	xxx
Adjustments:			
	<u>xxx</u>	<u>0</u>	<u>xxx</u>
Current estimate	2,469	2,186	xxx
B. Suggested program reductions			
<u>Bureau of Reclamation con-</u> <u>struction</u>			
Current Estimate	602	614	620
OMB Recommendation	<u>592</u>	<u>564</u>	<u>620</u>
Suggested Reduction	10	50	-0-
<u>Land and Water Conservation Fund</u>			
Current Estimate	292	338	292
OMB Recommendation	<u>292</u>	<u>288</u>	<u>282</u>
Suggested Reduction	-0-	50	10
<u>Office of Surface Mining and</u> <u>Reclamation</u>			
Current Estimate	20	51	100
OMB Recommendation	<u>0</u>	<u>0</u>	<u>0</u>
Suggested Reduction	20	51	100



	Effect on outlays in		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>BIA construction and road</u>			
<u>construction</u>			
Current Estimate	140	140	140
OMB Recommendation	<u>140</u>	<u>132</u>	<u>134</u>
Suggested Reduction ...	0	8	6
 <u>Park Service road construction</u>			
Current Estimate	39	38	35
OMB Recommendation	<u>39</u>	<u>30</u>	<u>28</u>
Suggested Reduction ...	0	8	7
 <u>Park Service planning and</u>			
<u>construction</u>			
Current Estimate	54	47	45
OMB Recommendation	<u>54</u>	<u>39</u>	<u>33</u>
Suggested Reduction ...	0	8	7
 Total Suggested Reduction ..	 -30	 -175	 -130
 C. Employment Reduction	 <u> </u>	 <u>-14</u>	 <u>-14</u>
 Revised 1977 planning guidance and related 1976 amount	 2,439	 1,997	 xxx

1977 Outlay Reductions (Part II)
 Bureau of Reclamation
 (dollars in millions)

Date: September 5, 1975

appropriation request

deferral action

other administration action

rescission action

substantive legislation

other congressional action

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate.....	592	602	660	614	xxx	620
OMB Recommendation.....	<u>582</u>	<u>592</u>	<u>610</u>	<u>564</u>	<u>xxx</u>	<u>620</u>
Suggested reduction...	<u>10</u>	<u>10</u>	<u>50</u>	<u>50</u>	<u>xxx</u>	<u>0</u>

Actions required:

Deferring \$10 million for construction contracts in February 1976 would result in an outlay reduction below the current estimate for 1977 of approximately \$50 million because these multi-year contracts have small outlays in the first year, and larger outlays in future years.

Program impact:

The Bureau of Reclamation's program is federally managed construction through competitive bid, fixed price contracts, aimed at economic development in the West, i.e., irrigation, municipal and industrial water supply and hydroelectric power development. Irrigation project costs are partially repaid by the irrigators over 50 years with no

interest. Power and municipal and industrial water supply costs are repaid over 50 years with interest currently computed at approximately 4%, well below the Treasury's current borrowing costs.

Ongoing work in all the Bureau of Reclamation's seven regions will be slowed down, but no ongoing projects would be terminated. The projects affected by the deferral are primarily irrigation projects that are at best economically marginal and require huge Federal subsidies but some power and water supply projects are affected also. No shutdown costs would be incurred.

Other consideration:

A \$50 million reduction from the current planning level would imply an unemployment impact of about 2,500 jobs in the private construction industry.

The congressional delegations in the 17 Western States very strongly support the Bureau's program.



1977 Outlay Reductions (Part II)
 Interior/Land and Water Conservation Fund
 (dollars in millions)

Date: Sept. 4, 1975

- | | |
|---|---|
| <input checked="" type="checkbox"/> Appropriation request | <input type="checkbox"/> Deferral action |
| <input type="checkbox"/> Other Administration action | <input type="checkbox"/> Rescission action |
| <input type="checkbox"/> Substantive legislation | <input type="checkbox"/> Other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	330	292	392	338	xxx	292
OMB recommendation	<u>330</u>	<u>292</u>	<u>332</u>	<u>288</u>	<u>xxx</u>	<u>282</u>
Suggested reduction	-0-	-0-	60	50	xxx	10

Actions required:

The current allowance for FY 1977 budget authority consists of \$30 million in CA for which no appropriations to liquidate have been sought in recent years, \$62 million to repay prior advances to the fund, \$176 million in grants to States, \$6 million for salaries and expenses, and \$118 million for Federal agency land acquisition. It is proposed that the entire \$60 million be taken from the Federal land acquisition program, reducing it by one-half.

Program impact:

The Federal land acquisition monies are used for recreation, wildlife and conservation programs in national parks, forests, and wildlife refuges. This reduction would delay land acquisition for these program areas by about one-half year; but since the land can be acquired in subsequent years, no serious long-term program consequences would result. There is no specific programmatic justification for not spending at the projected level -- except that some lower priority activities would be postponed until following years.

Other consideration:

This is a very politically sensitive program, and many Congressmen will react strongly.

1977 Outlay Reductions (Part II)
 Interior/Office of Surface Mining and Reclamation
 (dollars in millions)

Date: Sept. 4, 1975

- | | |
|---|---|
| <input type="checkbox"/> Appropriation request | <input type="checkbox"/> Deferral action |
| <input checked="" type="checkbox"/> Other Administration action | <input type="checkbox"/> Rescission action |
| <input type="checkbox"/> Substantive legislation | <input type="checkbox"/> Other congressional action |

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	30	20	66	51	xxx	100
OMB recommendation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>xxx</u>	<u>0</u>
Suggested reduction	30	20	66	51	xxx	100

Actions required:

The FY 1977 allowance assumed enactment of a stripmining bill. The President's veto of this bill has been sustained, and the budget levels shown above forecast no future action on this issue. No specific affirmative action is needed to achieve reductions.

Program impact:

The program impacts of this reduction are, in effect, the myriad differences between the Administration's position on stripmining and that of the Congress. These differences have been debated at length and are supported by several FEA, Interior, Commerce, CEQ and congressional studies.



1977 Outlay Reductions (Part II)
 Interior/BIA Construction and Road Construction
 (dollars in millions)

Date: Sept. 4, 1975

Appropriation request

Deferral action

Other Administration action

Rescission action

Substantive legislation

Other congressional action

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	61	140	61	140	xxx	140
OMB recommendation	<u>61</u>	<u>140</u>	<u>54</u>	<u>132</u>	<u>xxx</u>	<u>134</u>
Suggested reduction ...	0	0	7	8	xxx	6

Actions required:

Reduce program levels in each of the two accounts by \$7 million in FY 1977, generating outlay savings of \$8 million in the first year and \$6 million in the second. Since the road construction program involves contract authority, this will require an increase in the deferral of CA from that which would otherwise be proposed.

Program impact:

This would effectively delay the construction of an estimated two schools for a year, leaving approximately 600 Indian children in either overcrowded or outdated school facilities for that year. The reduction in road construction would delay the program by only two months or less. There is no specific programmatic justification for not spending at the projected level -- except that some lower priority activities would be postponed until following years.



Other consideration:

Both programs are receiving increased congressional attention since authority now exists to use these funds to assist non-Indian local governments in Indian-impacted areas. While some criticism from Indians would result, the major sources of opposition will be Senators and Congressmen from Arizona, New Mexico and the Northern Plains States.

1977 Outlay Reductions (Part II)
 Interior/National Park Service Road Construction
 (dollars in millions)

Date: Sept. 4, 1975

Appropriation request

Deferral action

Other Administration action

Rescission action

Substantive legislation

Other congressional action

	<u>1976</u>		<u>1977</u>		<u>1978</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
<u>Amount:</u>						
Current estimate	0	39	0	38	xxx	35
OMB recommendation	<u>0</u>	<u>39</u>	<u>0</u>	<u>30</u>	<u>xxx</u>	<u>28</u>
Suggested reduction ..	0	0	0	8	xxx	7

Actions required:

The request for appropriations to liquidate CA would be reduced and an increase in deferrals of \$15 million in obligations would be proposed.

Program impact:

This would represent a reduction of approximately one-third in the program level for FY 1977, entailing delays in road construction. However, no permanent serious consequences would be involved. There is no specific programmatic justification for not spending at the projected level -- except that some lower priority activities would be postponed until following years.

Other consideration:

This account is regularly the subject of "congressional add-ons" and this reduction would be resisted. Since it involves both an appropriation request and a deferral action, it is subject to two types of review by the Congress.



1977 Outlay Reductions (Part II)
 Interior/National Park Service Planning and Construction
 (dollars in millions)

Date: Sept. 4, 1975

- | | |
|---|---|
| <input checked="" type="checkbox"/> Appropriation request | <input type="checkbox"/> Deferral action |
| <input type="checkbox"/> Other Administration action | <input type="checkbox"/> Rescission action |
| <input type="checkbox"/> Substantive legislation | <input type="checkbox"/> Other congressional action |

	1976		1977		1978	
	BA	Outlays	BA	Outlays	BA	Outlays
<u>Amount:</u>						
Current estimate	23	54	54	47	xxx	45
OMB recommendation	23	54	39	39	xxx	38
Suggested reduction ...	0	0	15	8	xxx	7

Actions required:

Reduce appropriation request and program level for the construction of facilities in National Parks by nearly 30 percent from the proposed FY 1977 level. The current estimate for FY 1976 as shown above represents a one-time reduction in requests to permit the agency to use the large unobligated balances it has been carrying forward each year.

Program impact:

This would involve delays in making a wide range of improvements in National Parks, but would have no serious long-range program consequences. There is no programmatic basis for this reduction, except that lower priority activities would be postponed.

Other consideration:

This account is often subject to congressional add-ons, and this reduction would incur strong opposition in the Congress.

