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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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STATEMENT OF  
ELMER B. STAATS  
COMPTROLLER GENERAL OF THE UNITED STATES  
BEFORE THE  
SUBCOMMITTEE ON CONSUMER ECONOMICS  
OF THE  
JOINT ECONOMIC COMMITTEE  
ON  
BUDGET REDUCTIONS

Mr. Chairman and Members of the Subcommittee:

The Committee has furnished us with certain materials supplied by the Office of Management and Budget in response to your requests for justification of the items listed in the fiscal 1974 budget as "Outlay savings from program reductions and terminations, 1973-1975." In your letter of April 12, the Committee requested our analysis of these justifications "in terms of their general professional competence, to what extent they provide an analytical explanation of why the budget cuts were made, if adequate consideration was given to the impact the cuts would have on sectors of the economy, and to what extent the Administration's budget cuts represent real savings in budget outlays for fiscal 1974." The Committee further wished to have our judgment as to whether we believe that the material provided the Committee "is an adequate basis for Congress to make decisions about the benefits and costs of the programs being terminated or reduced."

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Our response to the Committee's request must necessarily be limited for several reasons. First, we have had an extremely short time to review the material. As you recognize, the material supplied by the Office of Management and Budget is extremely brief. The discussion in the budget documents itself is even less complete. Secondly, we have not obtained backup information from the Office of Management and Budget, and moreover, agency budget justifications prepared for the appropriations committees are not available to us. Normally, the subcommittees of the appropriations committees or the legislative committees, where applicable, would examine through agency hearings the detailed basis for the types of reductions and program modifications outlined in the material supplied to the Committee.

With this overall qualification, we are happy to provide such comments as we can in our presentation today.

First of all, there is nothing new about the idea of having a section in the budget dealing with savings from program modifications and terminations. This has been common practice of different Presidents over many years. Undoubtedly, the reductions listed in the 1974 budget include possibly more items and are probably more controversial than any which I can recall, and there may well be items which are improperly included in a list described as program reductions and terminations. In some instances, for example, it would appear that a reduction below the agency's request is included as an outlay savings. I note, for example, on page 52 an item, entitled "reduce procurement of Safeguard,

aircraft, missiles, and ships," involving savings of \$650 million in 1974 and 1.3 billion in 1975. I assume that the decision not to proceed with an ABM site in the Washington area accounts for this in part but the portion relating to aircraft, missiles, and ships would appear to be simply a reduction below the Defense Department's request. A cursory review of the list would indicate that this is true with a number of other items.

We all recognize that agency requests almost without exception exceed the amounts which the President finds possible to include within the total which he is prepared to support. If the logic of including these items were to be pursued, the list would have included all reductions below agency requests. It is difficult to understand how these can be accurately considered as "outlay savings."

The second type of question relates to the appropriateness of including as an "outlay savings" the increased return of lease sales on the outer continental shelf to increase domestic oil production which is taken in the budget as an offset to expenditures. The item involves more than \$1.5 billion in the two years 1974 and 1975. A similar question relates to the return to the United States of advances to the Organization for European Cooperation and Development resulting from termination of the European Monetary Agreement on December 31, 1972. Under this agreement, the OECD agreed to return the original U.S. contribution and a portion of the funds earnings. \$241.5 million, representing 118 million in cash and a 123.5 million in claims against the Treasury, were taken as a receipt in the Budget offsetting 1973

foreign economic assistance outlays. In my opinion, both these items should have been properly considered as receipts rather than savings. If they had been considered as receipts, they would have, of course, entered into the totals of the budget deficit and surplus but not in a list of outlay savings.

Still another question is illustrated by the termination of categorical community development programs in favor of urban special revenue sharing. The termination of model cities, urban renewal and other community development programs is shown as a savings of approximately \$750 million. These are more than offset by a legislative proposal of \$2.3 billion for special revenue sharing elsewhere in the budget document. Nevertheless, the item is carried as an outlay saving. A similar question arises with respect to the savings which are listed under income security on page 53 where it would appear that the budget takes credit for the lower statutory ceiling enacted by the Congress on social services grants. This action had been taken prior to the preparation of the budget and it is, therefore, difficult to understand the rationale of its inclusion in the list of projected outlay savings. With the legislative change, the amount could not have increased and, therefore, no savings would have taken place.

A different type of question arises with respect to the item on page 57 where savings of \$390 million are attributed to a change in the allocation of retirement costs from the Civil Service Retirement Fund to the Postal Service. These costs will be incurred and must be paid for out of one fund or the other, that is, they must be paid for

either out of general revenues or postal revenues, or from transitional Postal Service appropriations. Incidentally, the Postal Service disagrees that the change in the funding to the Postal Service can be accomplished without legislation.

These questions are not intended to be critical of the need for the budget formulation process to examine all possibilities for savings whether they be through management improvements, program reductions and terminations, or whether they be through recasting programs to achieve the benefits at lower costs or more effectively at the same cost. This is a legitimate and important function of the budgetary process. At the same time, under the Budget and Accounting Act, Congress must examine each such recommendation or proposed action by the President to determine the desirability of the proposed action, including the validity of the claimed savings associated with the proposed action. In other words, are the claimed savings "real" savings or do they appear somewhere else in the budget under a different heading and are the savings realistic appraisals as to desirability of reducing or terminating a program and substituting in its place a different approach? Accordingly, regardless of the existence of or the adequacy of studies in support of proposed budgetary proposals, value judgments will always play an important part in the overall budget formulation and review process.

My general point is that the questions which the Committee is addressing are difficult to separate from the review of the entire budget submitted by the President to the Congress. Unquestionably, the committees which will be reviewing individual agency budget requests and considering legislative proposals of the executive branch will examine them in detail. It is important, however, to recognize at the same time that many questions can legitimately be raised with respect to the validity of the figures which have been included in the total list of outlay savings as well as the propriety of including certain proposed actions on the list. In other cases, the Committee may wish to address itself to analytical studies in greater depth bearing upon the substance of the proposed actions.

### Adequacy of "Analytical Justification"

With regard to whether adequate consideration was given by the administration to the impact the cuts would have on sectors of the economy, our conclusion is that the material standing alone does not reveal this. We can assume that the administration considered many factors in arriving at decisions as to what and how much to cut. The adequacy of such consideration, however, would be extremely difficult to assess in the time available even if information and data much more in depth than the OMB material were readily available. Some of the kinds of questions which could be addressed in analytical studies and on which information would be necessary or desirable before congressional action can be illustrated by selected examples drawn from those actions requiring substantive legislation listed on page 50 of the Budget.

The first action listed proposes to eliminate a present option for a lump-sum payment with reduction of subsequent monthly benefits for certain beneficiaries of the Old Age, Survivors, and Disability Insurance Program, with estimated budget outlay savings of \$310 million in each of 1974 and 1975. The OMB material does not discuss the original purpose in granting an option to the beneficiaries and the extent to which this purpose might be compromised by the proposed legislation change. Also, the material does not disclose the basis for the estimates or whether they considered the offsetting effect of higher monthly benefits against the savings from elimination of the lump-sum payments.

The third action listed proposes to legislatively reform cost-sharing under the Medicare program as well as to implement effective utilization reviews in that program. The OMB material does not provide information on how the estimated 1974 and 1975 budget outlay savings of \$616 million and \$1.3 billion were arrived at, or how much of these amounts are attributable to the proposed legislative and administrative actions, respectively. Also, the material does not indicate whether the estimates considered the extent to which the increased Medicare deductible and copayment amounts and resultant reductions in budget outlays would be offset by increased financing of such deductible and copayment amounts by the Federal and State governments under the Medicaid program.

The fifth action listed would eliminate duplicate burial benefits through legislation requiring that burial benefits for veterans of \$250 each be reduced by the amount of burial benefits available under the Social Security Act and other law. The OMB material does not indicate whether, in estimating reduced budget outlays of \$54 million annually, consideration was given to the increased costs of administration which would be required to determine in each individual case the entitlement amount for burial benefits.

The sixth listed action would legislatively require the income of spouses to be considered in determining amounts of veterans' pensions, contributing to an estimated savings of budget outlays of \$223 million in 1974 and \$227 million in 1975. The OMB material does not provide information



on how the income of a spouse will be considered in computing pension benefit amounts and does not indicate whether consideration was given in the estimates to the possible disincentive the spouse might have to work to supplement the family income.

These examples suggest only a few of the types of information which should be available to the Congress prior to action on the contemplated legislative proposals.

Validity of the Amount of Claimed Savings  
in Budget Outlays

As pointed out in the Subcommittee staff study released last Friday, the question of whether claimed savings in budget outlays are real presents some problem of definition. In general, we would not disagree with the statements on page 6 of the staff study that an outlay savings could result from either a reduction in the level of program outlays from one year to the next or an action that leads to a reduction in the rate of increase in outlays, as authorized or contemplated by existing law, from one year to the next. In other words, funds which in the absence of the specific action would have been expended, will not be expended.

Although it appears that many of the "savings" shown in the budget listing of program reductions and terminations follow this definition, not all of the "savings" can be considered permanent since many of the actions are in the nature of deferrals of outlays to later periods rather than permanent reductions. Also, although certain of the "savings" appear to be permanent in the context of the particular program being reduced or terminated, they seem to be at least partially offset or eliminated by increases or contemplated increases in other parts of the Budget or by reductions in receipts.

We have prepared a series of schedules which are attached to my statement which classify the different "savings" items for fiscal year 1974 in accordance with the characteristics I have discussed and certain other characteristics. These classifications were prepared by my staff rather quickly and generally using only information contained in the budget and the OMB material. Accordingly, we are sure that with more time and information the classifications could be improved upon and refined.

I believe it would be useful here to illustrate the different kinds of savings with a few examples.

With regard to deferred expenditures or outlays, the first item on page 50 again illustrates a point. Although the legislative elimination of optional lump-sum payments under the OASDI program is estimated to reduce outlays in each 1974 and 1975 by \$310 million, the savings will be generally offset by increased monthly benefit payments in future years.

The fiscal year 1974 savings of \$471 million for the Corps of Engineers and \$123 million for the Bureau of Reclamation (items 30 and 55 in the OMB material) also appear to represent largely deferrals of outlays through deferring or slowing down construction projects.

As previously mentioned, the termination of several community development programs illustrate savings in budget outlays in one part of the budget which will be offset by contemplated increases in other parts of the budget. As another example of possible offset, item 16 of the OMB material indicates that some part of a \$94 million 1974 savings will be due to shifting some forest road construction from direct Federal funding to financing by timber purchasers with corresponding allowances against the

purchase price. Accordingly, it would appear that much of the outlay savings would be offset by reduced receipts.

In addition to the characteristics I've mentioned and illustrated, many of the savings in budget outlays are dependent upon either substantive legislative action or upon the successful implementation of administrative improvements and reforms. As we all know, many legislative proposals require careful and time-consuming congressional consideration and debate. Accordingly, some of the estimated savings may not be achieved or achieved when expected due to delays in the legislative process.

Also, as much as administrative improvement and reform may be desired and justified, it is often difficult to bring about. For example, item 49 in the OMB material relates to eliminating overpayments and payments to ineligible recipients of public assistance with savings of \$592 million in each 1974 and 1975. We all know that this area has been difficult to administer for many years and it is quite likely that, as desirable as improvements may be, all improper payments will not be eliminated.

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As mentioned, our testimony today is intended to be responsive to your basic questions rather than to represent a complete or intensive review of the program reductions and terminations proposed in the Budget. We will be happy to lend our assistance to the Subcommittee in the future analysis of selected termination and reduction items in the future.

This concludes my prepared statement. We will be happy to respond to any questions that you or members of the Subcommittee may have.

GENERAL ACCOUNTING OFFICE  
CLASSIFICATIONS OF  
PROGRAM REDUCTIONS AND TERMINATIONS  
LISTED ON PAGES 50 THROUGH 57  
OF  
THE BUDGET OF THE UNITED STATES GOVERNMENT  
FISCAL YEAR 1974  
BASED ON INFORMATION SUBMITTED TO  
THE SUBCOMMITTEE ON CONSUMER ECONOMICS  
JOINT ECONOMIC COMMITTEE  
BY THE  
OFFICE OF MANAGEMENT AND BUDGET  
ON MARCH 19, 1973

Numbers used to designate the outlay savings on  
the several schedules are the same as those used  
on the Office of Management and Budget Submission

C o n t e n t s

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B.	Reduces outlays	22
C.	Affects only internal executive branch proposals	27
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E.	Reduces outlays; offset by reductions in receipts	29
F.	Increases receipts only; no significant effect on outlays	30

C o n t e n t s

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1. SUMMARY OF SAVINGS BY CLASSIFICATIONS

	<u>CLASSIFICATION</u>	<u>AMOUNTS</u>	
		<u>FY 1974</u>	<u>FY 1975</u>
A.	Those dependent on enactment of substantive legislation	\$ 597	\$ 622
B.	Those dependent on substantive program actions not requiring legislation	8,396.4	13,310.4
C.	Those dependent on actions of an administrative nature	4,155	4,060
D.	Those dependent on more than one type of action	<u>3,745</u>	<u>3,747</u>
	Total	<u>\$16,893.4</u>	<u>\$21,739.4</u>



2A    THOSE DEPENDENT ON ENACTMENT  
OF SUBSTANTIVE LEGISLATION

<u>ITEM</u> <u>NUMBER</u>		<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Health, Education, and Welfare		
1	Eliminate certain optional payment procedures under OASDI	\$310	\$310
2	Eliminate Federal financing for low-priority Medicaid services to adults	75	100
4	Improve structure of public assistance programs	158	158
	Veterans Administration		
<u>5</u>	Eliminate duplicate burial benefits	<u>54</u>	<u>54</u>
<u>4</u>		<u>\$597</u>	<u>\$622</u>

2B. THOSE DEPENDENT ON SUBSTANTIVE  
PROGRAM ACTIONS NOT REQUIRING  
LEGISLATION

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Funds appropriated to the President		
	Foreign economic assistance:		
7	Reduce programs of the Agency for International Development below levels previously budgeted	62	170
	Office of Economic Opportunity		
9	Reassign OEO activities and dis- continue direct Federal funding of community action organizations leaving support to local decision	328	390
	Department of Agriculture		
14	Eliminate cost-sharing for installa- tion of soil and water management practices on private lands and make corresponding reductions in technical assistance given through conservation programs	258	259
15	Limit the special milk subsidy to institutions not receiving sub- sidized milk through free and reduced price child feeding programs	59	77
	Department of Commerce		
18	Phase out Economic Development Administration programs in favor of more focused and consolidated efforts to stimulate economic development	35	56
19	Redirect or defer selected R. & D. programs of the National Oceanic and Atmospheric Administration which are not directly focused on national objectives or not critical now	41	-

Department of Commerce (continued)

20	Limit planned expansion of selected science and technology programs of National Bureau of Standards which could be delayed without significant adverse impact	10	7
21	Modify planned expansion of minority business enterprise program due to recent rapid growth in program and need to evaluate effectiveness	-	-
23	Provide planning funds directly to States for support of regional commissions and eliminate Federal participation	27	44

Department of Defense-Military

25	Reduce procurement of Safeguard, aircraft, missiles and ships	650	1,300
26	Limit growth in research, development, test, and evaluation programs	200	200
27	Reduce construction associated with Safeguard deployment, bachelor housing, and family housing	50	200

Department of Defense-Civil:Corps of Engineers

30	Slow scheduling of less critical navigation and flood control projects while meeting essential flood control, power, and water supply demands	471	650
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Department of Health, Education, and Welfare

Health:			
33	Rely on Federal health financing mechanisms to pay depreciation charges in place of medical facilities grant program and achieve quality care objectives through the professional standards review in place of the regional medical program	189	206

Department of Health, Education,  
and Welfare: (continued)

	Health:		
34	Phase out over an 8-year period, Federal financing for local mental health programs	63	75
35	Eliminate duplicative health program grants	53	53
36	Phase out training grant over a 3-year period and control the level of new research grants in selected nonpriority areas	57	67
37	Focus health manpower training support on areas of special need	49	54
	Education:		
	Substitute education revenue sharing for the Federal funding component of certain education programs and discontinue the Federal role in some areas:		
38	--foreign language and area training programs	13	14
39	--land grant college support	10	10
40	--university community services	15	15
41	--State departments of education	36	13
42	--payments to local school systems for certain federally related students	119	120
43	--public libraries and school library resources	49	135
43A	--certain narrowly focused categorical programs	53	76
44	Substitute private market mechanism for Federal capitalization of direct student loans	264	288
	Income security:		
45	Limit outlays through the operation of the Administration-supported statutory ceiling on social services grants (already enacted by the Congress)	2,700	4,700
46	Adjust the growth rate for voca- tional rehabilitation program	31	26

Department of Health, Education,  
and Welfare (continued)

	Income security:		
47	Limit to 5 years Federal funding responsibility for Cuban refugees	58	98
48	Institute quality control for social services research and training	31	62

Department of Housing and Urban  
Development

	Terminate categorical community development programs in favor of urban special revenue sharing:		
51	Model Cities	--	435
52	Urban Renewal	--	180
53	All other	7	130

Department of the Interior

54	Reduce construction activity on some roads and other capital improvements of relatively low priority in national parks, public lands, and Indian areas to less than anticipated rates in 1973 and 1974	10	13
55	Schedule water resources development construction by Bureau of Reclamation at less than anticipated rates except for hydro-power and water supply projects	123	113
56	Reorient saline water program to emphasize research on new technologies and deemphasize construction of large-scale test plants of known technology	14	21
57	Constrain land purchases for Federal recreation and wildlife areas and grants to States for purchase of recreation areas in 1973 and 1974 below anticipated levels	61	46

Department of Justice

60	Review prison construction program for its relationship to State and local facilities and impact of alternatives to incarceration on Federal prison population	28	-
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Department of Labor

63	Phase down the Emergency Employment Assistance program consistent with the increase in new jobs in the private sector	670	700
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Department of Transportation

68	Defer lower priority Coast Guard construction and research contracts	14	10
69	Reschedule FAA equipment purchase and long-range research that are not essential to air safety	35	-
70	Delay airport grants due to environmental and other problems	-	-
71	Reorder high-speed rail research and development, placing greater emphasis on near-term needs and deferring projects where results are not required for several years	41	5
72	Reduce operating subsidies for Amtrak	27	-
73	Focus UMTA research and development on immediate improvement programs and hold up contracts for some hardware developments awaiting additional studies and evaluations	26	5
74	Rephase intermodel transport research and development, focusing on immediate problems. Reduce selected research and development projects whose results are not required in the near term	7	6
75	Increase efficiencies of Coast Guard operations	10	3

Department of the Treasury

78	Delay construction of Federal Law Enforcement Training Center to assure resolution of environmental impact problems	12	-
Atomic Energy Commission			
81	Reduce space electric power and propulsion programs because of no current mission requirements	12	18
Environmental Protection Agency			
84	Action related to Federal Water Pollution Control Act amendments of 1972	950	1,950
National Aeronautics and Space Administration			
88	Delay the space shuttle to provide for a more orderly program buildup	45	75
89	Reduce other manned space flight	47	10
90	Defer the High-Energy Astronomy Observatory to allow NASA to study same program objectives at lower cost	68	56
91	Cancel Application Technology Satellite-G because research can be funded by industry without Government support	17	16
92	Reduce nuclear power and propulsion research since prospective applications are in the distant future	16	18
93	Cancel experimental STOL aircraft because of uncertainty on the timing of a commercial market	34	20
94	Reduce other technology and support consistent with the slower pace of the space program	-	-
95	Reduce NASA personnel and administrative expenses consistent with program reductions	24	24

revolving funds transactions, funds reserved or impounded and not apportioned, etc.

11. Updated reports on actual revenues for the current year, and estimates for the budget and later years, based on alternative economic assumptions.

12. Analyses of the costs and benefits of alternatives to new legislative proposals or major expansions in existing programs, projected over a period of years. In this connection, it should be noted that section 221 of the Legislative Reorganization Act of 1970 provides that the President must submit by June 1 of each year estimates for four future fiscal years of the costs of programs which have a legal commitment for that period of time.

We believe consideration should be given to advancing the date for the submission of this information from June 1 to an earlier date. Perhaps it could be submitted to Congress with the Budget as are projections of the cost of proposals for new and expanded programs.

ASSISTANCE OF THE GENERAL ACCOUNTING OFFICE

The General Accounting Office is prepared to give high priority to assisting the Congress in carrying out legislation to achieve the objectives of the Joint Study Committee's



report. For many years, we have provided assistance to the committees of the Congress concerned with the annual authorization and appropriation processes. This assistance has taken the form of:

- Assigning staff members to work directly on the staff of the committees.
- Making special audits and studies of problems of special interest and concern to the committees.
- Providing annual summaries of significant audit findings and recommendations growing out of the continuing audit work of the GAO in all Federal agencies.
- Testifying on various matters on request.
- Commenting on proposed legislation.

I would now like to suggest some other ways in which we might assist the committees of the Congress who are involved in the authorization and appropriations process.

1. Analyses of budget justifications

If the detailed agency budget justifications which are now submitted to the appropriations committees and the legislative authorization committees were made promptly available to us, we could prepare analyses for each subcommittee which would relate our audit findings to budget areas where the committee may wish to consider modifications.

In addition to using completed reports, we could also provide preliminary information based on our ongoing work.

For many years, we have been providing the appropriations committees with compilations of significant audit findings for their use in considering agency budget requests. Without materially increasing our workload, we could relate these findings to specific requests for funds in the agency budget justifications.

If desired we could go even further and assist in analyzing agency budget justifications irrespective of the relationship to our audit findings. For example, on request, we have sometimes developed questions and issues for use by committees in hearings.

2. Assignment of staff

If the Congress decides to adopt the proposal of the Joint Study Committee to establish budget committees, we could assign staff members to assist in their work from time to time. This would be in line with current practice and could be particularly useful for the period when the overall budget total is being actively considered.

Veterans Administration

96	Reform veterans benefits adminis- tratively to align benefits and need	160	160
97	Reschedule construction activities	55	65
Pay raises for civilian agencies:			
108	Require absorption of most of January 1973 comparability increase	-	-
<u>21</u>		<u>\$4,155</u>	<u>\$4,060</u>

2D.  
THOSE DEPENDENT  
ON MORE THAN  
ONE TYPE OF ACTION

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Health, Education, and Welfare		
3	Reform Medicare cost-sharing and implement effective utilization review	616	1,300
	Veterans Administration		
6	Bring pensions into closer alignment with need	223	227
11	Department of Agriculture		
	Terminate rural water systems and water disposal grants which are replaced by loans, or to extent consistent with Water Pollution Control Act, EPA financing	100	150
12	Substitute regular loan assistance for emergency loans	-	-
16	Achieve economies in the Forest Service through tightened manage- ment, reduced State forestry support, and shifting con- struction of forest roads to timber purchasers	94	106
17	Curtail anticipated growth in Agriculture extension programs and reduce Federal support for agricultural research of primarily local benefit and low- national priority	34	34
	Department of Commerce		
22	Adjust maritime ship operating subsidies due to delays in Russian grain ship- ments	-	-
	Department of Defense - Military		
24	Reduce military and civilian personnel and other operations costs	1,200	400
28	Limit new spending for All-Volunteer Force and other legislation	400	500

2D.  
THOSE DEPENDENT  
ON MORE THAN  
ONE TYPE OF ACTION

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Housing and Urban Development		
50	Temporarily suspend new commitments under housing subsidy programs	305	612
	Department of Justice		
61	Return responsibility to functional agencies for Community Relations Service technical assistance program	4	4
	Department of Labor		
62	Reform manpower training programs administratively to accomplish the purposes of manpower special revenue sharing	354	250
65	Tighten the operations and manage- ment in the Department	10	10
	Department of Transportation		
67	States are deferring highway projects because of a lack of legislative authority	83	-
	Atomic Energy Commission		
80	Reduce Plowshare program to permit further economic and environmental study	3	3
82	Defer selected lower priority projects in the nuclear materials, weapons, civilian reactor, and research pro- grams	21	46
	Civil Service Commission		
100	Allocate proper retirement costs to the Postal Service	285	105

Note: Item 100 may increase need for transitional appropriation  
for Postal Service

2D.  
THOSE DEPENDENT  
ON MORE THAN  
ONE TYPE OF ACTION

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Washington Metropolitan Area Transit Authority		
107	Use bond proceeds to even out level of Federal contribution to subway construction	13	-
<hr/>		<hr/>	<hr/>
TOTAL	<u>17</u>	<u>3,745</u>	<u>3,747</u>

3. SUMMARY OF SAVINGS BY CHARACTERISTICS

<u>CHARACTERISTIC</u>	<u>AMOUNTS</u>	
	<u>FY 1974</u>	<u>FY 1975</u>
	(Millions)	
A. Timing changed with little effort on amount	\$ 1,563	\$ 2,393
B. Reduces outlays	7,457.4	9,463.4
C. Affects only internal executive branch proposals	2,450	2,400
D. Reduces outlays in one place, offset to some degree by other increases	-	-
E. Reduces outlays, offset by reductions in receipts	-	-
F. Increases receipts only; no significant effect on outlays	1,010	510
G. Reduction may be significantly offset by increased costs of administration	-	-
H. Reduction may be offset to some degree by changing incentive for work	-	-
I. Substitutes private for low interest Federal financing	373	695
J. More than one characteristic	<u>4,040</u>	<u>6,278</u>
	<u>\$16,893.4</u>	<u>\$21,739.4</u>

CHARACTERISTICS OF OUTLAY SAVINGS

4A TIMING CHANGED WITH LITTLE  
EFFECT ON AMOUNT

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Health, Education, and Welfare		
1	Eliminate certain optional payment procedures under OASDI	\$ 310	\$ 310
	Department of Commerce		
20	Limit planned expansion of selected science and technology programs of National Bureau of Standards which could be delayed without significant adverse impact	10	7
	Department of Transportation		
67	States are deferring highway projects because of a lack of legislative authority	83	-
68	Defer lower priority Coast Guard construction and research contracts	14	10
69	Reschedule FAA equipment purchase and long-range research that are not essential to air safety	35	-
70	Delay airport grants due to environ- mental and other problems	-	-
71	Reorder high-speed rail research and development, placing greater emphasis on near-term needs and deferring projects where results are not required for several years	41	5
73	Focus UMTA research and development on immediate improvement programs and hold up contracts for some hardware developments awaiting additional studies and evaluations	26	5
74	Rephase intermodal transport research and development, focusing on immediate problems. Reduce selected research and development projects whose results are not required in the near term	7	6



Department of Transportation (continued)			
76	Stretch out the termination payments on the SST	-	-
Department of the Treasury			
78	Delay construction of Federal Law Enforcement Training Center to assure resolution of environmental impact problems	12	-
Environmental Protection Agency			
84	Actions related to Federal Water Pollution Control Act amendments of 1972	950	1,950
National Aeronautics and Space Administration			
88	Delay the space shuttle to provide for a more orderly program buildup	45	75
Tennessee Valley Authority			
106	Slow scheduling of construction activity on projects underway and postpone increases in other programs	<u>30</u>	<u>25</u>
<u>14</u>		<u>\$1,563</u>	<u>\$2,393</u>

4B REDUCES OUTLAYS

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Health, Education, and Welfare		
2	Eliminate Federal financing for low-priority Medicaid services to adults	75	100
	Funds appropriated to the President Foreign economic assistance		
7	Reduce programs of the Agency for International Development below levels previously budgeted	62	170
	Office of Economic Opportunity		
9	Reassign OEO activities and discontinue direct Federal funding of community action organizations leaving support to local decision	328	390
	Department of Agriculture		
10	Reduce the cost of farm price support programs consistent with rising farm income prospects and achievement of foreign sales agreements: --Reducing direct payment to farmers --Stopping export subsidies --Increasing crop loan interest --Terminating old crop loans --Tightening storage facility loan eligibility	1,219	1,234
12	Substitute regular loan assistance for emergency loans	-	-
	Department of Commerce		
21	Modify planned expansion of minority business enterprise program due to recent rapid growth in program and need to evaluate effectiveness	-	-

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Commerce		
23	Provide planning funds directly to States for support of regional commissions and eliminate Federal participation	27	44
	Department of Defense--Military		
29	Tighten operations of revolving and management funds	200	100
	Department of Health, Education, and Welfare--Health		
32	Strengthen Medicaid management	175	200
33	Rely on Federal health financing mechanisms to pay depreciation charges in place of medical facilities grant program, and achieve quality care objectives through the professional standards review in place of the regional medical program	189	206
	Department of Health, Education, and Welfare--Education		
	Substitute education revenue sharing for the Federal funding component of certain education programs and discontinue the Federal role in some areas:		
38	--foreign language and area training programs	13	14
42	--payments to local school systems for certain federally related students	119	120
43	--public libraries and school library resources	49	135
43A	--certain narrowly focused categorical programs	53	76

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Health, Education, and Welfare--Income Security		
45	Limit outlays through the operation of the Administration-supported statutory ceiling on social ser- vices grants (already enacted by the Congress)	2,700	4,700
48	Institute quality control for social services research and training	31	62
49	Eliminate overpayments and payments to ineligible recipients of public assistance and introduce manage- ment improvements	592	592
	Department of the Interior		
56	Reorient saline water program to emphasize research on new tech- nologies and deemphasize construc- tion of large-scale test plants of known technology	14	21
57	Constrain land purchases for Federal recreation and wildlife areas and grants to States for purchase of recreation areas in 1973 and 1974 below anticipated levels	61	46
59	Reduce other costs not accounted for in program reductions above	2	-
	Department of Labor		
62	Reform manpower training programs administratively to accomplish the purposes of manpower special reve- nue sharing	354	250
63	Phase down the Emergency Employment Assistance program consistent with the increase in new jobs in the private sector	670	700
66	Allocate proper unemployment benefit costs to the Postal Service	26	26

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
Department of Transportation			
75	Increase efficiencies of Coast Guard operations	10	3
77	Increase efficiencies of FAA operations	20	-
Department of the Treasury			
79	Reduce personnel, travel, and related costs	9	9
Atomic Energy Commission			
81	Reduce space electric power and propulsion programs because of no current mission requirements	12	18
82	Defer selected lower priority projects in the nuclear materials, weapons, civilian reactor, and research programs	21	46
83	Reduce inventory and working capital requirements	(35)	-
General Services Administration			
85	Provide more efficient guard service in public buildings	3	3
86	Require more effective supply practices	25	-
87	Reduce new computer procurements by improving utilization of existing equipment	9	-
National Aeronautics and Space Administration			
89	Reduce other manned space flight	47	10
91	Cancel Application Technology Satellite-G because research can be funded by industry without Government support	17	16
92	Reduce nuclear power and propulsion research since prospective applications are in the distant future	16	18

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	National Aeronautics and Space Administration		
93	Cancel experimental STOL aircraft because of uncertainty on the timing of a commercial market	34	20
94	Reduce other technology and support consistent with the slower pace of the space program	-	-
95	Reduce NASA personnel and administrative expenses consistent with program reductions	24	24
	Civil Service Commission		
99	Limit the level of the intergovernmental personnel assistance grant program pending evaluation	1	5
100	Allocate proper retirement costs to the Postal Service	285	105
	Subversive Activities Control Board		
105	Terminate as a result of court decisions limiting workload	.4	.4
	Pay raises for civilian agencies		
108	Require absorption of most of January 1973 comparability increase	-	-
<u>TOTAL</u>	<u>42</u>	<u>7,457.4</u>	<u>9,463.4</u>

Note: Items 66 and 100 may increase need for transitional appropriation for the Postal Service.

CHARACTERISTICS OF OUTLAY SAVINGS

4 C. AFFECTS ONLY INTERNAL EXECUTIVE  
BRANCH PROPOSALS

<u>ITEM NUMBER</u>		<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Defense-Military		
24	Reduce military and civilian personnel and other operations costs	\$1,200	\$ 400
25	Reduce procurement of Safeguard, aircraft, missiles, and ships	650	1,300
26	Limit growth in research, develop- ment, test, and evaluation programs	200	200
28	Limit new spending for All-Volunteer Force and other legislation	<u>400</u>	<u>500</u>
<u>4</u>		<u>\$2,450</u>	<u>\$2,400</u>

CHARACTERISTICS OF OUTLAY SAVINGS

4D. REDUCES OUTLAYS IN ONE PLACE  
OFFSET TO SOME DEGREE BY  
OTHER INCREASES

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Commerce		
22	Adjust maritime ship operating subsidies due to delays in Russian grain shipments	-	-
<u>1</u>		<u>-</u>	<u>-</u>

Note: Savings were in fiscal 1973.



4E REDUCES OUTLAYS; OFFSET BY  
REDUCTIONS IN RECEIPTS

(See item 16 under L)

CHARACTERISTICS OF OUTLAY SAVINGS

4F INCREASES RECEIPTS ONLY; NO  
SIGNIFICANT EFFECT ON OUTLAYS

<u>ITEM NUMBER</u>	<u>AGENCY AND PROGRAM</u>	<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Funds appropriated to the President		
8	Arrange for return of amounts advanced previously	-	-
	Department of the Interior		
58	Increase rate of lease sales on Outer Continental Shelf to increase domestic oil produc- tion thereby reducing outlays	<u>\$1,010</u>	<u>\$510</u>
<u>2</u>		<u>\$1,010</u>	<u>\$510</u>

4G REDUCTION MAY BE SIGNIFICANTLY  
OFFSET BY INCREASED COST OF  
ADMINISTRATION

(See item 5 under L)

4H REDUCTION MAY BE OFFSET, TO SOME DEGREE  
BY CHANGING INCENTIVE FOR WORK

(See items 4 and 6 under L)

CHARACTERISTICS OF OUTLAY SAVINGS

4I SUBSTITUTES PRIVATE FOR LOW-INTEREST  
FEDERAL FINANCING

<u>ITEM NUMBER</u>		<u>SAVINGS (MILLIONS)</u>	
		<u>Fiscal 1974</u>	<u>Fiscal 1975</u>
	Department of Agriculture		
13	Decrease the large interest subsidy by the Rural Electri- fication Administration through use of Rural Development Act 5% insured loans vice 2% direct loans	\$373	\$695
<u>1</u>		<u>\$373</u>	<u>\$695</u>

4J MORE THAN ONE CHARACTERISTIC

ITEM NUMBER	AGENCY AND PROGRAM	SAVINGS (IN MILLIONS)	
		FY 1974	FY 1975
	Department of Health, Education, and Welfare		
3	Reform Medicare cost-sharing and implement effective utilization review	616	1,300
4	Improve structure of public assis- tance programs	158	158
	Veterans Administration		
5	Eliminate duplicate burial benefits	54	54
6	Bring pensions into closer alignment with need	223	227
	Department of Agriculture		
11	Terminate rural water systems and waste disposal grants which are replaced by loans, or to extent consistent with Water Pollution Control Act, EPA financing	100	150
14	Eliminate cost-sharing for installa- tion of soil and water management practices on private lands and make corresponding reductions in tech- nical assistance given through conservation programs	258	259
15	Limit the special milk subsidy to institutions not receiving sub- sidized milk through free and reduced price child feeding programs	59	77
16	Achieve economics in the Forest Service through tightened management, reduced State forestry support, and shifting construction of forest roads to timber purchasers	94	106
17	Curtail anticipated growth in Agri- culture extension programs and reduce Federal support for agricultural research of primarily local benefit and low-national priority	34	34
	Department of Commerce		
18	Phase out Economic Development Admin- istration programs in favor of more focused and consolidated efforts to stimulate economic development	35	56
19	Redirect or defer selected R. & D. programs of the National Oceanic and Atmospheric Administration which are not directly focused on national objectives or not critical now	41	-

Department of Defense--Military

27	Reduce construction associated with Safeguard deployment, bachelor housing, and family housing	50	200
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Department of Defense--Civil: Corps of Engineers

30	Slow scheduling of less critical navigation and flood control projects while meeting essential flood control, power, and water supply demands	471	650
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Department of Health, Education, and Welfare--Health

31	Strengthen Medicare cost controls and eliminate unnecessary advance payments for hospitals	277	431
34	Phase out, over an 8-year period, Federal financing for local mental health programs	63	75
35	Eliminate duplicative preventive health program grants	53	53
36	Phase out training grant over a 3-year period and control the level of new research grants selected in nonpriority areas	57	67
37	Focus health manpower training support on areas of special need	49	54

Department of Health, Education, and Welfare--Education

	Substitute education revenue sharing for the Federal funding component of certain education programs and discontinue the Federal role in some areas:		
39	--land grant college support	10	10
40	--university community services	15	15
41	--State departments of education	36	13
44	Substitute private market mechanism for Federal capitalization of direct student loans	264	288

Department of Health, Education, and  
Welfare--Income Security

46	Adjust the growth rate for vocational rehabilitation program	31	26
47	Limit to 5 years Federal funding responsibility for Cuban refugees	58	98

Department of Housing and Urban  
Development

50	Temporarily suspend new commitments under housing subsidy programs	305	612
	Terminate categorical community development programs in favor of urban special revenue sharing:		
51	--Model Cities	-	435
52	--Urban Renewal	-	180
53	--All other	7	130

Department of the Interior

54	Reduce construction activity on some roads and other capital improvements of relatively low priority in national parks, public lands, and Indian areas to less than anticipated rates in 1973 and 1974	10	13
55	Schedule water resources development construction by Bureau of Reclamation at less than anticipated rates except for hydropower and water supply projects	123	113

Department of Justice

60	Review prison construction program for its relationship to State and local facilities and impact of alternatives to incarceration on Federal prison population	28	-
61	Return responsibility to functional agencies for Community Relations Service technical assistance program	4	4

Department of Labor

64	Increase efficiency of employment and unemployment insurance services	35	35
65	Tighten the operations and management in the Department	10	10



Department of Transportation			
72	Reduce operating subsidies for Amtrak	27	-
Atomic Energy Commission			
80	Reduce Plowshare program to permit further economic and environmental study	3	3
National Aeronautics and Space Administration			
90	Defer the High-Energy Astronomy Observatory to allow NASA to study same program objectives at lower cost	68	56
Veterans Administration			
96	Reform veterans benefits administratively to align benefits and need	160	160
97	Reschedule construction activities	55	65
98	Restructure research in line with current needs	13	27
Corporation for Public Broadcasting			
101	Maintain previous years level of support	-	-
National Science Foundation			
102	Curtail lower priority institutional and also educational programs pending development of plans to meet new program objectives	-	-
103	Reductions due to effect of the above curtailment and other selective reductions	32	-
Small Business Administration			
104	Reduce direct business loan program of Small Business Administration as needs are met by increased participation of private banking community through SBA guaranteed loans	41	34

Washington Metropolitan Area  
Transit Authority

107	Use bond proceeds to even out level of Federal contribution to subway construction	<u>13</u>	<u>-</u>
<u>45</u>		<u>\$4,040</u>	<u>\$6,278</u>