

Executive Registry
74-4905

THE WHITE HOUSE

WASHINGTON

September 20, 1974

MEMORANDUM TO THE HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: Budget Rescissions and Deferrals

I have today sent to the Congress my first special message under Title X of the recently enacted Congressional Budget and Impoundment Control Act of 1974. A copy of that message is attached.

The package I have submitted contains reports on budget authority totalling \$20.3 billion. Included among these items are some which are not covered by the new Act, but release of virtually any of them would lead to spending above that contemplated by the FY 1975 Budget.

Gaining congressional support for the items contained in this transmittal, and for those I will be sending up in the future under this Act, is absolutely vital if we are to make any headway against inflation by controlling Federal expenditures. This Government must set an example of fiscal restraint for the people of America and the world.

Each of you knows my position on cutting back below 1975 Budget levels. I need your strong assistance in supporting this first critical step, and the others that follow, to meet our budgetary goals. I know I can count on you to work closely with the Congress in order to gain the necessary acceptance of the deferrals and rescissions I propose today and in the future.

Ronald R. [unclear]

(White House)

NSC review completed.

FOR IMMEDIATE RELEASE

SEPTEMBER 20, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

The recently enacted Congressional Budget and Impoundment Control Act of 1974 provides new procedures for executive reporting and congressional review of actions by the executive branch affecting the flow of Federal spending. It thereby serves to make the Congress a full partner in the continuing struggle to keep Federal spending under control.

The new law provides that the executive branch may seek to alter the normal course of spending either through deferrals of spending actions or by asking the Congress to rescind authority to spend. The use of funds may be deferred unless either House of the Congress enacts a resolution requiring that they be made available for spending. For executive rescission proposals to take effect, the Congress must enact rescission bills within 45 days of continuous session.

Following these procedures, I am today reporting the first in a series of deferrals and proposed rescissions. ✓

As is often the case in the institution of new procedures, and in the implementation of new laws, there are questions as to what the law may require of the executive branch and what the Congress may expect. In this instance, the Attorney General has determined that this act applies only to determinations to withhold budget authority which have been made since the law was approved.

However, I am including in today's submission to the Congress reports on some actions which were concluded before the effective date of the act. While these items are not subject, in the Attorney General's opinion, to congressional ratification or disapproval as are those addressed in the recent law, I believe that it is appropriate that I use this occasion to transmit this information to the Congress.

Reasonable men frequently differ on interpretation of law. The law to which this message pertains is no exception. It is particularly important that the executive and legislative branches develop a common understanding as to its operation. Such an understanding is both in keeping with the spirit of partnership implicit in the law and essential for its effective use. As we begin management of the Federal budget under this new statute, I would appreciate further guidance from the Congress. The added information on the status of funds not subject to Congressional action is being made available with this in mind. It will also permit a better understanding of the status of some funds reported previously under the earlier impoundment reporting law.

Virtually all of the actions included in this report were anticipated in the 1975 budget, and six of them were taken before July 12, when the new procedures came into effect. Failure to take these actions would cause more

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than \$20 billion of additional funds to become available for obligation. The immediate release of these funds would raise Federal spending by nearly \$600 million in the current fiscal year. More significantly, outlays would rise by over \$2 billion in 1976 and even more in 1977, the first year in which the new procedures for congressional review of the budget will be in full effect.

The deferrals of budget authority being reported today total \$19.8 billion. The major deferrals are:

- Grants for waste treatment plant construction (\$9 billion). Release of all these funds would be highly inflationary, particularly in view of the rapid rise in non-Federal spending for pollution control. Some of the funds now deferred will be allotted on or prior to February 1, 1975.
- Federal aid highway funds (\$4.4 billion for fiscal year 1975 and \$6.4 billion for fiscal year 1976). Release of these funds would also be highly inflationary and would have to be offset by cuts in higher priority programs. Some of the funds are being withheld pending resolution of court cases concerning the environmental effects of proposed highway construction.
- Various programs of the Department of Health, Education, and Welfare (\$39.6 million). Pending enactment of the 1975 appropriations, HEW funds are being provided under a continuing resolution. Amounts available under the continuing resolution above the budget request are deferred to preserve the flexibility of the Congress and the Administration in arriving at a final decision on the funding levels for these programs.

The larger of the two rescissions which I am proposing would write off the \$456 million of budget authority provided for rural electric and telephone loans at a 2 percent interest rate. The release of these funds would be inconsistent with the legislation enacted in 1973, which limits the availability of 2 percent loans to cases of special need. Loans to borrowers who meet the specified criteria can be financed out of funds provided by the pending Agriculture Appropriations Act.

The deferrals and rescissions covered in this first report are those believed to be of particular interest to the Congress and which would have significant impact on budget spending if released. They are summarized in the attached table. A second report of a series on additional deferrals and rescissions will be submitted to the Congress soon.

Budgetary restraint remains a crucial factor in our efforts to bring inflation under control. In today's environment, we cannot allow excess Federal spending to stimulate demand in a way that exerts further pressures on prices. And we cannot expect others to exercise necessary restraint unless the Government itself does so.

The responsible apportionment of congressional appropriations and other Federal budget authority is an essential -- though often controversial -- element of budget execution. Sound management principles and common

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sense dictate that Federal agencies spend money in an orderly fashion and only to the extent necessary to carry out the objectives for which the spending authority was provided. Current economic conditions require extra care to assure that Federal spending is held to the minimum levels necessary.

The deferrals and rescissions described in the attached report represent an essential step toward the goal of reducing spending and achieving the balanced budget we seek by fiscal year 1976. These actions, by themselves, will not be enough. However, failure to take and sustain this important step would jeopardize our ability to control Federal spending not only during the current fiscal year but, more importantly, for several years to come.

GERALD R. FORD

THE WHITE HOUSE,

September 20, 1974.

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SUMMARY
PROPOSED RESCISSIONS AND DEFERRALS
(dollars in thousands)

Item	Budget Authority
<u>Rescissions:</u>	
Appalachian Regional Development Programs:	
Airport Construction*.....	40,000
Agriculture: Rural Electrification	
Administration: Loans*.....	455,635
<u>Deferrals:</u>	
To be deferred part of year:	
Corps of Engineers - General construction...	108
Health, Education and Welfare:	
Library resources.....	5,437
higher education:	
(University community services).....	2,906
(Land grant colleges).....	9,500
(State postsecondary education commissions).	350
School assistance in federally affected areas.	16,000
Rehabilitation services (innovation and expansion).....	5,000
Public assistance (Child welfare services)...	375
Environmental Protection Agency:	
Construction Grants*.....	9,000,000
General Services Administration:	
Automatic data processing fund.....	4,300
To be deferred for entire year:	
Agriculture: Agriculture research service (Construction)*.....	770
Commerce: Fisheries loan fund*.....	4,039
Interior:	
Oregon and California Grant lands*.....	23,693
Construction and rehabilitation.....	1,055
Upper Colorado River Basin fund.....	1,150
state: International Center, Washington, D.C.....	500
Transportation: Federal-aid highways	
1975 & prior programs.....	4,370,090
1976 program.....	6,357,500
Foreign Claims Settlement Commission:	
Payment to Vietnam prisoners of war.....	10,500
General Services Administration:	
Automatic data processing fund.....	14,000
Total.....	20,322,968

*Action taken prior to enactment of the Impoundment Control Act on July 12, 1974.

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EXECUTIVE SECRETARIAT
Routing Slip

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Remarks:

To include review and any additional distribution.

Executive Secretary
R.B. [Signature]
 Date

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Per Compt's sig, no additional dist. necessary.

9/25/74

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