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~~THE PRESIDENT HAS SEEN~~

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

DEC 18 1975

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

From : James A. Lynn

Subject : Policy and Economic Assumptions for the 1977 Budget

We are in the final countdown for the 1977 Budget. As you know, the official forecast regarding economic activity in 1976 and 1977 has a profound impact on the budget outlay and receipts totals. In order to allow the agencies sufficient time to calculate the impact of economic activity on their entitlement programs, we have already begun to prepare the forecast.

Just as the economy has a large impact on the budget, budget and other policies have an important reverberating impact on the economy. Consequently, this week the Executive Committee of the EPB had to provide guidance to our forecasters as to what our policy stance would be on January 19. This is not intended to lock us into a set of policies, because last minute changes are possible. However, to the extent that good guesses can be made now, a more professional job can be done on the forecast and budget estimates, and errors are less likely.

Policies in 1976 and 1977

Tax Policies

The initial forecast will assume:

- (i) 1975 withholding rates will be continued to June 30, 1976.



- (ii) On July 1, 1976, your proposal for a deeper tax cut will go into effect. The deeper cut will not be made retroactive to January 1. This implies that individuals and corporations will have to compute their 1976 liabilities on the basis of a set of tax rates that is half way between 1975 law and your proposal. Your proposal will be fully in effect in 1977. If your deeper tax cut went into effect on July 1 and was made retroactive to January 1, we would face the following unpleasant choice. Either we would have to cut withholding sufficiently to give back the whole cut in the last six months of the year, thus facing a rise in withholding in 1977 that could only be obviated by yet another tax cut, or we would have to overwithhold about \$4 billion from individuals which would not be returned until the spring of 1977. By not making the tax cut retroactive we avoid this problem and we reduce the deficit by over \$4 billion without a significant effect on the recovery.

Energy Policy

Because the situation is so uncertain, we have chosen to do two forecasts based on two different scenarios.

Scenario I - You sign the Conference Bill - This forecast assumes that 90 days after enactment you propose a 2 percent price increase to the Congress in addition to the maximum increase allowed without Congressional approval. This increase would go into effect about May 1. (The maximum annual increase allowed without approval is the increase in the GNP deflator plus 3 percentage points or 10 percent whichever is less.)

In February 1977, when the pricing policy is to be reviewed by the Congress, it is assumed that you will request a further 3 percent annual increase on top of that requested in 1976.



Scenario II - You veto the Conference Bill and the veto is sustained.

This forecast assumes sudden decontrol; you propose the windfall profit tax designed by the Senate Finance Committee last summer; and you propose that the revenues from this tax be spent on providing equal per capita rebates to all adults and on special programs for "hardship cases" such as farmers and independent refineries. None of the revenues are held back to provide for greater fuel costs to the Federal and State and local governments. Excess Federal costs are covered within your 1977 Budget ceiling of \$395 billion.

Long-Run Economic Assumptions for the Period 1978-81.

The law requires four-year projections of budget outlays and receipts for the period following 1977. The economic assumptions underlying these projections were published in the 1976 Budget and again in the Mid-Session Review. The relevant Table published in the latter is attached as Tab A. These projections were based on the assumption that the real growth of the economy would equal 6.5 percent per year from the end of 1976 to the end of 1980. This year we must provide a projection for 1981. If the 6.5 percent growth rate is continued, an unemployment rate of 4.4 percent would result in 1981. The EPB decided that this was unrealistically low given that unemployment has averaged 5.2 percent over the last twenty years.

The EPB unanimously selected the following option. A growth rate of 6.5 percent would be assumed for the period from the end of 1977 to the end of 1980. For 1981, a growth rate leading to 4.9 percent unemployment would be used. This growth rate is 5.0 percent given our last forecast for 1976 and 1977. If our last forecast of October 22 remains unchanged - and this is unlikely - the Budget table that would result is attached as Tab B. (Data on the insured unemployment rate and the interest rate assumption would have to be added. These were not computed for this example.)

Attachments

- Tab A
- Tab B



ECONOMIC ASSUMPTIONS FOR BUDGET PROJECTIONS¹
 (calendar years; dollar amounts in billions)

<u>Item</u>	<u>Assumed for Purposes of Budget Projections</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Gross national product:				
Current dollars:				
Amount	\$1,891	\$2,017	\$2,335	\$2,586
Percent change	12.6	11.4	10.8	10.8
Constant (1958) dollars:				
Amount	\$897	\$956	\$1,018	\$1,084
Percent change	6.5	6.5	6.5	6.5
Incomes (current dollars):				
Personal income	\$1,515	\$1,689	\$1,874	\$2,078
Wages and salaries	\$978	\$1,092	\$1,211	\$1,344
Corporate profits	\$173	\$193	\$214	\$237
Prices (percent change):				
GNP deflator:				
Year over year	5.7	4.6	4.1	4.0
Fourth quarter over fourth quarter	5.2	4.3	4.0	4.0
CPI:				
Year over year	5.3	4.4	4.0	4.0
December over December .	4.8	4.2	4.0	4.0
Unemployment rates (percent):				
Total	7.2	6.5	5.8	5.1
Insured ²	6.1	4.7	4.0	3.2
Federal pay raise, October (per- cent)	6.75	6.50	6.00	5.50
Interest rate, 91-day Treasury Bills (percent) ³	5.1	5.1	5.0	5.0

*Source: Mid-Session Review of the 1976 Budget, May 30, 1975, Table 14, page 22.

¹ Based on extrapolations using a 6.5% rate of real growth in GNP for 1977-1980.

² Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

³ Average rate of new issues within period.



Economic Assumptions
(Calendar Years: dollar amounts in billions)

	<u>Actual</u>	<u>Assumed for Purposes of Budget Estimates</u>						
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Gross National Product:								
Current Dollars:								
Amount	1,397	1,477	1,673	1,861	2,087	2,338	2,600	2,844
Percent Change	7.9	5.7	13.3	11.3	12.1	12.0	11.2	9.4
Constant (1958) Dollars:								
Amount	821	797	853	895	947	1,009	1,074	1,129
Percent Change	-2.2	-2.9	7.1	4.9	5.8	6.5	6.5	5.0
Incomes (Current Dollars):								
Personal Income	1,150	1,241	1,386	1,533	1,720	1,931	2,154	2,361
Wages & Salaries	751	786	872	970	1,095	1,234	1,380	1,518
Corporate Profits	141	124	169	196	217	238	259	278
Prices (Percent Change):								
GNP Deflator	10.3	8.9	5.8	6.1	6.0	5.2	4.4	4.1
Consumer Price Index	11.0	9.2	6.6	6.1	6.0	5.2	4.4	4.1
Unemployment Rate:								
Percent	5.6	8.4	7.5	7.2	6.7	5.9	5.2	4.9
Federal Pay Raise, October:								
Percent	5.52	5.00	11.50 ^{1/}	6.00	6.00	6.00	5.75	5.75

^{1/} Assumes comparability under existing law and under existing comparability bases.

THE WHITE HOUSE
WASHINGTON

Jim Zorn

Returned.



*Put with
Budget
papers*



ACTION

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

DEC 5 1977

SECRET WHEN WITH ATTACHMENT



MEMORANDUM FOR: THE PRESIDENT
FROM: James T. Lynn
SUBJECT: Final decisions - 1977 budget outlays

Background

At our last meeting on the budget, we promised to give you a list of final decision items when we had a firm 1977 outlay total.

Discussion

Outlay estimates for 1977 now total \$387.7 billion. As shown under Tab A, the estimates have dropped primarily because of the economic assumptions you have approved.

It is my view that the total 1977 budget outlays in your January budget should not exceed \$393 billion. This would give you some desirable flexibility within a \$395 billion limit. As you know, estimates of many items can change materially in a relatively short time. Further, you may want to request some additional amounts for energy or rail programs at a later date. Accordingly, I believe a \$2 billion cushion is the minimum we should have.

At Tab B is a listing of possible additions to the \$387.7 billion that you might wish to consider. On the list is an identification (by an asterisk) of \$5.2 billion in additions that I recommend. This would bring the total to around \$392.9 billion.

The estimates are still subject to further possible adjustments. But if you will indicate your decision on the Tab B listing, we will try to maintain the totals consistent with the level indicated by the additions you choose.

Recommendation

That you agree to additions totalling \$5.2 billion and a 1977 budget outlay total of no more than \$393 billion.

Attachments

SECRET WHEN WITH ATTACHMENT

Tab A

CHANGE IN
1977 OUTLAY ESTIMATES
as of December 26, 1977

	<u>(Billions)</u>
Total as of December 21, 1975.....	\$391.9
HEW - Revised economic assumptions, shift to phase-in of limit on indexed programs and other reestimates.....	+.3
Labor - Revised assumptions on unemployment rates and other reestimates.....	-1.4
Naval Petroleum Reserve offsetting receipts - Not previously included.....	-.7
Defense and military assistance - Mainly adjustments to conform to currently planned levels on pay increases (60% limit on comparability pay and phase-in of retired pay at 66-2/3%).....	-.6
Civil Service Commission - Mainly changed economic assumptions and revised estimates related to the phase-in limit on retirement benefits.....	-.3
HUD - Various revisions in outlay estimates.....	-.3
Contingencies - Reduce from \$2.0 billion to \$1.5 billion.....	-.5
All other changes.....	<u>-.7</u>
Total as of December 26, 1975.....	387.7



Tab B

POSSIBLE ADDITIONS
to 1977 Budget Outlays

<u>Add</u>	<u>Don't add</u>		<u>(In millions)</u>
		Removal of limits (now at phase-in rate of 66-2/3%) on:	
<u>MR7</u>	_____	1. <u>Social Security, SSI, Railroad retirement</u> (By law, these increases are limited).....	1,800*
<u>MR7</u>	_____	2. <u>Civil Service and Military retired pay</u>	500*
_____	_____	3. Removal of <u>Federal pay limit</u> (now at "cap" of 60% of increases that would occur under new "pay-line")..	1,300
<u>MR7</u>	_____	4. Add "sweetener" to new block grant for <u>Social</u> <u>services</u> (above \$2,000 million).....	300 to <u>500*</u>
<u>MR7</u>	_____	5. Propose <u>Medicare</u> initiatives to cover catastrophic illness above \$500 for hospital fees and \$250 for physicians fees (compared to \$810 now planned in current figures for both kinds of fees).....	675*
<u>MR7</u>	_____	6. <u>Veterans pensions</u> -- Drop plans to change the way income is calculated in determining pensions.....	560*
<u>MR7</u>	_____	7. Recognize probability that <u>OCS oiland revenues</u> (offsetting outlays) are more likely to be \$7 billion rather than \$8 billion.....	1,000*
_____	_____	8. <u>Security assistance</u> -- Add BA of \$813 million in transition quarter and \$545 million in 1977 per attached classified memorandum.....	600
		Add the following smaller items that may cause greater problems than their size might indicate:	
<u>MR7</u>	_____	9. <u>Land and water conservation fund</u> -- Restore to \$300 million program level rather than \$180 million.....	120*
<u>MR7</u>	_____	10. <u>LEAA grants</u> -- Generally restore to 1976 base level by adding BA of \$33 million.....	4*
<u>MR7</u>	_____	11. <u>Indian school construction</u> -- Drop plans for moratorium adding \$31 million in BA (approximately the 1975 program level).....	20*
<u>MR7</u>	_____	12. <u>National Science Foundation</u> -- Add \$50 million for basic science to satisfy scientific community.....	13

* Recommended additions.



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

ACTION

DEC 30 1975



~~SECRET~~

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: Security Assistance Decisions for Transition Quarter and 1977

In addition to appealing your decisions on 1977 security assistance levels, the State Department is now requesting an \$813 million budget amendment for the Transition Quarter budget to provide additional security assistance funding for the Middle East at one-fourth the level requested for 1976. Your decision on the Transition Quarter should be made in conjunction with your pending decision on State's appeal of the 1977 Middle East programs and the FMS credit level for Latin America.

Middle East

	1976	(Programs in \$ millions)			1977	State Appeal
		Transition Quarter Budget	State Amendment	NSC Alt.		
Israel	2,240	---	564	150	1,600	2,000
(FMS)	(1,500)	---	(375)	---	(1,000)	(1,350)
(Economic)	(740)	---	(189)	(150)	(600)	(650)
					1,950	
Jordan	253	---	38	16	210	250
(MAP)	(100)	---	---	---	(75)	(75)
(FMS)	(75)	---	(19)	---	(70)	(100)
(Economic)	(78)	---	(19)	(16)	(65)	(75)
					226	
Egypt	750	---	188	137	550	650
(Economic)					687	
Syria	90	---	23	17	70	75
(Economic)					87	
Total a/	3,333	---	813	320	2,430	2,975

~~SECRET~~

DECLASSIFIED

E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines

By WBA, NARA, Date 11/24/00

Transition Quarter

The basic issue is the level of assistance to Israel. The recommended increases for Jordan, Egypt, and Syria are designed to balance the proposed increases for Israel.

State request. State argues that additional FMS credit is needed in the Transition Quarter to avoid a cash deficit position in 1977 based on purchases already approved and a "conservative" estimate of new purchases. Available Defense Department data do not support this claim; they indicate that, even if the full 1976 MATMON increment were approved, an estimated \$250 million of the \$1.5 billion 1976 FMS program would be carried over into 1977. Adding \$375 million in the Transition Quarter would, therefore, increase the carry-over to \$625 million.

State's argument for Transition Quarter economic aid to Israel is essentially political--that Israel is expecting some additional foreign exchange relief from Transition Quarter funding and would be disappointed not to get it. OMB believes that the \$1.4 billion which you recently approved for economic aid to Israel (\$800 million for FY 1976 and \$600 million in FY 1977) will enable Israeli GNP to grow moderately throughout calendar years 1976 and 1977 and that further economic aid could discourage Israel from undertaking required economic reforms.

The increased amounts for the other countries would not have been requested in the absence of the increased request for Israel.

If approved, the additional Transition Quarter funding would increase Transition Quarter outlays by an estimated \$120 million and 1977 outlays by an estimated \$400 million. This increase would be in addition to a \$200 million increase in 1977 outlays if you approve the State appeal level for the Middle East.

NSC alternative. We understand that NSC will recommend that Israel, Jordan, Egypt, and Syria each receive one-quarter of the economic supporting assistance level which you approved for 1977. No FMS credit would be requested to avoid appearing to support Israel's exaggerated military force goals.

OMB recommendation. OMB believes that the current levels of aid are already above levels which can be justified programmatically. Seeking budget amendments of \$813 million for additional aid to the Middle East is likely to generate considerable congressional resistance and will force offsetting reductions in other programs.



The additional FMS credits for Israel would increase the unused carryover military credits into 1977 from about \$250 million to \$625 million. This increase is clearly unnecessary unless the Israeli's are going to be permitted to purchase more than the MATMON request--a level which NSSM 231 determined to be already in excess of demonstrable needs and likely to promote a destabilizing Arab arms buildup.

OMB estimates that the already approved level of economic assistance will permit Israeli imports about \$300 million above the level necessary to maintain the real imports at the 1976 level. The proposed Transition Quarter funding would permit an increase in imports of almost \$500 million above the 1976 level in real terms.

Finally, in order to maintain a balance with the Israelis, aid to the three Arab countries would have to be increased by almost \$250 million. This would provide aid far in excess of their needs when added to the already approved 1977 levels. These increases would simply add to the unused backlog of aid funds in Egypt and the build up of Syrian and Jordanian foreign exchange reserves, thereby raising the likelihood of adverse U.S. public and congressional reaction.

1977 Appeal of Middle East Programs

I am not aware of any new factors that would affect your decision on State's 1977 appeal beyond those set forth in the attached appeal memorandum. OMB and NSC continue to support your original decision.

If you decide to increase funding in the Transition Quarter, OMB recommends that you decrease the 1977 level by an equal amount since calendar year 1977 import requirements are already adequately provided for.

1977 Latin America FMS Credits

State has appealed your decision to provide \$185 million in FMS credit to Latin America in 1977 and recommends \$238 million. The arguments for and against the higher level are set forth in the attached appeal memorandum.

We understand NSC now recommends a more modest increase to \$200 million. OMB continues to support the \$185 million level.



Decisions:

1. Transition Quarter - Middle East

- Approve State request (\$375 million FMS and \$438 million SA) _____
- Approve NSC alternative (no FMS; \$320 million SA) _____
- Reconfirm budget (no FMS or SA for Middle East) (OMB recommendation) _____

2. 1977 Middle East

a. Israel

- Accept State appeal (\$2 billion) _____
- Reconfirm original decision (\$1.6 billion) (OMB/NSC recommendation) _____

b. Jordan

- Accept State appeal (\$250 million) _____
- Reconfirm original decision (\$210 million) (OMB/NSC recommendation) _____

c. Egypt

- Accept State appeal (\$650 million) _____
- Reconfirm original decision (\$550 million) (OMB/NSC recommendation) _____

d. Syria

- Accept State appeal (\$75 million) _____
- Reconfirm original decision (\$70 million) (OMB/NSC recommendation) _____

- e. Reduce above decision levels by amount of increase in Transition Quarter _____



3. Latin America FMS

- Accept State appeal (\$238 million) _____
- Approve NSC alternative (\$200 million) _____
- Reconfirm original decision (\$185 million)
(OMB recommendation) _____

Attachment





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SECRET - GDS



MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN and HENRY A. KISSINGER
SUBJECT: Budget Appeal on Foreign Aid

The State Department is appealing your decisions on: (1) the Middle East; (2) FMS credits to Latin America; and (3) military assistance to the Philippines. OMB recommends that you reconfirm your earlier decisions.

(1) Middle East

(Program in \$ millions)

	1976	1977			
		Original Request	OMB Recom.	Presidential Decision	State Appeal
Israel	2,240	2,240	700	1,600	2,000
(FMS)	(1,500)	(1,500)	(400)	(1,000)	(1,350)
(Economic)	(740)	(740)	(300)	(600) ⁷⁵⁰	(650)
Jordan	253	253	180	210	250
(MAP)	(100)	(100)	(50)	(75)	(75)
(FMS)	(75)	(75)	(80)	(70)	(100)
(Economic)	(78)	(78)	(50)	(65)	(75)
Egypt	750	750	400	550	650
(Economic)					
Syria	90	90	60	70	75
(Economic)					
Total ^{a/}	<u>3,333</u>	<u>3,333</u>	<u>1,340</u>	<u>2,430</u>	<u>2,975</u>

a/ Excludes P.L. 480

The basic issue concerns the level of assistance to Israel. We understand that your primary concern is to avoid creating the expectation of continued aid at the very high 1976 levels, while at the same time avoiding the appearance of a punitive reduction in aid levels to Israel. The assistance levels to the other countries are largely based on the perceived balance with Israeli aid.

SECRET - GDS

Arguments for the State Appeal

- The \$700 million reduction in total aid to Israel from the 1976 level of \$2.3 billion would be interpreted by the Israelis as punitive.
- It would also be viewed by Israel as further evidence of lack of U.S. support at a time when we are not supporting them on other issues (e.g., PLO participation in UN debates).
- The State appeal program of \$2.0 billion, a \$400 million increase over your earlier decision, is judged to be the minimum necessary to substantially ease these Israeli concerns and continue the flow of military equipment perceived as essential by the Israelis.
- The State proposed increase in aid to the Arab countries is primarily required to balance the increase for Israel.
- The \$1.35 billion in military financing is needed to assure financing for military imports at the full MATMON level in both 1976 and 1977.



Arguments for Maintaining Your Initial Decision

- The \$1.6 billion level should provide adequate psychological assurance of U.S. support in view of the high level of military imports, without encouraging Israeli intransigence.
- The \$1.6 billion aid level for Israel meets essential economic import needs and provides for high levels of military imports (full MATMON in 1976 and 1/3 MATMON in 1977), whereas the \$2.0 billion level would more than cover full MATMON in both years.
- Military imports even approaching the MATMON B levels for 1976-1980 will be highly destabilizing and are likely to force an escalation of the Arab military buildup. (The draft NSSM 231 study indicates that the MATMON B level of Israeli military purchases should be rejected and the level held to the minimum needed for essentially political purposes since Israel's defense capabilities are fully adequate through 1980 without any new orders from the U.S.)
- Increases in aid to the other countries are programmatically unjustified and would merely increase excessive Syrian foreign exchange reserves and add to the large pipeline in the Egyptian aid program and further encourage the Egyptian refusal to follow IMF and U.S. Government recommendations for essential economic reform.

- Finally, the State appeal would raise the "base" from which future aid levels will be calculated and would increase 1977 outlays by about \$200 million.

(2) Latin America FMS Credit Levels

(Program in \$ millions)

	1976	1977			State Appeal
		Original Request	OMB Recom.	Presidential Decision	
FMS Credits	180	238	180	185 115	238

State recommends reconsideration of your decision to request \$185 million in 1977. Principal increases within the \$238 million regional program would be in Brazil (up from \$60 million in 1976 to \$90 million), Argentina (up from \$34 million in 1976 to \$50 million), and Chile (up from nothing in 1976 to \$20 million). These and some smaller increases for Bolivia and Colombia would be partially offset by dropping Venezuela, Mexico, and the Bahamas.

Arguments for the State Appeal

- The increase for Brazil is necessary to preserve our position as the primary source of military equipment for Brazil's forces.
- The Argentine program must be increased to accommodate Argentina's force modernization plans and maintain our overall relations with a country where the military is taking increasing responsibility for government.
- The \$6 million increase for Bolivia is needed to offset the phaseout of grant MAP.

Arguments for Your Earlier Decision

- The \$185 million already provides a small increase over the 1976 request, and is substantially above the \$134 million the region was able to utilize in 1975.
- The \$185 million level is adequate to cover desired increases for Bolivia and Colombia, allow up to \$20 million for Chile, and permit funding Brazil and Argentina at the 1975-76 levels.
- Secretary Simon opposes increases for Argentina as a poor credit risk.
- Congress is likely to delete funds for Chile for human rights reasons and may question a 50% increase for Brazil on similar grounds.

(3) Philippines

(Program in \$ millions)

	1976	1977			State Appeal
		Original Request	OMB Recom.	Presidential Decision	
Grant MAP	19.6	20	15	15	20
FMS Credits	17.4	20	25	25	20
	37.0	40	40	40	40

Arguments for the State Appeal

- We are about to enter negotiations with the Philippines on the status of our military bases and on the entire range of our bilateral economic relations. A reduction in our MAP level would probably toughen Philippine positions on both these issues.
- It is Ambassador Sullivan's judgment that if our MAP level falls much below \$20 million, the Philippines will demand rent for continued use of the bases.
- You already approved a MAP level of \$19.6 million for Indonesia in FY 1977. We should not have a lower MAP figure for the Philippines, which permits us to have bases on its soil, than for Indonesia. The Philippines is highly sensitive to such comparisons.

Arguments for Your Earlier Decision

- The MAP phasedown for the Philippines is part of a gradual worldwide substitution of FMS credits for grant MAP.
- The Philippines may request large increases in aid as part of the base negotiations, and the going-in position should not be increased above the minimum necessary.

Decisions

1. Israel

- Accept State appeal (\$2 billion) _____
- Reconfirm original decision (\$1.6 billion) _____
(OMB recommendation)

2. Jordan

- Accept State appeal (\$250 million) _____
- Reconfirm original decision (\$210 million)
(OMB recommendation) _____

3. Egypt

- Accept State appeal (\$650 million) _____
- Reconfirm original decision (\$550 million)
(OMB recommendation) _____

4. Syria

- Accept State appeal (\$75 million) _____
- Reconfirm original decision (\$70 million)
(OMB recommendation) _____

5. Latin America FMS

- Accept State appeal (\$238 million) _____
- Reconfirm original decision (\$185 million)
(OMB recommendation) _____

6. Philippines

- Accept State appeal (\$20 million MAP, \$20 million
FMS) _____
- Reconfirm original decision (\$15 million MAP, \$25
million FMS) (OMB recommendation) _____

CC: Official File - DO Records
 Director
 Director's chron
 Deputy Director
 Mr. Ogilvie
 Mr. Sanders
 Mr. Shaw
 Mr. Sisco - State Department
 Return - Room 8201, NEOB
 Return - Room 8236, NEOB



IAD:EGSanders/HJShaw:neh 12/11/75

BUDGET TOTALS
As of December 31, 1975
(In billions)

	<u>Outlays</u>	<u>Receipts</u>	<u>Surplus or Deficit(-)</u>
1976	\$372.7	\$297.4	\$-75.3
1977	393 ^{a/}	352	-41
1978	432 ^{a/}	408	-24
1979	448	467	+19

a/ Adjusted to include recommended additions.



4
9/17/79

OFFICE OF MANAGEMENT AND BUDGET
ABSTRACT OF CORRESPONDENCE

TO:	<input checked="" type="checkbox"/> The Director	<input type="checkbox"/> The Deputy Director
------------	--	--

FROM: Assistant Director for Budget Review

OUTGOING TO:

SUBJECT: Federal Civilian Employment

Attached is a status report on Federal civilian employment, as of December 26, 1975, listing the changes since the previous (12/17/75) report was prepared. This report reflects the results of a final verification, by the program divisions, of all employment data held by BRD. Future changes, if any, will likely be small ones of a "house-cleaning" variety, and should not significantly impact the totals shown in this report.

cc: Mr. O'Neill
Mr. Collier
Mr. Mitchell
Mr. Ogilvie
Mr. Oaxaca
Mr. Preston
Mr. Jura



CONTROL NO. _____

	PREPARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY
SURNAME AND DIVISION (Typed)	Oberlander BRD/RSB	Strauss BRD/RSB	McOmber BR				
INITIALS AND DATE	<i>OB</i> 12/26	<i>JS</i> 12/26	<i>MO</i> 12/26				

CIVILIAN EMPLOYMENT
 Estimates as of December 26, 1975

	(In thousands)	
	<u>Full-time Permanent</u>	<u>Total</u>
<u>Actual</u>		
June 30, 1975	1,917	2,106
September 30, 1975	1,913	2,113
<u>Planned</u>		
June 30, 1976	1,932	2,117
September 30, 1977	1,918	2,090

* * * * *

Changes

September 30, 1975 to September 30, 1977	+5	-23
June 30, 1976 to September 30, 1977	-14	-27

1977 BUDGET
CIVILIAN EMPLOYMENT STATUS REPORT
AS OF DECEMBER 26, 1975

	Estimates (in thousands)			
	June 30, 1976		September 30, 1977	
	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>
Estimates, as of December 17:	1937.6	2111.8	1917.6	2088.4
Major changes:				
Agriculture	-	+5.4	-	-
Defense-Military Functions	-5.1	-0.2	-	-
HEW	+0.1	+0.1	+0.5	+0.5
Interior	+0.4	+0.4	+0.5	+0.5
Justice	-	-	-	+0.2
Labor	-	+0.1	-	+0.2
Transportation	-	-	+0.1	+0.1
Treasury	-	-	-0.5	-0.5
ERDA	+0.1	+0.1	-	-
Selective Service System .	-1.2	-1.1	+0.1	+0.1
USIA	-0.2	-0.2	-	-
All other	+0.3	+0.5	+0.2	+0.2
Estimates, as of December 26, 1975:	1932.0	2116.9	1918.5	2089.7

1/ "All other" includes effects of minor adjustments in some of the larger agencies not listed (i.e. changes of less than 50).

Summary Comparison

	<u>June 30, 1975</u> Actual	<u>Sept. 30, 1975</u> Actual	<u>June 30, 1976</u> Estimate	<u>Sept. 30, 1977</u> Estimate
FTP	1917.4	1912.5	1932.0	1918.5
Total	2106.4	2113.1	2116.9	2089.7



AS OF : 12/26/75

AGENCY/SUBTOTAL/TOTAL	P.Y. FTP	P.Y. TOTAL	C.Y. FTP	C.Y. TOTAL	B.Y. FTP	B.Y. TOTAL
DEPARTMENT OF AGRICULTURE	79133	118986	80380	119380	80380	114020
DEPARTMENT OF COMMERCE	28667	35671	28906	36023	28654	36049
DEPARTMENT OF DEFENSE, MILITARY FUNCTIONS	954721	989323	930688	962275	924000	942000
DEPARTMENT OF DEFENSE, CIVIL FUNCTIONS	29069	33665	29096	33069	29096	32225
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE	129285	141804	134902	147402	128175	140675
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	15142	16881	14960	16885	15650	17275
DEPARTMENT OF THE INTERIOR	58088	79115	59118	78704	59228	80005
DEPARTMENT OF JUSTICE	49032	50961	51552	53171	51745	53462
DEPARTMENT OF LABOR	13219	14188	14576	16259	14910	16469
STATE DEPARTMENT	22324	23652	22939	24555	22947	24563
DEPARTMENT OF TRANSPORTATION	70345	72575	72394	74594	72598	74798
DEPARTMENT OF THE TREASURY	108138	119281	113995	124118	109955	120647
* CABINET LEVEL AGENCIES	1557163	1696102	1553506	1686435	1537338	1652188
ENERGY RESEARCH & DEVELOPMENT ADMIN.	7457	7973	8335	8965	8425	9149
ENVIRONMENTAL PROTECTION AGENCY	9160	10172	9550	10565	9550	10565
GENERAL SERVICES ADMINISTRATION	36400	38219	36768	38768	35989	37989
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	24333	25638	24316	25711	23816	25211
VETERANS ADMINISTRATION	184502	209123	196608	222759	198149	226505
AGENCY FOR INTERNATIONAL DEVELOPMENT	6185	6587	6152	6627	6152	6627
CIVIL SERVICE COMMISSION	6670	7974	6835	8315	6864	8344
FEDERAL ENERGY ADMINISTRATION	2978	3245	3200	3200	1791	1791
NUCLEAR REGULATORY COMMISSION	2006	2217	2289	2589	2529	2743
PANAMA CANAL	13768	14988	13840	15040	13840	15040
SELECTIVE SERVICE SYSTEM	2121	2256	170	227	90	90
SMALL BUSINESS ADMINISTRATION	4127	4698	4339	4792	4434	4764
TENNESSEE VALLEY AUTHORITY	14084	28242	15100	29420	15500	32130
UNITED STATES INFORMATION AGENCY	8662	8783	8800	9004	8800	9004
* LARGE INDEPENDENT AGENCIES	322453	370115	336302	385982	335929	389952
FINAL TOTAL	1879616	2066217	1889808	2072417	1873267	2042140
TOTAL NUMBER OF ITEMS RETRIEVED	26					





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

December 24, 1975



MEMORANDUM FOR: JAMES T. LYNN
FROM: CALVIN J. COLLIER
SUBJECT: GSA Public Buildings

We need a final decision on the Public Buildings matter right away.

The decision to go ahead with full funding of all pending prospectuses poses serious problems because:

- It requires a request for \$318 million in budget authority (with about \$79 million in FY 1977 outlays) as set forth in detail in Tab A;
- But the Federal Building Fund (FBF) will only have \$50 million available in FY 1977.

The reduced size of the FBF next year results from our earlier decision to cut GSA's requested SLUC rates. That decision cannot be reversed at this time.

There are several options:

OPTION 1: Approve all prospectuses and provide for full funding through legislation that would authorize appropriations to the FBF coupled with a request for appropriations of \$268 million (\$318 million minus \$50 million).

Advantages:

- Would implement full funding decision.

Disadvantages:

- The Hempstead building should probably be scaled down in scope.
- The Phoenix prospectus has not yet been analyzed.
- None of the new buildings are cost-effective.

- Alternative analysis to support the new buildings on other grounds (e.g., downtown renewal, jobs, public convenience through consolidation) cannot be completed in time to meet budget deadlines.
- Legislation to provide appropriations to the FBF is inconsistent with the FBF concept and, in view of dissatisfaction with the SLUC system, could very well result in Congress abolishing FBF, SLUC, and the user charge principle these systems stand for.

OPTION 2. Unlink prospectus approval from funding. Request funds for already approved prospectuses (specifically, those which have been approved by Congress, plus the Madison Courthouse) totalling \$22.5 million. Proceed with further analysis looking toward prospectus approval for Springfield, Providence, Witchita, some version of Hempstead, and maybe Phoenix. Do not request funds for these new buildings on the grounds that the FBF is depleted.

Advantages:

- Allows further prospectus analysis that might provide a better basis for affirmative decisions.
- Provides convincing explanation for declining to fund new buildings.
- Prospectus approval will provide some satisfaction to those who want these buildings, even without immediate funding.
- Will permit further work on prospectuses to scale down Hempstead, digest Phoenix, and perhaps reduce Witchita or Providence.
- Does not risk tampering with or destruction of FBF and SLUC systems.

Disadvantages:

- Implies spending of \$22.5 million in budget authority and \$7.5 million in outlays in FY 1977 against the \$395 ceiling.



- Implies approval of prospectuses that are cost-ineffective.

OPTION 3. Same as Option 2 except no commitment to approve prospectuses for Springfield, Providence, Witchita, Hempstead, or Phoenix.

OPTION 4. No funding for new construction in FY 1977 and no commitment on new prospectuses. This represents the OMB recommendation and is consistent with previous guidance.

Advantages:

- Programmatically justified in tight budget year.
- Will make prospectus disapproval more explainable to interested persons.
- Avoids programmatic anomaly of extremely tight budget for GSA repairs and alterations (which is a better use of funds) in favor of lower priority new construction.

Disadvantages:

- Will be unpopular.
- May be reversed by Congress.

DECISION

- OPTION 1 _____
- OPTION 2 _____
- OPTION 3 _____
- OPTION 4 _____
- See me _____



Attachment

<u>Project</u>	<u>BA</u> <u>(millions)</u>	<u>Outlays (millions)</u> ^{1/}			<u>Present value cost per square foot</u>	
		<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>Existing Space</u>	<u>Proposed building</u>
<u>Approved by OMB</u> <u>and Congress.</u>						
Augusta, Georgia - building conversion.....	.8					
Atlanta, Georgia - building conversion.....	1.8					
Blaine, Washington - border station.....	3.1					
East St. Louis, Illinois - new building.....	5.4					
Los Angeles, California - parking facility.....	5.6					
Subtotal.....	16.7	4.2	8.3	4.2		
<u>Approved by OMB -</u> <u>awaiting Congress.</u>						
Madison, Wisconsin - courthouse.....	5.8					
Washington, D. C. - Penn. Ave. annex.....	88.2					
West Los Angeles - parking facility.....	9.3					
Subtotal.....	103.3	25.8	51.7	25.8		



1/ Outlay distribution assumes a spendout of 25% in the first year, 50% in the second year and 25% in the third year, based on historic experience.

<u>Project</u>	<u>BA</u> <u>(millions)</u>	<u>Outlays (millions)</u> ^{1/}			<u>Present value cost per square foot</u>	
		<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>Existing space</u>	<u>Proposed building</u>
<u>Pending at OMB -</u> <u>recommend denial</u>						
Springfield, Massachusetts new building.....	14.7				\$110	\$208
Wichita, Kansas - new building	28.2				80	200
Providence, Rhode Island - new building.....	31.9				90	235
Hempstead, New York - new building.....	84.0				96	280
Subtotal.....	158.8	39.6	79.1	39.6		
<u>Pending at OMB -</u> <u>not yet analyzed</u>						
Phoenix, Arizona - new building.....	40.3	10.1	20.1	10.1		
Grand Total.....	318.6	79.1	159.2	79.1		



1/ Outlay distribution assumes a spendout of 25% in the first year, 50% in the second year and 25% in the third year, based on historic experience.

Alternative Pay Raise Assumptions

	Fiscal Year 1977		(dollars in millions)	
	Existing Comparability	Proposed Comparability ^{1/}	Proposed Alternative Plan ^{2/}	Changes from Last Budget Estimates
Civilian:				
Civilian Agencies				
White collar	1,778	972	726	140
Wage Board	94	7	34	-3
Defense				
White collar	1,057	579	432	85
Wage Board	368	26	127	-94
Total Civilian				
White collar	2,835	1,551	1,158	225
Wage Board	462	33	161	-97
Military	2,662	1,398	1,043	200
Total	5,959	2,982	2,362	328
Civilian agencies	(1,872)	(979)	(760)	(137)
Defense	(4,087)	(2,003)	(1,602)	(191)
Rates of Increase:				
White collar and military	11.5	6.3	4.7	
Wage Board	9.8	0.7	3.4	

^{1/} - CSC changes on White Collar plus Panel legislative proposals on Wage Board

^{2/} - 5% maximum on White Collar. 3% minimum on all.



Tobacco Subsidies
in FY 1977 Budget



Net expenditure (outlay) estimates included in the 1977 budget for stabilizing incomes of tobacco farmers are summarized in the table below.

<u>Type of tobacco</u>	(Millions of dollars)		
	<u>Price support program</u>	<u>PL 480</u>	<u>Total</u>
Flue cured	38.8	14.8	53.6
Burley	28.2	3.9	32.1
Other	1.4	--	1.4
Total 1977	68.4	18.7	87.1
1970	87.4	--	87.4
1976	323.4	14.8	338.2
1975	-129.2	18.0	-111.2

A 15 percent cut in marketing quotas for flue cured tobacco and assumptions that the 1976 crop will be of average quality and that demand will continue to be strong are responsible for the sharp reduction in tobacco outlays from 1976 and 1970.

The export payment program for tobacco is being phased out in 1976 so no money has been budgeted for this in 1977.

The extent to which the incomes of tobacco farmers are enhanced through the operation of the price support program is not, of course, fully reflected in the above figures. Most of the benefits flow directly to producers from tobacco users who must pay the higher prices which result from government production control and price support operations.

Other major Federal agricultural programs involving tobacco, and the approximate amount included in the 1977 budget are:

<u>Program</u>	<u>Million dollars</u>
Tobacco market news	0.5
Tobacco grading & inspection	5.1
Tobacco research in USDA	5.2

Tentative Listing
Information Topics
1977 Budget

Human and Community Affairs

1. Health services block grant
2. Social services block grant
3. Education block grant
4. Medicare
5. Social security (Decoupling and other reforms, rate increase)
6. Retirement funds generally (including proposal to remove 1% kicker) (may be combined with social security).
7. Food stamp program
8. Child nutrition block grant
9. Education impact aid
10. Higher education programs
11. Temporary employment assistance
12. CETA and summer youth program
13. Unemployment insurance proposals
14. Drug abuse program
15. Public health hospitals
16. Veterans-Quality Care
17. Veterans education program
18. Other reforms of veterans programs including reimbursement by private insurers for medical care and removal of duplicate burial benefits.
19. Housing -- programs
 -- planning (701) grants
20. Community development
21. Work Incentives programs
22. Welfare programs (including SSI)

Natural resources, energy and science

23. Research and development (Government-wide)
24. Waste treatment construction
25. Agricultural Conservation Programs
26. Flue-cured tobacco and peanut price supports
27. Space program
28. Energy initiatives
29. National parks
30. EPA water quality planning (208) grants and control agency grants.
31. Energy Independence authority proposal
32. Synfuels proposal

- 33. Tax credit for utilities
- 34. OCS receipts

National Security and International Affairs

- 35. Defense
 - a. -- to answer criticism that budget level is not high enough
 - b. -- to answer criticism that budget level is too high
- 36. Reserves and National Guard
- 37. Compensation and fringe benefit reforms -- Including pay increases, commissaries, etc.
- 38. Foreign assistance
- 39. Selective Service
- 40. Civil Defense
- 41. Export-Import Bank

Economics and Government

- 42. General revenue sharing
- 43. Postal Service subsidy
- 44. New York City financing
- 45. Highway program
- 46. Rail program
- 47. Aviation program
- 48. Water transportation program including waterways (user charges)
- 49. Law enforcement
- 50. Business assistance including small business
- 51. Regulatory agencies
- 52. Economic Development Administration and regional commissions
- 53. Rural development including rural water and waste disposal (perhaps combined with #52).

General

- 54. Pay increases
- 55. Tax proposals
- 56. Efforts to achieve operating efficiencies





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JAN 7 1977

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
 FROM: JAMES T. LYNN
 SUBJECT: Military Assistance to the Philippines

At our budget session last week, we discussed your earlier decision on the Philippines and the State appeal. At the time, I did not have a table showing your final decision. The table below shows the sequence of budget decisions. We are preparing the budget on the basis of your final decision.

(\$ in millions)

	1976 Budget	1977			Final Decision
		State Request	Initial Decision	State Appeal	
Grant MAP	19.6	20.0	15.0	20.0	19.6
FMS credit	17.4	20.0	25.0	20.0	20.0
Training	.8	.6	.6	.6	.6
	37.8	40.6	40.6	40.6	40.2

