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HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET

VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

AND THE

JOINT ECONOMIC COMMITTEE

(Together with Separate, Minority, Additional, Dissenting, and Supplemental Views)

ON THE

CONGRESSIONAL BUDGET FOR FISCAL YEAR 1979

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974



MARCH 15, 1978

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*At time of printing the information was not received.

INTRODUCTION

The Congressional Budget and Impoundment Control Act of 1974 sets up a timetable for various phases of the Congressional budget process, prescribing the actions to take place and setting the dates for their completion.

One of these steps, set forth in section 301(c) of the act, calls for the submission of the views and estimates of each standing committee of the House and Senate on spending which relates to its jurisdiction. These reports are due March 15, 1 month in advance of the reporting date of the first concurrent resolution on the budget.

The reports are important to the proper functioning of the congressional budget process and, accordingly, are made manadatory by the act. They provide the Budget Committees in the House and Senate with an early and comprehensive indication of committee legislative plans for the next fiscal year. These reports contain the committees' estimates on those items which are required to be contained in the first budget resolution for the next fiscal year.

Section 301(c) states:

(c) *Views and Estimates of Other Committees.*—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses—

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions.

On February 9, 1978, the Chairman of the House Budget Committee, Mr. Giaimo, sent a letter to House committee chairman, requesting these views and estimates. A copy of that letter is reprinted here.

MAJORITY MEMBERS
GEORGE H. MAHON, TEX.,
CHAIRMAN

Congress of the United States
House of Representatives
Committee on Appropriations
Washington, D.C. 20515

jc

MINORITY MEMBERS

March 15, 1978

Honorable Robert N. Giaimo
Chairman
Committee on the Budget
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

In accordance with Section 301 of the Congressional Budget Act of 1974, enclosed herewith is the Committee on Appropriations' report on Views and Estimates on the Budget Proposed for Fiscal Year 1979.

Sincerely,

Chairman

HOUSE OF REPRESENTATIVES

COMMITTEE ON APPROPRIATIONS

VIEWS AND ESTIMATES

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1979

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

TO THE

BUDGET COMMITTEE

TOGETHER WITH ADDITIONAL VIEWS

MARCH 14, 1978

U.S. GOVERNMENT PRINTING OFFICE
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INTRODUCTION

The Committee on Appropriations submits the following report in compliance with Section 301(c) of the Congressional Budget and Impoundment Control Act of 1974.

The committee emphasizes that this report identifies certain contingencies and areas of the budget that need further examination and that the report should not be interpreted as recommendations of the Committee on Appropriations.

At this time the committee has only begun the fiscal year 1979 budget process. Hearings, during which hundreds of witnesses from the Executive branch, the Congress, and the public will be heard, have not been completed and much information remains to be developed before any recommendations can be made. Thus, it is not possible at this time to make specific recommendations in this report. However, the committee has identified areas and contingencies that may possibly lead to changes in the budget and that deserve further consideration. The Committee on Appropriations, of course, will make its own specific recommendations to the House when it reports the various appropriation bills that are now being developed by the individual subcommittees. Thus the final determination of the items and totals will not likely be completed until June when all appropriation bills are expected to be reported to the House.

The committee emphasizes that the contingencies identified herein in no way reflect an overall recommendation on the Federal budget as to its size or its priorities. These views and estimates reflect what might happen if certain events take place. It is felt that by identifying such contingencies, this report will provide the Budget Committee and the House with additional information on factors that may affect the President's budget request now before the Congress.

COMMITTEE PROCEDURE

The Budget Act requires that the Congress adopt by May 15 of each year a concurrent resolution setting forth the appropriate target levels of total budget authority and total outlays, the level of revenues, the level of debt, and the appropriate amount of surplus or deficit in the budget. The report of the Budget Committee on this concurrent resolution is also to include an estimate of budget authority and outlays for each major functional category in the budget. Accordingly, this report is presented on the basis of major budget functions. It incorporates the views of the thirteen appropriation subcommittees with respect to the programs and activities under their respective jurisdictions. These views and estimates were drafted and approved by the subcommittees prior to March 1 and the consolidated report by functions was approved by the full committee on March 14.

THE BUDGET RESOLUTION—A FOCAL POINT FOR TAXING AND SPENDING

The committee reiterates the fact that one of the principal objectives of the Budget Act was to create a mechanism for the Congress to relate consciously the two sides of the Budget—revenues provided by taxes and spending generated by various appropriations and other devices. In previous years, the committee has stated its opinion that this objective has not been adequately met. In studying the content of reports accompanying concurrent resolutions on the budget and in reflecting on markup sessions and staffing patterns, the committee has gained the impression that disproportional attention is directed to the spending side of the budget as opposed to the tax side. Perhaps this is natural.

But this year, much more so than in recent years, the focal point of the budget is the President's tax proposals. The centerpiece of the budget is the so-called $25 billion tax cut—an aggregate figure composed of a wide variety of tax increases and decreases. These proposals are complex and there are many alternative courses of action available to the Congress which should be thoroughly considered and illuminated concurrently with the spending totals, the functional priorities and the debt level. The committee believes that the Congress now has its best recent opportunity to focus on macroeconomic considerations in working its will on the fiscal year 1979 budget. The spending proposals in the budget generally do not represent sharp departures from previous budgets. While there are certainly differences of opinion in regard to appropriation requests, it is more or less business as usual.

This year the critical decisions—and those which promise to impact more immediately on a recovering economy are on the revenue side of the budget. Certainly, these two equally important aspects of the budget deserve the equal and concurrent consideration of the Congress.

TIMELY AUTHORIZATIONS FOR APPROPRIATIONS

For the last two years the committee has called attention in this report to the need for more timely enactment of bills providing authorizations for appropriations. The budget control legislation mandates that a well-ordered sequence of events occur so that the objectives of the budget act may be met. It was contemplated that authorizations be in place before the appropriations were marked up each year. Experience of the last two years has produced evidence that the May 15 reporting deadline for authorization bills is just too late to permit the process to work as envisioned.

Due to the time constraints inherent in the budget control legislation, the committee has found it necessary during the last two years to mark up appropriation bills in late April and early May. The plan is the same this year. Obviously, legislation not reported by this period—let alone legislation passed by the House and agreed to by committees of conference—cannot be adequately taken into consideration in drafting appropriation bills. Among other consequences, the committee has been obliged in June of the last two years to seek waivers of the rules on more than half the appropriation bills due to the lack of authorization for appropriations.

While the progress on hearings on authorizing bills in legislative committees suggests that there may be some improvement in the

overall situation this year, the committee continues to be concerned that the congressional budget process is weakened by this lack of timeliness.

CONTROL OF FEDERAL CREDIT PROGRAMS

The committee has observed with increasing concern the continued growth in size and scope of Federal credit programs. Federal loans and loan guarantees outstanding will grow from some $285 billion in the fiscal year which ended last September 30 to $360 billion next fiscal year. These loans and guarantees represent an increasingly important factor in total Federal resource allocation and have a significant impact on the Nation's financial markets. It is noted that most direct federal obligations are reviewed by Congress in the budget process but that some of the direct loan programs and all loan guarantee programs are not included in the budget and not subjected to the same review.

The budget states that the administration will propose to Congress a set of control procedures for Federal credit programs with the objective of achieving a systematic method to consider such programs in concert with other Federal fiscal activities. It is indicated that the administration's recommendation may include Presidential requests for approval of limitations in the annual appropriation bills on the specific amounts of loans and loan guarantees for each program together with the suggestion that Congress adopt similar controls in its budget process including in the budget resolutions. The committee believes this entire matter is worthy of careful study and is prepared to work with the Budget Committee and other committees in developing effective procedures.

Concern About Federal Fiscal Direction

On the first day of March of this year the federal debt subject to limit stood at $729 billion. In fiscal year 1979 it is estimated that the debt will rise to $867 billion. During this fiscal year and next fiscal year alone it is estimated that the debt will increase by about $167 billion. It is also estimated that during this period there will be an increase in outstanding federal credit in the form of loans and loan guarantees of some $85 billion.

The federal government has incurred a string of huge budget deficits and increases in the national debt in recent years. During the severe recession of 1974–75, justification for such a fiscal posture could be reasonably entertained on the grounds that strong economic stimulus measures were required to reverse the worst recession since the depression of the 1930's. The economic philosophy which calls for heavy deficits in depressed times also calls for surpluses or at least equilibrium in improved times. The country is in its third year of economic recovery and while the recovery has not been equally shared in all segments of the economy and in all regions and localities, there continues to be reasons for encouragement.

In view of recent patterns and at a time of economic recovery, the Congress and the Executive Branch must be especially careful in deliberating spending and tax decisions which will dictate irreversible Federal fiscal direction for the immediate future. It may be indicated that the proper and prudent course of action at this time is to continue

the heavy deficit pattern of the recent past in the interest of sustaining economic recovery. Certainly, such a course is appealing if it leads to anticipated balance or surplus somewhere just ahead. But the history of projected margins of surplus or balance is that they tend to fade and then disappear. Examination of projections contained in prior budgets under other administrations will show this. Those balance or surplus projections proved to be mirages.

In view of the $65 billion deficit, the $89 billion increase in the public debt, and the $25 billion tax cut, the Congress must very carefully consider the direction of federal fiscal policy and the ability and willingness of future Congresses to change course.

The following sections of this report identify the major contingencies that will impact on the fiscal year 1979 budget.

NATIONAL DEFENSE

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	42,447,736	.....	12,519,185	12,519,185
Not requiring authorization	84,265,626	34,124,968	69,370,401	103,495,369
Subtotal	126,713,362	34,124,968	81,889,586	116,014,554
Supplementals (including outlays from 1978 supplementals)	.....	45,172	.....	45,172
Proposed legislation and rescissions	−66,200	.....	−65,200	−65,200
Allowances	2,371,100	.....	2,353,200	2,353,200
Subtotal, appropriation requests	129,018,262	34,170,140	84,177,586	118,347,726
Proposed legislation, not through the appropriation process	−176,800	.....	−176,800	−176,800
Permanents, trust funds and revolving funds	9,892	10,978	9,512	20,490
Offsetting receipts	−412,204	.....	−412,204	−412,204
President's budget requests	128,439,150	34,181,118	83,598,094	117,779,212

Functional Description

This function includes those programs directly related to the common defense and security of the United States. It includes the raising, equipping, and maintaining of armed forces, including civilian supporting activities; and development and utilization of weapons systems, including nuclear weapons.

The function provides direct compensation and benefits paid to active military and civilian personnel; contributions to their retirement, health, and life insurance funds; military retired pay; the conduct of defense research, development, testing, and evaluation; and procurement, construction, stockpiles, and other activities undertaken with the direct objective of fostering our national security. Included are the military activities of the Department of Defense, atomic energy defense activities, and the defense related activities of civilian agencies including the GSA and the Selective Service System.

Excluded from national defense are military assistance programs to other nations since these have become predominantly a foreign aid program; and benefits or compensation to veterans and their dependents since these are provided when the recipient is no longer actively contributing to our national defense. Also excluded are the conduct of foreign relations, foreign economic development and humanitarian assistance, subsidies to business by civilian agencies which may be partially justified as promoting national security, and research and operations of agencies such as space research whose program could result in some significant benefits to our national security.

Committee Views

DEFENSE PROGRAMS

Any recommendations by the committee on the fiscal year 1979 Defense budget must be considered to be preliminary at this time. The committee had not had the opportunity to completely review the new budget at the time at which this report is being submitted.

However, some hearings have been held, including hearings with the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, the Service Secretaries, and the Chiefs of Staff of the Services. Thus, the recommendations of the Committee at this time have some foundation but many assumptions must be made and much additional examination will be conducted during the next six weeks.

The estimates submitted for the part of the "National Defense" budget function carried annually in the Defense Appropriation Act total $119.3 billion in budget authority and $109.8 billion in outlays. This compares with appropriations of $109.8 billion in budget authority for fiscal year 1978. The increase of approximately $10.5 billion is about two-thirds related to economic inflation and about one-third to real growth in military preparedness.

In addition, the Budget includes contingencies for both fiscal years 1978 and 1979 primarily for pay increases granted, or to be granted, by law. The sum for 1978 related to the Defense Appropriation Bill is $2.8 billion and the sum for 1979 is approximately $2.3 billion. The budget resolution must include a reasonable amount for anticipated pay increases.

In the committee's view the level of budget authority requested is within a reasonable range of what is required. Reports of continued military build-ups by the Soviet Union require some continued increases in real growth by the United States. Also, the request includes additional funds for our increased commitment to NATO. The committee may differ with the Administration as to some of the individual programs and projects to be funded. There are probably some programs for which no funds are requested in the budget which the committee will consider to be worthy of support. There are also probably some budgeted programs which the committee will consider to be unnecessary and will recommend be deleted. Although it is too early to speak with certainty, it appears that the committee's recommended additions and deletions will roughly, within a few percentage points, balance and the total sum recommended will be close to the budget request.

LEGISLATIVE PROPOSALS

Pursuant to the requirements for implementation of the Budget Control Act, the committee must set forth budgetary contingencies. The listing of these contingencies does not necessarily indicate support by the Committee on Appropriations of any of the legislative proposals. Among the contingencies included in the fiscal year 1979 Defense estimates are legislative proposals which, if enacted, will reduce budget authority a net $82 million. The net reduction results from proposed increases of $84 million for such items as increased family separation allowances for enlisted military personnel, particularly in the Army and Air Force; increased sea pay and quarters allowance for Navy personnel; and other minor items. A decrease of $166 million would result from enactment of blue collar civilian personnel pay reform legislation and the elimination of dual compensation for reservists undergoing active duty training. It is too early to tell whether or not the proposed legislation will be enacted. To the extent enactment is not forthcoming on any of the proposals, allowances in budget authority must be made in the budget resolution.

MILITARY CONSTRUCTION

The fiscal year 1979 military construction request of $4,253 million represents an increase of $1,275,280,000 or 43 percent over the fiscal year 1978 appropriated amount. This increase results from a partial lifting of the temporary moratorium that was imposed in order that a review could be conducted of the overall base structure of the Services.

The level of funding proposed for fiscal year 1979 is generally adequate to accommodate the highest priority and most important military construction projects. Although the funding level as proposed appears proper, the committee may, after a more detailed review, make adjustments that reflect more current information or different priorities. The following areas will be carefully reviewed:

NATO

This year's request of over $600 million is the largest single request for military construction in the history of the NATO alliance. The committee will address the questions of the Services' ability to properly execute a program of this size, the proposed prefinancing of projects under NATO infrastructure criteria, and the ability of our NATO allies to bear a greater share of these costs.

Energy conservation

The total request for energy conservation in fiscal year 1979 is $140 million. The committee has supported efforts to conserve energy in the past and will continue to do so. However, a more careful scrutiny of accomplishments to date and the cost-benefits of this investment is warranted.

Security of nuclear and chemical weapons storage

The committee continues to be concerned about the storage of nuclear and chemical weapons. Recent media reports indicate that deficiencies may exist in the security of storage facilities for these weapons. Additional funding may be necessary to address this problem. No estimate of these costs has been made at this time.

OTHER MILITARY CONSTRUCTION CONTINGENCIES

In addition to the above areas, allowances should be made for the other contingencies which have not been included in the military construction budget.

The Department of Defense has proposed extending overseas travel privileges to junior enlisted personnel. This is intended to reduce the financial burden imposed on these enlisted men by paying the costs of transporting their dependents to overseas stations. In questioning DOD witnesses on the financial impact of this program in terms of additional construction requirements (family housing, hospitals, commissaries etc.) and other costs that may result from the proposal, the committee was not satisfied that the full implications and costs have been thoroughly reviewed and presented to the Congress. Because of this, and because there may be significant future costs that are uncertain at this time, the committee has reservations about the entension of this benefit.

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The budget does not include funds to implement the President's proposal to relocate the 2d Infantry Division from Korea to the United States. Should this proposal begin in fiscal year 1979, funds would have to be added as necessary for the first increment of construction. This could be $50 million in fiscal year 1979.

The Panama Canal treaty requires that certain U.S. military installations be turned over to Panama shortly after ratification. This may result in a requirement for military construction funds to accommodate realignments of U.S. forces. Funds in the amount of $10 million in fiscal year 1979 may be required.

The Department of Defense has indicated that it will submit to Congress a proposed list of military base closures and realignments. Because these may require construction of facilities at permanent installations for activities that are being relocated from bases that are being closed, additional funding may be required in fiscal year 1979. No estimate can be made at this time of funding required for this contingency.

There are requirements for minor construction, alterations and repairs that can be undertaken on many military installations without extended periods of planning or design. These activities can be used to create employment fairly rapidly in areas where critical unemployment exists.

INTERNATIONAL AFFAIRS

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	6,588,640	−44,748	3,495,046	3,450,298
Not requiring authorization	4,380,535	3,278,800	1,556,875	4,835,675
Subtotal	10,969,175	3,234,052	5,051,921	8,285,973
Supplementals (including outlays from 1978 supplementals)		35,161		35,161
Proposed legislation and rescissions				
Allowances				
Subtotal, appropriation requests	10,969,175	3,269,213	5,051,921	8,321,134
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	13,076,895	7,600,612	2,014,619	9,615,231
Offsetting receipts	−10,245,098		−10,245,098	−10,245,098
President's budget requests	13,800,972	10,869,825	−3,178,558	7,691,267

Functional Description

This function is concerned with the establishment and maintenance of peaceful relations, commerce, travel, and development between the United States and the remainder of the world. It includes the conduct of foreign affairs, membership in international organizations, foreign information and exchange activities, economic assistance programs military assistance programs, and grant and loan programs designed to foster foreign commerce.

These activities are carried out through the Funds appropriated to the President, Agency for International Development, the Departments of State, Agriculture, Transportation, and independent agencies, including ACTION (Peace Corps). the United States Information Agency, the Export-Import Bank, the Arms Control and Disarmament Agency, and the International Trade Commission.

Committee Views

FOREIGN ASSISTANCE PROGRAMS

The budget authority requested for items in the foreign assistance bill amounts to $8,409,820,919 for fiscal year 1979 as compared to $6,772,654,000 which has thus far been appropriated in fiscal year 1978. This is an increase of $1,637,166,919 or 24 percent over the current fiscal year. In addition to the 1978 supplemental just recently approved by Congress, there are also pending before Congress, other fiscal year 1978 supplemental requests which will change the fiscal year 1978 base amount according to final actions by the Congress. The outlays from current authority associated with the budget authority requested for fiscal year 1979 amount to $2,623,065,000.

The major part of the $1.6 billion increase over fiscal year 1978 can be attributed to the international financial institutions (Asian Development Bank, Inter-American Development Bank, World Bank,

International Development Association, International Finance Corporation, African Development Fund). The fiscal year 1979 requests for these institutions total $3,504,597,919 which compares to $1,925,500,000 appropriated for fiscal year 1978, an increase of $1,579,097,919 or 82 percent.

In addition to these increases requested for foreign aid in fiscal year 1979, the budget states that "The administration is firmly committed to increasing economic aid levels substantially over the next 5 years and to improving aid effectiveness."

Contract authority of $12.3 billion is requested in fiscal year 1979 for the Foreign Military Sales trust fund which compares to $11.1 billion in fiscal year 1978. This is a cash account and finances the cash sales of defense articles to foreign countries but does not require appropriation action.

Also, $5,360,860,000 is requested in fiscal year 1979 for limitations on the use of corporate funds for the Export-Import Bank. The limitations are carried in the Foreign Assistance Appropriation Bill but no appropriation of budget authority is required.

Historically, the foreign aid requests have been reduced and the committee feels the fiscal year 1979 budget requests will not be an exception. However, the amount of this reduction will depend on the congressional support of the Middle East peace settlement, its support of the development assistance initiatives it helped to establish and its support of the International Financial Banks because a great deal of the funds requested in fiscal year 1979 are in these areas.

A large part of the budget authority requested in fiscal year 1979 will require authorization. Of the total budget authority of $8,409,820,919 requested for fiscal year 1979, $3,634,417,919 is presently authorized. The authorized programs are as follows:

Program	*Budget authority*
1. Payment to the Foreign Service Retirement and Disability Fund	$24, 820, 000
2. Sahel Development Fund	90, 000, 000
3. U.S. Emergency Refugee and Migration Assistance Fund	15, 000, 000
4. International financial institutions	3, 504, 597, 919
Total	3, 634, 417, 919

In addition to the regular fiscal year 1979 requests transmitted to Congress and mentioned above, there are a number of areas where increases could and, in some cases, no doubt will be included.

Some programs that could be increased in fiscal year 1979 follow:

(*a*) The amount included for Southern Africa under supporting assistance is substanitally below fiscal year 1978 so this item could be increased in light of the support expressed last year.

(*b*) There is no request under supporting assistance for Lebanon in fiscal year 1979 and funds may be added to the bill to correct this situation.

(*c*) A small amount is included for Cyprus ($5 million) in fiscal year 1979 under supporting assistance and this could be increased.

(*d*) The American Schools and Hospitals Abroad program will be increased above the $8 million requested for fiscal year 1979.

(*e*) There may be a budget amendment submitted to cover the movement of additional Indochinese refugees to the United States and other parts of the world.

(*f*) The military assistance program includes no funds in fiscal year 1979 for Greece and Turkey. If the defense cooperation agreements are approved during the year, additional military assistance funds would be requested.

The committee cautions that potential increases are not limited to these areas.

All contingencies cannot be foreseen or predicted during a particular fiscal year. Additional amounts could be requested in fiscal year 1979 depending on how particular political and economic situations progress during the year. For example, additional funds could be requested by the administration, or provided by Congress, for reconstruction, disaster relief or a special assistance effort in a particular country or area. Also, some disaster (famine, flood, earthquake, etc.) may occur during the year which would require additional funding.

PUBLIC LAW 480

For the Public Law 480 program the committee believes the $805,900,000 in budget authority and $1,068,680,000 in outlays, the same as the budget request is realistic. These funds would provide for a total availability in fiscal year 1979 of $1,413,280,000, or $26,832,660 more than was available for fiscal year 1978. The projected volume of commodities to be shipped in fiscal year 1979 under Public Law 480 is proposed at the same level as in fiscal year 1978—5.1 million tons under title I and 1.6 million tons under title II. However, because of expected increases in ocean transportation costs, an increase in overall Public Law 480 program costs of $26.9 million is requested. The difference between total budget authority ($1.4 billion) and new budget authority ($805 million) results primarily from carryover funds and loan repayments.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	5,132,470		3,558,801	3,558,801
Not requiring authorization	79,818	1,501,529	12,318	1,513,847
Subtotal	5,212,288	1,501,529	3,571,119	5,072,648
Supplementals (including outlays from 1978 supplementals)		1 370		1,370
Proposed legislation and rescissions				
Allowances				
Subtotal, appropriation requests	5,212,288	1,502,899	3,571,119	5,074,018
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	5,370	20	4,552	4,572
Offsetting receipts	−1,578		−1,578	−1,578
President's budget requests	5,216,080	1,502,919	3,574,093	5,077,012

Functional Description

This function includes science and research activities of the Federal Government where the goal is man's general advancement of knowledge. In addition, research programs that have diverse goals and cannot readily be classified into one specific function are also placed here to avoid detailed splitting of accounts.

Included in this function are general scientific research programs that are not an integral part of the programs conducted under another function. This includes space research and technology, except aeronautical technology of NASA; research conducted by the National Science Foundation; and the broad-based scientific activities of the Department of Energy.

Research programs that are an integral part of the achievement of other major functions—e.g., health, national defense, energy—are excluded from this function. Only if a research program cannot readily be included in other functions is it classified in this function.

Committee Views

The National Aeronautics and Space Administration and the National Science Foundation make up the largest share of the general science, space, and technology function of the budget. The total request for NASA in 1979 is $4,371,600,000. This is an increase of $353,660,000 above 1978. Although there may be some readjustments within the total requested, the amount appears reasonable for fiscal year 1979.

The National Science Foundation is requesting $934,000,000 in 1979, an increase of $72,700,000 above 1978. The committee expects that ultimate actions taken on the 1979 request will be well within the budget as proposed for this agency.

ENERGY

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	9,813,809		2,938,853	2,938,853
Not requiring authorization	337,854	4,719,418	310,025	5,029,443
Subtotal	10,151,663	4,719,418	3,248,878	7,968,296
Supplementals (including outlays from 1978 supplementals)		1,035,457		1,035,457
Proposed legislation and rescissions	342,000	−1,700	342,000	340,300
Allowances				
Subtotal, appropriation requests	10,493,663	5,753,175	3,590,878	9,344,053
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	2,500	1,239,365	2,500	1,241,865
Offsetting receipts	−951,776		−951,776	−951,776
President's budget requests	9,544,387	6,992,540	2,641,602	9,634,142

Functional Description

This function includes those programs whose primary purpose is to promote the conservation and development of energy resources through research and applications of nuclear power, fossil fuels, solar and other energy resources. It encompasses development of additional energy resources and technologies; that will increase production from domestic energy resources; energy conservation programs involving energy saving technology and grants to promote conservation practices; emergency energy preparedness; and energy information and regulation. Agencies that carry out these activities include the Department of Energy, Nuclear Regulatory Commission, Environmental Protection Agency and the Department of Agriculture.

Committee Views

ENERGY SUPPLY PROGRAMS

The administration's budget requests reflect a decrease of over $396 million from 1978 funding levels for energy supply programs, as follows:

Research and technology development	−$112,108,000
Production demonstration and distribution	−281,050,000
Environmental research	−8,703,000
All other programs	+5,633,000
Total	−396,228,000

These reductions reflect, in part, administration emphasis on conservation programs to reduce demand. However, most nonadministration analyses (GAO, CRS, OTA, CBO) indicate that administration projections of reduction in demand through conservation programs are much too optimistic and believe that additional supply options are needed to reduce oil imports and balance demand.

Reductions have been made in programs which have had strong congressional support in the past, for instance solar energy, hydroelectric power development, nuclear energy and energy-related environmental research. In addition, the budget reflects only moderate increases in key programs which have large potential for near and midterm addition to energy supplies including geothermal energy, biomass conversion and others.

For the past three years, Congress has increased funding over proposed budget levels for solar energy, geothermal energy, environmental research and other research programs. There is a growing dispute between the Congress and the administration with respect to the policy and direction of the nuclear breeder program, which was reduced $150 million in fiscal year 1979 following a reduction of $144 million in 1978. While there has been some sentiment for a shifting of funds from nuclear to nonnuclear research, indications are that the Congress will not accept the administration's proposals entirely and funding for nuclear research may well be approved at a higher level than the budget provides. The DOE regulatory program has also been criticized as inadequate to meet the demands of a growing energy problem.

While it is too early to make a definitive assessment of these contingencies, the most likely upward pressures on 1979 funding for energy supply, conservation and regulatory funding will be in the order of $300 million in the programs identified above.

PETROLEUM RESERVES AND OTHER ENERGY

The committee believes that exploration of the national petroleum reserve in Alaska may be increased. The original drilling program called for 26 wells by 1979 but has been cut back to 19. It may be desirable to fund it closer to the original plan level.

Conservation

This program has increased 50 percent over fiscal year 1978 ($317 million), mainly for grant programs, such as weatherization and school and hospital conservation. The committee expects pressure to increase R. & D. considerably, particularly in electric vehicles. Reductions may be made in some energy conservation areas because of slippage in the timing of passage of National Energy Act provisions and delays in subsequent implementation.

Emergency preparedness

The bulk of funding is for the strategic petroleum reserve which assumes a future 1978 supplemental ($415 million), full funding of 500 million barrels of oil in 1979 and start on facility construction to reach 750 million barrels of storage. The 1979 appropriation request is $4.25 billion. Since the President's plan is to reach 500 million barrels of storage by the end of calendar year 1980, the oil funding appears excessive, and could possibly be reduced by up to $1.8 billion. This would have no outlay effect in fiscal year 1979. The 1978 supplemental proposed to be submitted ($415 million) does not appear necessary. The critical path is facility construction. Reductions here are not real savings, just delay to future years, since there is a commitment to the reserve.

Outer Continental Shelf leasing

The fiscal year 1979 estimate is $1.8 billion, which is the most realistic estimate in years. The fiscal year 1978 estimate is $2 billion, down $1.1 billion from the 1978 budget estimate of $3.1 billion. That drop-off is because of the rescheduling of four sales and lower receipts on sales that were held.

Rural Electrification

Budget authority and outlays for the Rural Electrification Administration appear to be reasonably in line with requirements. Some upward adjustment may be necessary in the REA loan programs, however, this should not necessarily impact on budget authority or outlays in fiscal year 1979.

ENERGY LEGISLATIVE PROPOSALS

The budget also identifies legislative proposals to increase the price of uranium enriching services which would add $163 million in offsetting revenues to the DOE budget. The $163 million is reduced by a second legislative proposal to fund remedial work at former Government and Government contractor facilities at a cost of $5 million in 1979 and additional funding as yet unidentified for future years.

The uranium enrichment pricing proposal has been before the Congress for three years. While it has been favorably considered by both the House and Senate on two occasions, in each case the Congress included important qualifying provisions unacceptable to the administration.

The proposal is bound to be examined in depth, with potential opposition from utilities, trade associations and foreign governments. Based on past experience its passage is very uncertain. Passage of the second legislative proposal is more likely, but also uncertain. These proposals result in a contingency of $158 million which would add to the budget amounts submitted by the Administration.

In addition, the President's proposed fuel efficiency initiative may result in additional funding requirements. The budget estimate is $1,833 million of which $500 million is within this function.

NATURAL RESOURCES AND ENVIRONMENT

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	1,187,538		896,723	896,723
Not requiring authorization	12,854,643	8,047,236	4,500,885	12,548,121
Subtotal	14,042,181	8,047,236	5,397,608	13,344,844
Supplementals (including outlays from 1978 supplementals)		420,003		420,003
Proposed legislation and rescissions	191,000		61,000	61,000
Allowances				
Subtotal, appropriation requests	14,233,181	8,467,239	5,458,608	13,925,847
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	503,306	232,440	135,903	368,343
Offsetting receipts	−2,072,223		−2,072,223	−2,072,223
President's budget requests	12,664,264	8,699,679	3,522,288	12,221,967

Functional Description

This function includes those programs whose primary purpose is to develop, manage, and maintain the Nation's natural resources and environment. It encompases development and management of water resources and hydroelectric power; protection and enhancement of environmental quality; development and maintenance of recreational resources; promotion of the prudent use of forest and mineral resources; the fostering of conservation practices on both public and private lands; and management of the public domain.

Agencies that carry out these activities include the Corps of Engineers, the Departments of Agriculture, Interior, and Commerce, the Environmental Protection Agency and the Tennessee Valley Authority.

Excluded from this function are urban water supply programs, basic sewer systems, and waste treatment plants that are an integral part of a Federal facility (such as a military installation) unless they are an integral part of an environmental protection program and are specifically funded as environmental protection.

Committee Views

PROTECTION OF LAND FOR FOOD PRODUCTION

The committee is convinced that adequate protection of the soil and water of this Nation is of the highest priority. Our rivers, streams and harbors are the repository of the millions of tons of top soil that erode away annually. Increased conservation efforts can protect the top soil and help to reduce the sediment in our rivers, streams and harbors. Such efforts can help to preserve the agricultural resource base for present and future generations. To assure adequate conservation efforts, we must continue to fund at current levels essential conservation programs, such as the agricultural conservation program, resource conservation and development, the forestry incentives program, the Great Plains program and the work of the Soil Con-

servation Service. Accordingly, the committee has identified contingencies in the 1979 budget for such purposes in the amount of $394 million in budget authority and $85.6 million in outlays.

ENVIRONMENTAL PROTECTION AGENCY

A total of $1,127,600,000 is requested for the operating budget of the Environmental Protection Agency in 1979. This is $278,797,000 above the current level. The 1979 budget proposes substantial increases in grants to States for implementation of the Clean Air Act and other EPA programs. Overall, State program grants increase from $159,-200,000 in 1978 to a proposed level of $187,600,000 in 1979. In view of the large surpluses currently projected in State budgets, some modest decrease in this activity may be possible.

In addition, the budget proposes $4,500,000,000 for the waste water construction grants program. This is the same amount as requested and included in the 1978 supplemental bill and $575,000,000 less than the level authorized in 1979. With the supplemental enacted so recently, the $4,500,000,000 request for 1979 *could* be potentially reduced. Providing the full $9,000,000,000 requested within a short time frame may overload EPA's, the States, and municipalities ability to manage adequately the program.

Although there are substantial increases in EPA's 1979 operating budget and no shortfalls should occur in this area, it is important to note that there remain large unappropriated authorizations in the new Clean Air, Clean Water and Solid Waste Acts.

PUBLIC WORKS PROJECTS

The budget for 1979 contemplates a further termination and stretchout of the ongoing Corps of Engineers and Bureau of Reclamation projects. To restore the ongoing programs to an adequate level in 1979 could take an additional $350 million.

The administration has not proposed any new planning or construction starts for 1979. If the committee entertains requests for new starts in 1979, a contingency for an additional $100 million would exist.

A possible requirement in total of $450 million for water resource programs over the Administration's proposed budget is identified as a contingency. The fiscal year 1979 outlays associated with this contingency amount to about $248 million.

The administration has slowed the water resource development program down substantially in 1978 by proposing that some $57 million be transferred from the ongoing construction program to cover the pay raise supplemental. Further a substantial portion of the 1977 unobligated balance has been applied to reduce the 1979 budget request instead of accelerating the projects in the current year as contemplated in the 1978 appropriation billl.

This is particularly true with the Corps of Engineers where there is a minimum of $85 million applied to reduce the 1979 budget request rather than being used in 1978 to keep project completion on schedule.

The Office of Management and Budget has required the Corps of Engineers to absorb increases in workload with an ever decreasing employment ceiling. For example:

1. As a project is completed and moved into the operating status, the corps has had to transfer personnel spaces to operation and maintenance from their other activities.

2. The corps has had to absorb much of the section 404 permit work within existing ceiling.

3. The corps is expected, by OMB, to absorb the Dam Safety program within existing personnel ceilings.

4. The corps has been designated to supervise the Environmental Protection Agency's water quality construction program, and OMB has told them to do it within existing employment ceilings. This will require between 400 to 600 personnel.

If the administration's proposals for the Corps of Engineers are adopted for the next 5 years, the Corps of Engineers will not have an ongoing civil works program after 1985.

FOREST SERVICE PROGRAMS

The 1979 budget is approximately at the 1978 level for forest land management and below the 1978 level for forest research and State and private cooperation. The major change in the Forest Service budget is the inclusion of approximately $152.2 million in the 1979 budget for fighting forest fires which would normally be funded by a supplemental appropriation. It appears the 1979 budget level will be adequate if significant program adjustments are made within the overall budget, particularly in forest land management activities and the state and private forestry cooperation activities. The committee is presently of the opinion that any increase can be accommodated within the overall budget by changing budget priorities.

The forest roads program appears to be adequate although the program may have to be adjusted upwards if significant changes are made in the timber sales and harvest programs. One major problem area is in permanent positions, which are more than 200 below the 1978 level.

LAND MANAGEMENT

The 1979 budget for the Bureau of Land Management is $42.9 million above the 1978 enacted level. However, this increase is misleading because about $25.2 million of the increase is for advance funding of fighting forest fires which is normally included in a supplemental appropriation. The balance of the increase is made up of payments-in-lieu of taxes, revenues received to offset costs of rights-of-way and other monitoring costs. Also, there is a significant decrease in Outer Continental Shelf baseline environmental studies which is more than offset by increases in range, soil and water, wildlife, recreation management, and other smaller increases in the management of lands and resources account. Overall, the committee believes the budget is adequate with a few possible deficiencies in energy and minerals, development of management plans, and cadastral survey work.

OTHER NATURAL RESOURCES PROGRAMS

The committee notes there is a budgeted increase of $125 million in the Land and Water Conservation Fund over the 1978 level. There is a $63.7 million State program to implement acquisition of national heri-

tage areas. The request will leave a $175 million unappropriated but authorized balance. If the Redwoods Park expansion is enacted there may be a $125 million drawdown.

The Fish and Wildlife Service budget appears to the committee to be generally adequate. There may be moves to fund more wetland acquisition and hatchery construction.

With respect to the National Park Service, there will be strong pressure to increase funding for the Historic Preservation program to the $100 million authorized level for fiscal year 1979 which would represent a contingency of $55 million.

The Park Service land heritage construction budget is $50.7 million below the level previously planned. The committee is presently awaiting the results of an investigative study on this subject.

The budget of the Bureau of Mines reflects the same level of effort as fiscal 1978. There may be some inclination to increase health and safety research and development.

With respect to the Geological Survey, estimates for earthquake research are lower than the level recommended in the National Plan and the committee feels that additional funds for this program as well as water research may be provided.

With respect to the Office of Surface Mining and Enforcement, the budget reflects a large increase over the fiscal year 1978 supplemental (from $67 to $108 million). However, receipts for abandoned land reclamation are estimated at $200 million above plans for spending. Pressure may be to add more reclamation projects to use the $200 million surplus in the fund. There may also be pressure to add money for State mineral institutions.

AGRICULTURE

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization				
Not requiring authorization	2,665,152	−298,577	1,969,744	1,671,167
Subtotal	2,665,152	−298,577	1,969,744	1,671,167
Supplementals (including outlays from 1978 supplementals)		9,906		9,906
Proposed legislation and rescissions	4,503,435	990,903	−996,535	−5,635
Allowances				
Subtotal, appropriation requests	7,168,587	702,229	973,209	1,675,438
Proposed legislation, not through the appropriation process	−4,031,342		−1,080	−1,080
Permanents, trust funds and revolving funds	4,124,428	2,745,590	1,078,324	3,823,914
Offsetting receipts	−65,107		−65,107	−65,107
President's budget requests	7,196,566	3,447,819	1,985,346	5,433,165

Functional Description

This function includes those programs that promote the economic stability of agriculture and the capability to maintain and increase agricultural production. These are carried out through farm income stabilization activities that maintain agricultural markets, regulation of agricultural markets and practices, inspection of agricultural products, and losses from the disposal of surplus commodities. It also includes programs that provide research and technical, economic, and market information services to farmers, processors, distributors and consumers.

The function does not include programs which, though related to rural development, are not directly related to agriculture. Examples are rural environmental and conservation programs which are under the natural resources function.

Committee Views

PRICE SUPPORT PROGRAMS

The commodity price support, export credit sales, and storage facility loan programs are financed through the Commodity Credit Corporation. The outlays for any fiscal year generally relate to the previous crop year, in other words, fiscal year 1979 costs primarily cover the 1978 crop year. The 1978 crop is the first to be planted under the provisions of the Food and Agriculture Act of 1977. The 1978 crop year outlays (fiscal year 1979) are based on an anticipated 20 percent set-aside program for wheat and 10 percent for feed grains.

Because of the uncertainties of weather conditions and market prices throughout the world, it is impossible to determine in advance the cost of USDA's commodity price support programs. For this reason CCC is authorized to borrow money from Treasury, up to a limit of $14.5 billion, to finance its operations. Outlays for the price support programs are from the Commodity Credit Corporation and under the

jurisdiction of the Agriculture Committee. Appropriations to restore CCC losses are made 2 years after the fiscal year in which the loss occurs and are under the jurisdiction of the Appropriations Committee. A total of $990,900,000 in budget authority is requested in the budget to restore losses which occurred through fiscal year 1977.

The Department has requested legislation in fiscal year 1978 to increase CCC borrowing authority by an additional $5.5 billion. This legislation will require an implementing appropriation of $5.5 billion which is not reflected in the appropriation request totals. The committee wishes to call attention to this contingency.

AGRICULTURAL RESEARCH AND MARKETING PROGRAMS

The budget proposes a number of program increases in the Agriculture function. However, the committee notes that these increases are at the expense of other high priority ongoing programs. Many of the programs proposed for deletion are programs of direct benefit to the farmer.

For example, the budget proposes the termination of the wholesale market development program of the Agricultural Research Service. This is the program that has brought modern wholesale markets to Boson, New Orleans, Los Angeles, New York, Baltimore/Washington and other large cities. These markets represent what the Department should stand for: higher prices for the farmer and lower prices for the consumer, resulting from increased efficiency of modern wholesale markets, as opposed to the inefficiency of many of our older wholesale markets. Many major cities in this country are in need of new wholesale markets, yet the budget proposes to delete this prognam.

The budget proposes to delete funds for research and extension work in the area of rural development. The budget proposes to delete funds for the widely popular urban gardening program and the new farmer-to-consumer direct marketing program.

Budgets many times in the past have proposed high priority programs for deletion with the full expectation that the programs would be restored by the Congress.

Based on the initial review of the budget, the committee identifies contingencies of $51,848,000 in budget authority and $50,812,000 in outlays in this area. These contingencies are associated with relatively small yet important programs in research, extension and insect or disease control, which are proposed for termination or reduction or in some cases underfunded.

COMMERCE AND HOUSING CREDIT

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	491,483		472,832	472,832
Not requiring authorization	5,960,718	828,391	2,918,086	3,776,477
Subtotal	6,452,201	828,391	3,420,918	4,249,309
Supplementals (including outlays from 1978 supplementals		2,851		2,8851
Proposed legislation and rescissions	5,700		5,700	5,700
Allowances				
Subtotal, appropriation requests	6,457,901	831,242	3,426,618	4,257,860
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	174,128	−1,312,335	58,417	−1,253,913
Offsetting receipts	−35,002		−35,002	−35,002
President's budget requests	6,597,027	−[illegible],093	3,450,033	2,968,940

Functional Description

The function includes collection and dissemination of social and economic data unless this is an integral part of another major function (such as health); mortgage credit and thrift insurance, and loans, subsidies, insurance, and regulation of business unless these are an integral part of another function; and the subsidy to the Postal Service. Agencies involved in this function include Commerce, Agriculture, Housing and Urban Development, the Small Business Administration, the Securities and Exchange Commission, and the Postal Service.

Excluded from this function are subsidized housing programs which are considered as an integral part of broad-scale welfare reform and therefore belong in the income security function.

Committee Views

EMERGENCY MORTGAGE PURCHASE ASSISTANCE

The Emergency Housing Act of 1975 authorized $10,000,000,000 for the Emergency Mortgage Purchase Assistance program. The 1976 Appropriation Act provided an appropriation of $5,000,000,000 against the total authorization. In view of the continued vitality of the new housing market, it is not expected that any additional borrowing authority under this program will be necessary in fiscal year 1979.

HOUSING WEATHERIZATION

The National Energy Act which has passed the House and the Senate and is pending in conference includes $3,000,000,000 for the GNMA weatherization program. No funding has been included in the 1979 budget for this activity. If the energy bill ultimately becomes law, there may be some requirement for budget authority under this provision in 1979.

RURAL HOUSING

Rural housing loans and grants are projected at more than $4 billion in 1979. The housing programs for fiscal year 1979 propose to maximize housing assistance to families with the lowest incomes. For this reason subsidized rural housing programs are proposed to be increased from 1978 levels, with a shift to new construction from purchase of existing dwellings. The nonsubsidized programs are proposed to be decreased from 1978 levels. Approximately 76 percent of the housing loans made under this program are proposed at subsidized interest rates in 1979 compared with 64 percent in 1978.

The committee has not identified contingencies associated with this function since loan programs under current budget treatment do not necessarily impact on budget authority or outlays in the budget year.

SMALL BUSINESS ADMINISTRATION

The budget proposes a reduction of $184 million from the program funding levels provided to the Small Business Administration for fiscal year 1978. This amount includes a decrease of $164 million in direct business loans. As in the past, the Administration has justified this program reduction in favor of an expanded guaranteed loan program. However, the committee feels many smaller businesses cannot be adequately served by complete dependence on guaranteed loans. Therefore, the estimate for the direct loan program may need to be increased by as much as $300 million.

U.S. POSTAL SERVICE

The budget request included full funding to finance the extended phasing authorized by Public Law 93–328. The total amount authorized under existing legislation has been requested and the committee, at this time, anticipates that no significant change will be made.

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TRANSPORTATION

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	2,865,985		2,348,860	2,348,860
Not requiring authorization	4,429,370	11,973,564	2,469,698	14,443,262
Subtotal	7,295,355	11,973,564	4,818,558	16,792,122
Supplementals (including outlays from 1978 supplementals)		20,492		20,492
Proposed legislation and rescissions	6,529,330	−394,070	391,070	−3,000
Allowances				
Subtotal, appropriation requests	13,824,685	11,599,986	5,209,628	16,809,614
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	4,815,239	231,835	423,988	655,823
Offsetting receipts	−66,661		−66,661	−66,661
President's budget requests	18,573,263	11,831,821	5,566,955	17,398,776

Functional Description

Transportation includes all programs with the primary aim of providing for the transportation of the general public and/or their property, regardless of whether local or national and regardless of the particular mode of transportation. It includes the construction of facilities; purchase of equipment; research, testing, and evaluation; provision of communications directly related to transportation (for example, air traffic control by the FAA); and operating subsidies for transportation. Transportation includes regulatory activities directed specifically toward the transportation industry rather than toward general commerce. In addition to the Department of Transportation these programs are carried out by the Maritime Administration, the U.S. Railway Association, and NASA.

Excluded from this function are the provision of foreign economic assistance which may take the course of assisting transportation facilities or programs abroad; the construction of roads, trails, etc. as an integral part of the operation of public lands, parks, forests, or military reservations, unless they are specifically funded as a part of a broader transportation program; the construction of roads or other transportation facilities as an integral part of a broad community facility or regional development program where the clear intent of the program is regional development and the provision of transportation facilities is only an incidental by-product or means to attain the objective of regional development.

Committee Views

AVIATION PROGRAMS

The committee believes that, in general, the budget requests for aviation programs represent reasonable targets. There is, however, pending legislation involving aircraft and airport noise reduction which, if enacted, could require some additional funding. In addition, the Congress has, for the past 5 years, prohibited the imposition of new administrative user charges by the Department of Transportation. The budget assumes the deletion of this prohibition and the

collection of about $25 million of additional aviation user charges, which would be used as an offset against outlays. If the Congress does not agree to the administration's proposal to delete this language, there would be a net outlay increase.

HIGHWAY PROGRAMS

The budget proposes a reduction below fiscal year 1978 of almost $200 million for those highway programs financed with direct appropriations. The committee believes that the new highway legislation may continue to authorize the financing of certain unbudgeted highway programs with direct appropriations and that an increase of approximately $50 million might be necessary for these programs.

As in the past 2 years, the budget proposes that a limitation on obligations be included in the appropriation legislation for certain trust fund programs financed with contract authority. The committee continues to support the concept of placing an annual ceiling on highway obligations and believes that a $7.8 billion program level represents a reasonable target for fiscal year 1979, unless the Congress increases taxes to provide additional revenue for the Highway Trust Fund.

RAIL PROGRAMS

With respect to rail transportation programs, the committee believes that up to an additional $600 million might be necessary in fiscal year 1979 to provide adequate financing for the Consolidated Rail Corporation (ConRail) and for the Northeast corridor improvement program. Although no funds are contained in the budget for ConRail, the Corporation's recently submitted 5 year business plan indicates that $1.283 billion of direct government funding will be required through December 31, 1982. This includes $585 million for calendar year 1979. This contingency is being included because the committee believes that the Federal support for ConRail should be clearly identified and not provided through backdoor financing mechanisms, such as loan guarantees which have a relatively high probability of resulting in substantial future costs to the Federal Government.

COAST GUARD

The budget includes approximately $1.5 billion for the Coast Guard. The committee believes this funding level represents a reasonable target, unless legislation is enacted establishing a new oil pollution liability and compensation fund. About $50 million could be needed for such a fund in fiscal year 1979.

PANAMA CANAL

The ratification of the pending Panama Canal treaties probably would require some adjustments, but until the implementing legislation is enacted the extent of the budgetary impact is uncertain.

COMMUNITY AND REGIONAL DEVELOPMENT

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	4,620,868	7,635	157,166	164,801
Not requiring authorization	2,930,523	7,360,731	1,221,715	8,582,447
Subtotal	7,551,391	7,368,366	1,378,882	8,747,248
Supplementals (including outlays from 1978 supplementals)		19,270		19,270
Proposed legislation and rescissions	10,000		2,000	2,000
Allowances				
Subtotal, appropriation requests	7,561,391	7,387,636	1,380,882	8,768,519
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	566,445	192,723	119,134	311,857
Offsetting receipts	−219,943		−219,943	−219,943
President's budget requests	7,907,893	7,580,359	1,280,073	8,860,432

Functional Description

This function consists of broad-based community and regional development programs and programs concerned with urban and rural renewal for the preservation and revitalization of communities and regions. It includes water supply and sewer systems (except those specifically funded as environmental protection programs), urban renewal programs, regional economic development programs, broad-based public facility construction programs, and rehabilitation of public facilities in the event of natural disasters. Agencies which administer these programs include the Farmers Home Administration, the Economic Development Administration, the Bureau of Indian Affairs, the Community Services Administration, the Appalachian Regional Commission, the Small Business Administration, and the Department of Housing and Urban Development.

Committee Views

FEDERAL DISASTER ASSISTANCE ADMINISTRATION

The Federal Disaster Assistance Administration appropriation for 1978 is $150,000,000. A supplemental request of $150,000,000 is currently pending before the Congress. In addition, a further $150,000,000 is currently under review at the Office of Management and Budget. The 1979 request for this activity is only $200,000,000. In view of the $450,000,000 plus requirement for this activity in 1978 and the $300,000,000 requirement in 1977, the committee believes FDAA is probably some $100,000,000 to $200,000,000 short—depending, of course, on the frequency of disasters.

COMPREHENSIVE PLANNING GRANTS

The committee is of the opinion that the request of $57,000,000 for the comprehensive planning grants program may offer some potential

for reduction in view of the fact that substantial increases are provided in the community development block grant program.

RURAL DEVELOPMENT

Rural development loans and grants for 1979 are estimated at $2,425 million. This includes funds for water and waste disposal systems, community facilities, and business and industrial development in rural areas. However, the budget proposes terminations, and cut-backs in programs related to several areas of rural development. Failure to adequarely fund these programs would result in continued inequitable treatment for rural America in the fields of employment and general community development. For rural development programs the Committee has identified contingencies of $43,500,000 in budget authority and $21,300,000 in outlays. Included in the contingencies identified are funds for rural grant programs and additional loan servicing personnel for the Farmers Home Administration.

SBA DISASTER LOANS

There was a total appropriation of $1,515 million in fiscal year 1978 for disaster loans. The budget proposes $190 million for the regular disaster loan program of the Small Business Administration and that obviously is not an adequate amount. However, it is extremely difficult to assess the adequacy of the estimate for 1979 at this time because of unknown factors which could affect the demand for disaster loans. Therefore, the committee recommends that appropriate consideration for such a possibility be taken into account in the budget resolution.

ECONOMIC DEVELOPMENT ASSISTANCE

The budget includes $627,425,000 for the economic development assistance programs of the Department of Commerce. This amount is an increase of $244,925,000 above appropriations enacted to date for fiscal year 1978. The budget also includes a fiscal year 1978 supplemental request of $117 million which along with the increase for 1979 will provide for new program initiatives. These include a special emphasis on aid to cities and urban areas. Although the committee generally would expect to stay within the total request for EDA, some adjustments in specific program areas within the total may be made.

With respect to the Local Public Works Program, the budget includes $10,607,000 for administrative costs only. However, outlays from the $6 billion, the full authorization, which was appropriated for this program in fiscal year 1977, are expected to be $2,300 million in 1978, $2 billion in 1979 and $1,100 million in 1980. The committee believes that these funds should provide for a significant number of job opportunities in construction and related industries and provide needed public facilities to State and local governments.

OTHER REGIONAL PROGRAMS

The Appalachian Regional Commission's highway program is proposed for $221 million in 1979. This is $79 million below the

authorized level and $177.2 million below the level the 13 Governors, of the States involved, have identified as an unfunded need. The committee has identified a contingency of $79 million in budget authority and $5 million in outlays based on the need for highways in the Appalachian regional program.

The budget request for the Tennessee Valley Authority is $17.3 million below the appropriation for 1978. For one water resource project alone the budget is $20 million below the TVA capability. There is little or no growth projected in the budget for fertilizer development or the national energy demonstration program. The committee has identified a contingency of $21 million in budget authority and $15 million in outlays for the TVA programs.

Under the Bureau of Indian Affairs, the committee believes that funding for the Indian Financing Act may be provided although there is no request in fiscal year 1979. There may also be a shortfall in the BIA contract support program which will have to be accommodated.

EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	15,212,051		10,844,546	10,844,546
Not requiring authorization	16,099,156	12,603,737	6,349,179	18,952,916
Subtotal	31,311,207	12,603,737	17,193,725	29,797,462
Supplementals (including outlays from 1978 supplementals)		196,499		196,499
Proposed legislation and rescissions	1,425,115		274,860	274,860
Allowances				
Subtotal, appropriation requests	32,736,322	12,800,236	17,468,585	30,268,821
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	875,888	16,856	143,665	160,521
Offsetting receipts	−8,195		−8,195	−8,195
President's budget requests	33,604,015	12,817,092	17,604,055	30,421,147

Functional Description

This function includes programs designed to promote the general extension of knowledge and skills and/or to assist individuals to become self-supporting members of society. It includes the elementary, secondary, and vocational education and higher education programs; manpower training programs; and grants to States for social services and rehabilitation services. It includes the provision of education or training services, income support directly related to training or education, child care, and general social services provided to individuals and families. It includes cash payments (scholarships, loans, or stipends) to persons when such payments are provided to enable a person to participate in education or training programs. It also includes research directly related to the provision of said services.

These programs are administered largely by the Department of Health, Education, and Welfare, the Department of Labor, and the Bureau of Indian Affairs.

The provision of social services—child care, employment counselling, and vocational rehabilitation—are included in this function unless they are restricted to, and are an integral part of, another function.

The function excludes education or training undertaken as an integral part of the achievement of another functional end (such as training of military personnel; veterans education, training, and rehabilitation; or training of health research workers in a health program) and also excludes general purposes scientific research.

Committee Views

EMPLOYMENT AND TRAINING PROGRAMS

The increase of almost $10 billion in budget authority for education, employment, and training programs is associated primarily with (a) $7 billion for continuation at the current levels of CETA public service employment and youth employment and training programs

which are funded throughout fiscal year 1978 by appropriations provided in the 1977 economic stimulus supplemental appropriation act, (b) a budget estimate of $400 million for a new program to increase employment in private sector jobs and (c) a budgeted increase of about $2.5 billion for programs administered by the U.S. Office of Education. The President's budget does not contemplate additional fiscal 1978 appropriations for advance funding of CETA programs for fiscal 1979. Noteworthy is the fact that the present legislative authority for almost all CETA programs expires at the end of fiscal year 1978. Failure to extend the Comprehensive Employment and Training Act in the next 2 months is likely to result in delayed appropriations for these key programs which now support jobs and training slots for over 2.3 million needy persons each year. There is general agreement that a critical review of CETA programs should be undertaken by legislative committees, but whether such a review could be completed in time to meet fiscal year 1979 appropriations deadlines seems questionable.

UNAUTHORIZED EMPLOYMENT AND TRAINING PROGRAMS

The situation with respect to CETA funding for fiscal year 1979 is a further illustration of the fact that the Budget Control Act May 15 deadline for reporting of authorization legislation simply does not insure that the legislation will be enacted in time to avoid the necessity for continuing resolution and/or supplemental appropriation bills. The committee will continue with its review of the 1979 Budget estimates for programs lacking authorization. When and how the committee will be able to act on these estimates is problematical. The budget essentially maintains 1978 program levels for most employment and training programs. An exception to this rule is the summer youth jobs program, for which a decrease of 165,000 jobs from the 1978 approved level is proposed.

The budget also includes increases over 1978 program levels of $400 million for a new private sector jobs program, $50 million for welfare reform planning grants to CETA prime sponsors, and $200 million for 10 pilot employment programs to test welfare reform concepts. All of these proposals require authorizing legislation for fiscal year 1979.

EDUCATION PROGRAMS

The budget proposes an increase of $2.5 billion or 23 percent for programs administered by the Office of Education. Some of the key issues in the education budget will be:

Education for the handicapped

The budget proposes to fund the State grant program based on meeting 12 percent of the excess costs of educating handicapped children. Even though this represents an increase of $279 million over the previous year, it fails to meet the requirements and commitment expressed in the basic law which is 20 percent of the excess costs. To fully fund based on present law would require an additional $400 million over the budget.

Implementing section 504 regulations on the handicapped

The budget proposes $50 million in construction grants to help colleges and universities meet the cost of renovations concerning the

removal of structural barriers to the handicapped to comply with section 504 of the Rehabilitation Act. Also $30 million is requested for this purpose in a 1978 supplemental, to be derived from existing balances in the construction revolving fund. Higher education and other groups have been advocating a higher amount ranging from $500 million to $2 billion.

Basic educational opportunity grants

The budget proposes $2.2 billion or about the same amount as in the previous year. It is based on raising the maximum grant per student from $1,600 to $1,800 and liberalizing eligibility to help middle income families. However, the White House recently announced that an additional $1.2 billion is earmarked for education as part of the budget for contingencies. This amount is identified with alternatives to the use of tax credits for tuition relief. If Congress should—in its wisdom—enact tuition tax credits, the President will probably withdraw proposed expansion of existing student aid programs.

Program reduction and terminations

Although significant increases are proposed for many education programs, reductions and terminations totalling $124 million are proposed for others. Many of these reductions and terminations involve programs which have many dedicated advocates in Congress.

Impacted area aid

The budget proposes advance funding and reform for the impacted area aid program. Efforts to reform this program have not been successful in the past.

Elementary and secondary education

An increase in budget authority of $644 million is proposed for the title I program, of which $400 million depends upon the enactment of new authorizing legislation.

Other programs falling within this functional category, and which require authorizing legislation for fiscal year 1979 include Head Start, programs for the aging, Follow Through, vocational rehabilitation, day care, teacher corps, ACTION, Community Services Administration, foreign language and area studies, and public broadcasting facilities. Problem areas in the budget for ACTION appear to be the proposed 50 percent increase for the Vista program and the proposed cut in the retired senior volunteer program. In the Community Services Administration budget the committee will carefully review the justification for the increase in local initiative funds demonstrations and evaluation, decreases for State economic opportunity offices, community food nutrition, and community economic development, and the proposed transfer of emergency energy conservation services to other agencies.

Bureau of Indian Affairs

Funds may be added for school construction to continue existing, unbudgeted projects now underway.

HEALTH

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	3,025,098		1,350,824	1,350,824
Not requiring authorization	25,686,872	3,845,799	23,728,803	27,574,602
Subtotal	28,711,970	3,845,799	25,079,627	28,925,426
Supplementals (including outlays from 1978 supplementals)		31,097		31,097
Proposed legislation and rescissions	−35,318	7,000	−711,318	−704,318
Allowances				
Subtotal, appropriation requests	28,676,652	3,883,896	24,368,309	28,252,205
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	31,704,513	15,201,515	14,001,040	29,202,555
Offsetting receipts	−7,777,363		−7,777,363	−7,777,363
President's budget requests	52,603,802	19,085,411	30,591,986	49,677,397

Functional Description

This function includes those programs that have as their basic purpose the promotion of the physical and mental health of the Nation's population, including the prevention of illness and accidents. It includes research into the causes and cure of disease; promotion of consumer and occupational health and safety; planning, financing, and provision of medical care; the financing of specialized programs for training of health workers and researchers; and food (including meat), drug, and other product safety inspection programs. The major programs included in this function are medicare, medicaid, the National Institutes of Health, other health research and education, prevention and control of health problems, and health planning and construction. In addition to the Department of Health, Education, and Welfare, these programs are administered by the Civil Service Commission, the Animal and Plant Health Inspection Service of Agriculture, and the Occupational Safety and Health Administration.

MEDICAID AND MEDICARE

The committee notes that the budget includes an increase of $1,885,000,000 for medicaid and payments to medicare trust funds under current law. This amounts to a 10.5 percent increase over the budget authority provided for these programs for fiscal year 1978. The increase in funding for the medicaid program results from estimated price increases and increased utilization of services. The number of people participating in the program is expected ro remain about the same. The increase in payments to medicare trust funds reflects the continuing increase in the Federal share of costs for physicians services under the medicare program. The Federal Government now supports 72 percent of the costs rather than the 50 percent originally envisaged when the program was enacted in 1965. Estimates of funding requirements for these "uncontrollable" programs have not been accurate in the past.

Last year, the Congress was able to cut the medicaid budget estimates by more than $1 billion as a result of revised estimates of fiscal year 1977 and 1978 costs. The committee, with the assistance of the Congressional Budget Office, intends to review the 1979 estimates and to arrive at an independent judgement as to their validity before its markup of the 1979 appropriation bill.

PROPOSED LEGISLATION—HEALTH PROGRAMS

The President's budget indicates that 1979 appropriation requirements for the medicaid program could be reduced by $112,900,000 if proposed legislation is enacted. Included in this estimate are a total of $534 million in savings estimated to accrue if legislation relating to hospital cost containment, quality control, and common audit is enacted, partially offset by a total of $421,100,000 in increased costs if proposed legislation authorizing a child health assessment program, extending eligibility to low income pregnant women, increasing limits and matching for Guam, Puerto Rico, and the Virgin Islands, and mandatory coverage of migrants is enacted. Enactment or nonenactment of any or all of these legislative proposals could have a significant impact on the total budget authority required for medicaid in fiscal year 1979.

CONTROLLABLE HEALTH PROGRAMS

The President's budget proposes a total of $7,114 million for certain "controllable" health programs, an increase of $454 million over 1978 funding levels. The increase is more apparent than real, since it includes $446 million for initial advanced funding of grants to States for maternal and child health and for comprehensive health programs. The committee and the Congress has in the past been sympathetic to the concept of advanced funding for State and local education grants, and will undoubtedly give careful consideration to the budget proposal to extend the practice to programs in health. When advance funding is excluded from the computation, the true increase for these "controllable" health programs is about $8 million or one tenth of 1 percent.

Included in the totals for the "controllable" health programs is an increase of $18 million for Professional Standards Review Organizations. The committee will review this estimate very carefully in the light of recent evaluations raising questions about the effectiveness of the program.

The overall budget for "controllable" or "discretionary" health programs includes increases for some programs and decreases or level funding for others. The budget again proposes substantial cuts in support for training of health professionals. The Congress has not been persuaded of the wisdom of reductions in these programs in the past, and unless very powerful arguments for such a policy are presented by the administration, it is likely to remain unpersuaded. The budget proposes a small increase in support for biomedical research of the National Institutes of Health, over one-third of which is for research on maternal and child health and population control. Increases proposed for other areas of biomedical research are less than amounts necessary to cover increases in prices, and substantially less than Congress normally provides.

The committee's review of discretionary health programs for disease prevention, health services, and alcoholism, drug abuse and mental health may well reveal areas in which the budget appears either excessive or inadequate. In the health services and disease prevention programs, the committee continues to be concerned about the extent of program integration and coordination at the Federal, State and local level, and believes that every effort should be made to reduce fragmentation and duplication and to maximize return on the investment of the Federal tax dollar.

UNAUTHORIZED HEALTH PROGRAMS

Authorizing legislation for many health programs expires at the end of fiscal year 1978. A large share of the 1979 health budget depends upon extension of these authorizations. The extent to which the current laws may be changed is unknown at this time. It appears certain that, when it marks up the appropriations bills in May, the committee will again be faced with the choice of (a) recommending appropriations without authorization or (b) deferring appropriations until authorizations have been enacted.

INDIAN HEALTH PROGRAMS

For the Indian Health Service the fiscal year 1979 budget is $42.7 million above the enacted 1978 level. The operating budget appears adequate, particularly in view of the fact that the Indian Health Service will be receiving for the first time additional monies from medicare and medicaid payments. The committee feels there may be pressure to increase the construction budget to complete the ongoing facilities and to initiate new projects of high priority. The increase could possibly range from $15 to $25 million.

FOOD AND DRUG ADMINISTRATION

There continues to be a great deal of congressional interest in the scope of activities of this agency. The budget request includes continuing increases under the recent medical devices legislation and significantly expanded buildings and facilities requests. Program decreases in the areas of food economics and cosmetics regulation are proposed.

The committee has identified contingencies of $2,737,000 in budget authority and $2,731,000 in outlays under this heading.

INCOME SECURITY

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	26,069,725		838,604	838,604
Not requiring authorization	23,455,785	6,654,968	25,442,532	32,097,500
Subtotal	49,525,510	6,654,968	26,281,136	32,936,104
Supplementals (including outlays from 1978 supplementals)		35,315		35,315
Proposed legislation and rescissions	628,595	−659,285	808,435	149,150
Allowances				
Subtotal, appropriation requests	50,154,105	6,030,998	27,089,571	33,120,569
Proposed legislation, not through the appropriation process	400,000		400,000	400,000
Permanents, trust funds and revolving funds	143,213,506	36,563,530	92,822,679	129,386,209
Offsetting receipts	−2,882,490		−2,882,490	−2,882,490
President's budget requests	190,885,121	42,594,528	117,429,760	160,024,288

Functional Description

This function includes payments to persons for which no current service is rendered by recipients, such as retirement (excluding military retired pay), disability, unemployment, and welfare payments and associated administrative costs. Also included are the food stamp, special milk, and child nutrition programs; both Federal and trust fund unemployment compensation and workmen's compensation; public assistance cash payments; benefits to the elderly and to coal miners; and low- and moderate-income housing aids.

This function includes such retirement and disability programs as old-age, survivors and disability insurance (Social Security), railroad retirement, special benefits for disabled coal miners, and federal employee retirement disability.

These programs are administered by the Departments of Health, Education, and Welfare, HUD, Agriculture, Labor, and the Civil Service Commission.

Excluded from this function are financial assistance for educational purposes, child care services, vocational and manpower training and vocational rehabilitation services and stipends, medical care (whether in cash or kind), subsidies to business (such as farm price supports) even though they may end up as income to persons, and income security programs restricted to veterans and their dependents.

Committee Views

NUTRITION PROGRAMS

For the domestic feeding programs, the proposed budget is understated by at least $84 million, largely as a result of the budget's failure to provide for an adequate reserve of Section 32 funds.

The new food stamp program authorization takes effect this year and the implementation of the no-purchase requirements provision may increase funding requirements through increased participation beyond the level projected in the 1979 budget, although this contingency is not included in the $84 million figure above. The 1979

level of this program is, of course, closely tied to whatever general economic conditions may prevail over the next 18 months.

The budget proposes to transfer the $30 million elderly feeding program to the Department of Health, Education, and Welfare, and combine the commodity supplemental food program with the special supplemental food program (WIC). The budget request also proposes to reduce funding for the child nutrition equipment assistance program to $20 million. The direct distribution of commodities to needy families is proposed for termination in certain areas of the country in the amount of $1 million.

The budget also proposes to delete $75 million of the reserve balance of section 32 funds. Sufficient section 32 funds must be available to provide stability and orderly marketing as originally contemplated in the authorizing legislation. To shift production-related funds to consumption is to invite the day when there is too little to consume because there was not enough produced.

LABOR-HEW PROGRAMS

The major programs included in this category are Federal unemployment benefits and allowances, grants to States for unemployment insurance services, and benefits for Federal employees compensation, disabled coal miners, and longshore and harbor workers, all administered by the Department of Labor; maintenance assistance, payments to social security trust funds, special benefits for disabled coal miners, supplemental security income, assistance for Cuban and Indochinese refugees and departmental management functions in the Department of Health, Education, and Welfare; payments to railroad retirement trust funds, and the Regional Rail Transportation Protective Account.

Out of the total 1979 budget estimate of $16,203 million for those programs in this category $15,858 million represents appropriations which are generally considered "mandatory" or "relatively uncontrollable". Determination of the amount which will be required for any given fiscal year involves a certain amount of educated guesswork coupled with assumptions about the state of the economy 12 to 18 months in the future. The budget estimates for these programs are rarely 100 percent accurate. A small percentage variation in the estimate can produce a substantial reduction or increase in the dollar amount required. Last year, the Congress was able to appropriate less than the amount budgeted for public assistance and supplemental security income because requirements for those programs were overstated in the budget. The committee with the assistance of the Congressional Budget Office, intends to make a careful review of the estimates for all of the income security programs before making its recommendations on the amounts to be included in the 1979 appropriation bill.

HOUSING PROGRAMS

While there are a number of factors that could affect the budget authority requirement in fiscal year 1979 for annual contributions for assisted housing, including the actual carryover, if any, from 1978—it would appear that the 400,000 subsidized units and $24,650,950,000 of budget authority is a reasonable estimate for this activity in 1979.

The requests for housing payments, housing for the elderly or handicapped, and payments for operation of low-income housing projects appear to be reasonable at this time.

The proposed request of $74,000,000 to begin a new program entitled "Troubled Projects Operating Subsidy" will be reviewed carefully by the committee in terms of long-term commitments.

LEGISLATIVE PROPOSAL

The President's proposed fuel efficiency initiative may result in additional funding requirement of $1,333 million for this function.

VETERANS BENEFITS AND SERVICES

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization				
Not requiring authorization	18,364,026	2,496,894	16,395,175	18,892,069
Subtotal	18,364,026	2,496,894	16,395,175	18,892,069
Supplementals (including outlays from 1978 supplementals)		60,762		60,762
Proposed legislation and rescissions	177,278		151,438	151,438
Allowances				
Subtotal, appropriation requests	18,541,304	2,557,656	16,546,613	19,104,269
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	1,061,594	676,276	5,319	681,595
Offsetting receipts	−528,557		−528,557	−528,557
President's budget requests	19,074,341	3,233,932	16,023,375	19,257,307

Functional Description

This function consists of programs providing benefits and services, the eligibility for which is related to military service but which are not an integral part of national defense. It includes veterans service-connected compensation; non-service-connected pensions; readjustment benefits; housing; and medical care programs.

As a normal rule, the outlays in this function are similar to those in the broader general purpose functions (such as income security or health) but are restricted to veterans and their dependents.

Committee Views

COMPENSATION AND PENSIONS

The President's proposed budget for 1979 includes an anticipated compensation and pensions cost-of-living increase of approximately 5 percent. However, caseload projections suggest that this account will have a shortfall in 1979 of from $50,000,000 to $100,000,000.

READJUSTMENT BENEFITS

An appropriation of $2,193,300,000 is requested for this program in 1979. The amount recommended for 1979 is predicated on approximately $560,000,000 of unused funds in 1978 carrying forward into 1979. However, it is now estimated that this carryover will be about $200,000,000 less than was anticipated in the 1979 budget. Also, the committee further suggests that the 1979 estimate may be understated by at least $200,000,000. In addition, it is expected the compensation and pensions caseload in 1978 will be approximately $50,000,000 short including the assumed enactment of the $489,600,000 supplemental now pending before the Congress. That fact would further reduce the carryover by an additional $50,000,000.

Therefore, the committee now estimates that the readjustment benefits account for 1979 is understated by approximately $450,000,000.

In addition, the 1979 budget includes no funds for anticipated cost-of-living increases. However, the committee points out that the total impact of what is available in educational assistance benefits for the Vietnam era veteran is somewhere between $6,000 and $7,000 each year if the student takes maximum advantage of the full program. Between February 1969 and October 1977, there has been a 141 percent increase in educational allowances under this program. In view of that, the committee suggests that the current levels for the GI benefit program are sufficient and no additional budget authority should be required for this activity in 1979.

MEDICAL AND CONSTRUCTION PROGRAMS

Although there may be some requirement for additional funds above the levels proposed in the 1979 budget for these activities—particularly in the area of medical research—the committee expects that increases in these areas will be offset by corresponding decreases in these and other VA programs. If additional resources are required in these areas, they should not exceed a range of from $25,000,000 to $50,000,000 above the 1979 budget request.

LEGISLATIVE PROPOSALS

The 1979 budget request assumes that approximately $250,000,000 will be saved through legislation proposed for separate transmittal. If these proposals are not adopted by the Congress, the additional funds will be required in 1979.

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ADMINISTRATION OF JUSTICE

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	10,864		9,003	9,003
Not requiring authorization	4,132,924	997,427	3,196,436	4,193,863
Subtotal	4,143,788	997,427	3,205,439	4,202,866
Supplementals (including outlays from 1978 supplementals)		13,597		13,597
Proposed legislation and rescissions				
Allowances				
Subtotal, appropriation requests	4,143,788	1,011,024	3,205,439	4,216,463
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	8,000	−5,554	8,000	2,446
Offsetting receipts	−8,257		−8,257	−8,257
President's budget requests	4,143,531	1,005,470	3,205,182	4,210,652

Functional Description

This function includes those programs designed to provide judicial services, police protection, law enforcement (including civil rights), rehabilitation and incarceration of criminals, and promotion of the general maintenance of domestic order. The major programs and agencies administering this function include the Federal Bureau of Investigation, the Customs Service, Justice Department legal activities, the Federal Judiciary, Federal Bureau of Prisons, and the Law Enforcement Assistance Administration.

Committee Views

LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

The budget request for the Law Enforcement Assistance Administration is $641,488,000, a decrease of $5,762,000 from the appropriation for fiscal year 1978. While it is probable that the committee will stay within the total budget request for LEAA for fiscal year 1979, some adjustments within the total may be made.

LEGAL SERVICES CORPORATION

The request for the Legal Services Corporation submitted in the President's budget is $255 million, which is an increase of $50 million above the amount appropriated for fiscal year 1978. The estimate submitted by the Corporation directly to the Congress, as provided by law, is $304,032,000. This amount represents an increase of $99,032,000 above the level for fiscal year 1978. The committee plans to examine this estimate with great care since the amount requested for this program in the President's budget is significantly less than the amount requested by the Corporation.

GENERAL GOVERNMENT

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	26,718		17,020	17,020
Not requiring authorization	6,425,210	420,428	5,978,279	6,398,707
Subtotal	6,451,928	420,428	5,995,299	6,415,727
Supplementals (including outlays from 1978 supplementals)	3,078	19,820	3,078	22,898
Proposed legislation and rescissions	31,588		31,333	31,333
Allowances				
Subtotal, appropriation requests	6,486,594	440,248	6,029,710	6,469,958
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	6,559,813	3,763	6,515,985	6,519,748
Offsetting receipts	−8,876,977		−8,876,977	−8,876,977
President's budget requests	4,169,430	444,011	3,668,718	4,112,729

Functional Description

This function includes the general overhead costs of the Federal Government including legislative and executive activities; provision of central fiscal personnel and property activities; and the provision of services that cannot reasonably be classified in any other major function. As a normal rule, all activities reasonably or closely associated with other functions are included in that function rather than listed as a part of general government.

Included in this function is the Legislative Branch, the White House and Executive Office of the President, the Internal Revenue Service and other fiscal management activities of the Treasury Department: the general property, supply operation, and records management activities of the General Services Administration; federal personnel management activities of the Civil Service Commission; territories and possessions; and claims and judgments.

Committee Views

EXECUTIVE BRANCH

The proposed appropriation for the Department of the Treasury may have to be modified because of a pending reoganization. The details of the reorganization have not yet been finalized and, until the President makes the final decision, the committee is reluctant to suggest contingencies in this area. Also the committee notes that should the President's proposed energy legislation be enacted, additional appropriations in the range of $30 million will be required for the Internal Revenue Service.

Two, other large executive agencies under this function are the Civil Service Commission and the General Services Administration. These agencies perform certain administrative tasks that are essential to the operation of Government. Again, while the committee has

historically been able to identify areas where savings can be realized, it must be recognized that significant reductions cannot be made without adverse effects on government operations.

Some $175 million has been requested for stockpile acquisitions. A review of stockpile levels has recently been completed and the additional funds are being requested to bring the stockpile up to appropriate levels. The committee will carefully review this request but at this time cannot make any judgments as to exact amounts required.

The committee has identified an additional contingency of $90 million above the President's budget under this heading which will provide some limited flexibility.

LEGISLATIVE BRANCH

The committee also identifies a contingency under this function in the legislative branch associated with a special study on economic change by the Joint Economic Committee. The additional fiscal year appropriations has been estimated at $553,000.

GENERAL PURPOSE FISCAL ASSISTANCE

RECAPITULATION OF THE PRESIDENT'S 1979 BUDGET

[In thousands of dollars]

	Budget authority	Fiscal year 1979 outlays		
		From prior year balances	From new current	Total
Appropriation request:				
Requiring authorization	1,162,000		1,162,000	1,162,000
Not requiring authorization	7,303,657	70,065	7,235,067	7,305,132
Subtotal	8,465,657	70,065	8,397,067	8,467,132
Supplementals (including outlays from 1978 supplementals)		6		6
Proposed legislation and rescissions	7,134,000		139,000	139,000
Allowances				
Subtotal, appropriation requests	15,599,657	70,071	8,536,067	8,606,138
Proposed legislation, not through the appropriation process				
Permanents, trust funds and revolving funds	7,909,642	1,754,228	6,152,609	7,906,837
Offsetting receipts	−6,877,283		−6,877,283	−6,877,283
President's budget requests	16,632,016	1,824,299	7,811,393	9,635,692

Functional Description

This function includes Federal aid to State, local, and territorial governments that is available for general fiscal support or is available for distribution among programs involving two or more major budgetary functions when the distribution among those functions is at the discretion of the recipient jurisdiction. It includes payments in lieu of taxes, broad-purpose shared revenues, General and Countercyclical Revenue Sharing, the Federal payment to the District of Columbia, and payments to States of receipts from the Forest Service and land management activities of the Department of the Interior. In addition, the Department of Treasury returns to Puerto Rico and the Virgin Islands most Federal taxes and other revenues collected there.

Committee Views

URBAN STRATEGY PROGRAM

The 1979 budget includes no specific funding for a new urban strategy program. There is a $3,000,000,000 contingency in the President's budget which, if ultimately appropriated, could be applied to any urban strategy proposals subsequently submitted to the Congress.

Also part of an urban strategy program is the budget proposal of $1,040,000,000 for the antirecession revenue sharing program. Although this amount has been requested for that program in 1979, the committee notes that the budget document clearly suggests that this program is under very careful review and may be dropped. In addition, because of the problems addressed in a GAO report covering various aspects of the counter-cyclical revenue sharing program and because of the large and substantial surpluses in state budgets projected for 1978 and 1979, this program should have a lower funding priority. The committee also notes that if the current authorization for the antirecession

financial assistance program is extended, the requirement for 1979 should be approximately $600,000,000 less owing to an anticipated carryover of such amount from 1978 to 1979.

NEW YORK CITY SEASONAL FINANCING FUND

The fiscal year 1979 budget did not request funding for the New York City Seasonal Financing Fund but it did indicate that additional legislation might be proposed. The administration now requests that the Federal Government guarantee up to $2,000,000,000 of New York City securities. It is not clear at this time that New York City requires further financial assistance. The committee notes that the report on the New York City loan program from the Senate Committee on Banking, Housing, and Urban Affairs indicates that "the committee finds that New York City should be able to cover all of its seasonal financing needs on its own, through a combination of measures to reduce seasonal revenue shortfalls and financing obtained from local sources, including the banks and the State pension funds." The report also states that "a maximum of $1.4 billion in fiscal year 1979 and less thereafter—should be forthcoming from sources other than the Federal Government." However, if it is determined that additional assistance is necessary, and depending upon the form of assistance provided, a shortfall of up to $2,000,000,000 could occur.

DISTRICT OF COLUMBIA

Only the Federal funds portion of the District of Columbia budget for fiscal year 1979 is included in the President's budget. The District of Columbia funds budget has not yet been sent to the Congress, thus making it difficult to project an accurate estimate of Federal funds required. The Federal funds estimate totals $457,922,000 in budget authority and $448,632,000 in outlays including a Federal payment of $317 million. The Federal payment request includes $17 million which requires additional authorizing legislation.

Until such time as the city's budget is formally submitted to the Congress and detailed hearings are held, it is impossible for the committee to project Federal fund needs either above or below the amounts set forth in the budget.

LEGISLATIVE PROPOSAL—MUNICIPAL BOND OPTION

Included in the budget is $7,094,000,000 for a taxable municipal bond option in 1979. Outlays are estimated at $99,000,000 for this program but could be offset by increased taxes. This item is proposed for later transmittal under proposed legislation. There are a number of important questions that must be asked in connection with this proposal; and, if it is not ultimately enacted, the budget authority request for 1979 is overstated by $7,094,000,000. The committee would suggest that because of the size and uncertainty of this proposal, the Budget Committee examine the veracity of both the budget authority and outlay request.

ADDITIONAL VIEWS OF HON. JOSEPH P. ADDABBO

The defense budget for fiscal year 1979 continues the upward spiral of defense spending. Not only has there never been a "peace dividend" as a result of the ending of the war in Southeast Asia, it now appears that peace is more costly than war to the Defense Department. The request of the Department of Defense for $126 billion for fiscal year 1979 is $9.2 billion more than the $116.8 billion provided for fiscal year 1978 and $17.9 billion more than was provided for the same purposes for fiscal year 1977. The annual increases in defense spending exceed the rate of economic inflation. In real purchasing power as well as in dollars, the defense budget is growing.

We can adequately provide for our national defense requirements without increasing spending every year. In the huge defense establishment there are savings which could be made through the application of better management. Money is spent on programs which provide little or no military strength. Large sums are spent on programs which fail or become obsolete before they are deployed. Personnel are used in meaningless "make work" efforts.

Tighter budgets and reasonable budget reductions would improve, not weaken, our national security. Congress must carefully review defense requests and eliminate waste wherever possible. Congress cannot abandon its constitutional role and leave national defense decisions to the executive branch. Careful legislative branch review would reveal ways to reduce defense spending substantially without adverse effect. This review should be made and every effort made to reduce the burden of defense expenditures on the American people.

NORTH ATLANTIC TREATY ORGANIZATION (NATO)

While I am concerned about the steady growth in Warsaw Pact conventional forces, I have certain reservations about the NATO enhancements proposed in this budget to correct that imbalance. In hearings held by the committee to date, the U.S.-financed enhancements have been partially identified as costing over $2 billion. It is not clear to me that the fiscal year 1979 defense budgets of our NATO alliance partners will in fact reflect a real growth of 3 percent, as was generally agreed to during the NATO defense ministers conference held last year. Nevertheless, the fiscal year 1979 U.S. defense budget does reflect our part of the agreement with a 3-percent real growth increase in NATO enhancements.

We are told again this year that "hopefully" NATO defense ministers will approve the purchase of as many as 18 E–3A AWACS aircraft which they feel is essential to the defense of Western Europe. While we have been waiting for several years for NATO to agree to purchase AWACS, the United States has spent about $2.8 billion developing and producing 22 AWACS aircraft. There are three more AWACS aircraft proposed for funding in the U.S. defense budget for fiscal year

1979, and nine more proposed for funding beyond that fiscal year. I do not consider it fair for the United States to fund the entire NATO requirement for AWACS aircraft. We have waited too long for a firm funding commitment from NATO with respect to this matter.

This budget proposes additional expenditures in the areas of co-located operating airbases for the Air Force and storage facilities for Army equipment which could be funded through the NATO infrastructure program. In fact, the United States has prefinanced about $400 million in NATO infrastructure projects for which we have not been reimbursed. This budget proposes an additional $135 million in such prefinancing efforts for the Army alone. While it appears that the U.S. Air Force cost of improvements at colocated operating bases should be funded from the NATO infra-structure program, there has been no commitment yet by NATO to do so.

The committee proposes to conduct several days of hearings on the foregoing proposals for NATO. It is far too early to prejudge or anticipate the outcome of this review. However, I intend to delve into these proposed NATO enhancements rather thoroughly during these hearings, and may have some recommendations with respect to any adjustments I feel may be in order during the markup of the fiscal year 1979 defense appropriations budget.

UNOBLIGATED BALANCES

In the committee's report to the Budget Committee on the fiscal year 1978 budget proposals I pointed out, regarding the defens request, that the unobligated balances of appropriated funds available to the Department were substantially growing. This I felt was the result of the fact that the Congress was providing too much money to the Department. I reiterated this position very clearly and strongly in the committee's report on the defense appropriation bill for 1978. (See page 348 of House Report 95-451.)

I cannot but take the same position again this year. I must point out that conditions are even worse this year than I envisioned in my views contained in these two reports last year. I noted then that "budget figures for unobligated and unexpended balances are almost always understated and often grossly understated."

What I stated proved to be correct. Let me cite a few examples. Last year in the report to the Budget Committee I pointed out that the estimated unobligated balance related for all defense programs other than foreign military sales on September 30, 1978, was projected at $18.8 billion. This year the revised estimated balance of unobligated funds at September 30, 1978, is projected at $20.2 billion, an increase of $1.4 billion, and this is still a projected estimate which is most likely understated. Last year the estimated unobligated balance at September 30, 1977, was projected at $16.3 billion, excluding foreign military sales. Now, the unobligated balance at September 30, 1977, was actually $19 billion, an increase of $2.7 billion above the estimate last year. That is why I have stated that unobligated balances are almost always understated.

Current projections are that unobligated defense appropriated funds will grow from an actual balance of $11 billion at the end of fiscal year 1972 to $20.4 billion at the end of fiscal year 1979, an increase of $9.4

billion. This means that in 7 years these balances have just about doubled.

Last year Defense witnesses used the argument that its unobligated balance position was no worse than the combined total of other agencies of the Federal Government. However, current projections indicate while the unobligated balances of appropriated funds of other agencies are substantially decreasing, Defense is on the rise. I believe that the Department of Defense should only ask for those funds for a fiscal year that can actually be obligated during that year. There is no question in my mind that defense has been overfunded in prior years. Our goal for fiscal year 1979 should be to hold defense funding to that level which can actually be obligated. This recommendation would, if seriously considered, reduce the requests for national defense functions by several billion dollars.

JOSEPH P. ADDABBO.

[illegible]

U.S. House of Representatives
COMMITTEE ON ARMED SERVICES
Washington, D.C. 20515
NINETY-FIFTH CONGRESS
MELVIN PRICE, CHAIRMAN

[illegible]

March 13, 1978

Honorable Robert N. Giaimo
Chairman
House Committee on the Budget
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

At the direction of the Committee on Armed Services, I am submitting herewith the committee's report pursuant to Section 301(c) of the Congressional Budget Act of 1974.

The report contains the committee's recommendation for the National Defense Function (functional category 050).

In addition to a brief narrative, the report includes tables which provide the committee's recommendations on the President's budget by major appropriation accounts.

On behalf of the committee, I would stress that this is a preliminary estimate of the requirements for national defense. The committee has been conducting hearings on three authorization bills within its jurisdiction: the Defense Department appropriation authorization, the military construction authorization, and the authorization for nuclear energy programs related to national defense. Additional hearings will be required before the committee completes its work on these bills and further refines its recommendation with regard to the large portion of the Defense budget directly or indirectly affected by authorization.

In addition to its recommendations on budget totals, the committee again addresses itself in this year's report to the appropriateness of certain budgeting procedures and I would call these recommendations to your attention.

The accompanying report has been prepared pursuant to the vote of the full Committee on Armed Services after a committee review of the total budget request of the President and, therefore, represents the views of the majority of the committee. The vote on the recommendation was 25 to 5.

The report is accompanied by separate views of several Members.

Sincerely,

Melvin Price
Chairman

MP:jfc

Enclosure

REPORT OF THE HOUSE COMMITTEE ON ARMED SERVICES
TO THE
HOUSE COMMITTEE ON THE BUDGET
ON
THE NATIONAL DEFENSE FUNCTION
MARCH 13, 1978

The Committee on Armed Services recommends a total in new budget authority for the National Defense Function for the First Concurrent Budget Resolution of $131.1 billion and recommends outlays of $118.2 billion.

The committee's recommendation is $2.6 billion above the request for new budget authority contained in the budget submitted by the Administration for fiscal year 1979 and $441 million above the request for outlays.

The Committee on Armed Services is in the process of considering in detail the various elements of the Defense budget and has been conducting hearings on military posture and Defense authorization since late January. These hearings are expected to last another month and a half. Approximately 70% of the Defense budget is affected directly or indirectly by authorization legislation considered by the Committee on Armed Services. The committee's recommendation on overall budget requirements reflects anticipated modifications in a number of areas subject to authorization. As the Congress works its will on the budget through the authorization/appropriation process, it is possible that some reduction to the budget requirements may be considered in the Second Budget Resolution.

The preliminary estimate submitted by the committee at this time is regarded as an appropriate target for Defense in the First Budget Resolution since it provides for needed program enhancements without prejudging the merits of programs proposed by the Department of Defense.

Procurement Not Subject to Authorization

The fiscal year 1979 budget as submitted included approximately $9 billion for categories of procurement not subject to authorization. Generally, these are such items as non-tactical vehicles, communications and data processing equipment, ammunition and a variety of other procurement items. An examination of the budget shows that the request for these items represents a 25% increase over the fiscal year 1978 appropriation. In terms of real growth after deducting for inflation, therefore, the budget contemplates an increase of over 18% in these areas. The committee believes that a growth rate of around 11% should be adequate since the material to be procured is generally of lower priority than needed combat systems; thus, the committee recommends a general reduction to reflect that lower rate.

Procurement Subject to Authorization

By contrast, the committee, on examination, found that the budget provides no real growth in the overall area of procurement subject to authorization, which principally includes the purchase of major weapon systems. The committee's recommendation allows for possible increases in two major areas of

procurement, naval ship construction and procurement of combat aircraft. The committee's allowance for increased funding in these areas, if confirmed by later authorization and appropriation action, would result in a consistent rate of real growth for all of the categories of procurement of approximately 11%.

The two areas where the committee made allowance for increases in procurement are areas where the Administration either submitted incomplete programs or slowed the rate of procurement below what was projected in last year's budget. The committee's action represents, for the most part, a refusal to concur in a slow down of needed modernization of forces pending further study by the committee during the authorization process.

The committee particularly notes that in the area of ship construction, the Administration proposals are incomplete. The Defense Department is still analyzing the results of a study of naval aviation platforms directed by P.L. 95-79; this study was not completed at the time the budget was submitted. Also awaited are the results of a Naval Force Planning Study under review by the Department of Defense. It is possible, therefore, that the Administration might make a supplemental request related to aircraft carriers and other ships.

The committee's recommendation contemplates three major changes in the ship building budget as submitted; provision for a nuclear aircraft carrier with full funding at a cost of $2.1 billion; addition of a fully funded nuclear cruiser for which long lead funds were provided last year; and for one

Trident submarine long lead funding only. The President's budget had recommended full funding for the submarine. In view of the delays in the Trident program, it is the committee's judgment that the program could only use the long lead funds in fiscal year 1979.

In the Defense budget categories of RDT&E and military construction, the committee's preliminary judgment is that the amounts proposed in the President's budget are sufficient. Although the committee expects to recommend program changes (including both authorization reductions and additions), at the present time it supports the budget authority and outlay levels requested.

Similarly, in those programs administered by the Department of Energy over which the Committee on Armed Services has legislative jurisdiction, involving the military application of nuclear energy, the committee recommends no change at this time from the budget recommendation of the President.

The committee has allowed for an increase in budget authority for the Defense Civil Preparedness Agency from the budget request of $96.5 million to $137 million.

Personnel

The committee recommends increases in the military personnel and operations and maintenance accounts to offset certain proposed program reductions in fiscal year 1979. The programs affected are training in the active duty forces, the Selected

Reserve strength of the Naval Reserve, and a reduction in the civilian strength of the Department of Defense. These programs will be further examined by the committee in the authorization process.

The committee has endorsed sufficient funding to provide travel and transportation entitlements to junior enlisted personnel assigned within the Continental United States, as well as overseas.

Based on a number of oversight hearings over the past year, the committee is recommending an increase in funding for enhanced medical support services, and an increase in the funding of the Selective Service System to again permit registration and classification in light of the current inadequate state of the system to meet Department of Defense requirements.

Committee Initiatives

The committee recommends increased budget authority in a number of accounts to cover initiatives not included in the President's budget. These include providing funds in anticipation of an extension of the existing authority for recruiting incentives in the Selected Reserve; funding for H.R. 8647, as reported by the Armed Services Committee, which would raise payments under the allowable physician's fee schedule of the Civilian Health and Medical Program for the Uniformed Services (CHAMPUS) from the 75th to 90th percentile; providing improvements to the military Survivor Benefit Plan as contained in H.R. 3702,

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which has passed the House; providing for a revision to the Defense Officer Personnel Management System as contained in H.R. 5503, which has passed the House; and funding of a number of other personnel and compensation bills which have been or will be considered by the committee.

Revolving and Management Funds

The President's budget request included $100.8 million in new budget authority for the Army ($74 million) and Air Force ($26.8 million) stock funds. The committee found that presently there are substantial inventory balances and the proposed additional budget authority would be applied to increase reserve stocks of non-critical items. In view of the many higher priority procurement requirements, the committee recommends deletion of this $100.8 million of new budget authority.

Financing Adjustments

The committee recommends a general reduction in budget authority of $500 million with the provision that a combination of lapsing prior-year funds and other transfers from unobligated prior-year funds be made available via the appropriation process to finance an equivalent portion of the fiscal year 1979 Defense budget. This use of prior year budget authority, which would otherwise lapse, is consistent with appropriation practices of long standing and will allow the budget to more accurately reflect the funding to be actually obligated for Defense.

Budgeting Procedures

The Committee on Armed Services has, in the past two years, recommended revisions in budgeting categories so that those categories more properly convey their true purpose. The committee stated in its report last year:

> "The committee believes that what is labeled 'the Defense budget' should reflect the amount of defense capability to be purchased and believes further that the American people accept it as such. When a citizen reads of a $121 billion Defense budget, he reasonably concludes that we are spending $120 billion to buy systems and services to increase the future military capability of the United States. But such is not the case."

The committee at that time pointed out that the National Defense Function includes a number of activities which, while satisfying necessary obligations or worthy objectives, are unrelated to future defense capability. The committee specifically mentioned, among others, foreign military assistance. The committee is pleased to note that foreign military assistance has been transferred to a more appropriate functional category. Likewise, the committee notes that some programs which relate to nuclear weapons application have been transferred from the Natural Resources and Energy category to the National Defense Function. The committee concurs in this revision since the

National Defense Function more appropriately describes the purposes for which the funding is to be provided.

There continues to be included in the National Defense Function category the account for military retired pay, which in fiscal year 1979 is estimated to require $10.1 billion in budget authority. The committee recommends that this item be transferred to the more appropriate functional category of Income Security (600).

Additionally, the committee recommends that the funding of overseas dependent schools, which requires new budget authority of $307 million in the fiscal year 1979 budget, be transferred out of the National Defense Function to the functional category of Education, Training, Employment and Social Services (500). It is noted that schools located on military installations in the United States are funded under the Department of Health, Education and Welfare. The committee's recommendation for overseas dependent schools, therefore, would mean greater consistency in budgeting procedure.

One final note. H. Res. 658, 95th Congress, established the House Permanent Select Committee on Intelligence, and vested in that select committee, jurisdiction over all intelligence agencies, including the CIA, DIA, NSA, Department of State and the FBI, as well as intelligence and intelligence-related activities of the Department of Defense, and authorizations therefor.

At the present time, this committee is in the process of establishing precisely what Defense intelligence and intelligence-related programs are involved, in order to sort out those areas which are currently being considered in both the Select Committee and this committee. Since substantial amounts of money are represented in both the overall Defense budget and that portion of the budget subject to authorization, this area of possible duplication is called to the attention of the Budget Committee.

NATIONAL DEFENSE FUNCTION

FISCAL YEAR 1979

(Dollars in Millions)

ITEM	President's Budget Total		HASC Changes		Recommended Total	
	Budget Authority	Outlays	Budget Authority	Outlays	Budget Authority	Outlays
Procurement	31,927.6	24,208.0	+2,672.4	+117.5	34,600.0	24,325.5
Special Foreign Currency Program	14.4	2.8			14.4	2.8
R.D.T.& E.	12,460.0	11,861.0			12,460.0	11,861.0
Military Personnel	27,211.2	26,866.0	+295.0	+275.1	27,506.2	27,141.1
Retired Military Personnel	10,148.9	10,122.0			10,148.9	10,122.0
Operation and Maintenance	37,376.2	36,454.0	+126.4	+101.1	37,502.6	36,555.1
Defensewide Contingencies	2,304.9	2,288.0	+10.9	+10.9	2,315.8	2,298.9
Defense Civil Preparedness Agency	96.5	98.0	+40.5	+22.2	137.0	120.2
Revolving and Management Funds	100.8	214.0	-100.8		0	214.0
Offsetting Peceipts, Trust Funds	-579.1	-570.0			-579.1	-570.0

NATIONAL DEFENSE FUNCTION

FISCAL YEAR 1979 (Cont'd.)

(Dollars in Millions)

ITEMS	President's Budget Total		HASC Changes		Recommended Total	
	Budget Authority	Outlays	Budget Authority	Outlays	Budget Authority	Outlays
Military Construction and Family Housing, Defense	4,253.0	3,412.0			4,253.0	3,412.0
Total, Other Defense Related Activities	3,116.8	2,823.4	+7.5	+5.6	3,124.3	2,829.0
Committee Legislative Initiatives	0	0	+77.3	+77.3	77.3	77.3
Financial Adjustments - Transfer Forward of Prior Year Budget Authority	0	0	-500.0	-168.5	-500.0	-168.5
Total DOD	125,566.6	115,200.0	+2,621.7	+435.6	128,188.3	115,635.6
Total Defense Function	128,439.2	117,779.2	+2,629.2	+441.2	131,068.4	118,220.4

MASTER TABLE—REQUEST BY APPROPRIATION ACT AND ACCOUNT[1]

[Dollars in millions]

(Items shown in italics are part of Defense Function, but not under DOD jurisdiction)

By Appropriation Act and Account	Requests subject to HASC authorization		Requests requiring prior legislative action		Requests not subject to HASC authorization		Outlays from prior year BA	President's budget total		HASC changes		Recommended total	
	Budget authority (A)	Outlays (B)	Budget authority (C)	Outlays (D)	Budget authority (E)	Outlays (F)	(G)	Budget authority (H)	Outlays (I)	Budget authority (J)	Outlays (K)	Budget authority (L)	Outlays (M)
Procurement										- 500[4/]	- 63.8[4/]	-500[4/]	- 63.8[4/]
Aircraft procurement, Army	1,017.8	65.6					461.4	1,017.8	- 527.0			1,017.8	527.0
Missile procurement, Army	771.2	71.8					472.2	771.2	551.0			771.2	551.0
Procurement of weapons and TCV	1,638.6	79.0					942.0	1,638.6	1,021.0			1,638.6	1,021.0
Procurement of ammunition, Army	[2]17.6	4.5			1,392.5	154.6	855.9	1,410.1	1,009.0			1,410.1	1,009.0
Other procurement, Army	0	0			1,789.2	252.7	949.3	1,789.2	1,201.0			1,789.2	1,201.0
Aircraft procurement, Navy	4,078.8	891.6					2,518.4	4,078.8	3,112.0	+ 525.3	+ 78.0	4,604.1	3,190.0
Weapons procurement, Navy	2,047.5	192.7					1,557.1	2,047.5	1,750.0	+ 62.7	+ 6.2	2,110.2	1,756.2
Shipbuilding and conversion, Navy	4,712.4	139.7					3,116.3	4,712.4	3,256.0	+2,290.7	+ 68.0	7,003.1	3,324.0
Other procurement, Navy	0	0			2,708.6	339.9	1,760.1	2,708.6	2,100.0			2,708.6	2,100.0
Procurement, Marine Corps	72.8	4			299.1	17.6	315.0	371.9	333.0			371.9	333.0
Aircraft procurement, Air Force	6,897.7	678.7					4,216.3	6,897.7	4,895.0	+ 293.7	+ 29.1	7,191.4	4,924.1
Missile procurement, Air Force	1,678.8	409.6					1,195.4	1,678.8	1,605.0			1,678.8	1,605.0
Other procurement, Air Force	0	0			2,815.8	1,217.1	1,101.8	2,815.8	2,318.9			2,815.8	2,318.9
Procurement, Defense Agencies	0	0			280.9	48.1	219.9	280.9	268.0			280.9	268.0
Procurement, aircraft and missiles, Navy	0	0					30.0		30.0				30.0
Procurement of equipment and missiles, Army	0	0					10.0		10.0				10.0
Total procurement	22,951.8	2,217.7			8,976.1	2,030.1	19,940.2	31,927.8	24,208.0	+2,672.4	+117.5	34,600.0	24,325.5
Special foreign currency program	[3]14.4	.1					2.7	14.4	2.8	0	0	14.4	2.8
R.D.T.&E.													
Army	2,721.4	1,664.8					910.2	2,721.4	2,575.0			2,721.4	2,575.0
Navy	4,490.5	2,715.2					1,448.8	4,490.5	4,164.0			4,490.5	4,164.0
Air Force	4,319.1	2,770.5					1,476.5	4,319.1	4,247.0			4,319.1	4,247.0
Defense Agencies	882.1	483.1					345.0	849.4	829.0			849.4	829.0
Director, T. & E. Defense	27.6	3.6					21.4	27.6	27.0			27.6	27.0
Total, R.D.T. & E.	12,468.0	7,657.1					4,203.9	12,468.0	11,861.0	0	0	12,468.0	11,861.0
(DOD Appropriation Authorization Act)	(12,473.4)												
Military personnel													
Military personnel:													
Army					8,180.0	8,006.0	136.0	8,180.0	8,042.0	+ 78.6	+ 76.0	8,258.6	8,118.0
Navy					6,461.0	6,292.2	107.8	6,461.0	6,400.0	+ 60.5	+ 58.7	6,521.5	6,458.7
Marine Corps					2,016.5	1,904.2	84.8	2,016.5	1,977.0	+ 28.5	+ 26.9	2,045.0	2,003.9
Air Force					7,576.0	7,411.9	88.8	7,576.0	7,500.0	+ 17.5	+ 16.9	7,593.5	7,516.9
Reserve personnel:													
Army					532.6	480.1	46.7	532.6	527.0			532.6	527.0
Navy					179.0	155.4	24.8	179.0	180.0	+ 59.7	+ 51.8	238.7	231.8
Marine Corps					81.2	74.0	7.0	81.2	81.0			81.2	81.0
Air Force					183.6	157.2	16.8	183.6	174.0			183.6	174.0
National Guard personnel													
Army					747.1	664.7	68.3	747.1	736.0	+ 50.2	+ 44.8	797.3	780.8
Air Force					242.2	242.2	16.8	252.2	249.0			252.2	249.0
Total, military personnel					27,211.2	26,283.4	552.6	27,211.2	26,866.0	+ 295.0	+279.1	27,506.2	27,141.1
Total, retired personnel					10,148.9	10,101.3	18.7	10,148.9	10,122.0	0	0	10,148.9	10,122.0

[1] Columnar totals may not match recap lines due to rounding.

[2] Ammunition production facilities authorized in fiscal year 1970 Military Construction Authorization Act.

[3] $14.4 million authorized as follows: $5.0 million in DOD Appropriations Authorization Act (Navy R.D.T. & E.), $9.0 million in Military Construction Authorization Act.

[4/] A reduction of $500 million in BA and $63.8 million in outlays to be applied to Procurement accounts not subject to authorization.

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MASTER TABLE—REQUEST BY APPROPRIATION ACT AND ACCOUNT—Continued

[Dollars in millions]

(Items shown in italics are part of Defense function but not under DOD jurisdiction)

By Appropriation Act and Account	Requests covered in HASC authorization		Requests not covered in HASC authorization		HASC recommendations		Outlays from prior BA	President's budget (rev.)		HASC changes		Bill as passed	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays		Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
Operation and maintenance													
Army					9,231.4	7,008.7	1,166.1	9,231.4	8,075.0	+ 86.1	+ 70.7	9,317.5	8,045.7
Navy					11,841.0	8,542.6	2,679.4	11,841.0	11,511.0	+ 26.7	+ 18.9	11,867.7	11,529.9
Marine Corps					744.1	729.2	105.8	744.1	731.0			744.1	731.0
Air Force					9,415.2	8,254.6	1,025.4	9,415.2	9,280.0	+ 11.1	+ 9.6	9,426.3	9,289.6
Defense Agencies					3,094.0	2,705.2	226.8	3,093.0	2,990.0			3,093.0	2,990.0
Army Reserve					420.8	407.8	42.2	420.8	416.0			420.8	415.0
Navy Reserve					329.1	288.1	20.9	329.1	327.0	+ 2.5	+ 1.9	331.8	328.9
Marine Corps Reserve					20.0	7.2	1.5	20.0	20.0			20.0	20.0
Air Force Reserve					393.1	381.9	27.1	393.1	393.0			393.1	393.0
Army National Guard					731.7	701.7	61.1	735.2	735.0			735.2	732.0
Air National Guard					935.6	857.0	65.0	916.0	922.0			916.0	922.0
Reserve Personnel, Army					4	3		4	4			4	4
Civil Defense					89.5	80.6	7.5	89.5	88.0			89.5	88.0
Court of Military Appeals, Defense					1.9	1.9	1.9	1.9	2.0			1.9	2.0
Total, O & M					37,376.2	30,699.2	5,755.8	37,376.2	36,474.0	+ 126.4	+ 101.1	37,502.6	36,555.1
Revolving and management funds													
Defense Production Guarantees, Navy							1.0		1.0				1.0
Army stock fund					76.0		170.1	76.0	170.1	- 74.0			170.1
Navy stock fund							79.7		79.7				79.7
Marine Corps stock fund							2		2				2
Air Force stock fund					20.8		37.4	26.8	37.4	- 26.8			37.4
Defense stock fund							-65.5		-55.5				-55.5
Army industrial fund							22.8		22.8				22.8
Navy industrial fund							-19.9		-19.9				-19.9
Marine Corps industrial fund							-.6		.6				.6
Air Force industrial fund							-22.7		-22.7				-22.7
Air Force management fund							.8		.8				.8
Total, revolving and management funds					100.8		214.0	100.8	214.0	- 100.8	0	0	214.0
Subtotal, DOD	35,413.9	9,905.0			83,813.2	60,115.1	30,717.7	119,247.1	109,727.5	+2,993.0	+ 493.7	1,22,240.1	110,221.2
Central Intelligence Agency					43.5	43.5		43.5	43.5	0	0	43.5	43.5
Intelligence Community Oversight					9.7	9.0	1.0	9.7	9.7	0	0	9.7	9.7
Total, Defense Appropriation Act	35,413.9	9,905.0			83,866.4	69,180.6	30,718.7	119,300.3	109,781.0	+2,993.0	+ 493.7	1,22,293.3	110,274.7
Military construction													
Army	599.5	28.0			22.4	2.8	594.6	621.9	699.0			621.9	699.0
Navy	224.6	46.1			53.1	4.0	497.7	820.2	847.0			820.2	847.0
Air Force	293.1	23.1			7.50	2.2	547.5	619.1	697.0			619.1	697.0
Defense Agencies	103.9	5.0			11.4	.3	41.7	176.3	52.0			176.3	52.0
Army National Guard	44.8	2.7			4.9	.3	41.7	41.7	52.0			49.7	52.0
Air National Guard	60.1	2.2			5.4	.3	41.5	41.5	41.0			41.5	41.0
Army Reserve	22.1	1.2			9.7	.5	47.3	34.8	44.0			14.8	44.0
Navy Reserve	17.9	1.2			2.5	.2	20.8	23.4	22.0			2.5	22.0
Air Force Reserve	10.9	1.0			1.6	.2	11.5	12.5	13.0			12.5	13.0
Subtotal, military construction	2,463.9	111.5			213.2	9.9	1,851.6	2,677.1	1,976.0			2,677.1	1,976.0
Homeowners assistance and family housing	1,575.9	981.9					454.1	1,575.9	1,436.0			1,575.9	1,436.0
Totals, Military Construction Act	4,039.8	1,093.4			213.2	9.9	2,305.7	4,253.0	3,412.0	0	0	4,253.0	3,412.0

MASTER TABLE—REQUEST BY APPROPRIATION ACT AND ACCOUNT—Continued

[Dollars in millions]

(Items shown in italics are part of Defense Functions, but not under DOD jurisdiction)

By Appropriation Act and Account	Requests subject to HASC authorization		Requests requiring new legislative action		Requests not subject to HASC authorization		Outlays from prior year PA	President's budget total		HASC changes		Committee	
	Budget authority (A)	Outlays (B)	Budget authority (C)	Outlays (D)	Budget authority (E)	Outlays (F)	(G)	Budget authority (H)	Outlays (I) [1]	Budget authority (J)	Outlays (K)	Budget authority (L)	(M)
Treasury, Postal, and General Government Appropriations Act													
Federal Preparedness Agency (GSA)					219.8	188.7	25.6	219.8	214.3			213.3	214.3
Defense Production Act (GSA)					4.4	4.4		4.4	4.4			4.4	4.4
Defense Civil Preparedness Agency (DOD)	96.8	85.5					32.8	96.8	94.0	+ 40.5	+ 22.2	137.0	120.2
Total, Treasury, Postal, and General Government Act	96.8	85.5			217.7	139.1	65.1	314.9	310.7	+ 40.5	+ 22.2	354.7	338.9
HUD-Independent Agencies													
Selective Service System					9.8	7.8	1.9	9.8	9.8	+ 7.5	+ 5.6	17.0	14.1
State, Justice and Commerce													
Reorganization Board					7.3	6.8	5	7.3	7.8			7.3	7.2
Public Works													
D.C.	2,882.1	1,447.8					1,080.9	2,882.1	2,535.3	0		2,829.1	2,535.8
Total, National Defense Submission to Congress	42,599.3	12,508.5			84,911.1	69,385.7	31,174.0	127,510.4	116,082.8	+3,041.0	+ 521.5	129,754.4	116,582.7
Total, DOD	39,570.2	11,053.9			84,026.4	69,125.0	31,058.9	123,596.6	113,237.8	+3,033.5	+ 515.9	126,630.1	113,753.7
Contingencies for later submission													
Pay Act, 1978 (pay raise)			2,085.1	2,071.5				2,085.1	2,071.5			2,085.1	2,071.5
Pay Act of 1970 (wage board)			166.2	162.9				166.2	162.9			166.2	162.9
Military tuition assistance			4.0	4.0				4.0	4.0			4.0	4.0
Energy contingencies			28.6	28.6				28.6	28.6			28.6	28.6
Retired Serviceman's Family Protection Plan			7.2	7.2				7.2		- 7.2	- 7.2	0	0
Quarters allowance, Navy			9.9	9.9				9.9	9.9			9.9	9.9
DOD/MA			13.0	13.9				13.9	13.9	+18.1	+18.1	32.0	32.0
Civil compensation			-30.0	-30.0				-30.0	-30.0			-30.0	-30.0
Savings			16.0	16.0				16.0	16.0			16.0	16.0
Total, contingencies			2,304.9	2,288.0				2,304.9	2,288.0	+ 10.9	+ 10.9	2,315.8	2,298.9
Committee Legislative Initiatives													
Retired Serviceman's Family Protection Plan and Survivor Benefit Plan										+21.0	+21.0	21.0	21.0
Survivor Benefit Plan for Reservists										+ 3.0	+ 3.0	3.0	3.0
CHAMPUS										+15.0	+15.0	15.0	15.0
DOD offsetting receipts and trust funds					- 334.9	- 325.9		- 334.9	- 325.9			- 334.9	- 325.9
Social Security			-177.0	-177.0	-65.2	-65.2		-242.2	-242.2			-242.2	-242.2
Other defense related (Treasury recoveries)					-2.0	-2.0		-2.0	-2.0			-2.0	-2.0
Net trust funds, receipts			-177.0	-177.0	-402.1	-393.0		-579.1	-570.0	0	0	-579.1	-570.0
Total, National Defense Function	42,599.3	12,508.5	2,127.9	2,111.0	83,918.0	68,790.7	31,174.0	126,596.8	115,779.8	+2,629.2	+ 441.2	131,046.4	116,220.4
Total, DOD	39,570.2	11,053.9	2,304.9	2,288.0	83,891.5	68,790.1	31,058.9	125,566.6	113,200.0	+2,621.7	+ 435.6	128,188.3	113,635.6
Committee Legislative Initiatives (con'd):													
Recruiting Incentive for Selected Reserve										+32.8	+ 32.8	32.8	32.8
CHAMPUS (H.R. 572)										+ .5	+ .5	.5	.5
Other Legislative Initiatives										+ 5.0	+ 5.0	5.0	5.0
Total, Committee Legislative Initiatives [2/]										+77.3	+ 77.3	77.3	77.3
Transfer of prior year unobligated balances [2/]										-500.0	- 168.5	-500.0	-164.5

[2/] Included in final totals, National Defense Function and DOD

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979
(In millions of dollars)

Legislative Proposal		1979	1980	1981	1982	1983	Comment
Military Personnel Trailer Allowance	President's request:						Legislation revises reimbursement schedule to more accurately reflect the actual cost of transporting a mobile home
	Budget Authority...	8.0	8.0	8.0	8.0	8.0	
	Outlays.....	8.0	8.0	8.0	8.0	8.0	
	Committee Recommendation:						
	Budget Authority...	8.0	8.0	8.0	8.0	8.0	
	Outlays.....	8.0	8.0	8.0	8.0	8.0	

11. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979
(In millions of dollars)

Legislative Proposal		1979	1980	1981	1982	1983	Comment
Family Separation Allowance	President's request:						Legislative proposal extends authority to pay Family Separation Allowance of $30 per month to junior enlisted personnel presently excluded
	Budget Authority...	28.6	28.6	28.6	28.6	28.6	
	Outlays.....	28.6	28.6	28.6	28.6	28.6	
	Committee Recommendation:						
	Budget Authority...	28.6	28.6	28.6	28.6	28.6	
	Outlays.....	28.6	28.6	28.6	28.6	28.6	

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979 (In millions of dollars)

Legislative Proposal		1979	1980	1981	1982	1983	Comment
Quarters Allowance, Navy	President's request:						Legislation would authorize reimbursement for cost of quarters of Navy personnel who are precluded from using their shipboard quarters because of non-availability
	Budget Authority...	9.9	9.0	9.0	9.0	9.0	
	Outlays.....	9.9	9.0	9.0	9.0	9.0	
	Committee Recommendation:						
	Budget Authority...	9.9	9.0	9.0	9.0	9.0	
	Outlays.....	9.9	9.0	9.0	9.0	9.0	

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979
(In millions of dollars)

Legislative Proposal		1979	1980	1981	1982	1983	Comment
Sea Pay	President's request: Budget Authority...	16.0	11.0	7.0	0.0	0.0	Legislation revises the eligibility for and amount of sea pay
	Outlays.....	16.0	11.0	7.0	0.0	0.0	
	Committee Recommendation: Budget Authority...	16.0	11.0	7.0	0.0	0.0	
	Outlays.....	16.0	11.0	7.0	0.0	0.0	

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979
(In millions of dollars)

Legislative Proposal		1979	1980	1981	1982	1983	Comment
Defense Officer Personnel Management Act	President's request:						Legislation would amend the laws governing the appointment, promotion, separation, and retirement of officers of the Armed Services
	Budget Authority...	13.9	7.0	-10.0	-16.0	-4.0	
	Outlays.....	13.9	7.0	-10.0	-16.0	-4.0	
	Committee Recommendation:						Committee recommendation reflects action taken by House in passing H.R. 5503
	Budget Autnority...	32.0	28.0	3.0	-1.0	9.0	
	Outlays.....	32.0	27.0	4.0	0.0	9.0	

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979
(In millions of dollars)

Legislative Proposal		1979	1980	1981	1982	1983	Comment
Retired Serviceman's Family Protection Plan	President's request:						Legislation provides cost of living increases to certain annuitants under the Retired Serviceman's Family Protection Plan
	Budget Authority...	7.2	7.2	8.0	8.0	8.0	
	Outlays.....	7.2	7.2	8.0	8.0	8.0	
	Committee Recommendation:						Committee recommendation reflects action taken by the House in passing H.R. 3702 which incorporates the Defense proposal (See Legislative Initiatives)
	Budget Authority...	0.0	0.0	0.0	0.0	0.0	
	Outlays.....	0.0	0.0	0.0	0.0	0.0	

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IV. Legislative Initiatives of Congress for Fiscal Year 1979
(In millions of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Retired Serviceman's Family Protection Plan and Survivor Benefit Plan (H.R. 3702)						The House has passed H.R. 3702 improving the survivor benefit plans available to military retirees
Budget authority.....	21.0	30.0	38.0	49.0	61.0	
Outlays.....	21.0	30.0	38.0	49.0	61.0	

IV. Legislative Initiatives of Congress for Fiscal Year 1979
(In millions of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Survivor Benefits for Reservists						Committee plans to consider legislation that would extend survivor benefit coverage to reservists who have completed 20 years of service but who have not yet reached age 60
Budget authority.....	3.0	5.2	7.0	8.6	9.5	
Outlays.....	3.0	5.2	7.0	8.6	9.5	

IV. Legislative Initiatives of Congress for Fiscal Year 1979
(In millions of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
CHAMPUS physician fee schedules						H.R. 8647, House Report 95-815, would set upper limits of fee schedules at the 90th percentile, vice the 75th, and require annual updating.
Budget authority.....	15.0	16.5	18.2	20.0	22.0	
Outlays.....	15.0	16.5	18.2	20.0	22.0	

IV. Legislative Initiatives of Congress for Fiscal Year 1979
(In millions of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Reserve Recruiting Incentives						
Budget authority.....	32.8	27	39	40	43	Committee plans to extend existing authority for incentives to assist recruiting in the Selected Reserve. (Financing method: annual appropriations.)
Outlays.....	32.8	27	39	40	43	

IV. Legislative Initiatives of Congress for Fiscal Year 1979
(In thousands of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
CHAMPUS care for retirees with service-connected disability						H.R. 572, not reported by committee to date, would amend law to allow such care under CHAMPUS, as well as through V. A.
Budget authority.....	500	550	605	665	731	
Outlays.....	500	550	605	665	731	

IV. Legislative Initiatives of Congress for Fiscal Year 1979
(In millions of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Miscellaneous Initiatives						The Committee has reported and expects to report several low cost legislative initiatives. Total budget impact is small for any of these initiatives. (Example: H.R. 10341, to authorize reserve enlisted members of the Army and Air Force to retire after 20 years of active duty.)
Budget authority.....	5.0	5.0	5.0	5.0	5.0	
Outlays.....	5.0	5.0	5.0	5.0	5.0	

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

(In thousands of dollars)

Major issue or program	President's Request		Committee Recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Federal Funds					
Department of Defense--Military					
Military Construction					
Military Construction, Army Reserve	$ 0	$ 500	$ 0	$ 500	
TOTAL FEDERAL FUNDS	0	500	0	500	
Trust Funds					
Department of Defense--Military					
Trust Funds					
Miscellaneous trust funds	9,892	9,541	9,892	9,541	
Miscellaneous trust revolving funds	0	9,459	0	9,459	
Department of Defense--Civil Soldiers' and Airmen's Home					
Payment of claims	5	5	5	5	
Department of the Treasury					
Office of the Secretary					
Pershing Hall memorial fund	7	7	7	7	
Department of Transportation					
Coast Guard					
Coast Guard general gift fund	30	30	30	30	
TOTAL TRUST FUNDS	$9,934	$19,042	$9,934	$19,042	

DISSENTING VIEWS OF HON. BOB CARR, HON. THOMAS J. DOWNEY, AND HON. PATRICIA SCHROEDER

The Armed Services Committee's report contains certain elements of fantasy, which we will briefly explain.

First among these is the fantasy that the Department of Defense is an emaciated and undernourished infant eager and willing to soak up every drop of nourishment it can get. On the contrary, the Pentagon more closely resembles a blubberpot into which so many calories have been stuffed that part of the latest dose will be unconsumable and will dribble down its chin.

To state the problem in less metaphorical terms, the Pentagon can't spend all the committee would like to give it. In previous years, actual outlays have consistently and substantially lagged behind Congressionally approved levels: $2.4 billion in FY 77 and expected $2.5 billion in FY 1978. While we would not like to add to the "spend this money on anything, quick before we lose it" mentality which already prevails in certain elements of the Armed Forces, nevertheless it seems the Budget Committee would relate well to reality if it were to impose an outlay ceiling reflecting the probability that traditional procedures would probably approve about $2.5 billion extra, unspendable outlays for FY 79. The Armed Services Committee has recognized part of this problem by its commendable action on the Trident submarine. But the Budget Committee should deal with the whole problem.

The second fantasy assumes that Administration requests translate directly into funds available to the Pentagon. The last four years have seen annual reductions ranging from $2.7 billion to $8.1 billion,

most of which have been achieved at the Appropriations stage. The Armed Services Committee report, in contrast, adopts a largely additive approach: Funds are added for unrequested programs favored by the Committee, but there is no significant subtractive allowance -- with the exception of the Trident submarine -- for cancellation or deferral of submarginal or premature weapons requests. These cancellations and deferrals will nevertheless occur, and the Budget Committee should take them into consideration

It is not our intention here to go into line items, other than to point out that the Armed Services Committee has added unrequested funds for a large aircraft carrier already rejected by the House; we will deal with other line items in the authorization bill. But in the aggregate there is clear basis for a budget figure at least $2.5 billion below that recommended by the Armed Services Committee and equal to or below the President's budget.

ADDITIONAL VIEWS OF CONGRESSMAN JOHN B. BRECKINRIDGE
RE: HOUSE ARMED SERVICES COMMITTEE FY 1979 BUDGET RECOMMENDATIONS

During the House Armed Services Committee's considerations of the fiscal 1979 budget recommendations, I sought unsuccessfully to increase the obligational authority for the Department of Defense by $15 billion. I urge the Budget Committee to now give favorable consideration to what I consider to be a very strong case for this action.

"We have tried since the birth of our nation to promote our love of peace by a display of weakness. This course has failed us utterly." These words are as true today as when they were first expressed by George C. Marshall, architect of our nation's victory in World War II and champion of the peace as Secretary of State under President Truman.

Throughout the ages -- and most notably during this century -- history has taught that peace is more akin to strength than to weakness. Reasonable common sense and prudence -- guided by a steadfast and righteous conviction -- require that any political strategy the objective of which is to guarantee peace and security must maintain the state's power in peacetime.

Winston Churchill, warning an appeasement-minded England that a determined and growing Nazi war-machine would lay Europe in ruins, expressed this principle in the following way: "Virtuous motives, trammelled by inertia and timidity, are no match for armed and resolute wickedness. A sincere love of peace is no excuse for muddling hundreds of millions of humble folk into total war. The cheers of weak, well-meaning assemblies soon cease to echo, and their votes soon cease to count. Doom marches on."

The failure to pay heed to this warning led, relentlessly, to the untold suffering of a world that laid in ruin and ashes -- burying a reported 30-50 million of its peoples.

Forty years later, former Secretary of Defense, James R. Schlesinger, wrote of the present danger as follows: "A specter is haunting Europe.... the specter of Soviet hegemony. The specter arises from the steady expansion of the military power of the Soviet state....Other margins of the Eurasian continent -- Japan, Korea, the Middle East -- are similarly exposed to the growing reach of Soviet military power and (the) psychological aura it increasingly conveys....The underlying reality is that at no point since the 1930's has the Western world faced so formidable a threat to its survival. As then, the military balance is deteriorating....A continuation of such trends over a period of years would leave the United States markedly inferior to the Soviet Union in gross military power."

Clearly the philosophical and historical tradition of Western man is becoming imperiled and the danger grows with every passing year. And yet, a com-

BRECKINRIDGE (cont)

parison of the budgetary and military trends of the two societies shows that it is the Soviet Union, and not the United States, which is the more determined to make the necessary sacrifices to win that "long twilight struggle" prophesized so long ago by President Kennedy.

Consider the following facts about US/USSR Defense Budgets:

1) In 1954, at the height of Western political determination, the United States allocated 12% of GNP for national defense. Today it has fallen to 5.2% and is projected by the Administration at 4.8% in 1983.

2) The percentage of GNP to Soviet defense expenditures was between 10-12% in 1970, rose to 15% in 1975, and is now projected at 18% for 1980.

3) Since 1958, the Soviet Union has doubled the share of its GNP devoted to defense, while the U.S. has reduced its share by nearly 50%.

4) In 1954, 65% of the total Federal budget was targeted for defense. Today that figure has fallen to 22%.

5) In 1954, out of a total Federal budget of $70,890,000,000, the defense budget was $46,290,000,000. In 1979, out of a projected Federal budget of over $500.0 billion, $126.0 was allocated to defense.

6) Since the SALT talks began, Soviet defense expenditures have increased more than 50%, both absolutely and as a share of the Soviet GNP.

7) The Soviet Union is outspending the United States in total military capability by $50 billion or more a year.

8) If the United States invested the same percentage of GNP to defense as the Soviet Union, the United States defense budget for FY 1978 would have been between $250 and $300 billion.

9) The rate of growth for Soviet defense expenditures was 10% between 1958 and 1970 and remained at 8-10% between 1971 and 1975. In an effort to increase real spending for defense, the FY 1979 defense budget proposes to increase U.S. spending by approximately 1.8%.

10) The defense budget projected by President Ford deemed necessary to guarantee our national security requirements was set at $136.0 billion. This figure was supported by the Joint Chiefs of Staff. Secretary of Defense, Harold Brown, recommended a defense budget of $131.0 billion. These figures were cut even more by the Office of Management and Budget to $126.0 and that bottom figure became the official recommended defense budget for FY 1979.

BRECKINRIDGE (cont)

Consider the following facts about US/USSR Strategic Forces:

At present, the Soviet Union deploys 1477 ICBM's to 1054 for the United States, and 909 SLBM's in 82 submarines to 656 in 41 submarines for the U.S. Compare this with the situation which existed in 1966 when the United States led 904 to 292 in ICBM's and 592 to 107 in SLBM's. These figures do not include qualitative Soviet improvements such as gains in accuracy, a throw weight advantage which will soon be 4 to 1, and current Soviet MIRVing rates.

Since 1973, the Soviet Union has been testing and deploying MIRVed missiles, which will be able to mount a substantially larger number of MIRVed warheads because of the larger size of the new generation missiles and their huge payloads. In addition, these warheads will be larger than their American counterparts. The SS-18 alone can carry up to ten two-megaton warheads. The American Minuteman, by way of contrast, deploys only three warheads of 170 kilotons apiece. (1000:1).

Since SALT I, in 1972, the United States has completed and deployed not one single major new strategic offensive or defensive weapons system. We have terminated production of Minuteman III and Poseidon missiles, but follow-on weapons have not been forthcoming. The B-1 bomber has been cancelled, the MX-ICBM has been delayed for still another year, and the only ABM system that was deployed has since been dismantled. Conversely, during the same period, the Soviet Union has developed an entire new family of four ICBM's (three of which are MIRVed); a new class of missile-carrying submarines; a new SLBM (the SSN-8); and, a supersonic bomber (Backfire) capable of controlling the vital sea lanes of the North Atlantic and Mediterranean, of constituting a threat to NATO land forces and territory, and of operating against the United States. The Backfire is currently being produced at the rate of 36 to 50 per year and by the early 1980's the Soviet Union will have approximately 400 in place. For the first time, the Soviet Union will have more new strategic bombers than the United States has with its 20 year old B-52's -- a fact as unprecedented as it is ominous.

Trends in the area of Civil Defense are at least equally startling The Soviet Union has reportedly spent approximately $1 billion a year over the past 20 years on civil defense, while the United States budget for FY 1979 requests only $97 million. The Soviets have a longstanding and massive civil defense program, which has been expanded and intensified during the 1970's. This includes the hardened establishment of stand-by alternate power sources, and strategic industrial and foodstuff stockpiling; shelters and communication centers; the dispersal and hardening of industrial facilities; a major shelter-building program and widespread training for population evacuation.

The United States has no significant civil defense program and, compared to the Soviets, we appear to have abandoned the concept altogether.

BRECKINRIDGE (cont)

The Soviets claim that their Civil Defense efforts would limit fatalities from a U.S. attack to between 8 and 12 million people (against a projected U.S. loss in the range of 100-140 million). Whether this is true or not can be debated. What cannot be debated is that Soviet emphasis on civil defense constitues a new and fourth leg in their strategic system which could be exploited tremendously in future political and military crises. The threat inherent in an alleged 72 hour evacuation capability needs no exposition.

It is entirely conceivable that the Soviet Union will have four essential and secure components in its strategic arsenal (a quadrad concept) compared to the distinct possibility that the United States will shortly be reduced to one.

In Conventional Forces, Soviet production rates are much higher than those of the U.S. in most weapons categories. They have 6.5 times more main battle tanks deployed than the U.S., including 3,000 T-72's which are considered better than any tank in the current NATO arsenal. They have more than three times as many armored personnel carriers; 4 times as many artillery tubes; and, nearly 3 times as many tactical combat aircraft. Although U.S. tactical aircraft has always been considered better, the Soviets have been closing the qualitative gap as well. Finally, they have a significantly superior air defense system in Europe to that of NATO, with 3,500 air defense guns and 1,500 SAM launchers in Eastern Europe alone.

In Seapower, the United States has reduced its Navy by over 50% in the last ten years from 976 to 453 ships, while the Soviet Navy has registered the greatest gains in its entire history. In 1977 the Soviet Navy was estimated to have over 1,400 ships. From what was historically a coastal defense force, the Soviets have built and launched a true "blue water" capability of global proportions.

Between 1965 and 1973, Soviet "out of area" operations grew at an annual rate of 25%. Soviet Naval incursions into the Carribbean Sea, the Indian and Pacific Oceans, and other vital water-ways, constitute a direct threat to historic Western and U.S. sea lanes. The Soviet capacity to support military land operations in areas such as the Middle East, Southeast Asia, and Africa, have already profoundly influenced the course of political events in those areas. Based upon their newly-found maritime and sea-air logistic muscle, the Soviet Union has established a string of bases and allies throughout the Mediterranean and Indian Ocean areas which, unless arrested, will make the U.S. a secondary strategic power. Soviet support of the revolutionary forces in Angola and, more recently the Horn of Africa, compared to the near-complete lack of American strategic resolve, offers the most compelling recent evidence of the shift in the balance of global political power.

BRECKINRIDGE (cont)

To permit the adverse trends of the past 10-15 years to continue would be tantamount to a conscious decision by the American people to allow the United States to become militarily inferior to the Soviet Union.

Should this continuing trend be tolerated, our national independence and free institutions will become increasingly hostage to Soviet communism in a threatening world at once more hostile and less compromising than any we have known in our lifetime.

In conclusion, it should not be forgotten that today the grand sweep of history faces us with the awesome fact that a misjudgment on our part about the nature and intentions of Soviet power -- and what is necessary to confront and to neutralize that power -- could well be fatal, not only for America but also for the basic values of 2500 years of Western civilization of which we are the principle defenders.

Let us make no mistake -- in today's world no one country, or coalition of countries, could assist us if we should falter or fail.

It is for the above reasons that I recommend that the Defense Budget for FY 1979 be increased a minimum of $15 billion over that proposed by this Committee and to be increased in the amount of 10% per annum in real 1978 dollars over the next decade, bearing in mind the $27 billion ceiling figure proposed in Arms, Men and Military Budgets -- Issues for FY 1979, edited by Francis Hoeber, David Kassing, and William Schneider, Jr.

John B. Breckinridge

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[illegible]

March 15, 1978

Honorable Robert N. Giaimo
Chairman, House Committee
on the Budget
Room 214 HOB Annex I
Washington, D. C. 20515

Dear Mr. Chairman:

I am enclosing the projections of the Committee on Banking, Finance and Urban Affairs with respect to legislative programs within this Committee's jurisdiction affecting the 1979 Fiscal Year Budget.

The projections represent the views and estimates of the subcommittees on programs and initiatives within their respective jurisdictions. Additional comments of Committee Members have been included at the end of the report.

Sincerely,

Henry S. Reuss
Chairman

Enclosure

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major items or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Department of Housing and Urban Development					
Subsidized Housing Programs (86-0139-0-1-604)	24,691	3,577	24,691 (0)	3,577 (0)	
Payments for Operation of Low Income Housing Projects (86-0163-0-1-604)	729	686	729 (0)	686 (0)	
Federal Housing Administration Fund (86-4070-0-3-371)	451	221	465 (+14)	290 (+69)	The FHA Fund will require an authorization for restoration of losses of $352 million in BA ($352 million in outlays). The Committee expects that budget authority and outlays in the Fund will be higher than estimated by the President due to overly optimistic projections of the effects of the troubled properties strategy and general housing market trends.
Comprehensive Planning Grants (86-0104-0-1-451)	57	60	65 (+8)	60 (+0)	The Committee expects to increase the Presidential request by $8 million for S. 701 comprehensive planning grants. The Committee believes that comprehensive planning for the total development of communities is absolutely necessary and that increased funding will allow this program to be available to communities of all sizes.
Community Development Grants (86-0162-0-1-451)	4,150	2,803	4,150 (0)	2,921 (+118)	The Committee estimates that outlays for the CDBG program will be $118 million higher than the President's estimate. This estimate is based on an analysis of current spending trends in the program.

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Urban Homesteading (86-0171-0-1-451)	20	10	25 (+5)	12 (+2)	The Committee believes that communities have the capacity to effectively employ this program to provide needed homeownership opportunities in the inner city. The additional $5 million recommended by the Committee will allow additional communities to participate in the program.
Rehabilitation Loan Fund (84-4036-0-3-451)	95	85	115 (+20)	93 (+8)	This program has been extremely effective in rejuvenating declining neighborhoods. With the increasing capacity of communities to effectively employ this program the Committee believes that a total program activity level of $150 million ($115 in new BA) is warranted.
National Flood Insurance (86-4236-0-3-453)	114	150	114 (0)	150 (0)	
Policy Development and Research (86-0108-0-1-451)	62	57	62 (0)	57 (0)	
GNMA--Special Assistance Functions Fund (86-4205-0-3-371)	1,500	*	1,500	*	The Committee believes that this initiative is extremely important to the continued success of the assisted housing programs. However, it is not clear whether or not these funds can be made available from recaptured authority.

* Less than $500 thousand

L. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
National Center for Productivity and Quality of Working Life (Public Law 94-136)	3	3	--	--	Authorization expires Sept. 30, 1978. Of the $3 million outlay figure, only $2 million needs to be authorized for FY 1979. Subcommittee will conduct hearings before any recommendations will be made.
New York City Seasonal Financing Act of 1975 (Public Law 94-143)	--	--			Authority expires June 30, 1978. Subcommittee is in process of conducting hearings, at the conclusion of which a determination may be made as to a recommendation to continue this authority.
Department of Energy Organization Act, appropriations (H.R. 11137)					Subcommittee hearings will be conducted prior to making any recommendations, hearings to focus on Title IX, Loan Guarantees for Energy Demonstration.

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Export-Import Bank	606	404			The Committee is in the process of considering the Administration's request to increase Exim's commitment authority from $25 billion to $40 billion and to extend its charter from 9/30/78 to 9/30/83.

BEST COPY AVAILABLE

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major items or programs	President's request		Committee recommendations		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
7th quota increase of the International Monetary Fund					It is not presently anticipated that the next IMF quota increase will be requested for fiscal 1979. Should the request be made, however, the Committee will certainly consider it.

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1978

(In millions of dollars)

Legislative proposal		Estimate		Projection[1]			Comment
		1978	1979	1980	1981	1982	
Department of Agriculture							
Rural Housing Insurance Fund (12-4141-2-3-371)	Pres. Request						Program would provide deep subsidy to low income home purchasers to cover excess debt service and operating costs.
	Budget Authority	6	-	-	-	-	
	Outlays	6	--	-	-	-	
	Committee Recommendation						The Committee will consider this proposal and if adequately justified by FmHA will recommend its enaction.
	Budget Authority	6	--	-	-	-	
	Outlays	6	-	-	-	-	
Department of Housing and Urban Development							
Urban Extension Program (86-0173-2-1-451)	Pres. Request						Proposal would fund costs of interchange of experts between communities to assist with particular community development difficulties.
	Budget Authority	10	-	-	-	-	
	Outlays	2	8	-	-	-	
	Committee Recommendation						The Committee believes that an alternative approach as recommended in Table IV would be preferable to this initiative.
	Budget Authority	-	-	-	-	-	
	Outlays	-	-	-	-	--	
Troubled Projects Operating Subsidy (86-0172-0-1-604)	Pres. Request						Program would subsidize operating costs of assisted housing projects in financial difficulty.
	Budget Authority	74	-	-	-	-	
	Outlays	52	22	-	-	-	
	Committee Recommendation						The Committee recommends inclusion of this program in the budget resolution.
	Budget Authority	74	-	-	-	-	
	Outlays	52	22	-	-	-	

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal		Estimate		Projection[1]			Comment
		1979	1980	1981	1982	1983	
International Monetary Fund Supplementary Financing Facility							On February 23, 1978, the House approved U.S. participation in this facility by passing H.R. 9214. This bill authorizes the appropriation of the dollar equivalent of 1,450 million Special Drawing Rights. Senate committee action has been completed on similar legislation. The administration has requested an appropriation of $200 million to cover possible losses as a result of U.S. participation.

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Department of Housing and Urban Development						
GNMA--Low Cost Loans for Energy Conservation						The pending National Energy Act contains an authorization for GNMA to purchase Title I insured energy conservation loans which bear a below market interest rate and are made to borrowers with below median income. The Committee recommends that $500 million out of the total authorization of $3 billion be employed during FY 1979 to start up the program.
Budget Authority	500	-	-	-	-	
Outlays	40	10	-	-	-	
Energy Conserving Improvements to Existing Public Housing Projects						The pending National Energy Act also provides an authorization of $10 million in contract authority (21-year contract term produces $210 million in budget authority) for energy conserving improvements to existing public housing projects. The Committee believes that these funds are crucially important to lower the burden of high energy costs on local authorities.
Budget Authority	210	-	-	-	-	
Outlays	-	2	10	10	10	
Programs to Improve Management Capacity of Local Government						The Committee will be examining various alternative methods to improve the ability of local governments to effectively and efficiently utilize their resources. These alternatives will emphasize management and accounting systems (both hardware and software), training programs and organizational reviews of programs and personnel. It is anticipated that such a program would have a first year budget authority requirement of $50 million.
Budget Authority	50	-	-	-	-	
Outlays	15	30	5	-	-	

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Human Resources Development Act (H.R. 8065)	25	40	56	47	49	Subcommittee hearings held in 1977 on predecessor bill, H.R. 2596, and clean bill introduced after mark up. Passed by Committee on Banking, Finance and Urban Affairs. Legislation pending before Committee on Education and Labor.
National Domestic Development Bank Act (H.R. 8562)						Subcommittee hearings held in 1977. Awaiting recommendations from the Administration before further action.
Amendment to the Federal Financing Bank Act (H.R. 7416 et al)						Subcommittee hearings held in 1977. Pending before Committee on Ways and Means.

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1978

[In millions of dollars]

Identify initiative	Fiscal Year 1977	1978	1979	1980	1981	Comment
National Consumer Cooperative Bank (H.R. 2777)						The Committee sent to the House last year H.R. 2777, the National Consumer Cooperative Bank Act. That bill was passed by the House on July 14, 1977. The Senate Banking, Housing and Urban Affairs Committee completed hearings on this legislation in February 1977 and has scheduled a mark-up session for March 23, 1978. It is anticipated that the legislation will proceed through the Senate and conference and be signed into law in the near future. The Second Concurrent Resolution on the Budget - Fiscal Year 1978 as passed by the House contained budget authority of $110 million and outlays of $13 million for this program for fiscal year 1978.
Budget authority		160				
Outlays		74				
Central Liquidity Facility (H.R. 10778)						The Committee is considering H.R. 10778, National Credit Union Central Liquidity Facility Act. This legislation would establish a liquidity facility within the National Credit Union Administration to meet the credit or liquidity needs of member credit unions. The bill authorizes the Secretary of the Treasury to lend the facility up to $500 million and authorizes the NCUA Administrator to borrow up to $500,000 from the National Credit Union Share Insurance Fund for

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Central Liquidity Facility (H.R. 10778) continued						start-up expenses and from any other source up to 20 times the subscribed capital and surplus of the facility.
Consumer Financial Services Act (H.R. 8981)						The Committee has pending before it H.R. 8981, the Consumer Financial Services Act. The Senate bill S. 2055 is pending action by the Senate. The bill authorizes the Federal Reserve System to pay interest on required reserve balances of member banks maintained by Federal Reserve Banks.

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Exchange Stabilization Fund:						
Budget Authority	23					The Committee will consider legislation to discontinue use of the Exchange Stabilization Fund for payment of administrative expenses ($17.3 million in 1976). This would require that some Treasury Department salaries currently paid from the ESF be included in the federal budget in the future.
Outlays	23					

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Solar Energy Bank Act H.R. 7800						Bill provides for creation of a Government corporation to make long-term, low-interest loans to encourage the use of solar energy in commercial and residential dwellings. The bill authorizes an appropriation of $5 billion. Hearings are scheduled for April 25, 26, and 27.

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

(Please comment on programs for which your committee presently has direct spending responsibility.)

Major items or programs	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Department of Agriculture					
Farmers Home Administration Rural Housing Insurance Fund (12-4141-0-3-371)	24	1	253 (+230)	224 (+223)	The Committee has adopted the estimate of the Congressional Budget Office.
Department of Housing and Urban Development					
Subsidized Housing Program (86-0139-0-1-604)					See Table I for Committee recommendation.
Revolving Fund (86-4015-0-3-451)	1	55	1	55	
Federal Housing Insurance Fund (86-4070-0-3-371)					See Table I for Committee recommendation.
GNMA--Special Assistance Functions Fund (86-4205-0-3-371)	3	-55	3	-55	
GNMA--Emergency Mortgage Purchase Assistance (86-4207-0-3-371)	0	440	0	440	
New Communities Fund (86-4237-0-3-451)	48	48	48	48	
Interstate Land Sales (86-5270-0-2-376)	*	*	*	*	

* Less than $500 thousand

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

(Please comment on programs for which your committee presently has direct spending responsibility.)

Major items or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Management and Liquidating Functions (86-4016-0-3-371)	-	-28	-	-28	
Participation Sales Fund (86-4206-0-3-371)	-	*	-	*	
Participation Sales Fund (86-4206-0-3-376)	-	-1	-	-1	
Participation Sales Fund (86-4206-0-3-451)	-	2	-	2	
Participation Sales Fund (86-4206-0-3-502)	-	10	-	10	
Participation Sales Fund (86-4206-0-3-552)	-	-1	-	-1	
Participation Sales Fund (86-4206-0-3-704)	-	-9	-	-9	
Guarantees of Mortgage-Backed Securities (86-4238-0-3-371)	-	-28	-	-28	
National Insurance Development Fund (86-4235-0-3-376)	-	7	-	7	

*Less than $500 thousand

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SEE REVERSE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-FIFTH CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 14, 1978

Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance and
Urban Affairs
2129 Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

We have received your memorandum of March 8, 1978, containing projections for major programs affecting the FY 1979 Budget. The following comments represent the views of the Minority.

Before commenting on the actual document, we repeat a recommendation previously made, namely that we believe the full Committee should meet, discuss, and vote on these recommendations. While we recognize that the rules do not mandate this form of action we believe the Budget Act contemplated such action. More importantly in a period when inflation is again accelerating we believe there would be major benefits in joining together in a bipartisan effort to see if we can't trim some Federal expenditures without excessive harm to our program objectives.

We are concerned that the omission of Budget authority and outlays for several programs (Solar Bank, National Domestic Development Bank, and possible assistance to New York City) will force the Rules Committee to waive the provisions of the Budget Control Act relating to spending limitations. If we realistically expect to act on these bills, which may well involve several billions of dollars, it is appropriate to alert the Budget Committee now so that

waivers will not be required later. Failure to do so could result in unrealistic budget ceilings which undermine the entire budget process, as you well know from the many waivers that have been granted in the past year.

The Minority is also concerned about what appears to be a proliferation of proposals to create new banks and lending facilities. In this report to the Budget Committee there are proposals involving the National Consumer Cooperative Bank, a National Domestic Development Bank, and a Solar Energy Bank.

We are concerned that these proposals are being made without regard to the need to establish reasonable priorities for the use of scarce funds provided by taxpayers and without regard for the possible inflationary impact of continued massive Federal borrowing or for the danger that such borrowing might "crowd out" private borrowing needed for continued economic growth in the private sector.

The attached document represents more specific subcommittee comments.

We request that this letter be submitted along with the final report to the Budget Committee.

Sincerely,

Enclosure

Honorable Henry S. Reuss
Page Three
March 14, 1978

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Comments
on
Banking Committee's
FY '79 Budget Projections

The Subcommittee on Housing and Community Development

There are several significant questions related to the programs within the jurisdiction of the Subcommittee on Housing and Community Development, which are raised by the Banking Committee's budget projections made pursuant to the Congressional Budget Act of 1974.

In Table I we note that public housing operating subsidies are still increasing, and that in all likelihood the subsidies needed will be even higher than projected due to the lack of sound management. We note with alarm that this subsidy has increased from a level of $102,000,000 in FY '71 to a level of $729,000,000 in FY '79.

While it is recognized that the 312 Rehabilitation Loan Fund is extremely popular, it is not clear that communities have increased their capacity to effectively utilize these funds at the level proposed by the Committee, which is $20,000,000 above the $50,000,000 increase in program level requested by the President. This is especially true as more communities utilize their community development block grant funds for rehabilitation. In addition, such a large increase in funding might tempt communities to utilize their block grant funds in other ways, in anticipation of 312 funds for rehabilitation.

Also under Table I, we question the need for the President's request for an additional $1.5 billion GNMA special assistance authority. The current purchase authority is $4.875 billion which can be outstanding at any one time. No justification has been presented to warrant increasing this figure to $6.375 billion in light of the recaptured authority which is available.

Under Table II, the Committee's rejection of the Urban Extension Service Program, is appropriate but sufficient justification has not been made for the recommended alternative (Table IV) and the added $40,000,000 cost above the President's proposal.

In addition, there has been little, if any, justification for the proposed $74,000,000 operating subsidy for troubled FHA projects. No detailed analyses of the scope of the problem or its causes have been presented, nor has there been any indication of management improvement efforts which could reduce the amount of needed subsidy.

Under Table IV, there has been no justification for the proposed new $50 million program to improve management capacity of local governments. Even though this is the Committee's "alternative" to the President's Urban Extension Program, the threshold need for either has not been established.

We also note that the legislative initiatives listed in this table omitted reference to the $100,000,000 GNMA program for solar energy loans,

which is included in the National Energy Act. If the Committee expects this program to be utilized, some dollar figure should be projected for this program as was done in the case of the GNMA purchase of below market interest loans for energy conservation which was shown with a $500,000,000 start-up authority.

The Subcommittee on Financial Institutions
Supervision, Regulation and Insurance

Consumer Cooperative Bank Act

It is noted that the cost of this proposal has been significantly understated. The current Treasury proposal calls for budget authority of $100 million for each fiscal year 1979 - 81 for the National Consumer Cooperative Bank and for an additional $25 million for each fiscal year 1979 - 81 for the Self-Help Development Fund. These figures would total $375 million. In addition, the Bank would be authorized to borrow from three to five times its paid-in capital and surplus, from Treasury or the market, which would be a minimum of $900 million, some or all of which may occur during the next five fiscal years. Additional sums will be required for administration.

With respect to the House-passed bill, the Congressional Budget Office estimated authorizations for fiscal years 1979 - 82 at $640 million, which authorizes $100 million each for FY 1979 - 82 for the National Consumer Cooperative Bank and $60 million for each FY 1979 - 82 for the Self-Help Development Fund. The provision of authority for the Bank to borrow, either from Treasury or the market, up to ten times paid-in capital and surplus was ignored by the CBO because the CBO believed that the impact would not occur during FY '78 to FY '82, but it could amount to as much as $5 billion.

Consumer Financial Services Act of 1977

Depending upon when this legislation is enacted, there will be a budgetary impact resulting from the provision which authorizes the Federal Reserve Board to pay interest on required reserve balances maintained at Federal Reserve Banks. The Senate Banking Committee estimates the impact as follows: Year of enactment - no cost (due to the one year delay in the effective date after enactment); first year following enactment - 210 million dollars; second year following enactment - 278 million dollars; third year following enactment - 285 million dollars; fourth year following enactment - 290 million dollars.

The Congressional Budget Office estimates the impact as follows: The year of enactment - no cost; first year after enactment - 300 million dollars; second year following enactment - 320 million dollars; third year following enactment - 310 million dollars; fourth year following enactment - 240 million dollars.

Figures were derived from the cost estimates contained in Senate Report 95-407 to accompany S. 2055.

The Subcommittee on International Development Institutions and Finance

Export-Import Bank

The Minority feels that the Committee report should include estimates for the Export-Import Bank at least equal to the President's request of $606 million in budget authority and $404 million in outlays since it is likely that the Bank will be given extended authority.

S. WILLIAM GREEN
10th District New York

1213 Longworth House Office Building
Washington D.C. 20515
(202) 225-3436

Committee
BANKING, FINANCE AND
URBAN AFFAIRS

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 14, 1978

Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance and
Urban Affairs
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to your memorandum of March 8, 1978, I request to be recorded with the following comments concerning the Committee's provision for major programs affecting the FY 1979 budget.

I have endorsed and fully support the minority views as submitted by Mr. Stanton, our ranking Minority Member. I would add the following specific comments:

1. I believe that the Committee support for an Urban Extension Service program and the Committee alternative to that proposal are unnecessary in that such activities are well within the parameters of the Section 701 Comprehensive Planning Program. I do not see the need to create a new statute and with it another bureaucracy.

2. Whatever the merits of ending Section 312 and using the Community Development Block Grant program for rehabilitation activities, it is clear that this Congress will not do that. Accordingly, I favor a meaningful appropriation for this program.

3. I am very concerned that the allocation for the Section 8 existing housing program in New York City has dropped to 2750 units in the current fiscal year. I believe that this program is very useful and strongly urge that there be an additional Section 8 authorization earmarked for existing housing programs.

With best wishes,

Sincerely,

S. William Green
Member of Congress

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U.S. House of Representatives
Committee on the District of Columbia
ESTABLISHED 27 JANUARY 1808
Room 1310, Longworth House Office Building
Washington, D.C. 20515

March 13, 1978

The Honorable Robert N. Giaimo
Chairman
Committee on the Budget
House Office Building Annex #1
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the March 15 report of the Committee on the District of Columbia.

I have circulated it to Members of our Committee for their suggestions and comments.

Sincerely,

Charles C. Diggs, Jr.

CHARLES C. DIGGS, JR.
Chairman
Committee on the District of Columbia

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Federal payment to the District of Columbia	317	317	317	317	P.L. 93-198 set a maximum of $300 million for the federal payment

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal		Estimate		Projection			Comment
		1979	1980	1981	1982	1983	

NONE

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

(In millions of dollars)

Legislative proposal	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	

NONE

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

(In millions of dollars)

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Federal contribution to D. C. retirement funds	47	47	47	47	46	H.R. 6536 passed the House in 1977 and is pending in the Senate.
RFK Stadium Bonds	20					Bonds are due in December, 1979. Nothing has accrued in the sinking fund authorized in 1957 by Congress to repay the bonds for construction of the stadium.
Federal Capital Region Economic Development Corporation.	100					The Committee has under consideration legislation to create this corporation.
Washington Metropolitan Region Study Commission	1.5					Legislation has been introduced to create this commission.

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

(Please comment on programs for which your committee presently has direct spending responsibility.)

Major items or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Temporary Commission on financial oversight.	3	5	3	5	The Commission is letting contracts for financial management systems and an audit.
Payment in lieu of charges for water, water services and sanitary sewer services rendered to Federal facilities by the District of Columbia during 1979.	10	10	10	10	This annual payment was authorized by P. L. 95-122.
Treasury loans for capital projects	130	121	130	121	Continued borrowing for capital projects was authorized by P. L. 95-131.
Loans to Stadium Sinking Fund	.8	.8	.8	.8	The net stadium receipts cannot meet interest payment.
WMATA revenue bonds	0	0	32	32	The federal guarantee of Metro bonds should be honored, and the amounts now due should be paid at an 80% federal, 20% local match.
WMATA construction funds	0	0	524	524	The appropriations for the Urban Mass Transit Administration should include funds equal to the federal highway funds to be surrendered by the local jurisdictions.

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COMMITTEE ON EDUCATION AND LABOR
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March 15, 1978

Honorable Robert N. Giaimo
Committee on the Budget
U. S. House of Representatives
Washington, D. C.

Dear Chairman Giaimo:

Pursuant to section 301(c) of the Congressional Budget Act of 1974, I am submitting to the Committee on the Budget the views and estimates of the Education and Labor Committee on the fiscal year 1979 federal budget as it relates to matters within the jurisdiction of the Committee.

This report was approved by the Committee in open session on Wednesday, March 1, 1978.

Best wishes.

Sincerely,

Carl D. Perkins

Enclosures

95th Congress
2d Session

COMMITTEE PRINT

VIEWS AND ESTIMATES

OF THE

COMMITTEE ON EDUCATION AND LABOR

PURSUANT TO

SECTION 301(c) OF THE CONGRESSIONAL BUDGET ACT OF 1974

MARCH 15, 1978

U.S. GOVERNMENT PRINTING OFFICE
24-412 WASHINGTON : 1978

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LETTER OF SUBMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C., March 15, 1978.

Hon. ROBERT N. GIAIMO,
Committee on the Budget,
U.S. House of Representatives,
Washington, D.C.

DEAR CHAIRMAN GIAIMO: Pursuant to section 301(c) of the Congressional Budget Act of 1974, I am submitting to the Committee on the Budget the views and estimates of the Education and Labor Committee on the fiscal year 1979 federal budget as it relates to matters within the jurisdiction of the Committee.

This report was approved by the Committee in open session on Wednesday, March 1, 1978.

Best wishes.

Sincerely,

CARL D. PERKINS,
Chairman.

Enclosures.

24-066 O - 78 - 9

Report of the Education and Labor Committee of the U.S. House of Representatives to the Budget Committee of the U.S. House of Representatives as Required By Section 301(c) of the Congressional Budget Act of 1974

The Committee on Education and Labor respectfully submits its report as required by section 301(c) of the Congressional Budget Act of 1974. The President's fiscal year 1979 estimates for programs and activities in the Education and Labor Committee's spending and legislative jurisdiction represent 6.4 percent of total budget authority and outlays:

[Dollar amounts in billions]

	Budget authority	Outlays
President's total budget request	$568.2	$500.2
President's total for Committee on Education and Labor	36.3	31.9
Percent	6.38	6.37

Fiscal year 1979 revenues are estimated at $439.6 billion. Based on the President's projected total outlays, a deficit of $60.6 billion is forecast for fiscal year 1979. For fiscal year 1978, the President's January 1978 outlay projection is $462.2 billion, implying a deficit of $61.8 billion for the current fiscal year. Forecasts of high outlays and of large deficits have an inhibitory effect on total congressional spending which is no doubt in keeping with the purpose of the Congressional Budget Act of 1974. Unfortunately, outlay estimates are imprecise. Outlay errors are invariably overestimates rather than underestimates.

It may be recalled that for fiscal year 1977 the final congressional budget resolution adopted a level of outlays of $409.2 billion. The fiscal year 1977 actual outlay figure is lower by $8 billion. The actual fiscal year 1977 deficit which the Congress had contemplated in the third budget resolution for fiscal year 1977 as $69.8 billion (with the intention of stimulating the economy to that degree) turns out to be $45 billion.

Now, in the second week of March 1978, reports from the Office of Management and Budget and the Congressional Budget Office suggest that fiscal year 1978 outlays as presented to the Congress on January 23, 1978, may be from $7 to $12 billion too high.

In light of the difficulties involved in the forecasting of outlays, and the likelihood that overestimates will continue to prevail, the committee is recommending an increase in outlays in fiscal year 1979 in the amount of $1.36 billion. Such an increase is 4.3 percent over the President's estimate of $31.9 billion for outlays in the committee's spending and legislative jurisdiction. The committee's estimate of

outlays is derived from details for fiscal year 1978 and fiscal year 1979 contained in the committee print of the House Budget Committee entitled "March 15 House Committee Report—Request and Instructions," and in the appendix to the budget for fiscal year 1979.

The following chart compares the President's request with the committee's views for all programs and activities in the committee's spending and legislative jurisdiction:

FISCAL YEAR 1979 REQUEST

[In millions of dollars]

	Budget Authority			Outlays		
	President	Committee	Committee over (+) under (−) President	President	Committee	Committee over (+) under (−) President
Fiscal year 1979	28,998	31,574	+2,576			
Fiscal year 1980 advance appropriation	7,303	12,120	+4,817			
Total	36,301	43,694	+7,393	31,890	33,246	+1,356
501,2/3—Education:						
Fiscal year 1979	9,133	10,038				
Advance appropriation fiscal year 1980	6,019	6,119				
	15,152	16,157	+1,005	11,580	11,917	+337
504—Training and employment:						
Fiscal year 1979	11,542	12,265				
Advance appropriation, fiscal year 1980	0	4,470				
	11,542	16,735	+5,193	12,043	12,288	+245
505—Other labor services: Fiscal year 1979	486	490	+4	472	476	+4
506—Social services:						
Fiscal year 1979	2,224	2,546				
Advance appropriation, fiscal year 1980	1,284	1,424				
	3,508	3,970	+462	2,232	2,386	+154
Total, function 500	30,688	37,664	+6,664	26,327	27,067	+740
550—Health and Safety	356	365	+9	339	348	+9
600—Income security	4,629	4,990	+361	4,613	4,966	+353
Others	628	642	+14	611	625	+14
Committee's proposed new activities (chart IV)		345	+345		240	+240
Total	36,301	43,694	+7,393	31,890	33,246	+1,356

The charts which follow are numbered I, II, III, IV, and V and supply the detailed information requested by the House Budget Committee. Chart V in addition to stating the total amount in the committee's spending jurisdiction summarizes the committee's estimate on other major existing programs which do not require authorizing legistion for fiscal year 1979. Such programs are in the spending jurisdiction of the Committee on Appropriations, which may follow its previous practice of abstaining from identifying levels of funding in its report to the Budget Committee under 301(c) of the Congressional Budget Act.

CHART I—PRESIDENT'S REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO ENACTMENT OF APPROPRIATIONS

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Department of Agriculture:				
Food program administration: 12-3508-604	5	5	5	5
Special supplemental food programs (WIC): 12-3510-604	536	469	645	593
Total	541	474	650 (+109)	598 (+124)
H.R. 11259 "To extend and modify the WIC program" proposes to authorize $650 million for fiscal year 1979, a level likely to be supported by the committee.				
Child nutrition programs: 12-3539-604	146	132	164 (+18)	150 (+18)
New legislation yet to be introduced is likely to propose a change in the reimbursement mechanism in the child care food program as reflected in the committee's estimate.				
Department of Health, Education, and Welfare:				
Elementary and secondary education. 75-0279-501	41	12	71 (+30)	42 (+30)
H.R. 7577 would amend the Economic Opportunity Act of 1964 and proposes to reauthorize the Follow through program at $60 million for fiscal year 1979. The fiscal year 1978 appropriation is $59 million. The committee is unlikely to recommend phasing out the program as proposed by the President. H.R. 10570 would amend the Environmental Education Act and H.R. 10569 the Alcohol and Drug Abuse Education Act; their authorization levels for fiscal year 1979 amount to $11 million.				
Student assistance: 75-0260-502	1,140	----------	1,373	----------
Student loan insurance fund: 75-4308-502	70	----------	48	----------
Total	1,210	155	1,421 (+211)	155
The Committee recognizes the urgency of providing a solution to the middle income family's cost of financing college education. Existing programs fall far short. Tax credit proposals favor only a few. Accordingly, the Committee has reported H.R. 11274 the "Middle Income Student Assistance Act". Shown above are the Committee's views of optimum funding of these amendments to student assistance programs as originally provided in the Higher Education Amendments of 1965. The change in annual income eligibility which proposes to eliminate the ceiling on income of participants in the guaranteed student loan program would affect entitlement authority. As the President favors prompt consideration of the legislation by the Congress, the committee solicits the support of the Budget Committee in a request to the Committee on Rules for a waiver of sect. 303(a) of the Congressional Budget Act in order to permit consideration of H.R. 11274 in the House before the adoption of the first budget resolution for fiscal year 1979.				
Human development services:				
75-1636-501	701	327	795	360
75-1636-506	2,839	991	3,221	1,095
Total	3,540	1,318	4,016 (+476)	1,455 (+137)
H.R. 7577 would reauthorize Head Start; H.R. 7905 would amend and extend the Rehabilitation Act of 1973; H.R. 6693 would amend the Child Abuse Prevention and Treatment Act. New legislation will be introduced to amend the Older Americans Act of 1965, after the hearing schedule now in progress is complete. The committee's recommendation takes into account the need for increased funding for successful and important programs such as Head Start, child abuse, community services and nutrition for the aging, and rehabilitation service and facilities. In addition, the committee supports the President's request for advance appropriations at $1,284 million but with an increase of $140 million.				

CHART I—PRESIDENT'S REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO ENACTMENT OF APPROPRIATIONS—Continued

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Department of Labor:				
Program administration 16-0172-504	57	56	58 (+1)	57 (+1)
H.R. 11085 amends the Comprehensive Employment and Training Act of 1973. The committee is concerned by reports of substitution of Federal funds for local funds that would otherwise legitimately have to be spent to provide public services. It recommends the increase of $1 million to enable the Department to support the hiring of 45 to 50 new regional investigators to help correct and prevent the abuse of CETA funds.				
Temporary employment assistance: 16-0173-504	5,955	5,241	5,100 (−855)	4,386 (−855)
The President proposes title VI of H.R. 11086 as a countercyclical measure for public service jobs and his request would fund 725,000 slots throughout fiscal year 1979. The committee sees the need also to provide for public service employment for the hard core unemployed and therefore is likely to support an adjustment in the countercyclical account of 100,000 slots to provide for 525,000 for fiscal year 1979 as reflected in its recommendation. (The 100,000 slots made available by this adjustment would be provided through additional funds for the structurally unemployed in title II.)				
Employment and training assistance: 16 0174-504	4,853	3,905	6,430	5,005
Advance appropriation	0		4,470	
Total	4,853	3,905	10,900 +6,047	5,005 +1,100
Several factors contribute to the divergence between the administration and the committee: As mentioned above, the committee sees a need for public service jobs for the structurally unemployed and provision is made in this budget account for 100,000 PSE slots in 1979. It has always been the committee's position that the new special youth programs should be funded at the annual rate of $1,500 million. The initial appropriation for fiscal year 1978 provided $1 billion. The administration subsequently asked for a supplemental appropriation of $500 million for fiscal year 1978 which would have brought funding to the $1.5 billion level, but its supplemental was requested after the Appropriations Committee had acted. The committee urges the administration to increase its efforts in addressing the critical situation of unemployed youth and is concerned with the Department's slow progress in building up the youth enrollments. Despite the Department's record to date, the committee still recommends that budget authority room should be provided for $1.5 billion annual funding. The committee would also recommend an increase in funding for the work experience and training activities for the structurally unemployed under new title II if the Committee on the Budget were to decide against including the $500 million budget room requested for the special youth programs.				
Finally, the committee suggests that budget authority be provided in the concurrent resolution for advance funding in the total amount of $4,470 million for activities under titles II, IV, and VIII, of H.R. 11086 the "Comprehensive Employment and Training Amendments of 1978." The committee emphasizes that the advance appropriation is not proposed for countercyclical public service jobs under title VI.				
Community services programs: 81-0500-506	538	312	604 (+66)	352 (+40)
H.R. 7577 "Economic Opportunity and Community Services Amendments of 1977" proposes to reauthorize the activities administered by the Community Services Administration. The increase in the committee's estimate would restore certain reductions proposed by the President and adjust for inflation. The committee observes that the emergency fuel program for which $200 million was appropriated in fiscal year 1977 and again in fiscal year 1978 is no longer under the jurisdiction of the CSA, having been transferred to the Department of Energy. Had the activity continued under CSA, the committee would have been likely to recommend continuation of its funding at the same level.				

CHART I—PRESIDENT'S REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO ENACTMENT OF APPROPRIATIONS—Continued

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
ACTION: 44-0103-506	131	83	146 (+15)	93 (+10)
H.R. 11212 the "Domestic Volunteer Service Amendments of 1978" proposed to reauthorize part of this account. The remainder will be covered in the new legislation yet to be introduced directed at other Older American programs. The committee would like to see more financial support particularly for VISTA and the Older American Volunteer programs.				

CHART II—PRESIDENT'S REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

	Estimate		Projection		
	1979	1980	1981	1982	1983
Department of Agriculture:					
Special supplemental food programs (WIC), 12-3510-604:					
President's request:					
Budget authority	560	560	560	560	560
Outlays	530	530	560	560	560
Committee recommendation:					
Budget authority	650	850	897	948	1,004
Outlays	650	850	897	948	1,004
The bills to extend and modify the WIC program as introduced in the Senate (S. 2630) and the House (H.R. 11259) contemplate authorizations for fiscal years 1979 and 1980 as shown above in the committee's recommendation. The committee's projections for the subsequent fiscal years reflect an adjustment commensurate with CBO's projected increases in the Consumer Price Index.					
Department of Health, Education, and Welfare:					
Elementary and secondary education, 75-0279-501:					
President's request:					
Budget authority	400	400	400	400	400
Outlays	28	285	364	389	396
Committee recommendation:					
Budget authority	400	400	400	400	400
Outlays	28	285	364	389	396
The committee expects to support the President's proposal to add new authorities to title I of the Elementary and Secondary Education Act.					
Special projects and training, 75-0270-503:					
President's request:					
Budget authority	11	----	----	----	----
Outlays	2	----	----	----	----
Committee recommendation:					
Budget authority	0	----	----	----	----
Outlays	0	----	----	----	----
The committee is unlikely to support the proposed legislation to permit discretionary funding under the Special Projects Act.					
Department of Labor:					
Employment and training assistance, 16-0182 504:					
President's request:					
Budget authority	50	----	----	----	----
Outlays	35	----	----	----	----
Committee recommendation:					
Budget authority	50	----	----	----	----
Outlays	35	----	----	----	----
The committee expects to support the President's proposal for employment opportunities, but has not seen the draft legislation. No projections by OMB are contained in the fiscal year 1979 budget.					

CHART III.—PRESIDENT'S REQUEST FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

[In millions of dollars]

Legislative proposal	President's request		Committee's recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Department of Agriculture:				
Special milk program, 12-3502-604	−112	−95	0 (+112)	0 (+95)
The President proposes to limit reimbursement to institutions that do not receive payments for food programs which include milk with meals. A similar proposal has been made in previous years and the committee is unlikely to support it for fiscal year 1979.				
Child nutrition programs, 12-3539-604	−105	−105	0 (+105)	0 (+105)
The committee is unlikely to support the President's proposal to modify existing law with regard to the school lunch program, free and reduced price meals, child care food, commodity procurement, and secs. 18 and 19 relating to nutrition education and training.				
Department of Health, Education and Welfare:				
School assistance in federally affected areas, 75-0280-501	−76	−58	0 (+76)	0 (+58)
The committee concluded its hearings on impact aid on Mar. 6, 1978. It is unlikely that new legislation to be introduced by the committee would support reform of entitlement payments as contemplated by the President.				

CHART IV—LEGISLATIVE INITIATIVES FOR FISCAL YEAR 1979 OF THE COMMITTEE ON EDUCATION AND LABOR

	1979	1980	1981	1982	1983
Tribally Controlled Community College Act:					
Budget authority	25	25	30	30	30
Outlays	20	22	25	28	30
The legislation seeks to make basic operating funds available (subject to annual appropriation) to tribally controlled community colleges which provide services in geographic areas where traditional colleges do not function.					
Indian Basic Education Act:					
Budget authority	19	20	21	22	24
Outlays	19	20	21	22	24
The legislation would increase Federal funding (subject to annual appropriation) to reservation-oriented public schools and establish procedures for local Indian and tribal contribution to both public and Bureau of Indian Affairs programs.					
Meals-on-Wheels (nutrition program for the elderly):					
Budget authority	80	100	106	112	119
Outlays	60	80	100	106	112
The nutrition program for the elderly would be amended to expand the collectively served meals with a specific authority (subject to annual appropriation) to provide home-delivered meals to elderly and disabled people who are unable to attend the collective gathering.					
Domestic Violence:					
Budget authority	15	15	15	15	15
Outlays	10	12	13	14	15
The domestic violence legislation would be directed toward assisting communities in providing relief (subject to annual appropriation) to battered spouses.					
Hubert H. Humphrey Institute of Public Affairs Memorial Act:					
Budget authority	5	----	----	----	----
Outlays	5	----	----	----	----
Subject to appropriation, the legislation would provide a single endowment not to exceed $5 million to the Hubert H. Humphrey Institute of Public Affairs for an ongoing program of research, study, and training in the major fields in which Senator Humphrey spent his 3 decades of public service.					

CHART IV—LEGISLATIVE INITIATIVES FOR FISCAL YEAR 1979 OF THE COMMITTEE ON EDUCATION AND LABOR—Continued

	1979	1980	1981	1982	1983
Full Employment and Balanced Growth Act of 1978:					
Budget authority	1				
Outlays	1				
The legislation seeks to set short and medium term economic goals to bring the rate of unemployment down to 3% for Americans aged 20 and over and 4% for all Americans within five years. The bill is in effect a statement of national purpose and, while suggesting policies for consideration by the Executive, does not prescribe any new programs. The estimate of $1 million (subject to appropriation) in FY 1979 is to cover possible costs of advisory committees and studies.					
Independent Living Program:					
Budget authority	200	212	225	238	252
Outlays	125	150	180	215	250
The Rehabilitation Act would be amended in order to establish a program (subject to annual appropriation) directed toward serving handicapped individuals who are without a vocational potential in order that they might live an independent life. The program would be administered by the Rehabilitation Service Administration and carried out through the State agency.					

CHART V—PRESIDENT'S REQUEST FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

	President's request		Committee's recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Committee's spending jurisdiction: Mandatory under existing law (total)	32	29	32	29
The committee agrees with the President's estimates as described in the summary provided in the Budget Committee's print circulated with Honorable Robert N. Giaimo's letter dated Feb. 9, 1978.				
Committee's legislative jurisdiction:				
Subfunctions 501/2/3 (education):				
1979 current year appropriation	7,170		7,751	
1980 advance appropriation	5,619		5,719	
Total	12,789	11,056	13,470 (+681)	11,332 (+276)
Further to the ongoing programs in subfunction 501/2/3 already identified in charts I, II, III, the committee recommends the net increases in budget authority and outlays shown above. Major programs for which additional funding is recommended include elementary and secondary education/grants for the disadvantaged, student and institutional assistance for postsecondary education, career education, education for the handicapped, vocational and adult education, and library resources. The committee, pending the introduction of new legislation, is unlikely to support the proposal to provide advance appropriations for fiscal year 1980 for impact aid.				
Subfunction 505 554/751/754: Regulatory activities related to labor services, safety and health, LEAA, and equal employment opportunities	1,052	1,009	1,079 (+27)	1,036 (+27)
The increase of $27 million in budget authority and outlays reflects the committee's concern that additional support is needed in many important regulatory functions. For example, backlog of claims under the Federal Employees Compensation Act is estimated at 110,000, a substantial increase over the previous year. The hiring of at least one hundred additional claims examiners with necessary supporting services is recommended to correct not only the problem of the backlog but also the possible abuses arising from inadequate examination. Recent disasters in grain elevators demonstrated again the need for additional compliance officers in the Occupational Safety and Health Administration. The committee recommends that 200 compliance officers with necessary support staff and services be hired to improve the existing complement which is grossly inadequate. In the administration of justice area, the committee recommends a 10-percent increase over current level of funds for juvenile justice and delinquency prevention. Additional headquarters staff positions in the Equal Employment Opportunity Commission are urgently needed to improve the handling of the increasing number of complaints received from the field.				

New entitlement authority.—The committee has no legislation which contemplates authorizing new programs eligible for entitlement status. Ongoing entitlement programs to be amended or reauthorized include the guaranteed student loan program ($48 million), child nutrition programs ($167 million) and vocational rehabilitation/basic State grants ($856 million for fiscal year 1979 plus $933 million advance appropriation for fiscal year 1980). Accordingly, the committee requests new entitlement authority be provided in the First Concurrent Resolution on the Budget for Fiscal Year 1979 in the amount of $2,004 million.

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NINETY-FIFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT OPERATIONS

2157 Rayburn House Office Building

Washington, D.C. 20515

March 14, 1978

The Honorable Robert N. Giaimo
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, D. C. 20515

Dear Bob:

In conformity with the requirements of section 301 (c) of the Congressional Budget Act, there is enclosed the Committee's estimates on new budget authority and budget outlays to be authorized by the Committee on Government Operations for FY 1979.

If I can be of further assistance, please let me know.

With best wishes, I am,

Sincerely,

JACK BROOKS
Chairman

Enclosure

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major items or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Antirecession Financial Assistance	1,040	1,040	1,040 (0)	1,040 (0)	The current program expires on September 30, 1978. The budget contains a request for the amount indicated herein. However, the budget also indicates that the administration expects to review the program's impact and make specific recommendation concerning its future later this year. Until legislation is recommended and reported by the Committee, no specific budget authority or outlay figures can be recommended. In the interim, the figures proposed in the budget are repeated.

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal		Estimate		Projection [1]			Comment
		1979	1980	1981	1982	1983	
Office of Consumer Representation	President's request: Budget authority	15					On February 8, 1978, the House of Representatives considered H.R. 6805, to create an Office of Consumer Representation, and voted not to pass the bill. At this time it is not contemplated that this proposal will be further considered this year. Therefore, no recommendations for budget authority or outlays are included herein.
	Outlays	15					
	Committee recommendation: Budget authority	0					
	Outlays	0					

[1] The projections of budget authority and outlays shown in the Presidential budget are extrapolations based on his stated economic assumptions and the costs of programs proposed in the budget. These projections, then, represent an estimate of the degree to which future resources are committed by current administration policy.

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
NONE					

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
Office of Inspector General						Legislation has been reported by the Committee to establish Offices of Inspector General within the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, Labor, and Transportation, and within the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veteran's Administration. The specific authorization for appropriation is not included in the bill and the amount included for budget authority and outlays is that estimated by the Congressional Budget Office.
Budget Authority	2.2	2.3	2.3	2.4	2.4	
Outlays	2.2	2.3	2.3	2.4	2.4	

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PRORGAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

(In thousands of dollars)

(Please comment on programs for which your committee presently has direct spending responsibility.)

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
General Services Administration Real Property Activities Expenses, disposal of surplus real and related personal property	1000	1000	1000 (0)	1000 (0)	The funds contained in the President's budgetary requests are accepted without additional comment because the funding is either self-generating or, in the case of Revenue Sharing funds, based upon a statutory entitlement. Regarding other programs that fall within the Committee's authorizing authority and which are operating under a continuing authorization, the Committee has not included separate comments at this time. As the principle oversight committee of the House of Representatives, the Committee conducts numerous investigations and hearings during the course of a Congress on the economy and efficiency of existing programs. Reports issued as a result of these investigations and hearings contain many findings and recommendations which accurately reflect the views and evaluations of the Committee regarding such programs.
Records Activities National Archives Gift Fund	130	150	130 (0)	150 (0)	
National Archives Trust Fund	0	-100	0 (0)	-100 (0)	
Advisory Commission on Intergovernmental Relations, Contributions	100	100	100 (0)	100 (0)	
Department of the Treasury Office of Revenue Sharing State and local government fiscal assistance trust fund	6,854,924	6,852,294	6,854,924 (0)	6,852,294 (0)	

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Congress of the United States

House of Representatives

COMMITTEE ON HOUSE ADMINISTRATION
SUITE H-326, U.S. CAPITOL
Washington, D.C. 20515

March 15, 1978

The Honorable Robert N. Giaimo
Chairman
Committee on the Budget
214 HOB Annex #1
Washington, D.C. 20515

Dear Mr. Chairman:

The Committee is in receipt of your letter of February 9, 1978, regarding the report of budget estimates required of the Committee before March 15th under the Congressional Budget Act of 1974.

There is an initiative under report format IV which the Committee wishes to bring to your attention. The Committee anticipates the reauthorization of the American Folklife Center in the Library of Congress. The reauthorization will be for three years, and will be in the estimated amount of $685,000.00 for fiscal 1979, $1,065,000.00 for fiscal 1980 and $1,355,000.00 for fiscal 1981. The Center is providing an essential function in the gathering together and preservation of materials which have characterized the social, ethnic, and regional growth of our nation and the melding of its peoples for the common good.

Under report format V, the Committee would anticipate authorizing an amount of $8.62 million for the administration and operation of the Federal Election Commission during fiscal 1979. The President's recommendation of $8.2 million appears to minimize the need for more timely action by the FEC, and the necessary increases in staff and budget that that would entail.

Kind regards,

Cordially,

Frank Thompson, Jr.

FT/chn

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95th Congress
2d Session } COMMITTEE PRINT NO. 8

REPORT

TO THE

COMMITTEE ON THE BUDGET

VIEWS AND ESTIMATES

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS HOUSE OF REPRESENTATIVES

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1979

MARCH 15, 1978

Printed for the use of the Committee on Interior and Insular Affairs

U.S. GOVERNMENT PRINTING OFFICE
96-921 O WASHINGTON : 1978

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LETTER OF TRANSMITTAL

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., March 9, 1978.

Hon. ROBERT N. GIAIMO,
Chairman, Committee on the Budget,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the requirements of section 301(c) of the Congressional Budget Act of 1974, and in compliance with your letter of February 9, 1978, to committee chairmen requesting the views and estimates of their respective committees on the Congressional Budget for fiscal year 1979, I am submitting a report containing our estimate of budget authority and outlays for each functional category within the jurisdiction of this Committee.

The report, approved by the Committee on March 8, represents a consolidated statement of the views and estimates of the relevant standing subcommittees as well as those of the Full Committee.

To assist allocation of permanent spending authority among the respective authorizing committees, this report also provides information on permanent budget authority and outlays within the jurisdiction of this Committee.

We believe it is of particular interest to note that, with respect to programs under our jurisdiction, there are offsetting receipts totaling more than $1.2 billion exclusive of rents and royalties derived from oil and gas leases on the Outer Continental Shelf lands.

Sincerely,

MORRIS K. UDALL, *Chairman.*

ACKNOWLEDGEMENT

This annual budget report depends on the continuing assistance of many men and women in the executive and congressional support agencies. The Committee extends its appreciation to the General Accounting Office, the Department of the Interior, the Congressional Research Service, and especially the Government Printing Office who devised the means by which this year's budget was printed by computer.

We particularly wish to thank James K. Kardokus, Roger L. Sperry, Donna M. Heivilin, James P. Thomas, Teresa J. Renner, Michael Brostek, and Daniel B. Levin, of the General Accounting Office; Francis M. Wiles and Albert C. Camacho of the Department of the Interior; and Wallace D. Bowman, Alfred R. Greenwood, Richard S. Jones, William R. Tansill, Peter B. Sheridan, David M. Lindahl, George H. Siehl, and Duane A. Thompson, of the Congressional Research Service.

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OVERVIEW OF COMMITTEE BUDGET RECOMMENDATIONS FOR FISCAL YEAR 1979

With respect to the President's budget requests for existing programs which require reenactment of authorizing legislation, the President has requested authorization amounts of $2.5 billion for Department of Energy programs within the jurisdiction of the Committee. While the Committee is unable to make a recommendation with respect to budget authority at the time of submission of this report, it notes that the total authorization of $2.5 billion requested by the President provides the order of magnitude for budget authority for those programs within its jurisdiction.

The Committee wishes to express its concern with respect to funding the full authorized amounts contained in the 4-year authorization for H.R. 10787, which authorizes appropriations for the Bureau of Land Management. When the Congress passed the Federal Land Policy and Management Act of 1976, it included a section referencing the Congressional Budget Act of 1974 to require the Secretary to include in his authorization request on or before May 15 to the Congress information with respect to the funding levels which he determines can be efficiently and effectively utilized for each program "notwithstanding any budget guidelines or limitations imposed by any official or agency of the executive branch."

Since the Secretary was unable to submit his request by the statutory date, and since his submittal to the Congress came after various reviews by other agencies of the executive branch, the Committee alerts your Committee that the amounts requested in the President's budget may not be the unrestrained ones envisioned by section 318(b) of the Federal Land Policy and Management Act of 1976. Accordingly, it feels it is compelled to request a $40 million increase over the President's request in budget authority to assure the adequacy of the funding level for this bureau.

The remainder of the increase is asked for the Office of Water Research and Technology, increased personnel for the historic preservation program, and for water and capital projects on the island of Guam.

For the President's budget requests for new programs which will require authorizing legislation, the Committee is recommending a $5 million increase over the President's request for mineral impact loan assistance to States for the construction of public facilities made necessary by mineral development on Federal lands.

Legislative initiatives of the Committee on Interior and Insular Affairs will require enactment of new budget authority and outlays of $168 million and $123 million, respectively. Almost half of this amount reflects the first year estimated cost for H.R. 39, the Alaska National Interest Lands Conservation Act, which the Committee is marking up at this time. The Committee believes that this legislation is one of the

most important it has considered in modern congressional history, and it recommends that $76 million in budget authority be accommodated in a fiscal year 1979 concurrent resolution on the congressional budget. The Committee understands that the Secretary of the Interior will request fiscal year 1979 moneys upon enactment of this bill.

Other legislative initiatives included in this increase are the remedial action needed with respect to protecting the health and safety of U.S. citizens living near sites contaminated by uranium mill tailings piles. It is critically important that this program be enhanced and expanded to resolve this identified health problem.

The Committee will consider legislation to improve the national rangelands which are deteriorating at an alarming rate. It anticipates that a program spending $15 million a year for the next 5 years will begin to control the deterioration process.

Legislative initiatives under the territorial jurisdiction of this Committee are expected to be considered. A powerplant for the Northern Mariana Islands and hospitals, and a clinic for the Virgin Islands are planned, as well as ending the delay in reconstructing public facilities on Guam damaged in the typhoon of 1976.

The Committee recommends increases of $942 million in budget authority over the President's budget request for existing programs which do not require authorizing legislation.

In function 270, energy, the Committee is recommending increases of $24 million in budget authority over the President's request for the existing exploration program of the national petroleum reserve in Alaska. This increase will restore the program to its fiscal year 1978 funding level of $209 million and will permit the continuation of drilling at the level required to successfully complete the 7-year exploration program. In any event, the Committee cannot endorse the administration's recommendation to terminate this program at the end of fiscal year 1979. Termination of the program, as proposed, could cause a delay in realizing benefits which would cost the Nation over $300 million. In other words, the modest increase requested by the Committee has the potential of a tenfold payback to the Nation.

In function 300, natural resources and environment, the Committee is recommending a $627 million increase over the President's request in budget authority. Most of this increase reflects the strong concern of this Committee that the administration has not requested full funding of the levels authorized for the Land and Water Conservation Fund, for accelerated acquisition of lands for previously authorized areas pursuant to Public Law 95–42, and for the Historic Preservation Fund. Accordingly, the Committee recommends full funding of the Land and Water Conservation Fund at the authorization level of $750 million in budget authority, full funding of Public Law 95–42 at its authorization level of $450 million, and full funding of the Historic Preservation Fund at its authorization level of $100 million.

Moreover, the Committee is seeking full funding of the authorization for the railroad right-of-way conversion program pursuant to Public Law 94–210. Accordingly, it is recommending an increase of $15 million in budget authority for this program.

For National Park Service increases, the Committee is recommending an increase of $79 million for construction and planning with the proviso that the construction moneys be used only for work on important existing park resources and essential sanitation and water supply facilities. The planning moneys increase will enhance the planning process initiated pursuant to Public Law 91–383, as amended, with respect to the Secretary of the Interior's nomination of areas which have the potential of inclusion in the National Park System. Other increases will provide for adequate visitor protection at Federal recreation areas.

Finally, in function 300, the Committee recommends that the President's request be increased for the Office of Water Research and Technology by $21 million in budget authority. Also it recommends increases of $64 million for water resources projects funded by the Bureau of Reclamation.

In function 450, community and regional development, the Committee is recommending increases of $24 million in budget authority for existing programs for American Natives. The Committee has expressed its great concern about the inordinate delays in adequate funding of their needs for irrigation, roads, and housing projects. In addition, the Committee believes it is compelled to request full funding of the authorization level for the Indian business development program contained in the Indian Financing Act of 1974. Accordingly, it is recommending $14 million in budget authority over the President's request.

In function 550, health, the Committee is recommending full funding of the authorization levels contained in Public Law 94–437 (Indian Health Care Improvement Act of 1976). Accordingly, it is recommending increases of $49 million in budget authority for Indian health services and $61 million for Indian health facilities.

In function 800, general government, the Committee recommends increases in budget authority of $64 million for construction projects in the Northern Mariana Islands, Guam, and the Virgin Islands. In addition, it is recommending an increase of $25 million in budget authority for compensation payments to Micronesian Natives for World War II deaths and damage, and an increase of $10 million in budget authority for contingencies with respect to territorial matters.

Finally, for existing programs not requiring authorizing legislation, the Committee is recommending increases of $44 million in budget authority for the Virgin Islands revenue loss reimbursement and to alleviate the shortfall of revenue for the Virgin Islands under function 850, general purpose fiscal assistance.

President's Budget Requests for Existing Programs Which Require Reenactment or Modification of Authorizing Legislation for Fiscal Year 1979

In function 270, energy, the President has requested authorization amounts of $2.5 billion for Department of Energy programs within the jurisdiction of the Committee.

Also in function 270, energy, the committee concurs in the request of the President for $330,670,000 in budget authority and $307,200,000 in outlays for the Nuclear Regulatory Commission, and it is conduct-

ing authorization hearings with respect to specific items within the proposed total request.

In function 300, natural resources and environment, the committee will authorize additional budget authority of $9,068,000 for fiscal year 1979 for increased aid for State implementation of the interim program pursuant to the Surface Mining Control and Reclamation Act of 1977. We intend to extend authorization for preservation of historical properties and archeological data contained in Public Law 93–291, and agree with the President's request of $3,500,000 in budget authority and outlays. However, the committee is recommending an increase of $500,000 over the President's request to provide for increased preservation staff.

The President's budget has requested $115 million in budget authority over ceilings authorized for specific units in the National Park Service, Fish and Wildlife Service, Forest Service, and Bureau of Land Management. The committee will be considering authorization legislation with respect to raising ceilings to accommodate the Presidential request. In addition, we will consider authorizing increases in ceilings to accommodate the Presidential request of $9 million in budget authority for development in units of the National Park Service.

The committee concurs in the request for budget authority of $43 million which requires additional authorizing legislation by this committee for the San Luis Unit, Central Valley project, the Colorado River basin salinity control project and for dam safety. We intend to accommodate these amounts in authorizing legislation.

The committee notes that the President's budget requests a $13 million authorization for the Office of Water Research and Technology. We intend to increase the authorization over the President's request to reflect increased funding of $6.6 million in budget authority primarily for research, development, and demonstrations in the saline water conversion program.

The President has requested $10.5 million for the Water Resources Council, and legislation to extend the Council is anticipated from the administration.

Finally in function 300, the 4-year authorization for appropriations for the Bureau of Land Management will be reported by the committee in time to meet the May 15 reporting date for authorizing legislation. The committee recommends a $40 million increase in budget authority over the Presidential request in order to fully fund the authorizations for selected programs.

In function 450, community and regional development, the committee concurs in the President's request of $14 million in budget authority for the extension of legislative authority for the Pennsylvania Avenue Development Corporation.

In function 800, general government, the committee concurs in the Presidential request of $6 million in budget authority for grants to rehabilitate the Bikini Atoll so that former inhabitants can safely be resettled. Accordingly, the committee will report authorizing legislation to alleviate this problem. It will also consider legislation to authorize water and capital projects for Guam for a total of $12 million, of which $9 million is requested in the President's 1979 budget.

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In function 850, general purpose fiscal assistance, the committee concurs in the President's request for full funding for the payments in lieu of taxes program in the amounts of $105 million in budget authority and outlays respectively. Legislation to authorize these appropriations is before the committee in H.R. 10787, the bill to authorize appropriations for the Bureau of Land Management.

PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Committee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
270 Department of Energy.....	(1)	(1)	(2)	(2)	The President's proposed budget authority for DOE has not been presented in a form from which the committee can readily determine amounts within its jurisdiction.[1] While the committee is unable to make a recommendation of budget authority at this time of submission, it notes that in order of magnitude the total authorization for items within its jurisdiction requested by the administration is $2,500,000,000.[3]
270 Nuclear Regulatory Commission.	330,670	307,200	330,670	307,200	Authorization of appropriations for fiscal year 1979.
300 Office of Surface Mining Reclamation and Enforcement.	9,068	9,068	9,068	9,068	Provides increased authorization for fiscal year 1979 for sec. 712(a) of the Surface Mining Control and Reclamation Act of 1977.
300 Preservation of Historic Properties.	3,500	3,500	4,000 (+500)	4,000 (+500)	Extend authorization in Public Law 93-291 for preservation of historical and archeological data plus $500 K to increase preservation staff by 20 personnel.
300 Land and Water Conservation Fund.	115,209	115,209	115,209	115,209	Increase authorization ceilings for units in National Park Service, Fish and Wildlife Service, Forest Service, and Bureau of Land Management funded by the land and water conservation fund.
300 National Park Service.....	9,297	9,297	9,297	9,297	Increase authorized development ceilings for units in the National Park Service.
300 Bureau of Reclamation.....	42,825	22,709	42,825	22,709	Authorization of appropriations for water resources projects.
300 Office of Water Research and Technology.	12,750	11,574	19,350 (+6,600)	17,514 (+5,940)	Budget authority of $13,377,000 is incorrectly referred to in the President's request as requiring authorization.
300 Water Resources Council....	10,513	11,923	10,513	11,923	Does not reflect BA of $1,047,000 and outlays of $1,679,000 under jurisdiction of committee on Public Works.
300 Bureau of Land Management.	263,051	272,696	303,051 (+40,000)	312,696 (+40,000)	4-year authorization extension for program administered by the Bureau of Land Management with full funding in selected programs.
450 Pennsylvania Avenue Development Corporation.	13,885	9,165	13,885	9,165	Authorize appropriations for fiscal year 1979.
800 Guam Construction grants...	8,868	3,000	12,000 (+3,132)	6,000 (+3,000)	Authorize appropriations for water and capital projects.
800 Bikini rehabilitation.....	6,000	3,000	6,000	3,000	Authorize grants for rehabilitation of Bikini Atoll so that former inhabitants can safely be resettled.
850 Payments in lieu of taxes....	105,000	105,000	105,000	105,000	Authorize appropriations for payments in lieu of taxes to counties and other units of local government for Bureau of Land Management, Forest Service, Park Service, and other agencies.

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President's Budget Requests for New and Expanded Programs Which Would Require Authorizing Legislation for Fiscal Year 1979

In function 850, general purpose fiscal assistance, the committee recommends a $5 million increase over the President's request of $40 million in budget authority and outlays respectively for mineral development impact loans in fiscal year 1979.

These loans would be made to States for the construction of public facilities necessitated by mineral development on Federal lands. Repayments for the loans would be from the State's share of future Federal mineral leasing receipts. Amendments to existing legislation are proposed by the administration, including a change in the interest rate from 3 percent to the current treasury borrowing rate.

With respect to the outyear projections for loans under this program, the committee recognizes that the demand for loans will likely increase over the next 5 years in line with the amounts authorized in H.R. 10787, which authorizes appropriations for the Bureau of Land Management for the next 4-year period. Consequently, the committee estimates that loan demand in the coming years will be rising by at least or more than $5 million per year.

PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal	Estimate		Projection			Comment
	1979	1980	1981	1982	1983	
850 Mineral Impact Loan Assistance:						
President's request:						
Budget authority	40	40	40	40	40	Loans would be made under this proposal to States for the construction of public facilities made necessary by mineral development on Federal lands.
Outlays	40	40	40	40	40	
Committee recommendation:						
Budget authority	45	50	57	65	70	Projections of outyear loan demand reflect authorization levels proposed in H.R. 10787, a bill to authorize Bureau of Land Management appropriation for the ensuing 4-year period.
Outlays	45	50	57	65	70	

Legislative Initiatives of the Committee on Interior and Insular Affairs for Fiscal Year 1979

In function 270, energy, the administration is expected to propose legislation providing for the relocation and/or stabilization of 22 inactive uranium mill tailings piles which endanger the health and safety of citizens living on or near the sites containing the piles. The committee recommends increased budget authority of $3 million over the President's request to be combined with $3.5 million in the decommissioning and decontamination program of the Department of Energy for a total remedial program of $6.5 million for fiscal year 1979.

In function 300, natural resources and environment, the committee will be considering legislation to improve the Nation's rangelands. The Rangeland Improvement Act of 1978, which will authorize estimated budget authority and outlays of $15 million per year for the next 5 fiscal years, has been introduced in the 95th Congress.

Finally, in function 300, the committee is marking up H.R. 39 (Alaska National Interest Lands Conservation Act) to designate Alaska lands as units of the National Forest, National Park, National Wildlife Refuge, Wild and Scenic Rivers, and National Wilderness Systems.

In function 800, general government, the committee is recommending construction authority of $12 million for a powerplant for the Northern Mariana Islands, and $52 million in budget authority for the construction of hospitals on St. Thomas and St. Croix and a clinic on St. John. Finally, the committee recommends that monies be authorized to reconstruct public facilities on Guam damaged by the 1976 typhoon.

LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal year— 1979	1980	1981	1982	1983	Comment
270 Uranium Mill Tailings Program: Budget authority / Outlays	6.5	50	40	25	9	Administration is expected to propose program for which legislation will be reported to solve problems created by inactive uranium mill tailings piles.
300 Rangeland Improvement Act of 1978: Budget authority / Outlays	15	15	15	15	15	Committee will consider legislation to improve deteriorating national rangelands.
300 HR 39, Alaska National Interest Lands Conservation Act: Budget authority / Outlays	76	58	79	58	57	Cost estimates are preliminary and tentative ones prepared by the Congressional Budget Office, and are subject to future revision.
800 Northern Mariana Islands Powerplant: Budget authority	12	----	----	----	----	Authorize construction of permanent powerplant to replace temporary power barge.
Outlays	6	6	----	----	----	
800 Guam Post—Typhoon Reconstruction: Budget authority	10	10	10	----	----	Authorize monies to rehabilitate, upgrade, and construct public facilities damaged by 1976 typhoon.
Outlays	8	8	8	6	----	
800 Virgin Islands Hospital Construction: Budget authority	52	----	----	----	----	Authorize construction of 2 hospitals on St. Thomas and St. Croix, and a clinic on St. John.
Outlays	15	18	19	----	----	

President's Budget Request for Existing Programs Which Do Not Require Authorizing Legislation for Fiscal Year 1979

In function 270, energy, the committee recommends an increase of $24 million in budget authority and outlays over the President's request for exploration of the national petroleum reserve in Alaska. This amount will restore the drilling program to its fiscal year 1978 funding level.

In function 300, natural resources and environment, the committee recommends full authorization funding for the Land and Water Conservation Fund. The fund is authorized at $750 million for fiscal year 1979, but the President has requested $725 million. In order to bring the fund appropriations in line with the fiscal year 1979 authorization level, the committee is recommending an increase of $25 million in budget authority. Moreover, to expedite the acquisition of previously

authorized areas in the national estate, the committee is recommending full authorization funding for Public Law 95–42 (amendments to the Land and Water Conservation Fund Act of 1965). Accordingly, we recommend increases of $450 million and $300 million for budget authority and outlays respectively. Other increases in the parks and recreation programs recommended by the committee are $79 million for construction work in existing national parks and for sanitation and water supply facilities, as well as a modest increase for National Park Service planning.

The committee recommends a $55 million increase in budget authority over the President's request for historic preservation grants in order to fully fund the authorization for the Historic Preservation Fund.

Visitor safety needs compel the committee to recommend a $3 million increase in budget authority for the enhancement of the safety of visitors on public lands.

The committee believes that the railroad right-of-way conversion program should be fully funded to its authorized level and, accordingly, it recommends an increase of $15 million over the President's request.

Finally, in function 300, the Committee recommends increases of $21 million and $64 million in budget authority for the Office of Water Research and Technology and the Bureau of Reclamation respectively.

In function 450, community and regional development, the committee has expressed great concern about the massive backlog with respect to various Indian irrigation, roads, and housing projects. It is, therefore, recommending that the Congress increase by $10 million in budget authority over the President's request amounts to reduce by 5 percent the construction backlog in irrigation projects on reservations over and beyond the Navajo irrigation project requirements. Additional amounts of $7 million each in budget authority is recommended for Indian road construction and rehabilitation, and for alleviating the $1.2 billion backlog in Indian housing.

Finally, in function 450, the committee recommends full funding for the Indian business development program which was reauthorized by the committee in the first session of this Congress. Accordingly, it recommends an increase of $14 million over the President's request.

In function 550, health, the committee expresses concern that the Indian Health Care Improvement Act of 1976 be fully funded at its authorized levels. We, therefore, recommend that increases of $110 million in budget authority and $84 million in outlays be added to the President's request for Indian health services and facilities.

In function 800, general government, the committee is recommending increases of $99 million in budget authority over the President's request for the Office of Territorial Affairs programs. This total includes $19 million for the trust territory capital improvement program, and $3 million for operations grants for the trust territory. In addition, restoration of the Federal Aviation Administration funding loss of $7 million for the Ponape Airfield is recommended.

The committee believes that equity considerations compel it to recommend that the Micronesian claims payments authorized by this committee be added to the President's request in the amount of $25 million in budget authority.

American Samoa has informed the committee that it requires $3 million in budget authority over the President's request, and the committee recommends that this increase be accommodated in the first budget resolution. The increase will permit the establishing of a housing program and the American Samoa Economic Development Loan Fund.

For Guam, the committee recommends an increase of $33 million in budget authority over the President's request which will allow the purchase of the Medical Center of the Marianas, provide moneys for the Guam Economic Development Fund, and compensate for the loss of income tax revenue pursuant to the Tax Reduction and Simplification Act of 1977.

Finally, in function 800, the committee is recommending an increase in budget authority of $10 million for a Territories Contingency Fund.

In function 850, general purpose fiscal assistance, the committee recommends a $44 million increase in budget authority for the Virgin Islands to compensate for income tax and other revenue losses and shortfalls.

PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In thousands of dollars]

	Major issue or program	President's requests		Committee recommendation (difference)		Comment
		Budget authority	Outlays	Budget authority	Outlays	
270	U.S. Geological Survey	185,548	185,548	209,541 (+23,993)	209,541 (+23,993)	Restore exploration of National Petroleum Reserve in Alaska program moneys to the fiscal year 1978 funding level.
300	Land and Water Conservation Fund.	725,000	554,000	1,200,500 (+475,500)	854,500 (+300,500)	Provide full funding of authorized amounts for fiscal year 1979 current appropriation for LWCF and Public Law 95-42, amendments to the Land and Water Conservation Act of 1965.
300	Historic Preservation Fund	45,000	30,000	100,000 (+55,000)	65,000 (+35,000)	Provide full funding for historic preservation grants.
300	National Park Service: Construction	121,328	121,275	200,000 (+78,672)	200,000 (+78,725)	Increase amounts over the President's request for NPS construction and planning.
	Planning			+750	+750	
300	Visitor Safety: Bureau of Land Management	1,200	1,200	2,200 (+1,000)	2,200 (+1,000)	Increase amounts requested by the President to enhance visitor safety on public land.
	Corps of Engineers			+2,700	+2,000	
300	Railways Conversion Program.			+15,000	+15,000	Restore full funding for program to convert railway beds to public recreational use.
300	Office of Water Research and Technology.	14,404	13,574	28,685 (+14,281)	26,427 (+12,853)	Increase funding for Saline Water Conversion program, and research programs conducted by State Water Research Institutes.
300	Bureau of Reclamation	579,620	588,041	643,863 (+64,243)	646,739 (+58,698)	Increase water resources projects and related matters funding.
450	Indian irrigation projects	70,303	70,091	80,303 (+10,000)	80,091 (+10,000)	Provides amounts for new construction on Indian reservations.
450	Indian housing	194,656	194,007	201,656 (+7,000)	201,007 (+7,000)	Provides for increased funding for BIA housing improvement program.
450	Indian business development.	84,719	84,436	98,719 (+14,000)	98,436 (+14,000)	Provide full funding of Indian Financing Act's Indian business development program.
450	Indian reservation roads construction.	71,410	71,552	78,410 (+7,000)	78,552 (+7,000)	Provides additional funding for construction of roads on Indian reservations.
550	Indian Health Services	472,852	462,956	521,402 (+48,550)	511,506 (+48,550)	Recommend full funding of amounts authorized by the Indian Health Care Improvement Act of 1976.
550	Indian Health Facilities	69,955	95,587	131,207 (+61,252)	131,207 (+35,620)	Recommend full funding of amounts authorized by the Indian Health Care Improvement Act of 1976.

PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979—Continued

[In thousands of dollars]

	Major issue or program	President's requests		Committee recommendation (difference)		Comment
		Budget authority	Outlays	Budget authority	Outlays	
800	Trust Territory:					
	Capital improvement program.	51,700	.....	70,300 (+18,600)	..... (+8,000)	Restore OMB cuts to DOI original request.
	Operations grants	47,938	47,938	50,927 (+2,989)	50,927 (+2,989)	Restore program to fiscal year 1978 funding level.
	Ponape Airfield	0	0	6,740 (+6,740)	.....	Offset FAA funding loss (possible fiscal year 1978 supplemental).
	Rongelap, Utirik, and Bikini	0	0	300 (+300)	300 (+300)	$100,000 per island municipal council discretionary use re rehabilitation (possible fiscal year 1978 supplemental).
800	Micronesian claims	0	0	24,600 (+24,600)	24,600 (+24,600)	Payments to Micronesians for World War II death and damage compensation.
800	American Samoa	19,421	19,421	22,421 (+3,000)	22,421 (+3,000)	Establish housing program and economic development loan fund.
800	Guam:					
	Hospital purchase	0	0	30,000 (+30,000)	30,000 (+30,000)	Purchase Medical Center of the Marianas (possible fiscal year 1978 supplemental).
	Economic Development Fund.	500	500	1,000 (+500)	1,000 (+500)	Provide capital investment funds for local enterprises.
	Income tax revenue loss reimbursement.	.....	.....	+2,300	+2,300	Pursuant to Tax Reduction and Simplification Act of 1977.
800	Territories contingency fund	.....	.....	+10,000	+10,000	Provide for contingencies for territories.
850	Virgin Islands:					
	Income tax revenue loss reimbursement.	.....	.....	+14,000	+14,000	Pursuant to Public Law 95-134, Omnibus Territories Act (strong possibility for fiscal year 1978 supplemental).
	Revenue shortfall	.....	.....	+30,000	+30,000	Possible administrative solution; otherwise will require substantive legislation.

Permanent Spending Authority Within Jurisdiction of Committee on Interior and Insular Affairs

The Congressional Budget Act of 1974 provides that on or before April 15 of each year, the Committee on the Budget of each House shall report to its House the first concurrent resolution on the budget for the fiscal year beginning on October 1 of that year. The act requires that the report accompanying such concurrent resolution shall include, with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent spending authority and funds provided in appropriation acts. In order to facilitate the Committee on the Budget's task of dividing permanent spending authority from funds provided in appropriation acts, table 1 displays by function all permanent spending authority for fiscal year 1979 within the jurisdiction of the Committee on Interior and Insular Affairs.

The total amount of permanent budget authority and outlays allocated to this committee for fiscal year 1979 is $809 million and $614 million respectively.

TABLE 1.—PERMANENT SPENDING AUTHORITY BY FUNCTION WITHIN JURISDICTION OF COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

[in thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
270—Energy:						
271 Energy supply:						
Department of Energy Advances for Cooperative Work	14,218	5,539	2,500	13,083	5,539	2,500
Total function 270	14,218	5,539	2,500	13,083	5,539	2,500
300—Natural resources and environment:						
301 Water resources:						
Bureau of Reclamation trust funds	20,221	13,331	4,470	20,762	10,000	6,770
302 Conservation and land management:						
Bureau of Land Management:						
Miscellaneous permanent appropriations	2,442	2,500	2,500	2,913	3,592	2,600
Miscellaneous trust funds	604	600	600	402	550	600
303 Recreational resources:						
Bureau of Outdoor Recreation Land and Water Conservation Fund	30,000	30,000	30,000			
National Park Service:						
Commemorative Activities Fund	4,668	500		11,440	180	330
Miscellaneous permanent appropriations	518	500	435	318	500	435
Miscellaneous trust funds	2,604	3,000	2,200	2,606	3,000	2,265
306 Other natural resources:						
Bureau of Mines:						
Contributed funds	452	800	800	684	800	800
Helium fund			47,500	−296	3,316	1,362
Total function 300	61,509	51,231	88,505	38,829	21,938	15,162
450—Community and regional development:						
451 Community development:						
Department of Housing and Urban Development—Community Disposal Operations Fund				−652	−550	−490
452 Area and regional development:						
Bureau of Indian Affairs:						
Miscellaneous permanent appropriations	16,696	15,430	17,000	16,714	14,600	16,000
Miscellaneous trust funds	210,620	240,000	238,900	187,099	126,380	119,100
Liquidation of Hoonah Housing Project Revolving Fund				−8	3	13
Joint Federal-State Land Use Planning Commission for Alaska Cooperative Funds	645	586	431	707	588	504
Total function 450	227,961	256,016	256,331	203,860	141,021	135,127
800—General government:						
804 General property and records management:						
General Services Administration—Virgin Islands Corporation Liquidation Fund				−789	−699	−593
806 Other general government: Office of Territorial Affairs—Office of Comptroller for Guam				466	198	
Bureau of Indian Affairs:						
Miscellaneous permanent appropriations	593	200	200	593	200	200
Miscellaneous trust funds	31,076	124,000	116,600	30,475	129,914	116,600
Total function 800	31,669	124,200	116,800	30,745	129,613	116,207
850—Revenue sharing and general purpose fiscal assistance:						
852 Other general purpose fiscal assistance:						
Office of Territorial Affairs Internal Revenue collections for the Virgin Islands	20,298	20,000	20,000	18,874	20,000	20,000
Bureau of Reclamation Miscellaneous permanent appropriations	4,660	2,700	2,700	4,895	2,700	2,700
Bureau of Land Management Miscellaneous permanent appropriations	138,019	285,856	322,176	136,542	287,425	322,176
Total function 850	162,977	308,556	344,876	160,311	310,125	344,876

Table 2 lists by subcommittee the total permanent spending authority within the jurisdiction of the Committee on Interior and Insular Affairs for fiscal year 1979.

TABLE 2.—PERMANENT SPENDING AUTHORITY BY SUBCOMMITTEE WITHIN JURISDICTION OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Subcommittee on Energy and the Environment:						
Department of Energy—Advances for Cooperative work	14,218	5,539	2,500	13,083	5,539	2,500
Department of Housing and Urban Development—Community Disposal Operations Fund				−652	−550	−490
Total, Energy and the Environment	14,218	5,539	2,500	12,431	4,989	2,010
Subcommittee on National Parks and Insular Affairs:						
Bureau of Outdoor Recreation—Land and Water Conservation Fund	30,000	30,000	30,000			
National Park Service:						
Commemorative Activities Fund	4,668	500		11,440	180	330
Miscellaneous Permanent Appropriations	518	500	435	318	500	435
Miscellaneous Trust Funds	2,604	3,000	2,200	2,606	3,000	2,265
Office of Territorial Affairs:						
Office of Controller for Guam				466	198	
Internal Revenue Collections for the Virgin Islands	20,298	20,000	20,000	18,874	20,000	20,000
General Services Administration—Virgin Islands Corporation Liquidation Fund				−789	−699	−593
Total, National Parks and Insular Affairs	58,088	54,000	52,635	32,915	23,179	22,437
Subcommittee on Water and Power Resources:						
Bureau of Reclamation:						
Miscellaneous Permanent Appropriations	4,660	2,700	2,700	4,895	2,700	2,700
Trust funds	20,221	13,331	4,470	20,762	10,000	6,770
Total, Water and Power Resources	24,881	16,031	7,170	25,657	12,700	9,470
Subcommittee on Mines and Mining:						
Bureau of Mines:						
Contributed funds	452	800	800	684	800	800
Helium fund			47,500	−296	3,316	1,362
Total, Mines and Mining	452	800	48,300	388	4,116	2,162
Subcommittee on Indian Affairs and Public Lands:						
Bureau of Indian Affairs:						
Miscellaneous permanent appropriations	17,289	15,630	17,200	17,307	14,800	16,200
Miscellaneous trust funds	241,696	364,000	355,500	217,574	256,294	235,700
Liquidation of Hoonah Housing Project Fund				−8	3	13
Joint Federal-State Land Use Planning Commission for Alaska Cooperative Funds	645	586	431	707	588	504
Bureau of Land Management:						
Miscellaneous permanent appropriations	140,461	288,356	324,676	139,455	291,017	324,776
Miscellaneous trust funds	604	600	600	402	550	600
Total, Indian Affairs and Public Lands	400,695	669,172	698,407	375,437	563,252	577,793

Completing the permanent spending authority section on the Committee report are the narrative descriptions for each of the permanent accounts listed in table 2.

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DEPARTMENT OF ENERGY—ADVANCES FOR COOPERATIVE WORK

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	14,218	5,539	2,500	13,083	5,539	2,500
Budget authority and outlays are distributed as follows:						
Petroleum, natural gas, and oil shale	81	20	20	81	20	20
Washington Public Power Supply System	493	250	250	481	250	250
Construction, operation, and maintenance, Western Area Power Administration	13,644	5,269	2,230	12,521	5,269	2,230

1. *Petroleum, natural gas, and oil shale.*—The funds contributed by States, counties, municipalities, and private sources are used to conduct research and investigations to promote the conservation, evaluation, and development of energy resources.

2. *Washington Public Power Supply System.*—Funds are advanced by the Washington Public Power Supply System (WPPSS) to pay for services furnished in connection with the operation of WPPSS electric generating facilities at the Richland, Wash., new production reactor. The services provided by DOE contractors include lease of land, fire protection, utilities, maintenance of equipment, engineering support and estimated reactor costs chargeable to WPPSS.

3. *Construction, operation, and maintenance, Western Area Power Administration.*—When requested, the WAPA performs investigations or construction work with the funding provided by non-Federal entities under the Contributed Funds Act (43 U.S.C. 395, 396).

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—COMMUNITY DISPOSAL OPERATIONS FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total				−652	−550	−490

The community disposition program was established by the Atomic Energy Community Act of 1955 to dispose of federally owned properties.

Budget program.—All sales under the program have been completed. Servicing of the mortgage inventory currently held by the Secretary will continue.

Operating results.—The deficit in the fund is expected to be $14.3 million at the end of 1979. Funds recovered and transferred to the Treasury are estimated to aggregate $84.2 million by the end of 1979.

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BUREAU OF OUTDOOR RECREATION—LAND AND WATER CONSERVATION FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Contract authority	30,000	30,000	30,000			

NATIONAL PARK SERVICE—COMMEMORATIVE ACTIVITIES FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	4,668	500		11,440	180	330

Public Law 93-179 provided that the American Revolution Bicentennial Administration terminate no later than June 30, 1979. Executive Order No. 12001 transferred certain of the American Revolution Bicentennial Administration's functions and funds to the National Park Service. This account received these transfers, and now provides for continuing commemoration by the National Park Service of the events of the American Revolution.

NATIONAL PARK SERVICE—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	518	500	435	318	500	435
Distribution of budget authority and outlays by account:						
Educational expenses, children of employees, Yellowstone National Park	478	475	410	291	475	410
Payment for tax losses on land acquired for Grand Teton National Park	25	25	25	23	25	25
Operation, management, maintenance, and demolition of Federally acquired properties, Independence National Historical Park	15			4		

1. *Educational expenses, children of employees, Yellowstone National Park.*—Revenues received from fees collected from visitors to the park are used to provide educational facilities to pupils who are dependents of persons engaged in the administration, operation, and maintenance of Yellowstone National Park (16 U.S.C. 40a).

2. *Payment for tax losses on land acquired for Grand Teton National Park.*—Revenues received from fees collected from visitors are used to compensate the State of Wyoming for tax losses on Grand Teton National Park lands (16 U.S.C. 406d-3).

3. *Operation, management, maintenance, and demolition of federally acquired properties, Independence National Historical Park.*—Moneys collected from rental operations of the Irwin Building were used for

the operation, management, and maintenance of this building and its subsequent demolition, as authorized in the act approved October 26, 1951 (65 Stat. 664). There is no activity in this account in 1979.

NATIONAL PARK SERVICE—MISCELLANEOUS TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	2,604	3,000	2,200	2,606	3,000	2,265
Budget authority and outlays are distributed as follows:						
National Park Service donations	2,601	2,877	2,077	2,424	2,797	2,062
Preservation, Birthplace of Abraham Lincoln, National Park Service	3	3	3	.....	3	3
Jefferson National Expansion Memorial, contributions	...	120	120	182	200	200

1. *National Park Service, donations.*—The Secretary of the Interior accepts and uses donated moneys for purposes of the National Park System (16 U.S.C. 6). Donations amounting to $3 million were received from contributions during 1977. It is estimated that donations of $3 million and $2.2 million will be received during 1978 and 1979, respectively.

2. *Preservation, Birthplace of Abraham Lincoln, National Park Service.*—This fund consists of an endowment given by the Lincoln Farm Association, and the interest therefrom is available for preservation of the Abraham Lincoln Birthplace National Historic Site, Ky. (16 U.S.C. 211, 212). The amount of $2,540 was received in 1977.

3. *Jefferson National Expansion Memorial, contributions.*—Pursuant to the act of May 17, 1954 (68 Stat. 98–100), as amended, the Secretary of the Interior was authorized to construct upon the Jefferson National Expansion Memorial National Historic Site, St. Louis, Mo., an appropriate national memorial to those persons who made possible the territorial expansion of the United States. Contributions are accepted from the city of St. Louis or other non-Federal sources in the ratio of $1 to each $3 of Federal appropriations.

OFFICE OF TERRITORIAL AFFAIRS—OFFICE OF THE COMPTROLLER FOR GUAM

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total				466	198	.....

Revenues locally collected in Guam, derived from Federal income taxes, custom duties, and other services were used to finance the cost of the Government Comptroller in accordance with the "Guam Elective Governor Act" (Public Law 90–497). Operations of the Comptroller were included in administration of territories as a reimbursement. Public Law 95–134 now provides that effective October 1, 1977,

the Government Comptroller's salary and expenses shall be paid from funds authorized to be appropriated to the Department of the Interior. Unobligated balances remaining in the account are to be paid to the Government of Guam.

OFFICE OF TERRITORIAL AFFAIRS—INTERNAL REVENUE COLLECTIONS FOR THE VIRGIN ISLANDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	20,298	20,000	20,000	18,874	20,000	20,000

Revenue collected by the Government of the Virgin Islands is matched, to the extent of the collections less refunds and costs of collection, by payment out of quarterly revenue taxes collected by the United States on Virgin Islands products transported to the United States under provisions of the "Internal Revenue Code" (26 U.S.C. 7652(b)(3)) amended. Public Law 94-202 provides for quarterly instead of the previously annual payments to the Virgin Islands.

GENERAL SERVICES ADMINISTRATION—VIRGIN ISLANDS CORPORATION LIQUIDATION FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total				−789	−699	−593

Mortgage payments are made to the Government for properties purchased from the Virgin Islands Corporation.

BUREAU OF RECLAMATION—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	4,660	2,700	2,700	4,895	2,700	2,700
Distribution of budget authority and outlays by account:						
Colorado River Dam fund, Boulder Canyon project:						
Payment of interest on advances from the Treasury (indefinite special fund)	1,138	1,700	1,600	1,138	1,700	1,700
Payments to States of Arizona and Nevada (definite special fund)	600	600	600	600	600	600
Operation, maintenance, and replacement of project works, North Platte project (Gering and Fort Laramie, Goshen and Pathfinder irrigation districts) (indefinite special fund)	15	30	30	14	30	130
Payments to Farmers' irrigation district (North Platte project, Nebraska-Wyoming) (indefinite special fund)	8	8	8	8	8	8
Payments to local units, Klamath Reclamation Area (indefinite special fund)		180	140	133	140	140
Refunds and returns (indefinite special fund)	2,900	222	322	3,002	222	122

1. *Colorado River Dam fund, Boulder Canyon project—(a) Payment of interest on advances from the Treasury.*—Interest is paid to the Treasury on moneys advanced for construction (43 U.S.C. 618a(b)).

(b) *Payments to States of Arizona and Nevada.*—Annual payments of $300 thousand each are made to Arizona and Nevada, from operation of the Boulder Canyon project (43 U.S.C. 618a(c)).

2. *Operation, maintenance, and replacement of project works, North Platte project (Gering and Fort Laramie, Goshen and Pathfinder irrigation districts).*—Payments are made for replacement of project works operated and maintained by the United States and to supplement funds advanced by the water users to meet annual costs of operation and maintenance of such works (66 Stat. 755).

3. *Payments to Farmers' irrigation district (North Platte project, Nebraska-Wyoming).*—Payments are made to the Farmers' irrigation district on behalf of the Northport irrigation district for water carriage (62 Stat. 273, as amended).

4. *Payments to local units, Klamath reclamation area.*—Certain revenues collected from the leasing of Klamath project reserved Federal lands within the boundaries of certain national wildlife refuges shall be used: (a) to credit or pay to the Tule Lake irrigation district amounts already committed, and (b) to make annual payments to the counties in which such refuges are located (78 Stat. 850).

5. *Refunds and returns.*—Overcollections are refunded and unapplied deposits are returned (64 Stat. 689).

BUREAU OF RECLAMATION TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	20,221	13,331	4,470	20,762	10,000	6,770

When requested the Bureau of Reclamation performs investigations or construction work with funding provided by non-Federal entities under the Contributed Funds Act (43 U.S.C. 395, 396).

BUREAU OF MINES—CONTRIBUTED FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	452	800	800	684	800	800

Funds contributed by States, counties, municipalities, and private sources are used to conduct research and investigations to promote the conservation, evaluation, and development of mineral resources and health and safety of miners through research.

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BUREAU OF MINES—HELIUM FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Contract authority			47,500	−296	3,316	1,362

The authorized purposes of the Helium Act Amendments of 1960 (50 U.S.C. 167) are to locate and develop helium reserves and to produce, sell, and distribute supplies of helium, and to conserve a sustained supply of helium that will be sufficient to provide for essential Government activities.

BUREAU OF INDIAN AFFAIRS—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	17,289	15,630	17,200	17,307	14,800	16,200
Distribution of budget authority and outlays by account:						
Claims and treaty obligations	593	200	200	593	200	200
Acquisition of lands and loans to Indians in Oklahoma, act of June 1936	24				140	
Operation and maintenance, Indian irrigation systems	8,645	9,000	9,000	8,385	7,300	8,075
Power systems, Indian irrigation projects	8,026	6,430	8,000	8,314	7,160	7,925
Indian arts and crafts fund	1			15		

1. *Claims and treaty obligations.*—Payments are made to fulfill treaty obligations with the Senecas of New York (act of February 19, 1831), the Six Nations of New York (act of November 11, 1794), and the Pawnees of Oklahoma (the treaty of September 24, 1857); and benefit claims to the Sioux Indians (acts of March 2, 1889, June 10, 1896, and June 21, 1906).

2. *Operation and maintenance, Indian irrigation systems.*—Revenues derived from charges for operation and maintenance of Indian irrigation projects are used to defray in part the cost of operating and maintaining these projects (60 Stat. 895).

3. *Power systems, Indian irrigation projects.*—Revenues collected from the sale of electric power by the Colorado River, Flathead, and San Carlos power systems are used to operate and maintain these systems (60 Stat. 895; 65 Stat. 254).

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BUREAU OF INDIAN AFFAIRS—MISCELLANEOUS TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	241,696	364,000	355,500	217,574	256,294	235,700
Alaska Native fund	30,000	30,000	30,000	30,000	30,000	30,000
Alaska Native fund—indefinite	1,076	94,000	86,600	475	99,914	86,600
Appropriation (indefinite)	210,620	240,000	238,900	187,099	126,380	119,100

BUREAU OF INDIAN AFFAIRS—LIQUIDATION OF HOONAH HOUSING PROJECT REVOLVING FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total				−8	3	13

This fund was transferred from the Housing and Home Finance Agency to the Secretary of the Interior under the provisions of Public Law 85–806. The Secretary will use the funds transferred from the Housing and Home Finance Agency, along with any other revenues that may be received from the Hoonah housing project for the purpose of liquidating said project in accordance with the provisions of the law. The deficit is expected to increase as funds are used for the liquidation of the project.

JOINT FEDERAL-STATE LAND USE PLANNING COMMISSION FOR ALASKA—COOPERATIVE FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	'1979 estimate
Total	645	586	431	707	588	504

Section 17(a)(9)(A) of the Alaska Native Claims Settlement Act, Public Law 92–203, limits the Federal share of the expenses of the Joint Federal-State Land Use Planning Commission for Alaska to 50 percent. The State of Alaska provides for the remaining 50 percent of Commission expenses. As projected for 1979, a portion of the State's support share will be provided in-kind through the payment of the State cochairman's salary and benefits, assignment of State employees to the Commission, and rental of office space. For 1979, the total State cash and inkind contributions are estimated to equal $594,000.

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BUREAU OF LAND MANAGEMENT—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	140,461	288,356	324,676	139,455	291,017	324,776
Budget authority and outlays are distributed as follows:						
Leasing of grazing lands (receipt limitations)	1	2	2	1	2	2
Payments to Oklahoma (royalties) (receipt limitations)	8			8		
Payments to Coos and Douglas counties, Oreg., from receipts Coos Bay Wagon Road grant lands	1,180	1,900	2,500	1,213	1,960	2,500
Payments to counties, Oregon and California grant lands	29,563	106,045	113,000	29,563	106,045	113,000
Payments to States (proceeds of sales) (Receipt limitations)	404	551	579	207	748	579
Payments to States from grazing receipts, etc., public lands outside grazing districts	970	1,250	1,483	110	2,110	1,483
Payments to States from grazing receipts, etc., public lands within grazing districts	578	1,782	2,125	48	2,312	2,125
Payments to States from grazing receipts, etc., public lands within districts, miscellaneous	3	5		1	2	
Payments to States from receipts under Mineral Leasing Act	105,131	173,926	202,043	105,130	173,926	202,043
Payments to counties, national grasslands	181	395	444	259	320	444
Expenses, Public Land Administration Act				234	69	
Expenses, road maintenance deposits	2,442	2,500	2,500	2,679	3,523	2,600

1. *Leasing of grazing lands.*—State, county, and privately owned grazing lands that are intermingled with public grazing lands are managed on a leased basis within the limits of receipts from such arrangements (43 U.S.C. 315m).

2. *Payments to Oklahoma (royalties).*—The State of Oklahoma is paid 37½ percent of the Red River oil and gas royalties in lieu of State and local taxes on Kiowa, Comanche, and Apache tribal lands to be used for construction and maintenance of public roads and support of public schools (65 Stat. 252).

3. *Payments to Coos and Douglas Counties, Oreg., from receipts Coos Bay Wagon Road grant lands.*—Out of receipts from the Coos Bay Wagon Road grant lands in Oregon, payments in lieu of taxes are made to Coos and Douglas Counties for schools, roads, highways, bridges, and port districts (53 Stat. 753–754).

4. *Payments to counties, Oregon and California grant lands.*—Fifty percent of the receipts of Oregon and California land-grant funds are paid the counties in which the lands are situated, to be used as other county funds (39 Stat. 218; 50 Stat. 876).

5. *Payments to States (proceeds of sales).*—The States are paid 5 percent of the net proceeds from sale of public land and public land products (31 U.S.C. 711).

6. *Payments to States from grazing receipts, etc., public lands outside grazing districts.*—The States are paid 50 percent of the grazing fee receipts from public domain lands outside grazing districts (43 U.S.C. 315i, 315m).

7. *Payments to States from grazing receipts, etc., public lands within grazing districts.*—The States are paid 12½ percent of grazing fee receipts from grazing district lands within their boundaries (43 U.S.C. 315b, 315i)

8. *Payments to States from grazing receipts, etc., public lands within grazing districts, miscellaneous.*—The States are paid specifically determined amounts from grazing fee receipts from miscellaneous lands within grazing districts when payment is not feasible on a percentage basis (43 U.S.C. 315).

9. *Payments to States from receipts under Mineral Leasing Act.*—Alaska is paid 90 percent and other States 50 percent of the receipts from bonuses, royalties, and rentals resulting from development of mineral resources under the Mineral Leasing Act (30 U.S.C. 191), and from leases of potash deposits (30 U.S.C. 285), on public lands.

10. *Payments to counties, national grasslands.*—Of the revenues received from the use of submarginal lands, 25 percent is paid to the counties in which such land is situated, for school and road purposes (7 U.S.C. 1012).

11. *Expenses, Public Land Administration Act.*—Public Law 86–649 approved July 14, 1960, permanently appropriated certain moneys to the Secretary of the Interior. Timber purchasers or permittees provide bond or deposit to assure fulfillment of contracts. Users of roads under jurisdiction of the Bureau of Land Management may make deposits for maintenance purposes. Moneys received in forfeiture of such bonds or for road maintenance are available for necessary forest improvement, protection, and rehabilitation and for road maintenance. Moneys collected on Oregon and California grant lands are available for those lands only and amounts in excess of the cost of doing the work are transferred to miscellaneous receipts (74 Stat. 507–508). The applicable provisions of Public Law 86–649 were repealed by Public Law 94–579, approved October 21, 1976. New deposits for road maintenance will become available in the "Expenses, road maintenance" appropriation below. Collections for rehabilitation of damages will be available beginning in 1978 in the "Service charges, deposits, and forfeitures" appropriation. (43 U.S.C. 1701 et. seq.)

12. *Expenses, road maintenance.*—Public Law 94–579 approved October 21, 1976, permanently appropriated certain moneys to the Secretary of the Interior. Users of roads under jurisdiction of the Bureau of Land Management may make deposits for maintenance purposes, and moneys collected are available for necessary road maintenance. Moneys collected on Oregon and California grant lands are available for those lands only. (43 U.S.C. 1701 et. seq.)

BUREAU OF LAND MANAGEMENT—MISCELLANEOUS TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Total	604	600	600	402	550	600
Distribution of budget authority and outlays by account:						
Land and resource management trust fund	599	599	599	401	549	599
Trustee funds, Alaska townsites	5	1	1	1	1	1

1. *Land and resource management trust fund.*—Applicants for conveyance of lands omitted in original surveys pay the cost of surveys and the administrative costs of conveyance. Advances are made by

individuals to pay the costs of other types of surveys requested by them. Users of the Federal range and others contribute funds or make gifts for conservation practices acquisition, protection, and other purposes (43 U.S.C. 315h, 315i, 775, 74 Stat. 506: 31 U.S.C. 711; 43 U.S.C. 759, 761, and 887; 48 Stat. 1224–1236; 90 Stat. 2758; (43 U.S.C. 1701).

2. *Trustee funds, Alaska townsites.*—Amounts received from sale of Alaska town lots are available for expenses incident to the maintenance and sale of townsites (31 U.S.C. 725s; Comp. Gen. Dec. of Nov. 18, 1935).

BUDGET RECOMMENDATIONS OF THE SUBCOMMITTEES OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

Recommendations of the Subcommittee on Energy and the Environment

NUCLEAR REGULATORY COMMISSION

The NRC budget proposed by the President provides for fiscal year 1979 budget authority of $330,670,000 to cover salaries and expenses associated with a variety of activities involving the regulation of the commercial nuclear industry. These activities are primarily concerned with protection of the public health and safety. They include development of regulations and standards, issuance of licenses and permits, and inspection and enforcement to assure adherence to regulations and licensing conditions. In addition the NRC conducts research programs to assess the adequacy of regulations. The NRC also licenses nuclear exports, and is responsible for assuring that licensees conform to certain antitrust laws.

URANIUM MILL TAILINGS REMEDIAL PROGRAM

It is anticipated that the subcommittee will report legislation providing for relocation and/or stabilization of 22 inactive uranium mill tailings piles created under Atomic Energy Commission contract. The increased cost of implementing a remedial program for the tailings is projected to be $3 million for the next fiscal year.

The Subcommittee on Energy and the Environment also forwards for full Committee consideration the following administration recommendation with respect to programs within the jurisdiction of the subcommittee:

SURFACE MINING CONTROL AND RECLAMATION ACT OF 1977

The administration has requested that the fiscal year 1979 authorization for the surface mining program be increased by $9,068,000 primarily to provide additional assistance to the States to help them implement the interim program under the new act.

PAYMENT IN LIEU OF TAXES

The administration has recommended that the PILT program be authorized at $105 million for fiscal 1979.

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
270 Nuclear Regulatory Commission.	330,670	307,200	330,670	307,200	Authorization of appropriations for fiscal year 1979.
300 Office of Surface Mining Reclamation and Enforcement.	9,068	9,068	9,068	9,068	Provides increased authorization for fiscal year 1979 for sec. 712(a) of the Surface Mining Control and Reclamation Act of 1977.
850 Payments in lieu of taxes...	105,000	105,000	105,000	105,000	Authorize appropriations for payments in lieu of taxes to counties and other units of local government for Bureau of Land Mangagement, Forest Service, Park Service, and other agencies.

TABLE 2. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In million of dollars]

Identify initiative	Fiscal year—					Comment
	1979	1980	1981	1982	1983	
270 Uranium mill tailings program: Budget authority / Outlays	6.5	50	40	25	9	Administration is expected to propose program for which legislation will be reported to solve problems created by inactive uranium mill tailings piles.

Recommendations of the Subcommittee on National Parks and Insular Affairs

Parks and Recreation Programs

In reviewing the President's budget for fiscal year 1979, a number of items have gained the subcommittee's attention over which some concern has been expressed.

The subcommittee notes the announcement by the administration of a new "national heritage program" which entails some new and expanded program thrusts, along with various program reassignments among agencies within the Department of the Interior. A prominent feature of the national heritage program is the reconstitution of the Bureau of Outdoor Recreation as a new agency of significantly broadened scope and responsibilities, along with its renaming as the Heritage Conservation and Recreation Service. The subcommittee is not well-informed about these changes and the new programs, and consequently at this time can express neither its approval nor disapproval of this effort. It does strongly caution, however, that recognized existing programs continue to be vigorously administered and advanced without jeopardy from the undertaking of new initiatives.

The subcommittee finds laudable the proposal to fund and staff annually for a continuous Nationwide Outdoor Recreation plan preparation effort, rather than to infuse that effort sporadically and only shortly prior to the plan's due date every 5 years, as has been too often the case in the past.

The subcommittee notes the extremely slow pace and inadequate progress of the past in the conduct of and reporting to the Congress on studies of potential new candidates for units of the Wild and Scenic Rivers and National Trails Systems. The subcommittee encourages expanded funding for this effort, and also notes that consideration should be given the inclusion of funding for a survey and inventory process to assess the nationwide potential and scope of the completed Wild and Scenic Rivers and National Trails Systems.

The subcommittee notes with continued alarm and dismay, the generally very slow progress on, and the repetitive tardiness of, submission of studies and reports required by law concerning general management plans and also wilderness studies for various land management units authorized by this subcommittee. The solution to the problem appears to be in a combination of need for greater amounts of funding and manpower to perform the work, but there also appears to be a pressing need for increased administrative discipline and commitment to organize for getting the job done in a timely fashion.

LAND AND WATER CONSERVATION FUND

There is strong concern on the part of this subcommittee that the administration is attempting to financially veto the expressed will of the Congress by failing to request full funding for park and recreation programs which Congress has authorized. This failure to cooperate with Congress is particularly disturbing in that it comes so quickly after resolution of the problem of parsimonious treatment of outdoor recreation by an earlier administration.

The subcommittee also notes with some concern that of the four Federal agencies' land acquisition programs funded by the Land and Water Conservation Fund, only the Forest Service is proposed to experience a decrease (of $12 million) in funding level from the past year, while the other three agencies benefit from an increase. The subcommittee feels such treatment should be fully scrutinized and substantiated.

Specifically, this subcommittee supports:

1. Full funding of the Land and Water Conservation Fund at the authorized fiscal year 1979 level of $750 million rather than at the somewhat lower level requested;

2. Full funding for the program established by Public Law 95–42 for acquisition of lands for previously authorized Federal recreation areas. The act authorized appropriation of $300 million for fiscal year 1978 and $150 million in fiscal year 1979. This subcommittee recommends fiscal year 1979 appropriation of the entire $450 million.

3. Increased personnel allocations. The responsible agencies, because of manpower restrictions, have a limited ability to process the full amount authorized for the acquisition of land for recreation purposes as expressed in Public Law 95–42. Accordingly, this subcommittee recommends the authorization and appropriation of an additional $500,000 for additional personnel to expeditiously carry out the intent of the Congress, and further recommends the Secretary be directed to hire the authorized additional personnel;

4. Full funding of remaining unappropriated balance of the authorization for the railroad right-of-way conversion program estab-

lished by Public Law 94–210. A total of $20 million was authorized for use by the Secretary over 3 fiscal years in assisting States and localities in converting abandoned rights-of-way to recreational uses, but only a fraction of this money was made available. Full funding of $15 million should be appropriated for this purpose.

This subcommittee further recommends against the earmarking of $63 million of the Land and Water Conservation Fund for the operation of a natural heritage preservation program. This subcommittee is not opposed to the intent of such a program, but feels that such a substantive alteration of the distribution allocation of the fund should take place only with the active approval of the Congress.

NATIONAL PARK SERVICE

The budget request for the National Park Service for fiscal year 1979 shows a retreat from the program which began only last year to restore the National Park System to a healthy condition following years of budgetary neglect. The Bicentennial land heritage program was perceived as a vehicle whereby long-delayed maintenance and restoration of important park facilities could be undertaken and staffing could be increased to more adequately deal with increased visitor numbers and needs. The construction budget request, for instance, shows a decrease from the fiscal year 1978 level of $161 to $121 million. This decrease of $40 million is only part of the picture, however, as it was anticipated that this year's construction budget would be even higher (about $222 million) as the program gained momentum. It should be noted that the label "construction" is misleading, as it does not only refer to new projects, but includes the important tasks of stabilizing, maintaining, and restoring existing park facilities. Thus, a reduction in the construction budget may mean that new roads and buildings will not be constructed, and more importantly, existing valuable, and in some cases, historically important structures may continue to deteriorate. Therefore, it is recommended that there be appropriated $200 million for the construction budget for the National Park Service in fiscal year 1979, with the proviso that the increase of $79 million be used only for work on important existing park facilities and basic sanitation and water supply facilities.

Additionally, the Secretary should develop internal Park Service budgetary guidance that will clearly separate new construction activity from major maintenance functions, and apply such guidance consistently throughout the National Park Service.

The subcommittee is disturbed by the inadequacies of funding and results obtained from the park, recreation, and wilderness planning budget function of the National Park Service. Several portions of that budget activity warrant specific comment.

Pursuant to section 8 of Public Law 91–383, as amended, the Secretary is directed to "investigate, study, and continually monitor the welfare of areas whose resources exhibit qualities of national significance and which may have potential for inclusion in the National Park System." The Secretary is further directed to submit a list of no less than 12 such areas annually to the Congress, along with the studies

conducted on these areas. He is further directed to monitor all existing national historic and natural landmarks, and to report annually to the Congress on those which he determines are threatened or being damaged. The first submission of this list of potential National Park System areas was received in November 1977 and contained 13 candidates. The subcommittee is generally pleased with the effort that went into the assembly of this initial list considering the difficulties to be surmounted quickly in developing a process to initially implement this mandate of law. However, the subcommittee expects future reports and lists derived from this effort to be more thoroughly assembled, and is greatly disturbed over the meager funding request proposed by the budget to conduct this activity.

The subcommittee strongly recommends again this year, as it did last year, that the budget amount for this activity be $1 million, an increase of $750,000, above last year's appropriation. This activity is perhaps of more direct benefit to the work of this authorizing subcommittee than any other program of the Department, in that it is from lists and professionally assembled studies of this type that the subcommittee may draw upon to aid the conduct of its principal reason for existence—the scrutiny of potential, and authorization of, new units of the National Park, Wild and Scenic Rivers, Wilderness and Trails Systems, as well as for general outdoor recreation area establishment. When this subcommittee authorizes hundreds of millions of dollars a year in new area authorizations, it is absolute folly to shortcut the investment of a small fraction of that amount to help assemble the raw data from which the selection of where to best spend those hundreds of millions of dollars is made.

Likewise, the Committee notes the languishing attention to the national landmarks program, in terms of both the identification and registration of new natural landmarks, and the monitoring of and reporting to the Congress on the welfare of those existing natural and historic landmarks which may be threatened or damaged, pursuant to Section 8 of Public Law 91-383, as amended. The Committee notes that, from information obtained from the Department on March 1, 1977, 1,202 sites have been identified through departmental studies as potentially worthy of landmark designation status, yet most of these have not yet been acted on by the Department. This Committee, last year, recommended a budget figure of $500,000 to satisfy the needs for the landmark monitoring program, and so again this year reaffirms the need for an increase in that level of funding.

HISTORIC PRESERVATION FUND

The Congress authorized appropriations for the Historic Preservation Fund of $24 million in fiscal year 1977, $100 million in fiscal year 1978 and fiscal year 1979 and $150 million in fiscal year 1980 and 1981. These authorizations were intended to provide matching grants to the States for purposes of preserving our national heritage. The administration has requested $45 million for fiscal year 1979.

The subcommittee recommends an increase of $55 million, for a total of $100 million for fiscal year 1979, provided the following guidance be given the Secretary of the Interior:

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1. The Secretary of the Interior implement the 70 percent Federal/30 percent State matching formula for inventory and planning functions as authorized by section 102(c) of the Historic Preservation Act of 1966 as amended.

2. The Secretary revise the grant guidelines to: (*a*) Reward with increased allocations those States which are aggressively carrying out the intent of the Congress to conduct statewide surveys of historic properties and to adequately protect such properties; (*b*) provide advance funding to States for approved programs; (*c*) assure the management of the Department of the Interior grant program in a manner responsive to the intent of the act. The Secretary should provide copies of the new guidelines to the responsible committees within 60 days of the budget approval.

PRESERVATION OF HISTORIC PROPERTIES

The subcommittee recommends an increase of $500,000 to support an additional 20 personnel spaces for administration of historic properties. The administration should be directed to support the legislative intent of this act by increasing personnel allocations by 20 spaces.

VISITOR SAFETY

The GAO recently provided the Congress an assessment of the effectiveness of visitor protection. The report has pointed out some serious deficiencies in the administration's commitment to protection of the users of Federal lands. The subcommittee notes, with pleasure, the proposed increase in personnel and funds for the National Park Service. The Corps of Engineers and the U.S. Forest Service have requested funds at fiscal year 1978 levels to support local law enforcement agencies; no increases in Federal personnel or funds are requested.

The Bureau of Land Management administers 450 million acres of land and recorded 80 million recreational visits in 1977. The Bureau reports 12 ranger personnel and 13 full-time law enforcement personnel. The Bureau of Land Management request appears inadequate to carry out the provisions of Public Law 94-579. The administration should allocate 100 additional full-time, permanent spaces to the Bureau for visitor protection and related outdoor recreation functions. The subcommittee recommends an additional $1 million be provided to the Bureau in fiscal year 1979 budget to support the increase in personnel.

The Corps of Engineers reports 500 ranger personnel with limited citation authority allocated to manage 425 lakes with over 400 million recreation days of use in 1977. The staffing and funding request appears inadequate. The subcommittee recommends the administration allocate 200 additional personnel spaces and $2 million be provided to the Corps of Engineers in the fiscal year 1979 budget for visitor protection and related outdoor recreation functions.

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
300 Preservation of Historic Properties.	3,500	3,500	4,000 (+500)	4,000 (+500)	Extend authorization in Public Law 93-231 for preservation of historical and archeological data plus $500,000 to increase preservation staff by 20 personnel.
300 Land and Water Conservation Fund.	115,209	115,209	115,209	115,209	Increase authorization ceilings for units in National Park Service, Fish and Wildlife Service, Forest Service, and Bureau of Land Management funded by the Land and Water Conservation Fund.
300 National Park Service.....	9,297	9,297	9,297	9,297	Increase authorized development ceilings for units in the National Park Service.
450 Pennsylvania Avenue Development Corporation.	13,885	9,165	13,885	9,165	Authorize appropriations for fiscal year 1979.

TABLE 2.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
300 Land and Water Conservation Fund.	725,000	554,000	1,200,500 (+475,500)	854,500 (+300,500)	Provide full funding of authorized amounts for fiscal year 1979 current appropriation for LWCF and Public Law 95-42, amendments to the Land and Water Conservation Act of 1965.
300 Historic Preservation Fund..	45,000	30,000	100,000 (+55,000)	65,000 (+35,000)	Provide full-funding of authorized amounts for historic preservation grants.
300 National Park Service:					
Construction.....	121,328	121,275	200,000 (+78,672)	200,000 (+78,725)	Increase amounts over the President's request for NPS construction and planning.
Planning.....			+1,250	+1,250	
300 Visitor Safety:					
Bureau of Land Management.	1,200	1,200	2,200 (+1,000)	2,200 (+1,000)	Increase amounts requested by President to enhance visitor safety on public land.
Corps of Engineers.....			+2,000	+2,000	
300 Railways conversion program.			+15,000	+15,000	Restore full funding for program to convert railway beds to public use recreational use.

TERRITORIAL AFFAIRS

GENERAL NARRATIVE

The President's fiscal 1979 budget requests $157,434,000 in appropriations for territorial affairs activities. This is an increase over the budget request for fiscal 1978 which was $136,784,000.

Principal categories to be financed in the fiscal year 1979 request are $106,920,000 for the Trust Territory Government, $16,913,000 for

the Northern Mariana Islands Government, $19,421,000 for American Samoa and $500,000 for the Guam Economic Development Fund.

Included in the budget is $2,704,000 for funding the Federal Comptroller's Office in Guam, in the Trust Territory and the Northern Marianas, in the Virgin Islands, and in American Samoa. This action is in accordance with the provisions of Public Law 95-134 (Omnibus Territories Act), and represents a departure from funding practices prior to fiscal 1978.

FISCAL YEAR 1979 APPROPRIATIONS FOR TTPI

The fiscal year 1979 estimate of $106,920,000 for the trust territory represents a decrease of $3,747,000 from fiscal year 1978. Part of this decrease is accounted for in the $2,989,000 cut in operations by OMB. In fiscal year 1978, operations totaled $50,927,000, whereas the 1979 budget request is only $47,938,000. Capital improvements in fiscal year 1978 totaled $34,012,000 and while the $51,700,000 requested by OMB represents an increase of $17,688,000 over 1978, it falls short of the Interior Department's original request of $70,300,000 by $18,600,000.

Additionally, the Trust Territory Government and the Congress of Micronesia requested for fiscal 1978 $10 million for construction and repair of airfields in Truk and Ponape. This $10 million was deemed necessary to offset the loss of FAA funding for these purposes, but it was not included in the 1979 budget request. Since the FAA has now come up with approximately $3.7 million for the Truk Airport, leaving a balance of $6,740,000 needed for the airfield in Ponape, the subcommittee strongly recommends inclusion of this sum in a fiscal 1978 supplemental, or barring that, it would like to see it as an amendment to the 1979 budget.

The subcommittee also seeks restoration of the cuts in both operations and construction. Cuts in operations would affect health services, education, resources and development, transportation and communications, and public works. In the critical area of education, for example, the fiscal year 1978 appropriation was $12,757,000 whereas the fiscal year 1979 figure requested is only $12,023,000, a decrease of $734,000.

The original $70,300,000 figure for construction in fiscal year 1979 was an amount recommended by the Navy OICC, the Trust Territory Government, the Congress of Micronesia and the Department of the Interior. Funding must be at this level in order to maintain the schedule to have in place by the end of fiscal 1981 the basic infrastructure required in the six districts of the Marshall and Caroline Islands to provide a basis for sound economic development.

If the trusteeship is to be terminated, and the administration has set 1981 as a target date, it is imperative that full funding requests be honored. Any attempt to shortchange the operations and capital improvement funds for fiscal 1979 will only result in increased costs, and an unconscionable delay in affording full opportunity for economic and educational growth for the people of the trust territory.

RONGELAP, UTIRIK, AND BIKINI

Between 1946 and 1954, residents of these atolls were removed from their islands and the areas were used by the United States for thermonuclear testing. As a result, the three atolls were made uninhabitable and the people of Rongelap and Utirik suffered thyroid abnormalities from the radioactive fallout. Additionally, to date, one young man has died as a result of exposure to the radioactivity.

Pending before the House Appropriations Committee is a fiscal 1978 supplemental which includes $600,000 in medical and death compensation payments for residents of Rongelap and Utirik, as authorized in Public Law 95–134 (Omnibus Territories Act). Additionally, Public Law 95–134 authorized $300,000 for the island communities of Rongelap, Utirik, and Bikini, to be used for such purposes as the municipal councils of these communities determined most beneficial.

Since this $300,000 was not included in the above-mentioned supplemental, and since it is needed to assist these communities in rehabilitating their atolls, the subcommittee will seek this additional funding in either a fiscal 1978 supplemental, as an amendment to the 1979 budget or in a 1979 supplemental.

The separate sum of $6,000,000 requested in the fiscal year 1979 budget for Bikini is for the construction of housing and community facilities, and for replanting of the area. This request is part of a long-range U.S. commitment to restore the Bikini Atoll islands so that the people may return there, and the subcommittee strongly recommends approval of this authorization requested by the administration.

MICRONESIAN CLAIMS

Public Law 92–39 (Micronesian Claims Act) provided for various payments to Micronesians for death and damage caused by World War II military action and by the immediate postwar aftermath. The initial appropriation has proved, however, to have been insufficent to render full justice to valid Micronesian claims. The Micronesian Claims Commission completed its work on October 15, 1976, but many claims are still outstanding.

Payment of these outstanding Micronesian claims, although not a part of the trust territory budget, was authorized under Public Law 95–134 (Omnibus Territories Act), and an appropriation of an estimated $24,600,000 to complete U.S. payments of adjudicated claims and final awards was requested by the Trust Territory Government, the Northern Marianas Government and the Congress of Micronesia. However, it was not included in the fiscal 1979 budget.

Thirty-some years have elapsed since the end of World War II and full payment of these claims is long overdue. If the subcommittee is unsuccessful in having this money included in a fiscal 1978 supplemental, it will endeavor to get it approved by either an amendment to the fiscal 1979 budget or an addition to a fiscal 1979 supplemental.

FISCAL 1979 APPROPRIATIONS FOR NORTHERN MARIANAS

The Commonwealth of the Northern Marianas, for administrative purposes, came into being on January 9, 1978. On that date, article

VII of the Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States (Public Law 94-241) also became effective.

Article VII of the Covenant provides for direct multiyear appropriations to the Government of the Northern Marianas for an initial period of 7 years. To this end, the following funds are requested for the Northern Marianas:

Operations	$9,967,000
Economic development loan fund	2,114,000
Construction	4,832,000
Total	16,913,000

While this represents an increase of $849,000 over that of fiscal year 1978, and an increase of $2,913,000 over the original amount guaranteed in Public Law 94-241, it is a yearly cost-of-living adjustment provided for in an indexing formula contained in Public Law 94-241.

NORTHERN MARIANA ISLANDS POWERPLANT

The Northern Mariana Islands are dependent for power on a 35-year-old military power barge on loan, under a year-to-year lease agreement, to the Government from the U.S. Army Corps of Engineers. While generating problems are always recurring with the operation and maintenance of the barge itself, the existing standby plant to which the islands must resort when the barge is drydocked, overhauled, and returned in 1979 to the Corps of Engineers for their use elsewhere, is even more inadequate to meet the needs of the people. This standby plant consists of an assortment of aged, military surplus diesel engines incapable of meeting the anticipated peak power demand in 1979 and the years beyond.

The development of economical, efficient, and reliable generating capability is essential to assist the Northern Mariana Islands in the diversification of both commercial and industrial activities through local and foreign investment and to support a broader economic base for the islands.

Qualified consultants to the Northern Marianas Government have estimated that $12 million is needed to provide a new permanent powerplant. The subcommittee will seek approval of this authorization and recommends inclusion of this money in the fiscal 1979 budget.

HOSPITAL PURCHASE FOR GUAM

Public Law 95-134 authorized a grant of $25 million to enable the Government of Guam to purchase the Medical Center of the Marianas to provide acute care treatment. Purchase of this modern facility rather than rehabilitation of the outdated and typhoon-damaged Guam Memorial Hospital was determined to be the best solution to solving Guam's health care problems.

The subcommittee intends to seek the money authorized in Public Law 95-134, plus another $5 million through a fiscal 1978 supplemental. Any delay beyond fiscal 1978 in appropriating the funds for the purchase can only result in the need for additional money to cover the prohibitive costs incurred by this delay.

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GUAM ECONOMIC DEVELOPMENT FUND

The Guam Development Act of 1968 was enacted in order to provide capital investment funds for local enterprises. It authorized a yearly appropriation of $1 million for 5 years. In addition, Public Law 95–134 (Omnibus Territories Act) authorized $1 million annually for 5 fiscal years beginning with fiscal 1978.

Under the authority contained in the 1968 act, Congress appropriated only $500,000 for the fund in fiscal 1978, $500,000 short of what the annual appropriation had been up to that time. Since the need for investment funds has escalated over the years due to factors such as the damage caused by the 1976 super-typhoon, and the erosion of the dollar due to inflation and the decline in balance-of-payments posture, the subcommittee intends to seek—through a fiscal 1978 supplemental—another $1 million as authorized under Public Law 95–134. Additionally, it will work to increase from $500,000 (the remaining authorization in the 1968 act) to $1 million the money requested for the fund in the fiscal 1979 budget.

GUAM POST-TYPHOON RECONSTRUCTION AND UPGRADING

Public Law 95–134 (Omnibus Territories Act) authorized $15 million in funds for rehabilitation, upgrading, and construction of public facilities in Guam due to severe damages suffered during the 1976 super-typhoon. These funds, over and above the long-range capital improvement program, should be included in a fiscal 1978 supplemental and the subcommittee so recommends.

Additionally, we repeat our 1977 recommendation for $10 million a year in budget authority and outlay for fiscal 1979, 1980, and 1981.

GUAM CAPITAL IMPROVEMENTS PROGRAM

As we stated in our 1977 budget report, the administration and the subcommittee in 1976 recognized the need for Congress to provide funds for an emergency capital improvement program to meet long-time and rapidly growing future needs for roads, sewers, schools, and public facilities. Such a program was developed and was to begin in fiscal 1977 to cover a period of 5 years at a total cost of $12 million per year. However, it became involved with other issues concerning Guam and OMB did not approve it at that time nor since.

Therefore, we repeat our recommendation of the last few years for a $60 million 5-year capital improvement program for Guam. We note that OMB did approve in the fiscal 1979 budget $8,868,000 for water projects in Guam. We support this request and will seek to increase the total appropriation to the desired $12 million level. To this end, we will work for approval of authorizing legislation.

REIMBURSING VIRGIN ISLANDS AND GUAM FOR INCOME TAX REVENUE LOSS

Any tax revision acts that the Congress enacts generally have a serious impact on the finances of the Virgin Islands and Guam. This is because the income tax provisions of the Internal Revenue Code apply to these territories and allow such revenues to be returned to the governments of these territories and used as local revenues. Thus when Congress legislates tax reductions, the loss to the treasuries

of these territories and hence to their budgets and programs is considerable.

In our 1977 budget report, we noted that the President had recognized the equity of the territorial governments' requests for reimbursement of this loss and recommended the inclusion of this provision in the Tax Reduction and Simplification Act of 1977. Acting on a waiver of the Interior Committee, the Ways and Means Committee had approved this.

We also recommended in 1977 that this same authorization be made relative to the income tax revision acts of 1974, 1975, and 1976 and we repeat this request in 1978.

Under a provision in Public Law 95–134 (Omnibus Territories Act), $14 million was authorized to reimburse the Virgin Islands for losses suffered as a result of tax revision acts of 1975 and 1976. We strongly urge that this money be included in a fiscal 1978 supplemental.

Additionally, the Federal Comptroller for Guam has just completed an audit of tax revenue losses suffered in Guam as a result of Federal tax revision laws. His audit indicates that Guam sustained, at a minimum, an additional loss of $2,300,000 because of the Tax Reduction and Simplification Act of 1977.

We recommend that the Guam Government be reimbursed for this loss.

VIRGIN ISLANDS REVENUE SHORTFALL

The Virgin Islands, which under the Organic Act is required to maintain a balanced budget, is facing a serious fiscal crisis which has been building for some time. The territorial budget for the current fiscal year, which expires June 30, has been balanced with the $14 million grant authorized by Public Law 95–134 but yet to be appropriated, one-shot Federal revenues, and capital fund transfers. Moreover, the Governor's request for a $20 million budget supplemental to maintain a minimal level of government services was rejected by the legislature for lack of revenues. Additional taxes on the islands' already burdened low-income residents may have to be imposed to close the remaining gap. Absent the extension of these one-time only revenues, together with additional tax revenue losses expected as a result of President Carter's proposed 1978 tax reduction, legislation the projected deficit for fiscal 1979 could well exceed $30 million.

The subcommittee believes it is time to seek a permanent solution to the worsening Virgin Islands fiscal situation. Under section 28(b) of the 1954 Organic Act, excise taxes collected on rum have been returned to the Virgin Islands Treasury. Since 1966, substantial volumes of gasoline refined in the Virgin Islands have been shipped to the United States for consumption, but the U.S. Treasury has not rebated the 4-cents-per-gallon claimed by the Government of the Virgin Islands. Accordingly, the subcommittee believes that the validity of the Virgin Islands claim ought to be determined.

On the basis of past shipments to the mainland, it is estimated that were Treasury to apply the provisions of section 28(b) to gasoline, the Virgin Islands would be due in the range of $25 to $40 million annually. Accordingly, the committee believes the law should be clarified to insure that gasoline excise falls within the scope of section 28(b), thus affirming the original congressional intent and enabling the Virgin Islands Government to obtain self-sufficiency.

If neither the Congress—through legislation—nor the administration—by Executive order—rapidly approves the transfer of these

moneys to the Virgin Islands Government, some alternative long-range solution must be found. And in the meantime, it may be necessary to approve short-term financial assistance. This might require legislation authorizing a loan or it might necessitate a direct grant to the Virgin Islands Government to generate additional revenues necessary to make the islands whole on a permanent basis and to sustain an adequate level of Government services.

VIRGIN ISLANDS HOSPITAL CONSTRUCTION

A study of the health needs of the Virgin Islands is near completion and is being reviewed by the Department of the Interior and the Governor. The study recommends approximately $52 million to begin hospital construction: One hospital on St. Thomas; one on St. Croix; and a clinic on St. John.

The committee recommends, in anticipation of a formal budget request, new budget authority of $52 million for hospital construction in the Virgin Islands, with outlays of $15 million for fiscal year 1979.

AMERICAN SAMOA

The President's fiscal year 1979 budget request for American Samoa is $19,421,000, of which $418,000 is allocated as direct congressional appropriations for the judicial branch of American Samoa, and $19,003,000 as a grant-in-aid provided by the Department of the Interior to be used to cover basic operations of the local government.

Additionally, local revenues for fiscal 1979 are estimated at a level of $13,576,000. The subcommittee is of the opinion that local revenue projections for fiscal year 1979 appear overly optimistic, given an inconsistent pattern of past assessments that have been made on local appropriations.

As an incentive to improve and expand local enterprises, the subcommittee recommends an increase of $3 million in both budgetary authority and outlays for American Samoa. The increase is to provide initial capital to establish an economic development loan fund and a housing construction program for the local inhabitants. The subcommittee further recommends that the Secretary of the Interior, within his existing authority, provide appropriate guidelines to implement the two needed programs. It should be noted that no new authorization is needed for the $3 million increase recommended by the subcommittee. Sufficient authority exists under 48 U.S.C. 1661; 46 Stat. 4 (Executive Order 10264, 16 C.F.R. 6419).

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
Guam capital improvement program.	9,868	3,000	12,000 (+3,132)	6,000 (+3,000)	The committee supports a $60,000,000 5-year CIP program for Guam. (See narrative.)
Bikini rehabilitation	6,000	3,000	6,000	3,000	The administration requests, and the committee supports, authorizing legislation for the construction of housing and community facilities for Bikini. (See narrative.)

TABLE 2.—LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal year— 1979	1980	1981	1982	1983	Comment
Northern Marianas Power Plant:						
Budget authority	12	----	----	----	----	To build permanent powerplant in the Northern Marianas to replace power barge on loan. (See narrative.)
Outlays	6	6	----	----	----	
Guam post-typhoon reconstruction:						
Budget authority	10	10	10	----	----	To rehabilitate, upgrade and construct public facilities damaged by 1976 typhoon. (See narrative.)
Outlays	8	8	8	6	----	
Virgin Islands hospital construction:						
Budget authority	52	----	----	----	----	To begin construction of a hospital on St. Croix, a hospital on St. Thomas, and a clinic on St. John. (See narrative.)
Outlays	15	18	19	----	----	

TABLE 3.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request: Budget authority	President's request: Outlays	Subcommittee recommendation (difference): Budget authority	Subcommittee recommendation (difference): Outlays	Comment
Trust Territory:					
Capital improvement program	51,700	----	70,300 (+18,600)	---- (+8,003)	Restore OMB cuts to DOI original request.
Operations grants	47,938	47,938	50,927 (+2,989)	50,927 (+2,989)	Restore program to fiscal year 1978 funding level.
Ponape Airfield	----	----	6,740 (+6,740)	---- (+6,740)	Offset FAA funding loss (possible fiscal year 1978 supplemental).
Rongelap, Utirik, and Bikini	----	----	300 (+300) (+24,600)	300 (+300)	$100,000 per island community to be used for rehabilitation purposes as directed by municipal councils of these communities (possible fiscal year 1978 supplemental).
Micronesian claims	----	----	24,600 (+24,600)	24,600 (+24,600)	Payments to Micronesians for World War II death and damage compensation.
Guam:					
Hospital purchase	0	0	30,000 (+30,000)	30,000 (+30,000)	Purchase Medical Center of the Marianas in Guam (likely fiscal year 1978 supplemental).
Economic development fund	500	500	1,000 (+500)	1,000 (+500)	Provide capital investment funds for local enterprises.
Income tax revenue loss reimbursement	----	----	+2,300	+2,300	Pursuant to Tax Reduction and Simplification Act of 1977.
Virgin Islands:					
Income tax revenue loss reimbursement	----	----	+14,000	+14,000	Pursuant to Public Law 95-134, Omnibus Territories Act (likely fiscal year 1978 supplemental).
Revenue shortfall	----	----	+30,000	+30,000	Possible administrative solution; otherwise will require substantive legislation. (See narrative.)
American Samoa	19,421	19,421	22,241 (+3,000)	22,241 (+3,000)	To establish a critically needed housing construction program and an economic development loan fund. (See narrative.)
Territories contingency fund	----	----	+10,000	+10,000	To provide for contingencies for insular affairs programs.

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Recommendations of the Subcommittee on Water and Power Resources

The Subcommittee on Water and Power Resources observes that the President's budget for fiscal year 1979 is approximately the same total magnitude as the request submitted to the Congress for the activities coming within the subcommittee's jurisdiction during fiscal year 1978. The budget for the Bureau of Reclamation is slightly reduced, while the requests for power marketing activities, research, and water resource planning coordination are somewhat increased. Consistent with recent years there is no commitment to the initiation of new programs and the subcommittee would note that to continue the "no new-starts" policy much longer will erode the Government's capability to engage in action programs. This is a circumstance that should not be allowed to occur.

The subcommittee notes with approval that the President's budget does not propose major deletions of funds for ongoing programs as occurred in fiscal year 1978, and considers the President's actions in proceeding with the funding of ongoing programs to be constructive and a welcome change from the posture taken last year.

Most of the appropriations items in the budget are deemed to be adequately accommodated and no increase in either budget authority or outlays is recommended. Activities in this category include:

(*a*) Programs of the Water Resources Council and River Basin commissions

(*b*) Power marketing agencies of the Department of Energy; and

(*c*) The following appropriations of the Bureau of Reclamation—

(1) Colorado River Basin Project,
(2) Colorado River Basin Salinity Control Project,
(3) Operation and maintenance,
(4) General administrative expense, and
(5) Permanent appropriations.

APPROPRIATIONS RECOMMENDED FOR AUGMENTATION

General Investigations, Bureau of Reclamation.—The subcommittee recommends augmentation of this activity by a total of $7,185,000, representing an increase of about 33 percent. This activity is used to finance the study of future projects as well as a source of funding for major mission-oriented research programs. Most of the increase ($5,925,000) is intended to be used to accelerate research in atmospheric water resource management research and development (weather modification); wind and solar power integration with hydroelectric power production; and acceleration of the ongoing geothermal energy investigation near Susanville, Calif. The remaining increase will be used to initiate seven new studies and to augment the rate of progress on four other specific water resource projects.

Construction and Rehabilitation, Bureau of Reclamation.—The Subcommittee on Water and Power Resources recommends an increase of $18,800,000 for the Construction and Rehabilitation appropriation. Of this amount $11 million would be utilized to expedite construction of Auburn Dam to get this important program back on schedule if and when seismic investigations are satisfactorily resolved. The increase would be used in part to initiate advance planning studies on the Kanapolis Unit, Pick-Sloan Missouri Basin program, Kans.; start construction on the Oroville-Tonasket Unit, Chief Joseph Dam project, Wash.; and to initiate construction on McGee Creek project, Okla. These are three highly feasible, noncontroversial water programs authorized by legislation initiated by the Subcommittee on Water and Power Resources in the 94th Congress. The remaining increase in this activity would fund a fish and wildlife and recreation study of FDR Lake in the State of Washington and expedite work on corrective measures being undertaken at Tiber Dam in Montana. In total, the subcommittee increase for this activity is about 7 percent.

Upper Colorado River Basin Project, Bureau of Reclamation.—The subcommittee recommends an increase of $10,700,000 for this activity (about 15 percent). These funds would be used to initiate construction on the Animas-La Plata project in New Mexico and Colorado, to initiate construction on the Uintah and Upalco Units of the Central Utah project, Utah, and to accelerate completion of the Bonneville Unit, Central Utah project.

Loan Program, Bureau of Reclamation.—The most significant recommended increase by the subcommittee for fiscal year 1979 is on behalf of the loan program (Small Reclamation Projects Act) where the President has not recommended the funding of a single new loan. The committee increase of $16,528,000 (about 65 percent) would enable the start of construction on eight new loan projects. These programs by their nature are completely reimbursable, have no acreage limitation complexities, and are accomplished by the borrowers with minimal Federal overhead. By this recommendation, the subcommittee endorses the funding of small reclamation projects as rapidly as loan processing is completed and the financial soundness of the loans is established.

Office of Water Research and Technology.—The subcommittee also recommends a major increase in the funding levels for the Office of Water Research and Technology. This agency administers the general water resources research programs conducted by State water research institutes through grants to investigators together with the saline water conversion research development and demonstration program. The magnitude of the subcommittee recommendation is $20,881,000 representing an increase of almost 75 percent. This sum breaks down as follows: saline water research and development—$3,200,000; saline water demonstration (authorized in the first session of the 95th Congress)—$10 million; and general research and information dissemination—$7,681,000.

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlay	
WATER AND POWER RESOURCES, DOI BUREAU OF RECLAMATION (301)					
Colorado River Basin salinity control project.	20,899	3,000	20,899	3,000	
Construction and rehabilitation (San Luis, drains and distribution system).	18,860	18,809	18,860	18,809	
Dam safety	3,066	900	3,066	900	
Total, (301) Bureau of Reclamation.	42,825	22,709	42,825	22,709	
Office of Water Research and Technology	12,750	11,574	19,350	17,514	
Total, DOI	55,575	34,283	62,175	40,223	
Water Resources Council	10,513	11,923	10,513	11,923	Budget authority of $1,047,000 and outlays of $1,679,000 are authorized pursuant to Federal Water Pollution Control Act amendments under the jurisdiction of the Committee on Public Works and Transportation, and are not reflected in the amounts shown here.
POWER MARKETING ADMINISTRATION DOE (301)					
Operation and maintenance:					
Southeastern Power Administration	1,212	1,210	1,212	1,210	
Southwestern Power Administration	19,909	16,909	19,909	16,909	
Alaska Power Administration	2,614	2,582	2,614	2,582	
Bonneville Power Administration fund		39,800		39,800	
Western Area Power Administration	103,738	102,238	103,738	102,238	
Total, DOE (301)	127,473	162,739	127,473	162,739	

TABLE 2.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
WATER RESOURCES AND POWER, DEPARTMENT OF INTERIOR, BUREAU OF RECLAMATION (301)					
Construction and rehabilitation	248,636	269,168	267,436	286,988	
Upper Colorado River Basin project	66,249	62,420	76,949	72,028	
Colorado River Basin project	73,770	69,547	73,770	69,547	
Colorado River Basin salinity control project.	21,416	25,494	21,416	25,494	
Loan program	23,031	21,030	39,559	35,905	
Operation and maintenance	87,873	80,890	87,873	80,890	
General investigations	22,200	20,764	29,385	27,232	
General administrative expense	25,250	24,948	25,250	24,948	
Emergency fund		800		800	
Trust funds	4,470	6,770	4,470	6,770	
Permanents	2,700	2,700	2,700	2,700	
Total, (301) Bureau of Reclamation.	575,595	584,531	628,808	633,302	
Office of Water Research and Technology (301).	14,404	13,574	28,685	26,427	
Total, Department of Interior (301).	589,999	598,105	657,493	659,729	
Recreation Resources, DOI, Bureau of Reclamation, Upper Colorado River Basin Fund (303).	4,025	3,510	15,055	13,437	
Total	594,024	601,615	672,548	673,166	

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RECOMMENDATIONS OF THE SUBCOMMITTEE ON MINES AND MINING

BUREAU OF MINES

With respect to the section of the budget related to mined land demonstration, the Bureau of Mines appears to have taken the position that all of the research on the subject should be moved over to the new Office of Surface Mining which was established by the Surface Mining Control and Reclamation Act of 1977 (Public Law 95–87).

Section 709 of the Act, however, provides for a single study to be prepared under the direction of the Chairman of the Council on Environmental Quality and authorizes only $500,000 for the study which is to be submitted (with respect to sand and gravel) no later than 12 months after the date of enactment of the act. With respect to these developments, the research on the reclamation of lands subjected to other types of mining may be "falling through a crack," especially when considering that a recent report issued by the Soil Conservation Service of the Department of Agriculture clearly reveals that much of the land in the United States requiring reclamation has not been subjected to coal mining operations, but rather, the extraction of sand and gravel and other minerals. A single report, with a total authorized outlay of $500,000 may be insufficient to determine the postmining uses that can be applied to this land.

Another area of concern in the budget is the Bureau's perception of the problems related to the development of domestic supplies of critical mineral resources. In the budget justifications, the Bureau has presented a standardized chart of the net import dependence upon certain critical minerals (p. BM–8). Of the total of 35 minerals that are imported in significant quantities, 18 of these minerals are imported in quantities of 50 percent or greater. Yet, the Bureau excludes many of these same minerals from a category of minerals they feel should be developed domestically.

Of the list that are imported in quantities of 50 percent or greater, only 10 are included in the list entitled "Lack of Incentive to Explore or Develop Domestic Resources". Furthermore, only 6 of the 18 minerals are included in the Bureau's list, "Lack of Access to Mineral Lands." No reason is given, and one is certainly needed, for the Bureau's perception of the desirability of maintaining import dependence on these critical minerals at the expense of developing our domestic resources by denying access to public mineral lands and by not providing sufficient incentives to private industry.

U.S. GEOLOGICAL SURVEY

The fiscal year 1979 budget request of the U.S. Geological Survey for surveys, investigations, and research (SIR) is $398,363,000, an increase of more than 10 percent over the actual appropriation for fiscal year 1978 ($374,749,000). This increase is consistent with the request of a year earlier, which was approximately 11 percent above the previous appropriation. Very little of this amount will go to new positions (12), resulting in an employment level of 7,514.

The subcommittee is alarmed by the proposed reduction in the funding level for the exploration of the national petroleum reserve in

Alaska. The reduction is approximately $24 million from the funding level in fiscal year 1978 and $30.5 million below that which the U.S. Geological Survey estimated would be required to properly explore and evaluate the area.

Public Law 94–258 directs the Secretary of the Interior to conduct a petroleum exploration of the reserve, which was transferred from the Secretary of the Navy on June 1, 1977.

The original exploratory program planned by the Navy called for the drilling of 26 wells by the end of fiscal year 1980. The USGS determined that a minimum acceptable sampling could be accomplished by the drilling of 20 to 21 wells, plus followup confirmation wells which might be indicated as a result of the fiscal year 1978 and fiscal year 1979 drilling. The fiscal year 1979 budget proposes to reduce the exploratory program to 19 wells, and to terminate the program at the end of 1979.

The reserve contains about 37,000 square miles (roughly the size of Indiana). Seismic and geophysical data have indicated the presence of approximately 125 prospective structural oil traps which constitute valid exploration targets.

The subcommittee believes that the Nation's need for petroleum resources mandates the continuation of the search for oil and gas in NPRA. The reserve is, first and foremost, a petroleum reserve. It is a potential energy treasure house and an effort must be made to inventory its assets. If the Government is unable to make such an effort in a meaningful way, the only alternative would be to lease the area for private exploration and development.

In a report to Congress in August 1976, the FEA stated that a delay in the realization of the potential economic benefits from the NPRA would be very costly. FEA estimated that a 1-year delay in realizing the net national benefits would cost the Nation about $312 million. Termination of the program, as proposed, in fiscal year 1979 could cause such a delay. Without the funding capability to acquire drill pipe, casing, drilling mud, fuel, etc., during fiscal year 1979, it would be impossible to proceed with followup and confirmation wells in fiscal year 1980. It would take at least 1-year after the termination at the end of fiscal year 1979 to execute new contracts and restore the equipment necessary to continue the program.

Although the subcommittee believes that it would be better to restore the entire $30.5 million which would permit the drilling of all of the wells originally contemplated, it accepts the representations of the Department that funding at the current level would permit completion of the 7-year exploration program. Accordingly, the subcommittee recommends the restoration of $23.993 million to the fiscal year 1979 budget.

The total budget is for $583,911,000, an increase of $12,823,000 (just over 2 percent) compared to the fiscal year 1978 appropriation.

An increase of $1,325,000 is included for topographic surveys and mapping. USGS maps have become invaluable for a wide range of uses in recent years, and the survey has come under increasing pressure to expand its mapping services to update its existing products and to provide coverage of areas not yet mapped. Much of the proposed increase is to be used for development of a program to produce

map data in computer readable form for use by Federal and State agencies in environmental and resource management modeling. This should be particularly useful in facilitating early decisionmaking on projects of that type. In addition, new topographic maps for certain areas not yet covered, especially those of special interest because of potential energy development, land use and coastal zone management, and other activities of national importance, will be given high priority. Automated mapping through computerization could speed publication, permit wider coverage, and lower prices to map purchasers.

Geological and mineral resource surveys and mapping constituted the second largest budget activity. These surveys cover geologic research, geomagnetism, earthquake hazards reduction, engineering geology, environmental aspects of energy, and climate change. The implications associated with all of these activities are very great and probably justify the level of funding requested. The increase being sought is $5,819,000 (up 5 percent), an amount that seems modest but may be as much as can be efficiently spent during fiscal year 1979.

The largest single increase ($7,339,000) in program activity is directed at water resources investigations. With severe water problems in many parts of the Nation this past year and the economic losses they caused, a large increase in this program area appears warranted. The greatest change in funding is for the regional aquifer system analyses to determine the quality and quantity of ground water available in the regional aquifer systems. Congress, in recognition of the need for ground water management, was responsible for adding funds to the fiscal year 1978 budget for expansion of these systems. The program seeks, among other things, to examine aquifer-system interaction and to delineate the area with the greatest conservation potential for artificial recharge. The Survey plans to use this information to develop a drought alert system, to develop a pollution alert system, to delineate areas that are economically dependent on ground water, and to evaluate economic growth timetables that will depend on the different water management options. The Survey is also seeking funding to prepare flood hazard maps for estimating the magnitude and frequency of future floods.

An increase of $5,281,000 (up 7 percent is requested for conservation of lands and minerals, of which $2,400,000 is for OCS lands activities and $2,881,000 for Federal and Indian lands. This program is of great significance to the Treasury in that it is designed to classify Federal lands on the basis of existence and workability of leasable mineral deposits, to determine the fair market value of resources offered for competitive leasing, and to regulate and supervise the development and operation of those leases. The increases requested are for expanded regulation of oil and gas leases both onshore and offshore, and for better data acquisition prior to OCS lease tract selection and evaluation. The Survey will also be conducting an assessment of coal reserves on Federal lands. These are productive areas for additional Survey activity and these programs will probably eventually return more to the Treasury than their cost through better values received for leased minerals.

The Earth resources observation systems, part of land information and analyses, has not been scheduled for an increase, despite the

favorable publicity it has received and the generally commendable job that it has done. In real terms, this amounts to a cut because of inflation and higher wage costs, and it could reduce program effectiveness.

The intense interest in projects that involve Federal lands has led to a request for an increase of $1,400,000 (up 56 percent) to handle the workload of the environmental impact subactivity and to handle the workload of preparing environmental impact statements. To the extent that these are initiated by applicants, the funds will be reimbursable. Much of the work, however, will probably be directed toward the preparation of OCS lease sales.

The geography program, which has concentrated most of its activities on land-use mapping projects, has requested an increase of $750,000 (up 30 percent). The need for such a large increase is not apparent in the justification, except for the blanket terms "more cooperative cost-sharing agreements" and "much-needed technical assistance." The compilation of an additional 50,000 square miles of land use mapping annually would account for only part of the requested increase.

Both resource and land investigation (RALI) and Earth science applications have been cut by $125,000 (down 9 percent and 12 percent). Considering the beneficial impact that these programs have had in developing and utilizing resource planning methods, in planning assistance studies, in supporting planning efforts of State and local governments in response to Federal initiatives, as a clearinghouse for resource information and techniques, and in application of Earth science information to practical problems, it is surprising that a cut is sought rather than an increase.

This cut is particularly troublesome when the current level of interest in resource development on Federal lands is considered along with the fact that the funds cut are being redirected to the geography program. As a result, neither RALI or the Earth sciences application program will be able to take on any new projects in fiscal year 1979, and existing programs will be forced to continue at a reduced level.

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		
	Budget authority	Outlays	Budget authority	Outlays	
U.S. Geological Survey	185,548	185,548	209,541 (+23,993)	209,541 (+23,993)	National Exploration of Petroleum Reserve in Alaska. Restore program to fiscal year 1978 level.

Recommendations of the Subcommittee on Indian Affairs and Public Lands

PUBLIC LANDS

Pursuant to section 318 of the Federal Land Policy and Management Act (Public Law 94-579, 43 U.S.C. 1701 et seq.) the Secretary of the Interior is required to submit to Congress a request for au-

thorization of appropriations for all programs, functions and activities of the Bureau of Land Management to be carried out during the next 4 years and for each 4-year period thereafter. This request has been submitted, and was before the Subcommittee on Indian Affairs and Public Lands in the form of H.R. 10787. The subcommittee held a hearing on H.R. 10787 on February 24, 1978, and ordered H.R. 10787 reported with several changes and recommendations. The subcommittee is in general agreement with H.R. 10787, but will submit several funding increases for consideration by the full Interior and Insular Affairs Committee.

The subcommittee was encouraged by the authorization request increases for the next 4 years reflected in H.R. 10787, and was especially pleased to see an emphasis placed on upgrading the management of renewable resources. It is with great disappointment, therefore, that the subcommittee notes the President's actual proposed budget for fiscal year 1979 falls dramatically short of the authorizations requested by the Secretary for 1979, particularly in the area of renewable resources. The subcommittee sincerely hopes that the Budget Committee will see fit to accommodate in their first resolution the funding levels authorized by H.R. 10787, as increased by the total of $8.6 million discussed below, and that the Appropriations Committee will appropriate the full amount authorized. The management of renewable resources on BLM lands has been severely neglected in recent years, and increased funding is vital to realizing improved range and other BLM land conditions. A summary of the shortfalls in the President's request and the subcommittee's recommendations is shown below (in millions). Comments on each category are made in alphabetical order following the table:

Item	Fiscal year 1978 appropriations	President's budget request (change over col. 1)	H.R. 10787 authority supported by subcommittee (change over col. 1)	Subcommittee recommendation increases in H.R. 10787 levels (change over col. 3)
	(1)	(2)	(3)	(4)
(a) Mining law administration	2.5	+1.3	+1.6	+1.0
(b) Alaska Native Claims Settlement Act implementation	10.2	0	+.5	None
(c) Nonenergy casework	3.9	0	+1.5	+4.6
(d) Withdrawal processing and review	1.1	+.9	+1.1	None
(e) Range management	27.2	0	0	+1.0
(f) Soil, water, air inventory and management	11.5	+3.6	+6.1	+1.0
(g) Wildlife management	6.4	+1.5	+3.5	+1.0
(h) Recreation management	7.5	0	+3.1	None
(i) Fire management	8.3	0	+3.7	None
(j) Multiple use planning	7.4	0	+2.5	None
(k) Data management	12.6	0	+4.4	None
(l) Cadastral survey—Lower 48 States	8.1	+.7	+.9	None
(m) Administration and enforcement	4.0	+.6	+1.2	None
(n) Acquisition and maintenance	18.7	−1.4	+1.3	None
Total			31.4	8.6

(a) Mining patent applications

The subcommittee recommends an increase of $1 million over the H.R. 10787 level ($1.3 over the President's request) to process a growing backlog of applications to patent mining claims. According to information the subcommittee received, many patent applications are over 10 years old, and some date back over 20 years—clearly an intolerable situation. While BLM is attempting to eliminate this

backlog by 1983, the subcommittee feels patent applicants are justly entitled to a more rapid processing of their applications. The additional $1 million recommended by the subcommittee should enable the processing of approximately 100 more applications per year and allow the backlog to be eliminated by the end of 1980. If the increase is not allowed, new patent applications could increase rather than decrease the backlog.

(*b*) *Alaska Native Claims Settlement Act implementation*

The subcommittee disapproves of the delays which have accompanied the transfer of State and Native land selections in Alaska and supports the full amount requested by the Secretary in H.R. 10787. Additional funds may be necessary for this purpose in fiscal year 1980 if H.R. 39, the Alaska D–2 lands legislation is enacted this year.

(*c*) *Mining claim recordation*

The largest increase recommended by the subcommittee relates to funding for the recordation of mining claims. This addition of $4.6 million is necessary to allow BLM to expeditiously record mining claims on the public lands as required by section 314 of the Federal Land Policy and Management Act (FLPMA). Recordation is essential to enabling BLM to determine where claims actually exist and to implement management plans which reflect the existence of these claims. Prior to the passage of FLPMA most claims were recorded only in State or county offices, making it difficult for BLM to retrieve information when it needed to formulate plans, remove clouds on title to realty, adjudicate conflicting claims, etc. Since Congress has determined it would be useful to have claims recorded with BLM, it should provide the funds necessary to do the job.

(*d*) *Withdrawal review*

Investigations by the General Accounting Office and others have demonstrated that millions of acres of public lands which have been withdrawn from mining and mineral leasing for various reasons (including the establishment of military bases, scientific research areas, stock driveways, etc.) are no longer necessary and should be returned to multiple use. Section 204(l) of the Federal Land Policy and Management Act requires a review of such withdrawals by 1991 and their termination if they are found to be no longer valid. The subcommittee feels that many withdrawals may merit termination long before 1991, and fully supports the Secretary's request to increase withdrawal review money by $1.1 million in fiscal year 1979. These moneys are especially needed to enable immediate review and termination of several large withdrawals in various Western States.

(*e, f, g.*) *Range, soil, water, air and wildlife management*

Even though improvements have occurred in some areas in recent years, BLM data and numerous other studies show that over 80 percent of the public rangelands are in an unsatisfactory condition. More discouraging, only 19 percent are in an improving status. These lands, which total over 160 million acres (an area as large as the States of California and Oregon combined), have perhaps more than any area in the Nation, suffered from a lack of planning, management, and fund-

ing. Put simply, the money and personnel necessary to do an adequate job of improving and managing these lands, has not been a high priority with past administrations of Congress. The President's fiscal year 1979 budget request does little to reverse this trend, although some increases are requested for wildlife, soil, water, and air. To bridge the gap in 1979, the subcommittee feels that it is imperative that the full amounts requested in H.R. 10787 be appropriated. This amounts to an increase of the President's request of $2 million for wildlife management (including Sikes Act wildlife projects), and $2.5 million for soil, water, and wildlife inventories and projects such as erosion control, protection of endangered plant species, and improvement of water quality.

Further, the subcommittee places the highest possible priority on appropriation of an additional $3 million in fiscal year 1979 to accelerate vegetation, soil, and wildlife inventories ($1 million for each function). This money is critical, since without it, adequate data on which to base range land use planning and grazing environmental impact statements will not exist. In short, soil, vegetation, and wildlife inventories are the cornerstone for any future rangeland planning and improvements. This is especially true in the preparation of grazing environmental impact statements. BLM is currently under a court order to complete 212 environmental impact statements covering over 150 million acres of public grazing lands by 1989. Until such statements have been completed for an area, BLM is prohibited from implementing any grazing management plans to improve the range. As a corollary of this prohibition, range improvements which may proceed in the absence of such plans are extremely limited.

In 1975, the pilot environmental impact statement implementing the court's order on the Challis area in Idaho was rejected as unacceptable because it was not based on adequate soil, vegetative, and wildlife data. Future similar EIS rejections are a serious possibility. It is therefore absolutely vital that soil, vegetation, and wildlife inventories be accelerated to provide the data base necessary for environmental impact statements to be satisfactorily completed. The additional $3 million recommended by the subcommittee will enable BLM to inventory approximately 15 to 16 million acres of rangeland per year, and keep resource inventories on a timetable that will match the court's order for completion of the 212 EIS's by 1989. If the additional funds are not appropriated, the subcommittee fears drastic setbacks in BLM's efforts to finally commence a program to improve the public range.

Even if moneys to accelerate inventories and protect soil, vegetation, and wildlife are fully appropriated in fiscal year 1979 and through 1982 as presented in H.R. 10787 (as recommended and augmented by the subcommittee), dramatic increases in range management and improvement funding will be necessary—especially for on-the-ground rangeland improvements to benefit wildlife, livestock management, and other rangeland values. Legislation to accomplish this has been introduced and will be considered by the subcommittee shortly. These increases are shown under H.R. 10587 in the "legislative initiatives" table.

(*h*) *Recreation management*

H.R. 10787 provides, and the subcommittee recommends, a total $3.1 million above the President's request for recreation management. Recreation demands are growing on BLM lands and the additional funding is needed to formulate, implement and enforce plans for off-road vehicle use, river and trail systems, unique resources such as caves, paleontological and biological sites of importance, and protection of the California desert from overuse and vandalism.

(*i*) *Fire management*

Last summer's fire problems clearly demonstrate why additional funds, as requested in H.R. 10787, are necessary to upgrade fire prevention and fighting capabilities.

(*j*) *Multiple use planning*

Multiple use planning is the next step after soil, vegetative and wildlife inventories have been completed and environmental impact statements prepared. The $2.5 million increase over the President's budget is necessary to meet planning priorities in range, forestry, wilderness and other planning, and to upgrade existing plans.

(*k*) *Data management*

The data accumulated in inventories will be of lesser value unless it can be adequately and speedily processed and integrated with data on mining claims, land ownership and other management programs. The subcommittee therefore supports the increase of $4.4 million over the President's budget requested by H.R. 10787.

(*l*) *Cadastral Survey, Lower 48 States*

The subcommittee supports an additional $0.2 million over the President's request to complete urgently needed surveys of the public lands.

(*m*) *Administration and enforcement*

$0.6 million over the President's request for property management; enforcement of public land laws to prevent overuse, vandalism, trespass, etc.; and fiscal, personnel and budget management services.

(*n*) *Acquisition and maintenance*

Vast segments of the public lands are currently inaccessible to the public because access is blocked by private or State lands. The subcommittee supports the increase of $1.3 million in this area to allow for easement acquisition and for the maintenance of public buildings, recreation sites and related BLM facilities.

SUMMARY

In the areas of renewable resource management, mining claims and patent recordation and processing, acquisition and maintenance, and other areas discussed above, the subcommittee considers these increases ($31.4 million which are contained in H.R. 10787, and $8.6 million constitute subcommittee recommended increases above H.R. 10787 levels) as vital "bare bones" increases to make up for years of neglect of BLM's budget. If they are not forthcoming, the public lands managed by BLM will fall far short of realizing their potential to serve wildlife, recreation, livestock, and soil and water conservation

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needs. The subcommittee further notes that H.R. 10787 also proposed increases for mineral leasing, mining law administration and payments in lieu of taxes. These are the province of other subcommittees of the Committee on Interior and Insular Affairs and will be discussed in their sections of this report. However, the subcommittee points out that it has favorably reported H.R. 10787, and therefore endorses any increases in those budget requests contained in H.R. 10787.

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Subcommittee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
Federal Land Policy and Management Act of 1976:					
Management of lands and resources.	245,368	253,625	284,068	292,325	Authorization of appropriations for carrying out the Federal Land Policy and Management Act of 1976.
Acquisition, construction and maintenance.	17,683	19,071	18,983	20,371	

TABLE 2.—PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal	Estimate		Projection			Comment
	1979	1980	1981	1982	1983	
Mineral impact loan assistance:						
President's request:						
Budget authority	40	40	40	40	40	Loans would be made under this proposal to States for the construction of public facilities made necessary by mineral development on Federal lands. Repayment would be from the State's share of future Federal mineral leasing receipts. Amendments to existing legislation are proposed, including a change in the interest rate from 3 percent to the current Treasury borrowing rate.
Outlays	40	40	40	40	40	
Subcommittee recommendation:						
Budget authority	45	50	57	65	70	
Outlays	45	50	57	65	70	

TABLE 3.—LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal year—					Comment
	1979	1980	1981	1982	1983	
H.R. 10587, Rangeland Improvement Act of 1978:						
Budget authority	+15.0	+15.0	15.0	+15.0	+15.0	
Outlays						

INDIAN AFFAIRS

The President's budget request for Bureau of Indian Affairs programs for fiscal year 1979, excluding education programs not falling within the legislative jurisdiction of the Subcommittee on Indian

Affairs and Public Lands and permanent and trust funds of Indian tribes which are not appropriated Federal funds, is $678,440,000. This represents an overall increase of $80,939,000 or approximately 14 percent over the fiscal year 1978 appropriation of $597,501,000.

With minor exceptions, the President's request contains modest increases in each of the various program categories of BIA authorities falling within the subcommittee's jurisdiction. However, as the committee noted last year, the increase in program money over fiscal year 1978 is indeed modest and basically serves to meet increased operating costs due to inflation.

The President's request for the Indian Health Service for fiscal year 1979 is $472,852,000 for health services and $69,955,000 for facilities construction as opposed to $442,657,000 and $71,257,000, respectively, for fiscal year 1978. As will be noted, this is a $30,917,000 increase in health services and a $1,302,000 decrease in facilities construction.

Here again, however, where modest increases are made, they only serve to meet increased operating costs from inflation or, as the Office of Management and Budget euphemistically denotes it, mandatory cost increases.

As noted by the subcommittee last year, the subcommittee devoted considerable time and attention to Indian health needs in considering the legislation which became the Indian Health Care Improvement Act (Public Law 94-437). The quantum increase in funding authorized by that act was in recognition of the dismal health conditions among Indians and the need for an incremental approach in bringing Indian health standards up to a par with the rest of the Nation. $48,550,000 of the authorization for health services and $61,252,000 for facilities construction contained in the act for fiscal year 1979 has not been requested by the President. The subcommittee can only again urge that the full authorization of the Indian Health Care Improvement Act be funded.

With respect to the Bureau of Indian Affairs budget, the subcommittee will limit its recommendations to four functional areas: Indian irrigation projects, Indian housing, Indian business development, and road construction.

The subcommittee recommends that $10 million be added to the request for Indian irrigation programs. The budget contains a request for $43,829,000 of which $28 million is for the Navajo irrigation project and the remainder for maintenance of existing irrigation projects. No money is included for new construction of non-Navajo projects, some of which have been authorized for over 100 years. The $10 million increase would represent less than 5 percent of the construction backlog (excluding the $254.504 million for Navajo construction) identified by the BIA in 1975.

The subcommittee recommends an increase in the BIA housing improvement program request of $7 million. The President's request for this program is $19,541,000. The BIA indicates that the average cost of renovation of a home is $10,000, while the average cost for a new home constructed by the Bureau is $25,000. Using these figures and the total "unmet need" in number of housing, we can determine the amount of money needed to meet the backlog. $289,300,000 is needed for renovation and $994 million for new construction.

The subcommittee recommends an increase in $7 million for BIA road construction and maintenance activities. This is a modest recommendation in view of the enormous backlog in this area. The BIA request for fiscal year 1979 for road construction is $71,410,000 or a decrease of 5.2 percent from fiscal year 1978. The BIA estimates that 73 percent of all Bureau roads are unimproved and the present condition of roads on Indian reservations can be compared to the roads of rural America in the early 1930's, with only 2,307 miles of 28,000 miles of BIA roads being improved.

The subcommittee recommends the full funding of the Indian Business Development program under the Indian Financing Act. Congress extended the authorization for this program in the first session of the 95th Congress at a $14 million a year level. The subcommittee understands and supports the efforts of the Appropriation Committee to improve the administration and implementation of the Indian Financing Act, but urges that funding of those programs, including the IBDP, go forward. In fiscal year 1977, the last year the program was funded, approximately 1,000 applications for assistance were received, which totaled $19 million. 420 applications were approved for a total of $5.5 million. This money generated an additional $11.5 million in investment capital and created or sustained 1,500 jobs. The estimated payroll, annually, generated by the program in fiscal year 1977 was $6.7 million.

TABLE 1.—PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In thousands of dollars]

Major issue or program	President's request		Committee recommendation (difference)		Comment
	Budget authority	Outlays	Budget authority	Outlays	
Indian irrigation projects	70,303	70,091	80,303 (+10,000)	80,091 (+10,000)	The $10,000,000 increase recommended would be used to reduce by 5 percent the non-Navajo construction backlog documented by BIA.
Indian business development	84,719	84,436	98,719 (+14,000)	98,436 (+14,000)	This recommendation would provide full funding for the IBDP under the Indian Financing Act which was reauthorized at $14,000,000 in the 1st sess.
Indian reservation roads construction.	71,410	71,552	78,410 (+7,000)	78,552 (+7,000)	This is a modest recommendation considering that 3 percent of BIA roads on reservations are unimproved and severely hamper school transportation.
Indian health services	472,852	462,956	521,402 (+48,550)	511,506 (+48,550)	The depth of unmet needs in Indian health care was fully documented by the subcommittee in the course of the passage of Public Law 94-437. This increase over the President's budget request for health services and health facilities modernization assures funding at the levels authorized for fiscal year 1979 in the act. Specifically $600,000 would be earmarked for the Otitis Media early intervention program.
Indian health facilities	69,955	95,587	131,207 (+61,252)	131,207 (+35,620)	
Indian housing	194,656	194,007	201,656 (+7,000)	201,007 (+7,000)	The $7,000,000 increase recommended by the subcommittee is modest considering a $1,200,000,000 housing construction and improvement backlog on Indian reservations.

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OPERATION OF INDIAN PROGRAMS

Natural Resources Development

Fiscal year 1979 President's Budget—$70,303,000
1978 appropriation—$61,283,000
Increase—$9,020,000

Forestry.—(Forest management, 25 U.S.C. 466)

The purpose of the forestry program is to develop Indian forests as a perpetual resource and a source of economic benefit for the Indian people. The program concomitantly creates employment for Indians through forestry operations such as forest inventory, survey work and forest protection.

Agriculture.—(Snyder Act, 25 U.S.C. 13)

The agriculture program is a diverse effort including the following elements: Assistance to Indian tribes in making soil and range resource inventories; planning conservation programs and projects; and planning for beneficial use of reservation lands (farm, ranch, watershed, for example). The water resource program, a subcategory of the agriculture program, provides assistance to Indian tribes in the inventory, conservation, development, and use of Indian water resources. The wildlife and parks program, another subcategory, provides assistance in the survey of wildlife resources, development of game unit plans, improvement of game habitats, wildlife management, and development of campgrounds and parks.

Minerals and mining.—(Mineral lands, 25 U.S.C. 399) (Mining lands, 25 U.S.C. 396)

The minerals and mining program provides an Indian mineral resource data base for Indian tribes in order for the Bureau to effectively discharge its trust responsibilities in protecting Indian mineral resources. The program includes a BIA mineral inventory carried out under interagency agreements with the Bureau of Mines and the Geological Survey. This includes collection of existing data and recommendations for mineral development.

Irrigation and power.—(Snyder Act, 25 U.S.C. 13)

The irrigation and power program is designed to assure the operation of Indian irrigation water delivery systems in accordance with applicable standards. The ongoing objective is to execute an efficient operation and maintenance system.

Indian Services

Fiscal year 1979 President's budget—$194,656,000
1978 appropriation—$173,663,000
Increase—$20,993,000

Tribal government services.—(Snyder Act, 25 U.S.C. 13) (Public Law 93-531; 88 Stat. 1712)

The tribal government services program provides technical and financial assistance to recognized tribal governments for activities related to tribal governmental functions. This includes government organization, elections, maintenance of membership rolls, and the general conduct of tribal business. Included also is assistance in the operation, establishment, and improvement of tribal judicial systems in compliance with the Indian Civil Rights Act of 1968. (It is estimated in 1979 that the 134 Indian courts will process approximately 125,000 cases.)

Social services.—(Snyder Act, 25 U.S.C. 13)

The objective of the social services program is to provide necessary financial assistance and social services for Indians on or near reservations and in BIA jurisdictions in Alaska and Oklahoma, when such assistance and services are not available through State or local public welfare agencies. The social services program includes general assistance, child welfare assistance, social services and other miscellaneous assistance. The general assistance caseload will average 61,500 persons per month in fiscal year 1979, while an average of 3,300 children per month will require child welfare assistance during this period. Also, the Bureau plans to provide counseling and other non-financial assistance to an estimated 15,800 persons per month in fiscal year 1979.

Law enforcement—(Snyder Act, 25 U.S.C. 13)

The BIA law enforcement and detention programs affect over 380,000 Indians living on reservations in 19 States where there is tribal/Federal jurisdiction. The funds are used to develop and operate criminal justice programs necessary to the reduction of violent crimes in Indian country. Tribes are currently completing detailed criminal justice plans for each reservation under a planning program funded by the Bureau.

Housing.—(Snyder Act, 25 U.S.C. 13)

The Bureau of Indian Housing program is designed to eliminate substandard housing on Indian reservations. To achieve this goal will require the construction of 59,760 new homes and the repair of 28,930 existing houses. The Bureau's housing proposal for fiscal year 1979 is to provide, through the housing improvement program (HIP), 430 new homes and 2,650 renovations and/or enlargements.

In addition, statutory set asides (in terms of units) for Indian housing construction financed by the Department of Housing and Urban Development were authorized by the Housing and Community Development Act of 1974. The Bureau must be prepared to provide staff and technical assistance to approximately 152 local Indian housing authorities and numerous tribal housing committees involved in HUD activities. The 1979 housing program expects to provide 600 HUD-assisted new houses for Indian occupants.

Self-determination services.—(Public Law 93-638; 88 Stat. 2203)

The self-determination services program enables tribes to develop effective delivery of services to members through tribal operation of Federal programs (under authority of Public Law 93-638, the Indian Self-Determination and Assistance Act). Included in this program are contract support for tribal operation of Federal programs; training and technical assistance to participating tribes; and grants to tribal governments for the purpose of increasing tribal ability to operate such programs under contract authority.

Navajo-Hopi settlement program.—(Public Law 93-531, 88 Stat. 1712)

This program, as authorized by Public Law 93-531 (enacted in 1974), will be continued in fiscal year 1979 Included are stock reduction and fencing activities necessary to reduce stock and restore the range capacity on lands lying within the former Navajo-Hopi joint-use area.

Economic Development and Manpower Programs

Fiscal year 1979 President's budget estimate—$84,719,000
Fiscal year 1978 appropriation—$75,081,000
Increase—$9,638,000

Employment development.—(Snyder Act, 25 U.S.C. 13)

The objective of the employment development program is to increase the level of professional skill, and hence, of employment, among Indian people living on reservations and in Indian communities. Included hereunder are adult vocational training, direct employment, on-the-job training, and the Indian Action program.

Business enterprise development.—(Public Law 93-262).

The purpose of the business enterprise development program is to provide technical and financial assistance to Indian tribes, organizations and individuals with the aim of increasing employment and income levels. This is to be accomplished by stimulating the development of trade and commerce (including tourism and recreation) on Indian reservations and in Indian communities. Included in this program are commercial enterprise development, credit and financial services, and promotion of Indian arts and crafts.

Road maintenance.—(Indian reservation roads, 25 U.S.C. 318 a)

The road maintenance program exists in order adequately to maintain the existing BIA road system on Indian reservations. The program provides for maintenance and repair of 25,852 miles of BIA roads and 7 airstrips on 180 Indian reservations.

Trust Responsibilities

President's fiscal year 1979 estimate—$42,364,000
Fiscal year 1978 appropriation—$32,268,000
Increase—$10,096,000

Indian rights protection.—(Snyder Act, 25 U.S.C. 13, and National Environmental Policy Act (NEPA) of 1969) (83 Stat. 852)

The Indian rights protection program exists to implement the Bureau's trust responsibilities on behalf of Indians, including protection of Indian property, water, hunting, and fishing rights. The program also provides services required by the National Environmental Policy Act of 1969. An increase in funding for rights protection activities requested for fiscal year 1979 reflects tribal priorities in this area.

Real estate services.—(Snyder Act, 25 U.S.C. 13, 151)

The real estate services program provides assistance to Indian landowners in the acquisition and disposal of property; land-use

planning; land record maintenance; rights-of-way matters; and leasing, appraisal and surveying activities.

General Management and Facilities Operation

President's fiscal year 1979 estimate—$98,173,000
Fiscal year 1978 appropriation—$85,718,000
Increase—$12,455,000

Management and administration.—(Snyder Act, 25 U.S.C. 13)

The management and administration functions provide policy direction and management control over all Bureau programs. Included hereunder are funding for the immediate staff of the Assistant Secretary for Indian Affairs and other administrative support functions. The program also provides technical assistance and training for tribal participation in the Bureau's budget development process; tribes can thus identify their priorities with regard to Bureau programs through what has become known as the "band analysis" process.

Program support service.—(Safety Program, 5 U.S.C. 7902; Employment Compensation, Public Law 86-767)

Included in this category is the safety management program which develops and maintains a Bureauwide effort to insure safe and healthful work locations for Bureau personnel. Assistance under this program is also given to tribes in establishing and maintaining tribal and health programs.

Facilities management.—(Snyder Act, 25 U.S.C. 13)

The objective of the facilities management program is to insure adequate physical facilities for the operation of Bureau programs. This includes furnishment of necessary utilities and other operational services, as well as facility repair and maintenance.

CONSTRUCTION

Buildings and utilities

President's fiscal year 1979 estimate—$40,165,000
Fiscal year 1978 appropriation—$19,376,000
Increase—$20,789,000

The buildings and utilities program provides funds for the construction of diverse types of buildings and utillties on Indian reservations and in Indian communities, including education facilities, rehabilitation facilities, sanitary facilities, irrigation services buildings, fish hatcheries, agency offices, water treatment systems, fire towers, and wells.

Irrigation systems.—(Snyder Act, 25 U.S.C. 13)

President's fiscal year 1979 estimate—$46,650,000
Fiscal year 1978 appropriation—$44,677,000
Increase—$1,973,000

The budget estimate of $46,650,000 will provide a program of $28 million for the Navajo Indian irrigation project being constructed by the Bureau of Reclamation; a program of $17,954,000 for the improve-

ment, rehabilitation, betterment, and extension of a number of specified Indian irrigation projects and related power systems; and $696,000 for "Common Program Services" (functions or services which are in support of programs but for which costs cannot be readily identified directly in relation to the program benefiting therefrom).

Road construction.—(25 U.S.C. 318 a)

President's fiscal year 1979 estimate—$71,410,000
Fiscal year 1978 appropriation—$75,335,000
Decrease—$3,925,000

There is a total of approximately 50,000 miles of public roads on Indian reservations, of which the Bureau is responsible for the improvement of about 28,000 miles. The objective of this program is to improve all arterial highways, all community streets, and 50 percent of local roads within the Indian road system. A secondary benefit of the program is the employment of Indian people on road construction projects.

An add-on of $5 million to the initial fiscal year 1978 appropriation for improvement of Federal aid roads in the Four Corners area accounts for the decrease reflected in the fiscal year 1979 request.

MISCELLANEOUS APPROPRIATIONS

President's fiscal year 1979 estimate—$47,200,000
Fiscal year 1978 appropriation—$45,630,000
Increase—$1,570,000

Alaska Native fund.—(Public Law 93-203; 85 Stat. 688)

The Alaska Native Claims Settlement Act of 1971 provided for conveyance of both property title and monetary award to Alaska Natives in settlement of their aboriginal land claims. Section 6 of this act established the Alaska Native Fund, into which $462,500,000 was deposited from the general fund of the U.S. Treasury, and authorized to be appropriated as follows: $12,500,000 during the fiscal year in which the act became effective (1972); $50 million during the second fiscal year; $70 million during each of the third, fourth, and fifth fiscal years; $40 million during the sixth fiscal year; and $30 million during each of the next 5 fiscal years.

Claims and treaty obligations.—(Act of Feb. 19, 1831; Act of Nov. 11, 1794; Act of Sept. 24, 1857; Act of March 2, 1889; Act of June 10, 1896; Act of June 21, 1906).

Payments under this entry are made to fulfill treaty obligations with the Senecas of New York (Act of Feb. 19, 1831); the Six Nations of New York (Act of Nov. 11, 1794), and the Pawnees of Oklahoma (Treaty of Sept. 24, 1857), and to fulfill certain obligations to the Sioux Indians (Acts of Mar. 2, 1889, June 10, 1896, and June 21, 1906).

Operation and maintenance, Indian irrigation systems.—(60 Stat. 895)

Revenues derived from charges for operation and maintenance of Indian irrigation project are used to defray in part the cost of operating and maintaining these projects.

Power systems, Indian irrigation projects.—(60 Stat. 895; 65 Stat. 254)

Revenues collected from the sale of electric power by the Colorado River, Flathead and San Carlos power systems are used to operate and maintain these systems.

TRUST FUNDS—(TRIBAL FUNDS, 25 U.S.C. 123, 155, 451)

President's fiscal year 1979 estimate—$370,500,000
Fiscal year 1978 appropriation—$390,000,000
Decrease—$10,500,000

Tribal funds are deposited into the U.S. Treasury pursuant to various acts of Congress, to be made available for expenditures for the use and benefit of the respective tribal groups. In addition, funds derived from the management of tribal trust properties are available for tribal use in accord with approved budgets under permanent, annual definite, or annual indefinite authorizations.

Other trust funds include miscellaneous revenues derived from agencies and schools and appropriations from the U.S. Treasury made in satisfaction of section 6(a)(1) of the Alaska Native Claims Settlement Act (Public Law 92-203) (85 Stat. 688) and income deposited pursuant to section 6(a)(3) and section 9 of the same act.

NAVAJO-HOPI RELOCATION COMMISSION—(PUBLIC LAW 93-531, 88 STAT. 1712)

President's fiscal year 1979 estimate—$13,129,000 [1]
Fiscal year 1978 appropriation—$2,455,000 [2]
Increase—$10,674,000 [3]

Section 12(a) of Public Law 93-531 established the Navajo-Hopi Indian Relocation Commission as an independent entity within the executive branch (Public Law 93-531 provides a legislative solution to the land dispute in Arizona between the Navajo and Hopi Tribes which began more than a century ago). Sections 13, 14, and 15 of Public Law 93-531 assign several functions and responsibilities to the Commission, including preparation of a report containing the names and members of the Navajo and Hopi Tribes who will have to relocate under terms of the act. The report must also contain specific plans for relocation of these households. Presently, the Commission is engaged in the development of this report and the implementation of voluntary relocations.

INDIAN HEALTH SERVICE

President's fiscal year 1979 estimate—$472,852,000
Fiscal year 1978 amount available—$441,935,000
Increase—$30,917,000

The Indian Health Service is the primary health resource for approximately 700,000 Indians and Alaska Native people living on or near Federal Indian reservations in Oklahoma and Alaska. It provides a comprehensive program of preventive, curative, and rehabilitative

[1] The request for operation of the Commission ($1 million) exceeds the current authorization of $500,000. Legislation is to be proposed to increase the administrative limitation.
[2] Includes the fiscal year 1978 supplemental appropriation of $405,000.
[3] This figure is based upon the request to be submitted rather than upon the current authorization.

services. Under provisions of Public Law 94-437, the Indian Health Care Improvement Act, the Service may also provide limited assistance to approximately 500,000 urban Indians in order to enable them to gain access to community health resources. The IHS mission is two-fold: First, to assure Native Americans of the availability of comprehensive health services; second, to provide opportunity for Indian management and operation of IHS health programs pursuant to authority under Public Law 93-638, the Indian Self-Determination and Education Assistance Act.

Indian health facilities.—(Snyder Act, 25 U.S.C. 13; 68 Stat. 674); (Public Law 86-121; Public Law 94-437 (90 Stat. 144) (title III)).

President's fiscal year 1979 estimate—$69,955,000
Fiscal year 1978 amount available—$83,947,164
Decrease—$13,992,164

The Indian health construction program provides medical and health facilities needed to provide health services to Indians and Alaska Natives. Under title III of Public Law 94-437, the Indian Health Care Improvement Act, IHS has been able to initiate a new program of construction and modernization of Native American health facilities.

In addition, the health construction program provides assistance to Native Americans in the construction of sanitation facilities (under authority of Public Law 86-121). It is estimated that approximately 110,600 Indian homes have been provided with water supply and sewage disposal facilities (as of the end of fiscal year 1977). Included in the fiscal year 1979 budget request is $50,240,000 for sanitation facilities in an addition 7,500 housing units now being constructed or improved by the Department of Housing and Urban Development, the BIA, and Indian tribes, and in some 700 existing homes located within or adjacent to these housing program sites.

Recommendations of the Subcommittee on General Oversight and Alaska Lands

Objectives of the Alaska mineral assessment program of the U.S. Geological Survey are to evaluate Alaska's mineral endowment, identify areas where increased mineral resources might be anticipated, furnish mineral resource information for long-range national minerals policy planning, and supply information for decisions on the use of Alaska lands. The primary focus of the program is to obtain mineral information on D-2 lands pursuant to the Alaska Native Claims Settlement Act of 1971.

There is a continuing and definite need to update mineral data on Federal lands in Alaska. H.R. 39, as reported by the subcommittee, mandates continued mineral assessment and evaluation on all public lands in Alaska including lands within Conservation System units to improve the Nation's mineral data base. Because in H.R. 39 conservation system unit boundaries have been drawn to exclude the majority of areas of mineral potential, it is particularly important that the mineral assessment and evaluation program be continued on other public lands.

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LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Fiscal year— 1979	1980	1981	1982	1983	Comment
H.R. 39—Alaska National Interest Lands Conservation Act: Budget authority / Outlays	76	58	79	58	57	Cost estimates are tentative and for preliminary estimates only, and were prepared by the Congressional Budget Office.

APPENDIX

Committee on Interior and Insular Affairs Congressional Budget

(A-1)

24-066 O - 78 - 14

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
FULL COMMITTEE														
OFFICE OF THE SECRETARY														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Other natural resources (306)														
Office of the Secretary, salaries and expenses														
R.S. 457, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Departmental direction.	14-0102 (10-04)	Not specified			No year		5,040	5,773	6,216		5,039	5,615	6,235	
R.S. 457, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Program direction and coordination.	14-0102 (10-04)	do			do		2,266	2,602	2,417		2,264	2,709	2,468	
R.S. 457, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Policy, budget and administration.	14-0102 (10-04)	do			do		10,262	11,968	13,058		9,846	11,718	13,310	
R.S. 457, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, General services.	14-0102 (10-04)	do			do		2,262	2,889	3,164		2,268	2,776	3,228	
Total, Office of the Secretary, salaries and expenses.							20,842	23,457	24,852		20,017	22,808	25,251	

Salaries and expenses (special foreign currency program)										
P.L. 83-480, as amended, 7 U.S.C. 1704, 68 Stat. 454, Special Foreign Currency Program.	14–0105 (10–84)	Not specified	No year		997	1,000	1,000	1,551	1,300	1,300
Departmental operations										
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Office of Hearings and Appeals.	14–0108 (10–84)	do	do		5,249	5,472	4,782	5,282	5,082	5,295
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Office of Library Information Services.	14–0108 (10–84)	do	do		1,877	2,157	2,157	1,846	1,696	2,515
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Office of Minerals Policy Research and Analysis.	14–0108 (10–84)	do	do		2,698	1,500	1,504	754	2,695	1,200
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Outer continental shelf.	14–0108 (10–84)	do	do		545	682	*	595	595	*
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Office of Aircraft Services.	14–0108 (10–84)	do	do		1,499	1,691	1,621	1,475	1,162	1,697
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Emergency preparedness.	14–0108 (10–84)	do	do		169	165	**	165	139	**
R.S. 421, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, General Services.	14–0108 (10–84)	do	do		1,149	1,206	1,427	1,169	1,062	1,695
P.L. 95-164, Federal Mine Safety and Health Amendments Act of 1977, 30 U.S.C. 801, 91 Stat. 1291, National Mine Health and Safety Academy.	14–0108 (10–84)	do	do			1,500	4,770		2,295	4,719
Total, Departmental operations					13,286	14,293	16,691	11,297	15,189	17,433

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
FULL COMMITTEE—Continued														
OFFICE OF THE SECRETARY—Continued														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Other natural resources (306)—Continued														
Consolidated working fund, Office of the Secretary														
R.S. 437, Establishment of Department of Interior, 43 U.S.C. 1451, 9 Stat. 395; 43 U.S.C. 1457, Consolidated Working Funds.	14-3901 (10-84)	Not specified			No year						-704			
Working capital fund														
P.L. 81-759, 43 U.S.C. 1467, 64 Stat. 660, Working Capital Fund.	14-4523 (10-84)	....(1).....	....(1).....	....(1).....	....do.....						-623			
Total, Other natural resources (306)							35,035	38,660	41,943		31,448	39,318	43,934	
Total, NATURAL RESOURCES AND ENVIRONMENT (300)							35,035	38,660	41,943		31,448	39,318	43,934	
TOTAL, OFFICE OF THE SECRETARY							35,035	38,660	41,943		31,448	39,318	43,934	

OFFICE OF THE SOLICITOR													
NATURAL RESOURCES AND ENVIRONMENT (300)													
Other natural resources (306)													
Office of the Solicitor, salaries and expenses													
P.L. 79-448, 43 U.S.C. 1455, 60 Stat. 312, Supervision and direction of legal work for DOI.	14-0107 (10-84)	Not specified.	Not specified.	.....	....(5).....	None	12,261	15,225	16,225		12,242	15,161	16,202
P.L. 89-554, 5 U.S.C. 3105, 80 Stat. 415, Appointment of hearing examiners.	14-0107 (10-84)	Not specified		.....	....(5).....	.....	.....				.....		
Total, *Office of the Solicitor, salaries and expenses.*	.....	.....		.....	.....	.....	12,261	15,225	16,225		12,242	15,161	16,202
Total, Other natural resources (306).....	.....	.....		.....	.....	.....	12,261	15,225	16,225		12,242	15,161	16,202
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....		.....	.....	.....	12,261	15,225	16,225		12,242	15,161	16,202
TOTAL, OFFICE OF THE SOLICITOR.....	.....	.....		.....	.....	.....	12,261	15,225	16,225		12,242	15,161	16,202
Total, FULL COMMITTEE.....	.....	.....		.....	.....	.....	47,206	53,885	56,166	56,166	43,690	54,479	60,166	60,166
SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT													
NUCLEAR REGULATORY COMMISSION													
ENERGY (270)													
Energy information, policy, and regulation (276)													
Salaries and expenses													
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 208, Nuclear Reactor Regulation	31-0200 (31-50)	....(5).....		41,480	....(5).....	Annual	.....	41,280	42,810	46,010		30,998	39,530	42,780

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT—Continued														
NUCLEAR REGULATORY COMMISSION—CONTINUED														
ENERGY (270)—Continued														
Energy information, policy, and regulation (276)—Continued														
Salaries and expenses—Continued														
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 201-205, Standards Development	31-0300 (31-50)	.....(*).....	*12,130	.....(*).....	Annual	.....	11,889	13,795	14,480		10,725	12,730	13,460	
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 206, Inspection and Enforcement	31-0300 (31-50)	.....(*).....	*33,050	.....(*).....	.....do.....	.....	27,325	35,170	38,760		26,535	34,555	36,050	
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 205, Nuclear Regulatory Research	31-0300 (31-50)	.....(*).....	*148,900	.....(*).....	.....do.....	.....	116,996	138,625	168,470		106,311	126,830	152,020	
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 201, Program Technical Support	31-0300 (31-50)	.....(*).....	*10,180	.....(*).....	.....do.....	.....	10,040	11,200	13,400		10,059	10,450	12,460	
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 201, Program Direction and Administration	31-0300 (31-50)	.....(*).....	*29,910	.....(*).....	.....do.....	.....	20,559	25,596	27,950		20,402	24,260	25,680	

P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5841, 88 Stat. 1242, Title II, Section 204, Nuclear Materials Safety and Safeguards	31-0200 (31-50)	.....(°).....	°22,080	.....(°).....	.....do.....	.....	20,691	24,827	26,600	17,539	24,565	24,740
Total, Salaries and expenses	.....	.....	.....	.....	.....	.....	248,780	292,123	330,670	230,559	274,900	307,200
Total, Energy information, policy, and regulation (276).	.....	.....	.....	.....	.....	.....	248,780	292,123	330,670	230,559	274,900	307,200
Total, ENERGY (270)	.....	.....	.....	.....	.....	.....	248,780	292,123	330,670	230,559	274,900	307,200
TOTAL, NUCLEAR REGULATORY COMMISSION.	.....	.....	.....	.....	.....	.....	248,780	292,123	330,670	230,559	274,900	307,200
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT												
NATURAL RESOURCES AND ENVIRONMENT (300)												
Conservation and land management (302)												
Regulation and technology												
P.L.95-87, Surface Mining Control and Reclamation Act of 1977,30 U.S.C.1201 91 Stat. 445, Title V-Control of the Environmental Impacts of Surface Coal Mining, Sections 712(a),(c) &(d) and 706(f), State and federal regulatory programs.	14-0116 (10-29)	.....	.....	40,000	.....	.....	1,000	25,180	37,761	.....	22,000	34,687
P.L.95-87, Surface Mining Control and Reclamation Act of 1977,30 U.S.C.1201,91 Stat. 445, TitleIII-State Mining and Mineral Resources and Research Institutes, Sections 301(a), 302(a),and 306(d), Mineral Institutes, Program and research grants.	14-0116 (10-29)	.....	°15,000	'17,000	09/30/84	.....	.....	5,400	.....	.....	2,700	2,700

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendations 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendations 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT—Continued														
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Regulation and technology—Continued														
P.L.95-87, Surface Mining Control and Reclamation Act of 1977,30 U.S.C. 1201,91 Stat. 445, TitleIII-State Mining and Mineral Resources and Research Institutes, Sections 301(a),302(a) and 306(d), Mineral Institutes, Administration.	14–0116 (10–29)	.....	.....	.....	.....	.....	.....	300	.....	.....	.....	300	.....	
Total, Regulation and technology	.....	.....	.....	.....	.....	.....	1,000	30,880	37,761	.....	.....	25,000	37,337	
Abandoned mine reclamation fund (including transfer of funds)														
P.L.95-87, Surface Mining Control and Reclamation Act of 1977,30 U.S.C.1201,91 Stat.445, Abandoned mine reclamation fund.	14–1111 (10–29)	.....	.....	.....	.....	.....	.....	36,647	.....	.....	.....	28,000	13,647	

Abandoned mine reclamation fund												
P.L.95-87, Surface Mining Control and Reclamation Act of 1977,30 U.S.C.1201,91 Stat. 445, Small Operator Assistance Program.	14-8071 (10-39)	.....	.....	.....	.....	.....	70,861	.....	.....	.....	18,866	
Total, Conservation and land management (302).	.....	.....	.....	.....	1,000	67,527	108,622	.....	.....	48,000	69,870	
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....	.....	.....	1,000	67,527	108,622	.....	.....	48,000	69,870	
TOTAL, OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT.	.....	.....	.....	.....	1,000	67,527	108,622	.....	.....	48,000	69,870	
Total, SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT.	.....	.....	.....	.....	†363,996	†465,189	†548,782	549,782	†342,782	†427,900	†464,080	467,080
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS												
NATIONAL PARK SERVICE												
NATURAL RESOURCES AND ENVIRONMENT (300)												
Recreational resources (303)												
Operation of the national park system												
P.L. 91-383; 16 U.S.C. 1,1b,1c, Operation of the National Park System.	14-1036 (10-24)	Such sums as may be necessary			.....(5)	.....	294,783	330,907	361,965	329,755	338,234	361,951
P.L. 91-357, Volunteers-in-Parks Act of 1969; 16 U.S.C. 18j, 84 Stat. 472, Volunteers-in-Parks.	14-1036 (10-24)	250	250	250	.....(5)	.....	250	250	250	192	247	250
Federal Water Project Recreation Act, 79 Stat. 213, Water resources.	14-1036 (10-24)	.....(5)	.....(5)	.....(5)	.....(5)	.....	.....	699	719	.....	678	712
P.L. 91-482, Ice Age National Scientific Reserve, Section 5, Statutory or contractual aid for Ice Age National Reserve.	14-1036 (10-24)	.....(5)	.....(5)	.....(5)	.....(5)	.....	.....	405	405	.....	405	405
P.L. 91-570, International Peace Garden; 63 Stat. 893, International Peace Garden.	14-1036 (10-24)	.....(10)	.....(10)	.....(10)	.....(5)	.....	.....	1,300	.....	.....	1,300	.....

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands) FY 1977	FY 1978	FY 1979	Authorization termination date	Required reports	Budget authority (dollars in thousands) FY 1977 (actual)	President's Budget for FY 1979: 1978 estimate	1979 estimate	Committee recommendation 1979	Outlays (dollars in thousands) FY 1977 (actual)	President's Budget for FY 1979: 1978 estimate	1979 estimate	Committee recommendation 1979
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
NATIONAL PARK SERVICE—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Recreational resources (303)—Continued														
Operation of the national park system—Continued														
P.L. 88-363, Roosevelt Campobello International Park; 78 Stat.301, Section 14, Roosevelt Campobello International Park, statutory or contractual aid for other activities.	14-1036 (10-24)	Such sums as may be necessary			.....(*)			283	296			283	296	
Total, Operation of the national park system							295,033	342,044	363,637	364,887	289,947	341,647	363,616	364,866
Construction														
16U.S.C. 17k,l,m,n, Construction.	14-1039 (10-24)	Such sums as may be necessary			.....(*)		126,632	161,442	121,328		34,359	90,000	121,275	
Federal Water Project Recreation Act, 79 Stat. 213., Water resources.	14-1039 (10-24)	.....(*)	.....(*)	.....(*)	.....(*)		685				595			

P.L. 91-488, Ice Age National Scientific Reserve, Section 5, Statutory or Contractual Aid for Ice Age National Scientific Reserve.	14-1039 (10-24)	.....(9).....	.....(9).....	.....(9).....	.....(9).....	.....	378	.....	.....	333	.....	.....	
P.L. 94-160, Father Marquette National Memorial; 16 U.S.C. 431, 89 Stat. 848	14-1039 (10-24)	....(11).....	.....(11).....	.....	.....(9).....	.....	1,000	.....	.....	1,000	.....	.....	
P.L. 89-283, Roosevelt Campobello International Park; 78 Stat.901, Section 14, Roosevelt Campobello International Park, statutory or contractual aid for other activities.	14-1039 (10-24)	Such sums as may be necessary.....			.....(9).....	.....	257	.....	.....	257	.....	.....	
Total, Construction	.....	.....	.....	.....	.....	.....	130,952	161,442	121,336	200,000	36,544	90,000	121,275	200,000
Preservation of historic properties														
P.L. 89-665, Historic Preservation Act of 1966, as amended; 16 U.S.C. 470, 80 Stat. 917, Title I, Section 108, Historic preservation grants-in-aid.	14-1040 (10-24)	.....	.....	.....	09/30/76	.....	17,500	.....	.....	16,775	15,082	7,170	
P.L. 89-665, Historic Preservation Act of 1966, as amended; 16 U.S.C. 470, 80 Stat. 919, Title II, Section 205, Advisory Council on Historic Preservation Support.	14-1040 (10-24)	.....(12).....	.....(12).....	.....	.....(9).....	.....	54	.....	.....	54	.....	.....	
Historic Sites Act of 1935; 49 Stat. 666, Historic Sites Survey; Historic American Buildings Survey; Historic American Engineering Record.	14-1040 (10-24)	.....do.....	.....	.....	.....(9).....	.....	1,396	1,058	1,058	1,364	1,051	1,059	
P.L. 93-291; 16 U.S.C. 469c, 88 Stat. 175, Section 1 (9), Historic Preservation and Special Studies.	14-1040 (10-24)	4,500	4,500	.....(10).....	09/30/78	.....	3,673	4,884	4,839	4,290	4,834	4,836	
Total, Preservation of historic properties	.....	.....	.....	.....	.....	.....	22,623	5,892	5,897	6,897	22,408	20,917	13,065	13,565
Consolidated working fund														
P.L. 72-212, Economy Act of 1932, Consolidated Working Funds.	14-3910 (10-24)	Advances from other agencies.....			.....(9).....	.....	.....			-1,843	250	250	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
NATIONAL PARK SERVICE—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Recreational resources (303)—Continued														
Planning, development, and operation of recreation facilities														
P.L. 90-401, Land and Water Conservation Fund Act; 16 U.S.C. 451, 460l, 82 Stat. 354, 355, Special recreation use fees; planning, development, and operation of recreation facilities.	14-5006 (10-24)	.....(14).....	.....(14).....	.....(14).....	.....(5).....	.....	14,000	14,468	15,478		13,663	15,949	17,478	
Historic preservation fund														
P.L. 94-422, Land and Water Conservation Fund Act of 1965; 16 U.S.C. 460l-4-11, Title II, Section 108, Grants-in-aid.	14-5140 (10-24)	24,400	100,000	100,000	09/30/81	.....	.....	45,000	45,000	100,000	.....	15,080	30,000	65,000

Miscellaneous permanent appropriations											
P.L. 80-604 of June 4, 1948; 16 U.S.C. 40c-40e, 62 Stat. 351, Section 3, Educational expenses, children of employees, Yellowstone National Park.	14-9924 (10-24)	.....[35].....	.....[35].....	.....[35].....	.....[35].....	.....	478	475	410	291	475	410
P.L. 80-787; 64 Stat. 851, Section 5, Payment for tax losses on land acquired for Grand Teton National Park.	14-9924 (10-24)	.....[37].....	.....[37].....	.....[35].....	.....[35].....	.....	25	25	25	23	25	25
P.L. 80-212, 65 Stat. 644, Independence National Historical Park., Operation, management, maintenance, and demolition of Federally acquired properties.	14-9924 (10-24)	.....	.....	.....	.....[35].....	.....	15	.....	.....	4	.....	.....
Total, Miscellaneous permanent appropriations.	.....	.....	.....	.....	.....	.....	518	500	435	318	500	435
Miscellaneous trust funds												
16 U.S.C. 6, 41 Stat. 917, National Park Service donations.	14-9972 (10-24)	.....	.....	.....	.....[35].....	.....	2,601	2,877	2,077	2,434	2,797	2,082
P.L. 92-127, 16 U.S.C. 211, 212, 84 Stat. 347, Section 3, Lincoln Home National Historic Site., Preservation, birthplace of Abraham Lincoln.	14-9972 (10-24)	.....	.....	.....	.....[35].....	.....	3	3	3	.....	3	3
P.L. 88-361; 88 Stat. 99, Section 4(a), Jefferson National Expansion Memorial, contributions.	14-9972 (10-24)	.....	.....	.....	.....[35].....	.....	.....	120	120	182	200	200
Total, Miscellaneous trust funds.....	.....	.....	.....	.....	.....	.....	2,604	3,000	2,200	2,616	3,000	2,285
Total, Recreational resources (302)	.....	.....	.....	.....	.....	.....	$470,286	$572,846	$53,975	$375,078	$487,443	$548,714
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....	.....	.....	.....	.....	$470,286	$572,846	$53,975	$375,078	$487,443	$548,714
TOTAL, NATIONAL PARK SERVICE.....	.....	.....	.....	.....	.....	.....	$470,286	$572,846	$53,975	$375,078	$487,443	$548,714

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
BUREAU OF OUTDOOR RECREATION														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Recreational resources (303)														
Salaries and expenses														
P.L. 88-29, Organic Act; 16 U.S.C. 460l-460l-3, 77 Stat. 49, May 28, 1963, Section 2(b), Salaries and expenses.	14-0700 (10-16)	.....(10).....	.....(10).....	.....(10).....	No year	.....(10).....	$56,977	$611,906	$615,156		$56,771	$56,410	$617,667	
Consolidated working fund														
P.L. 88-29, Organic Act; 16 U.S.C. 460l-460l-3, 77 Stat. 49, May 28, 1963, Section 2(b), Consolidated Working Fund	14-3807 (10-16)	Nonappropriated.....			.....(9).....	None	0	0	.....		-132	0	.....	
Land and water conservation fund														
P.L. 88-567, Land and Water Conservation Fund Act of 1965, as amended; 78 Stat. 897, Sept. 3, 1964; 16 U.S.C. 460l-11 as supplemented by P.L. 94-422, Title I:, Section 6, Financial assistance to states.	14-5005 (10-16)	.....(20).....	.....(20).....	.....(20).....	09/30/89 [20]	.....do.....	166,315	331,694	369,790		156,229	167,000	260,000	

P.L. 88-567, Land and Water Conservation Fund Act of 1965, as amended; 78 Stat. 897, Sept. 3, 1964; 16 U.S.C. 460l-11 as supplemented by P.L. 94-422, Title I:, Section 7, Federal land acquisition.	14-5005 (10-16)	.....[20].....	.....[20].....	.....[20].....	09/30/89 [20]	.....[20].....	355,572	295,133	347,477		180,818	275,800	268,300	
P.L. 88-567, Land and Water Conservation Fund Act of 1965, as amended; 78 Stat. 897, Sept. 3, 1964; 16 U.S.C. 460l-11 as supplemented by P.L. 94-422, Title I:, Section 9, Contract Authority for Federal Land Acquisition.	14-5005 (10-16)	30,000	30,000	30,000	09/30/89 [20]	None	30,000	30,000	30,000		0	0	.....	
P.L. 88-567, Land and Water Conservation Fund Act of 1965, as amended; 16 U.S.C. 460l-11, 78 Stat. 897, Implied by act as a whole: Administrative expenses.	14-5005 (10-16)	.....[20].....	.....[20].....	.....[20].....	09/30/89 [20]	.....[20].....	6,912	9,173	7,723		6,710	9,200	7,700	
Total, Land and water conservation fund	.....	.....	.....	.....	.....	.....	560,789	656,000	755,000	1,230,500	343,757	472,000	554,000	884,500
Donations														
P.L. 88-29, Organic Act; 16 U.S.C. 460l-460l-3, 77 Stat. 49, May 28, 1963, Section 20a), Donations from non-federal agencies.	14-9058 (10-16)	Nonappropriated.....			.....[5].....	None	0	0	.....		0	0	.....	
Total, Recreational resources (306)	.....	.....	.....	.....	.....	.....	567,776	667,908	770,158		350,306	480,410	571,667	
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....	.....	.....	.....	.....	567,776	667,908	770,158		350,306	480,410	571,667	
TOTAL, BUREAU OF OUTDOOR RECREATION	.....	.....	.....	.....	.....	.....	567,776	667,908	770,158	1,345,658	350,306	480,410	571,667	672,187
CORPS OF ENGINEERS—CIVIL														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Recreational resources (306)														
Special recreation use fees														
P.L. 92-347,Golden Eagle Passbook Program, Restoration, 16 U.S.C. 460l-6a, Special Recreation Use Fees	96-5007 (08-10)	Not specified.....			.....[5].....	.....	2,000	6,000	3,300		1,501	5,200	3,500	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands) FY 1977	Authorization (dollars in thousands) FY 1978	Authorization (dollars in thousands) FY 1979	Authorization termination date	Required reports	Budget authority (dollars in thousands) FY 1977 (actual)	Budget authority (dollars in thousands) President's Budget for FY 1979 1978 estimate	Budget authority (dollars in thousands) President's Budget for FY 1979 1979 estimate	Budget authority (dollars in thousands) Committee recommendation 1979	Outlays (dollars in thousands) FY 1977 (actual)	Outlays (dollars in thousands) President's Budget for FY 1979 1978 estimate	Outlays (dollars in thousands) President's Budget for FY 1979 1979 estimate	Outlays (dollars in thousands) Committee recommendation 1979
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
Forest Service														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Conservation and land management (302)														
Forest roads and trails														
P.L. 88-657, Act of October 13, 1964 (National Forests Roads and Trails Systems Act): (16 U.S.C. 532), Section 1, Construction and maintenance of forest roads and trails	12-2262 (05-06)	.....(10).....	.....(10).....	.....(10).....	.....(7).....	.....	-36,676	187,234	173,932		192,580	192,763	181,966	
Recreational resources (303)														
Construction and operation of recreation facilities														
P.L. 88-578, Land and Water Conservation Fund Act of 1965, as amended: (16 U.S.C. 4601-4), Section 10(b), Construction and Operation of Recreation Facilities.	12-5069 (05-06)	Such sums as may be necessary.....			.....(7).....	None	2,552	4,094	3,459		3,009	4,005	4,129	
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....	.....	.....	.....	.....	34,324	191,328	177,391		195,589	196,768	186,095	

GENERAL PURPOSE FISCAL ASSISTANCE (000)									
Other general purpose fiscal assistance (050)									
Forest Service permanent appropriations									
P.L. 60-136, Act of May 23, 1908 (Depart. of Agriculture Appropriations Act), as amended: (16 U.S.C. 500), Payments to States National Forests Fund.	12-5021 (05-99)	Such sums as may be necessary	(5)		48,946	234,086	239,727	48,946	234,086	239,727
TOTAL, FOREST SERVICE					24,622	415,406	417,108	244,625	420,886	425,814
UNITED STATES FISH AND WILDLIFE SERVICE									
NATURAL RESOURCES AND ENVIRONMENT (300)									
Recreational resources (303)									
Resource management									
P.L. 92-203, Alaska Native Claims Settlement Act; 43 U.S.C. 1601-1624, 85 Stat. 688, Sections 2(c), 22(b), 15(b), 17(a), 17(c)(1)(2), 22(c)(2)(g), Management and Protection of Mammals and Nonmigratory Birds.	14-1611 (10-18)	Such sums as may be necessary	(5)	(20)	800	1,199	1,278	772	1,163	1,240
P.L. 88-577, Wilderness Act of 1964; 16 U.S.C. 1131-1136, 78 Stat. 890, Section 4, Habitat preservation.	14-1611 (10-18)	(20) (20) (20)	(5)	(20)	150	150	150	146	150	150
P.L. 90-542, Wild and Scenic Rivers Act of 1968, 16 U.S.C. 1271-1287, 82 Stat. 906, Section 10, Habitat preservation.	14-1611 (10-18)	(20) (20) (20)	09/30/79	10/2/79	150	43	43	146	42	42
Total, *Resource management*					1,100	1,392	1,471	1,064	1,355	1,432
Migratory bird conservation account									
P.L. 92-203, Alaska Native Claims Settlement Act; 43 U.S.C. 1601-1624, 85 Stat. 688, Sections 2(c), 22(b), 15(b), 17(a), 17(c)(1)(2), 22(c)(2)(g), Management and Protection of Migratory Birds.	14-5137 (10-18)	Such sums as may be necessary	(5)		185	185	185	180	180	180
Total, Recreational resources (303)					1,285	1,577	1,656	1,244	1,535	1,612
Total, NATURAL RESOURCES AND ENVIRONMENT (300).					1,285	1,577	1,656	1,244	1,535	1,612
TOTAL, UNITED STATES FISH AND WILDLIFE SERVICE.					1,285	1,577	1,656	1,244	1,535	1,612

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION														
COMMUNITY AND REGIONAL DEVELOPMENT (450)														
Community development (451)														
Salaries and expenses														
Pennsylvania Avenue Development Corporation Act of 1972, P.L. 92-578 (86 Stat. 1266); as amended by, P.L. 94-368 (90 Stat. 1166, 40 U.S.C. 871-885), Section 17 (A), Salaries and Expenses (Executive Direction).	42-0100 (32-08)	1,500	1,500	.....(**).....	09/30/78	.....	1,082	1,336	1,590		1,094	1,457	1,590	
Public development														
Pennsylvania Avenue Development Corporation Act of 1972, P.L. 92-578 (86 Stat. 1266); as amended by, P.L. 94-368 (90 Stat. 1166, 40 U.S.C. 871-885), Sections 5 (A), 17 (B), Planning for Pennsylvania Avenue Development.	42-0102 (32-08)	**38,800	**38,800	.....(**).....	09/30/78	.....	4,061	12,354	12,355		35	2,400	7,695	

Land acquisition and development fund												
Pennsylvania Avenue Development Corporation Act of 1972, P.L. 92-578 (86 Stat. 1266)6 as amended by, P.L. 94-396 (90 Stat. 1196, 40 U.S.C. 871-885), Section 6(10), Project Development (Financing, Acquiring, Constructing, Reconstructing, and Managing Buildings and Property).	42-4084 (23-08)	.....(22).....	.....(22).....	.....(22).....	06/30/80	.....	25,000	7,500	13,400	0	21,000	34,900
Total, Community development (451)	.....	.....	.....	.....	.....	.....	30,113	21,180	27,265	1,119	24,857	34,065
Total, COMMUNITY AND REGIONAL DEVELOPMENT (450).	.....	.....	.....	.....	.....	.....	30,113	21,180	27,265	1,119	24,857	34,065
TOTAL, PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION.	.....	.....	.....	.....	.....	.....	30,113	21,180	27,265	1,119	24,857	34,065
ADVISORY COUNCIL ON HISTORIC PRESERVATION												
NATURAL RESOURCES AND ENVIRONMENT (300)												
Recreational resources (303)												
Salaries and expenses												
Public Law 94-422, Sept. 28, 1976 (90 Stat. 1320, 16 U.S.C. 470l), Title II, Section 201, Advisory Activities	95-2300 (20-10)	1,500	1,750	2,000	09/30/79	.....	877	1,141	1,553	429	1,690	1,461
OTHER TEMPORARY COMMISSIONS												
NATURAL RESOURCES AND ENVIRONMENT (300)												
Recreational resources (303)												
Lowell Historic Canal District Commission: Salaries and expenses												
P.L. 93-645, Jan.4,1975, 16 U.S.C. 461 Note,88 Stat 2290, Section 8, Lowell Historic Canal District Commission	46-1400 (23-12)	.....	.....	.....	.....	.....	.....	.....	.....	26	.....	.....

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
Office of Territorial Affairs														
General government (806)														
Other general government (806)														
Administration of territories														
P.L. 88-170, Guam Rehabilitation Act, 77 Stat. 302, not codified, Guam (Loans-Grants)	14-0412 (10-02)	....[22]	....[22]	....[22]	....[3]						1,257	3,000	2,700	
P.L. 90-601, Guam Development Fund Act of 1968, 48 U.S.C. 1428, 82 Stat. 1172, Guam, Economic Development Fund.	14-0412 (10-02)	....[22]	[22]1,000	1,000	09/30/83 [22]		1,000	500	500		1,000	500	500	
P.L. 94-373, 90 Stat. 1052 (Appropriated without authorization), Guam emergency typhoon assistance.	14-0412 (10-02)				....[3]						7,239			
P.L. 95-26, Supplemental Appropriation for FY 1977; no authorizing law, Guam assistance.	14-0412 (10-02)	10,700			....[3]		10,700				750	9,950		
P.L. 95-134, 91 Stat. 1161, Section 201(a), Guam grants.	14-0412 (10-02)	15,000			....[3]		15,000					15,000		
Eastern Samoa, 48 U.S.C. 1661; 46 Stat. 4 (Ex. Ord. 10264, 6/20/51, 16 F.R. 6419)., American Samoa, Expenses of the Chief Justice of the High Court; grants for support of governmental functions.	14-0412 (10-02)	Such sums as may be necessary			....[3]		22,672	20,311	19,421		18,562	21,161	19,178	

P.L. 94-392, 48 U.S.C. 1574d, 90 Stat. 1195, Virgin Islands, grants for operations.	14-0412 (10-02)	8,500	.....	.....	.....(5).....	.....	8,500	.....	.....		8,500	.....	.....
P.L. 95-134, 91 Stat. 1161, Section 201(a), Guam construction grants.	14-0412 (10-02)	.....	.....	8,000	.....(5).....	.....	.....	.....	8,000		.....	.....	8,000
P.L. 90-497, Guam Elective Governor Act, as amended by P.L. 95-134, 48 U.S.C. 1422d, 82 Stat. 845, Government Comptroller for Guam.	14-0412 (10-02)	.....	.....(10).....	....(10).....	.....(5).....	.....	.....	708	734		.....	708	734
P.L. 90-496, Virgin Islands Elective Governor Act, as amended by P.L. 94-134, 48 U.S.C. 1569, Government Comptroller for the Virgin Islands.	14-0412 (10-02)	.....	.....(10).....	.....(10).....	.....(5).....	.....	.....	1,158	1,080		.....	1,158	1,080
P.L. 95-134, Territorial Omnibus Bill, 91-Stat. 1161, 1162, Section 209(b). Government Comptroller for Trust Territory/Northern Marianas.	14-0412 (10-02)	.....	.....	.....(10).....	.....(5).....	.....	.....	.....	510		.....	.....	510
Eastern Samoa, 48 J.S.C. 1661, 46 Stat. 4 (Ex. Ord. 10264, 6/25/51, 16 F.R. 6419), Government Comptroller for American Samoa.	14-0412 (10-02)	.....	.....(10).....	.....(10).....	.....(5).....	.....	.....	301	280		.....	305	280
R.S. 457, Establishment of Department of Interior, 43 U.S.C. 1451, 1457, 9 Stat. 395, Office of Territorial Affairs.	14-0412 (10-02)	.....	.....	.....(10).....	.....(5).....	.....	.....	.....	1,080		.....	.....	1,080
P.L. 94-241, Article VII, 90 Stat. 272, Presidential Proclamation 4534 of 10/24/77, Direct financial support to the government of the Northern Marianas Islands, Assistance for local government operations, capital improvements, and economic development.	14-0412 (10-02)	.....	.....	16,913	09/30/84	.....	.....	.....	16,913		.....	.....	15,000
P.L. 94-241, 90 Stat. 272, Section 704(e), Direct financial support to the government of the Northern Marianas Islands, Estimate of annual inflation adjustment; to be transmitted at a later date.	14-0412 (10-02)	.....	.....	1,078	09/30/84	.....	.....	.....	1,078		.....	.....	1,078
Total, Administration of territories	.....	.....	.....	.....	.....	.....	58,073	22,998	50,514	168,451	87,398	51,880	45,280	113,080

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
OFFICE OF TERRITORIAL AFFAIRS—CONTINUED														
GENERAL GOVERNMENT (800)—Continued														
Other general government (806)—Continued														
Trust Territory of the Pacific Islands														
48 U.S.C. 1681; 1978 amendment P.L. 95-134, Trust Territory of the Pacific Islands, governmental expenses:, High Commissioner, Judiciary, Government Comptroller; grants in addition to local revenues.	14-0414 (10-82)	91,310	90,000	122,700	09/30/80	.....	97,717	86,546	100,920		84,986	85,835	90,020	
P.L. 94-37, 48 U.S.C. 1681, 89 Stat. 95, Section 2, Transition of Mariana Islands District to Commonwealth Status.	14-0414 (10-82)	[2]1,500	[2]1,500	[2]1,500	....(3).....	.....	.....	.....	.....	.....	496	694	.....	.....
Bikini Atoll Rehabilitation, proposed legislation	14-0414 (10-82)	.....	.....	.....	...(3).....	.....	.....	.....	6,000	.....	.....	.....	3,000	.....
P.L. 94-241, 90 Stat. 273, Section 403(a). Direct financial assistance to the government of the Northern Mariana Islands, Annual inflation adjustment.	14-0414 (10-82)	.....	2,549	.....	09/30/84	.....	.....	2,549	.....	.....	.....	2,549	.....	.....

P.L. 94-241, article VII, 90 Stat. 272, Direct financial support to the Government of the Northern Marianas Islands., Assistance for local government operations, capital improvements, and economic development.	14–0414 (10–82)	.....	13,515	.....	09/30/84	.....	.....	13,515	.....	.....	.....	12,000	.....	
P.L. 95-134, Territorial Omnibus Bill, 91 Stat. 1159, Section 103, Enewetak Atoll Rehabilitation.	14–0414 (10–82)	.....	12,400	.....	.....(9).....	.....	4,000	8,400	.....	.....	.....	7,000	5,400	
P.L. 95-134, Territorial Omnibus Bill, 91 Stat. 1159, Section 104, Ex-gratia payments to inhabitants of Rongelap and Utrik.	14–0414 (10–82)	.....	.....(10).....	.....(10).....	.....(9).....	.....	.....	1,883	.....	.....	.....	1,883	.....	
P.L. 94-265, 48 U.S.C. 1681, 90 Stat. 299, Section 1, Marshall Islands human development project.	14–0414 (10–82)	1,800	.....	.....	.....(9).....	.....	.....	900	.....	.....	.....	900	.....	
Total, Trust Territory of the Pacific Islands	.....	.....	.....	.....	.....	.....	101,717	113,583	106,920	135,549	85,456	110,651	98,420	116,449
Micronesian claims fund, Trust Territory of the Pacific Islands														
P.L. 92-39, Micronesian Claims Act of 1971, 85 Stat. 92, Title II, Micronesian War Claims	14–0416 (10–82)	.....	.....(10).....	.....(10).....	10/16/76 [10]	.....	.....	.....	.....	24,000	6,000	1,856	.....	24,000
Office of the Comptroller for Guam														
P.L. 90-497, Guam Elective Governor Act, as amended by P.L. 95-134, 48 U.S.C. 1422a, 92 Stat. 845, Government Comptroller for Guam.	14–5739 (10–82)	.....(10).....	.....	.....	10/01/77	.....	.....	.....	.....	.....	466	196	.....	
Total, Other general government (800)	.....	.....	.....	.....	.....	.....	150,789	136,561	157,434		130,009	164,567	142,700	
Total, GENERAL GOVERNMENT (800)	.....	.....	.....	.....	.....	.....	150,789	136,561	157,434		130,009	164,567	142,700	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
OFFICE OF TERRITORIAL AFFAIRS—CONTINUED														
GENERAL PURPOSE FISCAL ASSISTANCE (850)														
Other general purpose fiscal assistance (852)														
Internal revenue collections for the Virgin Islands														
P.L. 83-591, Internal Revenue Code, as amended by P.L. 94-202, 26 U.S.C. 7652(b)(3), 68A Stat. 907, Payments to the Virgin Islands from Internal Revenue collections.	14-5738 (10-02)	Such sums as may be necessary			....(*)		18,678	20,000	20,000		18,699	19,802	20,800	
P.L. 90-497, Virgin Islands Elective Governor Act, as amended by P.L. 95-134, 48 U.S.C. 1569, 82 Stat 840, Comptroller for the Virgin Islands.	14-5738 (10-02)	....(**)			10/01/77		620				185	118		
Total, Internal revenue collections for the Virgin Islands.							20,298	20,000	20,000	64,000	18,874	20,000	20,800	64,000
Total, Other general purpose fiscal assistance (852).							20,298	20,000	20,000		18,874	20,000	20,800	
Total, GENERAL PURPOSE FISCAL ASSISTANCE (850).							20,298	20,000	20,000		18,874	20,000	20,800	

TOTAL, OFFICE OF TERRITORIAL AFFAIRS					180,067	156,561	177,434	148,863	184,567	163,700
GENERAL SERVICES ADMINISTRATION										
GENERAL GOVERNMENT (800)										
General property and records management (804)										
Virgin Islands Corporation liquidation fund										
Virgin Islands Corporation Act, Public Law 81 149, 63 Stat. 144; 48 U.S.C. 1407., Section 10, Virgin Islands Corporation Liquidation Fund., Receiving Mortgage Payments Expenses, Disposal of Surplus Real and Related Personal Property.	47-4480 (23-35)		(5)					-769	-699	598
Other general government (809)										
Indian trust accounting										
Act of Aug. 13, 1946, as amended, 60 Stat. 1049; 25 U.S.C. 70N; Section 15., Indian Trust Accounting	47-0109 (23-35)	For necessary expenses	(5)		2,814	2,955	2,656	2,641	2,939	2,635
Total, GENERAL GOVERNMENT (800)					2,814	2,955	2,656	1,952	2,240	2,042
TOTAL, GENERAL SERVICES ADMINISTRATION.					2,814	2,955	2,656	1,952	2,240	2,042
UNITED STATES CUSTOMS SERVICE										
GENERAL PURPOSE FISCAL ASSISTANCE (850)										
Other general purpose fiscal assistance (852)										
Miscellaneous permanent appropriations										
P.L. 64-389, 48 U.S.C. 1396, and P.L. 74-749,48 U.S.C. 1406h, Refunds, transfers and expenses of operations, Virgin Islands	20-9922 (15-15)	Indefinite	(5)		170,122	192,000	202,000	179,886	-192,000	202,000

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorizations termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS—Continued														
UNITED STATES CUSTOMS SERVICE—CONTINUED														
GENERAL PURPOSE FISCAL ASSISTANCE (850)—Continued														
Other general purpose fiscal assistance (852)—Continued														
Miscellaneous permanent appropriations—Continued														
P.L. 55-191, 48 U.S.C. 740 and P.L. 64-368, 48 U.S.C. 795, Refunds, transfers and expenses of operations, Puerto Rico	20-9922 (15-15)	....(**)	....(**)		....(**)		69,111	75,000	80,000		68,497	75,000	80,000	
Total, Miscellaneous permanent appropriations.							239,253	267,000	282,000		248,353	267,000	282,000	
Total, Other general purpose fiscal assistance (852).							239,253	267,000	282,000		248,353	267,000	282,000	
Total, GENERAL PURPOSE FISCAL ASSISTANCE (850).							239,253	267,000	282,000		248,353	267,000	282,000	
TOTAL, UNITED STATES CUSTOMS SERVICE							239,253	267,000	282,000		248,353	267,000	282,000	

FOREIGN CLAIMS SETTLEMENT COMMISSION													
INTERNATIONAL AFFAIRS (150)													
Conduct of foreign affairs (153)													
Salaries and expenses													
P.L. 92-39, Micronesian Claims Act of 1971, 5 U.S.C. 310, 90 Stat. 957, Titles I, II, Sections 102, 105, and 201, Adjudication of Micronesian Claims.	79-0100 (30-88)	Not specified.	Not specified.	.....(**).....	10/16/76	.....(**).....	88	0	0	220	0	0	
Total, SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS.	.....	.....	.....	.....	.....	.....	$1,519,288	$2,113,569	2,287,127	3,066,210	$1,573,906	$1,575,606	$2,084,615	2,633,019
SUBCOMMITTEE ON WATER AND POWER RESOURCES													
BUREAU OF RECLAMATION													
NATURAL RESOURCES AND ENVIRONMENT (300)													
Water resources (301)													
Colorado River Basin Salinity control projects													
P.L. 93-320, Colorado River Basin Salinity Control Program Act, June 24, 1974; 88 Stat. 266, Title I, Colorado River Basin Salinity Control Program, Regular Construction	14-0663 (10-06)	**173,505	**217,001	**219,831	No year	Not available	42,600	14,380	28,882				
P.L. 93-320, Colorado River Basin Salinity Control Program Act, June 24, 1974; 88 Stat. 266, Title II, Advance planning, Paradox Valley Unit.	14-0663 (10-06)	.....	**175,839	**182,116	.....do.....	.....do.....	550	1,285	2,956				
P.L. 93-320, Colorado River Basin Salinity Control Program Act, June 24, 1974; 88 Stat. 266, Title II, Advance planning, Grand Valley unit.	14-0663 (10-06)	.....	.....	.....	.....do.....	.....do.....	730	1,500	4,158	22,881	30,000	28,484	
P.L. 93-320, Colorado River Basin Salinity Control Program Act, June 24, 1974; 88 Stat. 266, Title II, Advance planning, Las Vegas Wash unit.	14-0663 (10-06)	.....	.....	.....	.....do.....	.....do.....	800	5,600	6,916				

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Colorado River Basin Salinity control projects—Continued														
P.L. 93-320, Colorado River Basin Salinity Control Program Act, June 24, 1974; 88 Stat. 266, Title II, Crystal Geyser Unit, inactive (no FY 78 construction funds).	14-0663 (10-08)				No year	Not available								
Total, Colorado River Basin Salinity control projects.							44,689	22,675	42,315		22,881	30,000	38,494	
Loan program														
P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, Kanawha Water District No.2.	14-0667 (10-08)	[1]400,000	[1]400,000	[1]400,000	No year	Not available	1,000	1,464	1,296					
P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, Le Sueur Water District.	14-0667 (10-08)	[1]400,000	[1]400,000		do	do	722							

P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, Arvin-Edison WSD.	14-0667 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....
P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, San Luis Water District.	14-0667 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....
P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, San Luis Water District, supplemental.	14-0667 (10-06)	[27]$193,000	[27]$193,000	[27]$193,000	.....	Not available	4,000	910	.....
P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, Kaweah Water District ID No. 3.	14-0667 (10-06)	.....	.....	.....	.....	.....	.....	470	2,536
P.L. 84-130, Distribution System Loans Act, July 4, 1955, 43 U.S.C. 421a, 69 Stat. 244, Westside Water District.	14-0667 (10-06)	[28]$400,000	[28]$400,000	[28]$400,000	No year	.....	.....	4,320	3,750
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Buttonwillow, supplemental.	14-0667 (10-06)	[28]$400,000	[28]$400,000	.....	....do.....	Not available	2,000	.....	.....
70 Stat. 1044, Aug. 6, 1956, Public Law 84 984., Pond-Poso Improvement District.	14-0667 (10-06)	[28]$400,000	[28]$400,000	.....	....do.....	....do.....	264	.....	.....
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Pond-Poso Improvement District, supplemental.	14-0667 (10-06)	.....	.....	.....	.....	....do.....	5,000	195	.....
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Yolo County Flood Control and Water Conservation District.	14-0667 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Redwood Valley County Water District.	14-0667 (10-06)	[28]$400,000	[28]$400,000	.....	No year	Not available	2,066	1,232	.....
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Central Nebraska Public Power and Irrigation District.	14-0667 (10-06)	[28]$400,000	[28]$400,000	.....	....do.....	....do.....	2,660	741	.....

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Loan program—Continued														
P.L. 84-984, Small Reclamation Projects Act as amended, 43 U.S.C. 422a-k, 70 Stat. 1044, Water supply and storage.	14-0867 (10-08)	[1]400,000	[1]400,000	.....	No year	.....	.....	10	.....					
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, DeLuz Heights Municipal Water District.	14-0867 (10-08)	[1]400,000	[1]400,000	[1]400,000	....do.....	Not available	200	3,066	1,995					
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Pioneer Water Co., supplemental.	14-0867 (10-08)	.....	.....	.....	.....	.....	.....	.....	.....		.....	.....	.....	
P.L. 84-984, Small Reclamation Projects Act as amended: 43 U.S.C. 422a-k, 70 Stat. 1044, Valley Center Municipal Water District.	14-0867 (10-08)	.....	.....	.....	.....	Not available	.....	.....	.....		.....	.....	.....	
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Valley Center Water District, supplemental.	14-0867 (10-08)	[1]400,000	[1]400,000	.....	No year	....do.....	1,500	.....	.....		.....	.....	.....	

P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Graham-Opatia Project.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	1,000	1,670	.....	24,750	29,000	21,080
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Wenatchee Heights Reclamation.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	195	.....	.....			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Cameron County Water Control and Improvement District No. 19.	14-0667 (10-06)	[2]400,000	[2]400,000	[2]400,000	....do.....	....do.....	1,000	814	250			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Cameron County Water Control and Improvement District No. 5.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	.....					
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Hidalgo/Willacy Counties Water Control and Improvement District No. 1.	14-0667 (10-06)	[2]400,000	[2]400,000	[2]400,000	....do.....	....do.....	583	1,000	2,000			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Hidalgo County Water Control and Improvement District No. 5.	14-0667 (10-06)	[2]400,000	[2]400,000	[2]400,000	....do.....	....do.....	1,000	880	1,000			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Farmington Freemined Irrigation District.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	.....					
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Roy Water Conservancy Subdistrict, supplemental.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	3,000	.....	.....			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Buffalo Rapids.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	215	175	.....			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Mitchell Irrigation District, supplemental.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	200	238	.....			
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Nevada Irrigation District.	14-0667 (10-06)	[2]400,000	[2]400,000	.....	....do.....	....do.....	.....					

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
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								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Loan program—Continued														
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Gila River Farms.	14-0867 (10-06)	[1]400,000	[1]400,000	[1]400,000	.....	Not available	500	3,419	3,000					
P.L. 84-984, Small Reclamation Projects Act as amended: 43 U.S.C. 422a-k, 70 Stat. 1044, Whitney Irrigation District.	14-0867 (10-06)	[1]400,000	[1]400,000	[1]400,000	No year	.....do.....	.....	1,000	674					
P.L. 84-984, Small Reclamation Projects Act as amended: 43 U.S.C. 422a-k, 70 Stat. 1044, Santa Maria Water Control and Improvement District.	14-0867 (10-06)	[1]400,000	[1]400,000	.....	.....do.....	.....do.....	.....	839	.....					
P.L. 84-984, Small Reclamation Projects Act as amended: 43 U.S.C. 422a-k, 70 Stat. 1044, Jos Wright Reservoir Enlargement.	14-0867 (10-06)	[1]400,000	[1]400,000	.....	.....do.....	.....do.....	.....	1,950	5,177					
P.L. 84-984, Small Reclamation Projects Act as amended by P.L. 94-181; 43 U.S.C. 422b, 89 Stat. 1049, Constructive cost indexing.	14-0867 (10-06)	.....	3,000	3,000	.....	.....do.....	.....	3,000	3,000					
P.L. 84-984, Small Reclamation Projects Act as amended; 43 U.S.C. 422a-k, 70 Stat. 1044, Administration of the loan program.	14-0867 (10-06)	[1]400,000	[1]400,000	[1]400,000	No year	.....do.....	338	400	441					

Reprogramming adjustments	14-0867 (10-06)			do						
Underfinancing, adjustment to subtotal	14-0867 (10-06)			do			-1,968			
Total, Loan program					27,495	27,753	23,081	24,750	29,000	21,080
Drought emergency assistance										
Drought emergency assistance.	14-0883 (10-06)				100,000			6,533	46,231	
Consolidated working fund										
P.L. 87-126, August 8, 1961, 75 Stat. 294, Consolidated Working Fund	14-3906 (10-06)		No year	Not available				86		
Colorado River Basin project										
P.L. 90-537, Sept. 30, 1968; 43 U.S.C. 1501, 82 Stat. 885, Central Arizona project.	14-4079 (10-06)	[2]1,666,564 [2]1,766,674 [2]1,861,305	do	do						
P.L. 90-537, Sept. 30, 1968; 43 U.S.C. 1501, 82 Stat. 885, Navajo project participating agreement.	14-4079 (10-06)		do	do	73,430	78,145	73,770	57,835	93,000	69,547
P.L. 87-483, June 13, 1962; 43 U.S.C. 615ii, 76 Stat. 97, Liquidation of contract authority, Navajo project.	14-4079 (10-06)		do	do						
P.L. 90-537, September 30, 1968; 43 U.S.C. 616aa, 82 Stat. 893, Dixie project, inactive (no FY 78 construction funds).	14-4079 (10-06)									
Total, Colorado River Basin project					73,430	78,145	73,770	57,835	93,000	69,547
Upper Colorado River storage project										
P.L. 84-485, Upper Colorado River Basin Act, April 11, 1956, as amended; 43 U.S.C. 620, 70 Stat. 105, Upper Colorado River Basin, Curecanti Unit	14-4081 (10-06)	[2]1,640,263	No year	Not available	2,339					

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Upper Colorado River storage project—Continued														
P.L. 84-485, Upper Colorado River Basin Act, April 11, 1956, as amended; 43 U.S.C. 620, 70 Stat. 105, Upper Colorado River Basin, Central Utah-Bonneville.	14-4081 (10-08)	[1] 1,640,283	[1] 1,793,170	[1] 1,839,887	No year	Not available	19,164	30,965	27,259					
P.L. 84-485, Upper Colorado River Basin Act, April 11, 1956, as amended; 43 U.S.C. 620, 70 Stat. 105, Upper Colorado River Basin, Central Utah-Jensen.	14-4081 (10-08)	[1] 1,640,283	[1] 1,793,170	[1] 1,839,887	do	do	5,300	7,304	7,707					
P.L. 84-485, Upper Colorado River Basin Act, April 11, 1956, as amended; 43 U.S.C. 620, 70 Stat. 105, Upper Colorado River Basin, Central Utah-Upalco, advance planning (no FY 78 construction funds).	14-4081 (10-08)	[1] 1,640,283	[1] 1,793,170	[1] 1,839,887	do	do	800	300	300					
P.L. 84-485, Upper Colorado River Basin Act, April 11, 1956, as amended; 43 U.S.C. 620; 70 Stat. 105, Upper Colorado River Basin, Lyman-project.	14-4081 (10-08)	[1] 1,640,283	[1] 1,793,170	[1] 1,839,887	do	do	4,140	4,219	3,900					

P.L. 87-483, San Juan-Chama Project Act, June 13, 1962; 43 U.S.C. 615s, 76 Stat. 96, San Juan-Chama project.	14-4081 (10-06)	[2]131,996	[2]119,621	.....	.....do.....	.....do.....	800	600	.....			
P.L. 88-568, September 2, 1964; 43 U.S.C. 616s, 78 Stat. 852, Savery-Pot Hook project, inactive (no FY 76 construction funds).	14-4081 (10-06)	[2]89,859	[2]99,232	.....	.....do.....	.....do.....	1,073	.....	.....			
P.L. 88-568, September 2, 1964; 43 U.S.C. 616s, 78 Stat. 852, Fruitland Mesa, inactive (no FY 78 construction funds).	14-4081 (10-06)	[2]89,859	[2]99,232	.....	.....do.....	.....do.....	2,666	.....	.....			
P.L. 90-537, Colorado River Basin Project Act, Sept. 30, 1968; 43 U.S.C. 620, 82 Stat. 896, Dallas Creek project.	14-4081 (10-06)	[2]466,912	[2]768,017	[2]806,265	.....do.....	.....do.....	4,500	11,775	10,780			
P.L. 90-537, Colorado River Basin Project Act, Sept. 30, 1968, 43 U.S.C. 620, 82 Stat. 896, Animas-La Plata project, advance planning (no FY 78 construction funds).	14-4081 (10-06)	[2]466,912	[2]768,017	[2]806,265	.....do.....	.....do.....	200	350	300	45,219	56,200	62,420
P.L. 90-537, Colorado River Basin Project Act, Sept. 30, 1968; 43 U.S.C. 620, 82 Stat. 896, Dolores project, construction in fiscal year 1977.	14-4081 (10-06)	[2]466,912	[2]768,017	[2]806,265	.....do.....	.....do.....	850	5,500	14,110			
P.L. 90-537, Colorado River Basin Project Act, Sept. 30, 1968, 43 U.S.C. 620, 82 Stat. 896, San Miguel, advance planning (no FY 78 construction funds).	14-4081 (10-06)	[2]466,912	[2]768,017	[2]806,265	.....do.....	.....do.....	480	317	300			
P.L. 90-537, Colorado River Basin Project Act, Sept. 30, 1968, 43 U.S.C. 620, 82 Stat. 896, West Divide, advance planning (no FY 78 construction funds).	14-4081 (10-06)	[2]466,912	[2]768,017	[2]806,265	.....do.....	.....do.....	230	152	300			
P.L. 90-537, Colorado River Basin Project Act, Sept. 30, 1968, 43 U.S.C. 620, 82 Stat. 896, Uintah unit, advance planning (no FY 78 construction funds).	14-4081 (10-06)	.....	[2]90,247	[2]103,333	.....do.....	.....do.....	860	500	300			
P.L. 84-575, Drainage and Minor Construction Act, June 13, 1956, 43 U.S.C. 505, 70 Stat. 274, Drainage and minor construction.	14-4081 (10-06)	.....	.....	.....	.....	.....do.....	700	1,471	3,613			

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
Bureau of Reclamation—Continued														
Natural resources and environment (300)—Continued														
Water resources (301)—Continued														
Upper Colorado River storage project—Continued														
P.L. 93-320, 43 U.S.C. 1571, 88 Stat. 266, Silt, inactive (no FY 78 construction funds).	14-4081 (10-08)													
P.L. 84-485, Colorado River Storage Project Act, April 11, 1956, 43 U.S.C. 620, 70 Stat. 105, Seedskadee Project, inactive (no FY 78 construction funds).	14-4081 (10-08)													
P.L. 84-485, Colorado River Storage Project Act, April 11, 1956; 43 U.S.C. 620, 70 Stat. 105, Operation and maintenance.	14-4081 (10-08)													
P.L. 95-96, Appropriation rescinded for account 10-08-4081	14-4081 (10-08)						-3,000							
Underfinancing, adjustment to subtotal	14-4081 (10-08)								-2,530					
Total, Upper Colorado River storage project							41,102	63,253	66,949		45,219	56,300	62,430	

Emergency fund												
P.L. 80-780, June 26, 1948; 43 U.S.C. 502, 62 Stat. 1052, Emergency Funds	14-5043 (10-06)				No year	Not available	30,800			9,386	21,800	800
Construction and rehabilitation												
P.L. 84-541, Columbia Basin Act, Aug. 30, 1935; 49 Stat. 1039, Columbia basin project irrigation facilities.	14-5061 (10-06)				do	None	18,100	26,558	31,365			
P.L. 81-839, Sept. 26, 1950; 64 Stat. 1036, Sacramento River Division	14-5061 (10-06)				do	do	27,000	29,775	34,237			
P.L. 86-488, June 30, 1960; 74 Stat. 156, Central Valley project, San Luis unit.	14-5061 (10-06)	[2]$97,814	[2]$192,650	[2]$438,095	do	do	25,300	35,312	24,873			
P.L. 89-161, Sept. 2, 1965; 79 Stat. 615, Central Valley, Auburn, Folsom south unit.	14-5061 (10-06)	[2]$89,227	[2]$264,606	[2]$940,563	do	do	37,019	39,482	13,396			
P.L. 90-72, Aug. 27, 1967; 81 Stat. 174, Central Valley, Sal Felipe Division.	14-5061 (10-06)	[2]$175,439	[2]$194,307	[2]$196,232	do	do	9,725	17,570	19,234			
P.L. 90-72, Aug. 27, 1967; 81 Stat. 174, Central Valley, miscellaneous projects.	14-5061 (10-06)				do	do	11,865	14,662	13,330			
P.L. 88-498, Aug 16, 1962; 76 Stat. 389, Fryingpan-Arkansas project.	14-5061 (10-06)	[2]$80,733	[2]$96,423	[2]$99,807	do	do	35,320	40,530	26,227			
P.L. 88-583, Sept. 7, 1964; 78 Stat. 925, Teton Basin project, lower Teton Division.	14-5061 (10-06)	[2]$119,773			do	do	5,100	700	500			
P.L. 94-355, July 12, 1976, 90 Stat. 889; P.L. 94-400, 90 Stat. 1211; P.L. 94-438, 90 Stat. 1416, Teton Basin project, dam failure--payment of claims.	14-5061 (10-06)					do	200,000					
P.L. 89-448, June 14, 1966; 80 Stat. 200, Columbia Basin project, 3d power plant, Grand Coulee Dam.	14-5061 (10-06)	[2]$80,232	[2]$99,581	[2]$99,581	No year	do	43,712	24,830	11,120			
P.L. 89-596, Sept. 20, 1966; 80 Stat. 822, Tualatin project.	14-5061 (10-06)	[2]$53,749	[2]$56,650		do	do	8,700					
P.L. 90-503, Sept. 21, 1968; 82 Stat. 853, Mountain Park project.	14-5061 (10-06)	[2]$43,555			do	do	6,500					
P.L. 90-562, Oct. 12, 1968; 82 Stat. 999, Palmetto Bend project.	14-5061 (10-06)	[2]$78,165	[2]$83,450	[2]$83,504	do	do	14,900	9,800	4,992			

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Construction and rehabilitation—Continued														
P.L. 91-270, May 26, 1970; 84 Stat. 273, Rogue River Basin/Merlin Division, advance planning (no FY 78 construction funds).	14-5061 (10-06)	[P]49,972	[P]51,538	.....	No year	None	300	100	.....					
P.L. 92-514, Oct. 20, 1972; 86 Stat. 964, San Luis Valley, closed basin, advance planning (no FY 78 construction funds)	14-5061 (10-06)	[P]397,814	[P]28,579	[P]30,640	....do.....	.....	375	500	500					
P.L. 89-292, Oct. 22, 1965; 79 Stat. 1068, Southern Nevada water project, construction.	14-5061 (10-06)	[P]143,000	[P]138,422	[P]141,871	....do.....	.....	1,200	8,600	38,285					
P.L. 92-514, Oct. 20, 1972; 86 Stat. 967, Upper Snake River project, Salmon Falls Division, advance planning (no FY 78 construction funds).	14-5061 (10-06)	[P]89,695	[P]92,856	[P]97,759	.....do.....	Not available	300	100	300					
P.L. 91-307, June 23, 1970; 84 Stat. 319, Walla Walla, Touchet Division, inactive (no FY 78 construction funds).	14-5061 (10-06)	[P]45,136	.....	.....	....do.....	....do.....	100	.....	.....					

P.L. 92-514, Oct. 20, 1972; 86 Stat. 966, Brantley project.	14-5061 (10-06)	[27]78,151	[27]79,650	[27]82,958	.....do.....	.....do.....	4,920	5,789	2,300				
P.L. 91-66, Aug. 25, 1969; 83 Stat. 106, Yakima project, Kennewick Division extension, advance planning (no FY 78 construction funds).	14-5061 (10-06)	.....	.....	[27]13,596	.....	....do.....	25	100	400				
P.L. 89-108, Aug. 5, 1965; 79 Stat. 433, Pick-Sloan Missouri Basin Act, Garrison diversion unit.	14-5061 (10-06)	[27]496,200	[27]551,305	[27]596,622	No year	.....do.....	24,200	18,660	.....				
P.L. 91-389, Aug. 28, 1970; 84 Stat. 880, Pick-Sloan Missouri Basin, Narrows unit.	14-5061 (10-06)	[27]139,595	[27]148,100	.....	....do.....	...do.....	3,095	.....	.....				
P.L. 91-409 Sept. 25, 1970; 84 Stat. 861, Pick-Sloan Missouri Basin, Riverton extension unit.	14-5061 (10-06)	[27]19,500	[27]21,400	[27]22,700	...do.....	.....do.....	3,000	4,300	2,889				
P.L. 78-534, Flood Control Act, Dec. 2, 1944; 58 Stat. 887, Lower Marias unit.	14-5061 (10-06)	[27]167,066	[27]183,170	[27]195,219	.....do.....	.....do.....	4,000	5,400	3,568	454,176	384,138	288,877	
P.L. 92-514, Oct. 20, 1972; 86 Stat. 969, Pick-Sloan Missouri Basin, North Loup Division.	14-5061 (10-06)	[27]113,590	[27]125,400	[27]133,813	.....do.....	...do.....	1,150	5,170	4,130				
P.L. 92-514, Oct. 20, 1972; 86 Stat. 966, Pick-Sloan Missouri Basin, O'Neal unit.	14-5061 (10-06)	[27]160,440	[27]177,730	[27]188,640	...do.....	...do.....	1,495	4,500	3,758				
P.L. 92-371, Oct. 20, 1972; 86 Stat. 964, Pick-Sloan Missouri Basin, Nebraska mid-State Division, inactive (no FY 78 construction funds).	14-5061 (10-06)	.....	.....	.....	...do.....	...do.....	.....	.....	.....				
P.L. 94-238, Reclamation Authorization Act of 1975, March 11, 1976; 90 Stat. 305, Polecat Bench area, Shoshone extensions unit, advance planning (no FY 78 construction funds).	14-5061 (10-06)	.....	[27]49,500	[27]52,410	.....do.....	...do.....	50	300	400				
P.L. 94-238, Reclamation Authorization Act of 1975, March 11, 1976; 90 Stat. 305, Pollock-Herreid unit, South Dakota pumping plant, advance planning (no FY 78 construction funds).	14-5061 (10-06)	.....	[27]28,200	[27]30,000	.....do.....	...do.....	100	500	250				
P.L. 90-458, Aug. 3, 1968; 82 Stat. 634, Ouhe units.	14-5061 (10-06)	[27]413,000	[27]456,825	.....	.....do.....	.....do.....	17,200	.....	.....				

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Construction and rehabilitation—Continued														
P.L. 78-534, Flood Control Act, Dec. 2, 1944; 58 Stat. 887, Canyon Ferry unit.	14-5061 (10-06)	[2]167,066	[2]183,170	.....	No year	.....	2,300	1,761	.....	.....	.....	.....	.....	.....
P.L. 93-493, Reclamation Development Act, Oct. 27, 1974; 88 Stat. 1486, Nueces River project.	14-5061 (10-06)	[2]60,606	[2]63,306	[2]67,563	...do.....	.....	3,500	17,854	18,600					
P.L. 94-423, Sept. 28, 1976, 90 Stat. 1324, Kanopolis unit (no FY 78 construction funds).	14-5061 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
P.L. 85-333, Feb. 20, 1958, 72 Stat. 17, McMillan Delta Project, inactive (no FY 78 construction funds).	14-5061 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
P.L. 88-594, Sept. 12, 1964, 78 Stat. 942, Pecos River Basin, water salvage, inactive (no FY 78 construction funds).	14-5061 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
P.L. 91-415, Sept. 25, 1970, 84 Stat. 866, 867, Garrison Diversion unit, Minot extension, inactive (no FY 78 construction funds).	14-5061 (10-06)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

P.L. 94-423, Sept. 28, 1976, 90 Stat. 1337, 1338, Rio Grande project, American canal extension (no FY 78 construction funds).	14-5061 (10-09)							
P.L. 79-566, July 24, 1946, 60 Stat. 653, Yellowtail unit, inactive (no FY 78 construction funds).	14-5061 (10-09)							
P.L. 93-493, Reclamation Development Act of 1974, 88 Stat. 1486, Ohio Project, inactive (no FY 78 construction funds).	14-5061 (10-09)							
P.L. 78-536, Flood Control Act of 1946, 60 Stat. 642; P.L. 78-534, Flood Control Act of 1944, 58 Stat. 887, Transmission Division.	14-5061 (10-09)	[2]167,086			No year	1,211		
P.L. 84-575, Drainage and Minor Construction Act, June 13, 1956, 43 U.S.C. 505, 70 Stat. 274, Drainage and Minor Construction.	14-5061 (10-09)				do	18,535	27,176	24,441
P.L. 81-335, Rehabilitation and Betterment Act, Oct. 7, 1949; 43 U.S.C. 504, 63 Stat. 724, Rehabilitation and betterment.	14-5061 (10-09)				do	5,010	6,794	4,268
P.L. 93-205, Endangered Species Act, Dec. 28, 1973, 87 Stat. 884, Endangered/ threatened species.	14-5061 (10-09)						2,000	
P.L. 57-161, June 17, 1902, 32 Stat. 388 as amended by P.L. 94-423, Sept. 28, 1976, 90 Stat. 1338, Allen Camp unit, advance planning (no FY 78 construction funds).	14-5061 (10-09)		[2]64,220	[2]66,262	No year		225	213
P.L. 57-161, June 17, 1902, 32 Stat. 388 as amended by P.L. 94-423, Sept. 28, 1976, 90 Stat. 1338, Chief Joseph, Oroville-Tonasket unit, advance planning (no FY 78 construction funds).	14-5061 (10-09)			[2]41,225	do		280	500
P.L. 57-161, June 17, 1902, 32 Stat. 388 as amended by P.L. 94-423, Sept. 28, 1976, 90 Stat. 1338, McGee Creek project, advance planning (no FY 78 construction funds).	14-5061 (10-09)			87,479	do		500	1,000

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Construction and rehabilitation—Continued														
Underfinancing, adjustment to subtotal	14–5061 (10–06)								-15,144					
Total, Construction and rehabilitation							530,297	349,928	270,562		454,176	384,138	366,877	
Operation and maintenance														
P.L. 57-161, An Act Providing for the Irrigation and Reclamation of Lands, 43 U.S.C. 491, 32 Stat. 388,	14–5064 (10–06)				No year	Not available	68,830	81,331	87,873		67,648	77,814	80,880	
General administrative expenses														
P.L. 79-35, Act of April 19, 1945; 43 U.S.C. 377, 59 Stat. 54, General Administrative Expenses	14–5065 (10–06)				do	do	22,730	24,845	25,250		22,559	24,553	24,948	

General investigations										
P.L. 57-161, June 17, 1902; 43 U.S.C. 391, 32 Stat. 388, Plan Formulation	14-5660 (10-06)	Not specified	do	do	11,924	13,293	14,105			
P.L. 88-379; 42 U.S.C. 1961, 78 Stat. 329, sec. 104, General Engineering and Research.	14-5660 (10-06)	do	do	do	9,727	10,830	7,315			
P.L. 90-537, Colorado River Basin Project Act; 43 U.S.C. 1501, 82 Stat. 885, Geothermal Investigations	14-5660 (10-06)	do	do	do	2,557	993	780	23,647	25,500	20,764
P.L. 85-624, Fish and Wildlife Coordination Act of 1958; 16 U.S.C. 661, 72 Stat. 563-565, Section 2, Sport Fish and Wildlife	14-5660 (10-06)	(20)	(20)	(20)	do	do	554			
Total, General investigations							24,762	25,116	22,200	23,647	25,500	20,764
Reclamation trust funds										
P.L. 66-161, March 4, 1921; 43 U.S.C. 395-396, 41 Stat. 1404, Trust Funds	14-8070 (10-06)			No year	Not available	20,221	13,331	4,470	20,762	10,000	6,770
Total, Water resources (301)						984,327	686,367	615,730	755,481	797,236	604,540
Recreational resources (303)										
Recreational and fish and wildlife facilities										
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,k, 70 Stat. 110, as amended by 86 Stat. 535, Curecanti unit.	14-0682 (10-06)			No year	(20)	455	355	339		
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,k, 70 Stat. 110, as amended by 86 Stat. 535, Emery County	14-0682 (10-06)			do	(20)					
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,k, 70 Stat. 110, as amended by 86 Stat. 535, Glen Canyon	14-0682 (10-06)			do	(20)					

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands) FY 1977	Authorization (dollars in thousands) FY 1978	Authorization (dollars in thousands) FY 1979	Authorization termination date	Required reports	Budget authority (dollars in thousands) FY 1977 (actual)	Budget authority (dollars in thousands) President's Budget for FY 1979 1978 estimate	Budget authority (dollars in thousands) President's Budget for FY 1979 1979 estimate	Budget authority (dollars in thousands) Committee recommendation 1979	Outlays (dollars in thousands) FY 1977 (actual)	Outlays (dollars in thousands) President's Budget for FY 1979 1978 estimate	Outlays (dollars in thousands) President's Budget for FY 1979 1979 estimate	Outlays (dollars in thousands) Committee recommendation 1979
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
BUREAU OF RECLAMATION—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Recreational resources (303)—Continued														
Recreational and fish and wildlife facilities—Continued														
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Central Utah-Bonneville	14-0662 (10-06)				No year	(56)	1,001	721	1,377					
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Bostwick Park.	14-0662 (10-06)				do	(56)	85							
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Flaming Gorge	14-0662 (10-06)				do	(56)	900	1,485						
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Central Utah-Jensen.	14-0662 (10-06)				do	(56)	20	110	591		5,354	3,889	3,510	
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Lyman.	14-0662 (10-06)				do	(56)	20	90						

P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Navajo units.	14-0662 (10-06)			(38)		50					
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, San Juan-Chama	14-0662 (10-06)		No year	(38)	1,630	80					
P.L. 84-485, Colorado River Storage Project Act; 43 U.S.C. 620g,h, 70 Stat. 110, as amended by 86 Stat. 525, Seedskadee	14-0662 (10-06)		do	(38)	70	1,085	25				
P.L. 84-485, Colorado River Storage Project Act, 43 U.S.C. 620g,h. 70 Stat. 110, as amended by 86 Stat. 525, Dallas Creek.	14-0662 (10-06)		do			100	1,798				
Pending supplemental	14-0662 (10-06)					875				875	
Total, Recreational and fish and wildlife facilities.					4,131	4,890	4,025		5,254	4,774	3,510
Total, Recreational resources (303)					4,131	4,890	4,025		5,254	4,774	3,510
Total, NATURAL RESOURCES AND ENVIRONMENT (300).					988,456	991,257	819,745		760,835	803,010	608,050
GENERAL PURPOSE FISCAL ASSISTANCE (800)											
Other general purpose fiscal assistance (852)											
Miscellaneous permanent appropriations											
Other Miscellaneous Appropriations (43 U.S.C. 618A(B)) Public Law 76 756; (43 U.S.C. 618A(C)) Public Law 76 756; 66 Stat. 755; 69 Stat. 272, as amended; 76 Stat. 850; 84 Stat. 869., Miscellaneous permanent appropriations.	14-9922 (10-06)		(38)	(38)	4,660	2,700	2,700		4,895	2,700	2,700
TOTAL, BUREAU OF RECLAMATION					993,116	993,957	822,445	696,688	765,730	804,710	610,750	689,448

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
OFFICE OF WATER RESEARCH AND TECHNOLOGY														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Water resources (301)														
Salaries and expenses														
P.L. 92-60, Saline Water Conversion Act of 1971, as amended, 42 U.S.C. 1959h, 85 Stat. 159, sec. 10(a), Section 10, Saline Water Conversion:, (1) Research expense	14-0115 (10-12)	2,000	1,500		09/30/78	(**)	2,000	1,500	2,400		800	800	1,440	
P.L. 92-60, Saline Water Conversion Act of 1971, as amended, 42 U.S.C. 1959h, 85 Stat. 159, sec. 10(a), Section 10, Saline Water Conversion., (2) Development expense.	14-0115 (10-12)	4,000	7,950		09/30/78		4,000	7,975	6,300		1,208	4,870	6,178	
P.L. 92-60, Saline Water Conversion Act of 1971, as amended, 42 U.S.C. 1959h, 85 Stat. 159, sec. 10(a), Section 10, Saline Water Conversion., (3) Design, Construction, Acquisition, Modification, Operation, and Maintenance of SWC Test Beds and Test Facilities	14-0115 (10-12)	700	1,500		09/30/78		700	700	400		510	700	400	

P.L. 92-60, Salmo Water Conversion Act of 1971, as amended, 42 U.S.C. 1960b, 85 Stat. 159, sec. 10(a), Section 10, Salmo Water Conversion:, (4) Design, Construction, Acquisition, Modification, Operation, and Maintenance of SWC Modules.	14-0115 (10-12)				09/30/78								
P.L. 92-60, Salmo Water Conversion Act of 1971, as amended; 42 U.S.C. 1960b, 85 Stat. 159, sec. 10(a), Section 10, Salmo Water Conversion:, (5) Administration.	14-0115 (10-12)	840	1,000		09/30/78		671	825	825	560	800	800
P.L. 92-60, Salmo Water Conversion Act of 1971, as amended by P.L. 96-84, 42 U.S.C. 1960i, 91 Stat. 400, Salmo water conversion., (6)a. Demonstration plant construction.	14-0115 (10-12)		[44] 40,000	[44] 40,000	(45)				150			150
P.L. 92-60, Salmo Water Conversion Act of 1971, as amended by P.L. 96-84, 42 U.S.C. 1960i, 91 Stat. 400, Salmo water conversion., (6)b. Demonstration plant operation and maintenance	14-0115 (10-12)		(45)	(45)	(45)							
P.L. 88-379, Water Resources Research Act of 1964, as amended, 42 U.S.C. 1961, 78 Stat. 329, Title I, Section 100, State Water Resources Research Institutes	14-0115 (10-12)	[44] 13,500	[44] 13,500	13,500	(45)		5,730	5,730	6,690	5,730	5,730	6,690
P.L. 88-379, Water Resources Research Act of 1964, as amended, 42 U.S.C. 1961, 78 Stat. 329, Title I:, Section 101, Matching grants.	14-0115 (10-12)	5,000	5,000	5,000	(6)		3,200	3,500	4,000	3,000	3,400	3,500
P.L. 88-379, Water Resources Research Act of 1964, as amended, 42 U.S.C. 1961, 78 Stat. 329, Title II, Additional water resources, Section 200, Research programs	14-0115 (10-12)		10,000		09/30/78			2,290	3,300		2,000	3,000
P.L. 88-379, Water Resources Research Act of 1964, as amended, 42 U.S.C. 1961, 78 Stat. 329, Title II, Additional water resources, Section 200, Technology transfer	14-0115 (10-12)		Not specified.	Not specified	(45)			100	300		100	275
P.L. 88-379, Water Resources Research Act of 1964, as amended, 42 U.S.C. 1961, 78 Stat. 329, Title III, Miscellaneous provisions, Section 304, Scientific information center.	14-0115 (10-12)	Such sums as may be necessary			(6)		1,100	1,100	1,115	1,000	1,000	1,015

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
OFFICE OF WATER RESEARCH AND TECHNOLOGY—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Salaries and expenses—Continued														
P.L. 88-379, Water Resources Research Act of 1964, as amended; 42 U.S.C 1961, 78 Stat. 329, Title III, Miscellaneous provisions, Section 304, Administration.	14-0115 (10-12)	Such sums as may be necessary			...(*)	....(**)	1,423	1,587	1,774		1,400	1,507	1,700	
Total, Salaries and expenses							19,034	25,807	27,154		14,208	20,907	25,148	
Total, Water resources (301)							19,034	25,807	27,154		14,208	20,907	25,148	
Other natural resources (306)														
Consolidated working fund														
P.L. 73-212, Economy Act of 1932, Consolidated working fund.	14-3930 (10-12)	Not specified			No year						124	164		
Total, NATURAL RESOURCES AND ENVIRONMENT (300)							19,034	25,807	27,154		14,332	21,071	25,148	

TOTAL, OFFICE OF WATER RESEARCH AND TECHNOLOGY.						19,094	25,207	27,154	49,095	14,322	21,071	25,148	43,941
POWER MARKETING ADMINISTRATIONS													
ENERGY (270)													
Energy supply (271)													
Operation and maintenance, Southeastern Power Administration													
P.L. 95-91, Department of Energy Organization Act of 1977, Section 302(a), Operating expenses.	14-0302 (19-50)			Annual		1,076	1,197	1,212		996	1,195	1,210	
Operation and maintenance, Southwestern Power Administration													
P.L. 95-91, Department of Energy Organization Act of 1977, Section 302(a), Operating expenses.	14-0303 (19-50)			(3)		26,909	12,777	19,909		18,706	13,284	16,909	
Operation and maintenance, Alaska Power Administration													
P.L. 95-91, Department of Energy Organization Act of 1977, Section 302(a), Operation and maintenance.	14-0304 (19-50)			(3)		1,141	1,271	1,678		1,132	1,179	1,678	
P.L. 95-91, Department of Energy Organization Act of 1977, Section 302(a), General investigations.	14-0304 (19-50)	Not specified.	Not specified.	(3)		749	892	936		661	984	984	
Total, Operation and maintenance, Alaska Power Administration.						1,890	2,163	2,614		1,793	2,163	2,662	
Bonneville Power Administration fund													
P.L. 95-91, Department of Energy Organization Act of 1977, Section 302(a), Operating expenses.	14-4045 (19-50)			Annual						-9,473	31,500	39,000	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
POWER MARKETING ADMINISTRATIONS—CONTINUED														
ENERGY (270)—Continued														
Energy supply (271)—Continued														
Colorado river basins power marketing fund, Western Area Power Administration														
P.L. 95-91, Department of Energy Organization Act of 1977, Title I, Section 302(a), Colorado River Basin.	14-4452 (19-50)				Annual		11,086	3,813	2,366		9,273	2,313	786	
Construction, rehabilitation, operation and maintenance, Western Area Power Administration														
P.L. 95-91, Department of Energy Organization Act of 1977, Section 5, Operations and maintenance.	14-5068 (19-50)				(5)		91,004	89,237	101,252		88,940	89,237	101,252	
Emergency fund, Western Area Power Administration														
P.L. 95-91, Department of Energy Organization Act of 1977, Title I, Section 302(a), Emergency fund.	14-5069 (19-50)				Annual		200		200			200	200	
Total, Energy supply (271)							134,177	109,187	127,478		111,172	159,792	162,789	

Total, ENERGY (270)						184,177	109,167	127,473	111,173	159,792	162,780
TOTAL, POWER MARKETING ADMINISTRATIONS						184,177	109,167	127,473	111,173	159,792	162,780
WATER RESOURCES COUNCIL											
NATURAL RESOURCES AND ENVIRONMENT (300)											
Water resources (301)											
Water resources planning											
P.L. 89-80, Water Resources Planning Act of 1965, as amended, 42 U.S.C. 1962d(b), 79 Stat. 244, Title I Water Resources Council:, Section 101, Administration and Coordination of the Act.	95-0100 (33-95)	2,000	2,000	2,326	09/30/78		1,648	1,156	1,220	2,106	1,864	1,650
P.L. 89-80, Water Resources Planning Act of 1965, as amended, 42 U.S.C. 1962d(a), 79 Stat. 244, Title I Water Resources Council:, Sections 102, 103, 104, Preparation of assessments; drawing and coordinating preparation of regional or river basin plans.	95-0100 (33-95)	[10]10,000	3,905	1,299	09/30/78		4,348	3,631	3,207	2,910	6,448	4,407
P.L. 89-80, Water Resources Planning Act of 1965, as amended, 42 U.S.C. 1962d(a), 79 Stat. 244, Title II River Basin Commissions:, Sections 201 208, River Basin Commissions	95-0100 (33-95)	[11]6,000	[12]6,000	2,896	09/30/78	[13]( )	2,500	2,201	2,896	2,428	3,073	2,896
P.L. 89-80, Water Resources Planning Act of 1965, as amended, 42 U.S.C. 1962d(a), 79 Stat. 251, Title III Financial Assistance to States:, Section 301, Planning Grants to States	95-0100 (33-95)	5,000	5,000	5,000	09/30/78		5,000	5,000	5,000	5,211	5,014	5,000
P.L. 92-500, Federal Water Pollution Control Act amendments, 33 U.S.C. 1269, 86 Stat. 843, Comprehensive plan for all basins in the United States.	95-0100 (33-95)	[14]200,000	[14]200,000	[14]200,000	01/01/80		3,269	3,006	1,047	1,966	2,606	1,679
Total, Water resources planning							16,665	15,996	11,560	12,413	16,705	15,606

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON WATER AND POWER RESOURCES—Continued														
Water Resources Council—Continued														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Water resources (301)—Continued														
Consolidated working fund														
Federal Water Pollution Control Act Amendments; 86 Stat. 816; Public Law 92-500; 33 U.S.C. 1257., Consolidated Working Fund	96-9901 (23-95)	Not specified			...(*)						1			
River Basin Commissions Great Lakes Basin Commission, Ann Arbor, Michigan														
P.L. 89-80, Water Resources Planning Act of 1965, as amended, 42 U.S.C 1962b-3(a), 79 Stat. 250, Title II River Basin Commissions, Section 207A, River Basin Commissions Trust Funds.	96-9971 (23-95)	...do			...(*)	Upon completion	5,731	6,016	5,623		5,555	6,000	6,000	
Total, Water resources (301)							19,206	21,713	17,183		17,970	26,573	19,670	
Total, NATURAL RESOURCES AND ENVIRONMENT (300)							19,206	21,713	17,183		17,970	26,573	19,670	

TOTAL, WATER RESOURCES COUNCIL							19,206	21,712	17,168		17,970	26,575	19,670	
Total, SUBCOMMITTEE ON WATER AND POWER RESOURCES							1,166,715	850,163	794,255	979,579	909,304	1,011,146	818,207	886,768
SUBCOMMITTEE ON MINES AND MINING														
GEOLOGICAL SURVEY														
ENERGY (370)														
Energy supply (371)														
Exploration of national petroleum reserve in Alaska														
P.L. 94-258, Naval Petroleum Reserves Production Act of 1976, Section 104, Exploration of National Petroleum Reserve in Alaska, (1) Evaluation and assessment	14-0805 (10-28)		Not specified.	Not specified.	(*)			192,742	181,400			176,185	182,967	
P.L. 94-258, Naval Petroleum Reserves Act of 1976, Section 104, Exploration of National Petroleum Reserve in Alaska, (2) Barrow Area gas operation, exploration and development	14-0805 (10-28)		do	do	(*)			14,789	1,771			13,526	1,796	
P.L. 94-258, Naval Petroleum Reserves Production Act of 1976, Section 104, Exploration of National Petroleum Reserve in Alaska, (3) Environmental restoration	14-0805 (10-28)		do	do	(*)			2,000	2,377			1,830	2,397	
Total, *Exploration of national petroleum reserve in Alaska*								209,541	185,548			191,541	187,160	
Total, Energy supply (371)								209,541	185,548			191,541	187,160	
Total, ENERGY (370)								209,541	185,548	209,541		191,541	187,160	211,143

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON MINES AND MINING—Continued														
GEOLOGICAL SURVEY—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Water resources (301)														
Payments from proceeds, sale of water														
30 U.S.C. 229A (43 Stat. 977) 43 U.S.C. 500 (39 Stat. 895 and 45 Stat. 1144)., Payments from Proceeds, Sale of Water.	14–5069 (10–28)	Not specified			(*)		2							
Other natural resources (303)														
Surveys, investigations and research														
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 87-626, secs. 1,2; 43 U.S.C. 31, 1. Alaska Pipeline Related Investigations.	14–0804 (10–28)	do			(*)		333	345			207	340	50	
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 87-626, secs. 1,2; 43 U.S.C. 31, 2. Topographic Surveys and Mapping.	14–0804 (10–28)	do			(*)		50,282	59,689	61,052		48,200	59,000	60,400	
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 87-626, secs. 1,2; 43 U.S.C. 31, 3. Geologic and Mineral Resource Surveys and Mapping.	14–0804 (10–28)	do			(*)		100,081	124,341	130,158		95,800	123,000	128,700	
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 87-626, secs. 1,2; 43 U.S.C 31, 4. Water Resources Investigations.	14–0804 (10–28)	do			(*)		69,560	81,395	85,795		65,700	80,500	87,600	

Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 97-638, secs. 1,2; 43 U.S.C. 31, 5. Conservation of Lands and Minerals.	14–0804 (10–20)	.....do	.....(*)		66,121	77,486	82,834		64,400	76,700	81,850	
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 97-638, secs. 1,2; 43 U.S.C. 31, 6. Land Information and analysis.	14–0804 (10–20)	.....do	.....(*)		17,708	18,166	20,078		17,000	17,900	19,800	
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 97-638, secs. 1,2; 43 U.S.C. 31, 7. General administration.	14–0804 (10–20)	.....do	.....(*)		3,761	3,696	3,696		3,600	3,634	3,636	
Organic Act, March 3, 1879, 20 Stat. 394, as amended, P.L. 97-638, secs. 1,2; 43 U.S.C. 31, 8. Facilities.	14–0804 (10–20)	.....do	.....(*)		9,679	11,764	11,765		9,100	11,600	11,600	
P.L. 94-258, Naval Petroleum Reserves Production Act of 1976, 9. National Petroleum Reserve.	14–0804 (10–20)	.....do	.....(*)		2,086				1,979	100		
Total, Surveys, investigations and research					320,433	376,749	398,363		398,086	372,774	398,886	
Consolidated working fund												
43 U.S.C. 45, Consolidated Working Fund.	14–9908 (10–20)	Not specified	.....(*)						-2,686			
Total, Other natural resources (908)					320,433	376,749	398,363		398,400	372,774	398,886	
Total, NATURAL RESOURCES AND ENVIRONMENT (900).					320,435	376,749	398,363		398,400	372,774	398,886	
TOTAL, GEOLOGICAL SURVEY					320,435	506,290	563,911	607,904	398,400	564,315	580,986	604,981

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1978: 1978 estimate	President's Budget for FY 1978: 1979 estimate	Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1978: 1978 estimate	President's Budget for FY 1978: 1979 estimate	Committee recommendation 1979
SUBCOMMITTEE ON MINES AND MINING—Continued														
Bureau of Mines														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Other natural resources (306)														
Drainage of anthracite mines														
P.L. 84-168 as amended by P.L. 87-819; 30 U.S.C. 572, 576; 69 Stat. 353, Sections 2,6, Drainage of anthracite mines.	14-0856 (10-32)	.....(20).....	.....(20).....	.....(20).....	.....(1).....	.....(20).....	.....	.....	.....	.....	.....	50	50	.....
Mines and minerals														
Organic Act,Bureau of Mines, P.L. 61-179 as amended by P.L. 62-806; 30 U.S.C. 1-11, Sections 2, 3, Bureau of Mines Natural Resources Program.	14-0850 (10-32)	Not specified.....			.....(1).....	.....	84,576	82,980	67,477		77,576	78,182	82,045	
P.L. 92-267, 86 Stat. 123 as amended by P.L. 93-26, Sections 1,2, Construction of Metallurgy Research Center.	14-0859 (10-32)	20,250	20,250	20,250	.....(1).....	.....	9,250	.....	.....	.....	.....	5,000	2,250	.....
Mining and Mineral Policies Act, P.L. 91-631; 30 U.S.C. 21A; 84 Stat. 1876, Section 2, Control of coal mine fires.	14-0859 (10-32)	Not specified.....			.....(1).....	.....(20).....	.....	.....	.....	.....	.....	.....	.....	.....

Control of Coal Mine Fires, P.L. 83-738; 30 U.S.C. 551-556; 68 Stat. 1009,1011, Sections 3,8, Control of coal mine fires.	14-0859 (10-32)	500	500	500	....(5).....	.....	248	253	.....		250	253	.....
P.L. 88-577, Wilderness Act, 16 U.S.C. 1131-1136, 78 Stat. 890, Title V, Section 4, Wilderness mineral evaluation.	14-0859 (10-32)	Not specified	.....	.....	....(5).....	....(24).....	3,105	3,674	3,401		2,548	2,708	3,000
Total, *Mines and minerals*	.....	.....	.....	.....	.....	.....	96,990	87,917	70,878		80,274	86,139	87,304
Consolidated working fund													
Consolidated Working Fund, Natural Resources Program.	14-3809 (10-32)	Not specified	.....	.....	....(5).....	.....	.....	.....	.....		558	782	610
Helium fund													
Helium Act, P.L. 86-777; 50 U.S.C. 167 167N; 74 Stat. 918, Sections 3,4,12, Helium Fund.	14-4053 (10-32)	47,500	47,500	47,500	....(25).....	....(24).....	.....	.....	47,500		-296	3,316	1,362
Contributed funds													
Contributed Funds, Natural Resources Program.	14-8287 (10-32)	Not specified	.....	.....	....(5).....	.....	452	800	800		684	800	800
Total, Other natural resources (306)	.....	.....	.....	.....	.....	.....	97,442	88,717	119,178		81,215	91,036	90,136
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....	.....	.....	.....	.....	97,442	88,717	119,178		81,215	91,036	90,136
TOTAL, BUREAU OF MINES	.....	.....	.....	.....	.....	.....	97,442	88,717	119,178		81,215	91,036	90,136
Total, SUBCOMMITTEE ON MINES AND MINING.	.....	.....	.....	.....	.....	.....	417,877	675,007	708,089	727,082	363,715	655,403	671,114	695,107

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands) FY 1977	Authorization (dollars in thousands) FY 1978	Authorization (dollars in thousands) FY 1979	Authorization termination date	Required reports	Budget authority (dollars in thousands) FY 1977 (actual)	Budget authority (dollars in thousands) President's Budget for FY 1979 1978 estimate	Budget authority (dollars in thousands) President's Budget for FY 1979 1979 estimate	Budget authority (dollars in thousands) Committee recommendation 1979	Outlays (dollars in thousands) FY 1977 (actual)	Outlays (dollars in thousands) President's Budget for FY 1979 1978 estimate	Outlays (dollars in thousands) President's Budget for FY 1979 1979 estimate	Outlays (dollars in thousands) Committee recommendation 1979
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS														
BUREAU OF INDIAN AFFAIRS														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Conservation and land management (302)														
Operation of Indian programs (Elementary, secondary, and vocational education)														
Forest Management, 25 U.S.C. 406; Snyder Act, 25 U.S.C. 13; Mineral Lands, 25 U.S.C. 399; Mining Lands, 25 U.S.C. 396., Forestry and Agriculture, Minerals and Mining, Irrigation and Power (Forestry; Agriculture; Irri-Power; Minerals; Mining.)	14-2100 (10-76)	Not specified			(*)		45,586	77,341	70,308		45,788	74,343	70,091	
COMMUNITY AND REGIONAL DEVELOPMENT (450)														
Area and regional development (452)														
Operation of Indian programs (Elementary, secondary, and vocational education)														
Snyder Act, 25 U.S.C. 13; Indian Self Determination and Education Assistance Act: P.L. 93-638, Indian Services: Aid to Tribal Government; Social Services; Law Enforcement, etc.	14-2100 (10-76)	do			(*)		159,118	176,408	194,656		159,980	170,596	194,007	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendations 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendations 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF INDIAN AFFAIRS—CONTINUED														
COMMUNITY AND REGIONAL DEVELOPMENT (450)—Continued														
Area and regional development (452)—Continued														
Liquidation of Hoonah Housing Project revolving fund														
Transfer from Housing and Home Finance Agency, Aug. 20, 1958, Public Law 85-904, Liquidation of Hoonah Housing Project Revolving Fund.	14-4320 (10-76)	Not specified			(1)						-3	3	13	
Revolving fund for loans														
Revolving Fund, 25 U.S.C. 482; Indian Financing Act of 1974, Public Law 93-262., Revolving Fund for Loans	14-4409 (10-76)	do			(1)						6,869	9,200	5,600	
Indian loan guaranty and insurance fund														
Indian Financing Act of 1974, Public Law 93-262., Indian Loan Guaranty and Insurance Fund.	14-4410 (10-76)	do			(1)		15,000				1,450	1,200	2,200	

Miscellaneous permanent appropriations (Area and regional development)										
Act of Feb. 19,1931; Act of Nov. 11, 1974; Treaty of Sept. 24, 1857; Act of Mar. 3, 1909, Miscellaneous Appropriations: Claims and Treaty Obligations	14–9925 (10–76)	.....do	.....(5)		500	200	200	500	200	200
Maintenance Charges, 25 U.S.C. 385, Revenue from Power, 60 Stat 895 and 65 Stat 254, Operation and Maintenance of Indian Irrigation Systems; Power Systems, Indian Irrigation Projects	14–9925 (10–76)	.....do	.....(5)		16,806	15,430	17,000	16,714	14,600	16,000
Total, *Miscellaneous permanent appropriations (Area and regional development).*	.....	.....	.....	.....	17,300	15,630	17,200	17,207	14,800	16,200
Miscellaneous trust funds (Area and regional development)										
Tribal Funds, 25 U.S.C. 123, 155 and 451., Trust Funds	14–9972 (10–76)	Not specified	.....(5)		273,306	280,000	279,800	282,343	284,284	283,800
Total, Area and regional development (452)	.....	.....	.....	.....	765,718	925,710	974,837	706,611	798,487	880,165
Total, COMMUNITY AND REGIONAL DEVELOPMENT (450).	.....	.....	.....	.....	765,718	925,710	974,837	706,611	798,487	880,165
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES (500)										
Elementary, secondary, and vocational education (501)										
Operation of Indian programs (Elementary, secondary, and vocational education)										
Snyder Act, 25 U.S.C. 13; Johnson-O'Malley Act, 25 U.S.C. 452; Indian Self Determination and Education Assistance, P.L. 93-638, School operations.	14–2100 (10–76)	Not specified	.....(5)		166,296	169,870	186,769	167,181	170,696	186,117
Snyder Act, 25 U.S.C. 13; Johnson-O'Malley Act, 25 U.S.C. 452; Indian Self Determination and Education Assistance, P.L. 93-638, Assistance to public schools.	14–2100 (10–76)	.....do	.....(5)		31,452	34,758	33,998	31,696	33,772	33,758

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF INDIAN AFFAIRS—CONTINUED														
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES (500)—Continued														
Elementary, secondary, and vocational education (501)—Continued														
Operation of Indian programs (Elementary, secondary, and vocational education)—Continued														
Snyder Act 25, U.S.C. 13; Johnson-O'Malley Act, 25 U.S.C. 452; Indian Self Determination and Education Assistance, P.L. 93-638, Continuing education.	14-2100 (10-76)	Not specified			(*)		36,952	41,312	41,406		39,163	40,145	41,268	
Total, *Operation of Indian programs (Elementary, secondary, and vocational education).*							236,700	259,935	271,041		237,980	252,610	270,138	
Total, Elementary, secondary, and vocational education (501).							236,700	259,935	271,041		237,980	252,610	270,138	
Total, EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES (500).							236,700	259,935	271,041		237,980	252,610	270,138	

GENERAL GOVERNMENT (800)												
Other general government (808)												
Miscellaneous permanent appropriations (Area and regional development)												
Alaska Native Claims Settlement Act, Public Law 92 203., Alaska Native Fund	14-9925 (10-76)	Not specified		(5)			$30,000	$30,000	$30,000		$30,000	$30,000	$30,000	
TOTAL, BUREAU OF INDIAN AFFAIRS							1,077,954	1,292,986	1,346,181	1,384,181	1,020,374	1,150,340	1,230,394	1,268,394
JOINT FEDERAL-STATE LAND USE PLANNING COMMISSION FOR ALASKA														
COMMUNITY AND REGIONAL DEVELOPMENT (450)														
Area and regional development (452)														
Salaries and expenses														
Alaska Native Claims Settlement Act, P.L. 92-203 (85 Stat. 688, 43 U.S.C. 1616), as amended, Section 17(A)(9)(A), Land-Use Planning Activities (Federal Contribution)	48-0058 (33-11)	Not specified		09/30/79		(36)	737	712	594		545	891	642	
Cooperative funds														
Alaska Native Claims Settlement Act, P.L. 92-203 (85 Stat. 688, 43 U.S.C. 1616), as amended, Section 17(A)(9)(A), Land-Use Planning Activities (State Cash Contribution)	48-8061 (33-11)	do				(36)	645	586	431		707	588	504	
Total, Area and regional development (452)							1,382	1,298	1,025		1,252	1,479	1,346	
Total, COMMUNITY AND REGIONAL DEVELOPMENT (450).							1,382	1,298	1,025		1,252	1,479	1,346	
TOTAL, JOINT FEDERAL-STATE LAND USE PLANNING COMMISSION FOR ALASKA.							1,382	1,298	1,025		1,252	1,479	1,346	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
OTHER TEMPORARY COMMISSIONS														
GENERAL GOVERNMENT (800)														
Other general government (806)														
Navajo and Hopi Indian Relocation Commission: Salaries and expenses														
Public Law 93-531; 88 Stat. 1712, Sections 12-15, Navaho and Hopi Relocation Commission Activities.	48-1100 (33-12)	.....(**)	.....(**)	.....(**)	.....(**)	.....	400	2,455	13,129		1,219	10,794	13,196	
INDIAN CLAIMS COMMISSION														
ADMINISTRATION OF JUSTICE (750)														
Federal litigative and judicial activities (752)														
Salaries and expenses														
Act of Aug. 13,1946, as amended (60 Stat. 1049; 25 U.S.C. 70), Section 2, Hearing and Adjudication of Indian Claims.	95-0100 (31-06)	1,650	2,250	.....	09/30/78	.....	1,560	1,570	0		1,569	1,567	67	

Human Development Services													
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES (500)													
Social services (506)													
Human development services													
Economic Opportunity Act, as amended, Title VIII, Section 803, Native Americans Programs	75-1636 (09-80)	Such sums as may be necessary			09/30/78 [10]		33,000	33,000	33,000		26,400	33,468	33,550
Health Services Administration													
HEALTH (550)													
Health care services (551)													
Indian health services													
Public Health Service Act, P.L. 78-410 as amended, Title III, Section 301, Part A, Indian Health Service Patient Care (Research, Maintenance & Repair, Patient Care and Escort Travel for Patient Care)	75-0390 (09-15)	.....do.....			.....[9].....		11,153	11,153	11,153		10,372	10,372	10,372
Public Health Service Act, P.L. 78-410 as amended, Title V, Section 509, Indian Health Service (Space Rental, Books, Printing, Uniforms for Patient Care)	75-0390 (09-15)	.....do.....			.....[9].....		1,967	1,967	1,967		1,829	1,829	1,829
P.L. 94-437, Indian Health Care Improvement Act, Titles I, II, V	20-0390 (09-15)	Not specified			.....[9].....		332,772	426,649	459,732		313,337	404,707	450,755
Total, Indian health services	.....	.....			.....	.....	345,892	439,769	472,852	521,402	325,538	416,908	462,956	511,506
Indian health facilities													
Snyder Act of 1921, as amended by Public Law 83-568; 68 Stat. 656; The Indian Transfer Act of 1954, Section 1, Indian Hospitals (Construction)	75-0391 (09-15)	.....[10].....	67,180	73,256	09/30/84 [10]	.....	33,450	43,760	19,715		28,714	36,442	39,502
Snyder Act of 1921, amended by P.L. 83-568; 68 Stat 656; The Indian Transfer Act of 1954, Section 1, Outpatient Care Facilities (Construction).	75-0391 (09-15)	.....	6,260	6,226	09/30/84 [10]	.....	2,520	4,770	0		1,007	2,697	4,268
Snyder Act of 1921, as amended by P.L. 83-568; 68 Stat 656; The Indian Transfer Act of 1954, Section 1, Personnel Quarters (Construction).	75-0391 (09-15)	.....	1,242	21,725	09/30/84 [10]	.....	730	867	0		705	1,595	1,607

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Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

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		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
HEALTH SERVICES ADMINISTRATION—CONTINUED														
HEALTH (550)—Continued														
Health care services (551)—Continued														
Indian health facilities—Continued														
Snyder Act of 1921, as amended by P.L. 83-568; 68 Stat 656; The Indian Transfer Act of 1954, Section 4 (as amended by Public Law 86-121, The Sanitary Facilities Construction Act), Sanitary Facilities	75-0391 (09-15)	.....	103,987	99,000	09/30/84 [20]	.....	125,848	21,840	50,240		42,995	73,887	50,212	
Total, Indian health facilities	.....	.....	.....	.....	.....	.....	162,538	71,257	69,955	131 07	68,421	114,611	95,587	131,307
Total, Health care services (551)	.....	.....	.....	.....	.....	.....	508,430	511,026	542,807		393,959	531,519	556,543	
Total, HEALTH (550)	.....	.....	.....	.....	.....	.....	508,430	511,026	542,807		393,959	531,519	556,543	
TOTAL, HEALTH SERVICES ADMINISTRATION	.....	.....	.....	.....	.....	.....	508,430	511,026	542,807		393,959	531,519	556,543	

LEGAL ACTIVITIES												
ADMINISTRATION OF JUSTICE (750)												
Federal law enforcement activities (751)												
Salaries and expenses, General Legal Activities												
18 USC 1094; 28 USC 2410; 33 USC 403; 49 USC 1723, Land matters, Indian claims	15-0128 (11-05)						1,569	1,803	1,813	1,432	1,799	1,808
18 USC 1094; 28 USC 2410; 33 USC 403; 49 USC 1723, Land matters, Indian resources	15-0128 (11-05)						431	509	522	418	508	520
Total, Salaries and expenses, General Legal Activities.							2,000	2,312	2,335	1,850	2,307	2,328
Total, Federal law enforcement activities (751).							2,000	2,312	2,335	1,850	2,307	2,328
Total, ADMINISTRATION OF JUSTICE (750).							2,000	2,312	2,335	1,850	2,307	2,328
TOTAL, LEGAL ACTIVITIES							2,000	2,312	2,335	1,850	2,307	2,328
BUREAU OF LAND MANAGEMENT												
NATURAL RESOURCES AND ENVIRONMENT (300)												
Conservation and land management (302)												
Management of lands and resources												
R. S. 2318: 17 Stat. 9100, Mining Law of 1872, as amended, 30 U.S.C. 22., Energy and Minerals, Classification and patenting of locatable minerals	14-1109 (10-04)	Not specified.	Not specified.	4,100	09/30/82	None	1,613	2,607	3,860	1,375	2,467	3,971
P.L. 94-579, Federal Land Policy and Management Act of 1976, 43 U.S.C. 1732, 90 Stat. 2763, Energy and Minerals, Sale of certain common minerals.	14-1109 (10-04)	.....do.....	.....do.....	1,900	09/30/82	.....do.....						

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Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

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		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—Continued														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Management of lands and resources—Continued														
P.L. 66-146, Mineral Lands Leasing Act of 1920, as amended, 30 U.S.C. 181, 41 Stat. 437, Section 302, Energy and Minerals, Classification and leasing of certain minerals.	14-1109 (10-04)	Not specified.	Not specified.		09/30/82	None								
P.L. 80-291, 61 Stat. 681, Materials Act of 1947 as amended; 30 U.S.C. 601, 602, Energy and Minerals, Disposal of specified surface materials for other than commercial surface and industrial uses.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....								
P.L. 84-167, 69 Stat. 367, Multiple Surface Use Act of 1955, as amended; 30 U.S.C. 601, 602, 611, 615, Energy and Minerals, Multiple use of surface on same tract.	14-1109 (10-04)	.....do.....	.....do.....	$2,100	09/30/82	.....do.....	27,177	34,337	33,776		27,305	32,508	33,720	

P.L. 91-190, National Environmental Policy Act of 1969, 42 U.S.C. 4321 (4331-4335, 4341-4347), Energy and Minerals, Preparation of environmental impact statements.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....						
P.L. 94-258, Naval Petroleum Reserves Production Act of 1976, Energy and Minerals	14-1109 (10-04)	.....	.....		09/30/82	.....						
P.L. 91-581, Geothermal Steam Act of 1970; 30 U.S.C. 1001, Energy and Minerals, Leasing for development of geothermal energy.	14-1109 (10-04)	Not specified.	Not specified.	2,500	09/30/82	None	2,474	2,583	2,585	2,120	2,445	2,660
P.L. 83-212, Outer Continental Shelf Lands Act of 1953, as amended; 67 Stat. 462, 43 U.S.C. 1331-1343, Energy and Minerals, Extending jurisdiction of United States to Outer Continental Shelf; provides for the granting of leases.	14-1109 (10-04)	.....do.....	.....do.....	67,700	09/30/82	.....(87).....	58,050	57,892	39,296	48,558	54,600	40,535
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 48 Stat. 1269, 43 U.S.C. 315, Lands and Realty Management, Promotes highest use of public lands in established grazing districts; classify for disposal, regulates use of national resources lands.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	None						
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1713, 1733, 1761-1771, 90 Stat. 2743, sec. 302, Title V, Sections 501-511, Lands and Realty Management, Authorizes grants of permits, leases or easements	14-1109 (10-04)	.....(88).....	.....(88).....		09/30/82	.....do.....						
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, Act of 1937; 43 U.S.C. 1181, 50 Stat. 874, Lands and Realty Management, Classification of lands more suitable for other-than-forestry purposes.	14-1109 (10-04)	Not specified.	Not specified.		09/30/82	.....						
P.L. 66-146, Mineral and Lands Leasing Act of 1920, as amended; 30 U.S.C. 181, 41 Stat. 437, Lands and Realty Management, Classification and leasing of certain minerals.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....						

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AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Management of lands and resources—Continued														
P.L. 86-507, Mining Claims Rights Restoration Act of 1955; 30 U.S.C. 621, Lands and Realty Management, Withdrawal of lands for power development.	14-1109 (10-04)	Not specified.	Not specified.		09/30/82	None								
P.L. 37, Tramroads Act of 1896, as amended, 43 U.S.C 956, 29 Stat. 634, Lands and Realty Management, Rights-of-way on public lands for tramroads, etc.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....	29,052	26,345	27,281		29,334	24,936	26,069	
Ch 262, Federal Highway Grant Act of 1866; 43 U.S.C. 932, 14 Stat. 289., Lands and Realty Management, Rights-of-way on public land for highways.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....								
P.L. 69-386, Recreation and Public Purposes Act of 1926, as amended; 43 U.S.C. 1869, 44 Stat. 741, Lands and Realty Management, Disposal of lands to State and local jurisdictions and nonprofit corporations for public purposes.	14-1109 (10-04)	.....do.....	.....do.....	28,000	09/30/82	None								

Ch. 107, 19 Stat. 377, Desert lands Act of 1877, as amended, 43 U.S.C. 321 39., Lands and Realty Management, Classification for entry on desert lands.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....							
Public Law 92 203, Alaska Native Claims Settle. Act of 1971, 43 U.S.C. 1601 Et Seq.:, Lands and Realty Management, Alaska native claims selections.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....							
Public Law 91 190 National Environ. Policy Act of 1969, 42 U.S.C. 4321, (4331 4335, 4341 47)., Lands and Realty Management, Preparation of environmental impact statements.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....							
Public Law 93 153, Title II, Trans-Alaska Pipeline Act of 1973, 43 U.S.C. 1651., Lands and Realty Management, Rights-of-way and monitoring for trans-Alaska pipeline.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....	5,761	0	.....	4,916	0	.....	
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1732, 1751-1753, 90 Stat. 277, Range Management, Range Management, rehabilitation, protection, improvement, planning, and administration on the basis of sustained yield.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....							
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315, 48 Stat. 1269, Range Management, Management of grazing lands.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	None							
P.L. 91-190, National Environmental Policy Act of 1969; 42 U.S.C. 4321, (4331-4335, 4341-4347), Range Management, Environmental impact statement preparation.	14-1109 (10-04)	.....do.....	.....do.....	27,200	09/30/82	.....do.....	20,604	28,206	28,226	17,591	28,000	29,041	
P.L. 75-210, Bankhead-Jones Farm Tenant Act of 1937, as amended, 7 U.S.C. 1012-1012a, 50 Stat. 522, Range Management, Management of marginal lands not yet disposed.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....				-			
P.L. 92-195, Wild Free-Roaming Horses and Burro Act; 16 U.S.C. 1331-1340, Range Management, Manage and protect wild horses and burros.	14-1109 (10-04)	.....do.....	.....do.....	3,100	09/30/82	None	2,631	3,130	3,131	2,227	3,104	3,221	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—Continued														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Management of lands and resources—Continued														
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, Act of 1937, 43 U.S.C. 1181, 50 Stat. 874, Timber Management, Management of timber on O. & C. lands.	14-1109 (10-04)	Not specified.	Not specified.		1,300	09/30/82	.....							
P.L. 73-482, Taylor Grazing Act of 1934, as amended, 43 U.S.C. 315, 48 Stat. 1269, Timber Management, Regulate use of natural resources.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	None							
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1732, 90 Stat. 2762, sec. 302, Timber Management, Management, protection, and marketing of timber resources on a sustained yield basis.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....							
P.L. 67-915, Timber Protection Act of 1922, 16 U.S.C. 594, 42 Stat. 857, Timber Management, Protection of timber from disease, beetles and other insects.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....	6,441	9,098	9,105	6,300	8,612	9,268	

P.L. 86-649, Public Lands Administration Act of 1960; 43 U.S.C. 1361-1362., Timber Management, Improvement, management, use, and protection of public lands.	14-1109 (10-04)	.....do.....	.....do.....		7,500	09/30/82	.....						
P.L. 91-190, National Environmental Policy Act of 1969; 43 U.S.C. 4321, (4331-4335, 4341-4347), Timber Management, Preparation of environmental impact statements.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	None						
P.L. 89-291, Materials Act of 1947, as amended; 30 U.S.C. 601, 602, 61 Stat. 681, Timber Management, Disposal of vegetative materials, including timber on public lands.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315, 48 Stat. 1269, Soil and Water Resources, Study erosion control and perform necessary developments for water supply.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 91-190, National Environmental Policy Act of 1969; 43 U.S.C. 4321, (4331-4335, 4341-4347), Soil and Water Resources, Preparation of environmental impact statements.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 74-46, Soil Conservation and Domestic Allotment Act of 1935, as amended; 16 U.S.C. 590a et.seq., Soil and Water Resources, Prevention and control of erosion on grazing and forest lands.	14-1109 (10-04)	.....do.....	.....do.....		17,600	09/30/82	.....	11,581	11,935	15,594	11,200	11,297	15,972
P.L. 83-567, Inspection of dams; 33 U.S.C. 467, Soil and Water Resources, Inspection of dams on public lands.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	None						
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1731, 90 Stat. 2762, sec. 403, Soil and Water Resources, Management to protect the quality of the ecological, environmental, air, water resources, and prompt development of plans and regulations for protection of public land areas of critical environmental concern.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Management of lands and resources—Continued														
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1732, 1781, 90 Stat. 2743, sess. 302, Recreation Management, Manage and protect public lands in a manner to provide for outdoor recreation and human occupancy and vacancy, including the California desert conservation area.	14-1109 (10-04)	.....(**).....	.....(**)....		09/30/82	None								
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, Act of 1937; 43 U.S.C. 1181, 50 Stat. 874, Recreation Management, Recreation management on O.&C. lands.	14-1109 (10-04)	Not specified.	Not specified.		09/30/82	.....do.....								
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315(315i), 48 Stat. 1269, Recreation Management, Regulate the use of natural resources.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....								

P.L. 59-209, Antiquities Act of 1906; 16 U.S.C. 432, 34 Stat. 225, Recreation Management, Issuance of permits for examination of ruins.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 91-190, National Environmental Policy Act of 1969; 42 U.S.C. 4321, (4331-4335, 4341-4347), Recreation Management, Preparation of environmental impact statements.	14-1109 (10-04)	.....do.....	.....do.....		10,600	09/30/82	.....do.....	5,389	7,807	7,813		5,300	7,800	8,067
P.L. 90-542, Wild and Scenic Rivers Act of 1968, as amended; 16 U.S.C. 1271, Recreation Management, Aquisition and development of recreation on certain rivers under BLM jurisdiction.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 90-401, Land and Water Conservation Fund Act of 1965, amendment, 16 U.S.C. 460l-5, Acquisition and exchange of lands for public recreational use.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 90-543, National Trails Systems Act of 1968; 16 U.S.C. 1241-1249, Recreation Management, Establishment of the National Trails System.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 91-476, King Range Act of 1970; 16 U.S.C. 460l, Recreation Management, Acquisition and exchange of King Range acreages.	14-1109 (10-04)	.....(22).....	.....(22).....	.....(22).....		09/30/78	.....do.....						
P.L. 88-577, Wilderness Act of 1964; 16 U.S.C. 1131 et seq., 78 Stat. 890, Recreation Management, Designation of areas as wilderness areas.	14-1109 (10-04)	Not specified.	Not specified.		9,500	09/30/82	.....do.....	700	1,924	9,736		700	1,821	10,017
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1731, 90 Stat. 2762, sec. 302, Wildlife Management, Management and protection of public lands to provide food and habitat for fish and wildlife.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						
P.L. 91-190, National Environmental Policy Act of 1969; 42 U.S.C. 4321, (4331-4335, 4341-4347), Wildlife Management, Preparation of environmental impact statements.	14-1109 (10-04)	.....do.....	.....do.....			09/30/82	.....do.....						

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Management of lands and resources—Continued														
P.L. 94-389; 16 U.S.C. 673d, Wildlife Management, Providing for Federal participation in preserving the Tule elk population in California.	14-1109 (10-04)	Not specified.	Not specified.		09/30/82	.....								
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315, 48 Stat. 1269, Wildlife Management, Regulate the use of natural resources on public lands.	14-1109 (10-04)	.....do.....	.....do.....	9,900	09/30/82	None	6,196	6,561	8,120		6,100	6,560	8,354	
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, as amended; Act of 1937; 43 U.S.C. 1181, Wildlife Management, Wildlife management on O.&C. lands.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....								
P.L. 70-770, Migratory Bird Conservation Act of 1929, as amended; 16 U.S.C. 715, Wildlife Management, Consider areas of lands and water for migratory birds.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....								

Public Law 93-452, Sikes Act of 1974, 16 U.S.C. 670A-E., Wildlife Management, Conservation, restoration, and management of migratory game birds.	14-1109 (10-04)	....(a).....	....do.....		09/30/82	....do.....					
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1732, 1733, 90 Stat. 2792, as, Fire Protection, Protection of public lands and resources from destruction by fire.	14-1109 (10-04)	Not spcified.	....do.....	12,000	09/30/82	....do.....	8,394	8,640	8,647	7,266	8,178	8,896
P.L. 67-315, Timber Protection Act of 1922, 16 U.S.C. 594, 42 Stat. 857, Fire Protection, Preserve timber from fire.	14-1109 (10-04)	Sums necessary.	Sums necessary.		09/30/78	....do.....						
P.L. 94-579, Federal Land Policy and Management Act of 1976, 90 Stat. 2792, secs. 302, 312, Firefighting and rehabilitation, Management and protection of public lands.	14-1109 (10-04)	Not specified.....			.....	....do.....						
Public Law 84-46, Reciprocal Fire Protection Agreement Act of 42 U.S.C. 1856A D., Firefighting and Rehabilitation, Improvement, Management, Use and Protection of Public Lands and Resources.	14-1109 (10-04)	....do.....			.....	....do.....						
P.L. 73-482, Taylor Grazing Act of 1934, as amended: 43 U.S.C. 315, 48 Stat. 1269, Firefighting and rehabilitation, Protection and rehabilitation of public lands.	14-1109 (10-04)	....do.....			.....	....do.....	29,750	4,750	30,000	23,285	4,750	30,000
Public Law 86-649, Public Lands Administration Act of 1960, 43 U.S.C. 1361, 1362., Firefighting and Rehabilitation, Agreements with Other Agencies for Purposes of Firefighting on Lands Under Various Public Jurisdictions.	14-1109 (10-04)	....do.....			.....	.....						
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1711, 1732, 90 Stat. 2792, secs. 201-b, 302, Cadastral Survey, Necessary duties pertaining to survey and sale of public lands.	14-1109 (10-04)	....do.....	....do.....		09/30/82	None						
R.S. 2218: Public Law 199, Act of 1934 Regarding Completion of Surveys and Delivery to States, 43 U.S.C. 54., Cadastral Survey, Completion of surveys and conveyance to States.	14-1109 (10-04)	....do.....	....do.....	[c]9,000	09/30/82	....do.....	7,275	8,195	9,453	6,221	7,757	9,735

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—Continued														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Management of lands and resources—Continued														
R.S. 2478, 1946 Reorganization Plan No. 3, 43 U.S.C. 1201., Cadastral Survey, Transferred responsibility for survey of public lands to Interior.	14-1109 (10-04)	Not specified.	Not specified.		09/30/82	.....								
P.L. 85-508, Alaska Act of Admission, as amended; 48 U.S.C. ch 2, nt, Cadastral Survey, Survey of lands for State Selection.	14-1109 (10-04)	.....do.....	.....do.....	[1]11,000	09/30/82	None								
P.L. 92-203, Alaska Native Claims Settlement Act of 1971; 43 U.S.C. 1612, Cadastral Survey, Survey of Alaska Native lands for conveyance to Alaska Native associations.	14-1109 (10-04)	.....do.....	.....do.....		09/30/82	.....do.....	9,979	10,086	11,091		8,526	9,549	11,411	
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1711, 1731, 1732, 90 Stat. 2792, secs. 201, 202, 301, 302, 601, Planning and Data Management, Planning for multiple-use management and administration., 1. Planning for multiple-use.	14-1109 (10-04)	.....([2]).....	.....([2]).....	9,900	09/30/82	.....do.....	9,422	9,940	9,950		9,300	9,409	10,237	

P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1711, 1731, 17ɑ-ƒ, 90 Stat. 2792, secs. 201, 202, 301, 302, 601, Planning and Data Management, Planning for multiple-use management and administration., 2. Data Management.	14-1109 (10-04)	.....(44).....	.....(44).....	17,000	09/30/82	.....do.....	9,711	12,897	12,902		9,500	13,306	13,275
P.L. 94-258, Naval Petroleum Reserve in Alaska; 42 U.S.C. 6501, Section 105(c), Planning and Data Management, Naval Petroleum Reserve in Alaska.	14-1109 (10-04)	Sums necessary.....			09/30/78	.....	3,646	2,755	890		3,600	2,607	915
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1731, 90 Stat. 2792, secs. 301-306, Administration and Enforcement, Regulation of the use, occupancy, and development of the public lands and management under principles of sustained yield.	14-1109 (10-04)	Not specified.	Not specified.	5,300	09/30/82	None	3,690	4,324	4,860		3,600	4,093	5,030
Adjustment for supplemental, miscellaneous....	.....	.....	.....	.....	.....	.....	9,601	27,563	.....		56,932	32,435	306
Total, Management of lands and resources	.....	.....	.....	.....	.....	.....	276,977	281,597	275,966	314,066	302,985	275,353	283,635	332,335
Acquisition, construction and maintenance													
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1731-32, 1762, 1762; 16 U.S.C. 460y-6; 31 U.S.C. 1201, 90 Stat. 2792, secs. 205, 201, 202, 216, 501, 601, 602, Management of public lands under principles of multiple use; construction and maintenance of roads required for protection, development, and management of lands for utilization of forest and other resources and acquisition of lands.	14-1110 (10-04)	Not specified.	Not specified.		09/30/82	None							
R.S. 2478, 1946 Reorganization Plan No. 3, 43 U.S.C. 1201., Transferred executive and administrative duties pertaining to public lands to BLM.	14-1110 (10-04)	.....do.....	.....do.....		09/30/82	.....							

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
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								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Acquisition, construction and maintenance—Continued														
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, Act of 1937; 43 U.S.C. 1181, 50 Stat. 874, Maintenance and construction relative to management of O.&C. grant lands.	14-1110 (10-04)	Sums necessary.	Sums necessary.	20,200	09/30/82	None	-3,140	18,707	17,668		14,102	18,700	19,071	
P.L. 67-915, Timber Protection Act of 1922, 16 U.S.C. 594, 42 Stat. 857, Protect timber from fire, insects, and diseases on public lands.	14-1110 (10-04)	Not specified.	Not specified.		09/30/82	....do.....								
P.L. 86-649, Public Lands Administration Act of 1960; 43 U.S.C. 1361; 1362, Improvement, management, and use of public lands and resources.	14-1110 (10-04)	....do.....	....do.....		09/30/82	.....								
Total, Acquisition, construction and maintenance.	.....	.....			.....	.....	3,140	18,707	17,668	18,968	14,102	18,700	19,071	20,371

Working capital fund												
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1736, 40 U.S.C. 471, 90 Stat. 2766, sec. 306, Equipment services, aircraft service, warehousing and supply services.	14-4535 (10-04)	3,000	.....	.....	No year	None	0	2,000	.....	.....	44	-325
Recreation development and operation of recreation facilities												
P.L. 90-401, Land and Water Conservation Fund Act of 1965, amendment; 16 U.S.C. 460l-5, Recreation Development, Construction, operation, and maintenance of outdoor recreation facilities.	14-5011 (10-04)	Not specified	.....	.....	.....do.....		300	400	300	233	300	400
Service charges, deposits, and forfeitures												
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1735, 90 Stat. 2776, sec. 504(g), Expenses, rights-of-way processing.	14-5017 (10-04)	.....(22).....	.....(22).....	.....do.....	.....	.....do.....	149	10,481	19,283	.....	9,790	13,456
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1735, 90 Stat. 2763, sec. 305(a), Repairs of lands and facilities, public domain lands.	14-5017 (10-04)	.....(22).....	.....(22).....	.....do.....	.....	.....do.....	.....	950	950	.....	726	598
P.L. 93-153, Trans-Alaska Pipeline Act of 1973; 30 U.S.C. 185, 87 Stat. 587, Title I, Section 101	14-5017 (10-04)	.....(22).....	.....(22).....	.....do.....	.....	.....	.....	200	300	.....	167	272
P.L. 94-586, Alaska Natural Gas Transportation Act of 1976; 15 U.S.C. 719(g), 90 Stat. 2912, Granting of certificates, rights-of-way, permits, leases, or other authorization.	14-5017 (10-04)	.....(22).....	.....(22).....	.....do.....	.....	.....						
P.L. 93-153, Trans-Alaska Pipeline Act of 1973; 30 U.S.C. 185, 41 Stat. 449, 87 Stat. 587, Title II, Section 208	14-5017 (10-04)	.....(22).....	.....(22).....	.....do.....	.....	.....						
Total, Service charges, deposits, and forfeitures.	.....	.....	.....	.....	.....	.....	149	11,531	20,533	.....	10,770	14,331

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
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SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Range improvements														
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315(b)(6), 48 Stat. 482, Range Improvements, Construction, Purchase, and Maintenance of Range Improvements.	14-5132 (10-04)	Not specified				None								
P.L. 94-579, Federal Land Policy and Management Act of 1976, 43 U.S.C. 1751, 90 Stat. 2772, sec. 401, Range rehabilitation, protection, and improvements.	14-5132 (10-04)	do				do	7,472	9,172	10,900		7,113	8,800	11,100	
Total, Range improvements							7,472	9,172	10,900	26,900	7,113	8,800	11,100	26,100

Oregon and California grant lands										
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, Act of 1937; 43 U.S.C. 1181a, b, d-f, Oregon and California Grant Lands, Conservation Management and Administration by Interior of O. & C. Grant Lands; Permanent Forest Protection; Sale of Timber.	14-5126 (10-04)	Not specified		None						
P.L. 67-315, Timber Protection Act of 1922, 16 U.S.C. 594, 42 Stat. 857, Protection of timber from fire, disease, and insects on O.&C. lands.	14-5126 (10-04)	do		do	53,023	56,500	58,250	39,667	44,070	50,566
R.S. 453; Ch. 80, 16 Stat. 317, Establishment of the General Land Office as amended, 43 U.S.C. 2., Secretary of the Interior administers, manages, and protects all public lands.	14-5126 (10-04)	do		do						
Total, Oregon and California grant lands					53,023	56,500	58,250	39,667	44,070	50,566
Miscellaneous permanent appropriations										
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315(a)(b)(i), 48 Stat. 482, Permanent Appropriations, Leasing of Grazing Lands	14-9921 (10-04)	Not specified	(16)	None	1	2	2	1	2	2
Public Law 86 649, Public Lands Administration Act of 1960, 43 U.S.C. 1361 et seq., Expenses roads and trails maintenance, deposits.	14-9921 (10-04)	do	(16)	do				234	60	
P.L. 94-579, Federal Land Policy and Management Act of 1976, Expenses, road maintenance.	14-9921 (10-04)				2,442	2,500	2,500	2,679	3,523	2,000
Total, Miscellaneous permanent appropriations.					2,443	2,502	2,502	2,914	3,584	2,002
Miscellaneous trust funds Land and resources management trust fund										
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315h,i, Contributed funds.	14-9971 (10-04)	Not specified		None						

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
NATURAL RESOURCES AND ENVIRONMENT (300)—Continued														
Conservation and land management (302)—Continued														
Miscellaneous trust funds Land and resources management trust fund—Continued														
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1719, 1762, 90 Stat. 2757, secs. 209, 503(a), Contributed funds	14-9971 (10-04)	Not specified				None								
Ch. 98, Permanent Appropriations Act of May 20, 1862, as amended; 31 U.S.C. 711(16), 12 Stat. 410, Expenses, public survey work.	14-9971 (10-04)	do				do	705	700	700		502	650	700	
P.L. 94-579, Federal Land Policy and Management Act of 1976; 43 U.S.C. 1737, 90 Stat. 2768, sec. 307(b)(1), Expenses, public survey work.	14-9971 (10-04)	do				do								
P.L. 78-473, Permanent Appropriations Repeal Act of 1934; 31 U.S.C. 725(a), 48 Stat. 1266, Trustee funds, Alaska townsites.	14-9971 (10-04)	do				do								

Total, *Miscellaneous trust funds Land and resources management trust fund.*	.....	.....	.....	.....	.....	.....	705	700	700	502	650	700
Total, Conservation and land management (302).	.....	.....	.....	.....	.....	.....	330,930	363,009	396,236	367,496	362,351	363,092
Total, NATURAL RESOURCES AND ENVIRONMENT (300).	.....	.....	.....	.....	.....	.....	330,930	363,009	396,236	367,496	362,351	363,092
GENERAL PURPOSE FISCAL ASSISTANCE (850)												
Other general purpose fiscal assistance (852)												
Mineral impact loan assistance												
Proposed legislation, Loans to States and political subdivisions to relieve impact of mineral development.	14-1140 (10-04)	Not specified.	Not specified.	45,000	09/30/82	.....do.....	.....	.....	40,000	.....	.....	40,000
Miscellaneous permanent appropriations												
P.L. 80-210, Bankhead-Jones Farm Tenant Act of 1937, as amended; 7 U.S.C. 1012, 50 Stat. 522, Payments to counties, national grasslands.	14-9921 (10-04)	.....do.....			.....(16).....	.....	181	395	444	359	320	444
P.L. 76-85, Annual Payments to Coos and Douglas Counties from Special Fund Act of 1939; 53 Stat. 753-754, Payments to Coos and Douglas Counties.	14-9921 (10-04)	.....do.....			.....(16).....	None	1,180	1,900	2,500	1,213	1,980	2,500
P.L. 83-196, Interior Department Appropriations Act of 1953; 65 Stat. 253, Payments to Oklahoma	14-9921 (10-04)	.....do.....			.....(16).....	.....do.....	8	.....	.....	8	.....	.....
P.L. 75-405, Conservation of Timber on Certain Lands in Oregon, Act of 1937; 43 U.S.C. 1181, 50 Stat. 874, Payments to O. & C. Counties.	14-9921 (10-04)	.....do.....			.....(16).....	.....do.....	29,563	106,045	113,000	29,563	106,045	113,000

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
BUREAU OF LAND MANAGEMENT—CONTINUED														
GENERAL PURPOSE FISCAL ASSISTANCE (850)—Continued														
Other general purpose fiscal assistance (852)—Continued														
Miscellaneous permanent appropriations—Continued														
Ch. 86, 12 Stat. 410, Permanent Appropriation Act of May 20, 1862, as amended, 43 U.S.C. 750, 761, 867., Payments to States for Sale of Public Lands.	14-9921 (10-04)	Not specified			....(16).....	None	404	551	579		207	748	579	
P.L. 73-482, Taylor Grazing Act of 1934, as amended; 43 U.S.C. 315, Payments to States from grazing receipts, miscellaneous.	14-9921 (10-04)	....do			....(16).....	....do.....	3	5	.....		1	2	.....	
P.L. 73-482, Taylor Grazing Act of 1934, as amended, 43 U.S.C. 315i, 315m, Payments to States from Grazing Receipts Outside Grazing Districts.	14-9921 (10-04)	....do			....(16).....	....do.....	970	1,250	1,483		110	2,110	1,483	
P.L. 73-482, Taylor Grazing Act of 1934, as amended, 43 U.S.C. 315b, 315i, Payments to States from grazing receipts within grazing districts.	14-9921 (10-04)	....do			....(16).....	....do.....	578	1,782	2,125		48	2,312	2,125	

P.L. 66-146, Mineral Lands Leasing Act of 1920, as amended; 30 U.S.C. 191. 285, 41 Stat. 450, Payments to States from Receipt under the Mineral Leasing Act.	14-5021 (10-04)	..do	.....(35)	.....do	105,131	173,926	202,043	105,131	173,926	202,043	
Total, *Miscellaneous permanent appropriations.*					126,018	285,854	322,174	126,540	287,423	322,174	
Total, Other general purpose fiscal assistance (850).					126,018	285,854	362,174	126,540	287,423	362,174	
Total, GENERAL PURPOSE FISCAL ASSISTANCE (850).					126,018	285,854	362,174	126,540	287,423	362,174	
TOTAL, BUREAU OF LAND MANAGEMENT.....					477,947	668,863	748,400	504,025	649,704	744,256	
GENERAL SERVICES ADMINISTRATION											
GENERAL GOVERNMENT (800)											
General property and records management (804)											
Disposal of surplus real and related personal property, operating expenses											
P.L.80-376, Land and Water Conservation Act of 1965, as amended (16 U.S.C. 4601-8), Title I, Section 2, Disposal of surplus real and related Personal Property, Operating Expenses.	47-5253 (23-05)	.....(37).....	.....(37).....	.....(37).....	.....(5).....		6,442	7,935	7,549	6,467	7,935	7,549	
SOIL CONSERVATION SERVICE											
NATURAL RESOURCES AND ENVIRONMENT (300)											
Conservation and land management (302)											
Resource conservation and development											
Bankhead Jones Farm Tenant Act, Public Law 75 210, July 22, 1937, as amended:, Title III:, Section 32(E), Resource conservation and development - loan servic	12-1010 (05-78)	Not specified	.....(5).....		207	218	198	207	218	198	

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS—Continued														
Forest Service														
NATURAL RESOURCES AND ENVIRONMENT (300)														
Conservation and land management (302)														
Acquisition of lands for national forests, special acts														
National Forest Lands Acquisition Acts: P.L.'s 75-505, 74-337, 75-748, 76-591, & P.L. 78-634., Acquisition of Lands for Control of Soil Erosion and Flood Damage Originating within the Boundaries of National Forests.	12-3900 (05-96)	Such sums as may be necessary			(1)		169	165	160		108	140	155	
Total, SUBCOMMITTEE ON INDIAN AFFAIRS AND PUBLIC LANDS.							2,169,492	2,531,899	2,694,784	2,992,595	1,969,495	2,269,495	2,591,561	2,773,701
Total, HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS.							5,628,746	6,570,641	7,694,515	8,570,217	5,022,946	6,414,602	6,629,613	7,620,871

[1] $300,000 available without fiscal year limitation
[2] No date specified
[3] $347.3 million total FY 1977 authorization for all NEC, P.L. 94-391, section 101
[4] P.L. 95-289, section 1
[5] Fiscal year 1979 authorization not available
[6] Plus $300,000 per eligible Institute
[7] Plus $900,000 per eligible Institute
[8] Not more than one half the expendable costs

[9] Up to 50 percent of annual costs of management
[10] The U.S. share for the Peace Garden is $1.703 million; Canada also funds this memorial
[11] Such sums as may be necessary but not to exceed one million
[12] Such sums as may be necessary
[13] Five year reauthorization pending, $9.5 million provided for fiscal 1979
[14] Revenues in special account from entrance fees shall be available as determined by Congress
[15] Payments shall not exceed a proportion of costs equal to the proportion of employee pupils to all pupils
[16] Permanent
[17] 5 percent less than amount of tax that would have been collected under Wyoming's jurisdiction
[18] Unspecified except that salaries and expenses pursuant to P.L. 93-621 are limited to $2,175,000
[19] Nat'l outdoor recreation plan every 5 yr. and annual rep't on acquisition cost of all real property disposed of.
[20] L.A.W.C.F. Act authorizes appropriations from 'Monies covered into the fund'
[21] Quarterly reprogramming report (H. Rept. 205 and S. Rept. 172, 93th Cong., 1st sess.)
[22] Annual federal recreation fees report (16 U.S.C. 4601-6a(g))
[23] Such sums as are appropriated by Congress
[24] Annually
[25] No specific authorization; activities are supported by other FWS authorizations
[26] Annually at opening of each session of Congress
[27] Total of $70.236 million authorized for land acquisition and development of 13 specified rivers
[28] Authorization for fiscal year 1979 is pending
[29] Total authorized without regard to year
[30] $37 million total for incentive and relocation-$500,000 per year for operating expenses
[31] All funds authorized, $75 million, have been appropriated as of 6/30/74
[32] $500 thousand remains available for appropriation from 1968 authorization
[33] An additional $500 thousand remains available for appropriation from the 1968 authorization
[34] Indefinite
[35] No specific authorization
[36] Final upon termination
[37] Figures reflect ceilings set by the Committee on Appropriations for the Bureau of Reclamation
[38] Total loan appropriation authorized exclusive of San Luis water district ($193,000)
[39] Such amounts as may be necessary
[40] Section 8 report to the President and Congress, December 31, 1975
[41] Authorized without regard to fiscal year.
[42] Indefinite
[43] Such sums as necessary for a minimum of two years and a maximum of five years
[44] $250,000 per year per participating state
[45] Section 7 - annual report to the President and Congress by October 1
[46] No more than $2.5 million for assessments
[47] But not more than $750,000 per River Basin Commission
[48] Lump sum without regard to year
[49] Such amounts as may be necessary; $3.810 million remains available from 1956 appropriation
[50] Such amounts as may be necessary; $3.810 million remains available from 1956 appropriation
[51] Such amounts as may be necessary; $3.80 million remains available from 1956 appropriation
[52] Annual (30 U.S.C. 575)
[53] Total authorized without regard to year; $6 million increased to $9.250 million by P.L. 95-26
[54] Appropriations are authorized from any money in the Treasury not otherwise appropriated
[55] Annual; final upon completion
[56] $50 million of U.S. Treasury borrowing authority through the first three quarters of 1980
[57] Annually to Congress; soon after end of fiscal year
[58] $20 million for withdrawal review and processing
[59] Unspecified except for $40m for the California Desert Conservation area for FY 1977-1981
[60] Sums necessary but not to exceed $1.5m for acquisition and $3.5m for construction of improvements
[61] $10 million to the Secretary of Interior, annual years 1973 through 1977
[62] Lower 48 states
[63] Alaska
[64] $50 million for California Desert management and planning
[65] None
[66] Sums appropriated
[67] Proceeds from the disposal of surplus real and related personal property

*The outer continental shelf activity has been transferred to the salaries and expenses account under policy, budget and administration in fiscal year 1979.

*The emergency preparedness activity has been transferred to the salaries and expenses account under program direction and coordination in fiscal year 1979.

†Subcommittee total adjusted to reflect the dollars shown in addendum below.

‡Totals adjusted to reflect the dollars shown in addendum below under the Commemorative Activities Fund.

§Such sums as are transferred from the American Revolution Bicentennial Administration to the Secretary of Interior.

§§Figures adjusted to include the budget authority and outlays shown in addendum below under, "Bureau of Outdoor Recreation, Salaries and expenses."

ADDENDUM

The following entries were unavailable when the above table was set to type. Adjustments for these entries have been made in the appropriate totals above.

HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

Budget Authority and Outlay Totals, by Subcommittee, Agency, Bureau, Function, Subfunction, and Account For Programs Under Committee Jurisdiction—Continued

AGENCY, BUREAU FUNCTION, SUBFUNCTION APPROPRIATION, ACTIVITY Act, Title, Section, Program Name	Appropriation account No.	Authorization (dollars in thousands)			Authorization termination date	Required reports	Budget authority (dollars in thousands)				Outlays (dollars in thousands)			
		FY 1977	FY 1978	FY 1979			FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979	FY 1977 (actual)	President's Budget for FY 1979		Committee recommendation 1979
								1978 estimate	1979 estimate			1978 estimate	1979 estimate	
SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT														
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT														
COMMUNITY AND REGIONAL DEVELOPMENT (450)														
Community Development (451)														
Community Disposal Operations Fund														
P.L. 84-221, Atomic Energy Community Act of 1955, section 52, 42 U.S.C. 2311, 2312, 69 Stat. 471, disposal of federally owned lands.	86-4040 (25-02)				(1)						-652	-550	-400	
DEPARTMENT OF ENERGY														
ENERGY (270)														
Energy Supply (271)														
Advances For Cooperative Work														
P.L. 93-438, Energy Reorganization Act of 1974, 42 U.S.C. 5814(b) and P.L. 93-577, 42 U.S.C. 5915, funds contributed to the Department of Energy.	89-8575 (19-10)				(1)		13,000	5,500	2,500		14,218	5,500	2,500	

BUREAU OF LAND MANAGEMENT													
GENERAL PURPOSE FISCAL ASSISTANCE (850)													
Other general purpose fiscal assistance (852)													
Payments in lieu of taxes													
P.L. 94-565, Payments in lieu of taxes.	14-1114 (10-04)	....(68)	....(68).....	105,000	09/30/82 [69]	None	100,000	100,000	105,000		99,963	100,011	105,000
SUBCOMMITTEE ON NATIONAL PARKS AND INSULAR AFFAIRS													
NATIONAL PARK SERVICE													
NATURAL RESOURCES AND ENVIRONMENT (300)													
Recreational Resources (302)													
Commemorative Activities Fund													
P.L. 96-179, Ex. Ord. No. 12001, Commemorative Activities Fund.	14-5077 (10-24)	.....		§	12/31/82	None	4,000	500	.....		11,440	160	330
BUREAU OF OUTDOOR RECREATION													
NATURAL RESOURCES AND ENVIRONMENT (300)													
Recreational resources (302)													
Salaries and expenses													
P.L. 94-210, Railroad Revitalization and Regulatory Reform Act of 1976, 90 Stat. 146, Section 809(b)(4). Grants for conversion of railroad rights-of-way to recreational and conservation purposes.	14-0700 (10-16)	7,000	7,000	.....	09/30/78	.....	5,000	.....	15,000	.....	1,520	2,702	17,702

See above for footnotes to reference.

95th Congress
2d Session } COMMITTEE PRINT

VIEWS AND ESTIMATES OF THE COMMITTEE ON INTERNATIONAL RELATIONS ON THE BUDGET FOR FISCAL YEAR 1979

REPORT

SUBMITTED TO THE

HOUSE COMMITTEE ON THE BUDGET

PURSUANT TO SECTION 301(c) OF THE CONGRESSIONAL BUDGET ACT OF 1974

MARCH 9, 1978

Printed for the use of the Committee on International Relations

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(II)

LETTER OF SUBMITTAL

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., March 9, 1978.

Hon. ROBERT N. GIAIMO,
Chairman, Committee on the Budget, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: By direction of the Committee on International Relations, I submit herewith the views and estimates report required by section 301(c) of the Congressional Budget Act of 1974 in connection with the First Concurrent Resolution on the Budget, Fiscal Year 1979.

The report was considered by the committee in open session on February 28 and March 1, 1978, and approved by voice vote.

In accordance with your instructions, the items in the President's fiscal year 1979 budget requests which come under the jurisdiction of the committee, have been subdivided as follows:

(1) Requests for existing programs which require authorizing legislation prior to the enactment of appropriations for fiscal year 1979;

(2) Requests for new and expanded programs which require authorizing legislation;

(3) Requests for savings through changes in existing laws which mandate spending in fiscal year 1979 without further action by Congress; other legislative savings propcsals;

(4) Legislative initiatives of the Congress; and

(5) Requests for existing programs which do not require authorizing legislation.

The committee notes that it has either legislative or special oversight jurisdiction over all of the budget requests in the International Affairs function (150) except the Foreign Claims and Settlement Commission and the International Trade Commission. The committee recommends that the budget authority and the outlay levels requested by the President for these two agencies be included in the First Concurrent Resolution.

Sincerely yours,

CLEMENT J. ZABLOCKI,
Chairman.

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INTRODUCTION

The Committee on International Relations recommends that the First Concurrent Resolution on the Budget for Fiscal Year 1979 allow for net budget authority and outlays amounts for the international affairs function (150) as follows:

[In millions of dollars]

	Budget authority	Outlays
Foreign Economic and Financial Assistance (151)	8, 828. 7	5, 826. 8
Military Assistance (152)[1]	541. 1	465. 0
Subtotal, Foreign Assistance (151 and 152)	9, 369. 8	6, 291. 8
Conduct of Foreign Affairs (153)	1, 272. 7	1, 212. 0
Foreign Information and Exchange Activities (154)	513. 4	490. 1
International Financial Programs (155)	3, 739. 7	683. 8
Undistributed Offsetting Receipts	−555. 5	−555. 5
Total, International Affairs (150) [2]	14, 340. 1	8, 122. 2

[1] The committee notes that the President's fiscal year 1979 budget request has transferred military assistance accounts from the national defense function (050) to the international affairs function (150). While this action increases the budget authority and outlay amounts under the international affairs function, the transfer does not represent an increase in the overall foreign assistance budget request. In fact, the President's fiscal year 1979 request for military assistance is actually $98.8 million less than the fiscal year 1978 appropriation.

[2] The committee has either legislative or special oversight jurisdiction over all of the budget requests in the International Affairs function (150) except the Foreign Claims and Settlement Commission and the International Trade Commission.

The above total for international affairs represents an increase in the President's request for budget authority and outlays of $539.1 million and $466.1 million respectively. The bulk of this recommended increase, $348 million in budget authority and outlays, is for the Food-for-Peace program (Public Law 480). The committee estimate reflects both the recent history of the program which has consistently involved upward reestimates and testimony received by the committee from the Department of Agriculture and the Agency for International Development. The justification for the remainder of the recommended increase is based on expected committee authorization actions and congressional intent with respect to foreign economic and financial assistance, the conduct of foreign affairs, and foreign information and exchange activities.

In addition to the international affairs function, the committee also has jurisdiction over certain programs and activities which fall under various other budget functions. The individual budget accounts involved in these functions are discussed in the following pages.

PRESIDENT'S BUDGET REQUEST FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

INTERNATIONAL SECURITY ASSISTANCE

GRANT MILITARY ASSISTANCE (11-1080-0-1-152)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	220,000	220,000	133,500	133,500 (0)	190,000	300,000	300,000 (0)

COMMENT

THE PRESIDENT'S REQUEST FOR FISCAL YEAR 1979 WOULD PROVIDE GRANT MILITARY ASSISTANCE TO FOUR COUNTRIES COMPARED WITH THE EIGHT COUNTRIES AUTHORIZED TO RECEIVE SUCH ASSISTANCE IN FISCAL YEAR 1978. THE REQUEST IS CONSISTENT WITH THE CONGRESSIONAL MANDATE TO PHASE OUT GRANT MILITARY ASSISTANCE EXCEPT IN INDIVIDUAL CASES WHERE SUCH ASSISTANCE IS RELATED TO THE SECURITY INTERESTS OF THE UNITED STATES AND SPECIFICALLY APPROVED BY CONGRESS. THE PRESIDENT HAS PROPOSED A RECISSION OF $40.2 MILLION FOR FY 1978 BUDGET AUTHORITY FOR THIS PROGRAM.

INTERNATIONAL MILITARY EDUCATION AND TRAINING (11-1081-0-1-152)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUT		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	31,000	30,000	32,100	32,100 (0)	30,000	31,000	31,000 (0)

COMMENT

THE FISCAL YEAR 1978-77 AUTHORIZATION FOR INTERNATIONAL SECURITY ASSISTANCE CREATED A SEPARATE AUTHORITY FOR THE GRANT MILITARY EDUCATION AND TRAINING PROGRAM. THE PROGRAM WAS SEPARATED FROM THE AUTHORIZATION FOR GRANT MATERIAL AID ON THE GROUNDS THAT THE TRAINING PROGRAM IS IMPORTANT TO U.S. INTERESTS AND SHOULD BE CONTINUED WHILE THE GRANT MILITARY ASSISTANCE PROGRAM GENERALLY IS BEING PHASED OUT. FOR FISCAL YEAR 1979, THE EXECUTIVE BRANCH HAS PROGRAMMED 46 COUNTRIES TO RECEIVE GRANT MILITARY TRAINING AND SEPARATE FUNDING FOR THE CANAL ZONE SCHOOLS.

FOREIGN MILITARY SALES CREDITS (11-1003-0-1-152)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	677,000	675,040	672,500	672,500 (0)	$40,000	$30,000	$30,000 (0)

COMMENT

THE PRESIDENTS BUDGET REQUEST FOR FISCAL YEAR 1979 FOR FMS CREDITS WOULD SUPPORT A TOTAL SALES PROGRAM OF $2,067.5 MILLION AS COMPARED TO A PROGRAM LEVEL OF $2,151 MILLION FOR FISCAL YEAR 1978. THE 1979 PROGRAM LEVEL INCLUDES $50 MILLION FOR LEBANON AUTHORIZATION OF WHICH STILL REQUIRES SUPPLEMENTAL LEGISLATION BY CONGRESS TO PROVIDE AN ADDITIONAL $5 MILLION IN BUDGET AUTHORITY FOR FMS CREDITS. AS IN PRIOR YEARS, $500 MILLION OF THE BUDGET AUTHORITY REQUEST IS TO FINANCE FMS SALES TO ISRAEL LEAVING $122.5 MILLION - TO OTHER COUNTRIES.

SECURITY SUPPORTING ASSISTANCE (11-1006-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	1,915,000	2,219,300	1,854,400	1,874,400 (+20,000)	1,813,000	1,666,000	1,686,000 (+20,000)

COMMENT

OVER 95 PERCENT OF THE PRESIDENT'S BUDGET REQUEST FOR SECURITY SUPPORTING ASSISTANCE, OR $1,779,700,000, IS RELATED TO U.S. PEACE INITIATIVES IN THE MIDDLE EAST. THE AMOUNTS SLATED FOR MIDDLE EAST COUNTRIES ARE: ISRAEL, $785 MILLION, EGYPT, $750 MILLION, JORDAN, $93 MILLION, SYRIA, $90 MILLION, THE MAQARIN DAM AND JORDAN VALLEY IRRIGATION SYSTEM, $50 MILLION, AND THE SINAI SUPPORT MISSION, $11.7 MILLION. IN ADDITION, $5 MILLION IS REQUESTED FOR THE MIDDLE EAST SPECIAL REQUIREMENTS FUND TO MEET UNEXPECTED NEEDS, $3 MILLION FOR ACTIVITIES OF PRIVATE VOLUNTARY AGENCIES IN THE MIDDLE EAST, AND $1 MILLION TO FINANCE STUDIES AND OTHER ACTIVITIES RELATED TO THE DEVELOPMENT AND SUPPORT OF SECURITY SUPPORTING ASSISTANCE PROJECTS. THE BALANCE OF THE SUPPORTING ASSISTANCE REQUEST - IS PROGRAMED FOR COUNTRIES IN SOUTHERN AFRICA, FOR SPAIN AND FOR UN FORCES IN CYPRUS. THE COMMITTEE RECOMMENDS AN ADDITIONAL $20 MILLION IN BUDGET AUTHORITY AND OUTLAYS FOR PROGRAMS IN SOUTHERN AFRICA AS FOLLOWS: $7.5 MILLION - ZAMBIA, $7.5 MILLION - REGIONAL, $-2.5 MILLION - BOTSWANA, $1.5 MILLION - LESOTHO, $1.0 - SWAZILAND.

PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND (11-1070-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	5,000	5,000	5,000	5,000 (0)	4,000	4,844	4,844 (0)

COMMENT

THE PRESIDENT'S REQUEST IS CONSISTENT WITH LAST YEAR'S LEGISLATION WHICH AUTHORIZED $5 MILLION FOR A CONTINGENCY FUND. SUCH FUND REQUIRES ANNUAL AUTHORIZATION. THIS AMOUNT IS TO BE USED AT THE PRESIDENT'S DISCRETION FOR EMERGENCY DEVELOPMENT ASSISTANCE OR SECURITY ASSISTANCE NEEDS WORLDWIDE.

INTERNATIONAL NARCOTICS CONTROL ASSISTANCE (11-1032-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	39,000	37,100	40,000	40,000 (0)	33,875	39,747	39,747 (0)

COMMENT

THE PRESIDENT'S BUDGET AUTHORITY REQUEST OF $40 MILLION FOR FISCAL YEAR 1979 IS $1 MILLION ABOVE THE AMOUNT REQUESTED IN FY 1978 AND $2.9 MILLION ABOVE THE ACTUAL APPROPRIATION FOR FISCAL YEAR 1978. THE RECOMMENDATION REFLECTS THE COMMITTEE'S CONTINUING CONCERN ABOUT THE DRUG ABUSE PROBLEM IN THE UNITED STATES AND SUPPORT FOR THE INTERNATIONAL EFFORT TO CONTROL THE ILLEGAL PRODUCTION OF AND TRAFFICKING IN NARCOTICS AND DANGEROUS DRUGS. THE LARGEST INCREASE IN PLANNED PROGRAM EXPENDITURES WILL OCCUR IN THE FUNCTIONAL ACTIVITY OF CROP REPLACEMENT. IT IS PROPOSED THAT THE CROP REPLACEMENT PROGRAM BE INCREASED FROM $3 MILLION TO $4.1 MILLION. THE LARGEST INCREASE IN COUNTRY PROGRAMS WILL GO TO BURMA, INCREASING FROM $4.8 MILLION IN FISCAL YEAR 1978 TO $6 MILLION PROPOSED FOR FISCAL YEAR 1979. THE PAKISTAN PROGRAM WILL ALSO INCREASE DRAMATICALLY FROM $50,000 IN FISCAL YEAR 1978 TO $1 MILLION PROPOSED FOR FISCAL YEAR 1979.

INTERNATIONAL DEVELOPMENT ASSISTANCE

FUNCTIONAL DEVELOPMENT ASSISTANCE PROGRAM (11-1021-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	1,044,600	931,000	1,262,400	1,262,400 (0)	743,268	889,201	889,201 (0)

COMMENT

The functional development assistance program proposed for fiscal 1979 includes the following items:

Food and Nutrition ($673 million): The largest single increase proposed in the function development assistance account is for food and nutrition, for which the Administration's fiscal 1979 request if $673 million, compared with $580 million authorized and $515 million appropriated in fiscal 1978. Food and nutrition is the account under which the U.S. bilateral assistance is extended to poor countries, with emphasis on self-help, for raising their agricultural production, for rural development, and for improving nutrition. The account includes financing of the Title XII program for participation by U.S. agricultural universities in this effort. The Committee and the Congress had repeatedly stressed the importance of this form of assistance as a prime element in the campaign against hunger and malnutrition abroad.

Population Planning ($205 million): Continued rapid population growth undercuts all other efforts to improve the quality of life in developing countries. There are indications that birth rates have begun to fall in some countries and in an effort to support this trend, the Administration has proposed to increase population assistance funds from the FY 1978 level of $162 million to $205 million in fiscal year 1979. These funds are authorized to support population planning programs which include education in responsible parenthood and encouragement of smaller families, as well as delivery of family planning services and related research and demographic studies. The importance of population impact is also required to be considered in the design of AID projects in other functional accounts.

Health ($149 million): The availability of adequate preventative and curative health care is an essential component of development, relating to the basic quality of life, efforts to limit population growth, and attempts to improve individual productivity. AID health programs provide for low-cost health delivery systems, and support preventive programs such as malaria control and provision of clean water. The Administration request for a $149 million program in fiscal year 1979, up for $126 million in fiscal 1978, appears to be well justified.

Education ($109 million): Although the number of children in school in most developing countries has risen substantially in the last 20 years, countries have not been able to keep pace with population increases, and the numbers of children not in school have also risen, with education available to a diminishing percent of the population. Funds in the education account will help provide some basic education to millions of children for whom it would otherwise be unavailable, and will also assist developing countries to make their education systems, both formal and nonformal, more relevant to the needs of their people. In terms of program level, the Administration proposal of $109 million for fiscal 1979 appears to be a modest, but warranted, increase above the $98 million for fiscal year 1978.

Selected Development Activities ($126 million): This account addresses a variety of assistance activities of benefit to poor countries which do not fit into the above functional categories, but are essential to development. The activities include technical assistance, small-scale energy programs, economic research, environment, urban development, appropriate technology, post-disaster reconstruction, support for U.S. private and voluntary organizations and cooperatives, and reimbursable development programs. The Administration's request of $126 million for these activities in fiscal 1979, up from the $105 million authorized in fiscal 1978, should be supported.

In view of the above considerations, the Committee recommends a total of $1,262 million for budget authority for functional development assistance programs in fiscal 1979 and $889 million in outlays for this purpose.

AMERICAN SCHOOLS AND HOSPITALS ABROAD (11-1013-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	25,000	23,750	8,000	25,000 (+17,000)	20,964	16,864	22,031 (+5,167)

COMMENT

THIS PROGRAM PROVIDES GRANTS TO AMERICAN SPONSORED PRIVATE INSTITUTIONS IN FOREIGN COUNTRIES TO HELP DEMONSTRATE AMERICAN IDEAS, PRACTICES, AND RECENT PROGRESS IN EDUCATION AND MEDICINE. THE FULL AMOUNT AUTHORIZED IN EACH OF THE LAST 3 FISCAL YEARS, $25 MILLION, CONTINUES TO BE NEEDED TO CARRY OUT THIS WORTHWHILE PROGRAM. THE PRESIDENT'S REQUEST REPRESENTS A SHARP REDUCTION IN THE LEVEL OF FUNDING PROVIDED FOR THIS PROGRAM OVER THE PAST SEVERAL YEARS. THE CONGRESS IN THE PAST HAS PROVIDED SUBSTANTIALLY MORE FUNDS THAN THE EXECUTIVE REQUESTED FOR THIS PROGRAM, AND THE COMMITTEE BELIEVES THAT CONGRESS WILL SUPPORT SUCH AN INCREASE AGAIN IN FISCAL YEAR 1979.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS (11-1005-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	263,000	231,250	282,150	282,450 (+300)	232,620	270,220	270,520 (+300)

COMMENT

THE FUNDS IN THIS ACCOUNT ARE FOR VOLUNTARY CONTRIBUTIONS BY THE UNITED STATES TO VARIOUS INTERNATIONAL ORGANIZATIONS AND PROGRAMS. THE COMMITTEE RECOMMENDATION WOULD INCREASE THE PRESIDENT'S FY 1979 REQUEST FOR BUDGET AUTHORITY BY $300,000. (SEE ATTACHED TABLE.)

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

(In Thousands of Dollars)

	Budget authority		
	President's FY 79 Request	Committee Recommendation	Difference
United Nations Programs:			
UN Development Program (UNDP)	133,000		
UN Capital Development Fund	2,000		
FAO Post Harvest Losses Fund	3,000		
FAO World Food Program (FAO/WFP)	2,000		
UN Children's Fund (UNICEF)	35,000		
UN International Year of the Child (IYC)	1,000		
UN Relief and Works Agency for Palestine Refugees (UNRWA)	52,000		
UN Decade for Women	2,000		
UN Disaster Relief Organization (UNDRO)	250		
World Meteorological Organization (WMO)	2,000		
International Atomic Energy Agency (IAEA)	12,000		
UN Environmental Program (UNEP)	10,000		
UNESCO World Heritage Trust Fund	300		
UN Educational and Training Program for Southern Africa (UNETPSA)	1,000		
UN Institute for Namibia	500		
UN Institute for Training and Research (UNITAR)	500		
UN University (UNU)	7,500		
UN Trust Fund for Southern Africa	0	300	+300
Subtotal	264,050	264,350	+300
Organization of American States (OAS)	17,500		
Central Treaty Organization (CENTO)	600		
Total	282,150	282,450	+300

INTERNATIONAL DISASTER ASSISTANCE (11-1035-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	55,000	50,000	25,000	25,000 (0)	66,665	44,012	44,012 (0)

COMMENT

THIS ACCOUNT PROVIDES FUNDS FOR THE UNITED STATES RESPONSE TO NATURAL AND MAN-MADE DISASTERS AROUND THE WORLD. CONGRESS HAS AUTHORIZED $25 MILLION FOR THIS PURPOSE EVERY YEAR SINCE 1975, AND THE ADMINISTRATION IS RECOMMENDING $25 MILLION AGAIN FOR FISCAL 1979. THIS RELATIVELY SMALL AMOUNT IS BASED ON PAST EXPERIENCE IN PROVIDING FUNDING FOR "ROUTINE" DISASTERS. THE COMMITTEE RECOMMENDS AUTHORIZING THE FULL $25 MILLION AGAIN THIS YEAR, BUT WISHES TO REAFFIRM ITS CONTINUING POLICY IN BEHALF OF SEPARATE, SPECIAL AUTHORIZATIONS IN LARGER DISASTER SITUATIONS WHERE NECESSARY. SUCH SITUATIONS HAVE OCCURRED IN RECENT TIMES IN THE SAHEL, CYPRUS, GUATEMALA, ITALY, LEBANON AND ROMANIA. FY 1978 TOTAL OF $55 MILLION INCLUDES $30 MILLION IN A SPECIAL AUTHORIZATION FOR ASSISTANCE TO ITALY EARTHQUAKE VICTIMS.

OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT (11-1000-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	320,200	313,000	361,000	361,000 (0)	313,195	354,667	354,667 (0)

COMMENT

THIS ACCOUNT COVERS THE COST OF ALL OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT. OPERATING COSTS INCLUDE NOT ONLY THE TRADITIONAL "ADMINISTRATIVE EXPENSES", BUT ALSO THE SUBSTANTIAL COST OF SUPPORT AND MANAGEMENT OF PROGRAM AND PROJECTS (-SUCH AS TECHNICAL PLANNING AND MANAGEMENT OF SPECIFIC PROJECTS, CONTRACTING, PROCUREMENT OF COMMODITIES, ENGINEERING SERVICES, AND -HANDLING OF TRAINEES FROM ABROAD). INCREASES IN OPERATING EXPENSES OVER FISCAL YEAR 1978 ARE DUE TO DECENTRALIZATION EFFORTS INCLUDING MOVEMENT OF PERSONNEL FROM WASHINGTON TO THE FIELD, COSTS ATTRIBUTABLE TO EXPANDING MISSIONS IN AFRICA AND THE MIDDLE EAST, IMPLEMENTING MANAGERIAL AND SYSTEMS IMPROVEMENTS, AND INCREASES DUE TO INFLATION. THE EXECUTIVE BRANCH HAS REQUESTED AN FY 1978 SUPPLEMENTAL APPROPRIATION OF $8.4 MILLION FOR CIVILIAN PAY RAISES UNDER THIS ACCOUNT.

DEPARTMENT OF STATE, INTERNATIONAL COMMUNICATIONS AGENCY, AND BOARD FOR INTERNATIONAL BROADCASTING

ADMINISTRATION OF FOREIGN AFFAIRS (19-0113-0-1-153, 19-0552-0-1-153, 19-0540-0-1-153, 19-0545-0-1-153, 19-0535-0-1-153, AND 19-0530-0-1-153).

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	783,005	746,647	830,143	855,123 (+24,980)	683,530	795,513	815,493 (+19,980)

COMMENT

THIS SUM [illegible]VERS SALARIES, EXPENSES, AND ALLOWANCES OF THE OFFICERS AND EMPLOYEES OF THE DEPARTMENT, BOTH IN THE UNITED STATES AND ABROAD, REPRESENTATION ALLOWANCES ABROAD, EMERGENCIES IN THE DIPLOMATIC AND CONSULAR SERVICE, EXECUTIVE DIRECTION AND POLICY FORMULATION, ADMINISTRATIVE AND STAFF ACTIVITIES, AND MONIES FOR THE FOREIGN BUILDINGS OFFICE. THE INCREASE RECOMMENDED BY THE COMMITTEE INCLUDES $7 MILLION TO EXPEDITE ACQUISITION OF ADDITIONAL HOUSING UNITS IN AREAS WHERE RENTAL COSTS ARE EXTREMELY HIGH, $6 MILLION FOR SOLAR DEMONSTRATION PROJECT INCLUSION IN FOREIGN BUILDINGS, $300,000 TO ENHANCE FOREIGN SERVICE LANGUAGE TRAINING, $1 MILLION TO ENHANCE MID-CAREER AND SENIOR LEVEL TRAINING IN THE FOREIGN SERVICE, $1,250,000 TO PROVIDE ADDITIONAL EMPLOYEES TO HANDLE THE PRESIDENT'S UNDOCUMENTED ALIEN PROGRAM, $400,000 TO BEGIN CONVERTING CONTRACT PASSPORT OFFICE EMPLOYEES TO REGULAR EMPLOYMENT AND $30,000 FOR THE ADDITION OF TWO PEOPLE TO THE OFFICE OF SPECIAL CONSULAR SERVICES. THE RECOMMENDED INCREASE IN OUTLAYS IS RELATED TO THE RECOMMENDED INCREASES ABOVE. THE INCREASE INCLUDES $6 MILLION FOR ACQUISITION OF HOUSING, $1 MILLION FOR SOLAR DEMONSTRATION AND IDENTICAL AMOUNTS TO THE OTHERS RECOMMENDED FOR INCREASE IN BUDGET AUTHORITY.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES (19-1124-0-1-153, 19-1125-0-1-153, 19-1126-0-1-153, 19-1127-0-1-153, 19-1147-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	380,413	379,823	412,781	412,781 (0)	350,853	383,300	383,300 (0)

COMMENT

THIS SUM DEFRAYS THE ASSESSMENTS OF THE UNITED STATES IN INTERNATIONAL ORGANIZATIONS AND PAYS THE COSTS OF U.S. PARTICIPATION IN INTERNATIONAL CONFERENCES. IT INCLUDES THE U.S. SHARE OF THE COST OF THE UNITED NATIONS AND ITS SPECIALIZED AGENCIES AS WELL AS 11 REGIONAL ORGANIZATIONS AND 22 SMALLER INTERNATIONAL ORGANIZATIONS. IT INCLUDES U.S. CONTRIBUTIONS TO INTERNATIONAL PEACEKEEPING ACTIVITIES AND DEFRAYS EXPENSES OF U.S. PARTICIPATION IN INTERNATIONAL TRADE NEGOTIATIONS. FROM THIS ACCOUNT ARE PAID THE EXPENSES OF EIGHT MISSIONS WHICH REPRESENT THE UNITED STATES AT THE HEADQUARTERS OF CERTAIN OF THESE ORGANIZATIONS. THE ABOVE FY 1978 BUDGET AUTHORITY FIGURE DOES NOT REFLECT A PENDING FY 1978 SUPPLEMENTAL AUTHORIZATION REQUEST OF $37,275,000 TO PAY ARREARAGES TO UNESCO, NOR DOES IT REFLECT A TOTAL SUPPLEMENTAL APPROPRIATION REQUEST OF $70.0 MILLION FOR THIS ACCOUNT.

MIGRATION AND REFUGEE ASSISTANCE (19-1143-0-1-153, 19-1146-0-1-151).

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	63,564	53,054	56,336	106,336 (+50,000)	50,774	50,439	100,439 (+50,000)

COMMENT

THIS SUM PROVIDES FOR U.S. ASSISTANCE TO MIGRANTS AND REFUGEES THROUGH CONTRIBUTIONS TO THE INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION, THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES, THE INTERNATIONAL COMMITTEE FOR THE RED CROSS AND DIRECT ASSISTANCE TO OR ON BEHALF OF REFUGEES FROM VARIOUS COUNTRIES THROUGH VOLUNTARY AGENCIES. IN ADDITION, THERE IS A NEW $20 MILLION MATCHING GRANT PROGRAM OF ASSISTANCE IN THE UNITED STATES TO REFUGEES SETTLING HERE. THE FY 1978 AUTHORIZATION AND OUTLAY FIGURES INCLUDE $20 MILLION AUTHORIZED FOR THE SOVIET AND EASTERN EUROPEAN REFUGEE PROGRAM. THE PRESIDENT'S FY 1979 FIGURE INCLUDES A REQUEST OF $20 MILLION FOR A NEW MATCHING PROGRAM OF ASSISTANCE IN THE U.S. TO REFUGEES SETTLING HERE. IT DOES NOT INCLUDE ANY REQUEST FOR THE SOVIET AND EASTERN EUROPEAN REFUGEE PROGRAM. THE COMMITTEE RECOMMENDATION (BOTH AUTHORIZATION AND OUTLAY) INCLUDES $25 MILLION FOR THE SOVIET AND EASTERN EUROPEAN REFUGEE PROGRAM TO ACCOUNT FOR AN INCREASE IN THE NUMBERS OF REFUGEES GOING TO ISRAEL AND $25 MILLION FOR ASSISTANCE TO AFRICAN REFUGEES. NOTE: NONE OF THE ABOVE FIGURES REFLECTS A PENDING FY 1978 SUPPLEMENTAL REQUEST OF $6.3 MILLION FOR RESETTLEMENT OF 15,000 INDOCHINESE REFUGEES IN THE UNITED STATES.

FOREIGN BUILDINGS OPERATIONS (19-0635-0-1-153, 19-0636-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	(130,166)	(110,631)	(124,668)	(136,668) (+12,000)	(74,114)	(119,664)	(122,664) (+7,000)

COMMENT

THIS SUM INCLUDES DOLLAR AND FOREIGN CURRENCY AUTHORIZATION FOR THE ACQUISITION, OPERATION AND MAINTENANCE OF BUILDINGS ABROAD.- THE OJBECTIVE OF THE PROGRAM IS TO CONSTRUCT OR OBTAIN BY PURCHASE OR LONG-TERM LEASE, APPROPRIATE AND EFFICIENT OFFICE SPACE FOR- THE FOREIGN SERVICE AND OTHER AGENCIES OF THE U.S. GOVERNMENT ABROAD, AND LIVING QUARTERS FOR AMERICAN STAFF AT DIPLOMATIC AND CONSULAR POSTS WHERE HOUSING PROBLEMS EXIST. THERE IS A PENDING SUPPLEMENTAL APPROPRIATION REQUEST FOR FY 1978 FOR $10,209,000 FOR SALARY INCREASES ASSOCIATED WITH THE BUILDINGS OPERATIONS AND FOR ACQUISITION OF ADDITIONAL HOUSING FOR U.S. PERSONNEL. THE ADDITION- RECOMMENDED UNDER BUDGET AUTHORITY WOULD PROVIDE AN ADDITIONAL $7 MILLION FOR ACQUISITION OF HOUSING FOR AMERICAN PERSONNEL WHERE - SUCH HOUSING IS NOW LEASED AT EXCEPTIONALLY HIGH RENTAL RATES, AND $6 MILLION TO FINANCE INCLUSION OF SOLAR DEMONSTRATION ENERGY DEVICES IN FOREIGN BUILDINGS. THE RECOMMENDED INCREASE UNDER OUTLAYS IS FOR THE PURPOSES OUTLINED ABOVE AND INCLUDES $6 MILLION IN P- ROPOSED OUTLAYS FOR ACQUISITION OF HOUSING AND $1 MILLION FOR SOLAR DEMONSTRATION PROJECTS. NOTE: THE AMOUNTS FOR FOREIGN BUILDINGS- ARE INCLUDED UNDER THE TOTALS FOR ADMINISTRATION OF FOREIGN AFFAIRS.

INTERNATIONAL COMMISSIONS (19-1000-0-1-301, 19-1070-0-1-301, 19-1002-0-1-301, 19-1007-0-1-302)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
300	21,030	21,277	10,073	10,073 (0)	20,270	27,066	27,066 (0)

COMMENT

THESE FUNDS WILL PERMIT THE UNITED STATES TO FULFILL ITS TREATY OBLIGATIONS AND THE ACTIVITIES OF INTERNATIONAL BOUNDARY COMMISSIONS WITH MEXICO AND CANADA. THEY ARE ALSO USED TO PAY THE U.S. SHARE OF EIGHT INTERNATIONAL FISHERIES COMMISSIONS, THE INTERNATIONAL COUNCIL FOR THE EXPLORATION OF THE SEA AND THE EXPENSES OF UNITED STATES COMMISSIONERS.

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INTERNATIONAL COMMUNICATIONS AGENCY: SALARIES AND EXPENSES (67-0201-0-1-154, 67-0205-0-1-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	365,646	339,340	380,142	390,392 (+10,250)	333,656	370,447	378,017 (+7,570)

COMMENT

THESE SUMS CONTAIN THE BASIC OPERATING COSTS FOR STAFFS AND PROGRAMS OF THE ICA INCLUDING THE OPERATIONS OF THE VOICE OF AMERICA AND EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS. THE FY 1978 AUTHORIZATION INCLUDED $269,286,000 FOR THE U.S. INFORMATION AGENCY, $82 MILLION FOR THE DEPARTMENT OF STATE'S EDUCATION EXCHANGE ACTIVITIES AND $4,360,000 FOR THE USIA'S SPECIAL INTERNATIONAL EXHIBITIONS PROGRAM. THE RECOMMENDED DIFFERENCE IN BUDGET AUTHORITY INCLUDES $5 MILLION FOR EXPANSION OF ICA ACTIVITIES RELATED SPECIFICALLY TO MEDIA EDUCATION, $500,000 FOR EXPANSION OF CULTURAL PRESENTATIONS, $1 MILLION FOR PROGRAM IMPROVEMENT IN CARRYING OUT EDUCATION EXCHANGE PROGRAMS AND PROGRAM INCREASES, $1,500,000 IN WESTERN EUROPE, $750,000 IN AFRICA, $500,000 IN EASTERN EUROPE, $500,000 IN LATIN AMERICA, AND $500,000 IN THE NEAR EAST. THE RECOMMENDED INCREASE IN OUTLAYS IS FOR THE EXPANDED PROGRAMS RECOMMENDED ABOVE. $4 MILLION WOULD BE FOR THE MEDIA PROGRAM EXPANSION AND THE REMAINING $3,570,000 FOR THE OTHER INCREASES.

INTERNATIONAL COMMUNICATIONS AGENCY: CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST (67-0202-0-1-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	13,000	13,200	13,500	13,500 (0)	12,936	13,500	13,500 (0)

COMMENT

THIS SUM PROVIDES FOR THE OPERATION AND MAINTENANCE IN HAWAII OF A CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST. THE CENTER IS A NATIONAL EDUCATIONAL INSTITUTION OPERATED BY A PUBLIC, NON-PROFIT CORPORATION. ITS PURPOSE IS TO PROMOTE BETTER RELATIONS AND UNDERSTANDING BETWEEN THE UNITED STATES AND THE NATIONS OF ASIA AND THE PACIFIC. IT CONDUCTS COOPERATIVE PROGRAMS OF RESEARCH, STUDY AND TRAINING, WHICH BRING QUALIFIED PERSONS FROM THE COUNTRIES OF THE AREA TO WORK JOINTLY ON PROBLEMS OF MUTUAL CONCERN. THE INCREASE OVER FY 1978 IS REQUESTED PRINCIPALLY TO MEET INCREASED COSTS FOR STAFF AND PROGRAMS.

INTERNATIONAL COMMUNICATIONS AGENCY: ACQUISITION AND CONSTRUCTION OF RADIO FACILITIES (87-0304-0-1-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	19,872	13,032	19,665	19,665 (0)	9,314	8,425	8,425 (0)

COMMENT

THIS SUM IS NECESSARY TO PERMIT THE CONTINUING PROGRAM OF MAJOR IMPROVEMENTS, REPLACEMENTS AND REPAIRS TO MAINTAIN AND IMPROVE - THE EFFICIENCY OF EXISTING FACILITIES AS WELL AS ENGINEERING RESEARCH FOR THE IMPROVEMENT OF BROADCASTING TECHNIQUES AND COMPONENTS-. THE PRESIDENT'S FY 1979 REQUEST INCLUDES $9,038,000 FOR CONSTRUCTION IN THE PHILIPPINES AND $7,634,000 FOR CONSTRUCTION IN LIBERIA. THE BALANCE IS FOR MAINTENANCE AND IMPROVEMENT OF EXISTING FACILITIES.

BOARD FOR INTERNATIONAL BROADCASTING (88-1145-0-1-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	68,000	65,000	65,180	68,180 (+3,000)	63,015	76,567	81,567 (+3,000)

COMMENT

THESE SUMS PROVIDE FUNDS FOR THE OPERATIONS OF THE BOARD FOR INTERNATIONAL BROADCASTING AND FOR GRANTS BY THE BOARD TO RADIO FREE EUROPE/RADIO LIBERTY, INC. WHICH BROADCASTS TO EASTERN EUROPE AND THE SOVIET UNION. THERE IS A PENDING SUPPLEMENTAL AUTHORIZATION FOR $10,468,000 TO OFFSET THE UNANTICIPATED DECLINE IN THE DOLLAR. THE $3 MILLION INCREASE RECOMMENDED BY THE COMMITTEE IS TO COVER FURTHER POSSIBLE DECLINE OF THE DOLLAR.

OTHER PROGRAMS

ARMS CONTROL AND DISARMAMENT AGENCY (84-0100-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	16,600	13,600	16,395	18,395 (+2,000)	13,630	15,450	17,450 (+2,000)

COMMENT

THE ARMS CONTROL AND DISARMAMENT AGENCY'S PRIMARY ACTIVITY INVOLVES PARTICIPATION IN AND SUPPORT OF A VARIETY OF ARMS CONTROL NEGOTIATIONS. IN ADDITION, THE AGENCY IS RESPONSIBLE GENERALLY FOR THE FORMULATION, COORDINATION, DIRECTION, AND IMPLEMENTATION OF U.S. ARMS ANALYSIS AND EVALUATION OF ITS OWN RESEARCH AND THAT CARRIED OUT BY OTHER U.S. GOVERNMENT ORGANIZATIONS IN THE AREA OF ARMS CONTROL AND DISARMAMENT. IN TERMS OF TIME MANPOWER, AND BUDGET RESOURCES REQUIRED, THE CHIEF NEGOTIATIONS WHICH ACDA SUPPORTS AND IN WHICH IT PARTICIPATES ARE SALT, THE STRATEGIC ARMS LIMITATION TALKS. BEYOND THAT, THE AGENCY PROVIDES RESEARCH AND OTHER BACKUP SUPPORT FOR NUMEROUS OTHER CONVENTIONAL AND REGIONAL ARMS CONTROL EFFORTS. INCLUDED IN THIS LATTER CATEGORY ARE THE MUTUAL BALANCED FORCE REDUCTIONS (MBFR), THE CONFERENCE COMMITTEE ON DISARMAMENT (CCD), THE STANDING CONSULTATIVE COMMISSION (SCC), CONFERENCE ON SECURITY AND COOPERATION IN EUROPE (CSCE), CONVENTIONAL ARMS CONTROL AND ARMS TRANSFERS, CHEMICAL WEAPONS, AND NUCLEAR PROLIFERATION. TO CARRY OUT THIS PROGRAM ACDA IS REQUESTING A FISCAL YEAR 1979 AUTHORIZATION OF $18,395,000 WHICH REPRESENTS A REDUCTION OF $205,000 FROM THE FISCAL YEAR 1978 AUTHORIZATION OF $18,600,000. THE FISCAL YEAR 1978 TOTAL CONSISTS OF AN INCREASE OF $1,314,000 IN PROGRAM OPERATIONS AND REDUCTION IN EXTERNAL RESEARCH (INCLUDING MONIES ALLOCATED TO SUPPORT THE INTERNATIONAL ATOMIC ENERGY AGENCY'S NUCLEAR SAFEGUARDS PROGRAMS AND RELATED ACTIVITIES) OF APPROXIMATELY $800,000. (THE INCREASE IN PROGRAM FUNDS IS PARTLY TO COVER THE COST OF THE SALT NEGOTIATIONS FOR A MORE PROTRACTED PERIOD THAN WAS ANTICIPATED IN FISCAL YEAR 1978, AS WELL AS AN INCREASE IN ACDA'S ACTIVITIES CONNECTED WITH THE CONFERENCE OF THE COMMITTEE ON DISARMAMENT, THE UNITED NATIONS SPECIAL SESSION ON DISARMAMENT, THE VARIOUS BILATERAL DISCUSSIONS ON CONVENTIONAL ARMS TRANSFERS RESTRAINT, CONTINUED PREPARATION OF ARMS CONTROL IMPACT STATEMENTS, PUBLIC INFORMATION ACTIVITIES, AS WELL AS INFLATION. IN ADDITION TO THE PRESIDENT'S REQUEST, THE COMMITTEE RECOMMENDS THAT ACDA BE AUTHORIZED AN ADDITIONAL $2,000,000 TO CONTINUE ITS VIGOROUS SUPPORT OF THE IAEA'S NUCLEAR SAFEGUARDS PROGRAMS AND RELATED ACTIVITIES. THE EXECUTIVE BRANCH HAS REQUESTED AN FY 1978 SUPPLEMENTAL APPROPRIATION OF $8.0 MILLION FOR THE AGENCY.

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PEACE CORPS (44-0100-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	$82,900	$82,900	$95,135	$96,135 (+1,000)	$82,487	$92,830	$93,468 (+638)

COMMENT

THE PRESIDENT'S REQUEST FOR THE PEACE CORPS REPRESENTS A $12.2 MILLION INCREASE IN BUDGET AUTHORITY OVER FY 1978. THE INCREASE WILL PROVIDE FOR 88 MORE VOLUNTEER YEARS THAN IN FY 78, OR A TOTAL OF 6,122 VOLUNTEER YEARS. IN ADDITION TO THE PRESIDENT'S REQUEST, THE COMMITTEE RECOMMENDS AN INCREASE OF $1 MILLION IN BUDGET AUTHORITY FOR THE PURPOSE OF PEACE CORPS CONTRIBUTIONS TO THE U.N.-VOLUNTEER PROGRAM.

ENERGY (89-0303-0-1-270)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
270	PENDING	7,251,500	9,368,174	9,368,174 (0)	5,883,324	7,858,557	7,858,557 (0)

COMMENT

SEVERAL PROGRAMS ARE MONITORED WITHIN THIS ACCOUNT BECAUSE OF THEIR IMPORTANT BEARING ON U.S. INTERNATIONAL NON PROLIFERATION EFFORTS. THE PROGRAMS ARE: 1) FUEL CYCLE RESEARCH AND DEVELOPMENT, 2) BREEDER REACTORS, 3) NUCLEAR RESEARCH AND APPLICATIONS, AND 4) INTERNATIONAL SPENT FUEL DISPOSITION. MAJOR RESOURCE REALIGNMENTS CONTINUE TO BE MADE IN EACH OF THESE CATEGORIES AS PART OF THE DEPARTMENT OF ENERGY'S GENERAL EFFORT IDENTIFY AND DEVELOP MORE PROLIFERATION RESISTANT NUCLEAR FUEL CYCLES. THE COMMITTEE HAS LONG ENCOURAGED SUCH A REDIRECTION OF NUCLEAR R & D AND IS PLEASED BY THE DEPARTMENT'S INITIATIVES. QUESTIONS WHICH DO WARRANT CONTINUED BUDGETARY OVERSIGHT, HOWEVER, ARE THE FOLLOWING: 1) THE EXTENT TO WHICH REPROCESSING AND SAFEGUARD EVALUATIVE EFFORTS AT BARNWELL, S. C. COULD BE AS EFFECTIVELY PERFORMED AT OTHER EXISTING LABS, 2) THE EFFECT OF CONTINUED ACTIVITY AT BARNWELL ON THE U.S. - INTERNATIONAL NON PROLIFERATION POSTURE, 3) THE EXTENT TO WHICH RESEARCH ON REPROCESSED WASTE CONTINUES TO DOMINATE WORK ON LONG TERM SPENT FUEL STORAGE, 4) THE RATIONALE FOR AND INTERNATIONAL IMPACT OF NEW FUNDING FOR THE ADVANCED INTEGRATED TEST FACILITY AND- THE $15 MILLION DOLLAR BREEDER DESIGN STUDY, 5) THE EXTENT TO WHICH CONTINUED SUPPORT FOR THE LIGHT WATER BREEDER REACTOR (LWBR) - IS CONSISTENT WITH THE RE-ORIENTATION OF U.S. NON-PROLIFERATION POLICY, GIVEN THAT THE REACTOR IS FUELED WITH EXCLUSIVELY WEAPONS-GRADE MATERIAL AND, 6) THE ADEQUACY OF THE EXISTING ALLOCATION OF RESOURCES AND PERSONNEL WITHIN THE INTERNATIONAL FUEL CYCLE EVALUATION (INFCE) AND NON-PROLIFERATION ALTERNATIVE SYSTEMS ASSESSMENT PROGRAM (NASAP).

ATOMIC ENERGY DEFENSE ACTIVITIES (89-0301-0-1-053)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
050	PENDING	2,512,396	2,839,083	2,839,083 (0)	2,307,766	2,536,833	2,536,833 (0)

COMMENT

THE TWO PROGRAMS WITHIN THIS ACCOUNT WHICH ARE OF CONCERN TO THE COMMITTEE ARE: 1) INTELLIGENCE AND ARMS CONTROL AND 2) NUCLEAR MATERIALS AND SECURITY AND SAFEGUARDS. THE PURPOSE OF THE INTELLIGENCE AND ARMS CONTROL PROGRAM IS TO PROVIDE RESEARCH AND ANALYSIS RELATED TO TEST BAN VERIFICATION AND OTHER ARMS CONTROL AND DEFENSE ACTIVITIES. THIS PROGRAM IS TO BE INCREASED BY $3.7 MILLION OVER FY 78 TO A TOTAL OF $20.4 MILLION. THE PROJECTED INCREASE REFLECTS IN LARGE PART THE EXPANDED ACTIVITY ASSOCIATED WITH THE PROPOSED COMPREHENSIVE TEST BAN TREATY. THE NUCLEAR MATERIALS SECURITY AND SAFEGUARD PROGRAM ENCOMPASSES BOTH DOMESTIC AND INTERNATIONAL SAFEGUARD ACTIVITIES. THIS PROGRAM IS SCHEDULED TO RECEIVE AN INCREASE IN BUDGET AUTHORITY OF $2.3 MILLION TO A TOTAL OF $43 MILLION. THIS INCREASE RELATES IN PART TO THE U.S. DECISION TO SUBMIT VOLUNTARILY TO IAEA SAFEGUARDS ON DOMESTIC FACILITIES. FUNDS WITHIN THE NUCLEAR MATERIALS PROGRAM ALSO GO FOR THE DIRECT SUPPORT OF THE IAEA'S INTERNATIONAL SAFEGUARDS EFFORT. THIS SUPPORT IS TRANSLATED INTO 1) TECHNOLOGY TRANSFERS AND 2) SAFEGUARDS TRAINING PROGRAMS. THE MAGNITUDE OF THIS EFFORT IS APPROXIMATELY $1.5 MILLION, A SUM THAT HAS REMAINED RELATIVELY CONSTANT OVER THE LAST FEW YEARS. THE ANTI-PROLIFERATION ACT OF 1978 REQUIRES THE NUCLEAR MATERIALS PROGRAM TO ESTABLISH A COORDINATED SAFEGUARDS AND PHYSICAL SECURITY TRAINING PROGRAM FOR THE INTERNATIONAL COMMUNITY. NO ADDITIONAL RESOURCES HAVE BEEN REQUESTED FOR THIS EFFORT IN FY 79 AND THE BULK OF ANY REQUIRED ADDITIONAL SUPPORT IS EXPECTED TO COME FROM A STRETCH-OUT OF CERTAIN LOWER-PRIORITY PHYSICAL SECURITY PROGRAMS AT SANDIA LABS. AN ITEM OF CONTINUING CONCERN IS THE EXTENT TO WHICH RESEARCH ON SAFEGUARDS FOR PROCESSING AND PROCESSING-RELATED FACILITIES DOMINATES SAFEGUARDS WORK ON VERIFIED SPENT FUEL REPOSITORIES. THE ENTIRE NMSS PROGRAM WILL BE REVIEWED BY THE COMMITTEE DURING THE COMING YEAR IN CONNECTION WITH A BROADER EXAMINATION OF THE EFFECTIVENESS OF INTERNATIONAL SAFEGUARDS. THIS REVIEW MAY HAVE IMPLICATIONS FOR THE FY 80 BUDGET.

NUCLEAR REGULATORY COMMISSION (31-0200-0-1-276)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
276		281,423	330,870	330,955 (+285)	286,400	305,000	305,285 (+285)

COMMENT

RELEVANT PROGRAMS WITHIN THIS ACCOUNT ARE 1) NUCLEAR MATERIAL SAFETY AND SAFEGUARDS (NMSS) AND 2) PROGRAM TECHNICAL SUPPORT. THE NMSS PROGRAM EMBRACES SAFEGUARDS WORK THAT IS BOTH DOMESTIC AND INTERNATIONAL IN NATURE. RESOURCES ALLOCATED TO THIS PROGRAM IN FY 78 CONSISTED OF 11 PERSONNEL AND $160,000 FOR TECHNICAL ASSISTANCE AND PROGRAM SUPPORT. THE PROJECTIONS FOR FY 79 PERMIT NO INCREASES IN MANPOWER AND REDUCE TECHNICAL ASSISTANCE FUNDING TO $90,000. THESE CUTBACKS COME AT A TIME OF INCREASING CONCERN OVER THE EFFECTIVENESS OF THE EXISTING INTERNATIONAL SAFEGUARDS SYSTEM. THE CUTS REDUCE THE CAPABILITY OF NMSS TO IDENTIFY INTERNATIONAL SAFEGUARD PROBLEMS AND TO FORMULATE CORRECTIVE MEASURES. MOREOVER, THE CUTS ARE LIKELY TO RETARD SIGNIFICANTLY THE EFFORTS OF THE U.S. IN IMPLEMENTING IAEA SAFEGUARDS ON DOMESTIC FACILITIES. THE PROGRAM TECHNICAL SUPPORT CATEGORY INCLUDES THE INTERNATIONAL PROGRAMS OFFICE. AMONG ITS VARIOUS RESPONSIBILITIES THIS OFFICE HELPS TO PROVIDE THE COMMISSION WITH CRITICAL EVALUATIVE INFORMATION RELATED TO NUCLEAR EXPORT LICENSING DECISIONS. AT THE END OF LAST YEAR, THE COMMITTEE INITIATED, WITH THE COOPERATION OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, A REPROGRAMMING ACTION DESIGNED TO EXPAND THE PROFESSIONAL STAFF CAPABILITY OF THAT OFFICE. THE COMMITTEE WILL ASSESS THE ADEQUACY OF THAT ARRANGEMENT OVER THE COURSE OF THE COMING FISCAL YEAR.

OVERSEAS PRIVATE INVESTMENT CORPORATION (71-4030-0-3-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	-43,682	-44,748	-44,748 (0)

COMMENT

THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) IS THE QUASI-GOVERNMENTAL CORPORATION WHICH PROVIDES POLITICAL RISK INSURANCE FOR U.S. INVESTMENTS IN DEVELOPING COUNTRIES IN ORDER TO PROMOTE THOSE COUNTRIES DEVELOPMENT. OPIC FINANCIAL REQUIREMENTS ARE MET OUT OF THE FEES IT CHARGES FOR ITS INSURANCE. THE MINUS $44.748 MILLION FIGURES REPRESENTS NET OPIC REVENUES FROM FEES AND INTEREST. LEGISLATION, H.R. 9179, TO EXTEND OPIC AUTHORITY, HAS PASSED BOTH HOUSES AND IS PENDING IN CONFERENCE.

EXPORT-IMPORT BANK (83-4027-0-3-155)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	*	0	650,665	650,665 (0)	198,000	403,776	403,776 (0)

COMMENT

THE EXPORT-IMPORT BANK OF THE UNITED STATES WAS ORGANIZED IN 1934. ITS PROGRAMS ARE AUTHORIZED UNDER THE EXPORT-IMPORT BANK ACT OF 1945, AS AMENDED. THE PURPOSE OF THE BANK IS TO AID IN FINANCING AND TO FACILITATE U.S. EXPORTS. THE PRESIDENT'S FY 1979 BUDGET AUTHORITY AND OUTLAY REQUEST REFLECTS HIS ESTIMATION OF THE AMOUNT REQUIRED TO SUPPORT BANK ACTIVITY THIS FISCAL YEAR. BECAUSE OF AN UNUSUALLY LOW LEVEL OF BANK ACTIVITY IN FY 1977 NO NEW BUDGET AUTHORITY WAS REQUIRED IN FY 1978. IN ADDITION TO THE PRESIDENT'S BUDGET REQUEST FOR FY 1979 THE BASIC OPERATING AUTHORITY OF THE BANK REQUIRES REAUTHORIZING LEGISLATION THIS YEAR. NOTE: THE PRIMARY LEGISLATIVE JURISDICTION FOR THE EXPORT-IMPORT BANK IS ASSIGNED TO THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS, AND SPECIAL OVERSIGHT JURISDICTION IS ASSIGNED TO THE COMMITTEE ON INTERNATIONAL RELATIONS.

PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

(The President has submitted no requests in this category which come under the jurisdiction of the Committee on International Relations.)

PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

(The President has submitted no requests in this category which come under the jurisdiction of the Committee on International Relations.)

LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

AFRICA FOUNDATION

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150				30,000 (+30,000)			2,000 (+2,000)

COMMENT

THE PURPOSE OF THE COMMITTEE'S RECOMMENDATION IS TO ESTABLISH AN AFRICAN FOUNDATION WHICH WOULD HAVE AS ITS PURPOSE THE EXPANSION OF ECONOMIC AND SOCIAL DEVELOPMENT THROUGH THE FUNDING OF PROJECTS GROWING OUT OF LOCAL PRIVATE INITIATIVES. DESIGNED TO STIMULATE INDIVIDUAL PARTICIPATION IN THE DEVELOPMENT PROCESS, THESE FUNDS WOULD UNDERWRITE THOSE EFFORTS TOO SMALL FOR AID FUNDING. THE OUTLAYS FOR FISCAL 1979 WOULD BE USED PRINCIPALLY FOR PLANNING AND STARTUP COSTS.

FIVE YEAR PROJECTION

	1979	1980	1981	1982	1983
Budget Authority	30,000	-	-	-	-
Outlays	2,000	7,600	5,500	4,000	2,000

INSTITUTE FOR HUMAN RIGHTS AND FREEDOM

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150				5,000 (+5,000)			5,000 (+5,000)

COMMENT

THE LEGISLATION TO ESTABLISH AN INSTITUTE FOR HUMAN RIGHTS AND FREEDOMS IS EXPECTED TO BE CONSIDERED BY THE SUBCOMMITTEE ON INTERNATIONAL OPERATIONS DURING ITS DELIBERATIONS ON THE FOREIGN RELATIONS AUTHORIZATION ACT FOR FISCAL YEAR 1979. THE INSTITUTE PROVIDES FUNDING TO PRIVATE ORGANIZATIONS WORKING IN BEHALF OF HUMAN RIGHTS FOR POLITICAL RIGHTS AROUND THE WORLD.

COMMISSION ON PEACE ACADEMY AND CENTER FOR CONFLICT RESOLUTION

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150				500 (+500)			500 (+500)

COMMENT

THIS SUM WOULD PROVIDE FUNDS FOR THE ESTABLISHMENT AND OPERATION OF A COMMISSION TO STUDY THE FEASIBILITY OF ESTABLISHING A NATIONAL PEACE ACADEMY AND CENTER FOR CONFLICT RESOLUTION. LEGISLATION TO ESTABLISH SUCH A COMMISSION HAS PASSED THE SENATE AND IS PRESENTLY PENDING BEFORE THE SUBCOMMITTEE ON INTERNATIONAL RELATIONS.

PRESIDENT'S BUDGET REQUESTS TO EXTEND PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

INTERNATIONAL SECURITY ASSISTANCE

ADVANCES, FOREIGN MILITARY SALES (11-0343-0-7-155)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	11,100,000	12,300,000	12,300,000 (0)	8,500,000	9,500,000	9,500,000 (0)

COMMENT

THE FOREIGN MILITARY SALES TRUST FUND WAS ESTABLISHED TO FACILITATE GOVERNMENT TO GOVERNMENT SALES OF DEFENSE ARTICLES AND SERVICES AS AUTHORIZED BY SECTIONS 21 AND 22 OF THE ARMS EXPORT CONTROL ACT, INCLUDING THOSE SALES FINANCED WITH FOREIGN MILITARY SALES CREDITS IN ACCORDANCE WITH SECTION 23 OF THAT ACT. ORDERS PLACED BY FOREIGN GOVERNMENTS THROUGH THE TRUST FUND CAN BE COMBINED WITH PROCUREMENT FOR U.S. ARMED FORCES, RESULTING IN SAVINGS SHARED BOTH BY THE UNITED STATES AND FOREIGN GOVERNMENTS. THE PRESIDENT'S GROSS BUDGET AUTHORITY REQUEST OF $12,300,000 FOR FISCAL YEAR 1979 REPRESENTS THE DEPARTMENT OF DEFENSE ESTIMATE OF ACTUAL OBLIGATIONS (CONTRACTS MADE WITH AMERICAN SUPPLIERS ON BEHALF OF FOREIGN GOVERNMENTS) WHICH WILL BE INCURRED BY THIS PROGRAM DURING THE COMING YEAR.

ADVANCES, FOREIGN MILITARY SALES: PROPRIETARY RECEIPTS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	-8,700,000	-9,200,000	-9,200,000 (0)	-8,700,000	-9,200,000	-9,200,000 (0)

COMMENT

THE MINUS $9,200 MILLION FIGURE REPRESENTS THE AMOUNTS WHICH FOREIGN GOVERNMENTS WILL PAY INTO THE FUND IN THE COMING YEAR. ALL PAYMENTS INTO THIS FUND ARE RECEIVED FROM FOREIGN GOVERNMENTS FOR THE SOLE PURPOSE OF MAKING PROGRESS PAYMENTS ON THEIR MILITARY SALES CONTRACTS.

FOREIGN MILITARY SALES CREDITS: PROPRIETARY LOAN RECEIPTS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	-302,000	-297,000	-297,000 (0)	-302,000	-297,000	-297,000 (0)

COMMENT

THIS ITEM INCLUDES INTEREST AND PRINCIPAL PAYMENTS RECEIVED FROM FOREIGN COUNTRIES ON CREDITS PROVIDED UNDER THE AUTHORITY OF SECTION 23 OF THE ARMS EXPORT CONTROL ACT, AND RECOVERIES UNDER THE MILITARY ASSISTANCE PROGRAM.

MILITARY ASSISTANCE, SOUTH VIETNAMESE FORCES (97-1087-0-1-152)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	5,000	3,000	3,000 (0)

COMMENT

SUPPORT FOR SOUTH VIETNAMESE FORCES WAS FUNDED PRIOR TO 1975 FROM APPROPRIATIONS TO THE MILITARY DEPARTMENTS. IN 1978, THE LAST YEAR OF THE PROGRAM, FUNDS FOR THIS ACTIVITY WERE APPROPRIATED TO THE SECRETARY OF DEFENSE. THE OUTLAYS SHOWN ARE SPENDING FOR CLAIMS OUTSTANDING AGAINST THAT APPROPRIATION.

LIQUIDATION OF FOREIGN MILITARY SALES FUND (11-4117-0-3-152)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	-5,000	-2,000	-2,000 (0)

COMMENT

THIS LIQUIDATION ACCOUNT WAS ESTABLISHED BY SECTION 524(B) OF THE FOREIGN ASSISTANCE ACT. THE SECTION TERMINATED THE SPECIAL FOREIGN MILITARY SALES FUND AND REQUIRED THAT THE FUNDS ASSETS BE TRANSFERRED TO THIS LIQUIDATION ACCOUNT TO BE AVAILABLE SOLELY FOR THE PURPOSE OF SETTLING OUTSTANDING LIABILITIES AND OBLIGATIONS ARISING FROM CREDIT AGREEMENTS AND GUARANTIES ISSUED PRIOR TO JUNE 30, 1968. TO DATE ALL SUCH LIABILITIES AND OBLIGATIONS HAVE BEEN SATISFIED. EXCESS FUNDS ARE TRANSFERRED TO THE GENERAL FUND OF THE TREASURY.

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INTERNATIONAL DEVELOPMENT ASSISTANCE

SAHEL DEVELOPMENT PROGRAM (11-1012-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	50,000	50,000	90,000	100,000 (+10,000)	5,000	18,000	19,000 (+1,000)

COMMENT

IN 1978, CONGRESS AUTHORIZED A "NO-YEAR" APPROPRIATION OF $200 MILLION FOR THE U.S. CONTRIBUTION TO THE SAHEL DEVELOPMENT PROGRAM IN ORDER TO IMPLEMENT THE MULTILATERAL EFFORT OF THE CLUB DES AMIS DU SAHEL, A DONOR COMMUNITY ASSISTING THE SAHELIAN COUNTRIES IN THEIR DEVELOPMENT. FOR FY 1978, CONGRESS EARMARKED AND APPROPRIATED $50 MILLION FOR THIS PURPOSE. WITH RESPECT TO THE REMAINDER OF THE AUTHORIZATION, AID OFFICIALS TESTIFIED BEFORE THE SUBCOMMITTEE ON AFRICA THAT THE ANNUAL U.S. CONTRIBUTION TO THE PROGRAM WOULD AMOUNT TO 10 TO 15% OF THE TOTAL MULTILATERAL CONTRIBUTION. THE PRESIDENT'S FY 1979 REQUEST OF $90 MILLION REPRESENTS LESS THAN A 10% SHARE. THEREFORE, THE COMMITTEE RECOMMENDS AN ADDITIONAL $10 MILLION IN BUDGET AUTHORITY IN ORDER TO BRING THE U.S. CONTRIBUTION UP TO THE PROMISED LEVEL.

HOUSING AND OTHER CREDIT GUARANTY PROGRAMS (72-4340-0-3-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	*	0	0	0 (0)	2,360	2,333	2,333 (0)

COMMENT

THE HOUSING GUARANTY PROGRAM WAS ESTABLISHED TO INCREASE THE PARTICIPATION OF PRIVATE ENTERPRISE IN THE DEVELOPMENT OF THE HOUSING RESOURCES AND PRODUCTIVE CAPACITIES OF LESS DEVELOPED COUNTRIES. THE PROGRAM PROVIDES CREDIT GUARANTIES TO ELIGIBLE INVESTORS, TO FACILITATE THE FORMULATION AND EXECUTION OF HOUSING AND COMMUNITY DEVELOPMENT POLICIES AND PROGRAMS IN LESS DEVELOPED COUNTRIES. THIS CATEGORY ALSO INCLUDES THE AGRICULTURAL CREDIT AND SELF-HELP COMMUNITY DEVELOPMENT PROGRAM, UNDER WHICH LOAN GUARANTEES ARE AUTHORIZED TO NOT MORE THAN FIVE LATIN AMERICAN COUNTRIES TO ENCOURAGE SMALL SCALE LOANS TO AGRICULTURAL AND COMMUNITY SELF-HELP PROJECTS. FOR FY 1979, ANTICIPATED REVENUES FROM FEES FOR THE HOUSING GUARANTY PROGRAM ARE $5.035 MILLION AND ANTICIPATED ADMINISTRATIVE COSTS ARE $5.410 MILLION. THE 2.333 MILLION IN OUTLAYS REPRESENTS THE DIFFERENCE BETWEEN NET INCOME AND OTHER EXPENSES, WHICH INVOLVE PAYMENTS TO U.S. CREDITORS DUE TO CURRENCY DEVALUATIONS AND TO THE RESCHEDULING OF THE FOREIGN DEBTS OF SEVERAL COUNTRIES. OUTLAYS FOR FISCAL YEARS 1978 AND 1979 RECOGNIZE THESE PAYMENTS AS LOSSES.

INTER-AMERICAN FOUNDATION (11-4031-0-3-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	*	0	7,882	25,000 (+17,118)	8,346	9,364	19,624 (+10,270)

COMMENT

IN 1977 THE CONGRESS PROVIDED FOR A $25 MILLION AUTHORIZATION FOR THE FOUNDATION FOR EACH OF THE FISCAL YEARS 1979 AND 1980. THE ADMINISTRATION IS REQUESTING $7.882 MILLION APPROPRIATION FOR FY 1979. THE BULK OF IAF'S FUNDING HAS COME FROM AN ANNUAL $16 MILLION ALLOCATION MADE TO THE FOUNDATION FROM THE SOCIAL PROGRESS TRUST FUND OF THE INTER-AMERICAN DEVELOPMENT BANK. BECAUSE THAT MONEY IS GENERALLY AVAILABLE ONLY IN SOME SIX CURRENCIES (AND THEREFORE FOR ONLY A HANDFUL OF COUNTRIES), THIS ARRANGEMENT HAS NOT PERMITTED THE IAF TO FUND THE APPROPRIATE PROGRAMS IN SOME OF THE NEEDIEST COUNTRIES. THUS, THE COMMITTEE IS RECOMMENDING A $17.1 INCREASE IN THE BUDGET AUTHORITY TO THE FULL AUTHORIZATION LEVEL APPROVED BY THE CONGRESS. THE COMMITTEE PLANS TO HOLD HEARINGS DURING 1978 TO DETERMINE THE MOST APPROPRIATE MEANS OF FUNDING THE IAF IN FY 1980 AND THEREAFTER.

DARIEN GAP HIGHWAY (60-0553-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT	0	20,000	20,000 (0)	5,870	7,600	7,600 (0)

COMMENT

THE U.S. GOVERNMENT, IN COOPERATION WITH THE REPUBLIC OF PANAMA AND THE GOVERNMENT OF COLOMBIA, IS PARTICIPATING IN THE CONSTRUCTION OF A HIGHWAY THROUGH THE DARIEN GAP. THE REQUEST FOR FISCAL YEAR 1979 WOULD FUND TWO PROJECTS IN PANAMA. THE EXECUTIVE BRANCH HAS ALSO REQUESTED AN FY 1978 SUPPLEMENTAL APPROPRIATION OF $20 MILLION FOR THIS PURPOSE.

PAYMENT TO FOREIGN SERVICE RETIREMENT FUND(AID PAYMENTS) (11-1036-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	21,450	24,620	24,620 (0)	21,450	24,620	24,620 (0)

COMMENT

THIS AMOUNT IS REQUIRED TO PAY FOR THE FISCAL YEAR 1979 ANNUAL INSTALLMENT NEEDED TO COVER THE UNFUNDED LIABILITY RESULTING FROM INCREASES IN BENEFITS OR PARTICIPATION OF AGENCY FOR INTERNATIONAL DEVELOPMENT CAREER FOREIGN SERVICE EMPLOYEES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.

INTERNATIONAL DEVELOPMENT ASSISTANCE-CONSOLIDATED WORKING FUND (72-3900-0-4-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	0	0	0 (0)	2,500	626	626 (0)

COMMENT

THIS ITEM CONSISTS OF OUTLAYS FROM ACTIVITY IN PRIOR YEARS.

ECONOMIC ASSISTANCE, PROPRIETARY LOAN RECEIPTS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	-319,403	-336,066	-336,066 (0)	-319,403	-336,066	-336,066 (0)

COMMENT

THIS ITEM REPRESENTS PRINCIPAL REPAYMENTS FROM FOREIGN COUNTRIES ON LOANS AND CREDITS PROVIDED UNDER U.S. ECONOMIC ASSISTANCE PROGRAMS. THE FUNDS ARE DEPOSITED IN THE U.S. TREASURY.

ECONOMIC ASSISTANCE, PROPRIETARY LOAN RECEIPTS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
900	PERMANENT-INDEFINITE	-242,536	-278,525	-278,525 (0)	-242,536	-278,525	-278,525 (0)

COMMENT

THIS ITEM REPRESENTS INTEREST REVENUE RECEIVED FROM FOREIGN COUNTRIES ON LOANS AND CREDITS PROVIDED UNDER U.S. ECONOMIC ASSISTANCE PROGRAMS. THE FUNDS ARE DEPOSITED IN THE U.S. TREASURY.

DISASTER RELIEF ASSISTANCE (11-0011-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	32,401	10,192	10,192 (0)

COMMENT

THIS ACCOUNT REPRESENTS OUTLAYS FROM FUNDS PROVIDED PURSUANT TO THE FOREIGN DISASTER ASSISTANCE ACT OF 1974.

ASSISTANCE TO PORTUGAL AND PORTUGUESE COLONIES (11-0011-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	6,466	6,000	6,000 (0)

COMMENT

THIS ACCOUNT REPRESENTS THE FISCAL YEAR 1979 OUTLAYS FROM PRIOR YEAR APPROPRIATIONS FOR ASSISTANCE TO PORTUGAL AND THE FORMER P-ORTUGUESE COLONIES.

PROTOTYPE DESALTING PLANT (11-9811-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	1,672	5,000	5,000 (0)

COMMENT

THIS ACCOUNT REPRESENTS THE FISCAL YEAR 1979 OUTLAYS FROM ASSISTANCE PROVIDED IN PRIOR YEARS TO ASSIST ISRAEL IN CONSTRUCTING A PROTOTYPE DESALTING PLANT.

SOCIAL PROGRESS TRUST FUND (11-9911-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	9,100	9,030	9,030 (0)

COMMENT

THIS ITEM REPRESENTS FISCAL YEAR 1979 OUTLAYS FROM FUNDS PREVIOUSLY PROVIDED TO THE SOCIAL PROGRESS TRUST FUND.

DEVELOPMENT LOAN FUND (11-4103-0-3-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	32,020	32,023	32,023 (0)

COMMENT

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (11-1039-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	10,000	20,000	20,000 (0)

COMMENT

THE U.S. CONTRIBUTION OF UP TO $200 MILLION TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) WAS AUTHORIZED IN THE INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975 AND APPROPRIATIONS IN THAT AMOUNT WERE PASSED IN FISCAL 1978. THIS ACCOUNT REPRESENTS OUTLAYS FROM THIS FUNDING ESTIMATED FOR FISCAL 1979.

DEPARTMENT OF STATE AND INTERNATIONAL COMMUNICATIONS AGENCY

PAYMENT TO THE REPUBLIC OF PANAMA (19-2026-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT	2,328	2,328	2,328 (0)	2,328	2,328	2,328 (0)

COMMENT

ANNUAL PAYMENT IS MADE TO THE GOVERNMENT OF PANAMA IN CONSIDERATION OF RIGHTS GRANTED IN PERPETUITY WITH REGARD TO THE CONSTRUCTION OF THE PANAMA CANAL. (AUTHORITY: TREATY OF 1903, 33 STAT. 2238, 53 STAT. 1810). NOTE: IN THE EVENT THAT THE PROPOSED PANAMA CANAL TREATIES ARE APPROVED BY THE SENATE, RATIFIED AND THE CONGRESS ENACTS THE NECESSARY IMPLEMENTING LEGISLATION BEFORE THE END OF FY 1979, THE AUTHORITY FOR THIS PAYMENT WOULD BE ABOLISHED.

DEPARTMENT OF STATE WORKING CAPITAL FUND (19-4519-0-4-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	0	0	0 (0)	-271	-538	-538 (0)

COMMENT

THIS FUND FINANCES ON A REIMBURSABLE BASIS CERTAIN CENTRAL SERVICES FOR THE DEPARTMENT OF STATE, INCLUDING DATA PROCESSING, EDITORIAL, REPRODUCTION, TELEPHONE AND OTHER SERVICES (AUTHORITY: PUBLIC LAW 84-885, SEC 13).

DEPARTMENT OF STATE, MISCELLANEOUS TRUST FUND (19-8971-0-7-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT INDEFINITE	740	740	740 (0)	740	740	740 (0)

COMMENT

THE SECRETARY OF STATE HAS AUTHORITY TO ACCEPT ON BEHALF OF THE UNITED STATES CONDITIONAL AND UNCONDITIONAL GIFTS FOR THE BENEFIT OF THE DEPARTMENT OR FOR THE CARRYING OUT OF ANY OF ITS FUNCTIONS. GIFTS OF MONEY, DEPOSITED AND HELD IN TRUST IN THE TREASURY OF THE U.S., ARE PERMANENTLY APPROPRIATED FOR EXPENDITURE IN SUPPORT OF THE OPERATION OF THE DEPARTMENT (AUTHORITY: PUBLIC LAW 79-7-24, SEC. 1021).

GIFTS BEQUESTS, NATIONAL COMMISSION ON EDUCATION, SCIENTIFIC AND CULTURAL COOPERATION (19-8812-0-7-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	25	25	25 (0)	20	20	20 (0)

COMMENT

THE NATIONAL COMMISSION ON EDUCATION, SCIENTIFIC, AND CULTURAL COOPERATION, THE NATIONAL BODY OF UNESCO, IS IS AUTHORIZED TO RECEIVE GIFTS AND BEQUESTS WHICH IT MAY USE TO FURTHER ITS ACTIVITIES. (AUTHORITY: 22 U.S.C. 287 (G))

INTERNATIONAL CENTER, DISTRICT OF COLUMBIA (19-5151-0-2-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	146	2,346	2,346 (0)	1,357	2,346	2,346 (0)

COMMENT

PROPERTY OWNED BY THE UNITED STATES IN THE DISTRICT OF COLUMBIA WILL BE SOLD OR LEASED TO FOREIGN GOVERNMENTS FOR USE AS EMBASSIES. PROCEEDS WILL FINANCE THE COST OF SITE PREPARATION. (AUTHORITY: PUBLIC LAW 90-553)

DEPARTMENT OF STATE PAYMENT: PAYMENT TO THE FOREIGN SERVICE RETIREMENT FUND (19-0504-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	78,300	82,300	82,300 (0)	78,300	82,300	82,300 (0)

COMMENT

THE FOREIGN SERVICE ACT REQUIRES THE SECRETARY OF THE TREASURY , BEGINNING IN 1971, TO MAKE ANNUAL PAMENTS TO THE RETIREMENT FUND ON A SLIDING PERCENTAGE SCALE OF AN AMOUNT EQUAL TO: (1) INTEREST ON THE UNFUNDED LIABILITY, AND (2) ANNUITY DISBURSEMENST ATTRIBUTABLE TO MILITARY SERVICE..(AUTHORITY: PUBLIC LAW 79-724, SEC.866)

FOREIGN SERVICE RETIREMENT AND DISABILITY FUND (19-0106-0-7-602)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
600	PERMANENT-INDEFINITE	176,964	207,817	207,817 (0)	101,488	117,430	117,430 (0)

COMMENT

THE FOREIGN SERVICE RETIREMENT AND DISABILITY FUND IS USED PRIMARILY FOR THE PAYMENT OF ANNUITIES TO FOREIGN SERVICE PERSONNEL.- THE FUND IS MAINTAINED THROUGH (1) CONTRIBUTIONS OF EMPLOYERS AND EMPLOYEES, (2) INVESTMENT INCOME, AND (3) APPROPRIATED FUNDS. - (AUTHORITY PUBLIC LAW 79-724, SECS. 802 AND 811.)

EIGHTH PAN AMERICAN GAMES (19-1150-0-1-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	3,152	6,848	6,848 (0)

COMMENT

THIS APPROPRIATION PROVIDES FOR THE U.S. GOVERNMENT'S CONTRIBUTION FOR EXPENSES ASSOCIATED WITH THE EIGHTH PAN AMERICAN GAMES T- O BE HELD IN SAN JUAN, P.R., IN 1979. THE FUNDS ARE BEING TRANSFERRED BY THE SECRETARY OF STATE TO THE RECREATIONAL DEVELOPMENT CO- MPANY OF PUERTO RICO(A GOVERNMENT CORPORATION OF THE COMMONWEALTH OF PUERTO RICO) AS CONSTRUCTION OF SPORTS FACILITIES FOR THE GAME- S PROGRESSES.

STATE DEPARTMENT PROPRIETARY RECEIPTS AND INTERFUND TRANSFERS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	-156,857	-173,857	-173,857 (0)	-156,857	-173,857	-173,857 (0)

COMMENT

THIS ITEM INCLUDES FEDERAL CONTRIBUTIONS TO THE FOREIGN SERVICE RETIREMENT FUND, THE REIMBURSEMENT BY THE PANAMA CANAL COMPANY - FOR THE ANNUITY PAYMENT TO THE REPUBLIC OF PANAMA, REPAYMENTS FROM LOANS MADE TO THE U.N., AND OTHER MISCELLANEOUS RECOVERIES, REFUNDS AND RECEIPTS.

STATE DEPARTMENT PROPRIETARY RECEIPTS AND INTERFUND TRANSFERS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
300	PERMANENT-INDEFINITE	-500	-500	-500 (0)	-500	-500	-500 (0)

COMMENT

THIS ITEM INCLUDES RECEIPTS FROM THE SALE AND TRANSMISSION OF ELECTRICITY FROM THE FALCON DAM, AND OTHER MISCELLANEOUS RECEIPTS.

STATE DEPARTMENT PROPRIETARY RECEIPTS AND INTERFUND TRANSFERS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
400	PERMANENT-INDEFINITE	-200	-200	-200 (0)	-200	-200	-200 (0)

COMMENT

THIS ITEM INCLUDES RECOVERIES OF EXPENSES ASSOCIATED WITH THE INTERNATIONAL SERVICE OF ICE OBSERVATION AND PATROL.

STATE DEPARTMENT PROPRIETARY RECEIPTS AND INTERFUND TRANSFERS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
600	PERMANENT-INDEFINITE	-300	-300	-300 (0)	-300	-300	-300 (0)

COMMENT

THIS ITEM INCLUDES FUNDS TRANSFERRED FROM THE FOREIGN SERVICE RETIREMENT FUND TO THE CIVIL SERVICE RETIREMENT FUND.

STATE DEPARTMENT PROPRIETARY RECEIPTS AND INTERFUND TRANSFERS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
800	PERMANENT-INDEFINITE	-350	-350	-350 (0)	-350	-350	-350 (0)

COMMENT

THIS CATEGORY INCLUDES INTEREST EARNINGS ON PUBLIC DEPOSITS.

U.S. EMERGENCY MIGRATION AND REFUGEE ASSISTANCE FUND (11-0040-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	10,000	15,000	15,000 (0)	14,720	15,000	15,000 (0)

COMMENT

THE EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND WAS ESTABLISHED BY THE 1976 FOREIGN RELATIONS AUTHORIZATION ACT(PUBLIC LAW - 94-141) TO ENABLE THE PRESIDENT TO PROVIDE EMERGENCY ASSISTANCE FOR UNEXPECTED, URGENT REFUGEE AND MIGRATION NEEDS.

INTERNATIONAL COMMUNICATIONS AGENCY TRUST FUNDS (NET) (67-8167-0-7-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	89	93	93 (0)	357	99	99 (0)

COMMENT

FUNDS ADVANCED BY FOREIGN GOVERNMENTS, INTERNATIONAL ORGANIZATIONS, PRIVATE ORGANIZATIONS AND INDIVIDUALS ARE USED TO MEET THE EXPENSES OF CARRYING OUT AUTHORIZED ACTIVITIES AND PURPOSES OF THE MUTUAL EDUCATIONAL AND CULTURAL EXCHANGE ACT OF 1961 AND TO CARRY OUT OTHER FUNCTIONS OF THE INTERNATIONAL COMMUNICATIONS AGENCY (AUTHORITY: PUBLIC LAW 80-402, SECS. 701 AND 902, PUBLIC LAW 87-256, SEC 105(F)).

INTERNATIONAL COMMUNICATIONS AGENCY: MISCELLANEOUS EXPIRED SPECIAL FOREIGN CURRENCY PROGRAMS
(67-9911-0-1-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	0	0	0	0 (0)	346	66	66 (0)

COMMENT

THIS ACCOUNT REPRESENTS FISCAL YEAR 1979 OUTLAYS FROM APPROPRIATIONS IN PRIOR YEARS FOR THE PURCHASE OF FOREIGN CURRENCIES. THE FOREIGN CURRENCIES FINANCED SPECIAL INTERNATIONAL EXHIBITIONS, AND THE PRESERVATION AND REMOVAL OF CERTAIN TEMPLES IN EGYPT AND THE SUDAN.

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EXPORT PROMOTION AND CONTROL

EXPORT PROMOTION AND CONTROL: DOMESTIC AND INTERNATIONAL BUSINESS ADMINISTRATION (13-1250-0-1-376)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
370	7,228	63,461	69,733	69,733 (0)	63,536	69,434	69,434 (0)

COMMENT

THE EXPORT PROMOTION AND CONTROL ACCOUNT COVERS THE INDUSTRY AND TRADE ADMINISTRATION OF THE DEPARTMENT OF COMMERCE, THE ACTIVITIES OF WHICH INCLUDE EXPORT DEVELOPMENT, EAST-WEST TRADE PROMOTION, DOMESTIC BUSINESS DEVELOPMENT, INTERNATIONAL ECONOMIC POLICY AND RESEARCH, FIELD OPERATIONS (TO SERVE AS LIAISON WITH LOCAL BUSINESS COMMUNITIES), AND TRADE REGULATION (ADMINISTRATION OF EXPORT-CONTROLS FOR PURPOSES OF NATIONAL SECURITY, FOREIGN POLICY AND DOMESTIC SHORT SUPPLY AS AUTHORIZED BY THE EXPORT ADMINISTRATION ACT). THE COMMITTEE IS AWARE THAT THE PRESIDENT'S BUDGET AUTHORITY REQUEST FOR EXPORT CONTROLS IS APPROXIMATELY $107,000 ABOVE THE FY 1979 AUTHORIZATION LEVEL, BUT FEELS STRONGLY THAT THE AMOUNT AUTHORIZED SHOULD BE FULLY APPROPRIATED IN VIEW OF THE IMPORTANCE OF EXPORT CONTROL AND ANIT-BOYCOTT ENFORCEMENT. THE "EXPORT ADMINISTRATION ADMENDMENTS OF 1977" PROVIDED AUTHORIZATION FOR EXPORT CONTROLS FOR FY 1978 AND FY 1979, AND THE OTHER PROGRAMS OPERATE UNDER PERMANENT AUTHORIZATION. THE ADMINISTRATION IS REQUESTING A $6.272 MILLION INCREASE IN APPROPRIATIONS FOR FY 1979. HALF OF THE INCREASE IN APPROPRIATIONS FOP FY 1979. HALF OF THE INCREASE IS FOR PAY RAISES, ANOTHER $1 MILLION IS FOR 92 NEW POSITIONS FOR EXPORT ADMINISTRATION (MAINLY THE NEW BOYCOTT REGULATIONS), AND THE THIRD MAJOR CATEGORY OF INCREASES IS TO COVER BACK COSTS FOR POSTAGE.

EXPORT PROMOTION AND CONTROL: MISCELLANEOUS TRUST FUND (13-8972-0-7-376)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
376	PERMANENT-INDEFINITE	8,300	7,600	7,600 (0)	8,634	7,600	7,600 (0)

COMMENT

THIS TRUST FUND WAS ESTABLISHED AS ACCOUNT FOR CONTRIBUTIONS RECEIVED FROM COMMERCIAL EXHIBITIONS PARTICIPATING IN COMMERCE-SPONSORED TRADE AND INDUSTRIAL EXHIBITS, TRADE CENTER SHOWS, AND OTHER OVERSEAS TRADE PROMOTIONS (75 STAT. 531, 78 STAT. 981). THESE FUNDS ARE USED TO PAY A PORTION OF THE EXPENSES OF ENGAGING IN SUCH TRADE PROMOTION EVENTS.

FOOD FOR PEACE PROGRAM

FOOD FOR PEACE PROGRAM (P.L. 480) (18-2276-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT	922,685	805,900	1,153,900 (+348,000)	1,068,147	1,068,668	1,416,668 (+348,000)

COMMENT

P.L. 480 - THE FOOD FOR PEACE PROGRAM - IS A MAJOR COMPONENT OF AMERICAN FOREIGN POLICY AND ASSISTANCE TO DEVELOPING COUNTRIES.- UNDER THIS PROGRAM, U.S. FARM GOODS WHICH ARE IN EXCESS OF DOMESTIC U.S. NEEDS AND FOREIGN COMMERCIAL SALES ARE SHIPPED ABROAD ON- CONCESSIONAL CREDIT TERMS OR AS GRANTS, LARGELY TO POOR COUNTRIES WHICH DO NOT HAVE ENOUGH MONEY TO PAY FOR NEEDED FOOD IMPORTS. - THE FOOD IS USED FOR DISASTER ASSISTANCE, FOR HUMANITARIAN PURPOSES SUCH AS SCHOOL LUNCHES AND MOTHER/CHILD NUTRITION, AND, INCREAS- INGLY, TO STIMULATE ECONOMIC DEVELOPMENT. IT ALSO PROMOTES AMERICAN FARM EXPORTS. THE ADMINISTRATION'S REQUEST OF $1,069 MILLION - IN OUTLAYS•• FOR P.L. 480 FOR FISCAL 1979 IS APPROXIMATELY THE SAME AS THE CURRENT YEAR FIGURE, AND IS DESIGNED TO CARRY THE PROGRA- M FORWARD ABOUT THE SAME VOLUME IN FISCAL 1979 - 6.7 MILLION TONS - AS IN FISCAL 1978. HOWEVER, THE COMMITTEE HAS RECEIVED AUTHORI- TATIVE TESTIMONY INDICATING THE ADMINISTRATION WILL SEEK INCREASED AMOUNTS FOR P.L. 480 FOR FISCAL 1978, AND THAT THE ADMINISTRATIO- N'S BUDGET SUBMISSION FOR FISCAL 1979 REPRESENTED A SIGNIFICANT CUT FROM AMOUNTS SOUGHT AND JUSTIFIED BY AGENCIES INVOLVED IN DETER- MINING THE NEEDS OF THE PROGRAM, AND AT THIS TIME OF BOUNTIFUL SUPPLIES IN THE UNITED STATES, THERE IS NO DOUBT ABOUT THE AVAILABI- LITY OF ADDITIONAL AGRICULTURAL COMMODITIES FOR P.L. 480. BASED ON INFORMATION INDICATING ADDITIONAL IMPORTANT NEEDS FOR P.L. 480 - IN THE COMING YEAR, IF THE FUNDING WERE AVAILABLE, THE COMMITTEE RECOMMENDS OUTLAYS OF $1,417 MILLION FOR P.L. 480 IN FISCAL 1979, - AN INCREASE OF ABOUT $348 MILLION ABOVE THE ADMINISTRATION'S REQUEST FOR OUTLAYS AND BUDGET AUTHORITY. •• THE OUTLAY AMOUNT IS THE - KEY FIGURES IN IDENTIFYING THE P.L. 480 PROGRAM LEVEL.

INTERNATIONAL FINANCIAL INSTITUTIONS

INTERNATIONAL FINANCIAL INSTITUTIONS (11-0050-0-1-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	1,631,120	1,925,500	3,504,588	3,504,588 (0)	837,768	908,554	908,554 (0)

COMMENT

THE INTERNATIONAL FINANCIAL INSTITUTIONS INCLUDE THE WORLD BANK GROUP (IBRD, IDA, AND IFC), THE INTER-AMERICAN DEVELOPMENT BANK AND ITS CONCESSIONAL FUND FOR SPECIAL OPERATIONS, THE ASIAN DEVELOPMENT BANK AND ITS CONCESSIONAL ASIAN DEVELOPMENT FUND, AND THE AFRICAN DEVELOPMENT FUND. THE LARGE INCREASE IN THE FISCAL YEAR 1979 REQUEST FOR THE IFIS IS A RESULT OF THE ADMINISTRATION'S DECISION TO REQUEST APPROPRIATION OF ALL PREVIOUSLY AUTHORIZED FUND, INCLUDING SOME ACCOUNTS IN WHICH THE UNITED STATES IS CURRENTLY DELINQUENT. THE LARGE DISPARITY BETWEEN FISCAL YEAR 1979 BUDGET AUTHORITY AND OUTLAYS IS EXPLAINED AS FOLLOWS: CALLABLE CAPITAL ($1.37 MILLION OF THE REQUEST) MUST ALSO BE APPROPRIATED EVEN THOUGH IT WILL NOT APPEAR AS AN OUTLAY UNLESS CALLED BY ONE OF THE INSTITUTIONS, A POSSIBILITY WHICH HAS NEVER OCCURRED TO DATE, AND CONCESSIONAL FUNDS APPROPRIATED TO THE IFIS ARE NOT NECESSARILY DRAWN DOWN BY THE INSTITUTIONS IN THE SAME YEAR AS THEY ARE APPROPRIATED, BUT MAY BE DISBURSED FOR DEVELOPMENT PROJECTS OVER AS MUCH AS 10-YEAR PERIODS. THE COMMITTEE ON INTERNATIONAL RELATIONS HAS OVERSIGHT RESPONSIBILITY FOR U.S. PARTICIPATION IN THE INTERNATIONAL FINANCIAL INSTITUTIONS. THE COMMITTEE ANTICIPATES A MORE VIGOROUS PURSUIT OF THIS RESPONSIBILITY DURING FISCAL YEAR 1979, TO EXPLORE THE RELATIONSHIP BETWEEN THE PROGRAMS UNDERTAKEN BY THESE INSTITUTIONS THOSE OF U.S. BILATERAL ASSISTANCE PROGRAMS, AND OTHER FACTORS AFFECTING U.S. RELATIONS WITH DEVELOPING COUNTRIES. (SEE ATTACHMENT)

SYNOPSIS OF FY 1979 IFI BUDGET PROPOSAL

[Dollar amounts in millions]

Institution	Fiscal year 1979 request	Part previously requested but not appropriated
World Bank Group:		
IDA	$1,550.0	$375.0 in fiscal year 1978.
IBRD	666.0 (90 percent callable)	143.0 (90 percent callable) in fiscal year 1978.
IFC	40.0	6.6 in fiscal year 1978.
Inter-American Development Bank:		
Ordinary Capital	588.8 (95 percent callable)	138.8 (80 percent callable) in fiscal years 1977-78.
Fund for Special Operations	325.3	125.3 in fiscal years 1977-78.
Asian Development Bank:		
Ordinary Capital	239.4 (90 percent callable)	35.6 (90 percent callable) in fiscal year 1978.
Asian Development Fund	70.5	10.5 in fiscal year 1978.
African Development Fund	25.0	None.

OTHER PROGRAMS, TRUST FUNDS, AND OFFSETTING RECEIPTS

INTERNATIONAL TRADE COMMISSION (34-0100-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	11,522	11,500	13,113	13,113 (0)	11,786	13,073	13,073 (0)

COMMENT

THE U.S. INTERN'L TRADE COMMISSION INVESTIGATES AND REPORTS TO THE PRESIDENT AND CONGRESS ON THE CONDITIONS, CAUSES, AND AFFECTS OF COMPETITION BETWEEN DOMESTIC AND FOREIGN INDUSTRY. THE EXECUTIVE BRANCH HAS REQUESTED AN FY 1978 SUPPLEMENTAL APPROPRIATION OF $700,000 FOR PAY RAISES. NOTE: ALTHOUGH THE JURISDICTIONAL RESPONSIBILITY FOR THE INTERN'L TRADE COMMISSION RESTS WITH THE WAYS & MEANS COMMITTEE THE INTERNATIONAL RELATIONS COMMITTEE IS INCLUDING THIS ITEM IN ITS REPORT IN ORDER TO PROVIDE A COMPLETE LISTING OF ALL ACCOUNTS IN THE INTERNATIONAL AFFAIRS FUNCTION.

JAPAN-U.S. FRIENDSHIP TRUST FUND (95-8025-0-7-154)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT	1,000	1,500	1,500 (0)	1,000	1,500	1,500 (0)

COMMENT

THE JAPAN-UNITED STATES FRIENDSHIP ACT OF 1975 ESTABLISHED THE JAPAN-UNITED STATES FRIENDSHIP TRUST FUND, TO BE USED FOR THE PROMOTION OF SCHOLARLY, CULTURAL, AND ARTISTIC ACTIVITIES BETWEEN JAPAN AND THE UNITED STATES. THE AMOUNT AUTHORIZED BY CONGRESS CAME TO $24 MILLION, THE INITIAL APPROPRIATION WAS FOR $18 MILLION. THE INCOME OF THE FUND, AND NOT TO EXCEED 5 PERCENT ANNUALLY OF THE PRINCIPAL OF THE FUND, IS AUTHORIZED TO BE EXPENDED TO PAY THE EXPENSES OF THE COMMISSION AND TO MAKE GRANTS TO PROVIDE SUPPORT FOR STUDIES, FELLOWSHIPS, SCHOLARSHIPS, BOOL COLLECTIONS, ART PROGRAMS, AND OTHER CULTURAL AND EDUCATIONAL ACTIVITIES, PRIMARILY IN THE UNITED STATES.

FOREIGN CLAIMS SETTLEMENT COMMISSION (76-0100-0-1-153)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT	920	1,015	1,015 (0)	800	930	930 (0)

COMMENT

IN 1979, THE FOREIGN CLAIMS SETTLEMENT COMMISSION WILL ADJUDICATE THE CLAIMS OF AMERICAN CITIZENS WHOSE PROPERTIES WERE NATIONALIZED, EXPROPRIATED, OR OTHERWISE TAKEN BY THE GERMAN DEMOCRATIC REPUBLIC. THE COMMISSION WILL ALSO PROVIDE INFORMATION AND ADVICE TO THE PUBLIC AND FEDERAL AGENCIES ON PAST AND PENDING CLAIMS PROGRAMS. NOTE: ALTHOUGH THE COMMITTEE ON INTERNATIONAL RELATIONS DOES NOT HAVE PRIMARY JURISDICTION OVER THIS ITEM, IT HAS BEEN INCLUDED IN THE COMMITTEE'S REPORT IN ORDER TO PROVIDE A COMPLETE LISTING OF ALL THE ACCOUNTS IN THE INTERNATIONAL AFFAIRS FUNCTION.

U.S. CUSTOMS SERVICE (20-0602-0-1-751)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
750	PERMANENT-INDEFINITE	384,700	431,350	431,350 (0)	384,000	430,500	430,500 (0)

COMMENT

THE U.S. CUSTOMS SERVICE ENFORCES LAWS AGAINST SMUGGLING, CONTROLS PERSONS AND ARTICLES ENTERING AND LEAVING THE UNITED STATES, AND COLLECTS IMPORT DUTIES AND TAXES. BASIC AUTHORITY FOR THESE ACTIVITIES IS CONTAINED IN THE TARIFF ACT OF 1930 AS AMENDED (19 U.S.C. 1202 ET SEQ.). THE COMMITTEE HAS OVERSIGHT JURISDICTION WITH RESPECT TO CUSTOMS ADMINISTRATION CARRIED OUT UNDER THIS BUDGET ITEM. THE EXECUTIVE BRANCH HAS REQUESTED AND FY 1978 SUPPLEMENTAL APPROPRIATION OF $30.0 MILLION.

PEACE CORPS: MISCELLANEOUS TRUST FUND(NET) (44-9971-0-7-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY FY 1978	BUDGET AUTHORITY PRESIDENT'S 1979 REQUEST	BUDGET AUTHORITY COMMITTEE RECOMMENDATION (DIFFERENCE)	OUTLAYS FY 1978	OUTLAYS FY 1979 REQUEST	OUTLAYS COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	85	85	85 (0)	39	85	85 (0)

COMMENT

THESE FUNDS ARE DERIVED FROM HOST COUNTRY CONTRIBUTIONS AND DONATIONS BY PRIVATE GROUPS IN THE UNITED STATES AND ARE USED TO SUPPORT PEACE CORPS PROJECTS ABROAD.

DEPARTMENT OF TRANSPORTATION: MISCELLANEOUS TRUST FUNDS(NET) (69-9971-0-7-151)

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY FY 1978	BUDGET AUTHORITY PRESIDENT'S 1979 REQUEST	BUDGET AUTHORITY COMMITTEE RECOMMENDATION (DIFFERENCE)	OUTLAYS FY 1978	OUTLAYS FY 1979 REQUEST	OUTLAYS COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	1,823	2,400	2,400 (0)	8,234	2,400	2,400 (0)

COMMENT

UNDER THE FOREIGN ECONOMIC ASSISTANCE ACT AND UNDER AGREEMENT WITH THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE EXPORT-IMPORT BANK OF WASHINGTON, THE FEDERAL HIGHWAY ADMINISTRATION RENDERS TECHNICAL ASSISTANCE AND ACTS AS AGENT FOR THE PURCHASE OF EQUIPMENT AND MATERIALS FOR CARRYING OUT HIGHWAY PROGRAMS IN FOREIGN COUNTRIES. THE TRUST FUND CONSISTS OF U.S. DOLLARS ADVANCED BY FOREIGN GOVERNMENTS FOR SUCH SERVICES. DURING THE CURRENT YEAR THESE SERVICES ARE BEING RENDERED TO COSTA RICA, IRAN, PANAMA, AND KUWAIT.

MISCELLANEOUS RECEIPTS: INTERNATIONAL AFFAIRS

(IN THOUSANDS OF DOLLARS)

BUDGET FUNCTION	FY 1978 AUTHORIZATION	BUDGET AUTHORITY			OUTLAYS		
		FY 1978	PRESIDENT'S 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)	FY 1978	FY 1979 REQUEST	COMMITTEE RECOMMENDATION (DIFFERENCE)
150	PERMANENT-INDEFINITE	-225,356	218,362	218,362 (0)	-225,356	218,362	218,362 (0)

COMMENT

THIS ITEM INCLUDES DOLLAR CONVERSIONS OF FOREIGN CURRENCY LOAN REPAYMENTS, LOAN REPAYMENTS FROM THE U.K., RECOVERIES UNDER THE LEND LEASE PROGRAM, AND OTHER MISCELLANEOUS RECEIPTS, RECOVERIES AND REFUNDS.

TABLE OF ESTIMATES FOR FISCAL YEAR 1979

[In thousands of dollars]

Program and budget function	Budget authority			Outlays		
	President's request	Committee recommendation	Difference	President's request	Committee recommendation	Difference
President's Budget Request for Existing Programs Which Require Authorizing Legislation Prior to Enactment of Appropriations For Fiscal Year 1979:						
International Security Assistance:						
Grant Military Assistance (150)	133,500	133,500	0	200,000	200,000	0
International Military Education and Training (150)	32,100	32,100	0	31,000	31,000	0
Foreign Military Sales Credits (150)	672,500	672,500	0	530,000	530,000	0
Security Supporting Assistance (150)	1,854,400	1,874,400	+20,000	1,666,000	1,686,000	+20,000
President's Foreign Assistance Contingency Fund (150)	5,000	5,000	0	4,844	4,844	0
International Narcotics Control Assistance (150)	40,000	40,000	0	39,747	39,747	0
International Development Assistance:						
Functional Development Assistance Program (150)	1,262,400	1,262,400	0	889,201	889,201	0
American Schools and Hospitals Abroad (150)	8,000	25,000	+17,000	16,854	22,021	+5,167
International Organizations and Programs (150)	282,150	282,450	+300	270,220	270,520	+300
International Disaster Assistance (150)	25,000	25,000	0	44,012	44,012	0
Operating Expenses of the Agency for International Development (150)	261,000	261,000	0	254,667	254,667	0
Department of State, International Communications Agency, and Board for International Broadcasting:						
Administration of Foreign Affairs (150)	830,143	855,123	+24,980	795,513	815,493	+19,980
International Organizations and Conferences (150)	412,781	412,781	0	393,300	393,300	0
Migration and Refugee Assistance (150)	58,336	108,336	+50,000	50,439	90,939	+40,500
Foreign Buildings Operations (150)	(124,669)	(136,669)	(+12,000)	(115,664)	(122,664)	(+7,000)
International Commissions (300)	19,973	19,973	0	27,966	27,966	0
International Communications Agency: Salaries and Expenses (150)	380,142	390,392	+10,250	370,447	378,017	+7,570
International Communications Agency: Center for Cultural and Technical Interchange Between East and West (150)	13,500	13,500	0	13,500	13,500	0
International Communications Agency: Acquisition and Construction of Radio Facilities (150)	19,685	19,685	0	8,425	8,425	0
Board for International Broadcasting (150)	85,180	88,180	+3,000	78,597	81,597	+3,000
Other Programs:						
Arms Control and Disarmament Agency (150)	16,395	18,395	+2,000	15,450	17,450	+2,000
Peace Corps (150)	95,135	96,135	+1,000	92,639	93,469	+830
Energy (270)	9,366,174	9,366,174	0	7,058,557	7,058,557	0
Atomic Energy Defense Activities (050)	2,829,083	2,829,083	0	2,535,833	2,535,833	0
Nuclear Regulatory Commission (270)	330,670	330,955	+285	305,000	305,285	+285
Overseas Private Investment Corporation (150)	0	0	0	−44,748	−44,748	0
Export-Import Bank (150)	659,665	659,665	0	403,776	403,776	0

TABLE OF ESTIMATES FOR FISCAL YEAR 1979—Continued

[In thousands of dollars]

Program and budget function	Budget authority			Outlays		
	President's request	Committee recommendation	Difference	President's request	Committee recommendation	Difference
LEGISLATIVE INITIATIVES TO EXTEND PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979						
Africa Foundation (150)	0	30,000	+30,000	0	2,000	+2,000
Institute for Human Rights and Freedom (150)	0	5,000	+5,000	0	5,000	+5,000
Commission on Peace Academy and Center for Conflict Resolution (150)	0	500	+500	0	500	+500
PRESIDENT'S BUDGET TO EXTEND PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979						
International Security Assistance:						
Advances, Foreign Military Sales (150)	12,300,000	12,300,000	0	9,500,000	9,500,000	0
Advances, Foreign Military Sales; Proprietary Receipts (150)	−9,200,000	−9,200,000	0	−9,200,000	−9,200,000	0
Foreign Military Sales Credits: Proprietary Loan Receipts (150)	−297,000	−297,000	0	−297,000	−297,000	0
Military Assistance, South Vietnamese Forces (150)	0	0	0	3,000	3,000	0
Liquidation of Foreign Military Sales Fund (150)	0	0	0	−2,000	−2,000	0
International Development Assistance:						
Sahel Development Program (150)	90,000	100,000	+10,000	18,000	19,000	+1,000
Housing and Other Credit Guaranty Programs (150)	0	0	0	2,333	2,333	0
Inter-American Foundation (150)	7,882	25,000	+17,118	9,354	19,624	+10,270
Darien Gap Highway (150)	20,000	20,000	0	7,600	7,600	0
Payment to Foreign Service Retirement Fund (AID Payments) (150)	24,820	24,820	0	24,820	24,820	0
International Development Assistance—Consolidated Working Fund (150)	0	0	0	626	626	0
Economic Assistance, Proprietary Loan Receipts (150)	−338,966	−338,966	0	−338,966	−338,966	0
Economic Assistance, Proprietary Loan Receipts (900)	−278,525	−278,525	0	−278,525	−278,525	0
Disaster Relief Assistance (150)	0	0	0	10,192	10,192	0
Assistance to Portugal and Portuguese Colonies (150)	0	0	0	6,000	6,000	0
Prototype Desalting Plant (150)	0	0	0	5,000	5,000	0
Social Progress Trust Fund (150)	0	0	0	9,030	9,030	0
Development Loan Fund (150)	0	0	0	32,023	32,023	0
International Fund for Agricultural Development (150)	0	0	0	20,000	20,000	0

Department of State and International Communications Agency:						
Payment to the Republic of Panama (150)	2,328	2,328	0	2,328	2,328	0
Department of State Working Capital Fund (150)	0	0	0	538	538	0
Department of State, Miscellaneous Trust Fund (150)	740	740	0	740	740	0
Gifts, Bequests, National Commission on Education, Scientific and Cultural Cooperation (150)	25	25	0	20	20	0
International Center, District of Columbia (150)	2,346	2,346	0	2,346	2,346	0
Payment to the Foreign Service Retirement Fund (State Department Payments) (150)	92,300	92,300	0	92,300	92,300	0
Foreign Service Retirement and Disability Fund (600)	207,817	207,817	0	117,430	117,430	0
Eighth Pan American Games (150)	0	0	0	6,848	6,848	0
State Department Proprietary Receipts and Interfund Transfers:						
Function 150	−173,857	−173,857	0	−173,857	−173,857	0
Function 300	−509	−509	0	−509	−509	0
Function 400	−200	−200	0	−200	−200	0
Function 600	−300	−300	0	−300	−300	0
Function 900	−350	−350	0	−350	−350	0
U.S. Emergency Migration and Refugee Assistance Fund (150)	15,000	15,000	0	15,000	15,000	0
International Communications Agency Trust Fund Net (150)	93	93	0	99	99	0
International Communications Agency: Miscellaneous Expired Special Foreign Currency Program (150)	0	0	0	65	65	0
Export Promotion and Control: DIBA (370)	69,733	69,733	0	69,434	69,434	0
Export Promotion and Control: Miscellaneous Trust Fund (370)	7,600	7,600	0	7,600	7,600	0
Food for Peace (Public Law 480) (150)	805,900	1,153,900	+348,000	1,068,680	1,416,680	+348,000
International Financial Institutions (150)	3,504,598	3,504,598	0	908,554	908,554	0
Other Programs, Trust Funds, and Offsetting Receipts:						
International Trade Commission (150)	13,113	13,113	0	13,073	13,073	0
Japan-U.S. Friendship Trust Fund (150)	1,500	1,500	0	1,500	1,500	0
Foreign Claims Settlement Commission(150)	1,015	1,015	0	930	930	0
U.S. Customs Service (750)	421,350	431,350	0	430,500	430,500	0
Peace Corps: Miscellaneous Trust Fund (Net) (150)	85	85	0	85	85	0
Department of Transportation: Miscellaneous Trust Fund (Net) (150)	2,400	2,400	0	2,400	2,400	0
Miscellaneous Receipts: International Affairs (150)	−218,362	−218,362	0	−218,362	−218,362	0
TOTALS BY BUDGET FUNCTION						
National Defense (050)	2,829,083	2,829,083	0	2,535,833	2,535,833	0
International Affairs (150)	13,800,972	14,340,120	+539,148	7,656,106	8,122,223	+466,117
Energy (270)	9,696,844	9,697,129	+285	7,363,557	7,363,842	+285
Natural Resources and Environment (300)	19,464	19,464	0	27,457	27,457	0
Commerce and Housing Credit (370)	77,333	77,333	0	77,034	77,034	0
Commerce and Transportation (400)	−200	−200	0	−200	−200	0
Income Security (600)	207,517	207,517	0	117,130	117,130	0
Law Enforcement and Justice (750)	431,350	431,350	0	430,500	430,500	0
Interest (900)	−278,875	−278,875	0	−278,875	−278,875	0
Total, all programs	26,783,488	27,322,921	+539,433	17,928,542	18,394,944	+466,402

95th Congress
2d Session

COMMITTEE PRINT

COMMITTEE PRINT 95—

REPORT

OF THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

TO THE

HOUSE COMMITTEE ON THE BUDGET

PURSUANT TO SECTION 301(c) OF THE CONGRESSIONAL BUDGET ACT

95th Congress, 2d Session



SUBMITTED BY MR. STAGGERS, CHAIRMAN

MARCH 15, 1978

U.S. GOVERNMENT PRINTING OFFICE

24-409 WASHINGTON : 1978

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LETTER OF SUBMITTAL

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C., March 15, 1978.

Hon. ROBERT N. GIAIMO,
Chairman, Committee on the Budget,
House of Representatives.

DEAR MR. CHAIRMAN: I am submitting herewith the report of the Committee on Interstate and Foreign Commerce to the Committee on the Budget called for by section 301(c) of the Congressional Budget Act.

Sincerely yours,

HARLEY O. STAGGERS,
Chairman.

REPORT OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE TO THE HOUSE COMMITTEE ON THE BUDGET

This is the report of the Committee on Interstate and Foreign Commerce to the House Committee on the Budget called for by section 301(c) of the Congressional Budget Act, which in relevant part provides as follows:

> On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House * * *—
>
> * * * * * * *
>
> (2) * * * the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Committee wishes to point out that the amounts set forth as Committee recommendations are estimates, since many of the programs set forth in the tables printed hereafter have not as yet been the subject of hearings, and others, although under consideration by the full committee or its subcommittees, have not as yet been placed in final form by the committee, or subcommittee, as the case may be.

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Educational Broadcasting Facilities and Telecommunications Demonstration Act (sec. 3).	0	----------	30 (+30)	----------	See attached letter regarding Presidential request budget authority.
Educational Broadcasting Facilities and Telecommunications Demonstration Act (sec. 4(a)).	1	----------	1	----------	H.R. 11100, an administration bill, would provide for the transfer of this program from the Department of Health, Education, and Welfare to the Corporation of Public Broadcasting.
Federal Trade Commission	66	64	70 (+4)	68 (+4)	Greater funding in fiscal year 1979 has been recommended by the committee for the Federal Trade Commission to counter cost of living increases and projected added expenditures for implementing the proposed energy legislation. Committee recommendations for authorizations for 1980 are $75,000,000 and for 1981, $80,000,000. (Financing method: annual authorization and annual appropriation).
Consumer Product Safety Commission	41	40	55 (+14)	54 (+14)	Committee recommendations for authorizations for the Consumer Product Safety Commission include projections which would enable the Commission to upgrade its efforts to regulate hazardous chemicals. They also include funding for establishing and enforcing mandatory standards on home insulation. Recommendations for authorizations for 1980 are $60,000,000 and for 1981, $65,000,000. (Financing method: annual authorization and annual appropriation).
Securities and Exchange Commission	65	65	70 (+5)	70 (+5)	Greater funding in fiscal year 1979 has been requested by the committee for the SEC to meet cost-of-living increases and projected additional expenses from implementing the 1975 securities amendments, including the national market system, and from increased enforcement and surveillance related to the burgeoning options trading. The recommended authorizations for fiscal years 1979-81 are $70,000,000, $80,000,000, and $91,000,000, respectively. (Financing method: Annual authorization and annual appropriation).
Public Health Service Act:					
Comprehensive grants to States and hypertension (sec. 314(d)).	101	----------	128.5 (+27.5)	----------	Would provide increase of 15 percent over fiscal year 1978 appropriations and increase funding for hypertension by $25,000,000.
Disease prevention and venereal disease (secs. 317 and 318).	90.25	----------	101.3 (+11.05)	----------	Includes increased funding for immunization programs.
Migrant health centers (sec. 319)	34.5	----------	40 (+5.5)	----------	See justification No. 1.
Community health centers (sec. 330)	301	----------	315 (+14)	----------	Committee recommends modest expansion of existing program.
National Health Service Corps (sec. 338)	63	----------	63	----------	

Family planning (title X)	230	280 (+50)	See justification No. 2.
Sudden infant death, genetic diseases, and hemophilia programs (title XI).	9.802	16 (+6.198)	See justification No. 1.
National Cancer Institute (title IV, pt. A)	879	1.010 (+131)	Reflects committee's intent to expand research efforts in occupational and environmental carcinogens.
National Heart, Lung, and Blood Institute (title IV, pt. B)	454	500 (+46)	Reflects committee's intent to expand research efforts in occupational and environmental heart and lung diseases, including smoking related.
National Research Service awards (sec. 472)	169.7	220 (+50.3)	Incorporates training currently being supported under other authorities, cost of living increases, and expansion of training in shortage fields.
Medical libraries assistance (sec. 390)	8	15 (+7)	Would revitalize important community program which has had no growth funding level for several years.
National health planning and development (title XV)	152	205 (+53)	Increased funding necessary to support expanded functions required by cost containment legislation.
Health resources development (title XVI)	0	250 (+250)	Reflects $100,000,000 for modernization of public hospitals, $30,000,000 for outpatient facilities, $120,000,000 for area development funds.
Nurse training (title VIII)	20.5	206 (+185.5)	Committee proposes 2-yr extension of existing law such that all health professions training authorities can be examined in 1980.
Health services research (sec. 308(i)(1))	31	36 (+5)	Reflects increased training authority, expansion of programs in new areas of services research such as controlling costs.
Health statistics (sec. 308(i)(2))	43	50 (+7)	Reflects consolidation of statistic gathering activities, wider dissemination of information.
Community mental health centers (CMHC Act)	291.683	380.025 (+88.342)	Would restore funding for new starts at $30,000,000, increase funding for financial distress to $25,000,000, continue rape control programs.
Drug abuse (Drug Abuse Office and Treatment Act)	201	230 (+29)	See justification No. 1.
Developmental disabilities (Developmental Disabilities Services and Facilities Construction Act).	61.937	95.1 (+33.2)	See justification No. 3.
Home health services (sec. 602 of Public Law 94-63)	6	16 (+10)	Committee feels that home health care programs represent a cost-effective and preferable alternative to institutional care in many instances.
U.S. Travel Service:			
Domestic travel program	1.008	1.008	
Environmental Protection Agency: Noise control	9.725	9.725	
Federal Railroad Administration: Rail safety	25.351	37.2	Additional funding is needed to increase the number of railroad inspectors to 600 and to provide clerical assistance and travel funds for the additional inspectors.
U.S. Railway Association: Administrative expenses	29	27.2	USRA has testified that $27,200,000 is sufficient.
National Railroad Passenger Corporation (Amtrak):			
Operating grants	501	663	The Secretary of Transportation is currently undertaking a comprehensive reexamination of the Amtrak route system and will submit recommendations on an optimal system to the Congress. In the interim, sufficient funds must be provided for operation and capitalization of the current system to avoid dismantling the system prior to congressional action on the Secretary's recommendations.
Capital grants	101	341.388	
Retirement of debt	25	25	
Hazardous materials transportation: Material Transportation Bureau, Office of Hazardous Materials	3.727	3.727	
Interstate Commerce Commission: Office of Rail Public Counsel	.8	1.2	Additional funding provided in order for the counsel to participate in the Amtrak route structure study being performed by DOT.

Attached letter

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

Hon. DANIEL J. FLOOD,
Chairman, Labor-Health, Education, and Welfare Subcommittee, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This past fall the President submitted for consideration a bill to reauthorize portions of the Communications Act of 1934, as amended, entitled the "Public Broadcasting Financing Act of 1978."

One of the features of the bill was the relocation of responsibility for the administration of assistance for educational broadcasting facilities from the Department of Health, Education, and Welfare to the Corporation for Public Broadcasting.

Appropriations for this activity for 1979 did not appear in either the Department's or Corporation's request pending resolution of certain technical issues. Please be assured, as indicated in both agencies congressional submissions, that the administration seeks support for educational broadcasting facilities and that the "allowance for contingencies" is sufficient to cover this request.

If I can be of further help concerning this matter, please do not hesitate to contact me.

Sincerely,

W. BOWMAN CUTTER,
Executive Associate
Director for Budget.

JUSTIFICATIONS FOR FORMAT I

Justification No. 1

The committee recommends a 15-percent increase in the fiscal year 1978 funding level for comprehensive grants to the States for health services, migrant health centers, sudden infant death syndrome, genetic disease counseling and screening programs, and drug abuse prevention, treatment and rehabilitation programs. The committee feels that this level of funding is appropriate in that it will support most of the programs at existing real dollar levels taking into account inflation in the health care sector and increased program costs.

Justification No. 2

The committee has recommended increasing substantially the President's request for support of family planning service programs and research activities. The committee recommends that $180 million be allocated for family planning service programs and $100 million be allocated for family planning and population control research activities.

Justification No. 3

The committee expects appropriations for university affiliated facilities and special project grants to remain at the levels of the fiscal year 1978 appropriations, $6.5 million and $19.6 million, respectively. The committee recommends an increase in funding for protection and advocacy activities from $3 million to $9 million, and an increase in funding for State allotments from $30.1 million to $60 million.

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[in millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority	Outlays	
Adolescent pregnancy prevention	60				Committee has not been advised of program details and, while not foreclosing future action, has no recommendation with respect to this initiative
Grants to States for medicaid:					
Child health assessment plan	263		550 (+287)		See justification.
Low-income pregnant women	118		130 (+12)		See justification.
Support for Puerto Rico, Virgin Islands, and Guam	32		32		
Department of Energy	12,751.03				See letter.
National Energy Act					
Pt. I—Conservation programs;					
Department of Energy:					
Utility program			5		
Schools and hospitals (conservation)			300		
Municipal buildings (conservation)			32.5		
Energy efficiency programs			15		
EPCA (conservation)			50		
Federal buildings			101		
State programs			100		
Minority Economic Impact Office			3		
Appliance labeling (authorized to FTC)			2		
Pt. II—Coal conversion:					
Department of Energy:					
Loans for pollution control equipment			400		
Assistance to impacted areas			60		
Coal conversion program			11		
Coal studies			8		
Environmental Protection Agency:					
Emissions monitoring study			2		
Interstate Commerce Commission:					
Railroad rehabilitation program			850		
Pt. III—Electric utility reform:					
Department of Energy:					
Small hydro projects			40		
Northern tier pipeline			1		
Increased regulatory responsibilities to FERC			5		
Technical assistance program			1		
Grants to State regulatory commissions			40		
Consumer service program			10		
Rate reform initiatives			8		

JUSTIFICATIONS FOR FORMAT II

The administration has requested $263 million in additional funds for a child health assessment program, $118 million for medicaid coverage of low-income pregnant women, and $8 million for coverage of migrants. The Subcommittee on Health and the Environment is currently considering these legislative proposals, and committee action is expected this spring. The committee expects to expand the CHAP proposal to provide higher Federal matching for certain States, to cover additional children, to cover migrants and hard-to-place adopted children, and to broaden benefit coverage. The committee recommends including $450 million in additional funds over the current law for CHAP. Additionally, the committee recommends an increase in funds to cover additional pregnant women, for a total increase of $130 million to cover this population.

Attached letter

Hon. ROBERT N. GIAIMO,
Chairman, Committee on the Budget,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: We are pleased to provide to you our estimates of the funds to be provided in legislation for the coming fiscal year with respect to energy programs. You should know that the problem of providing these estimates is considerably complicated this year by reason of the fact that the National Energy Act is still in conference and that the precise dimensions of the programs are not yet entirely resolved. Additionally, the DOE authorization legislation falls within the jurisdiction of several Committees and we have not yet been able to determine precisely where the jurisdictional responsibilities lie.

Accordingly, the figures which we present here will require careful analysis and effective communications between our staffs as matters progress.

DOE AUTHORIZATION

As you know, the total amount requested by the DOE for the coming fiscal year is $12,751,030,000. The Committee on Science and Technology has introduced legislation (H.R. 10969) to authorize certain funds, and Chairman Udall and I have introduced legislation, H.R. 11392, to authorize programs under our jurisdiction, as well as to authorize certain programs which flow within the jurisdiction of several Committees. There is overlap between H.R. 11392 and H.R. 10969 and the precise nature of this overlap is difficult to determine at this time.

The amounts authorized in H.R. 11392 for fiscal year 1979 are as follows:

Title I	$5,191,119,000
Title II	1,520,612,000
Title III	929,881,000

7

NATIONAL ENERGY ACT

Once again, we must stress that this legislation is still in the process of formation and that a number of other committees have programs which are included within this legislation. For example, the Banking Committee authorized certain weatherization programs and the Public Works Committee has authorized certain programs for Federal buildings as well.

Our staff will be happy to sit down and discuss these figures in detail with yours. I believe that communication of this nature is imperative because of the overlap between committees and between the bills involved. We look forward to working with you.

Sincerely,

HARLEY O. STAGGERS,
Chairman.

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority	Outlays	
State grants for medicaid:					
Hospital cost containment	−100		−100		
Common audit	−35		−35		
Quality control	−399				No legislation necessary. Savings can be accomplished by administrative action. No recommendation as to amount of savings.

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Initiative	Fiscal year— 1979 BA	1979 O	1980 BA	1980 O	1981 BA	1981 O	1982 BA	1982 O	1983 BA	1983 O	Comment
No fault auto insurance: To establish basic standards for State no fault benefit plans for the rehabilitation and compensation of motor vehicle accident victims.	0.5	0.1	0.35	0.45		0.50					Bill authorizes up to $500,000 in appropriations for the Review Board to carry out its functions under this act. Any sums appropriated will remain available until expended. During the 94th Cong., CBO estimated that the Federal Government could realize $6,800,000 in total annual savings by enacting no fault legislation. The study was based on a survey of 6 of the largest Federal agencies (in terms of motor vehicle usage). The savings were computed from the projected decrease in tort claims and suits against the United States for bodily injury arising from auto accidents involving government-owned or operated cars.
Fire Prevention Act of 1978: To amend the Flammable Fabrics Act to direct the Secretary of Commerce to study the necessity and feasibility of establishing Federal fire safety and control standards and/or a Federal assistance program to aid State and local govenments in the enforcement of fire prevention codes.	.5	.5									Bill authorizes up to $500,000 in appropriations for the Secretary of Commerce, acting through the National Fire Prevention and Control Administration, to conduct the study required under the act. No additional authorizations for appropriations will be required to fund the study.
National Highway Traffic Safety Administration: "National Traffic and Motor Vehicle Information and Cost Savings Authorizations of 1979 and 1980."	60	60									Administration draft bill authorizes up to $60,000,000 in appropriations for fiscal year 1979 and $60,000,000 in appropriations for fiscal year 1980 for the Traffic Safety Administration to carry out the provisions of the National Traffic and Motor Vehicle Safety Act. The proposed authorization is equal to the last fiscal year's appropriations. At present, the subcommittee is holding hearings to determine whether the recommended amounts are sufficient to cover cost of living increases. (Funding method: annual authorization and appropriation.)

National Highway Traffic Safety Administration: Motor Vehicle Information and Cost Savings Act—				
Title I: Requires setting a bumper standard to reduce automobile damage in low-speed crashes.	.4	------	.4	Administration draft bill authorizes up to $400,000 in appropriations for fiscal year 1979 and $400,000 in appropriations for fiscal year 1980 to enable NHTSA to carry out the provisions of this title. This authorization approximates the appropriations authorized last fiscal year. (Funding method: annual authorization.)
Title II: To develop and disseminate consumer information on relative crashworthiness, damage susceptibility, and ease of diagnosis and repair of various makes and models of automobiles.	1.8	------	1.8	Administration draft bill authorizes up to $1,800,000 in appropriations for fiscal year 1979 and $1,800,000 in appropriations for fiscal year 1980 for NHTSA to perform the requirements of this title. The proposed authorization is about ½ last fiscal year's appropriations. Little work has been done so far in developing and disseminating the information required in this title. (Funding method annua authorization.)
Title III: Diagnostic Inspection demonstration projects. Established projects to provide diagnostic services on an experimental basis, and to collect and analyze data on costs and benefits of such projects, including such things as facility designs and cost savings to consumers from more accurate consumer information regarding necessary and unnecessary repairs, and fuel savings from adequate tune-ups.	.1	------	.1	Administration draft bill authorizes up to $100,000 in appropriations for fiscal year 1979 and $100,000 in appropriations for fiscal year 1980 for the financing of this title's provisions. The proposed authorization is considerably less than last fiscal year's appropriations since the projects are to be terminated soon and most of the analysis has been done. (Funding method: annual authorization.)
Title IV: Odometer tampering prohibitions and civil and criminal penalty enforcement:	.3	------	.3	Administration draft bill authorizes up to $300,000 in appropriations for fiscal year 1979 and $300,000 in appropriations for fiscal year 1980 to carry out the provisions of this title. The proposed authorization is about ½ last fiscal year's appropriations. At present, the subcommittee is considering the proper role of the Federal Government as opposed to State and private involvement in enforcing the provisions of this title. (Funding method: annual authorization.)
Toxic Substances Control Act: To regulate commerce and protect human health and the environment by requiring testing and necessary use restrictions on certain chemical substances.	60		60	Greater funding in fiscal year 1979 has been recommended by the committee for the Environmental Protection Agency to enforce the provisions of this act. The additional funding will cover cost of living increases and further in-house research to be conducted by EPA. (Included in the annual authorizations and appropriations for EPA.)
Federal Railroad Administration. Rail safety	10			Additional funding is needed to expand FRA activities in employer occupational health and safety programs thereby resolving an existing void in FRA and OSHA activity.
Railroad Retirement Fund	363			Additional funding is required to pay out benefits at a level consistent with the act as amended in 1974.
Railroad Retirement Board: Administrative expenses	6		Additional	funds, are required to reduce anticipated significantly increased case backlog resulting from amendments to social security law by upgrading work capabilities process.
U.S. Railway Association: Purchase of ConRail securities	600			The committee has been informed that ConRail has been unable to meet the goals of the final system plan and will need additional funding in 1979 and in 1980 and 1981. Funds may be authorized directly under section 216 of the Railroad Revitalization Reform Act of 1976 rather than utilizing loan guarantees under section 511 of that act, which represents off-budget financing, as proposed by the Administration.
Clinical Laboratory Improvement Act	22.656			Committee anticipates a net saving of $35,000,000 under proposed legislation as a result of Social Security Act amendments.
Recombinant DNA Act	3			Committee anticipates that the allocation to the National Institutes of Health will need to be increased to implement the proposed legislation.
Drug Regulatory Reform Act	11			Committee anticipates that the allocation to the Food and Drug Administration will need to be increased to implement the proposed legislation.
Food Labeling and Nutrition Act	2.7			D.O.
Comprehensive Nuclear Regulator Regulatory Act	3			
Fuel Transportation Safety Act Amendments	17.5			

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation		Comment
	Budget authority	Outlay	Budget authority	Outlay	
Social Security Act:					
Maternal and child health (title V)	374.856	----------	399 (+24.144)	----------	Committee recommends funding at the authorization level.
Medicaid	12,065	----------	12,965	----------	
Public Health Service Act:					
National Institutes of Health (title IV)	1,312.485	----------	1,968.7275 (+656.2425)	----------	Does not include Cancer Institute, Heart, Lung, and Blood Institute or training. Represents 20 percent increase for "step-sister" institutes.
Health Professions Education (title VII)	294.681	----------	431.1 (+136.419)	----------	See justification.
Capitation grants (sec. 770)	87.3	----------	144 (+56.7)	----------	
Start-up assistance (sec. 788)	1.1	----------	2 (+.9)	----------	
Financial distress (sec. 788)	2	----------	3 (+1)	----------	
Student loans (title VII, pt. C)	1.5	----------	21.5 (+20)	----------	
National Health Service Corps scholarship program (sec. 756)	60	----------	60	----------	
Exceptional need scholarships (sec. 758)	5	----------	5	----------	
Family medicine training (sec. 786)	45	----------	45	----------	
Primary care training (sec. 784)	16	----------	20 (+4)	----------	
Interdisciplinary training (sec. 788)	1.781	----------	3.5 (+1.719)	----------	
Physician assistants (sec. 783)	9.1	----------	9.1	----------	
Area health education centers (sec. 781)	18	----------	30 (+12)	----------	
Disadvantaged assistance (sec. 787)	17	----------	17	----------	

Foreign medical graduates (sec. 782)	1	2 (+1)		
Emergency medical training (sec. 789)	0	6 (+6)		
Advisory Council on Graduate Medical Education (sec. 702).	1	1		
Supply and distribution reports (sec. 708)	5.4	10 (+4.6)		
Health teaching facilities (part B)	3	10 (+7)		
Dental health education (sec. 788)	4	6 (+2)		
Allied health (pt. G, subpt. II)	7.9	19.5 (+11.6)		
Public health (pt. G, subpt. I; sec. 748; sec. 749)	8.6	16.5 (+7.9)		
Emergency medical services (title XII)	42.625	70 (+27.375)		Accomplishments of existing program warrant substantial expansion of program and increased funding.
Health maintenance organizations (title XIII)	21.1	30 (+8.9)		Committee anticipates approximately $20,000,000 in savings under medicaid if HMO's used as providers.
Health education (title XVII)	12.56	14 (+1.44)		Committee believes full authorization is necessary to implement program, particularly new antismoking campaign.
Clean Air Act	212.6	221.5 (+8.9)		Committee believes full authorization is necessary to implement program.
Safe drinking water	70.1	81 (+10.9)		Do.
Drug Enforcement Administration	192.953	215 (+22.047)		Do.
Alcohol abuse (Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act).	135.506	156		Represents 15-percent increase in funding.
Environmental Protection Agency: Resource recovery	46	46		
U.S. Travel Service: Administrative expenses	14.651	14.651		
Department of Transportation:				
Branch line subsidies	67	100		Additional funds are necessary so the program can be implemented as quickly as possible to preserve eligible rail lines for localities in need of rail service.
Railroad Rehabilitation and Improvement Financing—Purchase of Redeemable Preference Shares.	260	260		Additional funds may be necessary if applications meeting statutory criteria are submitted.
Northeast Corridor Improvement Program	455	455		
Railroad Research and Development	55.670	55.670		The committee intends to examine these R&D expenditures and their contribution to improved technology and safety.

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Justifications for Format V

With some exceptions, the committee's recommendations with respect to health professions education programs reflect a stabilizing of the programs at the fiscal year 1978 appropriation level. The committee endorses the President's requests for the National Health Service Corps scholarship program, the exceptional need scholarships program, family medicine training programs, physician assistant training programs, and disadvantaged student assistance. The committee recommends full funding of primary care training programs and area health education centers programs in keeping with the committee's view that the Federal Government should encourage increases in the supply of primary care physicians and provide incentives for rationalizing the geographic distribution of health care practitioners. Finally, the committee recommends an increase in the President's request for program support for the legislatively mandated manpower supply and distribution reports. In the committee's view, an adequate level of funding is necessary if the Department of Health, Education, and Welfare is to prepare a comprehensive and detailed report which will be useful to the committee in its consideration of future legislation.

BEST COPY AVAILABLE

NINETY-FIFTH CONGRESS

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Congress of the United States
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515

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March 20, 1978

Honorable Robert N. Giaimo
Chairman
House Budget Committee
214 - HOB Annex 1
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to Section 301 of the Budget Act, I am pleased to transmit the attached budget estimates for fiscal year 1979. The Committee's submission is designed to follow as closely as possible the five format outlines recommended by your letter of February 9.

As you know, until this year, the Judiciary Committee had only very limited jurisdiction over legislation which either required or authorized the substantial expenditure of any federal monies. With the important exception of expenditures under Title I of the Omnibus Crime Control and Safe Streets Act, the complete budget for the Department of Justice had always enjoyed an organic standing authorization.

Beginning this year, however, in fiscal 1979, no monies for the Department may be appropriated without specific prior authorization. The Committee, therefore, has undertaken a major new spending responsibility and we expect to exercise that responsibility carefully in the weeks ahead. However, because our full Committee hearings only began on March 10, and because our first mark-up experience under the new law will not occur until April, the Committee felt that it would be unwise this first year to submit prior estimates broken down by Department program or line item. We look forward, of course, to close co-operation with the Budget Committee in the discharge of our new responsibilities in the years ahead.

In the meantime, I hope the attachments to this letter are of use to your Committee.

With best wishes,

Sincerely,

Peter W. Rodino, Jr.
Chairman

Note: This letter and the budget estimates attached to it can be read only as drafts. The publication deadline for the Committee Print was noon Monday, March 20. Official Judiciary Committee approval of the budget estimates is scheduled for Tuesday morning, March 21.

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO ENACTMENT OF APPROPRIATIONS

(In millions of dollars)

Major Issue or Program	President's request		Committee recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Administrative Conference of the U.S.	1	1	1.7 (+0.7)	1.7 (+0.7)	House passed bill, now in Conference, has authorized at the 1.7 figure for FY'79
Commission on Civil Rights	11	11	11	11	President's request represents a slight increase from FY'78, based on new initiatives by Commission to focus attention on aged, handicapped.
Department of Justice (Including General Administration, General Legal Activities, Antitrust Division, U.S. Attorneys and Marshals Support of U.S. Prisoners, Fees and Expenses of Witnesses, Community Relations Service, F.B.I., Immigration and Nationalization Service, LEAA*, National Institute of Corrections, Buildings and Facilities). *Technically, an Item V division, not requiring authorization.	2,464,302		2,800,000		Committee mark-up of authorization will begin in April. Hearings continuing at present. Committee recommendation is only preliminary and reflects an approximate leeway margin of about 20% based on Attorney General's testimony of 3/10/78. No breakdown recommendations-by program can be available until after mark-up however; amounts may be increased or decreased

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

(In millions of dollars)

N O N E

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

(In millions of dollars)

N O N E

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

(In millions of dollars)

Initiative	Budget Authority	Outlays	Comment
Financial Disclosure by Executive and Judicial Branch Personnel	1		Committee passed bill, pending before Rules Committee, will eventually merge with other bill providing for legislative branch disclosure. H.R. 1 as passed by Judiciary Committee authorizes 1 million dollars for each of next 3 FYs.
Reform of Law to Regulate Lobbying and Related Activities	1.6		Committee passed bill authorizes appropriations of 1.6 million for each of 3 FYs.
To provide for Award of Attorneys Fees and Expenses in Federal Administrative Agency Proceedings	18		Bill pending before Committee provides 15 million authorization for awards of attorney's fees and expenses in agency proceedings and 3 million authorization for court awards.
Grants to States for the Payment of Compensation to Persons Injured by Violent Crime	30	30	Bill passed by the House, pending in Senate, reduced Committee passed level down from 40 million for FY '79.
To regularize procedures for admitting refugees and to create a Select Commission on Immigration and Refugee Policy	12		Bill as recommended by Subcommittee and now pending before full Committee carries a CBO cost estimate of 12 million for FY'79 and 13.8 million for FY 80.

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(continued)

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

(In millions of dollars)

Initiative	Budget Authority	Outlays	Comment
To provide that in civil actions where the U.S. is a plaintiff, a prevailing defendant may recover reasonable attorney's fees and other reasonable costs of litigation.	20	20	Provision may be processed as separate legislation, or as part of larger package.
To create rights for public performances of copyrighted sound recordings and procedures for insuring royalty payments through the Register of Copyrights or the Copyright Royalty Tribunal.	1		
To authorize programs under Title II of the Speedy Trial Act of 1974.	5		

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZATION LEGISLATION FOR FISCAL YEAR 1979

(In millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comment
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
Legal Services Corporation	255	243	304 (+49)	278.7 (+35.7)	Committee recommendation is in line with Corporation's budget request. Request seeks to complete the short term goal of "minimum access" (2 attorneys per 100,000 poor persons) by the end of FY'79. Also, 1977 legislation mandates new attention to legal problems of the elderly and handicapped among others.

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Committee on
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March 15, 1978

Honorable Robert N. Giaimo
Chairman
Committee on The Budget
214 House Office Building
Annex #1
Washington, D.C. 20515

Dear Mr. Chairman:

In reply to your letter of February 9, 1978, and pursuant to the requirements of the Congressional Budget Act of 1974, I am forwarding herewith the views and estimates of the Committee on Merchant Marine and Fisheries concerning budget authority and budget outlays for fiscal year 1979.

These views and estimates were considered by the Committee in formal session on Friday, March 10, 1978, and received a unanimous endorsement of the Committee.

I trust that they will be helpful to you and your Committee in carrying out your responsibilities under the Budget Act.

With kind regards,

Sincerely,

John M Murphy

JOHN M. MURPHY
Chairman

Enclosures: Ten Copies

COMMITTEE ON MERCHANT MARINE AND FISHERIES

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE RE-ENACTMENT OR MODIFICATION OF AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
GENERAL SCIENCE, SPACE, AND TECHNOLOGY					
General Science and Basic Research					
National Science Foundation (49-0100-0-1-251)	77.7	77.7	77.7	77.7	Funding for the ocean science activities of the National Science Foundation contained in H.R. 10686, sequential referral requested. No change.
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY					
Conservation & Land Mgt.					
Int'l Fisheries Commissions (19-1087-0-1-302)	6.7	6.7	6.7	6.7	Annual DOS authorization. No change.
Marine Mammal Commission (95-2200-0-1-302)	0.7	0.7	1.0 (+0.3)	1.0 (+0.3)	Add'l funds for higher level of marine mammal protection, as provided in H.R. 10730, pending in Committee.
Recreational Resources					
Resource Management (F&WLS) (14-1611-0-1-303)	16.4	16.4	23.0 (+6.6)	23.0 (+6.6)	Add'l funds for higher level of endangered species protection, as provided in H.R. 10883, pending in Committee.
Resource Management (F&WLS) (14-1611-0-1-303)	1.6	1.6	1.7	1.7	Add'l funds for higher level of marine mammal protection, as provided in H.R. 10730, pending in Committee.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE RE-ENACTMENT OR MODIFICATION OF AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
Resource Management (DOD) Miscellaneous Accounts (97-9922-0-2-303)	0.9	0.9	2.4 (+1.5)	2.4 (+1.5)	Admin. request is fee collections. Add'l funds are recommended for improved wildlife conservation on military reservations, as provided in H.R. 10882, pending in Committee.
Pollution Control Abatement and Control (EPA) (68-0108-0-304)	1.4	1.4	6.8 (+5.4)	6.8 (+5.4)	Ocean dumping program and related research, as provided in H.R. 10661, pending in Committee.
Other Natural Resources Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	33.2	33.2	63.0 (+29.8)	63.0 (+29.8)	Add'l funds for Sea Grant program, as provided in H.R. 10822, pending in House.
Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	5.9	5.9	7.0 (+1.1)	7.0 (+1.1)	Add'l funds for ocean dumping research of long-term effects on marine environment, as provided in H.R. 10661, pending in Cte.
Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	0.5	0.5	2.0 (+1.5)	2.0 (+1.5)	Add'l funds for Marine Sanctuaries as provided in H.R. 10661, pending in Committee.
Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	0.5	0.5	0.6 (+0.1)	0.6 (+0.1)	Add'l funds for expenses of National Advisory Committee on Oceans and Atmosphere, as provided in H.R. 10823, pending in House.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE RE-ENACTMENT OR MODIFICATION OF AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
Oper., Res., & Facs. (NOAA) (13-1450-0-1-305)	6.7	6.7	8.0 (+1.3)	8.0 (+1.3)	Add'l funds for higher level of marine mammal protection, as provided in H.R. 10730, pending in Committee.
Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	2.2	2.2	3.5 (+1.3)	3.5 (+1.3)	Add'l funds for higher level of endangered species protection, as provided in H.R. 10883, pending in Committee.
Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	22.1	22.1	40.0 (+17.9)	40.0 (+17.9)	Add'l funds to implement 200-mile fishery zone, as provided in H.R. 10732, pending in Committee.
Fishermen's Guaranty Fund (13-4318-0-3-376)	0.0	0.1	0.0	0.1	Authorization in H.R. 10878, pending in Committee. No Change.
COMMERCE AND TRANSPORTATION					
Water Transportation					
Ship Construction (MARAD) (13-1708-0-1-403)	157.0	168.0	157.0	168.0	Authorization in H.R. 10729, pending in Committee. No change.
Oper. Diff. Subsidies (MARAD) (13-1708-0-1-403)	262.8	336.5	262.8	336.5	Authorization in H.R. 10729, pending in Committee. No Change.
Research & Development (MARAD) (13-1716-0-1-403)	17.5	17.5	17.5	17.5	Authorization in H.R. 10729, pending in Committee. No Change.
Opers. & Training (MARAD) 13-1750-0-1-403)	57.3	57.4	58.4 (+1.1)	58.5 (+1.1)	Add'l funds for improved maintenance at USMMA, Kings Point; for increasing annual payments to

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE RE-ENACTMENT OR MODIFICATION OF AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
					(continued) authorized level at State maritime academies; and for habitability improvements on State school ships.
Operating Expenses (CG) (69-0201-0-1-403)	944.6	936.8	958.2 (+13.6)	950.4 (+13.6)	Add'l funds for keeping one WHEC in commission, for restoring proposed reduction in personnel base, and for add'l personnel in SAR, MS, MEP, and ELT programs, as provided in H.R. 11465, pending Cte.
Acquisition, Construction, & Improvements (CG) (69-0240-0-1-403)	279.2	223.6	380.0 (+100.8)	233.2 (+ 9.6)	Add'l funds for Great Lakes icebreaker, add'l WMEC, pollution recovery devices, Houston VTS video completion, Mobile, Ala. land acquisition, add'l radiobeacon modernization, and fire protection at 7 Air Station hangars, as provided in H.R. 11465, pending Cte.
Research, Development, Test, & Development (CG) (69-0243-0-1-403)	20.0	18.0	25.0 (+ 5.0)	21.8 (+ 3.8)	Add'l funds for expedited effort in Environmental Protection research, with major emphasis on high seas pollution cleanup, as provided in H.R. 11465, pending in Committee.
Alteration of Bridges (CG) (69-0244-0-1-403)	34.6	15.0	34.6	15.0	As provided in H.R.11465.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE RE-ENACTMENT OR MODIFICATION OF AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
State Boating Safety Assistance (CG) (69-0246-0-1-403)	3.0	3.0	10.0 (+7.0)	10.0 (+7.0)	Add'l funds for full authorization level, as provided in H.R.11054, pending in Committee.
GENERAL GOVERNMENT Exec. Direction & Mgement. Expenses of CEQ &OEQ (11-1453-0-1-802)	3.1	3.1	4.0 (+0.9)	4.0 (+0.9)	Add'l operating funds, as provided in H.R. 10884, pending in Committee.
NET CHANGES BY FUNCTION					
Sub-Function 302:			+ 0.3	+ 0.3	
303:			+ 8.1	+ 8.1	
304:			+ 5.4	+ 5.4	
306:			+ 53.0	+ 53.0	
Function 300			+ 66.8	+ 66.8	
Sub-function 403:			+126.4	+ 35.1	
Function 400:			+126.4	+ 35.1	
Sub-function 802:			+ 0.9	+ 0.9	
Function 800:			+ 0.9	+ 0.9	
TOTAL CHANGES FORMAT I			+194.1	+102.8	

COMMITTEE ON MERCHANT MARINE AND FISHERIES

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

(In millions of dollars)

Legislative proposal		Estimate 1979	1980	Projection 1981	1982	1983	Comments
Oil Pollution Liability & Compensation Fund (spcl fund, indefinite) (69-5169-0-2-304)	Pres. Req: BA	180.0					
	Outlays	50.0					See Note
	CTE Recommendation:	180.0					
	BA	180.0	50.0	50.0	50.0	50.0	
	Outlays	50.0	10.0	10.0	10.0	10.0	

Note: No legislative proposal has been received since receipt of the Presidential Budget for FY 1979. The Committee assumes that this item alludes to H.R. 6213, introduced at SecDOT request in 1977. Consideration of that and other bills resulted in H.R. 6803, which was passed by the House in September, 1977. To the extent that this item refers to the necessity for the Secretary to have adequate borrowing authority to meet Fund deficiencies, and to make appropriate expenditures, the Committee concurs with the Presidential request. It is the estimate of the Committee that the Fund, in future years, will except on very rare occasions be adequate to meet obligations, and the borrowing authority need will be substantially less. In any case, H.R. 6803 provides that funds advanced through the Secretary's borrowing authority will ultimately be reimbursed by the Fund.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

(In millions of dollars)

Legislative proposal	President's Request		Committee Recommendation		Comment
	Budget Authority	Outlays	Budget Authority	Outlays	
NONE					

COMMITTEE ON MERCHANT MARINE AND FISHERIES

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

(In millions of dollars)

Identify Initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
FUNCTION 300						
H.R. 39 - Alaskan Wildlife Refuges						
BA	5.0	7.0	10.0	15.0	15.0	Management of wildlife refuges in Alaska, pending in I&IA Cte. Sequential referral requested.
Outlays	5.0	7.0	10.0	15.0	15.0	
H.R. 2329 - F&WL Improvement Act						
BA	0.6	0.6	0.6	0.4	0.4	Funds for training volunteers to assist with enforcement of fish and wildlife laws, passed by House Jan., 1978.
Outlays	0.6	0.6	0.6	0.4	0.4	
H.R. 3350 - Deep Seabed Hard Minerals Resources Act						
BA	3.5	7.0	10.0	15.0	20.0	Funds for environmental assessments, other studies, and licensing for development of deep seabed minerals, pending in Rules Committee.
Outlays	3.5	7.0	10.0	15.0	20.0	
H.R. 3633 - Wildlife Restoration Act						
BA	6.0	6.0	6.0	6.0	6.0	Add'l funding for wildlife restoration, pending in Cte.
Outlays	6.0	6.0	6.0	6.0	6.0	
H.R. 5493 - Dismal Swamp & San Francisco Bay Wildlife Refuges						
BA	19.0	22.4				Add'l funds for operation, pending in Committee.
Outlays	19.0	22.4				
H.R. 7749 - Antarctic Wildlife Cons.						
BA	0.1	0.1	0.1			Funds to establish regulatory program to protect plants and and animals in Antarctica, pending in Committee.
Outlays	0.1	0.1	0.1			

COMMITTEE ON MERCHANT MARINE AND FISHERIES

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

(In millions of dollars)

Identify Initiative	Fiscal Year					Comment
	1979	1980	1981	1982	1983	
H.R. 8394 - Refuge Revenue Sharing						
BA	0.8	3.6	7.2	11.4	14.3	Increased payments to counties for reduction in tax base because of wildlife refuges.
Outlays	0.8	3.6	7.2	11.4	14.3	
H.R. 9370 - Nat'l Aquaculture Organic Act						
BA	18.8	52.0	74.5	54.2	69.3	Federal assistance for promotion of aquaculture, passed by House Feb., 1978.
Outlays	18.8	52.0	74.5	54.2	69.3	
H.R. 10064 - Chesapeake Bay Research Coordination Act						
BA	0.3	0.3	0.5	0.6	0.7	Funds for establishing an Office of Chesapeake Bay Coordination, pending in Committee.
Outlays	0.3	0.3	0.5	0.6	0.7	
H.R. 10255 - F&WL Resource Mgement						
BA	30.0	40.0	50.0			Development of F&WL management plans, pending in Committee.
Outlays	30.0	40.0	50.0			
H.R. 10882 - Wildlife Cons. Program						
BA	22.0	22.0	22.0			Funds for game conservation programs, pending in Cte.
Outlays	22.0	22.0	22.0			
H.R. 10905 - Arctic and Southern Oceans Living Resource Conservation						
BA	26.0	6.0	6.0	6.0		Funds for establishment of conservation program for liv- resources in polar oceans, pending in Committee.
Outlays	11.0	21.0	6.0	6.0		
S. 1617 - Ocean Pollution Research, Development & Monitoring Planning Act						
BA	5.0	6.5	7.5	9.0	10.0	Funds for program to prioritize ocean pollution research objectives, passed by House
Outlays	5.0	6.5	7.5	9.0	10.0	

COMMITTEE ON MERCHANT MARINE AND FISHERIES

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

(In millions of dollars)

Identify Initiative		Fiscal Year 1979	1980	1981	1982	1983	Comment
FUNCTION 400							
H.R. 6803 - Comp. Oil Pollution Liability and Compensation Act	BA	3.0	2.0	2.0	2.0	2.0	Administrative costs, as provided in bill, passed by House, September, 197[illegible].
	Outlays	3.0	2.0	2.0	2.0	2.0	
H.R. 11054 - Federal Boat Safety & Security Act of 1978	BA	5.0	5.0	5.0	5.0	5.0	Funds to States for joint Federal-State program the reduction and detection of vessel thefts.
	Outlays	5.0	5.0	5.0	5.0	5.0	
H.R. ----- - LNG Marine Transportation Act	BA	10.0	5.0	5.0	5.0	5.0	Funds to provide regulatory program to control the safe marine transportation and handling of liquified natural gas, bill to be introduced.
	Outlays	10.0	5.0	5.0	5.0	5.0	

NET CHANGES BY FUNCTION		(1979)		(1979)
Function 300:	(BA)	+137.1	(Outlays)	+122.1
Function 400:	(BA)	+ 18.0	(Outlays)	18.0
TOTAL CHANGES FORMAT IV		+155.1		+140.1

COMMITTEE ON MERCHANT MARINE AND FISHERIES

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY					
Conservation & Land Management					
Coastal Zone Management (NOAA) (13-1451-0-1-302)	57.3	57.3	89.3 (+32.0)	89.3 (+32.0)	Add'l funds to implement various provisions of CZMAct of 1976 (P.L. 94-370)
Recreational Resources					
Resource Management (F&WLS) (14-1611-0-1-303)	173.9	168.0	174.9 (+ 1.0)	169.0 (+ 1.0)	Add'l funds for States to carry out endangered species programs
Migratory Bird Cons. Acct (14-5137-0-2-303) (F&WLS)	12.0	10.9	12.0	10.9	No change.
Contributed Funds (F&WLS) (14-8216-0-7-303)	2.8	2.4	2.8	2.4	No change.
Other Natural Resources					
Oper., Res., & Facs. (NOAA) (13-1450-0-1-306)	63.6	63.6	64.3 (+0.7)	64.3 (+0.7)	Add'l funds for states to carry out endangered species programs
Promote & Develop fishery products (NOAA) (13-5139-0-2-376)	15.0	10.0	15.0	10.0	No change.
Misc. Permanent Appns. (F&WLS) (14-9923-0-2-999)	116.6	102.8	116.6	102.8	No change.

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FY 1979

(In millions of dollars)

Major Issue or Program	President's Request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (Diff.)	Outlays (Diff.)	
COMMERCE AND TRANSPORTATION					
Water Transportation					
Federal Ship Financing Fund (13-4301-0-1-403) (MARAD)	0.0	(47.3)	0.0	(47.3)	No change.
The Panama Canal					
Panama Canal Company (38-4060-0-3-403)	0.0	(26.0)	0.0	(26.0)	No change.
Water Transportation					
Salaries & Expenses (FMC) (65-0100-0-0-403)	10.5	10.4	10.5	10.4	No change.
COMMUNITY & REGIONAL DEVELOPMENT					
Area & Regional Development					
Coastal Energy Impact Fund (13-4315-0-3-452)	4.0	4.0	104.0 (+100.0)	104.0 (+100.0)	Loan guarantee impact funds increased to reflect authorization level necessary to respond to State needs.
NET CHANGES BY FUNCTION					
Function 300:			+ 33.7	+ 33.7	
460:			+100.0	+100.0	
TOTAL CHANGES FORMAT V			+133.7	+133.7	
FORMAT I			+194.1	+102.8	
FORMAT IV			+155.1	+140.1	
GRAND TOTAL - MM&F COMMITTEE			+482.9	+376.6	

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NINETY-FIFTH CONGRESS

ROBERT N. C. NIX, PA., CHAIRMAN

[illegible]

U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
309 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

March 14, 1978

Honorable Robert N. Giaimo
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Pursuant to section 301(c) of the Congressional Budget Act of 1974, there are transmitted herewith the views and recommendations of the Committee on Post Office and Civil Service, together with Separate Views, on the Budget of the United States for fiscal year 1979.

These views and recommendations were ordered reported by a voice vote of the Committee on March 8, 1978.

Sincerely,

Robert N. C. Nix

ROBERT N. C. NIX
Chairman

Enclosures

PART I

PRESIDENT'S BUDGET REQUESTS FOR
EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION
PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979
(in millions of dollars)

Major issue or program	President's Request: Budget Authority	President's Request: Outlays	Committee Recommendation: Budget Authority (Difference)	Committee Recommendation: Outlays (Difference)	Comment

NONE OF THE PRESIDENT'S REQUESTS COME UNDER THE JURISDICTION OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE.

PART II

PRESIDENT'S BUDGET REQUESTS FOR
NEW AND EXPANDED PROGRAMS WHICH WOULD
REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979
(In millions of dollars)

Legislative Proposal	President's Request		Committee Recommendation		Comment
	Budget Authority	Outlays	Budget Authority (Difference)	Outlays (Difference)	
To preserve and promote ethical standards throughout the Executive Branch. (Employee Ethics and Utilization).	1	1	4.3 (+3.3)	4.3 (+3.3)	H.R. 6954 was ordered reported by the Committee on September 22, 1977 (H. Rept 95-642, Part I). Date for floor consideration has not been scheduled.

PART III

PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSAL
(In millions of dollars)

Item	Legislative Proposal	President's Request		Committee Recommendation		Comment
		Budget Authority	Outlays	Budget Authority (Difference)	Outlays (Difference)	
1.	To eliminate second career training for air traffic controllers who are eligible for immediate retirement. (Civil Service).	-3	-3	0 (+3)	0 (+3)	Committee does not appear to agree with proposed change and does not seem likely to consider such legislation.
2.	Terminate dual compensation of Federal employees in active military duty status. (Compensation and Employee Benefits).	-30	-30	0 (+30)	0 (+30)	Committee recommends that funds be restored to the FY 1979 budget since the committee believes that the enactment of this legislation would pose a threat of significant manpower losses, resulting in an accompanying loss of readiness. The loss of trained personnel, added to already severe strength shortfalls, would impose the necessity of additional expenditures for recruiting, retention and training of replacements, thereby nullifying any initial savings.

PART III

PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSAL
(In millions of dollars)

Item	Legislative Proposal	President's Request: Budget Authority	President's Request: Outlays	Committee Recommendation: Budget Authority (Difference)	Committee Recommendation: Outlays (Difference)	Comment
3.	Wage Board pay changes to provide for regulation of step-rate and payline structures and night shift differentials consistent with prevailing practices; to permit the use of State and local government pay rates in addition to industry rates in Federal wage surveys for wage board employees; and to change the required schedule for full-scale surveys from once every second year to once every third year. (Compensation and Employee Benefits).	-183	-180	0 (+183)	0 (+183)	Committee recommends that funds be restored to the FY 1979 budget, since the committee does not agree with all of the changes proposed by the President. The committee has completed its oversight hearings throughout the country on this matter. The committee is presently sorting through its materials and plans to make its own recommendations.

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PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
1.	H.R. 7700 - Postal Service Act of 1977 - to increase public service authorization for the Postal Service and provide some rate assistance for small magazines and newspapers. (Postal Operations and Services).	1,660.0	1,660.0	H.R. 7700 was ordered reported by a vote of 19 to 4 on October 18, 1977. Current provisions in title 39, U.S.C. for public service authorizations establish a formula of 10 percent of the 1971 appropriation to the then Post Office Department. The authorization is for $920 million a year. H.R. 7700 would change this authorization to 15 percent of the prior year's operating expenses and authorize for only two years. Congressional Budget Office and committee estimates are for an increase in authorization over current levels of $1.6 billion in FY 1979 and $1.88 billion in FY 1980. The remaining $60 million is added revenue foregone for the provisions authorizing rate discounts for the first 250,000 copies of each issue of a second-class or controlled circulation publication.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
2.	H.R. 3793 - to provide Federal employees who are under investigation for misconduct the right to be advised in writing of the investigation and the right to representation. (Civil Service).	.2	.2	This legislation has been ordered reported by the committee (H. Rept. No. 95-920). The committee recommends that appropriate monies be placed in the Budget for FY 1979.
3.	H.R. 6225 - to guarantee to a Federal employee the right to a hearing prior to a final decision of the agency to take an adverse action against such an employee. (Civil Service).	51.0	51.0	This bill was ordered reported by the committee on January 25, 1978. The committee recommends that the appropriate monies be placed in the Budget for FY 1979.
4.	H.R. 6974 - to provide that the Director of the Administrative Office of the U.S. Courts (AOUSC) may place a total of 15 positions in grades 16, 17, and 18 of the General Schedule. (Official request by AOUSC). (Employee Ethics and Utilization).	.036	.036	This bill failed to pass the House under suspension of the rules on July 18, 1977. Pending on Union Calendar.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
5.	H.R. 2387 to increase the salaries of the Director and Deputy Director of the Office of Management and Budget to Executive Level I and II respectively. (Employee Ethics and Utilization).	.014	.014	This bill failed to pass the House under suspension of the rules on July 18, 1977. Pending on Union Calendar.
6.	H.R. 6981 - to increase the salaries of the Chairman and Members of the Board of Governors of the Federal Reserve Board to Executive Level I and II respectively. (Employee Ethics and Utilization).	.041	.041	This bill was approved by the subcommittee on May 5, 1977. Action before the full committee was delayed until the subcommittee could hold further hearings to include Executive Level officials at the Federal Deposit Insurance Corporation and the Federal Home Loan Bank.
7.	H.R. 3161 - to improve the basic workweek of Federal firefighters. (Employee Ethics and Utilization).	24.3	24.3	This bill was ordered reported by the committee on January 25, 1978 (H. Rept. No. 95-911).

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
8.	H.R. 8332 - to provide for the referral to the House Committee on Post Office and Civil Service all bills, resolutions, and other matters under which authority is granted to establish Executive Level positions, and to limit the number of such positions which may be created. (Employee Ethics and Utilization).	0.0	0.0	H.R. 8332 would require all Executive Level positions in the Government to be justified. Review of these positions may find some to be excess and cause a reduction in outlays.
9.	H.R. 11003 - to clarify the authority for employment of personnel in the White House Office and the Executive Residence at the White House, to clarify the authority for employment for personnel by the President to meet unanticipated needs. (Employee Ethics and Utilization).	38.1	38.1	This bill was ordered reported by the committee on March 8, 1978

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
10.	H.R. 7814 - to authorize Federal agencies to experiment with flexible and compressed employee work schedules. (Employee Ethics and Utilization).	1.6	1.6	This bill was ordered reported by the committee on January 25, 1978 (H. Rept. No. 95-912).
11.	H.R. 10126 - to establish a program to increase part-time career employment within the civil service. (Employee Ethics and Utilization).	2.4	2.4	This bill was ordered reported by the committee on January 25, 1978 (H. Rept. No. 95-932).
12.	H.R. 5544 - to provide for the referral of certain bills, resolutions, and other matters to the House Committee on Post Office and Civil Service and to provide for a limitation on and control of positions which may be placed in grades 16, 17, and 18 of the General Schedule. (Employee Ethics and Utilization).	0.0	0.0	H.R. 5544 would place all super-grade positions in the Civil Service pool. Review of these positions may find some to be excess and cause a reduction in outlays.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
13.	S. 1730 - to provide for an additional Assistant Secretary in the Department of the Treasury at Executive Level IV. (S. 1730 passed the Senate January 20, 1978, and was jointly referred to the Committee on Ways and Means). (Employee Ethics and Utilization).	.087	.087	GENERAL COMMENT: The committee has received several requests from various departments and agencies for creating new positions or elevating grades of top officials. Hearings on all requests and legislation will be held by the committee. The new Assistant Secretary would be responsible for the law enforcement responsibilities in the Department.
14.	S. 1704 - to provide two additional Assistant Secretaries in the Department of Agriculture; to elevate the position of Administrator, Food and Nutrition Service from GS-18 to Executive Level V; and to establish a new position of Administrator, Food Safety and Quality Service at Executive Level V. (S. 1704 passed the Senate January 20, 1978, and was jointly referred to the Committee on Agriculture). (Employee Ethics and Utilization).	.276	.276	See general comment. The Assistant Secretaries will head up the Office of Economics, Policy Analysis and Budget and the Office of Congressional and Public Affairs respectively. The Directors of these offices are both occupying Executive Level IV positions.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
15.	To provide six additional Executive Level positions in the Department of HEW. (Official request from HEW not yet introduced). (Employee Ethics and Utilization).	.366	.366	See general comment. Currently, six Executive Level positions are on loan to HEW under Presidential Order. The subcommittee held hearings on May 5, 1977. These positions include three Executive Level IV and three Executive Level V. Support staff, if any, has not been computed in this estimate.
16.	To place the Director and Deputy Director of the U.S. Secret Service at Executive Level IV and V respectively; and to place the Director of the Office of Revenue Sharing at Executive Level V. (Official request from the Deputy Secretary of the Treasury not yet introduced). (Employee Ethics and Utilization).	.181	.181	See general comment. The Treasury Department currently has three Executive Level positions allotted from the President's pool.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
17.	To provide an additional Assistant Secretary for Economic and Statistical Affairs, Department of Commerce, at Executive Level IV. (Official request jointly referred to the Committee on Interstate and Foreign Commerce, not yet introduced). (Employee Ethics and Utilization).	.063	.063	See general comment. Support staff, if any, has not been computed in this estimate.
18.	To establish the position of General Counsel in the Environmental Protection Agency at Executive Level V. (Official request not yet introduced). (Employee Ethics and Utilization).	.059	.059	See general comment. Support staff, if any, has not been computed in this estimate. The General Counsel at EPA is currently at grade 18 of the General Schedule; therefore, the salary for this position will be the same (GS-18 and Executive Level V positions are identical in salary).

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
19.	To place the position of Commissioner, Automated Data and Telecommunications Service, General Services Administration, at Executive Level V. (Official request not yet introduced). (Employee Ethics and Utilization).	.063	.063	See general comment. This position currently is in Executive Level V which has been allotted from the President's pool. Support staff, if any, has not been computed in this estimate.
20.	H.R. 3950 - to authorize the Bureau of the Census to collect, analyze and publish current world population statistics. (Census and Population).	1.6	1.6	This bill has been approved by the subcommittee and is pending full committee consideration. The legislatior will result in no new budget outlays. It is a transfer of funds and authority from the U.S. A.I.D. office to the Bureau of the Census.

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PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
21.	H.R. 3789 - to entitle subdivisions of a municipality to receive population census statistics that conform to the boundaries of such a division. (Census and Population).	Less than $1 million		The provisions of this bill have been incorporated into H.R. 10386. The subcommittee intends to consider this legislation separately in the event H.R. 10386 is not reported by the full committee.
22.	H.R. 10386 - to limit the content of census questionnaires; establish formal procedures to challenge census estimates; create a committee within the Department of Commerce consisting of statistical experts to review and assess the quality and accuracy of statistical results published by the Bureau of the Census. (Census and Population).	Committee requested a cost estimate from the CBO in December, 1977. CBO's estimate has not yet been received.		This bill has been approved by the subcommittee and is pending full committee consideration.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
23.	To require Congress to issue data impact statements on all new legislation which would require the collection of information and impose a "sunset" on Federal statistical activities. (Census and Population).	Unknown	Unknown	The subcommittee plans to hold several days of hearings on the bill.
24.	The President's Civil Service Reform legislation (see, H. Doc. 95-299). (Full committee).	1.8	1.8	The committee has scheduled hearings on the proposals and anticipates that it will favorably report all or part of such proposals for House consideration.
25.	S. 666 - to provide liberalized retirement benefits for certain non-Indian employees of the Bureau of Indian Affairs and the Indian Health Service. (Compensation and Employee Benefits).	8.4	9.0	S. 666 is similar to H.R. 9603 which has been approved by the subcommittee. S. 666 was passed by the Senate on January 30, 1978, and is scheduled for full committee consideration.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
26.	H.R. 9279 - to authorize grade and pay retention for certain employees who have suffered reductions in grade as a result of grade reclassification actions or reductions in force due to reorganizations or other factors. (Compensation and Employee Benefits).	5.5	5.5	H.R. 9279 was ordered reported by the committee on October 12, 1977. The cost estimate does not take into account the savings that will result fron the elimination of certain adverse action appeals.
27.	H.R. 10633 - to extend early retirement benefits, now provided to air traffic controllers, to employees of flight service stations and flight standards units. (Compensation and Employee Benefits).	8.4	Unknown	Would allow eligibile employees to retire after 25 years of service or, if age 50, after 20 years of service. Employees would be guaranteed a minimum annuity equal to 50 percent of average pay. Budget authority is amount required to amortize (over 30 years) unfunded liability created by legislation.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
28.	H.R. 4620 - to provide special allowances to certain physicians employed by the United States in order to enhance the recruitment and retention of such physicians. (Compensation and Employee Benefits).	14.0	14.0	Legislation would authorize for GS physicians the same additional compensation presently authorized for physicians employed by the Veterans Administration or the Department of Defense.
29.	H.R. 8503 - to provide that civilian air traffic controllers of the Department of Defense shall be authorized the same early retirement benefits now authorized for air traffic controllers of the Department of Transportation, and for other purposes. (Compensation and Employee Benefits).	.5	.5	Legislation would authorize same early retirement benefits for Department of Defense air traffic controllers as is authorized for Department of Transportation controllers.
30.	H.R. 4601 - to increase the uniform allowances available to Federal employees. (Compensation and Employee Benefits).	9.5	9.5	Presently, Federal employees receive $125.00 annually to buy and maintain a uniform. Bill would grant $300 initially to buy a uniform and $200 annually for maintenance.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
31.	H.R. 10232 - to authorize civil service retirement credit for certain service performed as an employee of a state or local government under a Federally funded program. (Compensation and Employee Benefits).	Unknown	Unknown	During the 94th Congress, the Civil Service Commission estimated that this legislation would increase the unfunded liability of the Civil Service Retirement fund by approximately $28,000 for each eligible employee. It is estimated that 6,000 employees would be eligible under the provisions of H.R. 10232.
32.	H.R. - to change the computation formula for the Federal Employees' Group Life Insurance (FEGLI) program. Increase the Government's contribution to 50 percent of subscription cost and add optional family plan, the total cost of which will be borne by the employee. (Compensation and Employee Benefits).	75.0	75.0	Ratio cost of FEGLI program (Government pays one-third, employee pays two-thirds) has not changed since 1954, while 70 percent of private industry provides 100 percent of the subscription cost of employees' life insurance. The cost estimate was prepared last year.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
33.	H.R. 9590 - to increase the Government's contribution for Federal employees health benefits to 75 percent. (Compensation and Employee Benefits).	375.0	375.0	Presently, the Government contributes 60 percent of the average of the subscription charges for the highest level of benefits offered by the six plans having the largest number of enrollments. H.R. 9590 would increase the Government contribution to 75 percent, using the same formula. The cost estimate was prepared last year.
34.	H.R. 4320 - to discontinue civil service annuity payments to former civil service employees while performing service as a justice or judge of the United States. (Compensation and Employee Benefits).	.096	.083	H.R. 4320 was ordered reported by the committee on February 22, 1978 (H. Rept. No. 95-913). After Fiscal Year 1979, the enactment of this legislation will result in a reduction in outlays.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
35.	H.R. 8317 - to provide that a former spouse of a Federal employee who is married to such employee for five years or more shall be entitled to a portion of such employee's annuity and to a portion of the annuity of any surviving spouse of such employee, and for other purposes. (Compensation and Employee Benefits).	Unknown	Unknown	
36.	H.R. - to provide liberalized retirement benefits to certain Federal employees working in the Panama Canal Zone. (Compensation and Employee Benefits).	9.2	4.0	Legislation to be proposed by the Administration. Budget authority is amount required to amortize (over 30 years) unfunded liability created by legislation.

PART IV

LEGISLATIVE INITIATIVES OF CONGRESS FOR FY 1979
(In millions of dollars)

Item	Identify Initiative	Budget Authority	Outlays	Comments
37.	H.R. 3800 - to provide that any Federal employee who, at the time of retirement, does not elect a reduced annuity in order to provide a survivor annuity to a spouse or other person may make such an election within one year after retiring. (Compensation and Employee Benefits).	9.3	5.1	This legislation is retroactive. The Civil Service Commission estimates that the bill would give almost 60,000 retirees a second chance to provide a survivor annuity. The Commission believes that approximately ten percent (6,000) would take advantage of this opportunity.
38.	H.R. 10650 - to provide survivor annuities to post-retirement spouses of annuitants who died before the effective date of Public Law 91-658. (Compensation and Employee Benefits).	12.0	12.0	Public Law 91-658 amended the civil service retirement law so as to provide for the automatic substitution of a spouse acquired after retirement as an eligible survivor annuitant. However, that law was not applicable to the survivor of an annuitant who died before the effective date of the Act--January 8, 1971. This bill will extend application of the law to such survivors.

SEPARATE VIEWS

TO ACCOMPANY

COMMITTEE BUDGET RECOMMENDATIONS

The budget recommendations for fiscal year 1979 presented by the majority members of the committee are at best wishful thinking and reflect once again the unrealistic and Easter-basket approach that governs their action.

Should this package of committee legislative proposals be enacted, it would exceed the President's budget recommendations by approximately $2.6 billion. It is not reasonable this would be acceptable to the House, and therefore we urge, as we have in previous years, that the committee majority use this reporting requirement as a weeding out process rather than the catchall technique to which they are inclined.

Many, if not most, of the legislative initiatives reported have dubious prospects of passage. And some of the more costly of them are opposed by the Carter Administration, which lessens their chances even further.

For example, the Administration is on record as opposing H.R. 6225, employees' right to a hearing prior to the final decision on an adverse action ($51 million); H.R. 3161, reducing the workweek of Federal firefighters ($24.3 million); and H.R. 4620, allowances for Federal physicians ($14 million).

Prime among the budget-busting items is, of course, H.R. 7700 which, as it came from committee, proposed a $1.6 billion increase in Postal Service public-service subsidy, over and above the President's budget. This increase would raise the public-service subsidy level to $2.5 billion for Fiscal Year 1979.

Despite recent reports surfacing that agreement was reached with the White House on an $800 million public-service increase, the facts are to the contrary.

The official position of the Carter Administration on H.R. 7700 is much more modest and as expressed in a letter dated March 14, 1978, is as follows:

"...the Administration would prefer that the public-service subsidy be increased (from $920 million) to $1 billion for fiscal year 1979; to $1.1 billion for fiscal year 1980; to $1.2 billion for fiscal year 1981; and to $1.3 billion for fiscal year 1982 and beyond."

Therefore we recommend to the Budget Committee that legislative fact be sorted from legislative fancy in preparing the Fiscal Year 1979 budget resolution.

Edward J. Derwinski

Benjamin A. Gilman

John H. Rousselot

Trent Lott

James M. Collins

Jim Leach

Gene Taylor

Tom Corcoran

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Committee on Public Works and Transportation

Congress of the United States
House of Representatives
Room 2165, Rayburn House Office Building
Washington, D.C. 20515
TELEPHONE: AREA CODE 202, 225-4472

March 15, 1978

Honorable Robert N. Giaimo
Chairman
House Committee on the Budget
House of Representatives
Washington, D. C.

Dear Mr. Chairman:

Pursuant to section 301(c) of the Congressional Budget and Impoundment Control Act of 1974 we are enclosing ten copies of the Views and Estimates Report on the Budget for the fiscal year 1979 of the House Committee on Public Works and Transportation.

Sincerely,

WILLIAM H. HARSHA
Ranking Minority Member

HAROLD T. (BIZZ) JOHNSON
Chairman

REPORT

to the

COMMITTEE ON THE BUDGET
CONTAINING THE VIEWS AND ESTIMATES

of the

COMMITTEE ON
PUBLIC WORKS AND TRANSPORTATION

on the

BUDGET FOR THE FISCAL YEAR 1979

95th Congress
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I. INTRODUCTION

A. OVERVIEW OF PRESIDENT'S BUDGET

President Carter's budget for 1979 proposes a restrained spending program with little in the way of new initiatives. Tax reductions and reforms totaling $24.5 billion are the most significant policy initiatives in the budget.

For 1979 outlays of $500 billion and total receipts of $440 billion are recommended. This results in a deficit of $61 billion which as shown in the table below is about the same as the revised budget for 1978. The 1978 revised budget is $4.5 billion higher than the revised Ford budget submitted by the President last year.

THE BUDGET TOTALS

(In billions of dollars)

Item	1977 actual	1978 estimate	1979 estimate
Budget Receipts	357	400	440
Budget Outlays	402	462	500
Deficit (-)	-45	-62	-61
Budget Authority	465.2	502.9	568.2

The reduction in taxes which is to begin on October 1 is to assure a continued economic recovery and a reduction in unemployment. The economy and the budget are interrelated. Economic conditions significantly affect the budget and the budget in turn influences economic conditions. Real economic growth in calendar years 1978 and 1979 is projected to average about 4-3/4%, which compares with 4.9% in 1977 and 6% in 1976. Unemployment is expected to decline to about 6.2% by the fourth quarter of calendar year 1978 and to 5.8% by the fourth quarter of calendar year 1979. Inflation is projected to remain at around 6% annually during this period with short term treasury bills leveling off at 6.1%.

In summary, the President's 1979 budget recommendations provide for financing an effective national energy program, assign a high priority to programs improving our welfare program, strengthen programs which benefit urban areas, restrict defense expenditures to a real growth of 3% above the current year's budget, place increased emphasis for improving and protecting our national resources, and proposes a real rate of growth of almost 5% for basic research.

In formulating his budget, the President directs attention to the finite nature of our resources. While public needs are important, private needs are equally vital. This leads the President to the premise on which his first budget is based: that we must firmly limit what the Government taxes and expends. His budget would trim the Federal share of the gross national product to 22% which compares with 22.6% for the previous year.

The deficit of $60 billion excludes the transactions of the so-called off-budget agencies, which although Federally owned and controlled are by law excluded from the budget totals. However, the financing of the outlays for these off-budget agencies which in 1979 is estimated to be $12.5 billion are added to the budget deficit to comprise the total Government deficit of $73.1 billion which has been financed by borrowing from the public or other means. The total deficit is slightly below 1978. The administration does not anticipate difficulty in its financing.

B. IMPACT ON COMMITTEE PROGRAMS

WATER RESOURCES- The President's budget request for the water resources development program of the Corps of Engineers would delete 58 ongoing studies and delay the completion of 59 projects. Likewise, the budget request for the watershed program of the Soil Conservation Service would permit no new planning or construction starts. These policies, if adopted and continued, would lead to an early termination of these agencies' very important water resources programs. The Committee is accordingly recommending restoration of funding for these programs which will bring them essentially to their fiscal year 1978 level.

The Administration's budget request for the water pollution control segment of the Environmental Protection Agency's Abatement and Control program reflects a net decrease in positions, in addition the resources are not sufficient to maintain a strong pollution control program in general and are especially inadequate when viewed in light of the added responsibilities given the agency under the recently enacted Clean Water Act of 1977 (PL 95-217).

It is vital that continued funding be provided the Environmental Protection Agency for the construction of municipal waste treatment works, including full implementation of the new authority for innovative and alternative technology and the full reimbursement to municipalities that were not eligible for the current 75% Federal grant share but acted in good faith to comply in a timely manner with Federal requirements. The areawide waste treatment management planning processes (section 208) are the backbone of an effective pollution control process, yet this program and grants to State and interstate water pollution control agencies have been significantly underfunded. Also, the Environmental Protection Agency has an expanded and reinforced responsibility in the area of effluent controls for toxic and conventional substances.

Because of the underfunding of a number of the Environmental Protection Agency's programs, the Committee recommends several increases.

SURFACE TRANSPORTATION- The Administration's budget provides funding to accommodate major revisions and restructuring of the federal highway and mass transportation programs under a proposed legislative program. Despite their restructured nature the new proposals do not address issues such as the relationship between need and funding for highways and transit raised by Secretary Adams in testimony before the Committee. At the same time there is some indication of an increased federal role with respect to highway rehabilitation and bridge replacement. However, a major problem with the President's proposal making it difficult to analyze is that it is impossible to trace existing programs through the new structure and thereby determine intended funding levels in 1979 for these programs.

PUBLIC BUILDINGS AND GROUNDS- The Administration's budget provides only $17.6 million for the new construction and acquisition activities of the Public Building Fund, less than President Ford proposed in his FY 1978 budget. Of that amount, $14.8 million is for the acquisition and improvement of U.S. Postal Services properties by the General Services Administration, and only $2.8 million is actually for new construction. There is a demonstrated need for additional federal construction to more economicallly meet the existing space needs of the Federal Government. The Public Buildings Fund is expected to have a fund balance of over $76 million by the end of FY 1979. The Committee therefore recommends an additional $76 million for new construction.

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Since proposing its FY 1979 budget, the Administration has proposed a $52.3 million project to complete a redesigned Union Station and National Visitors Center. The Committee is currently holding extensive hearings on the National Visitors Center, and has not yet determined what agency or department should be delegated the authority to complete the unfinished National Visitor Center project. Therefore, the Committee recommends an additional $53 million for work at the National Visitor Center.

AVIATION- The Administration's budget contains sufficient funds to cover existing authorized levels of airport development funding However, H.R. 8729 reported by this Committeee December 13, 1977, contains an additional $260 million for airport development for fiscal year 1979. The bill also provides $165 million in a new grant program for noise abatement planning and implementation. The $165 million is not in the Administration's budget. Finally, once again the Administration has not provided adequate funding for safety out of the facilities and equipment fund -- the Committee has added $53.6 million in order to bring the program in line with previously expressed Congressional intent.

ECONOMIC DEVELOPMENT- Although the President's request for economic development programs is above the current level, the major part of the increase is for trade adjustment activities which are not authorized by the Public Works and Transportation Committee. Consequently, we are not in a position to analyze this portion of the request. We have carefully analyzed those programs under our jurisdiction and have recommended increased funding levels in a few high-priority areas to reflect current Committee policy and new initiatives that we will consider this year.

In addition, we believe that a new labor-intensive public works program initiative will be suggested in the President's Urban Policy Message which is scheduled to be delivered in mid-March. Suggested funding for this new Administration program is not included specifically in the budget. We also understand that the Administration will send up suggested legislation for a new energy impact aid program that will add probably $200 million to the Title IX budget request. We will not be able to submit our views on appropriate funding levels on these new Administration initiatives until the legislation is considered by the Committee later this spring.

II Summary of Committee Recommendations by Function and Subfunction for the Fiscal Years 1978 and 1979
(in millions)

FUNCTION Subfunction	Budget Authority				Outlays			
	President's Request		Committee Recommendation		President's Request		Committee Recommendation	
	1978	1979	1978	1979	1978	1979	1978	1979
INTERNATIONAL AFFAIRS (150)	36	37	36	37	31	31	31	31
Foreign Economic & Financial Assistance (151)	36	35	36	35	30	29	30	29
Conduct of Foreign Affairs (153)	*	2	*	2	1	2	1	2
ENERGY (270)	16	24	16	24	1193	1300	1193	1300
Energy Supply (271)	16	24	16	24	1193	1300	1193	1300
NATURAL RESOURCES AND ENVIRONMENT (300)	7924	8026	8893	9718	7389	7963	7423	8478
Water Resources (301)	2948	2623	2948	3062	2840	2742	2840	2903
Conservation & Land Management (302)	9	129	9	151	14	117	14	127
Recreational Resources (303)	10	47	10	82	26	27	26	42
Pollution Control & Abatement (304)	4937	5343	5932	6422	4548	5185	4560	5380
COMMERCE & HOUSING CREDIT (370)	5	3	5	3	12	7	12	7
Other Advancement & Regulation (376)	5	3	5	3	12	7	12	7
TRANSPORTATION (400)	10903	14559	10903	19177	12043	13187	12043	13305
Ground Transportation (401)	7953	11317	7953	15457	9128	10139	9128	10158
Air Transportation (402)	2886	3186	2886	3665	2853	2982	2853	3081
Water Transportation (403)	12	17	12	17	11	15	11	15
Other Transportation (407)	51	39	51	39	52	51	52	51
COMMUNITY & REGIONAL DEVELOPMENT (450)	1222	1468	1222	1641	3642	3320	3642	3585
Area & Regional Development (452)	1072	1268	1072	1641	3417	3037	3417	3301
Disaster Relief and Insurance (453)	150	200	150	200	225	284	225	284
EDUCATION, TRAINING, EMP'NT & SOCIAL SERVS	5	8	5	8	28	8	28	8
Research and General Education Aids (503)	3	4	3	4	6	5	6	5
Training and Employment (504)	0	0	0	0	13	0	13	0
Other Labor Services (505)	3	4	3	4	9	3	9	3

II Summary of Committee Recommendations by Function and Subfunction
for the Fiscal Years 1978 and 1979
Continued
(in millions)

FUNCTION Subfunction	Budget Authority				Outlays			
	President's Request		Committee Recommendation		President's Request		Committee Recommendatic	
	1978	1979	1978	1979	1978	1979	1978	1979
ADMINISTRATION OF JUSTICE (750)	111	124	111	124	132	131	132	131
Federal Law Enforcement Activities (751)	21	24	21	24	41	31	41	31
Federal Litigative & Judicial Activities (752)	90	100	90	100	91	100	91	10
GENERAL GOVERNMENT (800)	49	75	49	128	101	93	101	10
Legislative Functions (801)	42	50	42	50	92	67	92	67
Executive Direction & Management (802)	5	6	5	6	5	6	5	
Central Fiscal Operations (803)	3	1	3	1	2	1	2	
General Property & Records Management (804)	0	0	0	53	2	-3	2	1
Other General Government (806)	0	18	0	18	0	23	0	2
GENERAL PURPOSE FISCAL ASSISTANCE (850)	6	5	6	5	6	5	6	
Other Fiscal Assistance (852)	6	5	6	5	6	5	6	
TOTAL COMMITTEE PROGRAMS	20457	24445	21253	31065	24615	26154	24627	26934
Increase over President's Budget			+796	+6620			+12	+780

* Under $500 Thousand

TABLE III.-SUMMARY OF PRESIDENTIAL AND COMMITTEE PROPOSALS
(in millions)

	Amount	Page
A. President's budget request for existing programs which require authorizing legislation prior to the enactment of appropriations for fiscal year 1979:		
WATER RESOURCES:		
Department of Defense-Civil		
Mississippi River & Tribs.....	132.0	11
Construction, General.....	282.0	11
SURFACE TRANSPORTATION:		
Department of Transportation		
Federal-Aid Highways.....	7800.0	21
Urban Mass Transit.....	2865.0	29
PUBLIC BUILDINGS AND GROUNDS:		
Department of Interior		
Kennedy Center.....	4.1	32
ECONOMIC DEVELOPMENT:		
Department of Commerce		
Assistance Programs.....	81.0	37
B. President's budget request for new and expanded programs which would require authorizing legislation for fiscal year 1979:		
SURFACE TRANSPORTATION:		
Department of Transportation		
Federal-Aid Highways.....	4,146.0	21
Urban Mass Transportation Fund.....	2,665.0	29
C. President's budget requests for savings through changes in existing laws which mandate spending in fiscal year 1979 without further action by Congress; other legislative savings proposals:		
NONE		

TABLE III.-Continued
(in millions)

	Amount	Page
D. Legislative initiatives of Congress for fiscal year 1979:		
SURFACE TRANSPORTATION:		
Department of Transportation		
Surface Transportation Assistance Act of 1978	+11728.0	21
PUBLIC BUILDINGS AND GROUNDS:		
National Visitor's Center	+53.0	34
AVIATION:		
Department of Transportation		
Aircraft Noise Abatement Program	+165.0	35
E. President's budget requests for existing programs which do not require authorizing legislation for fiscal year 1979:		
WATER RESOURCES:		
Department of Agriculture		
Soil Conservation Service	+59.1	9
Department of Defense - Civil		
Corps of Engineers	+380.0	11
Environmental Protection Agency	+1044.5	12
Tennessee Valley Authority	+10.0	12
PUBLIC BUILDINGS AND GROUNDS:		
General Services Administration		
Public Buildings Fund	(+76.0)	33
AVIATION:		
Department of Transportation		
Grants-in-Aid for Airports	+260.0	36
Facilities and Equipment	+53.6	36
ECONOMIC DEVELOPMENT		
Department of Commerce		
Economic Development Admin	+317.0	38
Planning Commissions	+24.0	40

IV. DETAIL OF COMMITTEE RECOMMENDATIONS BY SUBCOMMITTEE, AGENCY AND PROGRAM

This section of the report provides the detailed support for all changes that this Committee recommends regarding the legislative and funding proposals set forth in the President's budget as well as backup for the Committee's program initiatives requiring legislation in this coming session of Congress.

WATER RESOURCES

The Committee's program responsibilities in this area include the construction, operation, and maintenance activities of the Corps of Engineers as they pertain to flood control, water supply, erosion and navigation works along the coasts and in our rivers and harbors; the waste treatment construction grants and remaining water pollution related programs of the Environmental Protection Agency; the water resource and flood control activities of the Soil Conservation Service; Disaster Relief; as well as the water resource and pollution control activities of such independent agencies as the Tennessee Valley Authority, St. Lawrence Seaway Development Corporation and Federal Maritime Commission.

The President's budget requests $8361.9 million in budget authority and $9570.0 million in outlays for these programs. The Committee recommendations include increases of $1364.1 million in budget autnority and $381.7 million in outlays, the details of which are outlined as follows:

Department of Agriculture

Soil Conservation

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Watershed Planning:				
Budget Authority.....	12.6	12.6	5.8	13.3 (+7.5)
Outlays.....	13.6	13.6	6.0	12.0 (+6.0)

Soil Conservation Service - Continued

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Watershed and Flood Prevention Works of Improvement:				
Budget Authority.....	106.6	106.6	97.3	120.0 (+22.7)
Outlays.....	150.9	150.9	101.8	110.0 (+8.2)
Flood Prevention, Sec. 217:				
Budget Authority.....	25.7	25.7	20.9	0.9
Outlays.....	46.4	46.4	28.4	28.4
Emergencies, Sec. 216				
Budget Authority.....	30.3	30.3	1.0	30.0 (+29.0)
Outlays.....	59.8	59.8	22.3	25.0 (+2.7)

Soil Conservation Service- The Committee considers the fiscal year 1978 funding level for this program to be adequate and therefore recommends an increase in budget authority to maintain the program at that level, with an allowance for a level of inflation of 6 percent.

Department of Defense - Civil

Corps of Engineers

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Flood Control Mississippi River and Tributaries:				
Budget Authority.....	253.1	253.1	204.0	244.0 (+40.0)
Outlays.....	225.0	225.0	212.0	235.0 (+23.0)
General Investigation:				
Budget Authority.....	106.9	106.9	108.1	125.1 (+17.0)
Outlays.....	90.3	90.3	110.0	120.0 (+10.0)
Construction General:				
Budget Authority.....	1493.8	1493.8	1274.4	1524.4 (+250.0)
Outlays.....	1390.0	1390.0	1362.0	1435.0 (+73.0)
Operation and Maintenance General:				
Budget Authority.....	768.9	768.9	750.5	823.5 (+73.0)
Outlays.....	704.2	704.2	741.9	780.0 (+38.1)

Corps of Engineers- The Committee recommends an increase in budget authority of $380 million. This will permit continued funding of the 58 ongoing studies which are not included in the President's budget request and a restoration of adequate funding levels for the 59 projects which would be delayed because of reduced funding.

It would also permit earlier completion of some projects and initiation of new planning and construction starts, which are needed if the program is to remain viable and responsive to the Nation's needs. Finally, it would insure an adequate funding level for operation and maintenance activities, particularly those associated with our navigable waterways.

Other Independent Agencies

Tennessee Valley Authority

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Tennessee Valley Authority Fund Resource Development:				
Budget Authority.....	86.0	86.0	82.3	92.3 (+10.0)
Outlays.....	89.1	89.1	81.0	83.0 (+2.0)

Tennessee Valley Authority- The increase of $10 million will permit adequate funding of the Columbia Lock and Dam.

Independent Agencies

Environmental Protection Agency

The Committee recommends increases totaling $939.8 million in budget authority and $246.2 million in outlays for fiscal year 1979. Programs receiving increases are discussed on the following pages.

In setting for fiscal years 1979 and beyond authorizations levels in P.L. 95-217, the Committee took into account the in facts that previous years water pollution control programs were funded at grossly insufficient levels in previous years, and that it takes time to gear such programs up to the level of effort called for. Thus in many instances, many of the amounts authorized for fiscal year 1979 are lower than levels authorized in previous years. These authorizations are the Committee's assessment of the actual level of funding that can and should be provided each of the programs under the Federal Water Pollution Control Act.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Construction Grants: Reimbursement to States, 1966-73:				
Budget Authority.....	0.0	850.0 (+850.0)	0.0	70.0 (+70.0)
Outlays.....	250.0	250.0	150.0	70.0 (-80.0)
Section 207:				
budget Authority.....	4500.0	4500.0	4500.0	5000.0 (+500.0)
Outlays.....	3885.0	3885.0	4510.0	4500.0 (-10.0)
Section 205(e)				
Budget Authority.....	---	---	0.0	75.0 (+75.0)
Outlays.....	---	---	0.0	35.0 (+35.0)
Facility Site.				
Budget Authority.....	---	---	0.0	15.0 (+15.0)
Outlays.....	---	---	0.0	5.0

An authorization of $4.5 billion has been provided for fiscal year 1978 and $5.0 billion for fiscal year 1979 for Federal grants for the construction of municipal waste treatment works. In addition, a separate authorization is provided in section 205(e) to assure that no State receives less than 1/2 of 1% of the total amounts authorized. The Committee recommends that these entire sums be fully available for obligation.

P.L. 95-217, which was enacted December 27, 1977, provides an authorization for appropriations for five fiscal years. The authorizations for fiscal years 1978 through 1981 were allotted to the states immediately after enactment. A major change in the Act is the provision making the amounts of each authorization subject to appropriations Acts. This provision was adopted in compliance with the Congressional Budget and Impoundment Control Act of 1974. However, it is recognized that making the authorizations subject to annual appropriations Acts reintroduces the very uncertainty in the level of funding that Congress had attempted to eliminate in the Federal Water Pollution Control Act Amendments of 1972 when it provided for contract authority. Therefore an allotment is no longer a commitment to fund because, although contract authority is still theoretically available, it no longer has any significant impact on the availability of funds.

The Budget Impoundment and Control Act of 1974 anticipated that, in the absence of effective contract authority, the Appropriations Committees would make available advanced appropriations for those programs which require long-term planning commitments for efficient expenditures of funds. The Committee anticipates that the Appropriations Committees will, with the support of the Budget Committees, provide advanced appropriations for fiscal years 1979, 1980, and 1981. Only in this way can States and communities know in advance that adequate funds will be available and proceed to plan for construction of needed wastewater treatment works.

The President's budget contains no budget authority for the reimbursement programs authorized by section 206(a) of the Federal Water Pollution Control Act. The section 206(a) program was amended by P.L. 95-217 to extend the deadline for project eligibility from July 1, 1972, to July 1, 1973. This was done to clarify the eligibility of a few additional projects whose status had been clouded because of inequities resulting from EPA's delay in implementing this program. The Committee's recommended level of budget authority provides its best estimate of funds needed to reimburse fully all currently all eligible projects as well as projects made newly eligible by P.L. 95-217.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Enforcement: Effluent permits:				
Budget Authority.....	22.2	22.2	25.4	35.0 (+9.6)
Outlays.....	22.0	22.0	25.0	35.0 (+10.0)

The Committee's recommendation represents the amount of funds to be earmarked for enforcement from the authorization for EPA's administrative activities contained in section 517 of the act. Thousands of effluent permits have been issued to municipal and industrial dischargers containing compliance schedules that are geared to the achievement of the 1977 and 1983 effluent requirements of the Act. If the permits are to result in improved water quality, it is vital that they be carefully monitored and enforced. EPA's resources in this area for fiscal year 1979 are inadequate for this task.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Abatement and Control: Pilot Training Programs (sec. 104(g)(1):				
Budget Authority.....	0.1	3.0 (+2.9)	0.1	3.0 (+2.9)
Outlays.....	0.1	1.5 (+1.4)	0.1	3.0 (+2.9)
Manpower forecasting (sec. 104(g)(2):				
Budget Authority.....	0.2	1.5 (+1.3)	0.2	1.5 (+1.3)
Outlays.....	0.2	1.3 (+1.1)	0.2	3.0 (+2.8)
Grants to State agencies (sec. 106):				
Budget Authority.....	54.0	54.0	52.4	100.0 (+47.6)
Outlays.....	54.0	54.0	52.0	52.0
Training grants (sec. 112):				
Budget Authority.....	0.0	0.0	0.0	7.0 (+7.0)
Outlays.....	0.2	0.2	0.0	7.0 (+7.0)
Areawide management planning processes (sec. 208):				
Budget Authority.....	69.5	150.0 (+80.5)	50.0	150.0 (+100.0)
Outlays.....	55.0	55.0	64.0	105.0 (+41.0)

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Alaska Village Demonstration Projects (sec. 113)				
Budget Authority.....	0.0	0.2 (+0.2)	0.0	0.2 (+0.2)
Outlays.....	0.0	0.2 (+0.2)	0.0	0.2 (+0.2)
Clean lakes program (sec. 314):				
Budget Authority.....	0.0	60.0 (+60.0)	14.7	60.0 (+45.3)
Outlays.....	0.0	10.0 (+10.0)	4.5	20.0 (+15.5)
Emergency Fund:				
Budget Authority.....	0.0	0.0	0.0	10.0 (+10.0)
Outlays.....	0.0	0.0	0.0	10.0 (+10.0)
General Administration (sec. 517):				
Budget Authority.....	90.6	90.6	116.1	121.5 (+5.4)
Outlays.....	81.0	81.0	108.3	118.5 (+10.2)

The programs authorized by the Federal Water Pollution Control Act have consistently been underfunded. In some instances, funding of vital programs has been eliminated. The program levels recommended by the Committee will begin to rectify this situation. Programs of particular importance are as follows:

Training grants and scholarships (sections 109-112)-- Only $.5 million in budget authority was requested for this program, although it is an important factor in safeguarding the investment of Federal funds in the abatement and control of pollution. The Congress has shown its continued interest in the program in past years by authorizing and appropriating funds.

Grants to State and Interstate Water Pollution Control Agencies (section 106)-- This program has consistently been underfunded, despite evidence from both the States and EPA that it is a vital component of the water pollution control program. In the past however, Congress has recognized the significance of this program by appropriating more. funds than were requested by the administration.

The President has requested $524 million for this program in fiscal year 1978. Representatives of the various States have testified that a minimum of $100 million is required.

The importance of assisting the State agencies was reempnasized in P.L. 95-217 by the development of a special program of management assistance to those States which take on additional delegated responsibilities under the construction grant program. Up to 2% of a State's construction grant allotment may be used for such assistance. The Committee emphasizes however, that this special management assistance program is a supplement to the section 106 program and in no instance is to be considered a substitute.

Areawide waste treatment management process (section 208)-- The President's budget provides only $50 million for this program in fiscal year 1978. This budget is insufficient to provide funds for subsequent grants of up to 75% for areas which have completed the initial plans of their continuing planning processes as called for in the statute. Also, it is insufficient to assist States in completing their balance-of-State nonpoint source control programs.

The Committee supports full funding of $200 million of the section 208(c) program for agricultural cost-sharing to control nonpoint sources of pollution. This program is reflected in function 350 (Agriculture) of the Budget.

SURFACE TRANSPORTATION

The responsibilities of the Surface Transportation Subcommittee include oversight of the Department of Transportation's Federal Highway Administration, National Highway Traffic Safety Administration, Urban Mass Transit Administration, and Hazardous Materials Bureau as well as the Public Lands Highway Programs of the Departments of Agriculture and Interior. The group also manages legislation related to the regulation of non-rail surface transportation. For the Committee's surface transportation function, the President's budget includes $11,614.7 million in budget authority and $10,390.3 million in outlays. Increases recommended by the Committee total $4,148.9 million and $13.9 million in budget authority and outlays respectively.

Department of Agriculture

Forest Service

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Forest Roads and Trails				
Budget Authority.....	---	---	118.0	140.0 (+22.0)
Outlays.....	---	---	100.0	110.0 (+10.0)

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Department of Interior

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
National Park Service Road Construction:				
Budget Authority.....	---	---	16.0	30.0 (+14.0)
Outlays.....	---	---	8.0	15.0 (+7.0)
Parkways				
Budget Authority.....	---	---	24.0	45.0 (+21.0)
Outlays.....	---	---	12.0	20.0 (+8.0)
Bureau of Indian Affairs Road Construction:				
Budget Authority.....	---	---	71.4	83.0 (+11.6)
Outlays.....	---	---	71.6	80.0 (+8.4)

As in the budget for FY 1978, the Administration's budget for 1979 relates road construction in theses agencies to general authority ratner than the most recent Congressional action - the Federal Aid Highway Act of 1976. The Committee estimates attempts to relate the budget to estimates of Congressional action for tnese programs this year.

Department of Transportation

Federal Highway Administration

The President's budget supports the expeditious completion of the Interstate Highway System as a priority goal and requests an increase in construction of $250 million above the FY 1978 level. It should be noted, however, that the 1976 Federal-Aid Highway Act authorized an increase in annual authorizations to $3.625 billion beginning in FY 1980, thus the $3.5 billion level recommended by the Administration represents a net decrease of $125 million beginning in 1980. The Committee believes that the recommended amount will not be sufficient to support an expedited construction schedule and recommends a further increase of $500 million. In addition, the Administration proposes that the minimum 1/2% to which each state is entitled be allocated from the regular interstate apportionment rather than a separate authorization as in the past; the Committee disagrees, noting that since part of this is allocated to states which have completed their interstate construction, this will detract from the goal of expeditious completion of the entire system, and recommends a separate authorization of $125 million. The Committee's recommendations for the interstate system exceed the Administration's budget request by $625 million.

The Administration's legislative proposal contemplates a major restructuring of the non-interstate categorical aid program into a few very broad categories, including Federal-Aid Primary, Small Urban and Rural Transportation Assistance, Urban Transportation Assistance, and Safety Improvements and at the same time eliminates a number of categories. The Administration's proposal implies that the authorization levels for the new categories will at least equal or exceed the combined 1978 authorization levels for the individual categories which go to make up the new categories; however the total proposed authorizations for FY 1979 are less than the 1978 authorization.

The Administration contends that the net effect will be to hold the state harmless, so that few if any states will decline in overall level of funding as a result. The Committee believes that it will be impossible to hold the states harmless because of the new distribution of funds implicit in the combined categories. Generally, this would benefit those states not currently receiving funds through the special categorical programs and hurt those states which do benefit. For example, the funding for Bridges on Federal Dams would be split and attributed to Federal-Aid Primary and Small Urban and Rural Transportation Assistance. Therefore, authorized moneys which would have been targeted at specific projects in specific states would instead be apportioned among all the states according to the formula of the larger category.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Off-System Roads Programs:				
Budget Authority.....	165.0	165.0	0.0	400.0 (+400.0)
Outlays.....	100.4	100.4	135.6	185.6 (+50.0)

Committee recommendations provide $100 million for rail/highway crossings (off-system), and $300 million for Safer Off-System Roads.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Access Highways to Recreation Areas:				
Budget Authority.....	8.7	8.7	0.0	15.0 (+15.0)
Outlays.....	2.9	2.9	6.0	10.0 (+4.0)
Highway Beautification:				
Budget Authority.....	19.2	19.2	23.2	89.7 (+66.5)
Outlays.....	40.5	40.5	33.7	62.5 (+28.8)
Great River Road:				
Budget Authority.....	0.0	0.0	0.0	10.0 (+10.0)
Outlays.....	6.0	6.0	7.7	10.0 (+2.3)

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Territorial Highways:				
Budget Authority.....	5.6	5.6	5.6	11.0 (+5.4)
Outlays.....	3.4	3.4	8.5	8.5

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Trust Fund Share Other Highways:				
Budget Authority.....	28.3	28.3	0.0	85.0 (+85.0)
Outlays.....	16.7	16.7	33.3	50.0 (+16.7)

This item includes $25 million for the Great River Road and $60 million for Rail/Highway crossing demonstrations in 1979.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Highway Related Safety Grants (Trust)				
Budget Authority.....	24.8	24.8	0.0	93.3 (+93.3)
Outlays.....	20.0	20.0	18.8	73.8 (+55.0)

The Committee's recommendation provides $25 million State and community grants; $50 million for the 55 mph speed limit program; $15 million for incentives; and $7.5 million for school bus driver training.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Overseas Highway (Trust)				
Budget Authority.....	17.0	17.0	17.0	44.0 (+27.0)
Outlays.....	6.7	6.7	12.2	15.0 (+2.8)

Federal Aid Highways Trust Fund

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Interstate:				
Budget Authority.....	---	---	3523.4	4000.0 (+376.6)
Outlays.....	---	---	3500.0	3500.0
Primary Systems:				
Budget Authority.....	---	---	1500.0	2100.0 (+600.0)
Outlays.....	---	---	1500.0	1500.0
Urban Systems:				
Budget Authority.....	---	---	720.0	800.0 (+80.0)
Outlays.....	---	---	450.0	400.0 (-50.0)
Urban High Density:				
Budget Authority.....	---	---	---	75.0 (+75.0)
Outlays.....	---	---	---	40.0 (+40.0)
Highway Safety Programs				
Budget Authority.....	---	---	450.0	0.0
Outlays.....	---	---	450.0	0.0

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Rail Highway Crossing Demonstrations:				
Budget Authority.....	---	---	0.0	150.0 (+150.0)
Outlays.....	---	---	0.0	50.0 (+50.0)
Pavement Marking:				
Budget Authority.....	---	---	0.0	75.0 (+75.0)
Outlays.....	---	---	0.0	60.0 (+60.0)
Bridge Program:				
Budget Authority.....	---	---	441.6	2000.0 (+1558.4)
Outlays.....	---	---	300.0	300.0
Economic Growth Centers:				
Budget Authority.....	---	---	0.0	50.0 (+50.0)
Outlays.....	---	---	0.0	25.0 (+25.0)
Secondary System:				
Budget Authority.....	---	---	0.0	650.0 (+650.0)
Outlays.....	---	---	0.0	250.0 (+250.0)

Department of XXX

National Visitors Center

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Construction:				
Budget Authority.....	0.0	0.0	0.0	53.0 (+53.0)
Outlays.....	0.0	0.0	0.0	6.0 (+6.0)

The Committee recommends an additional $53 million for fiscal year 1979 for completion of the National Visitors Center. The project today encompasses an incomplete and unusable parking facility, a visitor center with less than the originally envisioned services, and an uncompleted replacement railroad station. On February 22, 1978, the Administration proposed a $52.3 million project to complete a redesigned Union Station and National Visitor Center. Under the Administration proposal, $22.8 million of the total would come from the Department of Transportation's existing authority under the Northeast Corridor Improvement Project, and the remaining $29.5 million would require a new authorization. The Committee has not yet determined which department or agency should be authorized to complete construction at the National Visitor Center. However, the Committee does intend to report legislation by May 15, 1978, which will provide for a final design which can accommodate both the growth in rail passenger traffic and the legitimate needs of visitors to the Nation's capital.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Rail-Hwy. Crossing Demos:				
Budget Authority.....	1.8	1.8	0.0	30.0 (+30.0)
Outlays.....	5.6	5.6	7.2	14.4 (+7.2)

After an exhaustive review, however, the Committee has concluded that increases above the 1978 level of authorizations are necessary in several existing categories. The Committee is recommending an increase of $750 million for the Federal-Aid Primary system and $250 million for the Federal-Aid Secondary system in an effort to check the rapid deterioration of those existing systems. The Committee further recommends the addition of the Commonwealth of the Northern Marianas to the Territorial Highway program with an annual authorization of $1 million, an increase in the Safer Off-System Roads program of $100 million, the establishment of a permanent program for the construction of bikeways for commuting and recreational purposes at an annual authorization of $25 million ($12.5 million from the Trust Fund, and $12.5 million from the General Fund), and an increase for Bridges on Federal Dams of $15 million in FY 1979.

The Administration's proposals in the highway safety area contemplate a similar restructuring, although once again the level of authorizations for FY 1979 is characterized as equivalent to 1978 with one major exception. The request for the Special Bridge Replacement program is an increase of $270 million over 1978; the Committee feels this is clearly inadequate to deal with the gravity and extent of the problem of unsafe bridges and recommends an increase of $1820 million.

Section 203 of the Highway Safety Act of 1976 authorized $125 million annually for the elimination of hazardous rail-highway crossings on the Federal-aid system and $175 million annually for off-system crossings. The Committee feels that these amounts are inadequate and recommends increasing on-system authorizations to $150 million annually and off-system to $100 million per year.

Urban Mass Transportation Administration

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Capital Grants:				
Budget Authority.....	0.0	0.0	1040.0	2200.0 (+1160.0)
Outlays.....	800.0	800.0	1000.0	1525.0 (+525.0)
Formula Grants:				
Budget Authority.....	0.0	0.0	1735.0	1000.0 (-735.0)
Outlays.....	559.0	559.0	731.6	850.0 (+118.4)
Interstate Transfers:				
Budget Authority.....	454.0	454.0	200.0	600.0 (+400.0)
Outlays.....	470.0	470.0	400.0	400.0
Commuter Rail Subsidies:				
Budget Authority.....	30.0	30.0	0.0	60.0 (+60.0)
Outlays.....	45.0	45.0	0.0	60.0 (+60.0)

The Committee feels that these authorization levels are inadequate to meet the goal of maintaining, improving and expanding the nation's public transportation facilities and recommends $2.2 billion per year for section 3 discretionary grants, $1 billion annually for section 5 formula grants, $600 million annually for transit substitutes for interstate transfers ($75 million less than the Administration has requested), $60 million for commuter rail in 1979, $60 million annually for planning ($12.5 million more than the budget request), and $150 million annually for rural transportation assistance. Although the Administration has requested no funds for this latter purpose, it intends that a similar program be funded through the Small Urban and Rural Transportation Assistance category in the Federal-Aid Highway program. The Committee's recommendations represent an increase over the budget request of slightly more than $1 billion in FY 1979 declining to a difference of approximately $700 million in FY 1982 because of the planned increases in section 3 and 5 of the Administration's request.

In comparing the requested authorizations it must be noted carefully that the sharply differing amounts requested for sections 3 and 5 represent a very different approach to utilization of those two sections. Many projects currently funded under section 3 would shift to a newly expanded section 5 under the Administration's proposal, a shift with which the Committee disagrees.

National Highway Traffic Safety Administration

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Traffic & Highway Safety:				
Budget Authority.....	52.2	52.2	55.6	62.0 (+6.4)
Outlays.....	54.6	54.6	45.5	45.5
Highway Safety (Trust):				
Budget Authority.....	178.2	178.2	199.7	226.5 (+26.8)
Outlays.....	148.6	148.6	197.5	197.5

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Rural Transportation Assistance:				
Budget Authority.....	0.0	0.0	0.0	150.0 (+150.0)
Outlays.....	0.0	0.0	0.0	80.0 (+80.0)

Extensive hearings and investigation have demonstrated the need for revision in mass transportation programs, and both the Administration's proposals and legislation pending in the Committee address this need. The Administration has asked that the section 3 discretionary capital grant program be limited to construction of new fixed guideway systems, extensions of existing fixed guideway systems, major bus fleet expansion, emergency projects which cannot be funded through section 5, new technology put into service, and joint development costs, and is seeking authorizations of $640 million for FY 1979, $690 million in FY 1980, $740 million in 1981, $790 million in 1982, and $840 million in 1983. It further proposes that beginning in FY 1979 a new section 5 formula be utilized, one that would contemplate funding for routine bus and rail replacement and modernization of facilities and equipment and ask authorizations of $1,735 million in FY 1979 increasing by $50 million per year to $1,885 million in FY 1982. This would include funding for commuter rail lines now separately authorized under sections 17 and 18.

For the most part, the levels requested for the NHTSA are close to the Committee's recommendations. In related highway safety programs administered by FHWA, however, the Committee would add $1.82 billion annually for the special bridge replacement program and a total of $50 million annually for elimination of hazardous rail-highway crossings.

Summary

The Committee recommends an obligation level for Federal-aid highways of $10.3 billion per year for the fiscal years 1979, 1980, 1981 and 1982. The Administration has proposed different obligation ceilings for 1979 based on the alternatives presented in the budget. If new legislation enacted by the Congress retains the same programs, the proposed obligation ceiling is set at $7.445 billion, the same limit imposed by the DOT Appropriations Act of 1978 (PL 95-85). Assuming the legislative proposals embodied in the budget request are enacted, the Administration envisages an obligation ceiling of $7.8 billion. It should be noted, however, that this ceiling would include several categories not now under the ceiling, including highway beautification, territorial highways, and highway-related safety grants.

The Committee recommends that $1,100 million in additional budget authority for FY 1979 be provided for certain direct appropriation programs administered by the FHWA for which budget requests for the most part are inadequate or entirely lacking. This includes $44 million for construction of the Seven Mile Bridge on the Overseas Highway. Requests for 1980, 1981 and 1982 should also be approximately $1,100 million.

PUBLIC BUILDINGS AND GROUNDS

The acquisition, renovation and repair of federal office space as well as certain special purpose facilities for all branches of Government fall within the purview of the Public Buildings and Grounds Subcommittee. In addition, legislation related to certain administrative expenses of the Executive mansion, the protective services of the Secret Service and General Services Administration are reviewed by the Subcommittee. The President's budget provides $209.9 million in budget authority and $220.3 million in outlays for these programs. The Committee's recommendations would increase these amounts by $53.6 million in budget authority and outlays by $31.2 million.

Inuependent Agencies

General Services Administration

The FY 1979 budget requests $2.8 million for new construction plus $14.8 million for acquisition. The Committee accepts these projects and recommends an increase of $76 million for new construction. The Committee recommendation for new construction and acquisition totals $93.6 million in new obligational authority and $54.5 million in outlays for FY 1979.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Federal Buildings Fund:				
Obligating Authority..	20.5	20.5	.. 17.6	93.6 (+76.0)
Outlays.....	54.6	54.6	44.5	54.5 (+10.0)

The General Services Administration provides building space for Federal departments and agencies by Federal construction or by leasing. GSA is authorized to lease for periods up to 20 years existing buildings or buildings to be erected by private developers for Government use. Government-leased space under GSA's control has increased during recent years. Budgetary restrictions on construction have been a major reason for increased leasing. Construction expenditures are historically first items to be eliminated when demands on the national budget are unusually great. The Committee strongly feels that Federal construction and ownership would in many instances provide more economically for the space needs of the Federal government. Therefore, the Committee recommends that the public buildings fund balance of approximately $76 million by the end of FY 1979 be added to the construction request.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Public Lands Highways				
Budget Authority.....	---	---	0.0	16.0 (+16.0)
Outlays.....	---	---	0.0	15.0 (+15.0)
Forest Highways:				
Budget Authority.....	---	---	0.0	33.0 (+33.0)
Outlays.....	---	---	0.0	33.0 (+33.0)
Bikeways				
Budget Authority.....	---	---	0.0	*12.5 (+12.5)
Outlays.....	---	---	0.0	7.5 (+7.5)
Interstate Resurfacing:				
Budget Authority.....	---	---	0.0	175.0 (+175.0)
Outlays.....	---	---	0.0	60.0 (+60.0)
Small Urban and Rural Program:				
Budget Authority.....	---	---	725.0	0.0
Outlays.....	---	---	650.0	0.0
Admin., Research & Other:				
Budget Authority.....	---	---	340.0	0.0
Outlays.....	---	---	340.0	0.0

AVIATION

All aspects of the Department of Transportation's Federal Aviation Administration including the operation and maintenance of the nation's airport and airways system, related research and development as well as the procurement of essential equipment and facilities are the major responsibilities of this subcommittee. Its jurisdiction also includes legislation related to the safety and economic regulation of the aviation industry as well as the overall responsibilities of the National Transportation Safety Board. Appropriation requests for these programs amount to $3,201.9 million and $2,997.1 million in budget authority and outlays respectively. Committee recommendations, detailed below, amount to $3,680.5 million in budget authority and $3,096.5 million in outlays.

Department of Transportation

Federal Aviation Administration

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Airport Noise Planning & Program Implementation				
Budget Authority.....	0.0	0.0	0.0	165.0 (+165.0)
Outlays.....	0.0	0.0	0.0	25.0 (+25.0)

Title I of H.R. 8729, as reported by the Committee, establishes a new, voluntary airport noise compatibility planning and program development program under the Airport and Airway Development Act of 1970 to assist airports and surrounding communities to develop and carry out programs to reduce existing noncompatible land uses around airports. Airport operators whose programs have been approved by the Secretary of Transportation and units of local government identified in the noise impact map as being impacted by noise as a result of airport operations are eligible for 80 percent federal share grants. Title I authorizes $15 million for planning and $150 million for program implementation for fiscal year 1979.

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(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Grants-in-Aid for Airports				
Budget Authority.....	555.0	555.0	590.0*	850.0* (+260.0)
Outlays.....	540.0	540.0	565.0	600.0 (+35.0)

*Includes $15M for planning grant program

The President's budget of $590 million for airport development and planning is consistent with the amount authorized by P.L. 94-353. However, H.R. 8729, reported by the Committee in December 1977, increases the presently authorized level for fiscal year 1979 from $590 million to $850 million. This increase is based on significant indicators of near term national airport system needs which require an immediate increase in authorized levels in advance of the anticipated congressional consideration in 1980 of the future of the Airport and Airway Trust Fund.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Facilities and Equipment				
Budget Authority.....	209.0	209.0	370.9	424.5 (+53.6)
Outlays.....	200.0	200.0	210.6	250.0 (+39.4)

The Airport and Airway Development Act of 1970, as amended, authorizes the Secretary to obligate not less than $250 M from the Trust Fund for the acquisition, establishment and improvement of air navigation facilities. The Committee's recommended increase is consistent with the basic statute and will accelerate needed acquisition of air navigation facilities. The President recommended $370.9 million from the airport and airway trust fund for acquisition of airway facilities. However, $174.5 of the $370.9 in the budget represents full funding of a flight service station modernization program covering a seven year period. While the Committee is pleased with the Administration's move toward modernization, concern persists that insufficient funds are being spent on the acquisition of safety items such as Instrument Landing Systems and Visual Approach Slope Indicators (VASI). Subtracting the $174.5 from the $370.9 leaves $196.4 for the F&E program for fiscal year 1979. The Federal Aviation Administration needs to accelerate its program to acquire these essential safety items. For example, only approximately 25 percent of the runways of our Nation's airports served by scheduled air carriers have VASI (which provide vertical guidance to pilots) installed thereon. The President's recommendation of $370.9 is not entirely consistent with the will of Congress expressed in 1970 and again in 1976 that more trust fund money be spent on this program.

ECONOMIC DEVELOPMENT

Activities of the Committee covered by this Subcommittee includes those of the Economic Development Administration of the Department of Commerce, Appalachian Regional Development Programs, Public Works Jobs programs and the Regional Commissions. For these programs, the President's budget includes $1,183.2 million in budget authority $2,937.9 million in outlays in FY 1979, and the Committee is recommending increases of $351.7 million in budget authority, and $153.7 million in outlays.

Department of Commerce

Economic Development Administration

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Administration Economic Development Assistance				
Budget Authority.....	28.4	28.4	28.8	38.8 (+10.0)
Outlays.....	28.1	28.1	28.6	38.6 (+10.0)

This $10 million increase is needed to open and operate four regional offices and provide more effective administration of business development activities.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Economic Development Assistance Programs				
1. Public Works Grants Title I				
Budget Authority.....	151.0	151.0	219.0	425.0 (+206.0)
Outlays.....	137.8	137.8	161.4	333.6 (+172.2)

EDA - Continued

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
2. Business Development Title II				
Budget Authority.....	36.9	36.9	55.5	80.5 (+25.0)
Outlays.....	27.9	27.9	33.5	51.3 (+17.8)
3. Planning Sec. 302				
Budget Authority.....	11.5	11.5	17.0	34.3 (+17.3)
Outlays.....	8.4	8.4	10.8	21.0 (+10.2)
4. Disaster Relief Title VIII				
Budget Authority.....	0.0	0.0	0.0	50.0 (+50.0)
Outlays.....	0.0	0.0	0.0	15.0 (+15.0)
5. Economic Adjustment Title IX				
Budget Authority.....	114.3	114.3	180.6	200.0 (+19.4)
Outlays.....	48.5	48.5	57.9	63.0 (+5.1)

1. Public Works Grants- A $206 million increase to the authorized level is recommended to help maintain the rural-urban balance of the program and permit more emphasis on job-producing public works projects in areas impacted by high unemployment.

2. Business Development- An increase of $25 million is suggested in business development loans in order to reduce backlog of approved applications and to permit increased program activity in urban areas.

3. Planning Sec. 302- This increase of $17.3 for district planning would bring the Title III appropriation to the authorized level, permit the creation of new economic development districts and maintain the rural-urban balance of the program when new metropolitan districts are authorized next year.

4. Disaster Relief Title VIII- Title VIII authorizes an economic recovery and planning program that has never been funded. Legislation has been introduced to amend this title in order that the Federal and State response to disaster recovery can be more effective.

5. Economic Adjustment Title IX- This is a $19.4 million increase over the Administration budget request that the Committeee feels is justified to support the urban economic development revolving fund program authorized last year as Section 204, and to support the new aid program for the steel industry. The Committee intends to pass new Title IX authorizing legislation to cover the budget request. As noted above, the Administration is considering new energy impact legislation under Title IX that is not reflected in the budget request.

(In millions of dollars)

Bureau Program	1978 Budget Est.	1978 Committee Recom.	1979 Budget Est.	1979 Committee Recom.
Regional Action Planning Commission Title V				
Budget Authority.....	64.8	64.8	63.9	87.9 (+24.0)
Outlays.....	65.4	65.4	67.3	91.0 (+23.7)

Regional Action Planning Commission-Title V The Committee recommends an increase of $24 million in this item to initiate new Regional Commission program activities authorized in 1976, such as energy-related impact evaluation and demonstration projects. Additional funding is also required for any new commissions that may be established in 1979.

The recommendations of the Subcommittee would increase the FY 1979 appropriations level for the Economic Development Administration to $955.2 million. Of this total, $113.7 million is authorized under the Trade Adjustment Act. For the programs under our jurisdiction we are recommending $841.5 million compared with the authorized level of $1.42 billion.

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COMMITTEE ON SCIENCE AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES
SUITE 2321 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D C 20515

[illegible]

March 15, 1978

Honorable Robert N. Giaimo
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Pursuant to Section 301(c) Public Law 93-344 there is submitted herewith the views and estimates of the Committee on Science and Technology for authorizing legislation which will result in new budget authority and budget outlays for fiscal year 1979 for those programs falling within assigned areas of jurisdiction.

The cost data contained in the attached report are the best estimates available at this time, and in large measure, are based upon legislation which has been reported by the Committee. One exception to this is the Department of Energy Authorization bill. The estimates for that legislation included herein are based on subcommittee markup actions and are subject to change when the Full Committee acts upon the measure.

The estimates for the National Aeronautics and Space Administration, the National Science Foundation, the Environmental Protection Agency R&D Program, the Federal Aviation Administration R&D Program, the Standard Reference Data Act, the Federal Fire Prevention and Control Act are all based upon final Committee reported legislation.

This Committee proposes to continue to subject the research and development portion of the appropriation request for the Environmental Protection Agency to annual authorization. The cost data relating thereto have been included in the attached estimates. Also, commencing with the FY 1978 budget, we proposed to subject the research and development portion of the appropriation request for the Federal Aviation Administration to annual authorization. This measure passed the House, but was not acted on by the Senate in fiscal year 1978. The Committee plans to continue to press for annual authorization for the FAA R&D Program and cost data relating thereto have been included in the attached estimates for fiscal year 1979.

It should be noted that, although not now subject to the annual authorization process by this Committee, specific recommendations concerning research and development activities under the National Oceanic and Atmospheric Administration

have been included in the attached estimates (Format V). Legislation is now pending to amend the organic Act for NOAA. These proposals will be coordinated with other committees of cognizant jurisdiction as appropriate.

Special attention is invited to the Health budget category (550) wherein certain budgetary recommendations are made as to funding levels in Format V. Although the National Institutes of Health are not within the specifically assigned jurisdiction of this Committee, additional funding is strongly recommended for research and development for environmental cancer research and study and for extramural programs in prediction, detection and assessment of environmentally caused diseases. Although the National Institutes of Health are primarily under the jurisdiction of the Interstate and Foreign Commerce Committee, the recommendations of this Committee are focussed only on environmental research programs where the jurisdiction of the two committees overlap. The budget data contained in the attached estimate are based upon hearings and subcommittee analyses in which the NIH budget and programs of environmental research were reviewed. These propcsals will be coordinated with other committees of cognizant jurisdiction as appropriate.

This Committee is quite concerned about the clarity of the President's budget with regard to the Department of Energy fiscal requirements for 1979. The data included in the proposed legislation and the budget is presented in such a fashion as to make it difficult to determine budgetary allocations to the several standing committees having divided jurisdiction over the department. Since the matter of jurisdictional responsibilities between the several committees concerned is controversial, the President's method of budget presentation tends to further aggravate an already sensitive situation. His budget data are susceptible to varying interpretations which no doubt will lead to further jurisdictional dispute. This Committee has drafted, introduced and has under consideration its own bill which reflects the results of our jurisdictional analysis of the budget data received. Undoubtedly, other cognizant committees are doing likewise. The estimates attached are based upon those elements of the budget which our analyses indicate clearly fall within the jurisdiction of this Committee.

It should also be noted that the President has proposed in his budget certain savings through changes in existing laws which mandate spending in fiscal year 1979, without further action by Congress, in connection with revisions in

changes for uranium enrichment services (Format III). This Committee is not favorably disposed toward the President's legislative proposal to change the price of uranium enrichment services and therefore the $163 million in savings will of necessity have to be offset by increases in budget authority and outlays elsewhere in the budget.

This Committee is not prepared to comment on tax expenditures serving purposes similar to direct expenditure programs. While there may be some direct relationship between tax expenditures and budgetary functions and subfunctions falling within the purview of this Committee, matters of this nature are normally not considered during the authorization process unless specifically highlighted in the annual authorization requests from the various agencies. This Committee assumes that tax expenditure legislation, including that related to programs subject to annual authorization, is a function of the Ways and Means Committee.

As indicated previously, all major legislation, with the exception of the Department of Energy bill, has been reported by the Committee. Revised estimates to the Energy bill will be provided as soon as final markup data are available.

Sincerely,

OLIN E. TEAGUE
Chairman

Enclosures

I. President's Budget Requests for Existing Programs Which Require Authorizing Legislation Prior to the Enactment of Appropriations for Fiscal Year 1979

COMMITTEE ON SCIENCE AND TECHNOLOGY

(in millions of dollars)

1.

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
General Science, Space and Technology (250)					
National Science Foundation					
a. Research and Related Activities (251)	850.4	774	846.4 (-4)	770 (-4)	Committee ordered reported H.R. 11400 3/14/78.
b. Special Foreign Currency (251)	6	5	6	5	
c. Science Education Activities (251)	77.6	72.96	82 (+4.4)	77.36 (+4.4)	
Department of Energy					
Operating Expenses (251)	442.5	433.1	451.5 (+9.0)	438.5 (+5.4)	Provides authorization for DOE for FY79 for basic energy sciences, high energy physics & nuclear physics. Subject to adjustment in final markup.
Plant and Capital (251)	154.5	142.8	164.5 (+10.0)	148.8 (+6.0)	
Life Sciences Research and Bio-Medical Applications (251)					
Operating Costs (251)	39.7	39.2	39.7	39.2	Subcommittee recommended no increase in this item; subject to adjustment in final markup.
Capital Equip. & Construction (251)	1.10	.800	1.10	.800	

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(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
General Science, Space and Technology (250)					
Nuclear Physics					
Operating Expenses	72.900	71.600	74.900 (+2)	73.600 (+2)	Subject to adjustment in final markup.
Plant and Capital	1.500	.400	1.500 (0)	.400 (0)	Subject to adjustment in final markup.
National Aeronautics and Space Administration					
Research and Program Management (253)	388	388	388	388	
Research and Program Management (254)	302	301	302	301	
Research and Program Management (255)	43	43	43	43	
Construction of Facilities (253)	31	56	31	56	
Construction of Facilities (254)	--	8	--	8	
Construction of Facilities (255)	45	48	40 (-5)	47 (-1)	General reduction in rehabilitation and modification of various locations
Research and Development (253)	1,828.0	1,820.	1,824 (-4)	1,820 (0)	Increase for advanced programs
Research and Development (254)	907	841	933 (+26)	854 (+23)	Increase for space applications programs
Research and Development (255)	305	299	304 (-1)	300 (+1)	Increase for data acquisition capabilities

I. President's Budget Requests for Existing Programs Which Require Authorizing Legislation Prior to the Enactment of Appropriations for Fiscal Year 1979

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
ENERGY (270)					Department of Energy data subject to adjustment in final markup.
Department of Energy (270)					
Environment (270)					
Operating Costs	183.988	181.038	201.388 (+17.4)	197.723 (+16.685)	Increases in funding for coordinating activities, environment/energy information systems, integrated assessments, and environmental engineering areas. Data subject to adjustment in final markup.
Capital Equip. & Construction (Capital Investment)	24.6	20.0	24.6	20.0	
Research & Technology Development (270)					
Operating Costs	6.5	16.0	6.5	16.0	Figures represent action only on Light Water Reactor Facilities Program. Subject to adjustment in final markup.
Capital Equip. & Construction	3.5	3.0	3.5	3.0	

I. President's Budget Requests for Existing Programs Which Require Authorizing Legislation Prior to the Enactment of Appropriations for Fiscal Year 1979

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
ENERGY (270)					
Energy Supply (271)					
Operating Expenses	532.3	513.8	681.5 (+149.2)	592.2 (+78.4)	Provides authorization for DOE for FY79 for the R,D&D of solar energy, fuels from biomass, geothermal energy, hydroelectric power, space nuclear applications, and ATAP.
Plant and Capital	41.7	18.0	67.0	30.6	
Other Federal Funds	0	6.0	0	6.0	Geothermal Resources Development Fund
Fossil Energy (271)					
Operating Expenses	700.725	774.205	702.412	779.412	Action reflects normal authorization amount for FY79 rather than the requested amount for full authorization
Plant and Capital	216.070	65,070	65.070	65.070	
Nuclear Energy (271)					
Operating expenses	2026.640	2058.993	2185.440	2238.993	
Plant and Capital	530.081	212.000	549.081	219.600	
Energy Conservation (272)					
Operating Expenses	401.4	339.4	481.8 (+80.4)	388.2 (+48.8)	Provides authorization for DOE for FY79 for energy conservation research development and demonstration
Plant and Capital	8.3	4.1	8.3	4.1	

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I. President's Budget Requests for Existing Programs Which Require Authorizing Legislation Prior to the Enactment of Appropriations for Fiscal Year 1979

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
ENERGY (270)					Department of Energy data subject to adjustment in final markup.
Policy and Management (276)					
Operating Expenses	442.4	423.4	442.4	423.4	Provides authorization for DOE for FY79 for policy and program mgt.
Plant and Capital	60.5	33.7	60.5	33.7	Includes 25.0M Budget Authority/ 23.5M Outlays for Decommissioning &
Other Federal Funds	2.0	2.5	2.0	2.5	Decontamination Program. The Committee feels the Decommissioning & Decontam. belongs in format I as it was also authorized in the FY78 ERDA Authorization, thus not qualifying as a new & expanded program.
Environmental Protection Agency					
Energy R&D (271)	114.765	125.500	138.370 (+23.605)	151.921 (+26.421)	To provide for continued EPA research on environmental and health impacts of energy development. Also increased funding for pollution control technology.
NATURAL RESOURCES & ENVIRONMENT (300)					
Environmental Protection Agency					
Research & Development (304)	209.363	183.0	247.968 (+38.605)	217.148 (+34.148)	Extension of authorization for Office of R&D and increases primarily in the health and ecological effects program and industrial processes program. Committee heard extensive testimony on need for increased health effects research.

I. President's Budget Requests for Existing Programs Which Require Authorizing Legislation Prior to the Enactment of Appropriations for Fiscal Year 1979

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
NATURAL RESOURCES & ENVIRONMENT (300)					
National Oceanic & Atmospheric Administration					
Marine Ecosystems Analysis and Ocean Dumping (306)	15.202	15.00	15.202	15.0	Extension of authorization to provide crucial marine environmental information to balance economic development and environmental conservation in critical regions through extensive analysis.
COMMERCE & HOUSING CREDIT (370)					
Department of Commerce					
National Bureau of Standards					
Fire Research Center	4.9	4.9	5.1 (+.2)	5.1 (+.2)	This item is combined with the National Fire Prevention and Control Administration (451) in the President's request and in H.R. 11291, the bill reported by the committee. The increase provides for renovation of the site acquired for the National Academy for Fire Prevention and Control.
Standard Reference Data Program (376)	3	3	3	3	
Scientific & Technical Research (376)	91.764	84.005	96.769 (+5.000)	89.005 (+5.000)	Provision in H.R. 11302 for conduct of environmental related R&D in measurement science at NBS.

I. President's Budget Requests for Existing Programs Which Require Authorizing Legislation Prior to the Enactment of Appropriations for Fiscal Year 1979

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
TRANSPORTATION (400)					
National Aeronautics & Space Administration					
Research & Program Management (402)	181	181	181	181	
Construction of Facilities (402)	77	42	77	42	
Research and Development (402)	264	244	292 (+28)	256 (+12)	Increase for aviation research & technology.
COMMUNITY AND REGIONAL DEVELOPMENT (450)					
National Fire Prevention & Control Administration (451)	12.926	12.1	20.467 (+7.541)	20.467 (+8.367)	Increase provides for renovation of the site acquired for the National Academy for Fire Prevention & Control.

II. President's Budget Requests for New and Expanded Programs which would Require Authorizing Legislation for fiscal year 1979

Legislative proposal		Estimate 1979	Estimate 1980	Projection 1981	Projection 1982	Projection 1983	Comments
Loan Guarantees for alternate fuels, P.L. 95-238 requiring special authorization	President's request: Budget Authority						
	Outlays						
	Committee Recomm. Budget Authority	30	*	*	*	*	
	Outlays						This legislative proposal adopted in P.L. 95-238 would provide loan guarantees for research in alternative fuels such as biomass, coal gasification, oil shale and others not readily identifiable at this time. These data subject to adjustment in final markup. *Budget estimates rot at this time available.

III. President's Budget Requests for Savings through changes in Existing Laws which Mandate Spending in Fiscal Year 1979 Without Further Action By Congress; Other Legislative Savings Proposals

(in millions of dollars)

9.

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
Department of Energy					
Changes in charges for uranium enrichment services	-163	-163	0	0	The Administration budget request includes a legislative proposal to change the price of uranium enrichment services. The Committee is not favorably disposed to proceed with this request. Therefore, additional amounts of $163 million will be required in budget authority in outlays for fy 1979.
Legislative Reduction:					
National Aeronautics and Space Administration (rescission of prior year's authorization)	60.194	---	60.194	---	P.L. 88-133, Sec. 6 modified Section 308 of the National Aeronautics and Space Act of 1958 to automatically rescind unfunded authorization of funds three years following such authorization. The amount shown is the unfunded authorization upcoming for fiscal year 1975. This rescission does not impact budget authority and outlays for fiscal year 1979.

IV. Legislative Initiatives of Congress for Fiscal Year 1979

Identify initiative	Fiscal Year 1979	1980	1981	1982	1983	Comments
H.R. 10601, Solar Power Satellite Research, Development and Demonstration Act of 1978	25	50	75	75	45	To authorize to be appropriated funds for solar satellite power research, development & demonstration program.
H.R. 10811, Federal Aviation Administration R&D Authorization Act, 1979	73.473	78	80	80	80	Legislation to authorize trust fund monies for Federal Aviation Administration Research and Development
H.R. 10830, Solar Photovoltaic Energy Research, Development & Demonstration Act of 1978	0	150	170	205	225	FY1979 Authorization is contained in H.R. 10969, Department of Energy Authorization Act.
H.R. 6669, National Climate Program	50	60	70	70	70	H.R. 6669, which establishes a National Climate Program, has passed the House and awaits Senate action. That bill authorizes $50 million for FY 1978. (House Report 95-266).
S. 1617, National Ocean Pollution Research, Development and Monitoring Program	5.0	5.0	5.0	5.0	5.0	Activity is proposed for authorization in S. 1617, which has passed both House and Senate.
H.R. 5720, To establish a research and development effort resulting in the commercialization of native latex rubber. (authority and outlays)	15	15	15	15	15	H.R. 5720 has been introduced to accomplish this initiative
H.R. 10859, National Materials Policy	0.2	0.2	0.2	0.2	0.2	H.R. 10859 has been introduced to accomplish this initiative.

V. President's Budget Requests for Existing Programs which do not require authorizing legislation for fiscal year 1979 (Please comment on programs which this committee presently have direct spending responsibility)

11.

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
National Science Foundation (251)					
Consolidated Working Fund	0	0.5	0	0.5	
Donations	5.3	4.5	5.3	4.5	
General Function 250 Receipts	-0.278	-0.278	-0.278	-0.278	
					It is noted that the Science and Technology Committee has legislative jurisdiction over some portions of the Executive branch which have continuing authorization and will spend money in FY1979. These are: 1) Office of Science & Technology Policy 2) Remainder of National Bureau of Standards not covered here.

V. President's Budget Requests for Existing Programs which do not require authorizing legislation for fiscal year 1979 (Please comment on programs which this committee presently have direct spending responsibility)

12.

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
Natural Resources & Environment (300)					Although NOAA is not specifically within assigned jurisdiction of the committee, the committee makes a recommendation to the NOAA budget in the listed areas. Annual authorization for NOAA is presently pending legislation before S&T and MM&F Committees.
Department of Commerce					
National Oceanic & Atmospheric Administration (306)					
Sea Grant-Marine environmental research (NOAA 88)	4.825	4.825	4.825	4.825	Marine environmental research on understanding the effects of various uses and misuses of marine and esturine ecosystems.
Basic Environmental Services (NOAA 93)	118.610	114.0	118.610	114.0	Basic environmental services which include basic observations, communications and maintenance and repair.
Environmental Satellite Services (NOAA 113)	97.846	97.00	97.846	97.0	Includes necessary funding for the operations, support, environmental warning service and development and application of satellite technology.
Public Forecast & Warning Service (NOAA 135)	117.900	117.010	119.613 (+1.713)	118.723	Includes all public forecast and warning services conducted by the National Weather Service. Increase reflects expectation that proposed closure of 19 Weather Service offices across country may be reversed.
Specialized Environmental Services (NOAA 167)	7.029	7.029	7.029	7.029	Program provides forecasts and warnings of sudden solar disturbances and the effects on the atmosphere.

V. President's Budget Requests for Existing Programs which do not require authorizing legislation for fiscal year 1979 (Please comment on programs which this committee presently have direct spending responsibility)

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
Environmental Data and Information Services (NOAA 170)	19.979	20.000	19.979	20.000	Program provides worldwide environmental data and information
Global Monitoring of Climactic Change (NOAA 176)	1.972	1.972	1.972	1.972	Effort to establish baseline data to determine long term effects of changes in the atmosphere on global weather and climate.
Weather Modification (NOAA 177)	6.442	6.100	6.442	6.100	Program to reduce the loss of life and damage to property resulting from hurricanes and other severe storms.
International Programs/GARP (NOAA 182)	5.440	5.500	5.440	5.500	Global atmospheric research program expected to improve the time range and accuracy of weather forecasts and to gain a better understanding of the physical basis for climate.
International program-Great Lakes Research (NOAA 185)	3.067	3.100	3.067	3.100	Effort to develop a sound scientific basis for improving environmental prediction in the Great Lakes region.
Miscellaneous Trust Funds	11.297	1.911	9.386	11.297	
DEPARTMENT OF ENERGY					
Advances for cooperative work	2.480	0	2.480	2.480	

V. President's Budget requests for Existing Programs which do not require authorizing legislation for fiscal year 1979 14.

(in millions of dollars)

Major Issue or Program	President's request		Committee Recommendation		Comments
	Budget Authority	Outlays	Budget Authority (difference)	Outlays (difference)	
Health (550) Department of Health, Education and Welfare National Institutes of Health					Although NIH is not specifically within assigned jurisdiction of the committee, the committee makes a recommendation to the listed budget areas.
National Cancer Institute 75-0849-0-1-550	878.802	862.406	888.802 (+10.000)	872.406 (+10.000)	Additional funds recommended for environmental cancer studies, carcinogenesis research, and research on co-carcinogens. Subcommittee found research in these areas to be sparse. Also effects partial shift of emphasis at NCI from cancer cures toward cancer prevention
National Institute of Environmental Health Sciences 75-0862-0-1-550	69.247	65.819	79.247 (+10.000) (+95 slots)	75.819 (+10.000)	Increases recommended for extramural programs in prediction, detection and assessment of environmentally caused diseases; mechanisms of environmental diseases & disorders; environmental health manpower development; and intramural research. Slot additions for conduct of intramural program and for management of extramural program.

MAJORITY MEMBERS
NEAL SMITH, IOWA,
CHAIRMAN
[illegible]

Congress of the United States
House of Representatives
COMMITTEE ON SMALL BUSINESS
2361 Rayburn House Office Building
Washington, D.C. 20515

March 10, 1978

MINORITY MEMBERS
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MAJORITY—225-5821
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AREA CODE 202

The Honorable Robert N. Giaimo
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to Rule X, Clause 4(g) of the Rules of the House of Representatives, I am pleased to submit the following report which represents the views and estimates of this Committee to be set forth in the current resolution on the budget for Fiscal Year 1979 for the Small Business Administration:

1. That for Fiscal Year 1979 additional budget authority of $572.9 million (over that recommended by the President) should be provided for the Small Business Administration under Commerce and Transportation (403) for the Business Loan and Investment Fund. The Committee estimates that this will result in additional outlays of $461.55 million.

   The Committee believes that the increases recommended are essential to provide additional assistance to small business:

   (a) In direct regular business loans. Providing additional direct loan money is absolutely essential to provide small amounts of financing to those concerns whose loan needs are so small that banks and other financial institutions refuse to even consider the loan application due to the amount involved.

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(b) In a restructured program providing management, technical and technological assistance to small concerns. Legislation to modify this program has already passed the Senate by a unanimous vote and will be considered by this Committee at a meeting on March 21st.

(c) In additional personnel primarily as business loan officers and contracting specialists.

2. That for Fiscal Year 1979 additional budget authority of $1.145 billion (over that recommended by the President) should be provided for the Small Business Administration under Community and Regional Development (453) for the Disaster Loan Revolving Fund. We estimate that this will result in additional outlays of $477 million.

The Committee believes that the increases recommended are essential to provide additional assistance to:

(a) Victims of natural disasters such as floods, drought, and extreme cold and snowfall. The $1.5 billion recommended in program level would approximate the appropriations made to date this Fiscal Year. Also, it would be a more realistic level and eliminate the necessity for projected supplementals, thereby complying with the intent of the Budget Act.

In addition, the Committee recommends adding $3 million for disaster loan personnel to this year's level. The President's budget actually requests $16 million less than this year's level and does not recognize that SBA recently transferred $8 million to this year's personnel budget for disaster loan making personnel.

(b) Small business victims of non-physical disasters such as the energy shortage. It is anticipated that there will be substantial demand for energy-shortage loans by those concerns which have suffered substantial economic injury due to their inability to obtain electricity in normal amounts due to the strike by coal miners.

These recommendations are submitted with the approval of Ranking Minority Member Conte and the other Members of the Committee.

With best wishes, I am

Sincerely,

Neal Smith

Neal Smith
Chairman

[COMMITTEE PRINT]

REPORT TO THE COMMITTEE ON THE BUDGET

FROM

THE COMMITTEE ON VETERANS' AFFAIRS

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1979



MARCH 15, 1978

U.S. GOVERNMENT PRINTING OFFICE
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Report of the Committee on Veterans' Affairs on Budget Matters Under Its Jurisdiction

The Committee on Veterans' Affairs is submitting this report on estimates of budget matters under its jurisdiction pursuant to section 301(c) of the Congressional Budget and Impoundment Control Act of 1974. This report is based on the best information that is now available to the Committee. It is hoped that the report will be helpful to the Committee on the Budget in preparing its budget targets for the first concurrent resolution.

The President's 1979 budget for the Veterans Administration provides for benefits and services to the country's 29.8 million veterans, the 62.1 million members of their families, and the 3.8 million survivors of deceased veterans.

Budget authority of $19.0 billion and outlays of $19.2 billion are estimated for 1979. These estimates represent increases of $15.2 million in budget authority and $340.6 million in budget outlays over estimated requirements for 1978. Budget authority for 1979 consists of an appropriation request of $18,335,647,000 for existing legislation, $535,005,000 of permanent authority, and $177,278,000 in proposed legislation.

Average employment for 1979 is expected to increase 876 to a total of 216,320. Average employment of 191,517 for the Department of Medicine and Surgery will be the ninth consecutive year of record high employment.

In ten years—1970 to 1979—Veterans Administration appropriations for veterans' benefits and services have increased over $9.9 billion, or 116 percent. Average employment has increased 58,363, of which 53,583 has been for the Department of Medicine and Surgery. However, looking at the Veterans Administration Budget as part of the total Federal budget, the percentage of budget outlays attributable to the VA has been decreasing over the past four years, from a high of 5.1 percent in fiscal year 1975 to a low of 3.8 percent for fiscal year 1979.

The Committee is deeply concerned about the deficiencies in the Administration's budget request for veterans' benefits and services, especially the lack of proper funding for the medical program.

Observations of the Veterans Administration Budget Request

I. General Overview

1. Budget authority would *decrease* from fiscal year 1978 to 1979 if the President's legislation is not enacted; if his legislative proposals are enacted, there would be an increase in total budget authority of

only 0.1 percent. Outlays, under the President's legislative proposals would increase by 1.8 percent. If his proposals are not enacted, outlays would increase by 1.0 percent. This compares to an estimated increase in the Consumer Price Index of 5.6 percent. Thus, the Veterans Administration budget request does not even keep pace with estimated inflation.

2. Looking at program accounts, benefit programs are *decreasing* by 3.1 percent in outlays and 4.1 percent in budget authority. The reduction in readjustment benefits is the largest, with a 20 percent reduction ($529 million) in budget authority and 12.7 percent ($3,934 million) in outlays.

3. Medical programs are increasing by approximately 7 percent. This is due to inflation, the opening of new hospitals, and specialized medical programs. Existing hospitals are, in fact, being cut back by 3,132 operating beds. Contract hospitalization, outpatient visits, and new medical facilities are also being cut. There is a proposed elimination of the grants to the Republic of the Philippines program.

4. Medical research is being cut back in 53 hospitals due to a standstill budget in this program for seven fiscal years.

5. In the construction accounts, there is a *decrease* in budget authority for construction of major projects, as the proposal is being made within the budget to increase the limitation from $1 million to $2 million, and the level of Other Improvements projects is significantly reduced.

6. Of the total $22.746 billion Federal outlay for education, veterans readjustment education programs are projected at 10.3 percent for fiscal year 1979. In fiscal year 1978, the VA portion was 15.9 percent, a *decrease* of 5.6 percent.

7. In the area of Federal training and employment programs, the total obligations for fiscal year 1979 are estimated to be $14.715 billion, with the VA supporting $123 million for on-the-job-training, $121 million for vocational rehabilitation, and $10 million for veterans assistance centers, a VA sub-total of $254 million, or 1.7 percent. This is a *decrease* in percentage from fiscal year 1978, which was 3.3 percent.

8. In the health area, Federal spending is expected to total $63.4 billion, with 8.9 percent attributable to the VA. This is a *decrease* from the 9.1 percent in the fiscal year 1978 budget.

9. Federal income security programs are estimated at $215 billion in 1979. Of this amount, cash benefits account for $161.2 billion, under this sub-total, VA benefits account for $10.275 billion, or 6.4 percent of the cash benefit outlays and 4.8 percent of the total income security benefits (down from 5 percent in 1978).

II. DEPARTMENT OF VETERANS BENEFITS

A. Income Security For Veterans—Compensation, Pension, and Insurance

1. In 1979, 2.3 million veterans with service-connected disabilities will receive monthly compensation payments totaling $5.3 billion. Also, benefits in excess of $1.1 billion are expected be paid to 364,000 survivors of veterans whose deaths are related to service-connected disabilities.

2. Approximately 1.0 million wartime veterans and 1.3 million survivors who qualify for monthly pensions, based on financial need, will be paid $3.2 billion.

3. The families of 7.9 million servicemen and veterans are protected by various life insurance programs with a total coverage of $96.9 billion.

4. A *decrease* of 795 survivors is anticipated in the compensation caseload.

5. An increase of $3 per veteran and $16 per survivor is expected for compensation recipients. This is less than 1 percent increase, compared to an anticipated 5.6 percent increase in the Consumer Price Index.

6. The pension caseload for veterans is expected to *decrease* by 8,820 with the cost for the pension program *decreasing* by $53.2 million. However, the 1978 pension caseload was *underestimated* by 15,488. Therefore, the decrease may not be realistic.

7. A supplemental $489.6 million is requested for 1978 which might make the 1979 figures low.

B. Readjustment Benefits

1. Monthly payments for educational benefits of the "GI Bill" are estimated to total $2.7 billion, covering assistance to 1.4 million veterans and their survivors.

2. The number of Post-Korean veteran trainees is expected to decrease by 188,320 and the cost is expected to decrease by $382,968,000.

3. The number of servicepersons training is expected to decrease by 23,600, with a decrease in cost of $12.3 million.

4. The number of sons and daughters training is expected to decrease by 5,500 with a decrease in cost of $11.4 million.

5. The number of education loan defaults is anticipated to increase by 5,009, or 175 percent. The total amount of defaults is expected to be $8.528 million, an increase of $6.290 million over 1978 or over 281 percent. In addition, the committee feels these estimates have previously been considered low.

III. DEPARTMENT OF MEDICINE AND SURGERY

A. Medical Care

1. Funding for veterans' medical care programs will be $5.3 billion in 1979. This will provide inpatient hospital, nursing home or domiciliary treatment and services for 1.4 million veterans and outpatient/ambulatory care totaling 17.9 million visits. In 1979, an average of 184,545 beneficiaries will be provided medical services and treatment each day—3,766 above the actual level for 1977.

2. Operating beds will be *reduced* by 3,132 beds, the equivalent of closing more than six 500-bed general hospitals. This represents a *decrease* of more than 15,000 beds during the past ten years, the equivalent of closing thirty 500-bed hospitals.

Other noted deficiencies include thirty-five major construction projects; a 67-percent cut in grants for construction of State extended care facilities (in spite of overwhelming need); and another severe cut in the medical research program, already badly crippled. Details of these proposed cuts and the Committee's recommendations for restoration of funds are set out later in this report beginning on page 19.

3. Average daily patient census (ADPC) is *decreasing* by 2,415 (3.2 percent):

(*a*) Medical bed section: decreasing by 1,385 (3.7 percent).

(*b*) Surgical bed section: decreasing by 506 (3.4 percent).

(*c*) Psychiatric bed section: decreasing by 524 (2.3 percent).

4. VA domiciliaries will have a *decrease* in:

(*a*) Average operating beds: 285 (2.9 percent).

(*b*) ADPC: 256 (2.9 percent).

(*c*) Patients treated: 294 (1.7 percent).

5. Total VA facilities will *decrease* as follows:

(*a*) Average operating beds: 1,661 (1.5 percent).

(*b*) ADPC: 2,173 (2.4 percent).

6. The staff to patient ratio in VA hospitals will average 1.96. However, the committee has no indication how that compares to community hospitals, nor what the optimum should be. It is the Committee's impression that this is far below the staffing provided in community hospitals.

B. Medical and Prosthetic Research

1. Support of ongoing institutional programs is *decreasing* by $3.124 million (4 percent).

2. New institutional programs *decreasing* by $850,000 (15.9 percent).

3. Career development programs *decreasing* by $768,000 (7.7 percent).

4. Total medical research *decreasing* by $407,000 (0.4 percent).

5. Elimination of the Medical Research Program in 53 hospitals.

C. Medical Administration and Miscellaneous Operating Expenses

1. Exchange of medical information (EMI) is *decreasing* by $930,000 (27.1 percent); $355,000 of the decrease is in the educational grants program and $575,000 is for training equipment, service, and supplies.

2. A new program of "Multi-Level Care" is to be tested and developed under Medical Administration. The Medical Administration program is requesting an increase of $5.6 million of which the multi-level care program will cost a substantial amount.

D. Grants for Construction of State Extended Care Facilities

Budget Authority is decreased by $10 million, despite the fact that States are still applying for grants.

E. Grants to the Republic of the Philippines

The Veterans Administration has recommended that the grants be eliminated, which would decrease budget authority by $1.7 million and outlays by $1.4 million.

F. Assistance for Health Manpower Training Institutions

1. Grants for new State medical schools are increased by $7.8 million.

2. Other health manpower training institutions are increased at the authorized level of $50.0 million.

G. Construction

1. The construction request of $417 million would permit an obligation level of $495 million—a record high. The request includes $4 million for advance planning to permit the preliminary development of projects prior to inclusion of funding in a budget request.

2. The $417 million request is down 15 percent from fiscal year 1978.

3. The major change in the construction program is the Camden, N.J., hospital where funds were requested for the construction of an outpatient clinic rather than a new hospital as had been previously approved. In addition, no funds are requested for projects previously approved by the Congress that total $201,984 million.

4. Two replacement hospitals are proposed: Portland, Oreg., and Seattle, Wash., for a total of $220.1 million. There is absolutely no planning beyond FY 1980 on the part of the VA.

IV. VETERANS HOUSING

Assistance is expected to be provided to 372 thousand veterans to purchase homes through guarantees of privately financed mortgages. Also, VA is expected to make 2,540 direct loans where private mortgage credit is not generally available.

V. THE NATIONAL CEMETERY SYSTEM

The opening of five additional cemeteries are scheduled—one in 1978, two in 1979, and two in 1980. Initial design funds for two additional cemeteries in Federal Regions IV and V are included in the 1979 request.

VETERANS ADMINISTRATION PROGRAMS BY FUNCTIONAL DISTRIBUTION

The programs under the Committee's jurisdiction are administered by the Veterans Administration and are broken down into several subfunctional classifications. There follows a list of the functions and programs included in the Veterans Administration budget for fiscal year 1979 including a comparison of total budget authority and outlays recommended by President Carter and the Committee on Veterans' Affairs:

FUNCTIONAL DISTRIBUTION OF VA ESTIMATES—BUDGET AUTHORITY

[In thousands of dollars]

Function and program	1977 actual	1978 estimate	1979 estimate	Difference between 1978 and 1979	HVAC budget
701—Income security for veterans:					
Compensation and pensions:					
Service-connected compensation	5,710,981	6,150,906	6,167,534	+16,628	6,167,534
Non-service-connected pensions	3,107,581	3,282,700	3,232,400	−50,300	3,232,400
Proposed legislation			420,900	+420,900	1,[illegible]
Other veterans income security programs	165,938	172,706	177,366	+4,661	177,366
Insurance programs:					
Veterans insurance and indemnities	7,000	2,485	5,750	+3,265	5,750
National service life insurance	912,821	971,900	963,800	−8,100	963,800
U.S. Government life insurance	37,402	37,963	36,165	−1,818	36,165
NSLI and USGLI receipts	−485,906	−507,167	−468,760	+38,407	−468,760
Subtotal, income security for veterans	9,453,915	10,111,581	10,535,156	+423,574	11,731,756
702—Veterans education, training, and rehabilitation:					
Readjustment benefits	3,983,900	2,648,025	2,119,000	−529,025	2,119,000
Proposed legislation			−100,000	−100,000	363,000
Education loan fund		17,209	74,300	+57,100	74,300
Post-Vietnam era veterans education account	3,321	30,792	55,180	+24,387	55,180
Post-Vietnam era veterans education account receipts	−3,321	−30,792	−55,180	−24,387	−55,180
Subtotal, veterans education, training, and rehabilitation	3,983,900	2,665,225	2,093,300	−571,925	2,556,300

See footnote at end of table.

FUNCTIONAL DISTRIBUTION OF VA ESTIMATES BUDGET AUTHORITY—Continued

[in thousands of dollars]

Function and program	1977 actual	1978 estimate	1979 estimate	Difference between 1978 and 1979	HVAC budget
703—Hospital and medical care for veterans:					
Medical care	4,373,807	4,924,937	5,279,699	+354,762	5,416,624
Proposed legislation			−142,127	−142,127	85,226
Medical and prosthetic research	104,633	111,853	112,667	+814	130,977
Medical administration and miscellaneous operating expenses	39,941	43,316	47,855	+4,539	47,855
Construction, major projects	405,681	393,680	295,855	−97,834	497,839
Construction, minor projects	92,791	95,234	121,147	+25,913	155,658
Grants for construction of State extended care facilities	10,000	10,000	5,000	−5,000	15,000
Grants to the Republic of the Philippines	2,100	1,700		−1,700	2,100
Assistance for health manpower training institutions	45,045	67,200	75,000	+7,800	75,000
Subtotal, hospital and medical care for veterans	5,073,898	5,647,929	5,755,096	+147,167	6,426,279
704—Veterans housing					
705—Other veterans benefits and services:					
General operating expenses	525,633	584,500	622,074	+37,574	622,074
Proposed legislation			−1,496	−1,496	50,000
Supply fund		20,000		−20,000	
General post fund	5,497	6,100	6,400	+300	6,400
Subtotal, other veterans benefits and services	531,130	610,600	626,978	+16,378	678,474
Deduction for offsetting receipts	−679	−2,600	−2,600		−2,600
Total, Veterans Administration	19,042,164	19,032,735	19,047,930	+15,195	21,200,000 462,608

Note: Excludes veterans support programs of other agencies.

FUNCTIONAL DISTRIBUTION OF VA ESTIMATES—OUTLAYS

[in thousands of dollars]

Function and program	1977 actual	1978 estimate	1979 estimate	Difference between 1978 and 1979	HVAC budget
701—Income security for veterans:					
Compensation and pensions:					
Service-connected compensation	5,721,850	6,121,632	6,174,901	+53,269	6,174,901
Non-service-connected pensions	3,113,498	3,268,138	3,234,586	−34,552	3,234,586
Proposed legislation			395,060	+395,060	1,643,600 689,400
Other veterans income security programs	164,251	172,730	176,713	+3,983	176,713
Insurance programs:					
Veterans insurance and indemnities	7,922	2,951	5,775	+2,824	5,775
Service-disabled veterans insurance	−1,508	3,363		−3,363	
Veterans reopened insurance	−27,227	−25,872	−24,733	+1,139	−24,733
National service life insurance	697,602	700,000	750,000	+50,000	750,000
U.S. Government life insurance	71,105	63,654	69,068	+5,414	69,068
Veterans special life insurance	−46,016	−55,238	−37,540	+17,698	−37,540
NSLI and USGLI receipts	−485,808	−507,167	−468,760	+38,407	−468,760
Subtotal, income security for veterans	9,215,664	9,748,191	10,275,070	+529,879	11,497,510
702—Veterans education, training, and rehabilitation:					
Readjustment benefits	3,700,004	3,101,900	2,708,500	−393,400	2,708,500
Proposed legislation			−100,000	−100,000	363,000
Education loan fund	13,320	70,700	74,400	+3,700	74,400
Vocational rehabilitation revolving fund	64	18	18		18
Post-Vietnam era veterans education account		498	2,603	+2,144	2,603
Post-Vietnam era veterans education account receipts	−3 321	−30,792	−55,180	−24,397	−55,180
Subtotal, veterans education, training, and rehabilitation	3,710,068	3,142,277	2,630,324	−511,953	3,093,324

See footnote at end of table.

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FUNCTIONAL DISTRIBUTION OF VA ESTIMATES—OUTLAYS—Continued

[In thousands of dollars]

Function and program	1977 actual	1978 estimate	1979 estimate	Difference between 1978 and 1979	HVAC budget
703—Hospital and medical care for veterans:					
Medical care	4,290,617	4,904,275	5,276,531	+372,256	5,413,456
Proposed legislation			−142,127	−142,127	85,226
Medical and prosthetic research	104,460	111,573	112,662	+1,089	130,972
Medical administration and miscellaneous operating expenses	38,668	43,239	47,932	+4,693	47,932
Construction, major projects	168,402	198,756	301,767	+102,981	382,298
Construction, minor projects	65,438	114,988	93,980	−21,008	107,748
Grants for construction of State extended care facilities	7,828	11,407	12,000	+593	15,000
Grants to the Republic of the Philippines	2,045	1,718	296	−1,422	2,100
Assistance for health manpower training institutions	31,109	48,155	51,890	+3,735	51,890
Special therapeutic and rehabilitation activities fund	−76	−150	−150		−150
Subtotal, hospital and medical care for veterans	4,708,491	5,433,991	5,754,781	+320,790	6,236,473
704—Veterans housing:					
Loan guaranty revolving fund	660	54,000	27,000	−27,000	27,000
Proposed legislation					8,000
Direct loan revolving fund	−138,723	−75,000	−73,000	+2,000	−73,000
Subtotal, veterans housing	−138,063	−21,000	−46,000	−25,000	−38,000
705—Other veterans benefits and services:					
General operating expenses	510,265	581,710	622,074	+40,364	622,074
Proposed legislation			−1,495	−1,495	50,000
Canteen service revolving fund	1,114	850	−1,857	−2,707	−1,857
Supply fund	7,820	10,000		−10,000	
Consolidated working fund	297				
General post fund	4,375	5,000	5,700	+700	5,700
Subtotal, other veterans benefits and services	523,872	597,560	624,422	+26,862	675,917
Deduction for offsetting receipts	−679	−2,600	−2,600		−2,600
Total, Veterans' Administration	18,019,353	18,895,419	19,235,997	+340,578	21,463,689 555,614

Note: Excludes veterans support programs of other agencies.

Proposed Legislation

The Administration is requesting legislation that, if enacted, would increase outlays in 1979 by $177 million. The proposals to be submitted to Congress include professional, medical and psychological readjustment services to Vietnam veterans, and a 5.8 percent rate increase in compensation payments for service-connected disabled veterans and widows under the dependency and indemnity compensation program.

In addition, the Administration has included $111 million in the budget for "pension improvements". This amount would hardly be adequate for a cost-of-living rate increase for those currently on the pension rolls. The Administration has assured the Subcommittee on Compensation, Pension and Insurance of its support for pension reform, but has not suggested what the Federal outlay should be. The Committee expects the Administration to submit a budget amendment that would include a reasonable amount to bring about a meaningful pension reform measure.

The number of trainees under the VA education and training programs is expected to decrease by 213,000 during the next fiscal year thereby effecting a saving of $401.0 million in fiscal year 1979. The Administration has also proposed the elimination of two training programs for veterans, namely, flight and correspondence school training. If approved by Congress, the ending of flight and correspondence

school training would result in a saving of $100 million during the next fiscal year.

In addition, the Administration is not proposing any new or expanded training programs for veterans. It is not proposing a rate increase for those going to school under the current programs.

On the other hand, the Administration is recommending an increase of $1.46 billion in student aid programs administered by the Department of Health, Education and Welfare, including $990 million in Basic Educational Opportunity Grants (BEOG) to guarantee a $250 grant to students from families with incomes up to $25,000; increasing the average grant by $200 for students in families with incomes between $8,000 and $16,000; and increasing the maximum grant for students from low-income families from $1,600 to $1,800.

The Administration is also recommending an increase of $165 million for college Work-Study to provide salary subsidies for 280,000 additional jobs, bringing the total to more than one million. The increase is mostly for students from families with incomes above $16,000. In addition, it is recommending an increase of $297 million for the Guaranteed Student Loan Program. The Administration is proposing that subsidies be provided for students from families with incomes up to $45,000.

The Committee takes note of the increased expenditures recommended for education programs administered by the Department of Health, Education, and Welfare, while recommending no increases in education programs for veterans and the termination of two on-going programs. This appears to be inconsistent with the Administration's assurance that it is committed to helping Vietnam veterans. Therefore, this report includes a reasonable amount for education, training and employment purposes for Vietnam and disabled veterans.

There follows a list of the Administration's legislative program for the next fiscal year:

PROPOSED LEGISLATION

[In thousands of dollars]

	Fiscal year 1979	
	Budget Authority	Outlays
Compensation and pensions:		
To provide annual compensation cost-of-living rate increases	309,400	283,600
To provide for pension improvements	111,000	111,000
To provide benefits for DIC spouses	500	460
Total, compensation and pensions	420,900	395,060
Readjustment benefits:		
Eliminate benefits for flight training programs (effective Oct. 1, 1978)	−53,833	−53,833
Eliminate benefits for correspondence training programs (effective Oct. 1, 1978)	−46,167	−46,167
Total, readjustment benefits	−100,000	−100,000
Medical care:		
To effect reimbursement to the Veterans' Administration by private insurers and workers' compensation for the cost of medical care and treatment to veterans with non-service-connected disabilities (effective Apr. 1, 1978)	−120,000	−120,000
To amend current legislation to limit the payment for reimbursement of travel expenses for beneficiaries provided medical care for non-service-connected disabilities (effective Oct. 1, 1978)	−38,453	−38,453
To authorize the Administrator to negotiate fee-for-service contracts with community agencies for the treatment of drug and alcohol dependent patients	2,439	2,439
To authorize the Administrator to provide professional mental and psychological readjustment services to Vietnam new veterans	9,945	9,945
To extend the provisions of Public Law 95-201 (VA Physician and Dentists Pay Comparability Act of 1975), to Sept. 30, 1979	3,942	3,942
Total, medical care	−142,127	−142,127

PROPOSED LEGISLATION—Continued

[In thousands of dollars]

	Fiscal year 1979	
	Budget Authority	Outlays
General operating expenses:		
Administrative expense reduction related to the legislative proposal eliminating new enrollments in flight training programs and correspondence training by veterans, spouses and surviving spouses	−1,374	−1,374
Remove the requirements to inspect the manufacturing of mobile homes	−121	−121
Total, general operating expenses	−1,495	−1,495
Total, VA proposed legislation	177,278	151,438

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE RCENACTMENT OR MODIFICATION OF AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
701—Compensation and pensions:				
To provide annual compensation rate increase for veterans and spouses under DIC program	309.9	284.1	350.0 (40.1)	350.0 (65.9)

Comment

Disability compensation is a monthly payment provided to service-connected disabled veterans who have suffered disablement as a result of their active military service. These payments are predicated upon ratings assessing by ten percentile levels the average impairment in earning capacity flowing from service-connected disability. Similar monthly benefits are provided to the surviving spouses and children of veterans who have died as a result of causes attributed to their active military service. These benefits are called dependency and indemnity compensation (DIC). These benefits represent an obligation owed by the people of the nation to those who have suffered directly as a result of their service in our nation's defense.

The Congress has maintained a continuing review of these programs looking toward an assurance that the level of benefits provided keeps pace with increases in living costs due to inflation.

The program was reviewed in the first session of the 95th Congress and Public Law 95–117 was enacted providing for an increase of approximately 6.6 percent in disability compensation and dependency and indemnity compensation rates. These increases were effective October 1, 1977.

The Subcommittee has scheduled hearings on March 21 and 22 to examine anew the operation of the compensation program for both veterans and survivors. It is expected that as soon as cost-of-living projections are available on a reasonable basis, steps will be taken to consider an increase effective October 1, 1978, that would assure that those suffering disability or death from service-connected causes will not be left behind in the wake of spiraling inflation.

The Administration is proposing a 5.8 percent increase, effective October 1, 1978. The agency's estimated cost in fiscal year 1979 is $309.9 million.

H.R. 10337 would provide a 6.5 percent rate increase, effective October 1, 1978. The Congressional Budget Office has estimated that outlays in fiscal year 1979 would be about $350.0 million.

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
701—Compensation and pensions: To provide for pension improvements	111.0	111.0	[illegible] (763.2)	[illegible] (763.2)

947.1

253.1

Comment

The Administration is proposing $111 million during the next fiscal year for "pension improvements."

The Subcommittee on Compensation, Pension and Insurance held hearings on February 7, 8 and 9 on several bills pending before the Subcommittee that would amend the current pension program H.R. 10173, introduced by the distinguished Chairman of the Subcommittee on Compensation, Pension and Insurance, the Honorable G. V. (Sonny) Montgomery, would provide for major pension reform. The bill is cosponsored by a majority of the members of the full committee and the total number exceeds 150 Members of the House. A similar measure is being considered in the other body.

The Subcommittee recommended the bill to the full Committee, and on March 13, the full Committee ordered the bill reported, as amended.

H.R. 10173 addresses the major deficiencies and inequities of the current pension program. It would establish a pension which would insure each veteran and surviving spouse, an income exceeding a national minimum standard of need ($4,000 annually for a permanently and totally disabled veteran or $3,000 for a surviving spouse, with correspondingly higher rates where there are additional dependents).

In addition, it would provide for adjustment in pension rates simultaneously with increases in Social Security payments. The bill is so drawn that a full cost-of-living increase will apply to both the person's social security payment and to the pensioner's monthly pension benefit, thus eliminating the current problem of reduction in pension as social security payments are raised.

H.R. 10173 would also eliminate most of the exclusions of income under current law which are inequitable and discriminatory.

Subcommittee hearings also included H.R. 9000, a bill that would grant a $150 per month bonus to eligible WW I eligible veterans and eligible survivors.

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
703—Hospital and medical care for veterans: To extend the provisions of Public Law 95-201 (VA Physician and Dentists Pay Comparability Act of 1975) to Sept. 30, 1979	3.9	3.9	3.9 (0)	3.9 (0)

Comment

The Office of Management and Budget advised the Committee last year that it would submit to the Congress in early 1978 its legislative recommendations to provide a permanent solution to the recruitment and retention of physicians and dentists within the Federal health care system.

The Committee has not received any official communication from either the Office of Management and Budget or the Veteran's Administration in further reference to the matter. Until such time, the Committee is expected to continue to extend the authority for the Administrator to enter into agreements with physicians and dentists prior to September 30, 1978, when current authority is due to expire.

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
703—Hospitals and medical care for veterans: To authorize the Administrator to negotiate fee-for-service contracts with community agencies for the treatment of drug and alcohol dependent patients	2.4	2.4	2.4 (0)	2.4 (0)

Comment

The Administration has not yet submitted its proposed legislation to the Congress.

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlay (difference
703—Hospitals and medical care for veterans: To authorize the Administrator to provide professional mental and psychological readjustment services to Vietnam era veterans	9.9	9.9	9.9 (0)	9.9 (0)

Comment

The Administration has not yet submitted its proposed legislation to the Congress.

III. PRESIDENT'S BUDGET REQUESTS FOR REDUCTIONS IN EXISTING PROGRAMS WHICH WOULD REQUIRE AMENDMENT OF AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
702—Veterans' education rehabilitation and training: Eliminate benefits for flight training programs (effective Oct. 1, 1978)	−53.8	−53.8	0 (53.8)	0 (53.8)
Eliminate benefits to correspondence training programs (effective Oct. 1, 1978)	−46.2	−46.2	0 (46.2)	0 (46.2)

Comment

The Administration has submitted its proposed legislation to the Congress designed to terminate the authority for pursuit of correspondence training programs for veterans, spouses, and surviving spouses.

The Administration feels that neither of these two programs has fulfilled its intended purpose—helping the beneficiary adjust to his or her changed circumstances by providing the training needed for basic employment.

It is estimated that enactment of such a proposal would result in savings of $100 million in fiscal year 1979 and in savings of $356 million over the first five fiscal years. The proposed legislation would become effective October 1, 1978.

The Veterans Administration submitted the same proposal last year. In its transmittal letter dated January 19, 1977, the Administrator suggested that Federal assistance under the GI Bill program should be directed toward institutional training and job training.

Although the Committee has previously expressed doubts as to the equity in terminating these programs, the Subcommittee on Education and Training will re-evaluate the programs in light of the latest Administration recommendation and will determine whether these programs are not fulfilling their intended purposes.

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
703—Hospitals and medical care for veterans: To effect reimbursement to the Veterans' Administration by private insurers and workers' compensation for the cost of medical care and treatment to veterans with non-service-connected disabilities (effective Apr. 1, 1978).....	−120.0	−120.0	0 (120.0)	0 (120.0)

Comment

Under existing law, a veteran of any war or of service after January 31, 1955, who is under age 65, is eligible for necessary hospital care for a non-service-connected disability if he is unable to defray the expenses of private hospital care. Veterans who are age 65 or older are entitled to such care without regard to their ability to bear the cost of private care.

The proposed legislation would require that certain veterans receiving hospital care from the Veterans Administration for non-service-connected disabilities be charged for such care to the extent that they have health insurance or similar contracts with respect to such care, or are entitled to such care under worker's compensation.

Similar proposals were submitted to the 91st Congress on February 26, 1970, as part of the Federal Economy Act of 1970; to the 92d Congress by letters of January 26, 1971, introduced as S. 2807; to the 93d Congress, by letter of March 14, 1973, introduced as H.R. 5936; and in the 94th Congress, it was introduced as H.R. 4009. The legislation was again submitted last year.

In its justification of the proposed legislation, the Veterans Administration feels that "the United States should not bear the cost of hospitalization or outpatient medical care of veterans for non-service-connected disabilities where to do so would provide a windfall in the nature of a Federal subsidy for third parties, such as insurance companies."

It should be noted that the Subcommittee on Medical Facilities and Benefits held hearings on the identical proposal submitted by the Administration in 1976. In the testimony presented, no evidence was submitted to show that hospitalization and medical care of veterans with non-service-connected disabilities carrying private insurance provided a windfall to insurance companies.

The Veterans Administration has made only minimal efforts to consult with private insurers, and then only at the insistence of the congressional authorizing committees, about the implications of the Administration proposal. At a meeting in the spring of 1976, attended by private insurers, officials of the Veterans Administration indicated they had probably grossly overstated the first-year savings of the proposed legislation.

Although additional hearings may be held this session, the Committee is not expected to favorably consider the proposed legislation until such time as the Veterans Administration can provide sufficient evidence that insurance companies, and/or other third parties, are receiving a windfall under current procedures.

The Administration has not submitted a proposed bill. The Committee would also point out that if enacted, the first-year cost savings would be no more than $20 to $25 million. In the opinion of the Committee, the projected cost-savings of $120 million is grossly overstated.

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
703—Hospitals and medical care for veterans: To amend current legislation to limit the payment for reimbursement of travel expenses of beneficiaries provided medical care for non-service-connected disabilities (effective Oct. 1, 1978).....	−38.5	−38.5	0 (38.5)	0 (38.5)

Comment

The current authority to provide hospital and medical care specifies that the beneficiary will be reimbursed for the necessary expenses of travel in connection with receiving medical care. Under present law, eligibility for reimbursement for non-service-connected conditions is based on a statement on the application form that the beneficiary is unable to defray the expenses of travel.

Section 101 of Public Law 94–581, the Veterans Omnibus Health Care Act of 1976, amended section 111 of title 38, to revise the VA reimbursement policy for beneficiary travel. Under the policy now in effect, veterans with non-service-connected disabilities are reimbursed only if they certify, subject to criminal sanction for false statements, that they are unable to defray the expenses of travel; and reimburse-

ment for all veterans, service-connected as well as non-service-connected, is limited to the cost of travel by public transportation (except where public transportation is not reasonably accessible to the veteran's home or would be medically inadvisable, in which case the veteran may be reimbursed for the cost of travel by privately owned vehicle).

The Administration proposal would further restrict travel reimbursement for veterans with non-service-connected disabilities so that reimbursement would be authorized only when special vehicular modes of transportation are required for medical reasons and conditioned upon prior authorization by the Veterans Administration. These modes of transportation would include ambulance service, air ambulance service, hired car, and transportation where it is necessary for the beneficiary to be accompanied by an attendant.

Although the Administration has not yet submitted its proposed legislation to the Congress, it is expected to be similar to that proposed during the first session of the 95th Congress, which was not favorably considered by the Committee.

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
705—Other veterans benefits and services:				
Veterans housing:				
Remove the requirements to inspect the manufacturing of mobile homes	−0.1	−0.1	−0.1 (0)	−0.1 (0)

Comment

This legislative proposal was submitted to the Congress during the first session of the 95th Congress. The bill, H.R. 4341, was reported by the Committee and passed the House on September 12, 1977. It is now pending in the Senate.

[In millions of dollars]

Legislative proposal	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
705—Other veterans benefits and services:				
General operating expenses:				
Administrative expense reduction related to the legislative proposals eliminating new enrollments in flight training programs and correspondence training by veterans, spouses, and surviving spouses	−1.5	−1.5	0 (1.5)	0 (1.5)

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Identify initiative	Budget authority	Outlays
701—Income security for veterans:	392.8	392.8

1. H.R. 6501—To provide increased compensation for veterans who have suffered the loss, or loss of use of, paired extremities.

Comment

On May 23, 1977, the House passed and sent to the Senate, H.R. 6501. The measure is pending before the Senate Committee on Veterans' Affairs.

2. To provide a 6 percent cost-of-living increase for DIC parents, effective October 1, 1978.

3. To decrease the minimum disability rating a service-connected veteran must have in order to receive additional compensation for dependents (the current minimum rate is 50 percent).

4. To provide for a two-step aid and attendance compensation payment system for certain severely disabled service-connected veterans.

5. To clarify the intent of Congress in providing for exemption from taxation of that amount of military disability retired pay to a veteran equal to the amount of tax-free veterans' compensation or pension benefit to which the veteran is determined to be retroactively entitled but for the receipt of such military retirement pay.

6. To increase the rate of compensation payable to veterans who have lost three extremities as the result of a service-connected disability.

7. Reinstate 6-month hospitalization, institutional or domiciliary care period prior to reducing stipend of a pensioner with no dependents.

8. To provide that the survivors of a veteran who was rated totally and permanently service-connected disabled for a period of at least ten years would be entitled to dependency and indemnity compensation as though the veteran had died from a service-connected disability.

9. To provide that the disability rating of a veteran with a service-connected disability rated 30 percent or more but less than total shall be increased by 10 percent when the veteran attains age 65.

10. To provide mortgage protection life insurance to certain veterans unable to acquire commercial life insurance because of permanent and total service-connected disabilities.

11. To provide increase from $500 to $1,000 the amount by which the annual income of certain disabled veterans may exceed the maximum annual income limitation for pensions without such veterans losing the right to continue to receive drugs and medication from the VA.

[In millions of dollars]

Legislative proposal	Budget authority	Outlays
702—Veterans education rehabilitation and training:	365.8	365.8

1. To extend the period of eligibility for veterans readjustment appointments in the Federal Government for Vietnam era veterans.

Comment

This is an Administration proposal.

2. To provide educational benefits on a prorated basis, to children and spouses of veterans having permanent service-connected disabilities rated at not less than 80 percent.

3. To improve the Chapter 31 Vocational Rehabilitation program to make more effective the placement of veterans in jobs following education and rehabilitation.

4. To expand and improve the VA On-The-Job training program designed to place more Vietnam veterans on jobs.

5. To transfer the functions of the Secretary of Labor under chapters 41, 42 and 43 (relating to job counseling, training, placement, and reemployment of veterans) to the Administrator of Veterans Affairs; to establish the Office of Associate Deputy Administrator for Veterans' Employment, and for other purposes.

6. To allow veterans with upgraded discharges to receive full VA educational benefits, notwithstanding the date of such veteran's initial discharge from service.

7. To allow certain individuals wrongfully precluded from taking advantage of chapter 31 vocational rehabilitation benefits to obtain such benefits.

8. To amend the so-called "affirmative action" provisions of Title 38 in order to give veterans asserting discrimination in employment the same procedural rights as persons covered by title VII of the Civil Rights Act of 1964, as amended in 1972.

9. To provide rate adjustments for those going to school under the GI education program.

10. To provide limitations on the payment of education assistance allowances to certain incarcerated veterans and to prohibit concurrent receipt of GI benefits and Law Enforcement Assistance Administration grants.

11. To provide authority for the Administrator of Veterans' Affairs to forgive up to two-thirds of a veteran's loan issued pursuant to Section 201 of Public Law 95–202, thereby eliminating the necessity of the State to pay up to one-third of such loan.

[In millions of dollars]

Legislative proposal	Budget authority	Outlays
703—Hospitals and medical care for veterans:		
	68.9	68.9

1. H.R. 5027—To clarify the requirements that fee basis medical services be provided by the Veterans Administration in certain cases.

Comment

The bill passed the House on April 4, 1977. It was amended and passed by the Senate on September 9, 1977 and is now on the Speaker's table.

2. H.R. 1678—To name the Veterans' Administration Hospital at Tampa, Florida, for James A Haley.

Comment

The bill passed the House on June 20, 1977. H.R. 5027 as amended by the Senate contains this provision and the measure is now on the Speaker's table.

3. H.R. 7643—To name the Veterans' Administration Hospital at Bedford, Massachusetts, for Edith Nourse Rogers.

Comment

The bill passed the House on June 20, 1977. H.R. 5027 as amended by the Senate contains this provision and the measure is now on the Speaker's table.

4. H.R. 5025—To revise the provisions of Title 38, United States Code, relating to the construction, alteration, and acquisition of Veterans' Administration medical facilities.

Comment

The bill passed the House on May 2, 1977 and is now pending in the Senate.

5. H.R. 5029—To authorize contracts with the Republic of the Philippines for the provision of hospital care and medical services; to authorize the continued maintenance of a Veterans' Administration office in the Republic of the Philippines, and for other purposes.

Comment

The bill was passed by the House on April 4, 1977, providing for a one-year extension of authority through fiscal year 1979. The measure is pending in the Senate.

6. To provide authority to furnish non-service-connected hospital care to eligible veterans living in Alaska and Hawaii.

Comment

Current authority for the Administrator to furnish hospital care to certain veterans living in a State, territory, commonwealth, or possession of the United States not contiguous to the forty-eight contiguous States will expire December 31, 1978.

7. To provide additional benefits to employees of the Veterans' Administration serving at offices in the Republic of the Philippines.

Comment

The proposed legislation is designed to correct the discriminatory aspects of current law regarding VA employees in the Philippines. Public Law 89–16 provides for the reimbursement of certain moving and storage expenses of Federal employees when transferred from one duty station to another in the interest of the United States. Several of the allowance and moving expense benefits available to employees transferring to stations within the United States are not currently available to VA employees transferring to a new official station in the 50 States, the District of Columbia, and Puerto Rico.

8. To designate the proposed new Veterans' Administration hospital in Little Rock, Arkansas, as the "John L. McClellan Memorial Veterans' Hospital."

Comment

A similar measure has passed the Senate and is now before the Committee.

9. To increase the number of nursing home and/or intermediate care beds for which the VA contracts.

Comment

The proposed legislation would require that the Administrator of Veterans' Affairs provide for the admission of not less than 12,000 veterans eligible for nursing home or intermediate care, in community nursing homes.

The proposed legislation would provide the VA with needed flexibility to outplace veterans, particularly elderly veterans, who no longer require care in a hospital bed in a community nursing home near his family. At the present time the VA is able to provide certain types of care more economically in community nursing home facilities than in VA nursing care beds.

10. To provide medical care to a deceased veteran's parent(s) who receive dependency and indemnity compensation.

Comment

The proposed legislation would amend section 613(a) of title 38, United States Code, by adding a new clause (3) to provide medical care under CHAMPVA for an eligible parent(s).

11. To expand the authority of the Administrator to extend medical services to veterans of World War I on the same basis as that provided for Spanish American War veterans.

12. To provide outpatient dental services and treatment to any veteran with a service-connected disability rated at 100 percent.

13. To provide outpatient dental services for certain prisoners of war.

[In millions of dollars]

Legislative proposal	Budget authority	Outlays
704—Veterans housing:	0	2.0

1. To increase the maximum home loan guarantee from $17,500 to $25,000.

2. To increase the specially adapted housing assistance grant for certain disabled service-connected veterans from $25,000 to $30,000.

3. To liberalize the eligibility requirements for home, condominium, and mobile home loans for veterans of the Vietnam wartime period—the same 90-day period of service as required for World War II and Korean Conflict veterans.

4. To improve the mobile home loan program of the Veterans Administration.

[In millions of dollars]

Legislative proposal	Budget authority	Outlays
705—Other veterans benefits and services: Cemeteries and burial benefits	50.0	50.0

1. To require the Administrator to pay a $150 allowance to any State, or political subdivision, as reimbursement for expenses incurred in the burial of a veteran in State cemeteries.

2. To provide for the burial at Arlington National Cemetery, the remains of an unknown American soldier who lost his life in the American Revolutionary War.

3. To increase the maximum allowance provided for the burial and funeral expenses of certain veterans. The maximum allowance is $250.

4. To revise the provisions of Title 38, relating to the construction, alteration, and acquisition of land for cemeteries.

5. H.R. 7678—Relating to the assignment of retired military personnel to the American Battle Monuments Commission.

Comment

The measure has passed the House and is now pending in the Senate.

6. To revise the eligibility requirements for the receipt of a headstone or marker for veterans whose remains are unrecoverable.

7. To allow a deceased veteran's estate to receive in cash the amount it costs the United States Government to provide a headstone or marker.

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Medical care	5,278.7	5,276.5	5,416.6 (138.9)	5,413.4 (136.9)

At the beginning of each fiscal year, and prior to the Administration's budget submission to the Congress, the Committee surveys the Department of Medicine and Surgery to determine its needs for the next fiscal year. This is accomplished through written surveys, and personal conversations and discussions with the Chief Medical Director and members of his staff, various hospital directors and chiefs of staff, the major veterans organizations, and others interested in providing outstanding care for our veterans.

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Based on this review and analysis, the Committee believes the Administration's proposed budget for medical care is deficient in many areas and recommends that the funding level be increased as follows:

MEDICAL CARE

Purpose	(thousands)	FTEE
A. Workloads:		
(1) Existing hospitals (closing of 3,132 beds)	$32,309	1,569
(2) VA domiciliaries	1,632	56
(3) Outpatient staff	22,836	870
(4) Outpatient fee	1,388	.....
(5) Fee prescriptions	341	.....
(6) Dental fee	8,388	.....
(7) CHAMPVA—Outpatients	132	.....
(8) New medical facilities	9,289	282
(9) Rental of real property	836	.....
(10) Common services	117	5
(11) Contract hospitals	4,822	.....
Total	82,090	2,712
B. Improved staffing:		
(1) Changing mission of medical facilities	791	46
(2) SPD	1,206	109
(3) Upward mobility	347	30
(4) Staffing improvement	24,732	1,258
(5) JCAH accreditation	563	30
(6) Implement NAS recommendations	8,627	483
Total	36,266	1,956
C. Special medical programs:		
(1) Medical ADP	7,777	39
(2) Other new programs	1,965	101
(3) Special medical services	8,508	372
(4) Annualize Public Law 96-201	241	241
Total	18,591	744
Total, medical care	136,925	5,41

The inadequacies of the Administration's budget in the above areas are staggering and unless necessary funds are restored by the Appropriation and Budget Committees, medical benefits and services for veterans will be drastically curtailed both in quality and quantity in almost every VA medical facility in the country.

The Administration is seeking to reduce the operating beds by a total of 3,132, resulting in the reduction of the equivalent of 1,500 employees. Of this total proposed bed reduction, 2,500 were ordered cut by the Office of Management and Budget. Closure of these beds is the equivalent of closing six average size, 500-bed hospitals.

The number of beds scheduled to be closed during the next fiscal year at various hospitals include:

Facility:	Bed loss
Alabama: Tuskegee	36
Arkansas: Little Rock	54
California:	
Brentwood	20
Fresno	10
Long Beach	300
Martinez	41
Palo Alto (2 divisions)	56
San Diego	45
San Francisco	28
Sepulveda	60
Wadsworth	40

Facility—Continued	Bed Loss
Colorado:	
Denver	26
Fort Lyon	28
Connecticut: West Haven	40
Florida: Miami	33
Georgia:	
Atlanta	32
Augusta	70
Dublin	27
Illinois:	
Chicago (Lakeside)	21
Chicago (West Side)	19
Danville	53
Hines	40
Marion	4
North Chicago	34
Indiana:	
Indianapolis	34
Marion	77
Iowa:	
Des Moines	21
Iowa City	22
Knoxville	35
Kansas:	
Leavenworth	29
Wichita	22
Kentucky: Louisville	21
Louisiana:	
New Orleans	28
Shreveport	27
Maine: Togus	60
Maryland:	
Baltimore	10
Perry Point	26
Massachusetts: Bedford	34
Michigan:	
Allen Park	37
Ann Arbor	38
Battle Creek	70
Saginaw	30
Minnesota: Minneapolis	64
Missouri:	
Columbia	30
Kansas City	10
St. Louis	25
Nebraska:	
Grand Island	10
Lincolin	21
Omaha	27
New Jersey:	
East Orange	68
Lyons	70
New York:	
Bronx	98
Brooklyn	60
Montrose	52
New York	66
Northport	10
Syracuse	31
North Carolina: Salisbury	33
Ohio:	
Chillicothe	25
Cleveland	70
Dayton	33

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Facility—Continued	Bed loss
Oklahoma: Oklahoma City	30
Oregon: Roseburg	9
Pennsylvania:	
Altoona	31
Butler	25
Pittsburgh (UD)	31
Tennessee: Murphreesboro	90
Texas:	
Big Spring	18
Houston	60
San Antonio	30
Temple	35
Utah: Salt Lake City	32
Washington: Walla Walla	31
West Virginia: Martinsburg	72
Wisconsin:	
Madison	47
Wood	50
Total bed loss	3, 132

During the past 10 years operating beds have *decreased* more than 15,000 or the equivalent of more than thirty average size, 500-bed hospitals.

[In millions of dollars]

Major issue or program	President's request		Committee recommendations	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Medical and prosthetic research	112.7	112.7	131.0 (18.3)	131.0 (18.3)

Purpose	(thousands)	FTEE
A. Medical and prosthetic research:		
(1) Reinstate research program in 53 hospitals	$5,500	100
(2) Fund 2 new medical schools under Public Law 29-541	500	10
(3) Maintain career development program at fiscal year 1978 level	1,500	20
(4) Recruitment of new alcohol investigators	1,000	10
(5) Funding for approved Merit Review Board programs	5,000	50
(6) Equipment requirements at new facilities	1,000	.....
(7) Fund approved career development program candidates	1,000	20
Total	15,500	210
B. Rehabilitative research:		
(1) Automotive adaptive equipment	325	5
(2) Spinal cord injury program research	675	10
(3) Locomotor system research	925	5
(4) Sensory augmentation research	315	5
Total	2,240	25
C. Implementation of H.S.R. & D. MBO's	570	10
Total, medical and prosthetic research	18,310	245

The Committee recommends an additional $18.3 million for medical and prosthetic research for the projects shown above.

It is well established that quality medical care goes hand-in-hand with excellent research and training. An excellent research and training program has great impact in attracting and retaining top professional personnel. The Veterans Administration, and this Committee, take great pride in the fact that at least one-half of all physicians graduat-

ing from medical schools in this country receive some of their training in VA hospitals. Research in VA hospitals is world-renowned, producing Nobel prize winners; producing leaders in every field of medical investigation; and providing medical breakthroughs benefiting not only all Americans, but people throughout the world. The Administration proposes to cut out the research programs in 53 VA hospitals. The overall budget deficiency for medical and prosthetic research is $18,310,000. This deficiency will have grave impact on the dedicated investigators, physicians, nurses and allied health personnel who serve the veterans and who continue to contribute so much to providing for their health needs.

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Construction of medical facilities	417.0	395.7	653.5 (236.5)	490.0 (94.3)

The committee recommends an additional $236,500,000 for the construction program as follows:

Purpose	*(Thousands)*
A. Nursing home care:	
(1) Hines, Ill.—120 beds	$6, 603
(2) Livermore, Calif.—120 beds	6, 392
(3) Temple, Tex.—120 beds	4, 952
(4) Wilkes-Barre, Pa.—120 beds	5, 619
Total	23, 566
B. Outpatient improvements:	
(1) Dallas, Tex.—Ambulatory care addition and renovation	3, 882
(2) Des Moines, Iowa—Ambulatory care addition and renovation	886
(3) Tuskegee, Ala.—Ambulatory care addition	4, 522
(4) Boston, Mass.—Outpatient clinic	2, 699
(5) Brooklyn, N.Y.—Outpatient clinic	4, 119
Total	16, 108
C. Domiciliaries:	
(1) Bath, N.Y.—200 beds	9, 044
(2) Hampton, Va.—200 beds	6, 959
Total	16, 003
D. Other improvements—General projects:	
(1) Battle Creek, Mich.—Replace administration building	2, 808
(2) Dayton, Ohio—Consolidate kitchen buildings	1, 331
(3) Murfreesboro, Tenn.—Renovate wards 6A and 6B	3, 297
(4) Salem, Va.—Renovate building 7	2, 017
(5) Houston, Tex.—Outpatient clinic and 60-bed SCIU	11, 099
(6) Cincinnati, Ohio—Expand clinical lab, radiology and cardiac catheterization labs	2, 746
(7) Castle Point, N.Y.—Air condition	6, 739
(8) Albany, N.Y.—Air, oxygen and vacuum system	2, 353
(9) Wood, Wis.—Relocate nuclear medicine	1, 416
(10) Atlanta, Ga.—Warehouse & engineering building	1, 431
(11) Denver, Colo.—Clinical support wing and A/C	20, 086
(12) Durham, N.C.—Parking garage	4, 012

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D. Other improvements—General projects—Continued

	Thousands
(13) East Orange, N.J.—Additional elevators	2, 989
(14) Iowa City, Iowa—Parking facilities	2, 553
(15) Kansas City, Mo.—Air, oxygen and vacuum system	1, 427
(16) Long Beach, Calif.—Research and education addition	8, 383
(17) Miami, Fla.—Research and education addition	7, 262
(18) Murfreesboro, Tenn.—Remodel wards 5A and 5B	2, 828
(19) Mountain Home, Tenn.—Clinical support building	8, 928
(20) Oklahoma City, Okla.—Clinical expansion and ambulatory care facility	28, 374
(21) Salem, Va.—Modernize building 76	2, 169
(22) San Francisco, Calif.—Remodel old hospital	18, 586
(23) Shreveport, La.—Research and education building	708
(24) Syracuse, N.Y.—Parking facility	2, 765
Total	146, 307
Total, major construction	201, 984
E. Total, minor construction	34, 511
Total, major and minor construction	236, 495

[In millions of dollars]

Major issue or program	President's request		Committee recommendation	
	Budget authority	Outlays	Budget authority (difference)	Outlays (difference)
Grants for construction of State extended care facilities	5.0	12.0	15.0 (10.0)	15.0 (3.0)

The Committee recommends an additional $10 million for grants to States for construction of veterans' medical facilities.

NINETY-FIFTH CONGRESS

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515
TELEPHONE (202) 225-3625

March 15, 1978

The Honorable Robert N. Giaimo
Chairman, Committee on the Budget
U.S. House of Representatives

Dear Mr. Chairman:

Pursuant to Section 301(c) of the Congressional Budget Act of 1974, I am transmitting the report of the Committee on Ways and Means on the fiscal year 1979 budget. The Committee has attempted to provide realistic views and estimates on those aspects of the fiscal year 1979 budget that fall within the Committee's jurisdiction. As you know, the statutory requirements of the Budget Act require the Committee to recommend an appropriate level of aggregate revenues, budget authority, outlays, deficit and public debt for the fiscal year. These recommendations are summarized in Section I of the report, and reflect our best judgment at the present time of the aggregate effect on the fiscal year 1979 budget of anticipated action by the Committee.

Section II of the report reflects the Committee's recommendations on fiscal year 1979 budget authority and outlays, presented on the five formats specifically requested by the House Budget Committee. The Committee's recommendations on the fiscal year 1979 deficit and public debt limit are presented in Sections IV and V respectively. An estimate of Federal tax expenditures is presented in Section VI.

In Section III of the report, the Committee recommends that the appropriate level of revenues for fiscal year 1979 be $437.0 billion, and that the aggregate level of Federal revenues should be reduced by $35.2 billion from the $472.2 billion estimated under present law. The Congressional Budget Act does not require the Committee to specify the precise composition of the anticipated $35.2 billion reduction in fiscal year 1979 revenues.

As you know, the President has submitted a major proposal for tax reduction and reform, the energy tax conference is currently recessed, and various tax credits are expiring at the end of calendar year 1978. In addition, various Members of the Committee have expressed interest in having the Committee consider other major proposals such as partial integration, tuition tax relief, tax relief for the elderly, charitable deductions for individuals who do not itemize, and social security tax reductions. In view of the broad range of issues and proposals pending before the Committee, it would be impractical and highly speculative to attempt to identify specific proposals that may ultimately be approved affecting fiscal year 1979 revenues. Thus, the Committee has recommended in Section III the levels of aggregate revenues and aggregate reductions which are anticipated for fiscal year 1979.

Sincerely,

Al Ullman
Chairman

AU:rlc

95th Congress
2d Session } COMMITTEE PRINT { WMCP: 95-69

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

MARCH 15th REPORT OF THE COMMITTEE ON WAYS AND MEANS TO THE HOUSE BUDGET COMMITTEE ON THE FISCAL YEAR 1979 BUDGET



MARCH 15, 1978

Printed for the use of the Committee on Ways and Means

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LETTER OF TRANSMITTAL

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., March 15, 1978.

Hon. ROBERT N. GIAIMO,
Chairman, Committee on the Budget,
U.S. House of Representatives.

DEAR MR. CHAIRMAN: Pursuant to section 301(c) of the Congressional Budget Act of 1974, I am transmitting the report of the Committee on Ways and Means on the fiscal year 1979 budget. The Committee has attempted to provide realistic views and estimates on those aspects of the fiscal year 1979 budget that fall within the Committee's jurisdiction. As you know, the statutory requirements of the Budget Act require the Committee to recommend an appropriate level of aggregate revenues, budget authority, outlays, deficit and public debt for the fiscal year. These recommendations are summarized in section I of the report, and reflect our best judgment at the present time of the aggregate effect on the fiscal year 1979 budget of anticipated action by the Committee.

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As you know, the President has submitted a major proposal for tax reduction and reform, the energy tax conference is currently recessed, and various tax credits are expiring at the end of calendar year 1978. In addition, various Members of the Committee have expressed interest in having the Committee consider other major proposals such as partial integration, tuition tax relief, tax relief for the elderly, charitable deductions for individuals who do not itemize, and social security tax reductions. In view of the broad range of issues and proposals pending before the Committee, it would be impractical and highly speculative to attempt to identify specific proposals that may ultimately be approved affecting fiscal year 1979 revenues. Thus, the Committee has recommended in section III the levels of aggregate revenues and aggregate reductions which are anticipated for fiscal year 1979.

Sincerely,

AL ULLMAN, *Chairman.*

24-066 O - 78 - 34

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I. SUMMARY OF RECOMMENDATIONS ON FISCAL YEAR 1979 BUDGET

SUMMARY OF RECOMMENDATIONS ON FISCAL YEAR 1979 BUDGET

Section 301 of the Congressional Budget Act of 1974 (Public Law 93–344) requires the Committee on Ways and Means to report its recommendations and estimates with respect to those aspects of the fiscal year 1979 budget which relate to the Committee's jurisdiction. Specifically, Section 301(c) requires a report to be filed with the House Budget Committee by March 15 on the recommended level of budget authority, outlays, revenues, deficit and public debt for fiscal year 1979. The Committee carefully considered each of these items and recommends that:

(1) the appropriate level of revenues for fiscal year 1979 is $437.0 billion, and the amount by which the aggregate level of Federal revenues should be decreased from what would be collected under present law is $35.2 billion;

(2) aggregate budget authority in the President's fiscal year 1979 budget request should be increased by $582.05 million;

(3) aggregate outlays in the President's fiscal year 1979 budget request should be increased by $643.05 million; and

(4) the deficit reflected in the President's fiscal year 1979 budget should be increased by $3.243 billion.

II. BUDGET AUTHORITY AND OUTLAYS

KEY TO BUDGET FUNCTIONAL CATEGORIES

150 International Affairs
370 Commerce and Housing Credit
450 Community and Regional Development
500 Education, Training, Employment, and Social Services
550 Health
600 Income Security
750 Administration of Justice
800 General Government
850 General Purpose Fiscal Assistance

I. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH REQUIRE AUTHORIZING LEGISLATION PRIOR TO THE ENACTMENT OF APPROPRIATIONS FOR FISCAL YEAR 1979

[In millions of dollars]

Functional category	Major issue or program	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	TRADE					
	CONDUCT OF FOREIGN AFFAIRS					
150	U.S. International Trade Co n-mission; Independent budget and authorization of appropriation required by sec. 175 of Trade Act of 1974 (Public Law 93-618).[1]	13. 113	13. 113	12. 813 (−0. 300)	12. 813 (−0. 300)	In reviewing the Commission's budget, the Committee noted a number of areas (such as self-initiated 332 studies and travel) where savings are possible without impairing the Commission's essential functions.
	PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION					
500	Title XX social services: Extension for another year, to maintain the $2,700,000,000 ceiling, of the $200,000,000 increase for child day care services under title XX social services program.	200	200	400 (+200)	400 (+200)	The Committee recommends that the statutory ceiling on Federal title XX funds be increased to $2,900,-000,000 beginning in fiscal year 1979. A separate title XX social services entitlement program of $16,000,000 would be established within the $2,900,000,000 ceiling for Puerto Rico, Guam, and the Virgin Islands, plus funds for the Northern Mariana Islands.
600	Child support: Extend with modifications through fiscal year 1979 Federal matching funds under title IV-D for child support services for non-AFDC individuals.	12	12	12	12	Similar provisions are in H.R. 7200 which passed the House on June 14, 1977.

[1] Request by U.S. International Trade Commission in "Budget Estimates, Fiscal Year, 1979 (Congressional Submission, January 1978)."

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Functional category	Legislative proposal	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION					
500	Child welfare services: Modify the current child welfare and foster care programs to: (a) Establish the title IV–B child welfare services program as an entitlement program with a ceiling of $266,000,000.	$266	$141	$266	$141	In 1977, the House passed H.R. 7200 with changes in the child welfare and foster program similar to the President's proposal. While accepting the spending outlays projected by HEW for title IV–B, the Committee does so with the understanding that greater utilization of the funds available to the States may result in outlays up to the full entitlement.
500	(b) Extend Federal matching to voluntary placed foster care children, foster care children in small public institutions, and for adoption subsidies.	$30	$30	30	30	H.R. 7200, passed by the House in 1977, contains provisions similar to those in the President's proposal. The President's budget failed to take these provisions into account when estimating the costs of the Administration's proposed legislation. The Committee, therefore, suggests that these costs be added to the President's budget.

500	Settlement of outstanding pre-title XX social services claims. (President's budget recommends funding through a fiscal year 1978 supplemental appropriation.)	[3] 543	[3] 543	543	543	The Committee accepts the President's recommendation, but recommends that the funds be included in the fiscal year 1979 budget of the Treasury Department.
600	Emergency assistance: Modify and expand the AFDC emergency assistance program by allowing limits on eligibility and authorizing special disaster assistance.	125	125	0 (−125)	0 (−125)	The Committee recommends against the proposed changes in the emergency assistance program. The Committee is concerned about granting States further statutory authority to limit the scope of a federally funded emergency assistance program, and expanding the functions of the welfare system to include administration of disaster assistance.
600	Puerto Rico, Guam, Virgin Islands, Northern Mariana Islands: Double the current limitation on Federal funds for aid to the aged, blind and disabled and AFDC in Puerto Rico, Guam, and the Virgin Islands and increase the Federal matching rate from 50 to 75 percent.	26	26	188 (+162)	188 (+162)	The Committee recommends extending the SSI program to these jurisdictions and removing the ceiling on Federal funds for AFDC, but without a change in the matching rate, as provided in House-passed H.R. 7200.
600	Reduction in Federal unemployment insurance tax rate from 0.7 to 0.5 percent.	[4] −600		0 (+600)		The Committee recommends that the fiscal year 1979 budget not anticipate enactment of this proposal because, according to Administration estimates, it would make repayment of the present $8.6 billion debt impossible.

See footnotes at end of table.

II. PRESIDENT'S BUDGET REQUESTS FOR NEW AND EXPANDED PROGRAMS WHICH WOULD REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979—Continued

[In millions of dollars]

Functional category	Legislative proposal	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	HEALTH					
550	End-Stage Renal Disease Amendments (H.R. 8423).		7		$-12 (-19)	H.R. 8423 passed the House September 12, 1977 and was approved by the Senate Finance Committee on February 28, 1978. This proposal (which was a 1977 Ways and Means Committee initiative) has been included in the Administration's fiscal year 1979 budget as a program expansion. As such, it is no longer listed on Format IV with other Committee initiatives.
	OTHER					
600	Crude oil equalization tax rebates to non-taxpayers: The President's budget anticipates enactment of the crude oil equalization tax (COET), with a rebate of COET revenues through income tax refunds to taxpayers and direct payments to individuals who do not pay Federal income tax.	1,333	1,333	433 (−900)	433 (−900)	The Committee anticipates that a crude oil equalization tax, if enacted, would not be effective prior to July 1, 1978.

850	Taxable bond option: The President's tax program includes a proposal to permit State and municipal governments to elect to issue taxable bonds with a Federal interest subsidy of 35 percent for obligations issued during 1979 and 1980, and a 40-percent interest subsidy for obligations issued thereafter.	7, 094	99	7, 094	99	The Committee recommends inclusion of budget authority and outlays for a taxable bond option which will be carefully considered by the Committee during its deliberations on the President's tax program. In 1976, the Committee reported a bill with a taxable bond option substantially similar to the President's proposal.

[1] The President's request for budget authority is $141,000,000; however, congressional actions to establish or expand a new entitlement budget authority has, to date, been included in budget resolutions at the full amount of the ceiling, not at projected utilization levels.

[2] This is an increase of $84,000,000 over current law expenditures. The President's budget request is included 2 places in the budget—$57,000,000 is part of the regular fiscal year 1979 appropriation under existing authorization and $84,000,000 under proposed legislation.

[3] The President's request for budget authority and outlays should be increased by these amounts for the reasons described in the narrative.

[4] The President's budget (pages 621 and 635 of the Appendix) indicates that, if the tax rate was not reduced, $400,000,000 of U.I. trust fund revenues would be used in fiscal year 1979 to repay advances from the general fund. Under this assumption, the effects of the proposed tax reduction, and resulting loss of $600,000,000 in trust fund revenues, would be (1) to reduce U.I. trust fund revenues by $200,000,000, and (2) to make impossible the anticipated $400,000,000 payment on outstanding general fund loans.

[5] Reflects revised estimate of the legislation's cost impact.

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS

[In millions of dollars]

Functional category	Legislative proposal	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION					
600	AFDC work expense disregard: Limit work expense deductions for AFDC recipients.	−119	−119	0 (+119)	0 (+119)	The Committee believes that this issue is more appropriately dealt with as a part of comprehensive welfare reform. Therefore, the Committee recommends against the President's proposal.
600	Child support: Eliminate incentive payments to States and localities for interstate cooperation in enforcement actions under the child support programs.	−21	−21	0 (+21)	0 (+21)	The Committee heard testimony in 1977 that various elements of the federally assisted child support program were just beginning to produce results in relationship to their administrative costs. Therefore, the Committee recommends against the President's proposal.

HEALTH

550	H.R. 6575—Hospital Cost Containment Act.	−630	−680 (−50)	The Committee's estimate assumes that the voluntary goals outlined in section 102 of H.R. 6575, as reported by the Subcommittee on Health, February 28, 1978, will be met, at least through the end of fiscal year 1979. It should be noted that such a reduction in outlays would not be the direct result of Federal regulatory legislation, but rather through private-sector activity to restrain the rate of hospital cost inflation so as to preclude the triggering of the federal controls outlined in Parts B, C, and D of the hospital cost containment bill as reported from the Health Subcommittee.
550	Mandate of common audits of providers by medicare and medicaid programs.	−6	−6	

III. PRESIDENT'S BUDGET REQUESTS FOR SAVINGS THROUGH CHANGES IN EXISTING LAWS WHICH MANDATE SPENDING IN FISCAL YEAR 1979 WITHOUT FURTHER ACTION BY CONGRESS; OTHER LEGISLATIVE SAVINGS PROPOSALS—Continued

[In millions of dollars]

Functional category	Legislative proposal	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	SOCIAL SECURITY					
600	Eliminate minimum benefit for new eligibles and freeze for those on rolls (effective July 1, 1978).[1]		−254		0 (+254)	The Committee believes that it would be unrealistic to expect enactment of these savings proposals that would reduce social security trust fund expenditures. Therefore, the Committee recommends against the President's proposals.
600	Start entitlement to retirement and dependent benefits with 1st month during all of which requirements for entitlement are met (effective Oct. 1, 1978).		−138		0 (+138)	Do.

600	Limit retroactive payments to 3 months instead of 12 (effective Oct. 1, 1978).	−121	0 (+121)	Do.
600	Limit student benefit amount to $1,600 (the BEOG amount) in fiscal year 1979, increasing thereafter with wage increases (effective July 1, 1978).	−117	0 (+117)	Do.
600	Provide for reimbursement to the trust funds for cost of complying with Employee Retirement Income Security Act of 1974 (ERISA) (effective Oct. 1, 1978).	−14	−14	The Committee agreed with the President's recommendation that the Social Security Administration be reimbursed for duties performed pursuant to ERISA.
	Social security total	−644	−14 (+630)	

[1] $40,000,000 reduction in outlays—fiscal year 1978.

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979

[In millions of dollars]

Functional category	Initiative	Budget authority	Outlays	Comments
	TRADE			
	Legislation based on H.R. 8442, to improve the operation and effectiveness of the trade adjustment assistance programs for workers and firms under the Trade Act of 1974 (Public Law 93-618):			The Subcommittee on Trade completed markup of H.R. 8442 and related Administration amendments on February 21, 1978.
600	Trade adjustment assistance for workers: Provisions to expand worker eligibility coverage, to increase job search and relocation allowance benefits and training availability, and to improve program coordination; new provision for labor technical assistance.	91.600	91.600	The President's fiscal year 1979 budget request for trade adjustment assistance for workers did not include funds for any legislative changes in the program. The $91.6 million recommended by the Committee for this purpose is based upon estimates provided by the Department of Labor. This amount does not include additional funds recommended by the Committee to implement administrative provisions, for which a supplemental budget request will be made. (See Format V.)
	Trade adjustment assistance for firms: Provisions to expand firm eligibility coverage, to increase financial and technical assistance benefits and availability, and to improve program coordination; new provisions for industry-wide studies and technical assistance.	0	0	The President's fiscal year 1979 budget request for trade adjustment assistance for firms already includes $22.0 million in anticipation of legislative changes in the program approved by the President in December 1977: $15 million for financial assistance, $3 million for technical assistance to firms, and $4 million for industry studies and technical assistance to industries. (See Format V.) The legislative initiatives requiring $22 million were approved by the Subcommittee on Trade on February 21, 1978, in its markup of H.R. 8442; no additional funds will be required to implement other legislative changes in the firm program approved by the Subcommittee at that time.
	PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION			

600	Fiscal relief for States and localities: Providing $400,000,000 in fiscal relief, consistent with the Administration's proposal for "interim fiscal relief" between now and implementation of welfare reform legislation.	400	400	(See narrative appendix.)
		General	Federal revenues transferred to State UI accounts	
600	Enactment of legislation providing "cost equalization payments" to States for years beginning with fiscal year 1979: Establishing a system whereby Federal general revenues ("cost equalization payments") would be available to a State for payment of unemployment compensation benefits during periods in which it has an unusually high rate of unemployment.		270	(See narrative appendix.)
	HEALTH			
550	Improvements in medicare to close certain existing gaps in coverage and to eliminate certain defects in benefit structure that may result in hardship for beneficiaries when they become sick or disabled, e.g., eliminate 24-month medicare waiting period for reentitled disabled; coverage of services needed outside the United States; improved coverage of ambulance, durable medical equipment, and home health services.		100	

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979

[In millions of dollars]

Functional category	Major issue or program	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	TRADE					
150	CONDUCT OF FOREIGN AFFAIRS					
	International Trade Negotiations: Department of State.	4.717	4.247	4.717	4.247	
	General Agreement on Tariffs and Trade.	2.825	2.825	2.825	2.825	
370	OTHER ADVANCEMENT AND REGULATION OF COMMERCE					
	Technical and Financial Assistance.	0	1.000	0	1.000	
	International Trade Policy, Analysis and Support: Department of Commerce.	2.856	2.856	2.856	2.856	
450	AREA AND REGIONAL DEVELOPMENT					
	Technical Assistance to Firms.....	19.400	4.000	19.400	4.000	Budget authority includes $7,000,000 for legislative initiatives; see Format IV for comment.
	Financial Assistance to Firms.....	75.300	40.000	75.300	40.000	Budget authority includes $15,000,000 for legislative initiatives; see Format IV for comment.
	Community Adjustment Assistance.	1.300	1.300	1.300	1.300	
	Foreign Trade Statistics.....	9.269	9.245	10.719 (+1.450)	10.695 (+1.450)	Under sec. 608 of the Trade Act of 1974, Congress directed that comparability be established among the enumeration of articles imported into and exported from the United States and the enumeration of articles produced in the United

States. Efforts toward development of an improved international classification of articles for trade and customs purposes were also mandated. The Trade Act also imposed reporting requirements on articles affected by the Generalised System of Preferences for developing countries. In addition, the Trade Act (sec. 282) requires the monitoring of the relationship between changes in the volume of imports and changes in U.S. employment and production by geographic regions. The overall figures for foreign trade statistics include funding for these 3 special programs of $750,000 in fiscal year 1979; $545,000 for data comparability under sec. 608, $91,000 for GSP data, and $114,000 for the Bureau of the Census share of the trade monitoring system. The Committee recommends inclusion of (1) an additional $950,000 required for validation of export data and for efforts to develop a harmonized international classification of articles in conjunction with sec. 608; and (2) an additional $500,000 required to expand industry production data essential to the trade monitoring system, the joint implementation of which by the Census Bureau and the Bureau of Labor Statistics is included in the proposals approved by the President in December 1977 for administrative improvements in the trade adjustment assistance programs under the Trade Act. (Also, see comment for Bureau of Labor Statistics.)

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979—Continued

[In millions of dollars]

Functional category	Major issue or program	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	TRADE—Con.					
504	TRAINING AND EMPLOYMENT					
	(Department of Labor)					
	Federal Administration of Employment and Unemployment Insurance Services for Workers Adversely Affected by Trade Agreements.	1. 513	1. 513	1. 513	1. 513	Budget authority does not include any funding for legislative initiatives; see Format IV for comment.
	State Administration of Employment Services for Workers Adversely Affected by Trade Agreements.	3. 500	3. 500	3. 500	3. 500	Do.
	Trade Act Activities (Job search, training, and relocation allowances).	(1)	(1)			Do.
505	OTHER LABOR SERVICES					
	(Department of Labor)					
	Trade	5. 923	5. 606	15. 923 (+10. 000)	15. 606 (+10. 000)	The Committee recommends inclusion of an additional $10,000,000 required to implement on a nationwide basis a system already tested by the Department of Labor for early identification by industry

						establishment of unemployment due to increased import competition. Implementation of this system was included in the proposals approved by the President in December 1977 for administrative improvements in the trade adjustment assistance programs under the Trade Act of 1974 and for which the Administration is currently preparing a supplemental budget request.
	Bureau of Labor Statistics salaries and expenses (trade monitoring system).	0	0	0.300 (+.300)	0.300 (+.300)	The Committee recommends inclusion of $300,000 required by the Bureau of Labor Statistics to implement its share of the trade monitoring system under sec. 282 of the Trade Act of 1974. The joint implementation of this program by the Bureau of Labor Statistics and the Bureau of the Census is included in the proposals approved by the President in December 1977 for administrative improvements in the trade adjustment assistance program under the Trade Act.
600	UNEMPLOYMENT INSURANCE					
	(Department of Labor)					
	Trade adjustment assistance allowance.	190.000	190.000	190.000	190.000	Budget authority does not include any funding for legislative initiatives; see Format IV for comment.
	State Administration of Unemployment Insurance Services for Workers Adversely Affected by Trade Agreements.	7.100	7.100	7.100	7.100	Do.

See footnotes at end of table.

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979—Continued

[In millions of dollars]

Functional category	Major issue or program	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	TRADE—Con.					
750	FEDERAL LAW ENFORCEMENT AND PROSECUTION					
	Salaries and expenses: U.S. Customs Service.	431.350	431.722	433.350 (+2.000)	433.722 (+2.000)	The Committee recommends inclusion of an additional $2,000,000 to deal with the increasing workload of appraisement and entry processing of merchandise and to administer the steel reference price mechanism without curtailing other necessary operations. The Customs Service estimates that increased spending in these categories will result in increased customs revenues that will more than offset the increased appropriation.
800	EXECUTIVE DIRECTION AND MANAGEMENT					
	Office of the Special Representative for Trade Negotiations, Executive Office of the President: Salaries and expenses.	2.665	2.700	2.665	2.700	

800	CENTRAL FISCAL OPERATIONS					
	Refunds, transfers, and expenses, unclaimed, abandoned, and seized goods: U.S. Customs Service.	4.000	4.000	4.000	4.000	
850	OTHER GENERAL PURPOSE FISCAL ASSISTANCE					
	U.S. Customs Service collection of duties and taxes for Virgin Islands and Puerto Rico: Miscellaneous permanent accounts.	282.000	282.000	282.000	282.000	
	PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION					
500	Employment and Training Administration Unemployment Trust Fund: Trust fund portion of the costs of the Employment Service.	723	0	723	0	The Committee recommends that the fiscal year 1979 budget anticipate costs associated with this program.
600	Unemployment Insurance Trust Fund: State and Federal unemployment insurance revenues and expenditures.	16,470	10,093	16,470	10,093	The Committee recommends that the fiscal year 1979 budget anticipate revenues and expenditures associated with the State and Federal unemployment compensation programs.
	HEALTH					
550	Medicare [2]	31,703	30,039	31,703	30,039	

See footnotes at end of table.

V. PRESIDENT'S BUDGET REQUESTS FOR EXISTING PROGRAMS WHICH DO NOT REQUIRE AUTHORIZING LEGISLATION FOR FISCAL YEAR 1979—Continued

[In millions of dollars]

Functional category	Major issue or program	President's request		Committee recommendation		Comments
		Budget authority	Outlays	Budget authority (difference)	Outlays (difference)	
	SOCIAL SECURITY					
	GENERAL RETIREMENT AND DISABILITY INSURANCE					
600	Federal old-age and survivors insurance.	86,407	[3] 87,866	86,407	[3] 87,866	The following budget estimates concerning social security payments that are financed from general revenues are reviewed by the Appropriations Committee: Military wage credits of $526,000,000; payments to certain uninsured individuals of $230,000,000; and payments of $4,000,000 for partial cost of complying with the Employee Retirement Income Security Act of 1974.
	Federal disability insurance	15,108	14,943	15,108	14,943	
	Railroad interchange	−1,377	−1,377	−1,377	−1,377	
	Social Security total	100,138	[3] 101,432	100,138	[3] 101,432	See "Additional Comments for the Appropriations and Budget Committees" in narrative.
	OTHER					
600	U.S. Tax Court Judges Survivors Annuity Fund.	110	44	110	44	

[1] Figure not yet available. Funds for this purpose are provided from the Secretary of Labor's discretionary fund under the Comprehensive Employment and Training Act of 1973 and totaled $9,700,000 in fiscal year 1978.

[3] Estimates based on projections of the Department of Health, Education, and Welfare.
[3] Excludes $2,280,000,000 for limitation on administrative expenses appropriated by the House Appropriations Committee.

NARRATIVE APPENDIX

1. TRADE

Trade Adjustment Assistance for Workers and Firms

On February 21, 1978, the Subcommittee on Trade completed markup of H.R. 8442 and related amendments proposed by the Administration to improve the operation and effectiveness of the trade adjustment assistance programs under the Trade Act of 1974 (Public Law 93-618) for workers and firms adversely affected by increased import competition. H.R. 8442 was based upon comments and suggestions for improvements in these programs and in community adjustment assistance received from public testimony before the Subcommittee in hearings held on March 31-April 1, 1977, and from other communications to Members and staff. The bill was introduced as a result of considerable public interest and after legislative initiatives expected from the Administration as a result of the President's directive in April for interagency review of the programs did not materialize.

The Subcommittee began markup on October 31, 1977, incorporating H.R. 4460, as amended, into H.R. 8442 to provide retroactive application of benefits to workers who were denied assistance because they were unaware of the 1-year filing deadline under the new program.

Nearly all of the provisions of H.R. 8442 approved by the Subcommittee on February 21, 1978, were supported by the Administration to expand the eligibility for assistance to additional trade-impacted workers and firms, to increase job search and relocation allowances and training availability, to liberalize the financial assistance benefits available to firms, and to speed up the certification process and improve program coordination. The Subcommittee also approved Administration proposals to expand technical assistance to firms, to conduct industry studies and to provide technical assistance on an industry-wide basis.

The legislative initiatives represent minimal changes to remove inequities in the present statute, to promote greater efficiency in identification of recipients and delivery of benefits, and to expand assistance measures of greatest interest and benefit to trade-impacted workers and firms.

The legislative initiatives approved by the Committee for worker trade adjustment assistance will cost an estimated $91.6 million in fiscal year 1979; an additional $22 million for legislative improvements in assistance to firms was already anticipated in the President's fiscal year 1979 budget request. The Committee recommends inclusion of an additional $10 million in the Department of Labor fiscal year 1979 budget request, $300,000 in the Bureau of Labor Statistics request, and $1.450 million in the Bureau of the Census request to implement the early unemployment identification and statistical and trade monitoring systems for administrative improvements in the trade adjustment assistance programs, on which the Administration is currently preparing supplemental budget requests.

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SUMMARY OF TRADE RECOMMENDATIONS

[In millions of dollars]

Functional category	Major program or initiative	President's request		Committee recommendation		Difference	
		Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
150	U.S. International Trade Commission	13.113	13.113	12.813	12.813	−0.300	−0.300
150	International trade negotiations	4.717	4.247	4.717	4.247		
150	General agreement on tariffs and trade	2.825	2.825	2.825	2.825		
370	Trade adjustment assistance to firms	0	1.000	0	1.000		
370	International trade policy, Department of Commerce	2.856	2.856	2.856	2.856		
450	Trade adjustment assistance to firms	94.700	44.000	94.700	44.000		
450	Trade adjustment assistance to communities	1.300	1.300	1.300	1.300		
450	Foreign trade statistics	9.269	9.245	10.719	10.695	+1.450	+1.450
500	Trade adjustment assistance to workers	10.936	10.619	21.236	20.919	+10.300	+10.300
600	Trade adjustment assistance to workers	197.100	197.100	288.700	288.700	+91.600	+91.600
	U.S. Customs Service:						
750	(a) Salaries and expenses	431.350	431.722	433.350	433.722	+2.000	+2.000
800	(b) Fiscal operations	4.000	4.000	4.000	4.000		
850	(c) Collections for Virgin Islands and Puerto Rico	282.000	282.000	282.000	282.000		
800	Office of Special Trade Representative	2.665	2.700	2.665	2.700		
	Total	1,056.831	1,006.727	1,161.881	1,111.777	+105.05	+105.05

2. PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

Title XX Social Services

The President's budget recommends the extension for another year, through fiscal year 1979, of the temporary $200 million increase for child day care services under the title XX social services program. The temporary $200 million increase in the title XX ceiling to $2.7 billion was originally enacted as Public Law 94–401 for fiscal year 1977 and extended through fiscal year 1978 by enactment of Public Law 95–171.

The Committee recommends that the statutory ceiling on Federal title XX funds be increased to $2.9 billion beginning in fiscal year 1979. The Committee believes that this increase is essential to maintain the current level of services under title XX. Even with the temporary $200 million increase which has been in effect since October 1, 1976, the effect of inflation has meant that title XX funds can only purchase three-fourths of what they bought in 1972 when the ceiling on Federal funds was established. Some States which have been at their ceiling for a number of years have been compelled to cut back important services.

The $2.9 billion would include a $16 million entitlement for title XX social services in Puerto Rico, Guam, and the Virgin Islands. Under current law, these jurisdictions receive an allotment for social services under title XX only from the amounts that the States and the District of Columbia certify they will not need from the formula allotments for that year. Such a reallotment cannot exceed $15 million for Puerto Rico and $500,000 each for Guam and the Virgin Islands. Since 48 States are expected to be essentially at their ceiling in fiscal year 1979, a separate $16 million entitlement program for these jurisdictions within the proposed new $2.9 billion ceiling is necessary to assure the provision of social services for residents of Puerto Rico, Guam, and the Virgin Islands. The Committee also intends that the $2.9 billion ceiling provide for an appropriate amount of funds for social services programs in the Northern Mariana Islands, which was recently established as a new U.S. territory with Commonwealth status.

The Committee therefore recommends that the fiscal year 1979 budget anticipate legislation that will increase to $2.9 billion the permanent ceiling in title XX social services funds.

Child Support

The President's budget recommends a continuation through fiscal year 1979 of Federal matching funds for the costs to States of administering child support collection and paternity establishment services for *non-AFDC* individuals under title IV–D of the Social Security Act. The President's recommendation would also modify current

law in a manner consistent with H.R. 7200 as it passed the House on June 14, 1977. The proposed changes contained in H.R. 7200 would limit Federal matching to the costs of services provided to those whose income does not exceed twice the State AFDC standard of need; require States to charge an application fee; and require States to deduct from the amount of child support collected, any costs in excess of the application fee.

It is estimated that this proposal would cost $12 million in fiscal year 1979. The Committee recommends that the fiscal year 1979 budget anticipate enactment of the proposal.

Child Welfare Services

The President's budget proposes legislation to modify the current child welfare and foster care programs authorized under title IV of the Social Security Act. This legislation was originally sent to the Congress by the Administration in July of 1977. Based on that legislative proposal, the Administration has projected fiscal year 1979 outlays for title IV–B of $141 million. This is a $84 million increase over the current appropriation of $57 million for fiscal year 1978.

On June 14, 1977 the House passed H.R. 7200, which also contains significant changes in the child welfare and foster care programs under title IV.

Both the President's proposal and the child welfare provisions in H.R. 7200, as it passed the House, establish a child welfare services program as an entitlement with a ceiling of $266 million. A primary difference between the President's proposal and that passed by the House in H.R. 7200 concerns the conditions a State must meet to receive its full allocation under the $266 million ceiling. Under the President's proposal, while all States would be entitled to an allocation under a $119 million limitation, a State would have to make certain improvements in its child welfare and foster care programs before it would be entitled to receive the full allocation under the $266 million ceiling. HEW has estimated that seven States would meet the additional requirements and would be entitled to their full allotment under the $266 million ceiling in fiscal year 1979, which would result in additional outlays of $22 million, and total outlays in fiscal year 1979 of $141 million.

In comparison, under the House-passed version of H.R. 7200, beginning in fiscal year 1978 States would be entitled to the full amount of their allocation under the $266 million ceiling to enable them to have in place by October 1, 1979, certain improvements in their child welfare and foster care programs. In addition, under the House-passed bill, States would have to develop approvable plans and implement service programs. These requirements and the leadtime necessary could have the effect of limiting a State's use of its full allocation under the $266 million ceiling in fiscal year 1979.

The Committee, while accepting the spending outlays projected by HEW for title IV–B in fiscal year 1979, does so with the understanding that greater utilization of the funds available to the States under the House-passed bill may result in outlays up to the full entitlement.

The President's legislative proposal in this area also includes modifications in the foster care program and authorizes Federal assistance for adoption subsidies. Similar provisions in House-passed

H.R. 7200 were estimated to result in outlays in the first year of implementation of $16.0 million for voluntary placement in foster care; $10.0 million for foster care in small public institutions and $4.0 million for adoption subsidies.

The President's budget, however, failed to take these provisions into account when estimating the cost of the proposed legislation. Thus, the Committee wishes to draw to the attention of the House Budget Committee this underestimation of the cost of the President's proposal and recommends that these additional costs be included in a revised estimate of the President's budget.

The Committee recommends that the fiscal year 1979 budget anticipate enactment of legislation that would establish a child welfare services entitlement program with a ceiling of $266 million. Fiscal 1979 outlays resulting from this program are estimated to be $141 million, or $84 million over the current appropriations for IV–B Child Welfare Services of $57 million. However, total outlays may reach the full $266 million entitlement.

In addition, the Committee recommends that the fiscal year 1979 budget anticipate enactment of the modifications in the foster care program discussed above, with estimated outlays totaling $30 million.

Emergency Assistance

The President's budget proposes legislation to modify and expand the emergency assistance program now authorized under title IV–A of the Social Security Act. The Administration estimates that these changes would increase Federal costs over those for the current emergency assistance program under title IV–A by $125 million in fiscal year 1979.

Under current law, States may at their option claim Federal matching at a 50-percent rate for their expenditures for emergency assistance to needy families with children. At the present time about half of the States have an emergency assistance program that qualifies for these Federal matching funds. The President's proposal would give specific statutory authority to the States to establish limitations on the kinds of emergency situations for which aid would be provided and the categories of individuals and families who would be eligible for emergency assistance. The intent of this proposal is to encourage more States to establish an emergency assistance program. HEW has projected that the current Federal cost of $34 million would increase by $40 million in fiscal year 1979 if these changes were enacted.

The President also proposes to provide 75 percent Federal matching funds for costs to States of providing emergency assistance to needy families and other needy individuals in cases of a Presidential finding of natural disasters causing extraordinary increases in emergency assistance expenditures by a State. HEW has estimated that $85 million would be claimed by States under this program in fiscal year 1979. This proposed modification in the current emergency assistance program is intended to create an on-going program to replace a temporary emergency energy program which has been administered by the Community Services Administration. This program was funded at the level of $200 million in fiscal year 1977. The Administration is requesting a $200 million appropriation to continue the program through fiscal year 1978.

The Committee has serious concerns about the effects of the changes in the present emergency assistance program proposed in the President's budget, including the proposal to grant States greater statutory authority to limit the scope of this federally funded program. The Committee is also concerned about expanding the functions of the State welfare agencies to include administration of a disaster assistance program that is intended to serve a broader population than welfare recipients.

Because of these reservations, the Committee recommends that the fiscal year 1979 budget not anticipate enactment of the changes in the emergency assistance program proposed in the President's budget.

Settlement of Outstanding Pre-Title XX Social Services Claims

The President's budget proposes $543 million, through a 1978 supplemental appropriation, for carrying out legislation submitted to the Congress last fall that will settle outstanding claims by States for costs of social services provided prior to the implementation of title XX in October 1975. The primary purpose of the legislation recommended by the President is to settle long-standing disputes between a number of States and HEW regarding claims by States for reimbursement for social services provided prior to 1975.

The proposed legislation is based on an agreement between the States and HEW. Under the agreement, subject to obtaining the necessary legislation, HEW will not attempt to recover any of the Federal funds which it contends were inappropriately provided to States for matching of social services expenditures prior to implementation of title XX, and will pay a portion of the unpaid pending State claims against HEW according to a formula worked out in the negotiations. The portion ranges from 21 to 38 percent, depending on the size of the claim.

Under the bill, $543 million of budget authority would be provided to settle the $1.6 billion in unpaid claims still in dispute. In addition, $1.0 billion previously unpaid claims would be forgiven. The formula applied to the outstanding claims will result in a payment of $531 million. The remaining $12 million would be available to pay (at a 15-percent rate) any additional claims brought by the States during the period from April 15, 1977, through 90 days after the enactment of the bill. Any of the $12 million which is not used would be available to increase the settlement of the existing claims of States claiming more than $150 million.

On February 21, the Subcommittee on Public Assistance and Unemployment Compensation approved the legislation submitted by the Administration, but with the modification to delay implementation, or any payments, until fiscal year 1979. The Committee recommends that the fiscal year 1979 budget anticipate enactment of this legislation approved by the Subcommittee. And, as in the President's budget, $543 million should be included in the budget of the Treasury Department for this purpose.

Public Assistance Programs in Puerto Rico, Guam, the Virgin Islands, and the Northern Mariana Islands

The President's budget recommends legislation to increase by $26 million Federal matching funds available to Puerto Rico, Guam, and

the Virgin Islands for their AFDC and aid to the aged, blind, and disabled programs. This would double current Federal funds available to these offshore areas for their public assistance programs. In addition, the proposed legislation would increase the Federal matching rate from 50 to 75 percent.

The current ceiling for Puerto Rico is $24 million per year; it is $1.1 million for Guam, and $0.8 million for the Virgin Islands. These amounts are intended to cover all assistance payments, including AFDC, assistance to the aged,blind, and disabled and administrative costs. The 50 States, by contrast, have no ceiling on Federal financial participation under AFDC.

H.R. 7200, as it passed the House on June 14, 1977, would extend the SSI program to Puerto Rico, Guam, and the Virgin Islands effective April 1, 1978, at an estimated cost in fiscal year 1978 of $81.8 million and in fiscal year 1979 of $185.2 million. Benefit levels would be adjusted so as to bear the same ratio to the SSI benefit rates in the States as the per capita income in each offshore area bears to the per capita income of the State with the lowest per capita income. Also, H.R. 7200 would remove as of April 1, 1978, the dollar ceiling on Federal matching funds for AFDC in Puerto Rico, Guam, and the Virgin Islands. It would maintain the 50 percent Federal matching rate. Because of the continuation of the current Federal matching rate, these jurisdictions have indicated that the increased use of Federal funds would be only $1.5 million in fiscal year 1978 and $2.9 million in fiscal year 1979.

The Committee recommends that the fiscal year 1979 budget anticipate enactment of the provisions in H.R. 7200, as approved by the House, that would extend SSI to Puerto Rico, Guam, and the Virgin Islands and eliminate the ceiling on Federal matching funds for AFDC. It is estimated that these changes will cost $188 million in fiscal year 1979. In addition, the Committee recommends that sufficient budget authority be provided to assure adequate funding for the AFDC program in the Northern Mariana Islands which is now entitled to claim Federal matching funds for an AFDC program under the provisions of the covenant which established the jurisdiction as a United States territory with Commonwealth status.

Reduction in the Federal Unemployment Insurance Tax Rate

The President's 1979 budget includes the provision in the President's 1978 tax reduction and reform proposals that would reduce the Federal unemployment insurance tax rate from 0.7 percent to 0.5 percent as of January 1, 1979. It is estimated that this proposal would reduce unemployment insurance trust fund revenues by $600 million in fiscal year 1979 and by $900 million in fiscal year 1980.

Federal unemployment insurance taxes are paid by employers on the first $6,000 of employee wages. Under the provisions of Public Law 94–566, the Federal unemplomeent insurance tax rate was temporarily increased as of January 1, 1977, from 0.5 percent to 0.7 percent. The tax rate will be automatically reduced back to 0.5 percent when all Federal general revenue loans to the Extended Unemployment Compensation Account in the Federal Unemployment Insurance Trust Fund have been repaid. At present, outstanding Federal general revenue loans to the Extended Unemployment Compensation

Account total $8.6 billion. It is estimated that, under provisions of present law, these loans will be repaid by 1986.

The Committee recommends that the fiscal year 1979 budget not anticipate enactment of the proposed reduction in the Federal unemployment insurance tax rate because, according to Administration estimates, it would make repayment of the $8.6 billion debt impossible. Under present law, the Administration estimates the general revenue loans will be repaid by 1986. If the tax rate is reduced, as recommended by the President, the loan balance will still be in excess of $7 billion in 1986.

AFDC Work Expense Disregard

The President's budget includes a $119 million reduction in Federal AFDC expenditures in fiscal year 1979. This reduction anticipates enactment of an Administration proposal that would change provisions in present law pertaining to the treatment of work-related expenses for working AFDC recipients. Under current law, recipients are permitted to itemize and subtract from gross earnings job-related expenses such as transportation and special clothing, in addition to the $30 plus one-third disregard and child care expenses. Allowable work-related expenses vary from State to State. The Administration's proposal would establish limits on the amount of deductible work-related expenses.

The Committee believes that this issue is more appropriately dealt with as a part of comprehensive welfare reform. Therefore, the Committee recommends that the fiscal year 1979 budget not anticipate enactment of the President's proposal.

Child Support

The President's budget recommends enactment of legislation to eliminate the incentive payments to States and localities for interstate cooperation in enforcement and collection actions under title IV–D, the child support enforcement program.

Current law provides for incentive payments to State and local governments to encourage inter- and intra-state cooperation in the enforcement and collection of support rights assigned under the child support provisions of AFDC law. The incentive payment made to a political subdivision or to a State is from the funds that otherwise would be returned to the Treasury when support payments for welfare recipients decrease public welfare costs for such recipients. The payment is to amount to 15 percent of any amount collected which is attributable to the support obligation owed.

The Administration contends that the administrative costs for interstate incentive payments in relationship to their return are too great to merit continuation of the incentive payments arrangement for interstate collection activities. Under the proposal, such incentive payments would continue in the case of intrastate cooperation.

The Committee, however, has been informed by a number of States that the incentive payment provision is beginning to produce positive results. The Committee believes that the effect of the provision should be the subject of more complete evaluation by the Department, and that in the meantime the provision should not be repealed. The Com-

mittee therefore recommends that the fiscal year 1979 budget not anticipate enactment of this proposal.

Fiscal Relief for States and Localities

The Committee recommends that the fiscal 1979 budget anticipate legislation providing $400 million in fiscal relief to States and localities. This recommendation is consistent with the Administration's proposal for "interim fiscal relief" between now and implementation of welfare reform legislation.

The Social Security Amendments of 1977 provided for $187 million of "interim fiscal relief payments" to be divided among the States half on the basis of AFDC expenditures and half according to the revenue sharing allocation formula. It is anticipated that the same amount of fiscal relief payments for fiscal year 1978 will be included in H.R. 7200. These fiscal relief payments are supported by the Administration. In addition, the Administration has stated that, as an amendment to general welfare reform legislation, it would support fiscal relief payments of $450 million in fiscal year 1979 and $525 million in fiscal year 1980, to be distributed among the States according to an allocation formula similar to that used for the fiscal year 1977 payments.

Enactment of Legislation Providing "Cost Equalization Payments" to States for Years Beginning with Fiscal Year 1979

The Committee recommends that the fiscal year 1979 budget anticipate enactment of legislation providing "cost equalization payments" to States for years beginning with fiscal year 1979 as provided under the provisions of H.R. 8291. This legislation would establish a system whereby Federal general revenue funds, "cost equalization payments", would be available to a State for the payment of unemployment compensation benefits during periods in which it has an unusually high rate of unemployment.

The Committee makes no recommendation with regard to the provisions of H.R. 8291 that would make "cost equalization payments" for years prior to fiscal year 1979. The matter of retroactive payments will be considered during Subcommittee and full Committee deliberations on H.R. 8291.

In general, H.R. 8291 would require that, for each year beginning with calendar 1974, the Secretary of the Treasury would compensate States for a portion of their unemployment compensation costs, if (1) a State's insured unemployment rate for that year was at least 6.0 percent, and (2) its total unemployment compensation costs exceeded the costs of a designated base year. The "base year" would be the most recent year in the past 5 years for which State's insured unemployment rate was less than 6 percent; or, if the insured unemployment rate was not under 6 percent in any of the previous 5 years, the base year would be the year in the past 5 in which the State's total unemployment compensation costs were the least.

These cost equalization payments would be made in the form of transfers from the general fund of the Treasury to the account of each eligible State in the Federal Unemployment Insurance Trust Fund. The Committee has been informed by the staff of the House Budget Committee that such transfers would not represent Federal outlays under the unified budget.

In the case of a State which has an outstanding Federal unemployment insurance loan, any cost equalization payment to which it is entitled would be credited against the balance of its Federal loans. At the present time, 21 States have outstanding Federal unemployment insurance loans totaling $4.7 billion. The retroactive provisions of H.R. 8291 would offset approximately $3 billion of these loans.

Under the provisions of H.R. 8291, an estimated $270 million would be transferred from Federal general revenues to eligible State accounts in the Federal Unemployment Insurance Trust Fund for fiscal year 1979, and $42 million for fiscal year 1980.

SUMMARY OF PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION RECOMMENDATIONS

[In millions of dollars]

Functional category	Major program or initiative	President's request		Committee recommendation		Difference	
		Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
500	Title XX social services	200	200	400	400	+200	+200
	Child welfare services:						
500	(a) Establish title IV-B entitlement	266	141	266	141		
500	(b) Extend Federal matching for voluntary placements and adoption subsidies	[1] 30	[1] 30	30	30		
500	Settlement of social services claims	[1] 543	[1] 543	543	543		
500	Employment and training administration trust fund	723	0	723	0		
600	Emergency assistance	125	125	0	0	−125	−125
	Child support:						
600	(a) Extend Federal matching for non-AFDC individuals	12	12	12	12		
600	(b) Eliminate incentive for interstate enforcement program	−21	−21	0	0	+21	+21
600	SSI extension to Puerto Rico, Guam, Virgin Islands and Northern Mariana Islands	26	26	188	188	+162	+162
600	AFDC work expense disregard	−119	−119	0	0	+119	+119
600	Fiscal relief for States and localities	0	0	400	400	+400	+400
600	Reduction in Federal unemployment insurance tax rate	−600		0		[2] +600	
600	Unemployment insurance trust fund	16,470	10,093	16,470	10,093		
	Total	17,655	11,030	19,032	11,807	+1,377	+777

[1] The Committee recommends that budget authority and outlays in the President's budget be increased by these amounts for the reasons provided in the narrative.

[2] This additional budget authority merely reflects a continuation of present law.

3. HEALTH

MEDICARE

Present law outlays under medicare are estimated for fiscal year 1979 at $30.0 billion. This represents an increase of more than 17 percent over fiscal year 1978 outlays. The primary factor accounting for the increase is inflation in medical care costs.

Hospital insurance expenditures generally account for about 70 percent of the medicare payments. In fiscal year 1978, $21.0 billion in outlays is estimated under part A (hospital insurance). Part B, the supplementary medical insurance program, will account for $9.1 billion.

Income to the trust funds in fiscal year 1979 is estimated at $31.7 billion.

As indicated in Format II, the President's budget recommends adoption of renal disease legislation—in effect endorsing the legislation (H.R. 8423) initiated by the Committee on Ways and Means and passed by the House of Representatives on September 12, 1977. H.R. 8423 was approved by the Senate Finance Committee on February 28, 1978. The Administration estimates a fiscal year 1979 cost of $7 million for this legislation even though it would reduce medicare outlays in future years. However, revised Committee estimates, with which the Office of the Actuary in the Social Security Administration now concurs, indicate a savings in fiscal year 1979 of $12 million for H.R. 8423 as passed by the House. These revised estimates are reflected in the Committee's recommendations in Format II.

Hospital cost containment legislation—a major initiative of the Administration—is designed to slow the rate of hospital cost inflation, reducing costs for all payers including the medicare program, which would experience a $630 million reduction in outlays in fiscal year 1979. On February 28, 1978, the Subcommittee on Health approved an alternative cost containment proposal that would impose governmental controls only when and if voluntary cost reduction efforts in the private sector fail to meet cost reduction goals specified in the legislation. If, as the Committee assumes, these private sector cost containment efforts are successful enough to avoid triggering a program of federal controls into effect, the cost effect on medicare would be to reduce program outlays in fiscal year 1979 by $680 million—a reduction $50 million greater than estimated for the original Administration proposal. If voluntary goals are not met, and a federal program is triggered into effect, a smaller reduction in outlays would be experienced.

With respect to legislative initiatives of the Congress for fiscal year 1979, the Committee believes improvements need to be made in medicare to close certain existing gaps in coverage and to eliminate certain defects in the benefit structure that may result in hardships for bene-

ficiaries when they become sick or disabled; e.g., elimination of the 24-month medicare waiting period for reentitled disabled; coverage of services needed outside the United States, improved coverage of ambulance, durable medical equipment, and home health services. Thus, the Committee recommends that the fiscal year 1979 budget anticipate enactment of legislation that would increase outlays by $100 million for improvements in the medicare program.

SUMMARY OF HEALTH RECOMMENDATIONS

[In millions of dollars]

Functional category	Major program or initiative	President's request		Committee recommendation		Difference	
		Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
550	End-Stage Renal Disease Amendments (H.R. 8423)		7		−12		−19
550	Hospital cost containment (H.R. 6575)		−630		−680		−50
550	Mandate of common audits		−6		−6		
550	Improvements to Medicare program		0		100		+100
550	Medicare program	31,703	30,039	31,703	30,039		
	Total	31,703	29,410	31,703	29,441	0	+31

4. SOCIAL SECURITY

Administration's Savings Proposals

According to the President's budget, under present law fiscal year 1979 revenues into the social security (OASDI) trust funds are estimated to be $100.1 billion, and outlays are estimated to be $103.7 billion, leaving a deficit of $3.6 billion.

As outlined in Format III, the President's budget recommends four legislative changes in the social security program that would reduce trust fund expenditures by $630 million in fiscal year 1979, and a recommendation to increase reimbursement to the Social Security Administration for services it performs under the provisions of the Employee Retirement Income Security Act of 1974 so as to pay the full cost of the services performed ($14 million).

The major impact of the Administration's cost savings proposals would be: (1) to eliminate the social security minimum benefit for new beneficiaries; (2) to reduce entitlement to retirement and dependents' benefits by starting them one month later than under present law; (3) to reduce the period that benefits can be paid retroactively before application is made from 12 months to 3 months; and (4) to limit payments to child beneficiaries age 18 or over who are full-time students to the maximum payment made under the Basic Educational Opportunities Grants program. Each of these proposals is controversial. One of them (the limit on students' benefits) was rejected in the consideration of the Social Security Amendments of 1977. Other proposals (including eliminating the minimum benefit and reducing retroactive payments to 3 months) would change the policy on issues that were considered and modified in the recently enacted Social Security Amendments of 1977.

The Committee considered and discussed each of the proposals recommended by the President for reduced trust fund expenditures. Without passing final judgment on any of these proposals, the Committee concluded that it would be unrealistic to expect enactment of any of these four savings proposals. Thus, the Committee recommends that the fiscal year 1979 budget not anticipate enactment of these four savings proposals relating to the social security trust funds.

The Committee does recommend, however, that the fiscal year 1979 budget anticipate the $14 million savings relating to reimbursing the Social Security Administration for its full costs associated with its duties performed pursuant to the Employee Retirement Income Security Act of 1974.

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Additional Comments for the Appropriations and Budget Committees

It has come to the attention of the Committee through oversight activities of the staff of the Social Security Subcommittee that some aspects of essential quality assurance in the social security disability program have been neglected because of insufficient resources. This may be having a significant effect on the awarding of disability benefits and the cost of the program. It is essential that when substantial deficiencies in a State agency operation are uncovered that such a State be more closely monitored by the Federal agency through the review of a higher percentage of cases, perhaps, even on preadjudicative basis. Also, the Committee wishes to make sure that there is no reduction from the 5 percent sample of title II cases by the Social Security Administration. There is evidence that a full sample has not been met consistently in the past, and there are even strong indications that the sample size should be increased. Some States have complained that insufficient returns have lessened the value of the Federal review, and certainly less than a full sample adversely affects the statistical validity of quality assurance findings. Similarly, the Committee wishes to be assured that the State agency quality assurance units are fully staffed and with adequate medical support, and that more effective supervisory review and other elements of quality assurance be in place in accordance with the Federal directives (FAL–107). Thus, the Committee urges that both the Appropriations and Budget Committees in examining the amount of administrative expenses for the Social Security program be sure that an adequate allowance is made for title II disability insurance quality assurance activities at both the Social Security and the State agency level.

The Administration has requested new appropriation act language to enable the Social Security Administration to have a single consolidated appropriation account to carry out the administrative aspects of a number of welfare programs which have been transferred to it under the reorganization of the Department of Health, Education, and Welfare (March 1977) and its administrative responsibilities under the Black Lung legislation. The social security trust funds would be fully reimbursed for any advances to these programs with interest. This appropriation language follows the precedent set in the Social Security Amendments of 1972 for advances for SSI administrative expenses but, as submitted in the budget, does not contain a provision in the 1972 Amendments to the effect that such authority would expire after any fiscal year for which advances from the trust funds, plus lost interest, had not been repaid. The Acting Commissioner of Social Security has agreed to submit legislation for these programs identical to that for the SSI program to the Subcommittee on Social Security for enactment into law, and the Committee requests that the provision not be included in the HEW appropriations act until the Subcommittee has had an opportunity to examine and consider such proposed legislation and consult with the Appropriations Committee as to the appropriate manner of enacting such legislation.

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SUMMARY OF SOCIAL SECURITY RECOMMENDATIONS

[In millions of dollars]

Functional category	Major program or initiative	President's request		Committee recommendation		Difference	
		Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
600	Elimination or freeze of minimum benefit		−254		0		+254
600	Reduction in entitlement to retirement and dependents' benefits		−138		0		+138
600	Limitation on retroactive payments		−121		0		+121
600	Limitation on student benefits		−117		0		+117
600	Reimbursement to Social Security Administration for costs relating to ERISA		−14		−14		
600	Federal old-age and survivors trust fund	86,407	[1]87,866	86,407	[1]87,866		
600	Federal disability insurance trust fund	15,108	14,943	15,108	14,943		
600	Railroad interchange	−1,377	−1,377	−1,377	−1,377		
	Total	100,138	[1]100,788	100,138	[1]101,418	0	+630

[1] Excludes $2,280,000,000 for limitation on administrative expenses appropriated by the House Appropriations Committee.

5. OTHER

Crude Oil Equalization Tax Rebates to Non-Taxpayers

The President's fiscal year 1979 budget anticipates enactment of the crude oil equalization tax (COET), with a rebate of COET revenues through income tax refunds to taxpayers and direct payments to individuals who do not pay Federal income tax. The President's budget includes budget authority and outlays of $1.333 billion for direct payments of COET revenues to individuals who do not pay income tax. The Committee anticipates that a crude oil equalization tax, if enacted, would not be effective prior to July 1, 1978. Thus, the Committee recommends that the budget authority and outlays in the President's budget be reduced by $900 million.

Taxable Bond Option

The President's tax program includes a proposal to permit State and municipal governments to elect to issue taxable bonds with a Federal interest subsidy of 35 percent for obligations issued during 1979 and 1980, and a 40-percent interest subsidy for obligations issued thereafter. The President's fiscal year 1979 budget includes budget authority of $7.094 billion and outlays of $99 million for a taxable bond option. The Committee recommends inclusion of this budget authority and outlays in the fiscal year 1979 budget for a taxable bond option which will be carefully considered by the Committee during its deliberations on the President's tax program. In 1976, the Committee reported a bill with a taxable bond option that is substantially similar to the President's proposal.

SUMMARY OF OTHER RECOMMENDATIONS

[In millions of dollars]

Functional category	Major program or initiative	President's request		Committee recommendation		Difference	
		Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
600	U.S. Tax Court Judges' Survivors Annuity Fund	110	44	110	44		
600	Crude oil equalization tax rebates	1,333	1,333	433	433	−900	−900
850	Taxable bond option	7,094	99	7,094	99		
	Total	8,537	1,476	7,637	576	−900	−900

III. REVENUES AND CUSTOMS RECEIPTS

REVENUES

Under present law, fiscal year 1979 revenues are estimated to be $472.2 billion. This revenue estimate assumes the absence of tax legislation either (1) extending various provisions that would otherwise expire at the end of calendar year 1978 or (2) increasing or reducing fiscal year 1979 revenues.

The President's fiscal year 1979 budget recommends that revenues be reduced by $32.6 billion to a level of $439.6 billion. The President's recommendation assumes (1) extension of several provisions expiring at the end of 1978 and (2) enactment of proposals relating to tax reduction and reform, energy and several miscellaneous items.

Section 301 of the Congressional Budget Act requires the Committee on Ways and Means to recommend an appropriate level of Federal revenues for fiscal year 1979 and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased. Section 301 does not require the Committee to identify or speculate on specific tax proposals that may ultimately be approved affecting fiscal year 1979 revenues. Such an exercise would be impractical and premature.

The Committee deliberated at length the issue of the appropriate level of revenues for fiscal year 1979, and the appropriate aggregate reduction in revenues for the fiscal year. The Committee recommends that the fiscal year 1979 budget anticipate enactment of legislation that would reduce fiscal year 1979 revenues by $35.2 billion, thus providing a revenue floor of $437 billion for the fiscal year.

[In billions of dollars]

	Present law	President's budget	Committee's recommendation
Fiscal year 1979 revenues	472.2	439.6	437.0
Aggregate revenue reduction		32.6	35.2

CUSTOMS RECEIPTS

Changes in Customs Revenue

For fiscal year 1979, customs receipts are estimated at $6.4 billion, up from $5.8 billion in fiscal year 1978. Import fees on crude oil and petroleum products also are in the nature of customs duties, and receipts from import fees on crude oil and petroleum products are estimated at $160 million for fiscal year 1979.

The Subcommittee on Trade annually considers small tariff bills of limited product scope designed to correct anomalies and distortions in the operation of the tariff laws or to remove a tariff on raw materials no longer available or on products no longer made in the United States. The removal or temporary suspension of such tariffs is designed

to make American producers and workers more competitive by improving their access to lower cost materials and to eliminate unnecessary charges to the consumer in cases where the duty provides no protection nor serves any other purpose. These small tariff bills generally have minimal impact on customs receipts.[1] As a result of tariff laws of limited product scope enacted during the 93d and 94th Congresses, the average annual customs revenue loss was $2.9 million. The small tariff bills enacted in 1977, which incorporated the provisions of 21 different bills, had a combined annual revenue loss of approximately $10,720,000. Four tariff bills which passed the House and are still pending before the Senate have an estimated potential revenue loss of $203,000 generally beginning in fiscal year 1978. Such losses are less than ⅛ of one percent of total customs receipts, which are less than 1/100 of one percent of total Federal budget receipts.

Effect of Individual Tariff Bills on Customs Receipts

In 1978, the Subcommittee on Trade plans to hold hearings and will probably report, and the Committee on Ways and Means will probably consider and report favorably, bills providing *new* duty suspension or duty-free entry of limited product scope. Nine such bills have been introduced and referred to the Subcommittee. If each is enacted, it is estimated they could result in a loss of customs revenue of no more than $4.46 million for fiscal year 1979.[2] Another six bills involve *continuation* of duty suspensions scheduled to expire June 30, 1978, and failure to enact such bills could result in a gain in customs revenue. The estimated annual cost of continuing these suspensions is $2.74 million. In addition, other, meritorious bills may be introduced in the near future or the Subcommittee may want to report favorably bills which it passed over without prejudice last year. Thus, some additional allowance for customs loss should be provided.

Contingency estimate.—Based on the above, it is estimated that tariff legislation could result in revenue losses in fiscal year 1979 of $10 million, and for fiscal years 1980–83, the revenue changes resulting from tariff bills would average an estimated $10 million per year.

Import Fees on Crude Oil and Petroleum Products

In fiscal year 1976, $1.9 billion in import fees on crude petroleum and petroleum products was collected, as compared with an estimated −$13 million in fiscal year 1977 and +$39 million in 1978.[3] Should major energy legislation result in substantial import levies on crude oil and petroleum, the revenue impact would be slightly less than $30 million for each cent per barrel of petroleum imports. Should energy legislation involve import quotas, there could be revenue losses, the magnitude of which cannot be estimated at this time.

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[1] Regarding the reporting requirements of the Congressional Budget Act of 1974 regarding "tax expenditures," it has been determined that legislated exceptions or exemptions from customs duties are not to be considered as "tax expenditures" since the revenue losses do not involve a special exclusion, exemption, or deduction from gross income or do not involve a special credit, a preferential rate of tax, or a deferral of tax liability.

[2] Based on the assumption that concurring Senate action will take place prior to Oct. 1, 1978.

[3] Due to the reduction and/or removal of some import fees imposed by the President early in 1976.

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Customs Revenue Resulting From Congressional Procedures With Respect to Presidential Action

Under chapter 5 of title I of Public Law 93–618, the Trade Act of 1974, Congress established certain procedures with respect to certain Presidential actions in the trade area. These provisions anticipate automatic consideration by both Houses of Congress of bills and resolutions implementing, approving, or disapproving certain actions by the President, and in one instance the Secretary of the Treasury, which could have a customs revenue effect.

It is not possible to indicate at this time whether the Congress will be called upon to approve an implementing bill or approval resolution with respect to one or more trade agreements submitted to the Congress under section 102 of the Act involving customs revenues during fiscal year 1979. The various Multilateral Trade Negotiation proposals relating to tariff reductions generally propose a post-1979 date for the beginning of reductions.

The Trade Act of 1974 provided for the waiver of countervailing duties through January 4, 1979 in an effort to encourage multilateral trade negotiations on the question of the control of trade-distorting subsidies. During the past 4 years, the President has waived the collection of countervailing duties on a number of items, primarily food products from Europe. It is unclear at this time whether the Multilateral Trade Negotiations will result in a code on subsidies which will make the collection of these duties unnecessary or whether the Administration, for further negotiating purposes, will request an extension of the waiver authority. If the waiver authority expires, duty receipts on a number of items would be increased, unless action is taken to eliminate the foreign subsidies, nullifying the need for the application of countervailing duties.

It is also not possible to indicate at this time whether the Congress will be asked to consider a resolution approving the extension of nondiscriminatory treatment to a non-market-economy (Communist) country. It is unlikely, however, that should such an approval resolution be considered favorably that the customs revenue consideration (resulting from the application of lower rates of duty to imports from the country involved) would be significant in terms of the overall budget impact.

It is also not possible to indicate whether the President will ask the Congress to extend beyond July 3, 1978, the Trade Act title IV freedom of emigration waiver, which allows extension of nondiscriminatory (most-favored-nation) treatment to imports of products from Romania. In view of continuing uncertainty of developments in Romania, the Subcommittee on Trade will be examining any extension of the waiver very closely. Should the Congress not extend the waiver (resulting in withdrawal of MFN treatment on imports from Romania), TSUS column 2 tariff rates would be restored. In the first full year of their application, it is estimated that revenues would be increased by approximately $10 million.

In terms of resolutions disapproving certain actions by the President under the Trade Act of 1974, it is not possible to anticipate the amount of customs revenue, if any, which may be involved in such action by the Congress.

As indicated above, the automatic consideration of resolutions disapproving certain actions authorized under the Trade Act of 1974 and other trade statutes is required under section 152. The Act provides for such disapproval resolutions which could have a customs revenue impact in terms of:

Actions by the President to provide import relief under section 203 of the Trade Act (currently, for example, actions relating to ferrochromium and ferrous fasteners are pending before the Subcommittee);

Actions taken by the President under section 301 of the Trade Act relating to certain trade practices of foreign governments;

Actions by the Secretary of the Treasury under section 303 of the Tariff Act of 1930 (the countervailing duty provision).

Further decisions on cases currently pending in the courts challenging the Secretary of the Treasury's interpretation of the countervailing duty law and any legislative action that might be required could have a revenue impact. In general, it is anticipated that the customs revenue impact of the implementing bills, approval resolutions, and disapproval resolutions provided for in sections 151–153 will not be significant in terms of the overall budget in fiscal year 1979.

The above circumstances suggest, however, that consideration be given to an amendment in the requirements of the Congressional Budget Act which would in effect provide for special treatment of actions by the House, which cannot be anticipated in advance, under sections 151–153 of the Trade Act of 1974.

IV. DEFICIT

Table A. SUMMARY
COMPOSITE EFFECT OF RECOMMENDATIONS ON FISCAL YEAR 1979 BUDGET DEFICIT

	Billions of dollars
A. Decreased fiscal year 1979 revenues attributable to recommendations	2.600
B. Increased fiscal year 1979 outlays attributable to recommendations	.643
Total effect on fiscal year 1979 budget deficit	+3.243

Table B. REVENUES
COMPOSITE EFFECT OF RECOMMENDATIONS ON FISCAL YEAR 1979 REVENUES

[In billions of dollars]

	President's request	Committee's recommendation	Difference
Fiscal year 1979 revenues	439.6	437.0	−2.6

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Table C. OUTLAYS

COMPOSITE EFFECT OF RECOMMENDATIONS ON FISCAL YEAR 1979 OUTLAYS

[In millions of dollars]

	President's request		Committee recommendation		Difference	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
1. Trade	1,056.831	1,006.727	1,161.881	1,111.777	+105.050	+105.050
2. Public Assistance and Unemployment Compensation	17,655.000	11,030.000	19,032.000	11,807.000	+1,377.000	+777.000
3. Health	31,703.000	29,410.000	31,703.000	29,441.000	0	+31.000
4. Social Security	100,138.000	100,788.000	100,138.000	101,418.000	0	+630.000
5. Other	8,537.000	1,476.000	7,637.000	576.000	−900.000	−900.000
Total	159,089.831	143,710.727	159,671.881	144,353.777	+582.050	+643.050

NOTE.—Details may not add to totals due to rounding.

V. PUBLIC DEBT LIMIT

PUBLIC DEBT LIMIT

Under present law, the public debt limit consists of a permanent limitation of $400 billion and a temporary limitation of $352 billion, effective through March 31, 1978. The President originally recommended an increase of $29 billion, i.e., from $752 to $781 billion, in the public debt limitation for the second half of fiscal year 1978. The President also recommended that the public debt limitation for fiscal year 1979 be increased by an additional $90 billion over the debt level of $781 billion projected for the end of fiscal year 1978.

On March 13, 1978, the Administration presented revised budget estimates to the Committee on Ways and Means for fiscal years 1978 and 1979. The Administration's revisions include a reassessment of fiscal year 1978 outlays based on reports of actual spending in recent months. Specifically, the revisions indicate that fiscal year 1978 outlays are estimated to be approximately $9 billion less than previously projected. In view of these revised budget estimates, the Administration now recommends that the public debt limitation be increased by $22 billion, from the present level of $752 billion to $774 billion through the end of fiscal year 1978, September 30, 1978. In addition, the Administration recommends that the public debt limitation be increased by an additional $89 billion from $774 billion to $863 billion for fiscal year 1979.

The Administration's revised budget estimates were supplied to the Committee subsequent to the consideration of its recommendations to the House Budget Committee on the fiscal year 1979 budget. Thus, the Committee is not in a position to recommend a specific level of public debt for fiscal year 1979. However, the Committee has approved legislation (H.R. 11518) to extend the present public debt limitation of $752 billion beyond its March 31, 1978, expiration date to July 31, 1978. This action by the Committee is consistent with the Administration's revised budget estimates which indicate that the present $752 billion limitation would be sufficient for this period.

VI. TAX EXPENDITURES

ESTIMATES OF TAX EXPENDITURES

Introduction

This report on tax expenditures is published as part of the report by the Joint Committee on Taxation to the Committees on the Budget. As in the case of earlier reports,[1] the estimates in this report also were prepared with the extensive assistance of the staff of the Office of Tax Analysis in the Treasury Department. The first two reports were prepared in compliance with the request by the conferees on the Revenue Act of 1971 that tax expenditure data be submitted regularly to Congress by the Joint Committee staff. The last report was published one year ago for submission to the Committees on the Budget.

In January, the Administration published its estimates of tax expenditures for fiscal years 1977–1979 in Special Analysis G of the Budget for fiscal year 1979.[2]

This report covers fiscal years 1978–1983. The tax expenditure items included in this pamphlet and in Special Analysis G are identical. Differences between the special analysis and this report over the inclusiveness of the list have been resolved. The tax expenditure report by the Congressional Budget Office (CBO) (which will be published shortly) also will contain the same listings. The staff of the Joint Committee generally has made its estimates in terms of the provisions in present law (as of December 31, 1977) and assumed that the expiration dates will not be extended or otherwise modified and no other changes will be made in the present law.

The concept of tax expenditures

Tax expenditure data are intended to show the cost to the Federal Government, in terms of revenues it has foregone, from tax provisions that either have been enacted as incentives for the private sector of the economy or have that effect even though initially having a different objective. The tax incentives usually are designed to encourage certain kinds of economic behavior as an alternative to employing direct expenditures or loan programs to achieve the same or similar objectives. These provisions take the form of exclusions, deductions, credits, preferential tax rates, or deferrals of tax liability. Tax expenditures also are analogous to uncontrolled expenditures made through individual entitlement programs because the taxpayer who can meet the criteria specified in the Internal Revenue Code may use the provision indefinitely without any further action by the Federal Government. This is possible because provisions in the Internal Revenue Code rarely have expiration dates that would require specific

[1] Committees on Ways and Means and Finance, *Estimates of Federal Tax Expenditures*, October 4, 1972, June 1, 1973, July 8, 1975, March 15, 1976, and March 15, 1977.

[2] "Tax Expenditures," Special Analysis G, *Special Analyses of the Budget of the United States Government for Fiscal Year 1979*, pp. 148–174.

congressional action to continue the availability of the tax provision. For many provisions, the revenue loss is determined by the taxpayer's level of income and his tax rate bracket. From the viewpoint of the budget process, fiscal policy and the allocation of resources, uncontrollable outlays or receipts restrict the range of adjustments that can be made in public policy. One of the initial purposes of the enumeration of tax expenditures was to provide Congress with the information it would need to select between a tax or an outlay approach to accomplish a goal of public policy.

The staff followed the definition of tax expenditures developed in the legislative process that produced the Budget Control Act. Included in this report as tax expenditures are virtually all tax provisions which have been characterized as tax expenditures under almost any of the prior listings by other sources. As a result, listing an item as a tax expenditure in this report is a part of a process of providing information, and the listing becomes a catalog of past public policy decisions accompanied by estimates of their effects upon budget receipts. No judgment is made, nor any inference intended, about the desirability of any specific provision as public policy or about the effectiveness of the tax approach relative to other methods of achieving the particular public policy goals desired.

In this report, a tax expenditure is described as a tax incentive that departs from simply allowing the taxpayer to deduct from gross income the costs incurred in earning net income. Under this concept, deductions are allowed for current expenditures which are directly related to the process of earning income, and therefore these expenditures are not treated as tax expenditures. These deductions also may be treated as business costs, and they are deducted on returns filed by corporations, partnerships and individual proprietorships. On the other hand, capital costs by their nature are not incurred entirely in one year. The basic tax provision allows depreciation ratably (i.e., straight-line depreciation) over the useful life of the capital asset, but tax law also permits accelerated depreciation to provide investors with faster capital recovery through shorter lives and/or faster rates of depreciation. Such faster tax treatment of capital costs is classified as a tax expenditure; in this report, those items appear as various types of accelerated depreciation: asset depreciation range (ADR), depreciation in excess of straight-line, percentage depletion allowances (in excess of cost depletion), and current expensing of costs that otherwise would be capitalized.

Individuals who are employees—and do not carry on their own businesses—have analogous business-type deductions which also are not classified in this report as tax expenditures. The expenses also are costs which are incurred in earning net income, e.g., the cost of his tools that a mechanic uses. Most other deductions which individuals take on their tax returns represent personal consumption expenditures. These deductions reflect public policy decisions to facilitate specific types of consumption spending and are therefore generally classified here as tax expenditures. An exception to this rule is made for general personal exemptions and the standard deduction[3] which have not

[3] The minimum standard allowance and the percentage standard deduction were repealed by the Tax Reduction and Simplification Act of 1977, and the standard deduction of $2,200 for single taxpayers and $3,200 for joint returns by married couples was enacted to replace them and was built into the tax structure as the zero bracket amount.

been treated as tax expenditures in any analysis of the subject or in the Budget Control Act. Individual tax expenditures also include various kinds of income, e.g., social security payments to the aged, dependents and survivors, which are tax-exempt income but would become components of adjusted gross income from which taxable income is derived in the absence of the tax exemption. It should be noted in this context that the Administration has proposed to include unemployment compensation in the income of taxpayers with adjusted gross income from all sources (including unemployment compensation) greater than $20,000 for single taxpayers and $25,000 for married taxpayers.

A number of tax provisions are not treated as tax expenditures. The general tax rate structure is not part of tax expenditure analysis: the structure of graduated tax rates and taxable income brackets in the individual income tax and separate tax structures for single persons, married persons filing separately, heads-of-households and income splitting for married persons. Other such items are the personal exemption—one per taxpayer and each dependent—and the standard deduction. On the other hand, included as tax expenditures are the additional personal exemptions for the aged and blind and itemized personal deductions.

In the business tax area, the combined corporate normal and surtax tax rate is considered to be the general tax rate structure and is not classified as a tax expenditure. The surtax exemption is treated as a departure designed to benefit small corporations, and therefore it is treated as a tax expenditure.

There is no provision for negative tax expenditures, and no provisions are classified as disincentives. Thus, the corporate surtax rate is treated as the basic provision and not a departure from the normal tax. The limitation on the deduction of a net long-term capital loss is a limit to the incentive made available through the special treatment for capital gains.

Imputations of income in kind received from the services of durable assets are not treated as income in the tax code and are not here classified as tax expenditures. They might be considered as income under other concepts of income for tax purposes. Measurement of the imputed income-in-kind would be a formidable task. The imputed income from an owner-occupied home is the most prominent of these items, and among the others are the income that could be imputed to household furniture and appliances, books and art collections and automobiles. Food stamps are a form of income in kind that also is omitted from this listing.

Foreign tax credits are not classified here as tax expenditures since they are generally considered as the way of taking into account the interrelationship of domestic and foreign tax systems. In addition, this analysis does not attempt to go behind the current legal interpretation and attribution of payments by U.S. corporations to foreign governments as taxes (e.g., it does not attempt to treat any such payments as royalties as in the case of oil income), when the payments are designated in that way by those governments.

Measurement of tax expenditures

Estimates of tax expenditures are difficult to determine and are subject to important limitations.

Each tax expenditure is measured in isolation. The amount of the deduction is added back in the calculation of taxable income, which raises its level. The difference in tax liabilities as estimated under present law including the tax expenditure and this new higher level of tax liabilities is taken as the amount of the tax expenditure. For this computation and in keeping with the general practice of revenue estimating, it is assumed that nothing else changes.

Some further observations on these estimating problems follow.

First, if two or more items were to be eliminated, the result of the combination of changes being made at the same time might produce a lesser or greater revenue effect than the sum of the amounts shown for each item separately. This is why totals are not shown for table 1, except in a footnote.

Second, in some cases if a tax expenditure item were to be eliminated, it is possible that Congress would, at least to some extent, desire to deal with the underlying problem by a direct expenditure or loan program. The effect of any such program is not taken into account in the estimates shown. A direct expenditure could become a tax expenditure if it takes the form of a payment to an individual or business that is not included in income subject to taxation. In addition, if some of these provisions were removed from the tax laws, this removal might be accompanied by revisions in tax rates, personal exemptions or the standard deduction, as has happened in the past. Other fiscal and monetary policies might be adopted to offset a tax change. None of these possibilities has been taken into account in the estimates.

Third, when tax expenditure items have been added to the tax law in the past, they did not become fully effective until the lapse of several years. As a result, the eventual annual cost of some items is not fully reflected until some time in the future. Conversely, if various items now in the law were to be eliminated, it is unlikely, in many cases, that the full revenue effects shown would be realized until an extended period of years had passed.

Fourth, differences in personal income levels and corporate profits can also account for differences in the cost of tax expenditure items from year to year. Thus, some tax expenditure items themselves may be larger or smaller from year to year, wholly independent of tax considerations.

Fifth, in the case of many of the items, especially those for which information is not available on tax returns, it is necessary to obtain information from whatever sources are available and to base the estimates on these sources.

Tax expenditures by functional category

To aid analysis of the economic benefits provided through the tax laws to various sectors of the economy, the costs (tax expenditures) and beneficiaries (in terms of area of activity) are grouped in table 1 in the same functional categories as outlays in the Federal budget. Where possible and relevant, estimates are shown separately for individuals and corporations. Some tax expenditures do not fit clearly into any of the budget functional categories, and they have been placed in the functional category which is the most appropriate. The Office of Management and Budget, the Congressional Budget Office and the Joint Committee staff concur on these placements.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY FUNCTION AND SUBFUNCTION[1]

(Fiscal years, in millions of dollars)

Function and subfunction	Corporations						Individuals					
	1978	1979	1980	1981	1982	1983	1978	1979	1980	1981	1982	1983
National defense:												
Exclusion of benefits and allowances to Armed Forces personnel							1,260	1,370	1,470	1,585	1,715	1,850
Exclusion of military disability pensions							115	120	130	135	145	150
International affairs:												
Exclusion of income earned abroad by U.S. citizens							360	385	415	475	510	550
Deferral of income of domestic international sales corporations (DISC)	1,135	1,335	1,525	1,630	1,700	1,830						
Deferral of income of controlled foreign corporations	615	665	720	775	835	905						
Special rate for Western Hemisphere trade corporations	25	15	5									
General science, space, and technology:												
Expensing of research and development expenditures	1,450	1,520	1,610	1,695	1,715	1,635	30	30	35	35	35	35
Energy:												
Expensing of exploration and development costs	885	965	1,080	1,185	1,265	1,360	300	300	360	420	480	545
Excess of percentage over cost depletion	1,120	1,210	1,310	1,400	1,485	1,570	340	370	405	430	435	440
Capital gains treatment of royalties on coal	15	15	20	20	20	20	50	60	70	75	85	95
Natural resources and environment:												
Exclusion of interest on State and local government pollution control bonds	220	265	300	330	355	390	110	130	145	160	175	185
Exclusion of payments in aid of construction of water and sewage utilities	10	10	10	10	10	10						
5-yr amortization on pollution control facilities	−130	−45	40	130	180	140						
Tax incentives for preservation of historic structures		5	5	5	5	5	(2)	5	5	10	10	10
Capital gains treatment of certain timber income	205	230	250	275	300	335	60	65	70	80	85	95
Capital gains treatment of iron ore	5	10	10	10	10	10	5	10	10	10	10	10
Agriculture:												
Expensing of certain capital outlays	70	75	80	80	85	85	445	460	480	495	515	530
Capital gains treatment of certain ordinary income	10	10	10	15	15	15	350	365	385	405	425	450
Deductibility of noncash patronage dividends and certain other items of cooperatives	490	525	560	595	635	675	−175	−185	−190	−200	−210	−220
Commerce and housing credit:												
Dividend exclusion							475	505	530	560	590	620
Exclusion of interest on State and local industrial development bonds	235	270	315	355	400	445	115	135	155	175	195	220
Exemption of credit union income	80	90	100	115	125	140						
Excess bad debt reserves of financial institutions	705	790	930	1,025	1,040	1,085						
Deductibility of mortgage interest on owner-occupied homes							4,985	5,530	6,140	6,815	7,565	8,395
Deductibility of property tax on owner-occupied homes							4,665	5,180	5,750	6,385	7,085	7,865
Deductibility of interest on consumer credit							2,120	2,350	2,610	2,895	3,215	3,565
Expensing of construction period interest and taxes	500	525	555	585	615	645	140	90	145	165	205	230

See footnotes at end of table.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY FUNCTION AND SUBFUNCTION [1]—Continued

Function and subfunction	Corporations						Individuals					
	1978	1979	1980	1981	1982	1983	1978	1979	1980	1981	1982	1983
Commerce and housing credit:												
Excess first-year depreciation	45	50	50	55	55	60	145	155	165	170	180	190
Depreciation on rental housing in excess of straightline	70	70	70	75	80	85	300	290	290	300	315	335
Depreciation on buildings (other than rental housing) in excess of straight line	140	130	115	110	105	105	125	115	105	95	90	95
Asset depreciation range	2,245	2,640	3,120	3,625	4,155	4,725	115	135	165	190	215	245
Capital gains (other than farming, timber, iron ore, and coal)	540	575	635	705	780	865	7,430	7,990	8,585	9,230	9,925	10,665
Deferral of capital gains on home sales							935	980	1,030	1,080	1,135	1,195
Capital gains at death							8,120	8,975	9,910	10,945	12,090	13,535
Corporate surtax exemption	3,885	3,540	2,905	3,005	3,225	3,480						
Investment credit	10,735	12,320	13,650	13,085	11,400	11,410	2,390	2,725	3,020	2,980	2,620	2,745
Transportation:												
Deductibility of nonbusiness State gasoline taxes							760	840	935	1,035	1,150	1,275
5-yr amortization on railroad rolling stock	−40	−40	−40	−40	−40	−35						
Deferral of tax on shipping companies	105	85	70	60	55	45						
Community and regional development:												
5-yr amortization for housing rehabilitation	5	5	5	(2)	(2)	−5	10	5	5	(2)	(2)	−5
Education, training, employment and social services:												
Exclusion of scholarship and fellowship income							295	330	355	385	415	450
Parental personal exemption for students age 19 or over							770	790	815	840	865	890
Exclusion of employee meals and lodging (other than military)							300	325	350	380	410	445
Exclusion of contributions to prepaid legal services plans							10	15	20	35	50	60
Investment credit for employee stock ownership plans (ESOP's)	255	305	330	190								
Deductibility of charitable contributions (education)	255	285	315	350	380	410	585	645	720	795	885	980
Deductibility of charitable contributions to other than education and health	315	350	390	430	470	510	4,370	4,855	5,385	5,980	6,635	7,365
Maximum tax on personal service income							665	800	955	1,150	1,375	1,655
Credit for child and dependent care expenses							525	575	635	695	765	840
Credit for employment of AFDC recipients and public assistance recipients under work-incentive programs	15	20	20	20	20	20						
New jobs tax credit	1,475	1,035	215	110	55	35	985	860	(2)	(2)	(2)	(2)
Health:												
Exclusion of employer contributions for medical insurance premiums and medical care							6,340	7,225	8,240	9,390	10,705	12,205
Deductibility of medical expenses							2,435	2,655	2,895	3,155	3,435	3,745
Expensing of removal of architectural and transportation barriers to the handicapped	10	10	(6)	(2)	(2)	(2)						
Deductibility of charitable contributions, (health)	160	175	195	215	235	255	875	970	1,075	1,195	1,330	1,475

Income security:												
Exclusion of social security benefits:												
Disability insurance benefits							550	605	685	760	840	925
OASI benefits for retired workers							4,210	4,700	5,165	5,670	6,205	6,735
Benefits for dependents and survivors							950	1,040	1,160	1,275	1,395	1,515
Exclusion of railroad retirement system benefits							265	280	295	305	315	325
Exclusion of workmen's compensation benefits							835	970	1,115	1,285	1,475	1,695
Exclusion of special benefits for disabled coal miners							50	50	50	50	50	50
Exclusion of unemployment insurance benefits							1,200	1,135	1,090	1,015	950	905
Exclusion of public assistance benefits							345	360	380	395	410	430
Exclusion of sick pay							75	60	65	65	70	75
Net exclusion of pension contributions and earnings:												
Employer plans							9,940	11,335	12,925	14,740	16,815	19,175
Plans for self-employed and others							1,650	1,920	2,205	2,535	2,915	3,355
Exclusion of other employee benefits:												
Premiums on group term life insurance							905	955	1,010	1,065	1,120	1,185
Premiums on accident and disability insurance							75	80	85	85	95	100
Income of trusts to finance supplementary unemployment benefits							10	10	10	10	10	10
Exclusion of interest on life insurance savings							2,025	2,225	2,450	2,705	2,980	3,290
Exclusion of capital gains on home sales for persons age 65 and over							70	70	70	70	75	75
Additional exemption for elderly							1,155	1,215	1,275	1,340	1,405	1,475
Additional exemption for the blind							20	20	20	20	20	20
Deductibility of casualty losses							360	395	430	470	510	555
Tax credit for the elderly							250	255	255	255	255	255
Earned income credit:												
Nonrefundable portion							285	265				
Refundable portion							945	900				
Veterans benefits and services:												
Exclusion of veterans disability compensation							840	830	855	850	845	825
Exclusion of veterans pensions							40	40	40	40	35	35
Exclusion of GI bill benefits							200	170	150	130	110	95
General government:												
Credits and deductions for political contributions							60	75	60	85	85	90
General purpose fiscal assistance:												
Exclusion of interest on general purpose State and local debt	3,470	3,865	4,305	4,780	5,310	5,845	1,925	2,150	2,390	2,655	2,950	3,255
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline)							8,505	9,440	10,480	11,630	12,910	14,330
Tax credit for corporations doing business in U.S. possessions	485	520	565	610	660	710						
Interest:												
Deferral of interest on savings bonds							625	670	725	780	840	905

[1] All estimates are based on the Internal Revenue Code as of Dec. 31, 1977.

[2] Less than $2,500,000.

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SUM OF THE TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1978–83

[In millions of dollars]

	Corporations and individuals	Corporations	Individuals
Fiscal year:			
1978	124,415	31,815	92,600
1979	136,175	34,425	101,750
1980	146,571	36,356	110,215
1981	159,040	37,620	121,420
1982	171,265	37,740	133,525
1983	187,510	39,820	147,690

Note: These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in the table. The limitations on the use of the totals are explained in the text.

Source: Staffs of the Treasury Department and the Joint Committee on Taxation.

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U.S. House of Representatives
Ad Hoc Select Committee on
Outer Continental Shelf
Washington, D.C. 20515

March 14, 1978

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The Honorable Robert N. Giaimo
Chairman
House Committee on the Budget
214 House Annex #1
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to section 301 of the Congressional Budget Act of 1974, and in response to your letter of February 9, 1978, I am submitting herewith a report on the FY 1979 budgetary impact of the legislation before the Ad Hoc Select Committee on Outer Continental Shelf (OCS). Since the proposed legislation may pass by mid-FY 1978, and would be implemented as soon as possible, I am including the possible effects on the FY 1978 budget, i.e., through supplemental appropriation and potential revenue losses. In addition, long term projections are provided through FY 1982. Much of this budget analysis is based on a March, 1978, cost estimate prepared by the Congressional Budget Office.

The Select OCS Committee is a special body composed of Members from the Merchant Marine and Fisheries, Interior and Insular Affairs, and Judiciary Committees. Pursuant to H. Res. 97, which established the Committee for the 95th Congress, the Committee is:

> "to consider and report to the House on the bill H.R. 1614, . . . and on any related bill or matter or subject which the Speaker determines falls within the jurisdiction of the Select Committee . . ."

To date, only H.R. 1614, has been referred to the Select Committee; consequently, the following fiscal impact analysis is limited to this one bill. H.R. 1614 passed the House on February 2, 1978, by a vote of 291-91, after the incorporation of numerous amendments. Subsequently, the title of H.R. 1614 was amended to S. 9, the Senate companion bill, and sent to the Senate.

S. 9 is a bill designed to establish a policy for the management of oil and natural gas in the outer Continental Shelf, to protect the marine and coastal environment, to amend the Outer Continental Shelf Lands Act of 1953, and for other purposes.

The legislation is a comprehensive revision of the 25 year old Outer Continental Shelf Lands Act. It adds new responsibilities to the Department of Interior, the Department of Transportation, the Department of Justice, and other agencies. The bill would establish an offshore oil spill pollution fund to protect the marine and coastal environment. It would establish fishermen's gear compensation funds to provide funds for claims of damages to commercial fishing vessels, gear, or economic losses. Also, the bill would revise bidding and leasing procedures and disposition of revenues. Finally, the bill would provide grants to coastal states affected by OCS energy activities by amending the Coastal Zone Management Act of 1972.

Within the context of the instruction to Committee Chairmen, S. 9 falls into Format IV, entitled "Legislative Initiatives of Congress for FY 1979." In other words, it would establish a modern regime for the management of OCS oil and gas resources, which is in addition to items in the President's legislative proposals. It should be mentioned that the Administration does strongly support this legislation.

The following budgetary analysis shall be presented on a Title-by-Title basis.

Title I

This title provides findings and purposes with respect to managing the resources of the outer Continental Shelf and involves no specific costs.

Title II.

This part of the bill would have basically three cost effects. First, implementation costs for new responsibilities of various agencies. Second, initial revenue loss due to experimental bidding procedures and a revenue transfer for disposition of revenues. Third, the establishment of fishermen's gear compensation funds. In addition, a contingent liability will be discussed, if a lease were denied under certain circumstances.

Implementation Costs

Title II of the bill amends the Outer Continental Shelf Lands Act. These amendments vest a number of new responsibilities in the Department of Interior, the Department of Transportation, particularly the Coast Guard, the Department of Justice and the Federal Trade Commission.

The Secretary of Interior would be required to establish a national program for the leasing of the OCS, including the development of a five-year national leasing program and the implementation of new alternative bidding systems; to require exploration plans designed to determine the location, extent and characteristics of our offshore oil and gas resources; to review development and production plans submitted by lessees and recommendations submitted by coastal States; to maintain an OCS information program; to coordinate activities with affected States and other agencies; to prepare environmental impacts statements; and to conduct environmental studies (the Secretary of Interior is to employ the services of the Commerce Department to the maximum extent practicable). Additionally, there are a number of other administrative requirements contained in this Title, such as reporting requirements.

The enforcement of safety and environmental regulations is to be shared by the Secretary of Interior and the Coast Guard. The requirements on the Coast Guard, in the early years may be high, primarily for the purchase of new vessels, aircraft and other enforcement equipment.

Miscellaneous additional implementation costs are expected for the Departments of Justice and the Federal Trade Commission. The former with respect to advising the Secretary of Interior on anti-trust actions and possible involvements in litigation, and the latter because of its responsibility to consider and report on anti-competitive conditions.

TITLE II. - IMPLEMENTATION COSTS

(in millions of dollars)

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Interior Dept:					
Budget Auth.	-	-	-	-	-
Outlays	32	85	53	15	15

As Reported

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Coast Guard:					
Budget Auth.	-	-	-	-	-
Outlays	8.8	10.64	12.56	14.31	14.43
Miscellaneous:					
Costs of EPCA					
Budget Auth.	-	-	-	-	-
Outlays	.04	.1	.09	.12	.11
Total,	8.84	10.74	12.65	14.43	14.54
Outlays					

In the above table, it is assumed that implementation costs will be incurred for the second half of FY 1978, hence the cost estimates (as reported in House Report 95-590, p. 202) have been halved and added to the subsequent fiscal year, FY 1979. It is strictly possible that the above-mentioned agencies may not be able to gear up during FY 1978, but it is advisable to leave the door open for that possibility. It should be mentioned that the estimates for implementation costs provided by the Congressional Budget Office are substantially lower, due to the concern of that office with net budget impact only. Finally, S. 9 does not include authorization levels for implementation costs.

Revenue Loss

Section 205 of the bill provides a revision of bidding and lease administration. It authorizes the Secretary to lease public lands through several experimental, or new alternative bidding procedures, other than the traditional cash bonus system. The cash bonus system places a premium on front-end cash bids which gives an inherent advantage to the major oil companies. The new alternative bidding systems, such as the work commitment and net profit sharing systems, are intended to enhance competition in OCS activities and provide a fair return to the Government. These new systems will have the effect of decreasing Federal revenues at the initiation of the leasing stage, but will increase revenues down the road during the production phase. Since the delayed revenue increases from the new systems would occur after FY 1982, they are beyond the scope of this budget analysis. The Secretary, at his discretion, and unless he justifies a decision otherwise, is required to utilize the new alternate bidding systems for at least 20% and not more than 50% of the tracts leased annually. Under present law, the

Secretary may use the royalty bidding system in any lease sale. However, to date, use of this system has been minimal. Under the mandated alternatives, the Secretary can require fixed bonus, and royalty, net profit, or work commitment as the bidding option. If we assume that the new systems will be employed at the ceiling of 50%, and that the Secretary would not have used a royalty bidding system without this mandate, it may result in a decrease of one-half for the bonus revenues of this portion of the leases.

Section 206 of the bill provides for the disposition of revenues. It requires that beginning in FY 1979, 20%, up to a maximum of $200,000,000, of all OCS rentals, royalties, revenues, or other sums deposited in the Treasury shall be credited to the Coastal Energy Impact Fund established by section 308(h) of the Coastal Zone Management Act of 1972. This provision would have no net budget impact, but would result in a transfer of funds from the general Treasury to a specific fund for a different budget function. As estimated by the Congressional Budget Office, the budget impact of sections 205 and 206 during fiscal years 1978-1982 follows:

(in millions of dollars)

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Revision of Bidding and Lease Revenue Loss	200	300	300	300	400
Disposition of Revenues Revenue Loss	-	200	200	200	200
Revenue Transfer Coastal Energy Impact Fund	-	-200	-200	-200	-200
NET REVENUE LOSS	200	300	300	300	400

Fishermen's Gear Compensation Fund

Section 210 of the bill adds a new section 30 to the Outer Continental Shelf Lands Act to provide for the establishment in the Treasury of a Fishermen's Gear Compensation Fund to compensate fishermen for damages to fishing gear, vessels, and economic losses caused by OCS activities. The total amount of the fund is not to exceed $600,000.

The Secretary of Interior is authorized to establish and maintain area accounts for any area of the outer Continental Shelf, not to exceed $100,000. The funds are to be supported by collection of fees from lessees or permittees not to exceed $5,000 per lease per year. Establishment of the funds is discretionary with the Secretary. Thus, there may be no budget impact.

Contingent Liability

Section 210 adds a new section 25 to the Outer Continental Shelf Lands Act, dealing with OCS oil and gas development and production. This provision would impose a contingent liability upon the Federal Government if a lease were denied under certain circumstances. If a development plan were disapproved by the Secretary of Interior because of "exceptional geologic conditions in the lease area, exceptional resource values in the marine or coastal environment, or other exceptional circumstances "and the proposed plan could not be modified satisfactorily, the lessee may reapply for approval of the plan within a five-year period. Upon expiration of the five-year period, or sooner if requested by the lessee, the Secretary may cancel the lease if he continues to disapprove such plan. In this event, the lessee would be entitled to claim for compensation under the Constitution and other laws. Because of the five-year review period provided in the section, the technical realities of offshore drilling, and substantial investments made after obtaining a lease, it is highly improbable that any liability for the Federal Government will result from this section in FY 1978 or FY 1979.

Title III

Title III establishes an Offshore Oil Pollution Compensation Fund in the U.S. Treasury, at a minimum level of $100,000,000 not to exceed $200,000,000, except to permit any moneys recovered or collected on behalf of the fund to be paid into such fund. The fund is to be administered by the Secretary of Transportation and the Secretary of the Treasury. The fund is to be supported by a levy which may be modified, of up to 3 cents per barrel on oil produced from the outer Continental Shelf. Section 313 authorizes for administrative costs $10,000,000 for FY 1979, and $5,000,000, each for the two succeeding fiscal years. The estimated costs and revenues associated with Title III, as provided by the Congressional Budget Office are summarized below:

(by fiscal years, in millions of dollars)

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Auth. Level	-	10.0	5.0	5.0	-
Outlays (a)	-	4.6	10.0	5.0	3.4
Est. Net Fund Income (b)	-	6.5	13.0	6.0	6.4

(a) Est. administrative costs
(b) Est. receipts of fund less disbursements from fund

Title IV Amendments to the Coastal Zone Management Act

This title would amend the Coastal Zone Management Act of 1972, by providing grants to coastal States for the purpose of ameliorating adverse impacts resulting from exploration, development or production of energy resources.

Section 402 of the bill would amend the Coastal Zone Management Act of 1972 to provide grants to affected coastal States for the purpose of carrying out its responsibilities under the Outer Continental Shelf Lands Act. The amount of any such grant shall not exceed 80% of the cost of carrying out such responsibilities. For this purpose, $5 million is authorized for each fiscal year 1979-1983 for Section 308(c)(2) grants. Outlays were estimated by the Congressional Budget Office on the basis of the similar ongoing program as follows:

(by fiscal years, in millions of dollars)

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Auth. Level	-	5	5	5	5
Outlays	-	2	5	5	5

Title V

Title V contains miscellaneous provisions which may not result in any additional implementation costs.

Finally, it is the position of many Members of the Committee that S. 9 will result in better coordination of OCS activities and the avoidance of bureaucratic duplication.

This is particularly true in the area of environmental and safety regulations. However, improved coordination is most difficult to document and only through experience can such determinations be made. It should also be noted that the implementation estimates for early years will be higher than later years because of the initial start-up costs involved.

As Chairman of the Select OCS Committee, I request that the House Committee on the Budget include the amendments to the Outer Continental Shelf Lands Act in its consideration of the FY 1979 budget.

With kind regards, I remain,

Sincerely,



JOHN M. MURPHY
Chairman

JMM:tg

SECRET

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R78-521

U.S. HOUSE OF REPRESENTATIVES

PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

WASHINGTON, D.C. 20515

March 14, 1978

The Honorable Robert N. Giaimo
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

The attached classified report is submitted pursuant to Section 301 of the Congressional Budget Act of 1974 and H.Res. 658. This report represents the House Permanent Select Committee on Intelligence recommendations on the budget requirements for the U.S. National Foreign Intelligence Program and Intelligence-Related Activities for Fiscal Year 1979. The resources for these activities, although not identified as such, will also be included in the reports you will receive from certain of the standing committees.

The Program and Budget Authorization Subcommittee under the Chairmanship of Congressman Bill D. Burlison has held more than 50 hours of hearings on the FY 79 intelligence and intelligence-related budget. They are not yet complete, but that number of hours should give you an idea of the depth to which we are examining the budgetary needs of our intelligence and intelligence-related activities.

As you are aware, the last time the House addressed the question of whether or not certain budget figures for the intelligence activities of the U.S. Government should be made public, the House voted to keep them classified. Pursuant to that decision, and in accordance with H.Res. 658, the Committee has classified the attached report SECRET. Our Committee is instructed by H.Res. 658 to submit a recommendation whether to publish a total intelligence budget figure by the end of the 95th Congress and we have held hearings toward that end. In the meantime, I strongly urge that the Budget Committee treat the information as classified.

With every good wish, I am

Sincerely yours,

Edward P. Boland

EDWARD P. BOLAND
Chairman

Upon removal of enclosure(s) this document becomes UNCLASSIFIED.

Attachment

SECRET

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U.S. House of Representatives
Select Committee on Aging
Washington, D.C. 20515
TELEPHONE: (202) 225-9375

March 14, 1978

Honorable Parren Mitchell
Chairman
Human Resources Task Force
House Budget Committee
Washington, DC 20515

Dear Parren:

In response to a request from your Full Committee Chairman, Bob Giamo, I would be pleased to participate on behalf of the House Aging Committee in the Congressional budget process.

Your Task Force's allowing me to testify on two issues of prime concern to our committee, the need for specific budget authority for Medicare amendments to expand home health care, and the impact of the Administration's FY 1979 budget on the elderly would be greatly appreciated. I would only need ten minutes to address these issues. Perhaps such a brief time could be set aside at your upcoming hearing on March 22, as I understand this will be the last hearing you plan to hold on any subject prior to Committee action on this year's budget.

First, the expansion of home health alternatives to nursing homes is one of the highest priorities of the Aging Committee, which I have the privilege of serving as Chairman.

A recent report by the General Accounting Office, "Home Health -- The Need for a National Policy to Better Provide for the Elderly," has provided specific estimates of the cost of removing a number of restrictions on home care utilization under Medicare. GAO has determined that elimination of the visit limit, prior hospitalization, and homebound requirements as well as the addition of homemaker-chore services could be accomplished for a maximum of $192.5 million. Their report concludes that "the costs associated with these changes would not be prohibitive and could provide significant disincentives to institutionalization." Furthermore, in testimony before our Committee, GAO indicated that this amount does not include off-setting savings such as reduced expenditures for nursing home care under the Medicaid program that would result from expanding home care.

Your Task Force's providing specific budget authority for legislation to make these Medicare amendments (such as H.R. 10738) would be a major element in a long overdue shift to make non-institutional care more available and would be an important step forward in reversing the current institutional bias of federal health care programs. For example, in 1977, only four-tenths of 1 percent of the over $5 billion Medicaid spent for persons over 65 was for home health care, contrasted to 78 percent for care in nursing homes.

This custodial mentality ignores two basic facts: First of all, most elderly persons do not need to be in an institutions and very few want to leave their own homes, friends, and communities to go into an impersonal, regimented nursing home. Second, as the GAO report noted, "Until older people become greatly or extremely impaired, the cost of nursing home care exceeds the cost of home care."

Second, and at the same hearing, I would like the opportunity to address the impact of the elderly on the budget. As you know, in testimony before the House Budget Committee, HEW Secretary Joseph Califano recently quoted estimates by the "National Journal" claiming that spending for the elderly now comprises one-third of the federal budget.

These figures were not only inflated, they were extremely misleading. For example, Secretary Califano included in his estimate $90.2 billion worth of social security payments. Yet this ignores the fact that at least $20 billion out of this amount goes to persons receiving survior, dependent, or retirement payments who are under 65.

Similarly his estimates include all federal payments for Medicare, Civil Service retirement, and military retirement. Yet, Medicare provides health care to the disabled of all ages and people can retire from the Civil Service at 55 or from the military at an average age of 45 after 20 years of service. Thus, an additional $20 billion for these three programs was inaccurately labeled by the Secretary as spending for the elderly.

Your Task Force's hearing our committee's views on this critical issue would allow an opportunity to set the record straight and examine the real impact of the elderly on the federal budget.

My staff would be pleased to work closely with yours in developing any additional needed information for such a hearing.

With warmest personal regards, and

Believe me,

Always sincerely,

Claude Pepper
Chairman

CP:yrw

Enclosure

REPORT TO THE CONGRESS

(EXCERPTS)

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Home Health -- The Need For A National Policy To Better Provide For The Elderly

Until older people become greatly or extremely impaired, the cost of nursing home care exceeds the cost of home care including the value of the general support services provided by family and friends. However, for the greatly or extremely impaired, the value of services provided by family and friends becomes a dominant factor in their care and well-being. Thus, those greatly or extremely impaired elderly who live alone are the most likely to become institutionalized. The Congress should consider focusing the jobs to be created to assist the sick and elderly under the President's welfare reform proposal to those elderly who live alone and are without family support.

Because the States and HEW are experiencing considerable difficulty in coordinating the many Federal programs which offer home health benefits, HEW should develop for the Congress consideration a comprehensive national policy for the delivery of home health services.

HRD-78-19

DECEMBER 30, 1977

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

HOME HEALTH--THE NEED FOR A NATIONAL POLICY TO BETTER PROVIDE FOR THE ELDERLY

D I G E S T

The Department of Health, Education, and Welfare (HEW) administers the principal Federal programs which provide home health care. The main home health care programs that are medically oriented are Medicare and Medicaid. HEW is also responsible for administering various home care or in-home service programs which are authorized under the Social Security Act and the Older Americans Act.

HOME SERVICES COMPARED TO INSTITUTIONALIZATION

Until older people become greatly or extremely impaired, the cost for home services, including the large portion provided by families and friends, is less than the cost of putting these people in institutions. To put these same people in public institutions would cost the public more because public agencies are spending fewer dollars per person than are spent for institutional care. About 17 percent of those 65 years or over fall within the greatly or extremely impaired category and about one-third of them are in institutions. (See p. 20.) For them the value of supportive services provided by families and friends becomes so high that home care costs more than that provided by institutions.

As one becomes more impaired, the costs or values of home services increase and the proportion of care provided by families and friends also increases. At the "greatly impaired" level where the breakeven point in cost is reached, families and friends are providing over 70 percent of the value of services received by older people. Families and friends are providing about $287 per month in services for every $120 being spent by agencies. (See p. 18.)

At all levels of impairment the value of services provided by families and friends is

significantly higher than public agency costs. (See p. 16.) Older people who are greatly or extremely impaired and live alone have a high probability of institutionalization. Whereas those living with spouses or children do not. Thirty-one percent of those older people who are the greatly impaired or worse live alone. Of these people, 76 percent enter institutions. (See p. 20.)

The President's August 1977 welfare reform package includes a proposal for creating 200,000 public service jobs for providing home services for the elderly. These jobs could reduce welfare costs. If these jobs were focused toward meeting the needs of those elderly and sick who do not have supportive services of families and friends, the proposal could be a strong potential for providing an alternative to being placed in an institution.

COST IMPACT OF MAKING CHANGES TO HOME HEALTH PROGRAMS

Social Security Administration actuaries estimated the cost impact of proposed changes liberalizing the home health benefits under Medicare, such as eliminating the requirement that beneficiaries be confined to their homes and be in need of skilled care, limitations on the number of home visits, and the addition of homemaker services in fiscal year 1978.

In GAO's view, except for the removal of the skilled care requirement, the costs associated with these changes would not be prohibitive and could provide disincentives to institutionalization. In fact, a bill approved by the House of Representatives in September 1977 to encourage the use of less costly home dialysis for Medicare beneficiaries with kidney failure would eliminate the homebound requirement for one class of Medicare beneficiaries. (See p. 28.)

ACTIONS TAKEN ON GAO RECOMMENDATIONS

Most of the problems noted in GAO's 1974 report, "Home Health Care Benefits Under Medicare and Medicaid" have been alleviated by the

implementation of various provisions of the 1972 Amendments to the Social Security Act, and by better provider understanding, gained through experience, of Medicare's home health care requirements. (See p. 32.) However, officials of Federal, State, and private agencies stated that many physicians were unaware of the types of services being provided by home health agencies. (See p. 36.) States still have different requirements concerning the number of visits allowed under Medicaid. Florida has given unequal treatment to certain Medicaid recipients also eligible for Medicare coverage, which is contrary to HEW regulations and the State's approved Medicaid plan. (See p. 39.)

DIFFICULTIES IN COORDINATION

Under current legislation the various Federal home health programs defy coordination according to HEW. (See p. 50.) An overall Federal policy for home health care would have to be developed and legislative changes enacted before the programs could be consolidated.

The Administration on Aging is the designated focal point within the Federal Government in matters pertaining to problems of aged and aging. Additionally, the Public Health Service has responsibility for coordinating HEW's short-term initiatives to improve home health care. However, a working agreement between the two agencies has not resulted in effective coordination. (See p. 49.)

State and local officials acknowledge that home health care and other related home delivered services for the elderly are not being effectively coordinated. They generally agreed that there is such a vast number of services available through so many different programs that effective coordination and delivery of all home health care is difficult. (See p. 51.)

Although interagency or intra-agency agreements between State and local agencies exist, they have not provided coordinated services to the beneficiaries. (See p. 50.)

One study prepared by the Health Systems Agency of South Florida concluded that better coordination is needed. The study in part indicated that

--there is no unified system providing an integrated comprehensive and coordinated package of health related and supportive services in the home,

--existing programs providing services in the home result in fragmented provision of services at the local level, and

--the lack of a local coordinated mechanism among providers of health related and supportive social services in the home and between providers of health services creates community problems. (See p. 50.)

RECOMMENDATIONS

HEW should:

--Have intermediaries and carriers publicize the use of home health care and provide information concerning the availability of home health services to physicians and institutional providers. (See p. 44.)

--Identify State Medicaid programs which do not provide equal treatment to eligible individuals and take steps to correct such inequities. (See p. 44.)

--Develop a comprehensive national home health policy for consideration by the Congress. (See p. 54.)

The Congress, in deliberations on the Administration's welfare reform proposal should consider focusing the jobs created to assist the sick and elderly to those elderly who live alone and are without family support. (See p. 22.)

CHAPTER 3

COST IMPACT OF MAKING CHANGES TO HOME HEALTH CARE PROGRAMS UNDER MEDICARE AND MEDICAID

The Subcommittee asked for information and our evaluation on the cost impact of possible changes to the Medicare and Medicaid programs which would increase the availability of services and provide services not currently covered by the programs.

We asked HEW to provide the estimated costs for the proposed changes. For one proposed change that would affect Medicaid--the addition of homemaker services--HEW advised us that it was conducting a number of experiments to determine if homemaker services could be a cost-effective substitute for skilled care. HEW personnel stated that until the studies were completed, they could not estimate the cost of adding homemaker services to Medicaid.

Mandatory home health care benefits for all Medicaid eligibles is the other proposed change. Home health care to the medically needy is technically not a requirement under the law, but it is provided in 32 States and jurisdictions that have a medically needy program; therefore, the cost of this proposed change would be minimal.

SSA actuaries estimated that for fiscal year 1978, the additional costs for each of the proposed changes to Medicare, computed separately, would be as follows:

Proposed change	Estimated cost of changes (millions)
Elimination of:	
Limits on number of visits under parts A and B	$ 12.5
Skilled care requirement under parts A and B	1,250.0
Prior hospitalization requirement under part A	12.5
Homebound requirement under parts A and B	92.5
Adding homemaker/chore services	75.0

The above amounts should not be totaled because if more than one limitation were removed, there would be interactions. For example, the estimated $1,250 million for eliminating the skilled care requirement does not include the 1 million persons who consider themselves homebound and in need of home services, but not necessarily skilled care. Most of these are eligible for Medicare and are suitable recipients for homemaker services. The cost of providing this service could result in expenditures of $2 to $3 billion if the skilled care requirement was eliminated and homemaker service was added.

A discussion of each of the proposed changes is presented below.

LIMIT ON NUMBER OF VISITS

For Medicare, a beneficiary is eligible for 100 visits per spell of illness a year following a qualifying inpatient stay under part A and 100 visits per calendar year under part B.

SSA actuaries estimated additional costs of about $12.5 million for an additional 300,000 visits for fiscal year 1978 if these visit limitations were removed--a 2-percent increase in home health benefits costs. This assumes that about 3,000 people would exhaust part B benefits and use an additional 100 visits a year.

According to SSA data, few beneficiaries exhaust the presently allowed number of Medicare home health care visits. This data showed that, as of January 21, 1977, of the 553,941 people who received home health care under part A, 11,849 or about 2 percent exhausted their benefits. For persons receiving part B home health care during the last 3 years, benefits were used as follows:

Year	Number of people who received benefits	Number of people who exhausted benefits
1974	108,460	2,117
1975	165,354	3,118
a/1976	176,392	1,916

a/SSA considered the data for 1976 incomplete.

SSA could not provide information on the number of people who had exhausted both parts A and B benefits.

Because about 97 percent of part A Medicare beneficiaries have part B coverage, we assume that most people who exhausted part A benefits continued to receive services under part B. Thus, very few people (about 3,000) exhaust all available home health benefits under Medicare.

We contacted 36 individuals who exhausted their part B benefits during 1976, or the agencies providing services to them, to find out if they had incurred additional expenses after their Medicare benefits had been exhausted. Thirty-five continued to receive home health services and one was institutionalized to receive physical therapy treatment under Medicare. The additional home health expenses, which ranged from $5.00 per visit in Cleveland to an average of about $33.00 per visit in Jacksonville, Florida, were paid from community funds, absorbed by the local agency, paid partly by the individual, or paid by Medicaid. Only three individuals were able to pay a portion of their costs for the additional benefits received.

Data on the number of additional visits received by all 35 individuals was not available. However, 13 individuals received, on the average, an additional 61 visits during 1976 which indicates to us that the assumption that individuals exhausting benefits would use an additional 100 per year may be a little high.

24-066 O - 78 - 39

REMOVING THE REQUIREMENT THAT BENEFICIARIES NEED SKILLED CARE

A beneficiary who needs intermittent skilled nursing care, or physical or speech therapy, and who meets certain other conditions, can also receive a variety of additional services, including home health aides, occupational therapists, and medical social workers, as well as coverage of medical appliances and supplies.

SSA actuaries estimate an increased cost of $1,250 million ($938 million for part A and $312 million in part B) in fiscal year 1978 if only the skilled care requirement were removed.

The estimate of $1,250 million as a first year cost assumes that only care by currently approved home health agencies is reimbursed. It was also assumed, Medicare pays 40 percent of the cost of approved home health agencies. Almost all services are provided to Medicare eligibles. If no expansion of providers occurred, the increased services alone would cost $842 million. The remaining $408 million would allow for a 50-percent increase in the current level of staffing.

ELIMINATION OF PRIOR HOSPITALIZATION REQUIREMENT

To receive home health benefits under part A, a beneficiary has to be an inpatient in a hospital for at least 3 consecutive days (not counting the day of discharge). An SSA actuary estimated the elimination of this requirement alone would cost about $12.5 million in fiscal year 1978. The estimate also considered that this elimination would remove the requirement that treatment received by beneficiaries be related to a post hospital or skilled nursing facility stay.

About $6.2 million of the estimated increased cost would be expected to result because 1.1 million part A beneficiaries who have not purchased part B coverage would have access to home health coverage under part A without being hospitalized.

However, because home health care is limited to individuals under the care of a physician whose services are covered under part B--access to home health services under part A (with or without the prior hospitalization requirement) without part B coverage seems to us to be of limited value.

The remaining increased costs would result because non-hospitalized beneficiaries entitled to both parts A and B would have 200 visits per year instead of 100. The data available does not allow for a very precise determination of the cost of this effect but it is estimated to be $6.3 million.

Because the entire part A benefit structure is built around a benefit period which can only start when a person is hospitalized, this estimate also assumes that the part A limits without prior hospitalization would be 100 visits a year instead of 100 visits a year after the beginning of one benefit period and before the beginning of the next.

We believe that individuals are not encouraged, under present law, to be hospitalized in order to qualify for home health benefits. While HEW has not specifically studied this, SSA did make studies in 1968, 1970, and 1973 to find out if the 3-day hospitalization requirement had caused additional use of hospital admissions merely to provide coverage for skilled nursing facility stays. These studies showed no evidence of any general practice of the use of inpatient hospital stays to qualify patients for skilled nursing benefits.

Also, about 97 percent of Medicare beneficiaries are covered by part B which provides home health benefits with no prior hospitalization requirement. Unless part B benefits are exhausted (which is rare), an individual is not encouraged to seek a hospital admission to qualify for home health care under part A because the part A inpatient hospital deductible is twice as high as the part B deductible.

ELIMINATION OF THE HOMEBOUND REQUIREMENT

To be eligible for home health care, a physician must certify that the patient is confined to his or her home. A homebound person is permitted infrequent or brief absences.

SSA's actuaries estimated that the removal of the homebound requirement would expand benefits to a new category of patients and cost about $92.5 million in fiscal year 1978 if all other requirements remained unchanged. This would represent a 17 percent increase in the cost of home health benefits.

HEW officials said they believed the primary reason people want the homebound requirement eliminated is to cover home dialysis for beneficiaries with kidney failures. Of the $92.5 million, about $36 million would apply to people

receiving home dialysis but who are not homebound. According to the SSA actuary, approximately 9,500 people, each of whom dialysizes about 150 times a year, could use a home health aide to assist in the time-consuming process. 1/ The estimate assumes that an average visit (about $37) would be reimbursed and that each patient would use the 100 visits maximum.

The remaining $56.5 million would allow for home health services to those individuals who are in need of skilled care but are currently not homebound. SSA's actuary estimated that about 10 percent of Medicare beneficiaries would benefit from this change. The estimate, however, did not consider whether individuals in need of skilled care were receiving it from another source. For example, receiving skilled care on an ambulatory basis, in a doctor's office, or in a health clinic.

On September 12, 1977, the House of Representatives passed a bill (H.R. 8423) to make improvements in the end stage renal disease program. One objective of the bill is to provide incentives for the use of lower cost, medically appropriate self-dialysis (particularly home dialysis) as an alternative to high cost institutional dialysis. The Ways and Means Committee report (Report No. 95-549 dated July 29, 1977), noted that the annual cost of facility dialysis (ranging from $15,000 to $30,000) was generally twice the annual cost of home dialysis (ranging from $8,000 to $12,000). But the percent of patients on home dialysis had declined steadily since Medicare had started providing universal coverage for such services. To provide incentives for home dialysis, the bill would provide coverage for periodic home dialysis support services including visits by a qualified provider. The bill would also provide for the implementation of an incentive reimbursement system with respect to the payment for the dialysis of patients dialyzing at home under the supervision of a dialysis facility. Under the bill, HEW would be authorized to, on the basis of a target reimbursement rate, for home dialysis and all necessary home dialysis medical supplies, equipment, and supportive services--including the services of qualified home dialysis aides. We could find nothing in the bill which would require renal disease beneficiaries to be "homebound" to receive such benefits. Thus, for about 40 percent of the $92.5 million in additional cost of eliminating the homebound requirement, there is House approved legislation which would eliminate or

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1/Other HEW data showed that as of June 1977 about 5,000 people were on home dialysis.

significantly dilute the homebound requirement and would reduce costs for a specific class of Medicare beneficiaries.1/ In this connection, the House Ways and Means Committee report on the bill (H.R. 8423) also stated that HEW had informed the Committee that it "anticipates that the accrued savings that will be realized as a result of increased dialysis in the home setting will offset the cost of incentives included in the bill."

We believe that a similar argument to provide disincentives for institutionalization could be made for the Medicare beneficiaries requiring skilled care, but who are not "homebound" and, thus, are ineligible for home health services under Medicare. This assumes that the difficulties in obtaining treatment on an ambulatory basis makes the alternative of institutionalization more appealing.

ADDITION OF HOMEMAKER SERVICES

HEW is currently conducting experiments to determine the cost effectiveness of providing homemaker services (see app. III), and until these experiments are completed we were told that it would be difficult to accurately determine the cost of adding homemaker services, particularly with respect to Medicaid.

For Medicare, SSA's actuaries said that assuming an individual is homebound, in need of skilled care, and that homemaker services are provided only while skilled care was required, additional homemaker services would cost Medicare $75 million in fiscal year 1978. According to SSA's actuary, the homemaker benefits currently perceived are very restrictive and a broader definition would result in higher costs. SSA's actuary estimated that about 50 percent of those receiving skilled care would be eligible for homemaker services.

We obtained the following data on the cost of homemaker/chore services from State officials in California and Georgia.

California provides homemaker/chore services through its title XX program. In its plan the State estimated that about

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1/The bill would not amend the part B home health benefit as such. Thus the 20 percent coinsurance charge would be applicable to these proposed new benefits whereas no coinsurance charge would continue to apply to the regular part B home health benefit.

113,000 aged, blind, and disabled individuals would benefit from the program during the period July 1, 1976, through June 30, 1977. The State estimated the Federal and State costs for homemaker/chore services in California would be $80 million. The State did not estimate any savings on institutionalization resulting from benefits provided under the program.

Georgia's title XX administration is currently evaluating the use and measuring the effectiveness of homemaker/chore services as an alternative to institutional care for the aged, blind or disabled, and mentally retarded adults who are eligible for title XX benefits. An interim report from Georgia's homemaker demonstration project indicates it was preventing institutionalization and reducing overall health care costs. The report showed that during the first 3 months of the project, homemaker services prevented over 2,300 months of institutional care and saved $278,231. The project's 60 homemakers--at a cost of $456,471--enabled more than 900 people to stay home avoiding 851 months of foster care, 1,246 months of intermediate nursing care, 170 months of skilled nursing care, and 114 months of other placements, such as mental institutions all of which would have cost about $735,000.

We did not validate the data supporting this report, but it tends to support the findings in our Cleveland study (discussed in the previous chapter) to the effect that greatly or extremely impaired people require more than nursing services to be maintained in their homes.

ADDITION OF HOME HEALTH CARE BENEFITS UNDER MEDICAID AS A REQUIRED SERVICE

Federal law and HEW regulations require that home health care benefits be provided to all aged, blind, and disabled categorically needy individuals 21 years of age and older. Home health care benefits to the medically needy is technically not a required service under the law. However, 32 States and jurisdictions covering the medically needy are already offering this service--thus, we assume that the cost of this change would be minimal.

CONCLUSIONS

In summary, we believe that the elimination of the limitation on the number of visits under Medicare would not be costly because few people presently exhaust such benefits. The elimination of the prior hospitalization requirement also would not be costly, but the use of institutional services

would be slightly affected because individuals are not encouraged to be hospitalized for such benefits, and most Medicare beneficiaries are already eligible (under part B) to receive such benefits without hospitalization.

The Congress is currently considering the elimination of the homebound requirement in pending legislation for one group of Medicare beneficiaries (those with end stage renal disease) as an incentive for less costly home dialysis in lieu of center or inpatient dialysis. We believe that the elimination of this requirement for all beneficiaries requiring skilled care could well provide similar disincentives to institutionalization.

Although experiments in the program are still continuing, some evidence shows that the addition of homemaker/chore services could provide disincentives to institutionalization for individuals who are greatly or extremely impaired which might help to offset the additional cost of this service.

The elimination of the Medicare's skilled care requirement would substantially affect the cost and the acute care orientation of the program.

HOME HEALTH RESOLUTION

OFFERED BY CONGRESSMAN PEPPER

(APPROVED BY FULL SELECT COMMITTEE ON AGING BY UNANIMOUS VOICE VOTE ON FEBRUARY 2, 1978)

BACKGROUND

In August 1976, the Select Committee on Aging requested the U.S. General Accounting Office to examine and report on federally funded home health programs, especially as to the costs of in-home care compared to institutional care.

On December 30, 1977, the General Accounting Office transmitted to Chairman Pepper its report, titled "Home Health--The Need For A National Policy to Better Provide For The Elderly." The report documented the fact that for the vast majority of older people, the cost for home services is less than the cost of placing these persons in institutions. GAO also concluded that several changes in the Medicare law governing home health services could improve the availability of those services as a disincentive to institutionalization in nursing homes and hospitals, without prohibitive increases in costs.

In addition, the report noted that at least eight federal programs exist under which home health services are available, and that there is no national policy to address this uncoordinated maze of programs.

In approving its 1975 report, "New Perspectives in Health Care For Older Americans," the Select Committee on Aging recommended that specific steps be taken to widen the availability of federally funded home health services, and of information about those services.

RESOLUTION

BE IT RESOLVED,

That the Select Committee on Aging, in view of the conclusions and recommendations of the December 30, 1977 GAO report titled "Home Health--The Need For A National Policy To Better Provide For The Elderly" --

--reiterates its support for expansion of home health benefits under Medicare as an alternative to institutionalization and for improved information about home health programs through a national clearinghouse for such information; and

--calls on the Committees on Ways and Means and Interstate and Foreign Commerce to consider legislation addressing these goals as quickly as possible during the 95th Congress.

FY 1979 APPROPRIATIONS RESOLUTION

APPROVED BY UNANIMOUS VOTE OF THE SELECT COMMITTEE ON AGING
Thursday, February 2, 1978

BACKGROUND

Through hearings, workshops and other methods of inquiry, the Select Committee on Aging has documented a massive need for improvements in the level of resources committed to bettering the lives of America's 23 million senior citizens. Members of the Committee were very active, during the 1978 budget process, securing increases in federal programs serving the elderly amounting to some $93 million over the Administration's request.

The FY 1979 budget request submitted January 23 by President Carter calls for no expansion in any of the major programs serving the elderly. In fact, budget requests for the Older Americans Act, Senior Opportunities and Services, home health demonstrations and others are at the same level as Congress actually appropriated for FY 1978. Because these requests do not reflect an inflation factor, the amount of funds which would be available under President Carter's budget would actually be less than appropriated last year.

In one instance, ACTION'S Retired Senior Volunteer Program (RSVP), the Administration actually proposed a 24% reduction from $20.1 million to $15.4 million. RSVP is an important tool both for communities in meeting basic human needs and for older citizens to become involved in their community activities. Federal funds in this program are used primarily for administrative costs since volunteers do not receive stipends. According to ACTION'S budget statement, RSVP has been their least costly volunteer program. ACTION acknowledges that the proposed budget cut will reduce the number of RSVP volunteers from 250,000 to 220,000.

RESOLUTION

BE IT RESOLVED,

That the Select Committee on Aging

--believes that the current level of appropriations for programs aiding senior citizens is not adequate to meet the existing need for services;

--opposes cuts in major federal programs providing services for older Americans, and stresses that the 1979 appropriation for these programs should, at an absolute minimum, be increased to compensate for inflation;

--concludes that, for several specific programs, substantial increases in the FY 1979 appropriations will be required to help bring these programs closer to the need for assistance they provide;

--calls on the Appropriations and Budget Committees to act on FY 1979 budget resolutions and appropriations bills to provide increased support for programs for senior citizens.

--calls on the Education and Labor Committee to approve authorization levels which would more adequately meet the needs of our elderly population.

JAMES H. SCHEUER, N.Y., CHAIRMAN
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THOMAS P. REISTERSMAN, DEPUTY STAFF DIRECTOR/COUNSEL

U.S. House of Representatives
SELECT COMMITTEE ON POPULATION
3587 HOUSE OFFICE BUILDING ANNEX 2
Washington, D.C. 20515

March 15, 1978

The Honorable Robert N. Giaimo
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear ~~Mr.~~ Chairman:

In response to your letter of February 9, I am pleased to submit, on behalf of the Select Committee on Population, recommendations regarding Fiscal Year 1979 funding levels for population-related Federal programs. The Select Committee has met and approved the enclosed recommendations.

As you know, the Select Committee on Population was established by the House in September of 1977. On October 14, the Speaker appointed sixteen Members to serve on the Select Committee. All of the Select Committee Members were drawn from standing committees and subcommittees having population-relevant legislative jurisdiction. In addition, the Speaker appointed me Chairman of the Select Committee.

The Select Committee on Population has no legislative mandate; nor do we seek one. Rather, our goal is to conduct studies and investigations which will assist the standing committees and subcommittees and be supportive of their legislative jurisdiction.

In this connection, the Select Committee Members and staff have organized themselves into four Task Forces. These Task Forces and their subject matter areas are:

Task Force I - Domestic Fertility and Contraception

Task Force II - Immigration

Task Force III - Population and Development Assistance

Task Force IV - Economic, Political, and Social Consequences of Changing U.S. Population Size and Structure

As of this date, we have completed one week of general Overview hearings, and three weeks (nine days) of Task Force I hearings. Our Task Forces II through IV have scheduled a total of seven weeks of hearings, which will be conducted between the beginning of April and mid-June of this year.

The Select Committee has not yet conducted in-depth examinations of immigration, population and development assistance, and the economic, political, and social consequences of changes in U.S. population. Hence, the enclosed recommendations focus, for the most part, on Federal programs related to domestic family planning services, research, and training; contraceptive research and development; population, family life, family planning, and contraceptive information and education; and allocations of immigration research funds.

Next year, following completion of our investigations into immigration, population and development assistance, and the consequences of changes in U.S. population, the Select Committee expects to be able to provide more comprehensive recommendations regarding funding levels for Federal programs in these areas.

Because the Select Committee on Population has no legislative authority, the enclosed recommendations will be formally submitted to the appropriate standing committees and subcommittees of the House. We are forwarding them to you at this time because we understand that the Committee on the Budget must have notice, by March 15, of any funding recommendations we plan to make.

Let me take this opportunity to express my appreciation, and that of the entire Select Committee, for the opportunity to submit our suggestions and proposals as part of the House budget process.

With every warm best wish,

Yours,

James H. Scheuer
Chairman

JHS:mp
Enclosures

I. President's Budget Requests for Existing Programs which Require Authorizing Legislation Prior to the Enactment of Appropriations for FY 1979

(in millions of dollars)

Major Issue or Program	President's Request	Select Committee Recommendation	Comment
Public Health Service Act (Title X)			
-Family Planning Services and Research	141.4	214.3 (+72.9)	See Justification No. 1
-Training	3.0	4.0 (+1.0)	The Committee recommends increase in funding for training of family planning personnel. This money is especially critical for the training of paramedical personnel. The training of nonphysician health workers would greatly expand the capacity, and lower the cost, of delivering family planning services.
-Information and Education	0.6	0.7 (+0.1)	The Administration is proposing that $.6 million be spent for information and education in FY 1979; however, this amount is identical with the funds appropriated in FY 1978. The Select Committee recommends that funds for information and education be increased to $.7 million to compensate for the 6 percent inflation rate plus extra funds to expand contraceptive information campaigns aimed at adolescents.

Major Issue or Program	President's Request (in millions of dollars)	Select Committee Recommendation (in millions of dollars)	Comment
- Community Health Education	3.0	10.0 (+7.0)	Increase funds to develop pilot programs in family life education at community level.
- Population Research			
- Total	82.3	110.3 (+28.0)	- See explanation below:
		(+10.0)	- Increase grant funds for fundamental research in human reproduction and population social services.
		(+5.0)	- Establish new grant supported clinical research centers (7) to work in close association with the goal directed programs of the Center for Population Research and the Center for Research for Mothers and Children.
		(+3.0)	- Expand programs for support of biomedical and social science research on the health of women.
		(+4.0)	- Expand program in contraceptive development, including clinical trials on new drugs, devices and methods.
		(+4.0)	- Expand program in contraceptive safety, including clinical trials on newly developed contraceptives, as well as those currently in use, and including research on safety of use of oral contraceptives by adolescents.

(in millions of dollars)

Major Issue or Program	President's Request	Select Committee Recommendation	Comment
		(+2.0)	- Establish 70 new employment ceiling positions for NICHD (50 intramural, 20 extramural and program direction) and provide new equipment for expanded intramural research facilities.
Foreign Assistance (AID) Authorization			
- Population Planning	205.4	220 (+14.6)	See Justification No. 2
- World Health Organization bio-medical research program	---	5 (+5.0)	See Justification No. 3
- AID bio-medical research program	14.8	19.8 (+5.0)	See Justification No. 4
- Information, Education, Communications; and Training and Institutional Development	19.7	24.3 (+4.6)	See Justification No. 5

JUSTIFICATION NO. 1

TITLE X FUNDS FOR FAMILY PLANNING SERVICES

The current authority for single project grant and contracts to public and private nonprofit agencies providing family planning services for FY 1978 is $131.4 million. The appropriations needed for FY 1979 to compensate for 6 percent inflation would be $139.28 million. The Administration is proposing that $141.4 million be appropriated for services in FY 1979. However, this minimal increase does not begin to alleviate the problem of need for more than 2 million low and marginal income women and sexually active adolescents.

The Select Committee on Population recommends that $214.3 million be appropriated for Title X funding for Family Planning Services and Research. This amount allows for a 6 percent inflation growth plus an additional $35 million, which would enable 500,000 new patients to be served. The legislation also authorizes two additional project grant and contract programs: $35 million to enable voluntary family planning projects to provide to an additional 500,000 young people "comprehensive services appropriate to the needs of teenagers who are at risk of unwanted pregnancy" (of whom there are approximately 4 million teenage girls); and $5 million for demonstration projects aimed toward the alleviation of problems in infertility.

JUSTIFICATION NO. 2

FOREIGN ASSISTANCE (AID) AUTHORIZATION

AID originally requested $236 million for population assistance FY 1979. This figure was cut by AID administrative staff to $216 million and further cut by OMB to $205 million. The Select Committee recommends that the AID budget for population planning be restored to $220 million.

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JUSTIFICATION NO. 3

WORLD HEALTH ORGANIZATION

The recent hearings on domestic contraceptive research held by the Select Committee on Population concluded that the U.S. government should support WHO's bio-medical research program (i.e. on contraceptive research). Witnesses felt that the best avenue for support was through AID. However, it should be noted that direct support for WHO will start a precedent, as the current policy (or practice) is to use UNFPA as the conduit for support for WHO and any other UN population related activities.

JUSTIFICATION NO. 4

AID Bio-medical Research Program

The recent hearings on domestic contraceptive research held by the Select Committee on Population concluded that more work must be done on contraceptive development and contraceptive safety studies. Witnesses felt that the best avenue for support was through AID.

JUSTIFICATION NO. 5

INFORMATION, EDUCATION, COMMUNICATIONS; AND TRAINING, AND INSTITUTIONAL DEVELOPMENT

The Select Committee recommends that an additional $9.2 million dollars be provided for Information, Education, and Communication Programs; and Training and Institutional Development. Special emphasis should be placed on use and training of paramedical personnel.

IV. LEGISLATIVE INITIATIVES OF CONGRESS FOR FISCAL YEAR 1979
(in millions of dollars)

Initiative	Fiscal Year 1979	1980	1981	1982	1983	Comment
Population Education Act	6.0	15.0	25.0	35.0	40.0	The Select Committee plans to recommend that the Elementary and Secondary Education Act be amended to provide funds to support population education activities in elementary and secondary schools. This program would be carried out by the Office of Education
Evaluation of Family Life Education Programs	.5	1.0	1.5	---	---	The Select Committee plans to recommend that the Elementary and Secondary Education Act be amended to provide for a three-year program for evaluation of ongoing family life education programs. This evaluation would be carried out by the Office of Education.

V. President's Budget Requests for Existing Programs Which Do Not Require Authorizing Legislation Prior to the Enactment of Appropriations for FY 1979

(in millions of dollars)

Major Issue or Program	President's Request	Select Committee Recommendation	Comment
Public Health Service Act			
- National Institute of Child Health and Human Development (Title IV, Section 441)	198.931	248.931 (+50.0)	See explanations of proposed increases below:
		(+50.0)	Establish new grant supported clinical research centers (7) to work in close association with the goal directed programs of the Center for Population Research and the Center for Research for Mothers and Children
		(+3.0)	Expand programs for support of biomedical and social science research on the health of women.
		(+2.0)	Establish 70 new employment ceiling positions for the NICHD (50 Intramural and 20 extramural and program direction) and provide new equipment for expanded intramural research activities.

Major Issue or Program	President's Request	Select Committee Recommendation	Comment
		(+3.0)	Expand pre - and post - doctoral training in reproductive biology and developmental biology.
National Institutes of Health, General Buildings and Facilities Appropriation (Title III, Section 301)		(+37.0)	Provide funds for contruction of a new intramural research facility for NICHD.
Immigration Research	(not available)	up to 10.0	The Select Committee recommends that up to 10 million be earmarked for initiation of research into immigration flows into the U.S., and the development of accurate data on legal and illegal immigrants. These funds would be allocated among the Justice Department, Immigration and Naturalization Service; the Labor Department; the Agency for International Development, Office for Population Research; the National Institute for Child Health and Human Development; and the Bureau of the Census.

REPORT

of the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

to the

COMMITTEES ON THE BUDGET

together with

MINORITY AND ADDITIONAL VIEWS

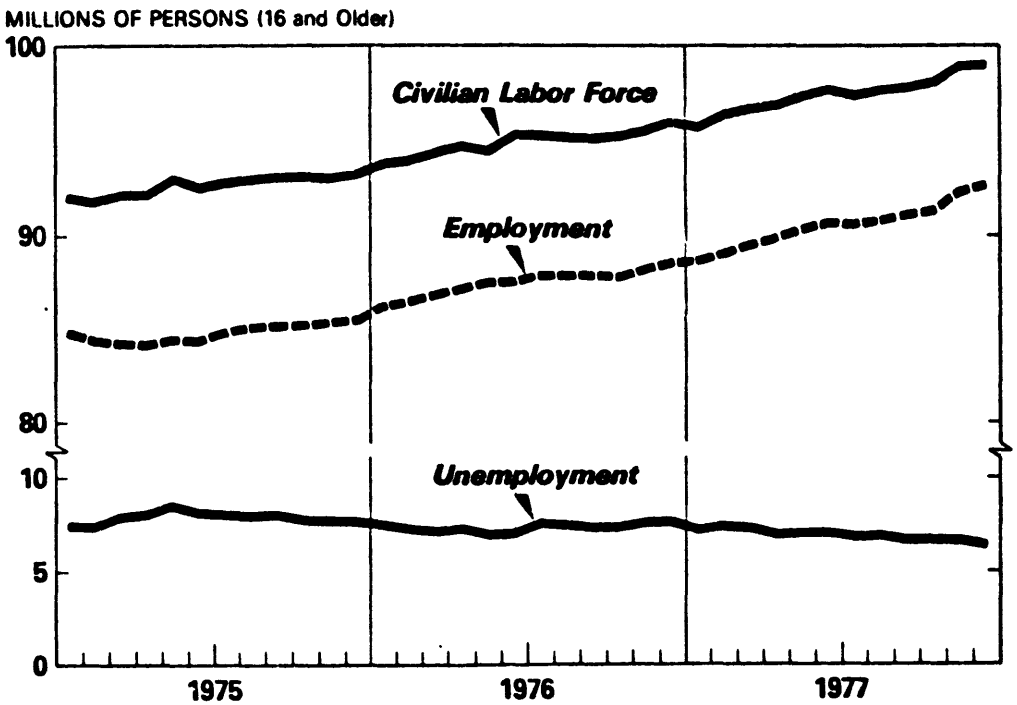
I. INTRODUCTION

The U.S. economy made substantial progress in 1977. Unemployment for the year fell to 7 percent and dropped at year end to 6.4 percent. The number of employed people increased by more than 4 million. Real gross national product (GNP) grew about 5 percent, while gross private domestic investment rose about 13 percent in real terms. Profits improved substantially.

Although these developments are gratifying, we cannot forget that the Nation has still not fully recovered from the worst recession since the Great Depression. The national economy has come only about 60 percent of the way back to full employment. The capacity utilization rate is 83 percent, several percent below the desirable level, and unemployment is still above 6 percent. Inflation continues to be a stubborn problem; the increase in consumer prices of 6.8 percent is much too high, and the productivity increase of 2.4 percent for the year is not reassuring.

Our overall progress should not conceal the serious situation of certain groups and certain sectors of our economy. The unemployment rate for blacks and for black teenagers is far above the average. In the absence of specific structural programs unemployment for minorities can be expected to remain chronic and severe. In many cases structural unemployment has been exacerbated by serious urban problems. Many central cities have not recovered from the recent recession. Public services have been reduced, local taxes are high, and urban infrastructures are deteriorating. Our national transportation system is deficient. An energy program is urgently needed. Certain

Employment - Unemployment



SOURCE: Department of Labor

industries have required government assistance, and there are sections of the country that are plagued by stagnation.

The international economy gives rise to difficulties for U.S. policy. Our balance-of-payments deficit caused by slow recovery in Europe and heavy oil imports will continue. Serious credit problems among the developing nations persist. Energy dependency makes our economy vulnerable to external shocks.

The Administration has addressed itself to most of these problems in a responsible manner. Its program has much to commend it. With the stimulus of the proposed tax reduction, the Administration projects a real growth rate of 4.7 percent for 1978, with unemployment dropping to the 6 - 6-1/4 percent range. For 1979, a similar rate of growth is projected, with unemployment falling below 6 percent.

The basic question is whether or not our economy can do better. We believe that it can. With the proper policy mix, real growth rates of 5 to 5.5 percent in 1978 and 1979 are attainable, and should be our national goal. Our analysis of the outlook and the policy mix leads us to the conclusion that such goals can only be reached if the President's tax proposals are accompanied by a monetary policy that will move short-term interest rates in the direction of 1977 levels.

Additional stimulus is definitely needed for 1979. That stimulus, however, should come in the form of an expansionary monetary policy that will reverse the recent rise in short-term interest rates. If monetary policy should become even gradually more restrictive, greater reliance will have to be placed on increased Federal spending or larger tax cuts.

And even then, a restrictive monetary policy could prevent the achievement of 1979 goals for production and employment, enlarge the Federal deficit, and retard needed capital formation.

An examination of the President's discretionary budget choices reveals little evidence that a major change in priorities is taking place. There are some signs that a foundation is being laid for future changes. But so far, this year's priorities are similar to those of prior budgets. Further, there is likely to be less economic stimulus in the budget requests than is apparent from the figures because of the composition of the increases.

Inflation will continue to concern U.S. policymakers as it does the rest of the world. Obviously, it cannot be cured over night. It requires a composite of measures, both public and private, and substantial public consensus. We believe that the Administration's initiatives, while in the right direction, can be improved. We urge strengthening of the Council on Wage and Price Stability and greater efforts to reduce the inflationary impact of Federal programs.

We recognize that full employment and price stability cannot be achieved by fiscal and monetary means alone. Only with a coordinated program of structural measures dealing with such problems as manpower, investment, supply bottlenecks, international factors, and the like can we accomplish high employment objectives in a balanced and stable setting. In carrying out our role under the Employment Act we have stressed the importance of a longer term perspective and of improved coordination of public programs.

In this Report, as in previous ones, we have attempted to provide longer range insights, and we commend the Budget Committees for placing emphasis on five-year projections in their forthcoming review of the Budget. At the same time, we see obvious need for improving substantially our national capacity for the planning and coordination of policy to meet the objectives of the Employment Act of 1946. For that reason, we accord high priority to enactment of the Full Employment and Balanced Growth Act (generally referred to as the Humphrey-Hawkins bill).

The major recommendations of the Joint Economic Committee are set forth below. These and additional recommendations are discussed in the following chapters.

- We strongly endorse the Humphrey-Hawkins bill and urge its swift enactment by the Congress. The Congress should enact specific, quantitative long-term economic goals that will serve as the basis for congressional fiscal, monetary, and other economic policies. */

*/ Senator Proxmire states: "In addition to an unemployment goal, the Humphrey-Hawkins bill should include a complementary specific goal for the rate of inflation, the equal overwhelming problem our economy faces."

- Economic stimulus, in addition to that proposed in the Budget, is needed in 1978 and 1979. This should be implemented through an expansionary monetary policy. To achieve this stimulus, the growth of the money supply should be such that the rise in short-term interest rates is reversed. Policy in 1978 should tend to move short-term rates toward their 1977 levels. Interest rates should be maintained at these lower levels in 1979. */ **/

*/ Representative Moorhead states: "Here and subsequently the Report recommends a strongly expansionary monetary policy for 1978 and 1979. I do not believe that the Federal Reserve should be a slave to its present targets for growth of the monetary aggregates and concur that these targets might properly be raised somewhat in the period ahead to assure continued expansion of the economy. I would hope that the outcome would be lower interest rates. But I would regard as too risky a monetary policy explicitly aimed at driving down the present level of short-term rates regardless of the consequences in the growth of the aggregates. Given the present and prospective rate of inflation, the Report implies a negative real rate of interest for a sustained period, and this may not be a realistic target."

**/ Senator Bentsen states: "I support an expansionary monetary policy as long as that policy is consistent with the goal of a reduction in the rate of inflation."

- Domestic recovery is too important an objective to permit monetary policy to be diverted to other goals. We therefore oppose the recent increase in the Federal funds and rediscount rates because they represent deliberate attempts to use domestic monetary instruments to achieve an international purpose. Intervention in foreign exchange markets should be strictly limited to measures designed to correct "disorderly markets."

- In fiscal year 1979, total Federal expenditures should fall within a $500-$505 billion range and total tax receipts should be approximately $440 billion. This fiscal policy, combined with the monetary policy discussed above, will achieve the economic goals set forth in this Report. */

*/ Senator Proxmire states: "This level of spending is excessive. There is hardly a program in the government which could not be improved through a cut in expenditures, attention to detail, and a reduction in inefficiency and waste. A $25 billion, or 5 percent cut, should be achievable."

- Congress should immediately begin a review of the social security financing legislation recently enacted. Special attention must be given to the long-term macroeconomic consequences of any financing proposal.

- The Federal Reserve should issue a written report to the Congress shortly after the receipt of the Economic Report of the President. After consultation with the House and Senate Banking Committees, the Joint Economic Committee would review this report and make its recommendations. The Federal Reserve's report would be expected to meet three basic requirements:

  (1) Analyze the desirability, consistency, and feasibility of the quantitative goals for employment, growth, and inflation for the forthcoming fiscal year as set forth by the President.

  (2) Provide the Federal Reserve's own quantitative forecast of economic activity for the forthcoming year on a quarterly basis.

(3) Discuss in exact quantitative terms how the proposed monetary policies are designed to reconcile the President's targets and the Federal Reserve's own forecast. */

- As part of its annual report to the Congress, the Council on Wage and Price Stability should determine whether Federal actions have resulted in a net reduction or increase in inflation. Any specific actions which have had a significant impact should be thoroughly discussed and these impacts should be quantified.

*/ Senator Bentsen states: "While I understand the need for coordination of monetary and fiscal policy, these proposals could undermine the traditional independence of the Federal Reserve System and hence I reserve judgment on them."

II. THE ECONOMIC SITUATION AND OUTLOOK

1977

The turnaround in the economy that began in mid-1975 continued through 1977, making it a year of good and reasonably balanced economic growth. Real GNP grew at an annual rate of 4.9 percent in 1977, compared with a 6.0 percent increase in 1976. The continued recovery was led by strength in the household sector -- especially in the demand for consumer durable goods and housing. However, the business sector has not responded vigorously. Non-residential construction has not yet reached its 1974 peak and producers' durable equipment only matched its 1974 level. Business fixed investment in the current recovery has continued to lag behind the performance that other business cycles have taught us to expect.

The current economic recovery has depended heavily upon consumer spending, which was spurred initially by the personal income tax reduction in the spring of 1975. In 1976 nominal personal consumption expenditures grew by 11.6 percent while personal income grew only 10.3 percent. This caused the personal saving rate to drop sharply, reaching the extremely low level of 4.1 percent in the first quarter of 1977. During subsequent quarters, consumers slowly returned to more normal patterns of saving. The preliminary figures for the fourth quarter of 1977 estimate a saving rate of 5.7 percent. For the two-year period 1975-1977, consumption grew more rapidly than income, leaving consumers with a large burden of debt.

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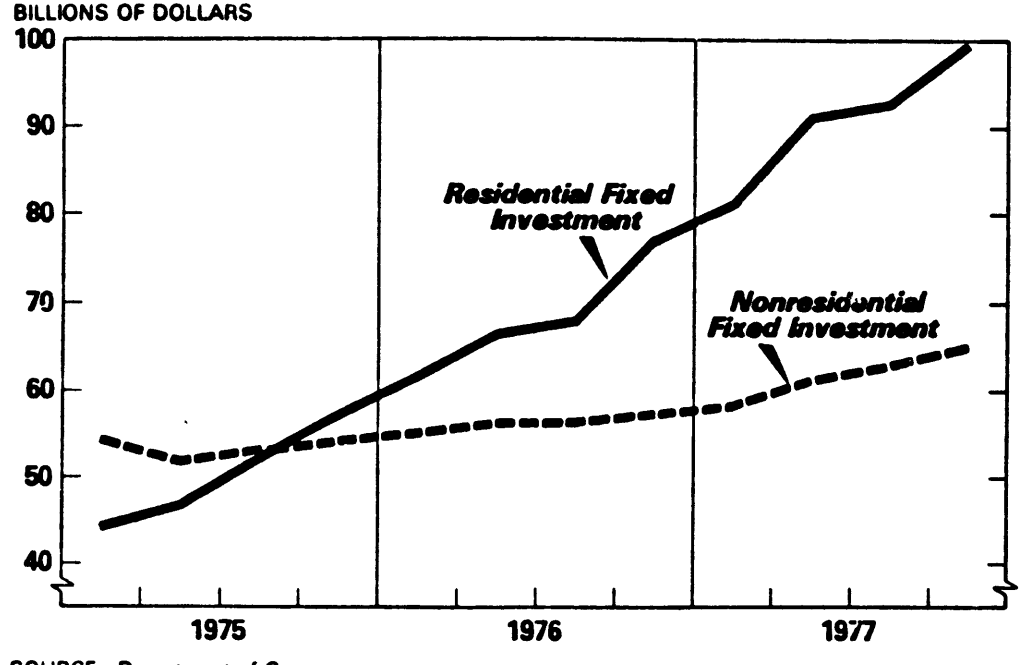
In real terms, business fixed investment rose by roughly 8-1/2 percent in 1977 -- about the same as 1976. Compared with previous recoveries, this reflects a very sluggish pace. Although 8 percent does not sound like a poor growth rate, it must be remembered that in the fourth quarter of last year, investment was still below its previous peak. At this stage in previous recoveries fixed investment had exceeded its earlier peak by an average of 14 percent. Investment in nonresidential structures has been particularly poor; the increase was only 3.5 percent in real terms in 1977.

After almost no change in 1976, nonfarm inventory accumulation increased substantially in 1977. The ratio of inventories to final sales, however, has shown a gradual decline since the third quarter of 1976, indicating that the inventory buildup has not been excessive. In fact, the sharp drop in the fourth quarter figures -- partly attributable to the coal strike and some auto plant closings -- set the stage for some inventory building in the first half of 1978.

1977 proved to be a good year for the home construction industry. Although the record-setting levels of 1972 were not matched, privately owned housing starts were estimated at 1.986 million units, 29 percent above the level for 1976. By far, the largest increase was in the South where 274,000 new units were started from December to December.

Spending by Federal and State and local governments was another important source of expansion in 1977, increasing 2.5 percent in real terms as compared with 0.5 percent in 1976. The growth occurred largely in the Federal sector which had experienced a decline in 1976. Purchases at the State and local

Residential and Nonresidential Fixed Investment



SOURCE: Department of Commerce

level grew very slowly although they did speed up as the year progressed. As a result of this slow spending growth, the surplus in State and local government operating budgets increased almost $10 billion. National Income and Product Accounts (NIPA) estimates are not available on a State-by-State basis, and certainly not all States are in surplus, but other information indicates that the general surplus condition is widespread. This condition will probably lead to some moderate tax reductions or foregone tax increases in 1978. Further expenditure growth will depend heavily on grants supplied by the Federal Government.

Because of the strong economic growth, total employment increased during 1977 by about 4 million, bringing civilian employment to 92.6 million persons by the end of the year. Substantial gains were made in reducing unemployment as well, with the unemployment rate declining from 7.7 percent in 1976 to an average of 7.0 percent in 1977. Using the newly revised seasonal adjustment factors released in December by the Bureau of Labor Statistics, the unemployment rate showed a steady decline beginning in July. The December rate of 6.4 percent was good news, marking the lowest rate since late 1974. The decline was sustained in January 1978 as the rate dropped slightly to 6.3 percent. Over the year, the number of unemployed persons dropped by more than 1.1 million.

Most groups in the labor force enjoyed lower unemployment rates. From January 1977 to January 1978, the rate for all male workers declined from 5.8 percent to 4.7 percent, while female unemployment dropped from 6.9 percent to 6.1 percent. However, the unemployment rate for black Americans was

virtually unchanged and the rate for black teenagers increased from 36.2 percent to 38.7 percent.

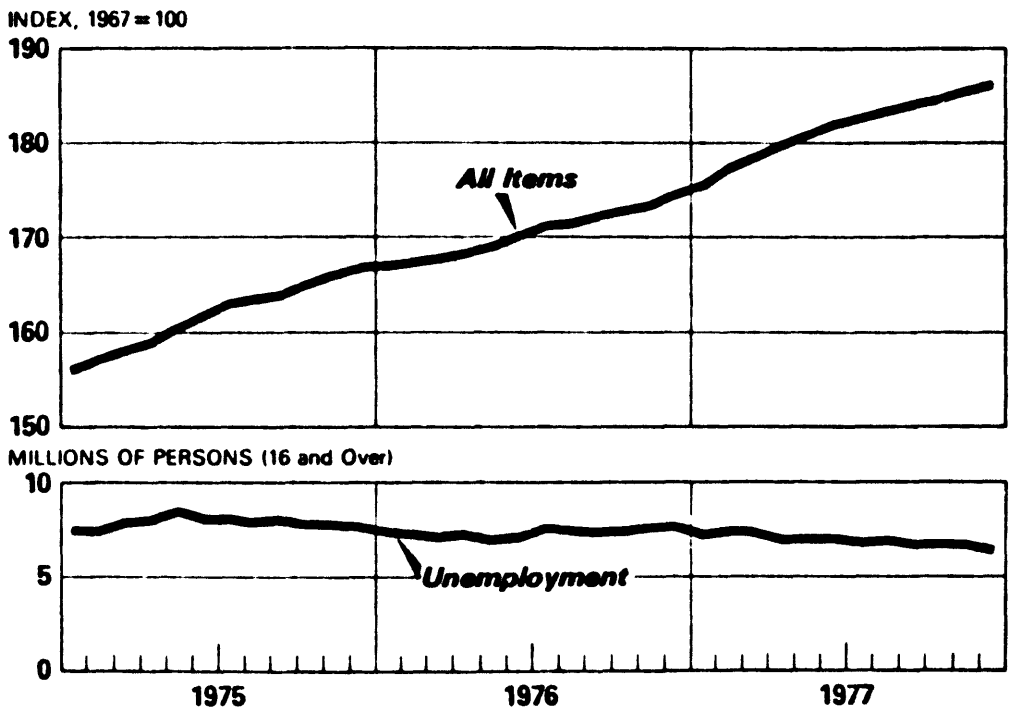
The labor force participation rate continued to rise throughout the year, reaching an all-time high of 62.8 percent in November and December. This is primarily a reflection of the increasing number of women entering the labor force. By year's end there were 98.9 million persons in the civilian labor force.

Although 1977 was a very good year for employment gains, unemployment remains a serious problem. It is not only a racial and demographic problem, it is also a geographic problem as described in detail in Chapter VI. Unemployment in the older U.S. cities during 1977 bears this out, with unemployment rates that are typically higher than the national average.

The Consumer Price Index rose 6.8 percent from December 1976 to December 1977. This does not compare favorably with the increase of 4.8 percent in 1976. The acceleration in 1977 was due primarily to food prices which rose 8.0 percent in 1977, following a rise of 0.6 percent in 1976. Prices rose in 1977 for many grocery store foods, such as meats, poultry, processed fruits and vegetables, sugar, fats and oil products, and cereal and bakery products. Prices for new cars, fuel oil, and gasoline increased more in 1977 than in 1976, but used car prices declined in 1977 after a substantial rise in 1976.

The Finished Goods Index, which is a better indication of prices paid by producers than the All Commodities Wholesale Price Index, rose 6.6 percent from December to December. The Bureau of Labor Statistics began

Consumer Prices



SOURCE: Department of Labor

emphasizing the Finished Goods Index in August because it includes only changes in prices received by producers for those commodities that are in the form in which they will eventually be sold to users. In this calculation, price changes are not counted repeatedly as goods move through various stages of processing. Producer finished goods were 7.2 percent higher in 1977, consumer food prices rose 6.6 percent, and the index for consumer finished goods excluding food rose 6.1 percent.

While consumer prices rose 6.8 percent during 1977, adjusted hourly earnings for private nonagricultural workers rose by 7.5 percent, resulting in a real gain for the consumer of .6 percent. This was much smaller than the gain last year when real hourly earnings rose 2.3 percent.

Productivity growth in the private business sector in 1977 did not match the pace of 1976. The 2.4 percent increase in 1977 reflected a 6.0 percent increase in output and a 3.6 percent increase in hours worked. During 1976, productivity rose 4.2 percent. The growth of hours worked by all persons accelerated in 1977 -- the largest increase since 1973. The durable goods sector, which is typically the most sensitive to cyclical fluctuations, showed an increase in productivity of 1.5 percent in 1977 compared with 7.2 percent in 1976.

In contrast to 1976, the external sector acted as a brake on economic expansion in 1977. Net exports of goods and services fell from a 1976 surplus of $7.8 billion to a deficit of $9.1 billion in 1977. A $4.1 billion improvement in the surplus on services from $17.1 billion in 1976 to $21.2 billion in 1977 was more than offset by a $21.2 billion

increase in the merchandise trade deficit. With U.S. exports concentrated in the agricultural and capital goods manufacturing sectors, slow growth abroad meant weak export markets for the United States. Sharply increased imports of oil also contributed to the widening deficit. The $10 billion in added oil imports amounted to roughly half the larger merchandise trade deficit and well over half of the $16.9 billion swing that marked the shift from surplus to deficit on the balance of goods and services.

Deficits in the balances for merchandise trade, goods and services, and the current account are likely to continue through 1978 and beyond. However, there may be some reduction in all three deficits during 1978.

Because there is a considerable lag between rising import prices and the substitution of domestic for imported goods, a depreciating dollar could upset this calculation. The dollar value of 1977 imports was given a boost by the 5.4 percent fall in the multilateral trade weighted value of the dollar. Large trade and current account deficits in 1978 coupled with persistent inflation at the 6 percent level could lead to further depreciation of the dollar in 1978.

Somewhat more rapid growth abroad should result in a higher level of U.S. exports. Nonfuel imports can be expected to fall slightly as growth in this country slows in 1978 and 1979. Imports of oil jumped 20 percent in 1977 in response to cold weather, stockpiling, and a decision to build up strategic reserves. North Slope production and the existence of adequate stocks will tend to stabilize the level of U.S. oil imports. The major imponderable remains the

price decision that will emerge from the midyear meeting of the Organization of Petroleum Exporting Countries (OPEC).

The money supply grew at the relatively rapid rate of 7.4 percent from the end of 1976 to the end of 1977. This growth rate, however, did not prevent short-term interest rates from moving up sharply. The three-month Treasury bill rate rose from 4.4 percent in December 1976 to 6.1 percent in December 1977. Long-term rates, however, fell during the year. Monetary policy and its relationship to overall economic performance is discussed in detail in Chapter IV.

1978

Looking ahead into the remainder of 1978, we foresee a continuation of recovery. The Administration's forecast of 4.7 percent real growth is within a reasonable range of probable outcomes. The unemployment rate should therefore decline gradually, falling to the neighborhood of 6 percent by the end of the year. While we wish the President success with his incomes policy, we do not consider it strong enough to produce a dramatic change. Barring uncontrollable events, prices should increase approximately 6 percent in 1978.

Although we do not have any serious differences with the Administration over its view of the economic outlook, we sense a tendency to accept this economic performance as the best that can be expected. We believe that economic performance can be improved. In the following chapter we recommend more ambitious goals for both the near-term and the more distant future.

1979

As usual it is difficult and risky to project events more than a year into the future. On the other hand, our ability to influence the path of economic growth increases as we look further into the future and take steps to prepare for it.

The Administration has forecast real growth of 4.8 percent in 1979 coupled with an inflation rate of 6 percent and an unemployment rate of 5.8 percent. We believe that this forecast is achievable -- in fact we have recommended more ambitious goals. Nevertheless, there are many potential problems which could cause 1979 to be far weaker than expected.

As indicated earlier, economic growth in 1979 is heavily dependent upon the path of monetary policy in 1978. If interest rates are stable or decline moderately in 1978 and remain stable in 1979, we could reach a growth target of 5 percent in 1979; if interest rates rise throughout 1978 it will be impossible to achieve this target without an unacceptably large deficit in the Federal budget. In our judgment, if interest rates are allowed to rise further, we run a serious risk of growth below 3-1/2 percent in 1979.

The Longer Term

The years 1978 and 1979 are critical in accomplishing our long-term objectives of moving the economy back to full employment. If we achieve the targets suggested by this Committee, we will be within 2 percent of potential GNP by the end of 1979. As we approach this goal, we must be careful that Federal policies do not overstimulate demand

Fiscal policy for 1978 has been largely determined. If the proposed tax reduction goes into effect October 1, most of the economic impact will occur in 1979. Expenditures have been set by the Second Concurrent Resolution and even if they are raised moderately as the President's budget indicates, this will only validate existing policy. As indicated in Chapter IV we have no serious problems with the fiscal policy implied by the President's Budget for fiscal year 1979.

Monetary policy is far more flexible than fiscal policy and offers a much greater opportunity to influence economic activity in the second half of the year. If short-term interest rates continue to rise through 1978 as they did in 1977 and as the Council of Economic Advisers and others expect in 1978, there would be a serious impact on economic growth in 1979. An analysis prepared by the committee staff, discussed more fully in Chapter IV, concludes that unless short-term interest rates stabilize and begin to decline it will be difficult to reach the Council's growth projections.

In accepting the Administration's view of the economic outlook for 1978, we are quite cognizant of the pressures now developing in financial markets. We are aware that loan demand has been increasing and that foreign funds which in the past have helped finance part of the Federal deficit may not be depended upon this year. Nevertheless, we have concluded that the dangers of financial "crowding out" are minimal this year. We are confident that with cooperation from the monetary authority, both the Federal deficit and private demands for funds can be accommodated without sharp increases in interest rates.

The pattern of the recovery in 1978 promises to be erratic. The coal strike will have an adverse impact on output in the first quarter. The severity of this impact will of course depend upon how long it takes to get production moving again, but we can easily foresee a significant national effect. This factor alone would tend to reduce growth in the first quarter and raise the growth rate in the second and third quarters as inventory rebuilding occurs.

The social security tax increases which became effective January 1, 1978, will also have a dampening effect. Growth in the final quarter of 1978 will remain strong if, as expected, consumption is stimulated by a combination of tax reductions, social security benefit increases, and Federal pay increases.

Despite the likelihood of stronger growth rates in the second half of the year than the first, fundamental forces in the economy could weaken as the year progresses. If interest rates are allowed to rise, this would have an adverse impact on business investment in 1979. If they rise enough to cause the flow of funds into savings institutions to be curtailed, housing, which has a significant impact on other sectors of the economy and which is already expected to be weaker in 1978, will drop substantially. If consumers decide to repay debt or increase saving, or if energy prices are increased significantly, these factors will also dampen economic growth in late 1978 and set the stage for a weak performance in 1979.

while creating capacity shortages. It is for this reason that we stress the need to rely more heavily on monetary policy for stimulus in 1978 and 1979. Lower interest rates will stimulate investment and expand capacity thus reducing the problems that might be encountered as we approach potential output. If we do not expand industrial capacity and if we rely solely on fiscal policy to stimulate demand, we risk creating a situation where a small amount of excess demand two or three years from now will set off a new inflationary spiral that will trouble us for years to come. It is essential to change the mix of policy to provide a balanced expansion.

III. GOALS FOR ECONOMIC POLICY

Despite steady improvement in the economy during 1977, the economy is still a long way from full recovery. To make satisfactory progress in sustaining further growth and reducing unemployment, the Congress should adopt specific targets for 1978 and 1979.

In proposing economic goals to the Congress, we must be careful not to put excessive emphasis on a particular policy instrument, and we must be very careful not to confuse means with ends. Just such confusion may have been created by the present system of congressional oversight of Federal Reserve monetary policy. Current law instructs the Fed to maintain growth of the monetary aggregates "commensurate with the growth of potential output." As a result, the monetary aggregates have been treated as the targets rather than as instruments of monetary policy. By relating monetary policy only to long-run objectives, no real burden has been placed on the Fed to relate its monetary policies to such economic goals as the growth in production, the level of unemployment, or the rate of inflation. In Chapter IV we present specific recommendations to remedy this situation.

The Administration came perilously close to confusing means and ends by making a balanced budget a key target of national economic policy. Balance in the budget should be a secondary aim of economic policy. The budget deficit or surplus should be determined by the fiscal needs implied by current economic conditions.

During the past year, the Administration has put its goal of a balanced budget in a clearer perspective. Although budgetary balance remains a matter of importance to the Administration, this view is now put forward with considerably less rigidity than earlier and the size of the deficit is to be determined with an eye first to the overall performance of the economy. We note that the Report of the Council of Economic Advisers conceded, as our staff argued in an evaluation of the 1981 targets, that structural weaknesses may be such that it might be unwise to balance the budget even at full employment.

The President's Economic Report and Budget place considerable emphasis on reducing the Federal Government's relative role in the economy. While a variety of factors could combine to alter the components of Federal expenditures, the total should be determined by the needs of the nation and the economy. In setting national economic goals, we should keep in mind that it is rising production and employment that are the principal measures of economic well-being and not the size of the budget deficit or the level of Federal expenditures.

Growth and Employment Goals for 1978 and 1979

In its 1977 Annual Report, the Joint Economic Committee recommended specific goals for real growth in GNP and the rate of unemployment. For 1977, we recommended a real rate of growth of 6 percent and a reduction in the unemployment rate to 6.5 percent by year end.

As a result of moderate fiscal stimulus and the strong performance of the private sector, the economy has come quite close to meeting

those goals. Real GNP grew by almost 5 percent. Although somewhat below our recommendation, the U.S. performance still exceeded that of all her major trading partners except for Japan. The record of unemployment reduction was even better. Overall, the rate of unemployment fell 1.4 percentage points in 1977 and exceeded our goal by one-tenth of one percent.

The relatively strong performance of the economy in 1977 partly reflected the establishment by the Administration and the Congress of specific quantitative goals. By focusing on ambitious but attainable goals, the Congress and the Administration have a clearer basis on which to build economic policy. The Administration's endorsement of the Full Employment and Balanced Growth Act (generally referred to as the Humphrey-Hawkins bill) indicates a clear commitment to continue and improve this process.

We strongly recommend that the Congress formally establish specific targets for employment, growth of real output, and productivity. */

*/ Senator Proxmire states: "Congress would be remiss if it did not also establish goals for a decline in the rate of inflation."

Employment and unemployment goals should be broken down into goals for specific demographic groups, so that programs for aiding specific groups and for reducing differential unemployment rates can be developed.

As the United States becomes more involved with foreign economies, the success or failure of many domestic policies will depend on decisions made in foreign capitals. Similarly, U.S. economic policies will have a significant impact on the economies of other countries. While each country must consider its own domestic interests, growing interdependence makes greater international coordination of domestic economic policies vital. At the London summit in May 1977, the President and the leaders of the major western industrial powers took a step in this direction by establishing goals for real growth of GNP in their respective countries. The attempt was far from successful. Only the United States achieved its goal for growth, and then only after revising it downward. The existence of goals can invite public pressure by one country on another, but their absence would do nothing to promote international coordination. Despite the disappointing performance in 1977, it is highly desirable that the process be continued.

At special economic meetings and through the Organization for Economic Cooperation and Development (OECD), the United States should encourage the major industrial powers to set specific quantitative goals for growth in real GNP.

As we have already noted in Chapter II, there is a broad consensus that without stimulus, the economy will begin to weaken in

the latter part of 1978. If its proposals for net tax reductions are adopted, the Administration anticipates real GNP growth for 1978 in the range of 4-1/2 to 5 percent with the unemployment rate declining to between 6 and 6-1/4 percent.

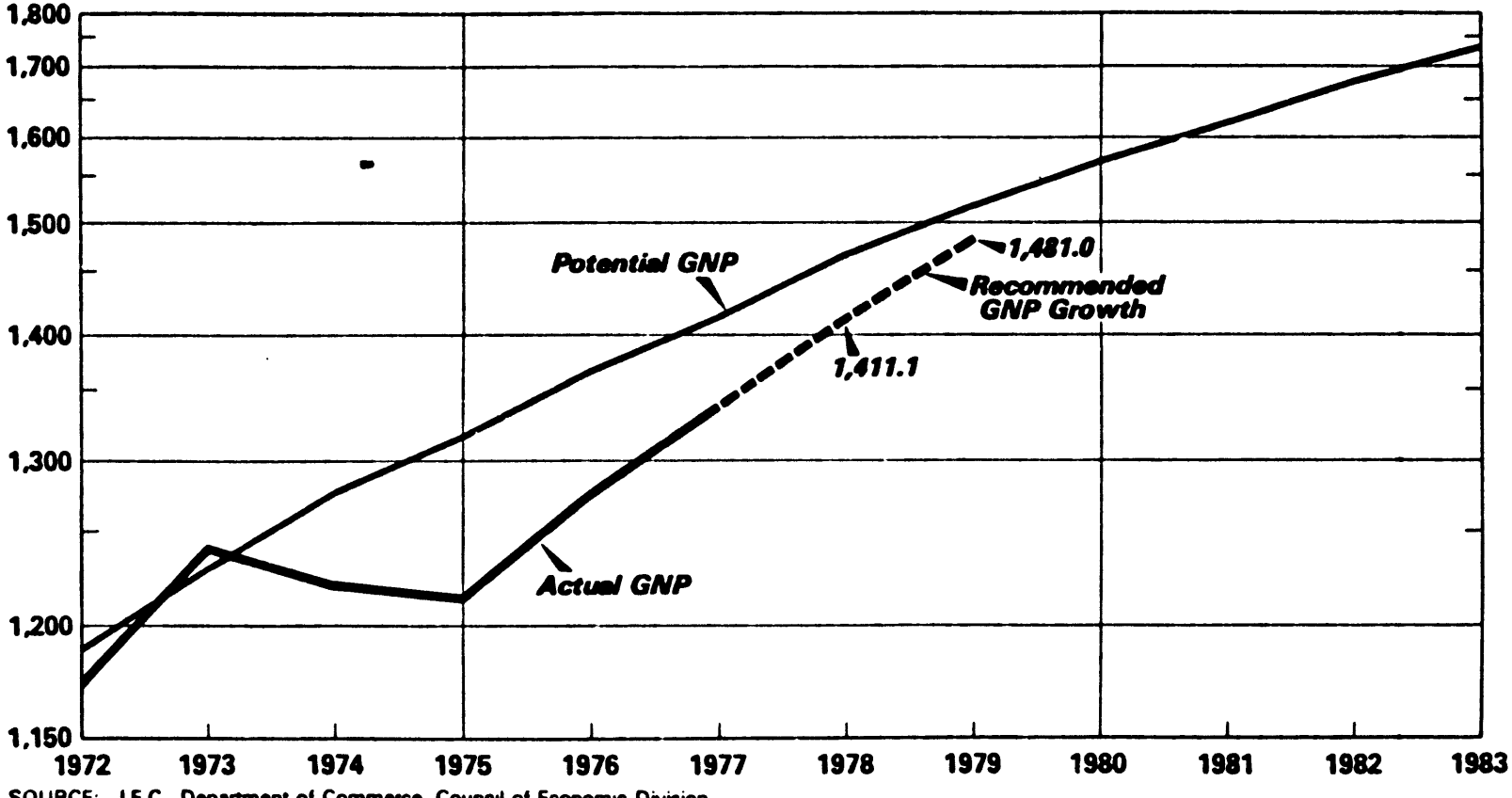
Barring any unexpected shocks, the Administration foresees a similar performance in 1979 with real GNP growth in the 4-1/2 to 5 percent range. The rate of unemployment would continue to decline to a rate somewhere between 5-1/2 to 6 percent at year end. We agree that growth should slow somewhat as the economy approaches potential GNP. Nevertheless, we favor somewhat more ambitious goals than the Administration.

Real GNP growth between 5 and 5-1/2 percent in calendar year 1978 is a desirable and attainable goal. This growth target is consistent with an unemployment rate averaging no more than 6.4 percent during the year and falling to 6 percent or less by year end.

If 1978 is marked by a strong economic performance, we would endorse a growth target in the neighborhood of 5 percent for 1979. This would reduce the unemployment rate to approximately 5-1/2 percent by the end of the year and place economic output within 2 percent of potential by year end. Fiscal and monetary policy should be structured to achieve these goals.

In setting economic policy, the Congress must also consider other problem areas that may not lend themselves to specific quantitative goals. The Congress is concerned about the composition as well as the level of

Potential and Recommended GNP Growth



SOURCE: J.E.C., Department of Commerce, Council of Economic Division

Federal spending. Likewise, adequate and balanced levels of consumption and investment in the private sector are a matter of congressional interest. The persistent problems of inflation and structural unemployment and local economic development also warrant congressional attention. The growing importance of world markets for the U.S. economy has raised new questions about the U.S. position on international trade and payments.

The President's program is based on a particular mix of tax, spending, and monetary policies. Chapter IV discusses a staff study which explored three specific alternatives to the Presidential mix. The economic effects of a more expansionary monetary policy, a larger tax cut, and somewhat greater spending were analyzed in turn.

After considering these alternatives, we are convinced that greater reliance should be placed on monetary policy. By pursuing a monetary policy which will reverse the rise in short-term interest rates and move them in the direction of the average level of 1977, the economy could grow and invest more while actually decreasing the level of the budget deficit.

Throughout the 1970s, rising prices have created a whole series of economic problems. In 1977, consumer prices grew by 6.8 percent, a sharp increase over the 4.8 percent rate recorded for 1976. The prospects for significantly reducing inflation in 1978 are not bright. The underlying rate of inflation and the rate of increase in unit labor costs are both over 6 percent. A depreciating dollar, increases in the minimum wage, rising payroll taxes, and a number of other policies will all push prices upward. The

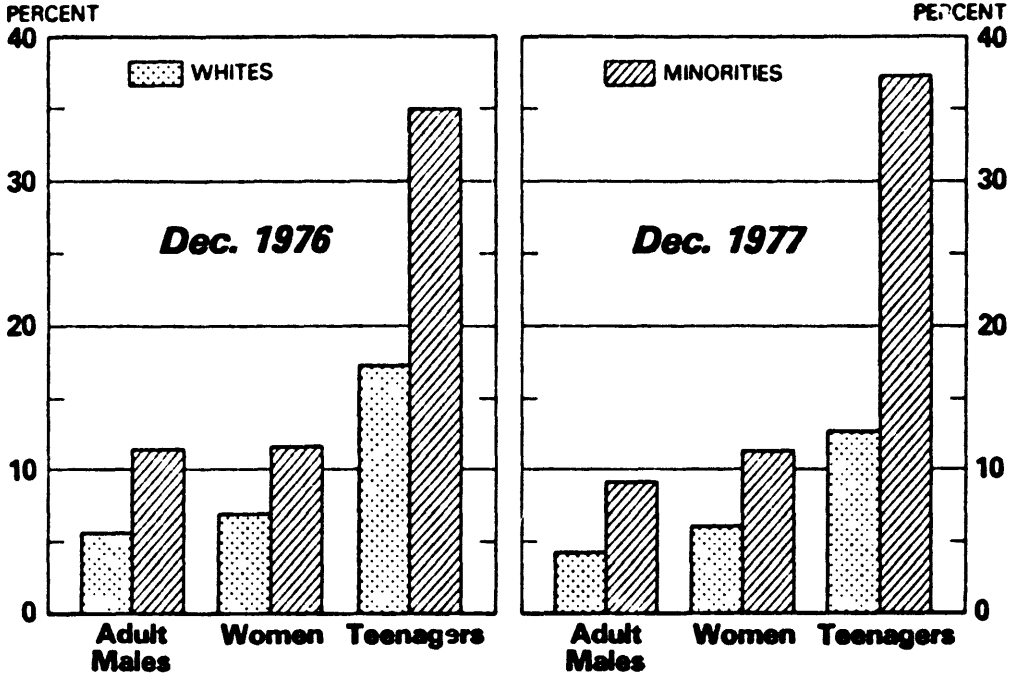
Administration hopes to achieve a modest reduction in the rate of consumer price increase to about 6 percent a year. We agree that this is a reasonable target. To reach that and future targets for reducing inflation, the Congress should begin to explore several methods of directly attacking the problem of rising prices. Chapter V examines a variety of potential policies and solutions.

Despite a record increase of 4.1 million jobs and a steady drop in the unemployment rate during 1977, serious employment problems continue to exist for several groups. Members of minority groups, teenagers, and women all suffer significantly higher rates of unemployment than do adult males. Although steady growth in GNP is a precondition to opening employment opportunities for these groups, in many cases structural measures must be adopted. The need for structural programs will become particularly acute as the economy approaches the stage where rising demand begins to create serious inflationary pressures. In Chapter VI, we assess a number of present and potential structural programs.

The very large trade and current account deficits pose serious problems for U.S. policymakers. As the trade deficit approached $30 billion for 1977, the dollar began to fall in value against the Japanese yen and several European currencies. The Treasury and Federal Reserve Board both moved to intervene in foreign exchange markets to stabilize the international value of the dollar. In addition, the Federal Reserve raised the Federal funds and discount rates in an attempt to increase the demand for the dollar. Because the current account deficit drains aggregate demand away from the domestic economy, compensating fiscal action is needed.

Unemployment - Whites, Minorities

(Unemployment rates, seasonally adjusted)



SOURCE: Department of Labor.

Faced with inadequate demand elsewhere in the economy, the current account deficit adds to the required size of a compensating fiscal stimulus package and budget deficit. In Chapter IV, the domestic impact of a depreciating dollar is discussed in more detail.

Developments in the international economy now have such a pervasive impact on the U.S. economy that international issues are discussed throughout this Report. We wish to place particular emphasis on two points. First, the principal causes of the trade deficit are slow growth abroad and an increased reliance on imported oil. The deficit reflects a faster pace of growth and greater economic strength of the United States relative to the rest of the world. In addition, the current dollar deficit also reflects the large oil price increase. The large current dollar deficit does not warrant or justfiy a turn toward protectionism. This is not to say that individual industries are not experiencing considerable pressure from import competition. However, specific industry problems should be handled on a case-by-case basis in the context of a carefully designed policy of adjustment assistance.

Second, we strongly advise against using domestic monetary policy for international purposes.*/ An increase in domestic interest rates to stabilize the dollar would vitiate the President's tax incentives for investment, slow the pace of the economic recovery, and raise the budget deficit.

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*/ Senator Ribicoff states: "This statement is too strong. I would agree that monetary policy should not be used primarily for international purposes."

Longer Term Economic Goals

The achievement of longer term growth and employment goals is heavily influenced by current fiscal and monetary policy. By establishing specific quantitative longer term goals for economic performance, fiscal and monetary policy can be better tailored to assure steady, noninflationary growth.

As the economy approaches a high employment level, the existence of structural imbalances increases the dangers of inflation. A five-year perspective can help focus attention on the sectoral and industrial imbalances that would disrupt growth.

Present day labor policy can also be improved by viewing the problem from a longer range perspective. A shortage of skilled workers can create inflationary bottlenecks, and regional imbalances in the supply and demand for labor imply labor shortages and wage inflation in some areas and unemployment and lost production in others. A long-term goal for employment and GNP growth would help to determine the appropriate timing and composition of structural programs needed to improve labor market conditions.

During the past three years, capital formation has been very disappointing relative to previous recoveries. Part of the explanation lies in the severity of the recession which forced the recovery to start from a base of very low capacity utilization levels. Various sources of increased business uncertainty have also deterred capital investment. Through the use of specific long-term goals, the Government could reduce sharply uncertainties that arise from confusion about nature and intention of the Federal Government's economic policy.

The Full Employment and Balanced Growth Act

The Employment Act of 1946 established the Council of Economic Advisers and the Joint Economic Committee of the Congress, and it required the President to submit an annual economic report to the Congress. It was landmark legislation that for the first time acknowledged the responsibility of the Federal Government for promoting "maximum production, employment, and purchasing power." Although the Act has served the country well, it is clear that the increasing complexity of economic policymaking demands that the Employment Act be augmented by supplemental legislation. This is the purpose of the Humphrey-Hawkins bill.

The bill has undergone many revisions. In an earlier form, the present CEA Chairman testified that it carried with it potentially disastrous inflation effects. Yet today Chairman Schultze endorses the bill. Earlier provisions -- such as the right of an individual to use courts of law to sue the Federal Government for satisfactory employment -- have been discarded. In its present form it is a blueprint for economic progress that sets larger objectives, provides for their implementation through a coordinated approach, and places the responsibility on policymakers for failures to achieve its targets.

Specifically, the Act requires the President to state explicit short-term goals and to recommend the fiscal and monetary policies needed to achieve these goals. It also requires the President to set forth his five-year goals each year. All this, finally, must be consistent with the Act's objective of reducing the overall unemployment rate to 4 percent within five years following enactment.

The bill itself does not contain specific, job-creating programs. Rather, the legislation establishes the structure and the procedures with which the Administration and Congress, with the cooperation of the Federal Reserve, will determine the state of the economy, identify problems, and implement the comprehensive and coordinated policy and program mix necessary to help guide the economy toward our national goals. It is within this framework that specific, job-creating tax and spending proposals would be considered and enacted.

Unlike the Employment Act, which is silent on the subject of inflation, the Humphrey-Hawkins bill establishes the goal of price stability as a high priority objective. */ The bill proposes to deal specifically with inflation by instituting early warning systems to detect impending capacity shortages, by stockpiling of agricultural and other critical raw materials, and by vigorously enforcing anti-trust laws.

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*/ Senator Proxmire states: "But it does not establish a goal for decreasing the rate of inflation, as it does for reducing unemployment, and is flawed by that omission."

The Act is flexible enough to allow for alternatives should the quest for full employment prove to be incompatible with inflation control. Beginning in the third year after enactment of the bill, the President may propose to the Congress modifications of the employment goal to delay the time of its achievement if economic circumstances require it.

Second, the bill recognizes the likelihood that its employment and inflation targets will be very difficult to achieve simultaneously as long as a purely macroeconomic approach to policy is employed. It therefore recommends to the President a large number of "structural" options. Among these options are countercyclical employment programs including public works and public service employment; countercyclical revenue sharing and regional and structural employment policies to reduce unemployment among particular groups and in particular places. Youth employment, training, counseling, and other options are included in the provisions to achieve the goals of the Act.

The bill's stated order of priorities places primary emphasis on promotion of private-sector performance to create the bulk of the job opportunities needed to meet the legislation's employment goals. This would be done through general and targeted fiscal and monetary policies and programs aimed at simultaneously reducing both cyclical and structural unemployment. The next levels of priority action prescribed focus on expansion of employment in the private sector through Federal assistance and through the use of existing Federal jobs and job training programs. New programs could be proposed no sooner than two years following enactment in order to give the private sector an

opportunity to respond to employment needs. Jobs provided through new programs, for the most part, would be confined to lower pay and skill levels. Thus, the legislation guards against the automatic increase of bureaucracy or the creation of massive new programs.

While the bill emphasizes private sector performance, it also contains a clear prohibition against government interference with private sector activity. It states that "no provision of the Act shall be used, with respect to any portion of the private sector of the economy, to provide for government control of production, employment, allocation of resources, or wages and prices, except to the extent authorized under other legislation."

The process for implementing the Act begins with the Economic Report of the President which is sent to the Congress each January. Under the new law, the Report would discuss the goals of the Act and how the Administration proposes to meet these goals. Part of the latter must include an outline of budgetary policy for the next five years as it relates to the intent of the bill. Shortly after submission of the President's Report, the Federal Reserve System will be required to report how its intended monetary policies support the President's stated numerical goals for employment, production, and prices.

The expanded Economic Report of the President will be sent to the Joint Economic Committee. The Committee will seek the views of various legislative committees and expert witnesses. The Joint Economic Committee will

then report a concurrent resolution endorsing or modifying, as appropriate, the President's numerical targets, as well as his intended policies. Changes in these targets will be recommended when they are needed.

The Joint Economic Committee will discuss with the Budget Committees the relationship between appropriate goals and their consistency with the First Budget Resolution. Under the proposed procedure the Budget Committees will be better able to make their decisions because more information about the course and intention of monetary policy will be made available to them. This will permit them to develop a more reliable set of economic assumptions on which to base their outlay and revenue targets.

If we resort to tight fiscal and monetary policies as the only way to control inflation, then the twin goals of low inflation and low unemployment will be unattainable. The Humphrey-Hawkins bill offers a realistic solution to this unpleasant problem. In Chapter V we outline ways of approaching inflation control without resort to the harsh traditional remedies, and in Chapter VI we outline the policy requirements that are needed to bring more of the structurally unemployed back into the mainstream of our national economic life.

We strongly endorse the Humphrey-Hawkins bill and urge its swift enactment by the Congress.

The Path to a High Employment Economy

According to estimates in the President's Economic Report, last year the American economy was operating almost $75 billion

dollars or 5.3 percent below its full capacity. The Administration expects that the economy will reach its high employment potential sometime in late 1981. Adopting the Committee goals would speed up this timetable.

In the 1977 Economic Report of the President, the historic series for potential GNP was substantially revised. For a number of years the benchmark level of resource utilization implicit in the Council's estimates was an overall unemployment rate of 4 percent. The new estimates assume that full employment of fixed capital is reached when the manufacturing capacity utilization index calculated by the Department of Commerce reaches 86 percent. This new definition of potential GNP is consistent with a 4.9 percent unemployment rate in 1977 and 1978 and a rate of 4.8 percent in 1981. The unemployment rate consistent with a specified capacity utilization rate will vary as the composition of the labor force changes.

The present Council of Economic Advisers has examined these revisions and has concluded that they represent a major improvement. The Council notes, however, that further improvements are possible. We agree that the accurate definition of potential GNP and the high employment unemployment rate are matters that demand further analysis. The Council of Economic Advisers and the Joint Economic Committee should continue to refine their analysis of this issue.

Regardless of the final determination of an appropriate high employment unemployment rate, it seems clear that the dangers of triggering additional inflation increase as the unemployment rate falls below 5 percent. The "full employment" estimates presented below accept the Council's definition of potential

GNP as a reasonable guide to the output levels we can expect to achieve through macroeconomic policy tools without creating excess demand inflation. However, we do not accept the associated 4.9 percent unemployment rate as an appropriate goal for social policy. We believe that the 4.9 percent level of unemployment can be reached using macroeconomic policies and that an interim target of 4 percent unemployment can be achieved by adding appropriate structural programs. The key to achieving low levels of unemployment with stable prices is to supplement sound fiscal and monetary policies with structural programs designed to attack unemployment and inflation. In Chapters V and VI, we explore a number of possible approaches to these problems.

Full Employment Budget Estimates

The full employment budget estimates can be quite helpful in understanding the direction and magnitude of fiscal policy changes. These estimates are more complicated than usual this year and therefore must be interpreted with care.

Part of the confusion arises from the different methods of calculating the full employment budget estimates. The budget document shows such estimates on a unified budget basis for fiscal years. The unified budget basis estimates show the full employment deficit increasing each year from 1977 to 1979. In the report of the Council of Economic Advisers, full employment budget estimates are shown on a national income and product accounts (NIPA) basis by calendar years. These estimates show the deficit increasing between 1977 and 1978, then declining between 1978 and 1979. Both sets of estimates are shown in Table III-1.

Table III-1. High Employment Deficit (-)
(billions of dollars)

	1977	1978	1979
Unified Budget Basis (fiscal years)	-10	-32	-37
National Income and Product Account Basis (calendar years)	-17.9	-26.9	-22.6

Source: The Budget of the United States Government, FY 1979; the Economic Report of the President, January 1978.

Confusion can be reduced by focusing attention on only one set of estimates. Economists generally regard the NIPA estimates as being the most useful for judging macroeconomic policy. This is because the NIPA attempts to measure current income and production. Transactions which represent an exchange of existing assets such as loans are not included in the NIPA. Income and outlays are recorded in the NIPA when the income is earned or the liability is incurred without regard to when the transaction actually occurs. This method of accounting gives a better indication of when Federal policy affects the economy than alternative methods that record transactions at the time checks are written. Other major differences between unified budget and NIPA estimates relate to timing adjustments and the accounting treatment of asset sales.

Estimates of full employment receipts and expenditures have been prepared by the JEC staff on a half-yearly basis and are shown in Table III-2. These estimates assume the President's budget policy for 1979 is enacted but they adjust 1978 expenditures to reflect the lower levels currently anticipated.

Table III-2. High Employment Budget Estimates
(NIPA basis, billions of dollars, annual rates, half years)

	1977:2	1978:1	1978:2	1979:1	1979:2
Receipts	406.0	434.7	450.5	464.8	495.2
Expenditures	435.1	449.6	483.3	449.2	552.5
Deficit (-)	-29.1	-14.9	-32.8	-34.4	-27.3

Source: Joint Economic Committee staff

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To utilize the full employment estimates as a measure of discretionary fiscal policy, one should look at changes in the deficit. The movement from a $15 billion deficit in the first half of 1978 to a $33 billion deficit in the second half indicates an $18 billion movement in the direction of greater fiscal stimulus. This is the result of the President's proposed tax reduction which would become effective in the fourth quarter of 1978. After the middle of 1978 the changes in the deficit are very small, indicating that discretionary fiscal policy will be relatively neutral. However, by the last half of 1979 the various sources of fiscal drag begin to exert a restraining force, which causes the full employment deficit to diminish.

The full employment budget surplus, as well as changes in that surplus, are fiscal policy indicators that have been asked to supply more information than they can reasonably be expected to provide. On the one hand it is important to know what the budget surplus or deficit would be if the economy were at full employment. If this computation discloses an alarmingly large deficit, policy might wish to avoid the addition of sizeable new permanent expenditure programs that would add to the fiscal base and be ill-advised because recovery in the private sector could then cause total expenditure in the economy to be excessive and therefore inflationary.

However, it is very important that estimates of what the budget surplus would be if the economy were at full employment are not affected by new expenditure programs if these programs are to be phased out as full employment is approached. This is for the obvious reason that the programs neither add to nor subtract from the budget deficit or surplus at full employment.

To estimate full employment revenues, the added revenues that would result from a movement to full employment are estimated and these are added to actual revenue to obtain full employment receipts. Similarly, on the expenditure side the reduction in unemployment compensation that would occur from moving to full employment is calculated and this is deducted from actual expenditure to obtain the estimate of full employment expenditure.

Unfortunately, the treatment of other expenditure components is not consistent with this procedure. Countercyclical revenue sharing; extended unemployment compensation benefits; outlays on food stamps, welfare, and medicaid; and even social security benefits are either deliberately triggered by the unemployment rate or automatically fluctuate with it. Yet no account is taken of this in the full employment budget computation.

On the other hand, because we also wish to measure the magnitude of the impact of discretionary fiscal policies, the CEA calculations raised the full employment deficit when, for example, countercyclical revenue sharing programs were introduced. This would have no effect on the full employment surplus since the revenue sharing grants are eliminated as full employment is approached.

This hodge-podge approach should be changed. Full or high employment budget computations should be clean, clear, and consistent estimates of where the budget would stand if the economy were producing at potential levels of GNP. This should be separated from measures of discretionary fiscal impact. It is unrealistic to ask one calculation to describe movements in fiscal policy and to tell us what the budget would look like if the economy were operating at potential levels of output.

Table III-3 below shows the levels of receipts and expenditures which might be expected if the economy were operating at potential levels of output and if the foregoing recommendations were put into practice. The level of receipts is unchanged from that shown in Table III-2 but expenditures are lower because many programs -- e.g., Aid to Families with Dependent Children (AFDC), Aid to Families with Dependent Children-Unemployed Fathers (AFDC-UF), food stamps, medicare, countercyclical grants -- are sensitive to the unemployment rate. As Table III-3 shows, beginning with the tax reductions in the second half of 1977 and continuing through 1979 the Federal Government is providing substantial support to the economy.

Table III-3. Federal Receipts and Expenditures At Potential Levels of GNP

(NIPA basis, billions of dollars, seasonally adjusted annual rate)

	1977:1	1977:2	1978:1	1978:2	1979:1	1979:2
Receipts	398.5	406.0	434.7	450.5	464.8	495.2
Expenditures	396.4	429.3	444.6	479.0	495.6	519.4
Deficit (-)	+ 2.1	-23.3	- 9.9	-28.5	-30.8	-24.2

Source: Joint Economic Committee.
Note: This table assumes the fiscal year 1979 budget is adopted as proposed by President Carter.

It would be a mistake to interpret this support as stimulating economic growth because both the net export sector and the State and local sector are draining purchasing power away from the economy. For example, in 1977 State and local governments ran a surplus of $29.2 billion -- almost three times as large as the deficit shown in Table III-3 above. If the net export deficit of $9 billion is included, one quickly reaches the conclusion that in 1977 the purchasing power supplied by the Federal Government was grossly inadequate to offset that being drained away by other sectors.

The foregoing discussion raises an important question: can we expect to balance the budget as we return to potential levels of output? The answer depends largely on the behavior of other sectors of the economy. State and local governments are currently running a surplus of $13.7 billion in their operating budgets. This will not continue indefinitely, but neither do we expect it to disappear in 1978. At the same time, they are running a surplus of $15.5 billion in their social insurance funds. This surplus has grown slowly and can be expected to continue -- in fact, for the next several years it will rise faster if State and local employment continues to expand. Our net export position deteriorated rapidly in 1977 -- as recently as the fourth quarter of 1976, we were running a $3 billion surplus -- and this situation could turn around again. Although we expect net exports to remain in deficit in 1978, as the economies in the rest of the world improve and as we learn to conserve energy, our net exports should return to a position close to balance. Taking all of this into consideration we cannot reject the conclusion that it will be necessary to run a deficit in the Federal budget even after we return to

potential levels of output in order to offset purchasing power drains from other sectors of the economy. However, as the economy returns to full capacity the amount of support necessary from the Federal Government (measured as a percentage of potential GNP) should diminish.

IV. MONETARY AND FISCAL POLICY

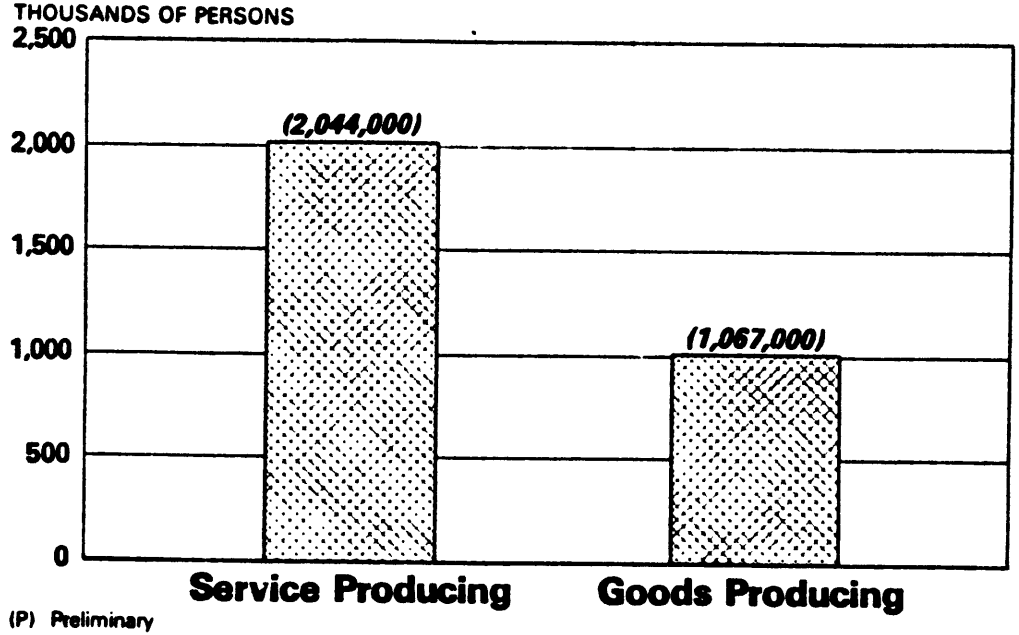
The best economic news about the last year is that from the fourth quarter of 1976 to the fourth quarter of 1977 almost four million new jobs were created in spite of the relatively modest 5.7 percent real growth rate over the same time span. Unfortunately this combination was made possible by very slow productivity growth.

Much of the productivity lag occurred because production and employment growth in 1977 were heavily concentrated in low productivity sectors -- wholesale and retail trade, services, and Government. It is this fact, too, which explains why manufacturing capacity utilization rates have not risen as sharply as might have been expected in correspondence with the huge increases in employment. Finally, this situation threatens future stagnation of real wages and more inflation as money wage increases add to unit labor costs without the benefit of moderation by productivity growth.

Unemployment is still excessive among most groups in the labor force. Many adult males are unemployed because our manfuacturing establishment is still well below its potential and because industrial construction remains depressed. Nevertheless, more balanced growth of demand could quickly reduce excess productive capacity in the near future. Because our labor force has grown so rapidly, we may be in the process of creating structural imbalances that will combine future capacity shortages with labor surpluses, thereby producing continued stagflation.

Increased Employment January 1977-January 1978(P)

(Seasonally Adjusted)



(P) Preliminary

SOURCE: Bureau of Labor Statistics

The paradox of our present situation is that future considerations point to the need to raise the share of investment in the GNP, whereas the continued presence of excess capacity, together with other factors that have created an inclement investment climate, have caused the performance of capital spending to be exceedingly disappointing. Nonresidential fixed investment in 1977 was only 8.8 percent of GNP -- far too little to provide the plant and equipment needed to provide jobs and rising real incomes for a growing labor force.

It goes without saying that the task for monetary and fiscal policy is to sustain the recovery of the economy without exceeding inflationary speed limits. To do this special attention must be paid to the lagging capital spending sector. This is essential to provide the demand needed for sustained growth and to avoid impending structural problems.

Monetary Policy

It is fair to say that the brunt of support for recovery in the last three years has come from fiscal policy while monetary policy has remained preoccupied with the problems of slowing inflation and with the international condition of the dollar. The rate of real M1 (currency plus deposits) growth was negative in 1975; it became barely positive in 1976; and it reverted to zero in the first half of 1977. */ One consequence of this one-sided monetary-fiscal policy mix is that consumption and government spending have expanded strongly, while investment and net exports have been retarded. Housing, to be sure, has made a good recovery, but one has to bear in mind how far it had to come from its depressed conditions of 1975.

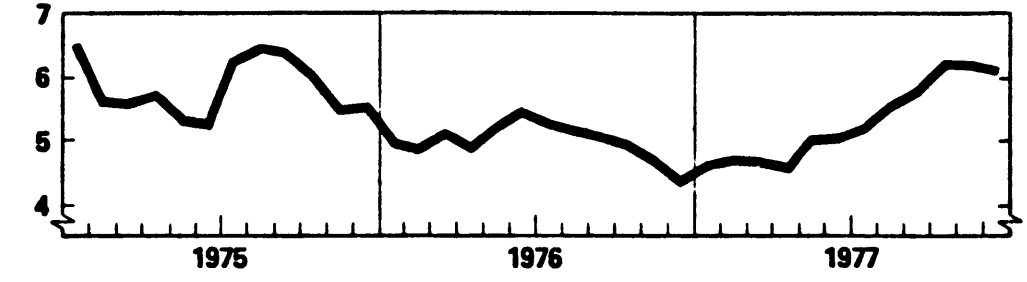
The budgetary and international consequences of monetary policy are explored in subsequent sections of this chapter. Here we are concerned with the effect on capital spending. Restrictive monetary policies have raised interest rates, thereby lowering bond prices. While many factors have acted to depress the stock market, tight money certainly cannot have helped. High interest rates and low bond prices attract funds to the bond market and this exerts downward pressure on stock prices.

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*/ Senator Bentsen states: "There is however considerable disagreement among monetary experts regarding whether the real rate or the nominal rate of growth of the money supply is the proper index by which monetary policy should be judged."

Interest Rate Changes - Treasury Bills

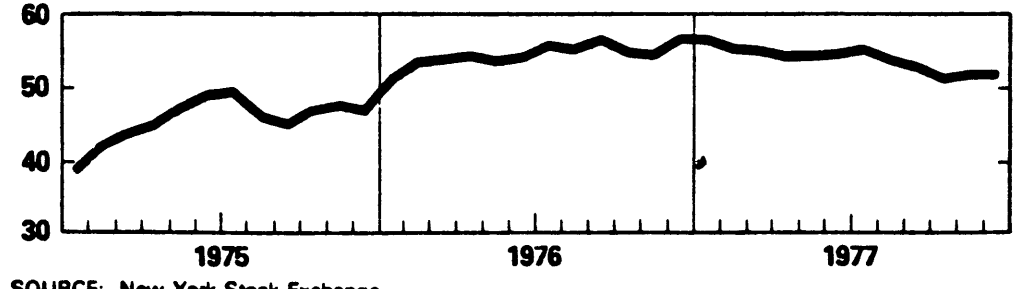
PERCENT PER ANNUM



SOURCE: Federal Reserve Board.

Composite Stock Price Index

INDEX, Dec. 31, 1965 = 50



SOURCE: New York Stock Exchange

The combination of high interest rates and low stock prices creates an environment that is exceedingly inhospitable to capital spending. High interest rates make borrowing costly, and low stock prices make the flotation of new capital issues difficult and unrewarding. As measured by stock and bond prices, the market value of firms' physical assets is now very low relative to their physical replacement costs. As long as that continues to be the case, the incentive to construct new capital facilities will be very weak.

The clearest and most immediate way to alleviate this situation is through more expansionary monetary policy. Without an expansionary monetary policy, the growth and unemployment goals set forth in Chapter III are not attainable.

Policy in 1977 and 1978

The nominal stock of money, as measured by M1 grew 7.4 percent between the fourth quarter of 1976 and the fourth quarter of 1977.* This is the fastest rate of monetary growth since 1972. Despite this, and despite any spectacular growth in real GNP, short term interest rates (as measured by the Treasury bill rate) rose from an average of 5.0 percent in 1976 to 5.3 percent in 1977. At year end the bill rate was over 6 percent.

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*/ Senator Proxmire states: "This growth of the money supply over the past year has exceeded the high end of the target goals. I question if different managers would have changed this policy more than marginally."

The quarterly pattern in 1977 was even more puzzling. Whereas the annual rate of M1 growth was 6.2 percent in the first half of the year, the growth rate rose dramatically to 11.0 percent in the third quarter. Nevertheless the Treasury bill rate in September was more than 70 basis points above its June level even though GNP growth in the third quarter was unspectacular. The economy experienced a paradoxical situation in which faster monetary growth was more than offset by a slowing of velocity growth. The result is that the rate of monetary growth has had an unpredictable effect on interest rates and on the rate of economic expansion.

What is the explanation for the third quarter that found a higher rate of monetary growth associated with higher short-term interest rates? Monetarists maintain that an increase in the nominal rate of monetary growth raises inflationary expectations and that this puts an inflation premium into interest rates. However, that hypothesis would imply a rise in long term interest rates, and these rates moved very little in 1977.

At its quarterly appearances before the Banking Committees the Fed announces its targets for the growth of the monetary aggregates for the coming quarter. However, there generally is no explanation of how the Fed intends to react if the actual rate of monetary growth deviates from its targets. This fact created a great deal of trouble in the last half of 1977 when the rate of M1 growth was much higher than the target ranges. In the third quarter, for example, the target range for M1 was from 4 to 6-1/2 percent, whereas the actual rate of monetary growth proceeded at an annual rate of 11 percent.

In this situation the Fed could have announced that it had decided to support economic growth and was therefore raising its targets. But this option was not available because the Chairman had consistently maintained that growth of the monetary aggregates had been excessive throughout the recovery. Under these circumstances, a rise in the announced monetary growth targets would surely have been interpreted as evidence that the Fed was letting up in its battle against inflation.

In the third quarter the rate of monetary growth and the targets went their own separate ways. The Fed claimed that it could not really exert effective control over the money supply. Convinced that the Fed would not raise its targets, the sharp divergence between the actual and the target rates of monetary growth produced the general belief in financial markets that the Fed would subsequently squeeze down the rate of monetary growth in order to get back on target. This created the expectation of an impending monetary crunch and caused an unloading of various types of assets in favor of cash balances. There was, in more traditional words, a sharp increase in liquidity preference. The result was a slowdown in the rate of velocity growth combined with a very steep rise in short-term interest rates.

This diagnosis suggests that monetary policy may have inadvertently short-circuited itself. Because of the low target range and the expectations created by an above target rate of monetary growth, the faster rate of monetary growth caused velocity growth to decline. This was not accompanied by the usual expected decline in short-term interest rates. In fact, in the third quarter, interest rates actually rose. This causes a

serious problem for the economy since it means that we cannot enjoy the benefits of a faster rate of monetary growth because they are automatically offset by countervailing movements in velocity.

The present system of congressional oversight of the Federal Reserve System is clearly in need of reform. It produces the kinds of unfortunate events described above, and it has not served to inform the Congress adequately of the intentions and consequences of monetary policy. Our recommendations for reform are presented below.

As noted in our discussion of the outlook, the 4.5 to 5.0 percent real growth projection for 1978 and the 4.0 to 5.0 percent projection for 1979 presume the adoption of the President's budget, including his proposal to reduce taxes by about $25 billion on October 1, 1978. Without the tax reduction, the economy would be very weak at the end of 1978; even with it a marked slowdown is expected in 1979. Presently planned fiscal policy for fiscal year 1979 is certainly not sufficient to reach our growth targets. It must be recalled that the upper ranges of our forecast presumed a reasonably accommodative monetary policy throughout the period.

For reasons discussed subsequently, most forecasters do not expect monetary policy to be highly stimulative in 1978. Data Resources, Inc. (DRI), for example, looks for the rate of M1 (currency plus deposits) growth to fall from its 7.4 percent rate of 1977 (fourth quarter over fourth quarter) to rates of 5.7 and 6.3 percent in 1978 and 1979 respectively. These monetary growth rates, combined with the Administration's fiscal proposals, are not sufficient to finance projected nominal GNP growth without a

continuation in the updrift of short-term interest rates. This is consistent with the expectations which the Council of Economic Advisers outlined in its Report. As a result of this inappropriate policy mix, DRI forecasts a real GNP growth rate of about 4.5 percent in 1978, and an even less satisfactory rate of 3.9 percent in 1979. Unemployment under these conditions will still be well over 6 percent in 1979, and capital spending will continue to lag as the consequence of high borrowing costs and low stock prices. It must be remembered, in appraising this issue, that under the President's Budget proposals the economy will receive no additional fiscal stimulus until late 1978.

A Joint Economic Committee staff analysis compared the effects of a monetary policy that would bring short-term interest rates back to the average Treasury bill rate of 5.3 percent in 1977 to a DRI baseline solution. The attainment of the interest rate target would require the fourth-over-fourth quarter rate of M1 growth to be stepped up to about 7 percent in 1978, and to 8 percent in 1979.

It is important to note that "stepping up" means raising the rate of monetary growth relative to the forecasted rates of monetary growth and not relative to the 1977 rate. Indeed, if the 7.4 percent rate of 1977 could be maintained, the Committee's goals would very likely be met. Meanwhile, however, it is very important that the Fed's monetary growth targets be raised so as to avoid the problems created by divergence of the actual from the target rate noted above. We believe that the 1977 M1 growth rate would probably be adequate to achieve the interest rate policy recommended below.

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Since monetary policy affects the economy with a considerable lag, the staff analysis shows little effect until late in 1978. But in 1979 GNP would be $40 billion higher, the real growth rate would be increased a full percentage point, and the unemployment rate would be one-half of one percentage point lower. Thus, monetary growth above 7 percent can eliminate all risk of recession in 1979 and contribute some 500,000 additional jobs.

The effect of this change in the policy mix would be to provide impetus to the investment sector. Nonresidential fixed investment may be $7 billion higher in 1979 and home building may rise by more than $13 billion. Because of the clear need to stimulate investment, a more expansionary monetary policy should be high on our list of policy priorities.

Expansionary monetary policies tend to reduce the Federal budget deficit while expansionary fiscal policies do the opposite. Our staff estimates that attainment of a 5.3 percent short-term interest rate target will reduce the deficit by from $10 to $15 billion in 1979. The stronger economy will generate additional revenue from all taxes -- personal, business, social insurance, and indirect -- and it will reduce outlays for unemployment compensation and welfare. In addition, the lower interest rates will reduce the cost of financing the national debt.

The growth of the money supply should be such that the rise in short-term interest rates is reversed. Policy in 1978 should tend to move short-term rates toward their 1977 levels. Short-term interest rates should be maintained at these lower levels in 1979.

Obstacles to Monetary Expansion: The International Position of the Dollar

Witnesses before the Committee have suggested that the principal reason for expecting monetary growth rates to be held back in 1978 is the Federal Reserve's perceived need to prevent the dollar from falling relative to foreign currencies. Recent increases in the Federal funds and rediscount rates bear witness to the desire to shore up the dollar even at the expense of domestic expansion. If this orientation of monetary policy is continued, the pessimism expressed by some of our witnesses will be justified.

On the other side of this debate are those who believe that our large trade deficit implies the need for a decline in the international value of the dollar. This policy would tend to improve the competitive position of our export industries and would raise the cost of imports, thereby diverting employment from foreign to domestic production.

We believe that so many special factors presently influence our trade balance that neither of these views is acceptable without modification. Flexible exchange rates play an important role in allowing gradual adjustment to take place before severe imbalances develop. But depreciation of the dollar to such an extent that it would eliminate the deficit is simply not feasible or desirable. The prospect of continuing current account surpluses for the OPEC cartel implies continuing current account deficits for the rest of the world. If the United States experiences satisfactory rates of growth, it will bear a substantial share of that deficit.

Much of the trade deficit stems from the fact that the United States is at a stage of the business cycle different from her major trading partners. Relatively strong growth in the United States has led to a rapid increase in U.S. imports. Slow growth abroad has meant weak markets for U.S. exports. Since the volume of trade adjusts slowly to exchange rate variations, a sharp drop in the value of the dollar would, in the short run, simply lead to higher prices for imports (and thus more inflation) and greater turbulence in international money markets. Because of the dollar's role as the world's principal reserve currency, severe fluctuations in its value can impede orderly world economic growth by distorting trade and investment decisions.

The faster the dollar drops, the greater are the risks that the OPEC cartel will raise its prices. Rising oil prices would further depress the dollar and this could then lead to another round of increases in oil prices. Although domestic fuel prices are almost certain to rise in the future, it is preferable that this be brought about through a reasoned and planned domestic energy program, rather than through the kind of external shocks that were visited upon us in 1974. It will be several years before a national energy policy can significantly reduce our imports of energy. But by signaling the adoption of a long-term strategy to reduce the U.S. trade deficit, a national policy would help stabilize the international value of the dollar.

The view that the dollar must be rigidly defended at all costs is equally unacceptable. Directing monetary policy towards such a goal would return us to the Bretton-Woods system in which international considerations took priority over domestic economic objectives.

Such a policy would perpetuate the trade deficit, even as it eliminates the overall deficit by artificially stimulating capital inflows. It would be deflationary not only because a perpetual trade deficit represents a perennial net purchasing power drain, but also because it implies high interest rates and therefore vitiates the important role that monetary policy should play in reviving capital spending.

The Joint Economic Committee has long been on record as opposing the use of monetary policy for international purposes. Similarly, we have been opposed to the use of foreign exchange market intervention for the purpose of achieving a domestic monetary objective. We reaffirm this view. */

*/ Senator Ribicoff states: "This statement is too strong. I would agree that monetary policy should not be used primarily for international purposes."

Domestic recovery is too important an objective to permit monetary policy to be diverted to other goals. We therefore oppose the recent increase in the Federal funds rate and the rediscount rate because they represent deliberate attempts to use domestic monetary instruments to achieve an international purpose. Intervention in foreign exchange markets should be strictly limited to measures designed to correct "disorderly markets." */

*/ Senator Ribicoff states: "Monetary policy is inherently both a domestic and international instrument. We currently have disorderly markets."

Our deteriorating foreign trade position is a source of serious concern. We believe that, over time, a part of our trade deficit can be remedied by the speedy adoption of a national energy policy and that the remainder of the problem is inherently temporary and external in origin. Once growth rates abroad pick up, the U.S. current account will strengthen, as will the dollar. Sound policy calls for patience and the resistance of efforts to restrict trade by resorting to protectionist measures. Dumping, to be sure, is to be deplored and may require an appropriate response if the countries involved refuse to change their trade practices. On the other hand there is little evidence that American industry is losing its international competitive edge. Efforts to limit imports would surely be offset by foreign retaliatory responses against our exports. Protectionism might not increase the number of jobs in the U.S., and it could well undo the very significant progress we have made through the years in liberalizing trade.

It is important to the maintenance of the international value of the dollar that capital be encouraged to flow into the United States. However, as we have stated many times, this should not be done through monetary policies because such monetary policies would necessarily be restrictive and interfere with domestic recovery. */

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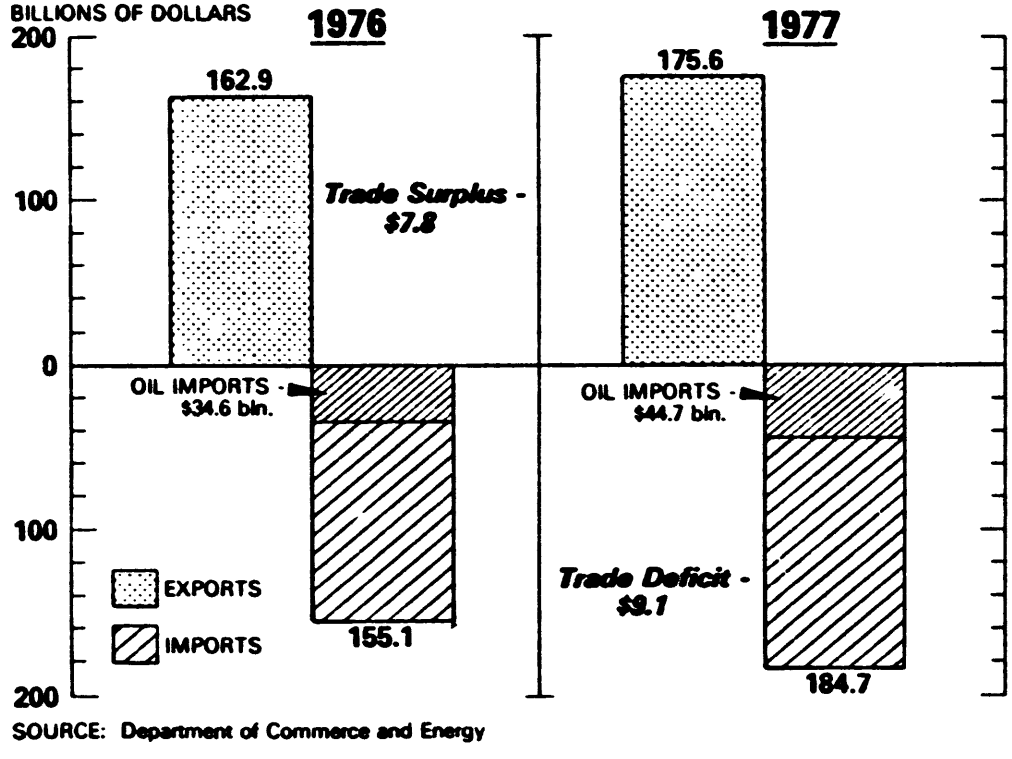
*/ Senator Ribicoff states: "This statement is too strong. I would agree that monetary policy should not be used primarily for international purposes."

Under the circumstances it seems entirely appropriate for this Committee to urge American banks to reconsider their lending policies in a way that would reduce their foreign lending operations somewhat in favor of more generous lending policies to domestic business. A moderate shift in bank portfolios in the recommended direction would take a great deal of pressure off the dollar and would help to finance the capital spending we so badly need. It would also take considerable pressure off the Federal Reserve because it would permit interest rates to be brought down without excessively rapid growth in the money supply.

This is a reasonable request to make of our banking system. The United States provides an investment climate of political and economic stability not common elsewhere. Taking this into account, interest rates are not unfavorable. Lending opportunities surely abound. Further, with the new Witteveen facility, foreign credit demands should be eased. It will then make sense for our banks to look homeward more than they are presently doing.

Correction of our international trade imbalance necessitates that we take measures to restrain our huge appetite for foreign oil. The United States enjoyed a net export surplus of $7.8 billion (NIPA basis) in 1976, at which time we were spending $35 billion on foreign oil. However, the trade surplus moved into a deficit of $9 billion in 1977; $10 billion out of the total swing of $16.8 billion was attributable to increased oil imports. Until recently, we were able to pay for our imported oil by our export sales. However, it is also quite clear that we cannot hope to continue to increase our oil imports by $10 billion each year. Fortunately, much of this increase in

Balance of Trade 1976, 1977



SOURCE: Department of Commerce and Energy

1977 was attributable to special factors including the stockpiling program, the very harsh winter of 1976-77, and the drought in the West which forced utilities to resort to oil to supplement their inadequate hydroelectric resources. In 1978, Alaskan oil and the hoped-for OPEC price freeze provide reasons for optimism.

There is no doubt that we must develop an energy program that reduces our reliance on imported oil. Such a program must consist in part of reduced consumption of oil and of greater domestic production of oil and substitute fuels. Producers must be provided with incentives to raise production and consumers must be provided with incentives to curtail consumption. It seems inevitable that this cannot be done without substantial increases in fuel prices. Although the Members of the Committee have varying views about the President's energy program, we strongly believe that energy price increases should be phased in slowly. Abrupt price increases would produce a sharp reduction in consumer real income and needlessly subject the economy to the same kind of stagflation-producing shocks that were experienced in 1974. We are also persuaded that the fragility of the recovery makes it absolutely imperative that energy taxes be handled in such a manner that they impose no fiscal drag on the economy.

Fiscal Policy

The President's budget proposal for FY 1979 is for outlays of $500.2 billion and receipts of $439.6 billion, implying a deficit of $60.6 billion. This deficit is roughly the same as the Administration's estimated deficit of $61.8 billion for FY 1978 and suggests that

fiscal policy, despite a major proposed tax reduction and reform program, is planned to be neutral in FY 1979. That is, it will neither add to nor subtract substantially from aggregate demand, relative to the budget for FY 1978.

Expenditure Policy

The Administration estimates that expenditures will total $462.2 billion in fiscal year 1978 and $500.2 billion in fiscal year 1979. After allowance for inflation, this implies an expenditure increase in real terms of roughly 2 percent. It should be noted, however, that the $462.2 billion estimate is $4 billion above the level specified in the Second Concurrent Resolution on the Budget for fiscal year 1978. In order to spend this amount, Congress would have to pass a Third Concurrent Resolution on the Budget. Further, current spending is running slightly below the $458 billion level approved in the Second Concurrent Resolution. According to the Congressional Budget Office, the rate of spending is currently in the $450-455 billion range. This implies that the President's outlay estimates for FY 1978 are too high and that spending in fiscal year 1979 will grow 4 to 5 percent in real terms rather than the 2 percent that has been claimed. Comparisons of the Second Concurrent Resolution and the President's estimates for fiscal year 1978 are shown in Table IV-1 below.

Table IV-1. Federal Outlays - Fiscal Year 1978
(billions of dollars)

	Second Concurrent Resolution	President's Budget	Potential Status
National Defense	110.1	107.9	105.2
International Affairs	6.6	6.5	6.3
General Science, Space and Technology	4.7	4.8	4.7
Natural Resources, Environment & Energy	20.0	20.2	18.8
Agriculture	6.3	9.1	9.8
Commerce & Transportation	19.6	19.8	19.1
Community & Regional Development	10.6	10.6	11.7
Education, Training, Employment & Social Services	26.4	26.7	26.2
Health	44.2	44.3	44.3
Income Security	146.1	147.6	146.2
Veterans Benefits	20.2	18.9	19.1
Law Enforcement & Justice	4.0	4.0	3.9
General Covernment	3.9	3.9	3.7
Revenue Sharing & General Purpose Fiscal Assistance	9.7	9.8	9.6
Interest	41.7	43.8	42.4
Allowances	1.0	0.0	0.9
Undistributed Offsetting Receipts	-16.8	-15.6	-17.0
TOTAL	458.3	462.2	454.9

Note: The functional categories listed here are those shown in the Second Concurrent Resolution. Presidential budget estimates have been adjusted accordingly.
Source: Second Concurrent Resolution on the Budget, and Senate Budget Scorekeeping Report, March 6, 1978.

Although the President's Budget appears reasonable in light of historical spending patterns, there are several areas where the spending estimates could prove to be too low. For example, the President has proposed a program to aid college students from middle-income families. According to the Budget, funds for this program were included in the $1.7 billion contingency fund. This same contingency fund is also supposed to include money to pay for the urban program scheduled for presentation later this year. Inasmuch as the original urban aid program called for additional spending of $3-4 billion, it is difficult to see how the $1.7 billion contingency fund will prove to be adequate to fund these two initiatives, as well as the other contingencies which will arise during the year.

Elsewhere in this Report, we recommend new initiatives to address our structural unemployment problem. If adopted, these programs would add about $1-1/2 billion to 1979 expenditures.

Economic Priorities in the Budget

The best way to understand the Government's priorities is through an examination of the annual budget. As the President stated in his message, this year's proposed budget "is the Administration's first full statement of its priorities, policies, and proposals for meeting our national needs."

The key to judging budgetary priorities in any given year is an analysis of the planned use of discretionary budget authority. Budget authority gives the best indications of future plans because it often carries over from one year to the next; outlays in the current year

are heavily influenced by earlier decisions on budget authority. Discretionary budget authority represents the amount in requested appropriations over and above what the Government is required to request because of past decisions. The budgetary consequences of past decisions are contained in the Office of Management and Budget's (OMB) current services estimates.

The current services estimates are based on the anticipated costs of continuing ongoing Federal programs and activities at 1978 levels without policy changes. OMB characterizes the estimates as an answer to the question, "How would the budget come out if we simply left the Federal Government on automatic pilot through next year?" The discretionary budget proposals are the difference between the current services estimates and the amounts requested in the Budget.

Table IV-2 shows a breakdown of government functions and compares current services estimates with the President's actual requests. Column 3 in the table shows the incremental differences. For example, the request for National Defense is $2 billion higher than what would have been spent had the program been left on automatic pilot. Similarly, an additional $4.5 billion in new budget authority is being requested for Education, Training, Employment, and Social Services.

Table IV-2. Current Services Estimates and Presidential Budget Proposals for Fiscal Year 1979
Budget Authority by Function
(billions of dollars)

	Current Services	Presidential Proposal	Discretionary Change
National Defense	126.4	128.4	+2.0
International Affairs	11.5	13.8	+2.3
General Science, Space, and Technology	5.2	5.2	-
Energy	6.9	9.5	+2.6
Natural Resources and Environment	12.2	12.7	+0.5
Agriculture	6.6	7.2	+0.6
Commerce and Housing Credit	6.5	6.6	+0.1
Transportation	15.5	18.6	+3.1
Community and Regional Development	7.2	7.7	+0.5
Education, Training, Employment, and Social Services	29.1	33.6	+4.5
Health	52.1	52.6	+0.5
Income Security	189.2	190.9	+1.7
Veterans' Benefits and Services	18.6	19.1	+0.5
Administration of Justice	3.9	4.1	+0.2
General Government	4.2	4.4	+0.2
General Purpose Fiscal Assistance	9.5	16.6	+7.1
Interest	48.7	49.0	+0.3
Allowances	1.2	4.2	+3.0
Undistributed Offsetting Receipts	-16.0	-16.0	--
TOTAL	538.3	568.2	30.2

Source: Special Analyses of the Budget of the U.S. Government, Fiscal Year 1979.

Two cautionary notes must be made about these figures. First, the current services estimates for a number of functions are questionable. As a general rule, current services estimates include anticipated inflation. Where inflation is not taken into account -- principally, Veterans' Benefits and General Purpose Fiscal Assistance -- the current services estimates are understated and the differences between them and the budget requests are overstated. Secondly, the figures by themselves may be misleading unless one understands the context of the program and how the funds are intended to be spent.

Large amounts of discretionary budget authority are being requested for functions that produce relatively little domestic economic activity. In this category are National Defense ($2 billion), International Affairs (which receives $2.3 billion, mostly for the Witteveen facility) and Energy ($2.7 billion, mostly to import and store foreign fuel).

The growth in Defense appears to be primarily in the support categories for a wide variety of conventional forces. This growth is partially offset by a large decline in strategic forces caused largely by a planned reduction in the number of Trident submarines to be built this year. The reduction in Trident construction tends to understate the overall increase in Defense.

The largest single increase is for General Purpose Fiscal Assistance ($7.1 billion). This item consists of the proposed taxable municipal bond option intended to provide interest rate subsidies to States and municipalities who want to sell taxable bonds. Although the bonds would be used mostly to finance capital improvements, it is not clear

that a greater volume of improvements will be undertaken just because they are financed in the taxable bond market. It is also interesting to note that despite the large request for budget authority, the Administration anticipates spending very few of these funds.

Large increases in discretionary authority are being requested for Transportation ($3.0 billion) and Education, Training, Employment, and Social Services ($4.5 billion). Most of the Transportation increase is the result of changing the Urban Mass Transportation's funding from contract authority to annual appropriations. While this represents an improvement in the presentation of the budget, it does not indicate a commitment of increased resources to Transportation. The increases requested for Education, Training, Employment, and Social Services are spread across a number of programs. In the employment area, however, the proposed increase in budget authority provides no additional public service employment jobs. Budget authority requests are actually being reduced slightly for the Youth Employment and Demonstration Act and significantly for the Jobs Corps program. The requested increase for the Comprehensive Employment and Training Services Administration may not be adequate to cover the increased costs of Title I that will result from the rise in the minimum wage.

There are relatively small discretionary increases requested for the Agriculture, Community and Regional Development, and Health functions. The request for Veterans' Benefits would show a decline if inflation were taken into account. The increase requested for Income Security will mostly be absorbed by inflation. Much of the large request shown

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under Allowances is to pay for Federal Government civilian pay raises.

An examination of the President's discretionary budget choices reveals little evidence that a major change in priorities is taking place. There are some signs that a foundation is being laid for future changes. But so far, this year's priorities are similar to those of prior budgets. Further, there is likely to be less economic stimulus in the budget requests than is apparent from the figures because of the composition of the increases.

Urban Policy and Housing

The President has stated his commitment to the revitalization of declining urban economies. The Budget, however, contains no major initiatives for the cities, does not redirect Federal assistance into areas of greatest need, and does not provide for improved coordination of existing programs. */ We await the announcement of the Administration's urban policy, but remain doubtful that urban problems can be significantly reduced without eliminating the shortcomings in the existing programs.

*/ Senator Proxmire states: "The cities now receive $65 billion or more a year from the Federal Government. This is ample and should not be increased. Instead, a major effort must be made to reorder priorities and to channel funds into areas of greatest need rather than to meet the demands of the most affluent and politically powerful groups in the cities who have clout all out of proportion to their numbers.

"The emphasis by the Secretary of Housing on new starts, the change in the formula for Community Development, and the effort to get FNMA to do its job are correct and the kind of re-ordering of previous priorities which can get the job done."

Despite the NIPA data which indicate an annual State and local government surplus of $30 billion, many localities still face serious fiscal problems. These data should be collected and released on a State-by-State basis indicating operating revenues and pension trust fund accounts for each State. Many proposals to assist urban areas have been brought to our attention. The following deserve serious consideration:

o As a general rule, Federal programs in urban areas could target assistance to people in greatest need. Too often government funds have been distributed in a way that does not achieve the objectives that Congress intended.

o The Countercyclical Fiscal Assistance Act of 1977 expires on September 30, 1978. This Act could be made permanent. Assistance could be made available by using local unemployment rates as the trigger rather than a national rate which masks high rates of local unemployment.

o The Administration has proposed extending the Investment Tax Credit to apply to industrial and utility structures as well as plant and equipment. It is feared that the effect may be to divert private investment away from older cities. Consideration could be given to adjustments which place investment in rehabilitation on a net equal footing with investment in new construction.

o The deterioration of public facilities in the cities has been exacerbated by the recent recession. The deferral of maintenance and repair of roads, sewers, and bridges poses a grave threat to the cities' greatest asset -- their infrastructure. The Federal Government could provide guidelines for localities to inventory their public facility

maintenance, repair, replacement, and expansion needs. Such an inventory could be required for participation in the Community Development Block Grant and Economic Development Assistance programs.

o The existing housing rehabilitation program could be significantly expanded to improve the housing stock and increase job opportunities in cities with deteriorating residential areas.

o The Public Works and Economic Development Act of 1965 could be funded at its authorized level of $1 billion. An increase from the budgeted amount of $533 million would require no new legislation and would assist distressed areas in revitalize their economies.

o Many of the cities which are experiencing population growth are finding it difficult to meet the increased demands for housing, roads, sewers, schools, and other public facilities. Every effort must be made to prevent these cities from developing the problems which confront our older cities. The Department of Housing and Urban Development could provide extensive technical assistance to these areas. Preventing blight is less costly and less difficult than eliminating it.

o A National Domestic Development Bank could provide long-term, low-interest loans to municipalities, private industries, and nonprofit organizations for economic development purposes. This Bank could provide municipal loans for development of public facilities as well as business loans, including venture capital for business investment in high unemployment localities.

o Many small cities are beset with serious problems. Small cities, however, find it difficult to compete with larger cities for Federal funds. Special consideration may be necessary to ensure that small cities are able to meet their needs.

Total Spending

In broad terms we endorse the tax-expenditure policy mix proposed by the Administration. This does not imply that moderate expenditure increases and tax reductions are the only means of providing economic stimulus. Certainly the alternative of greater spending and lower tax reduction deserves consideration, and we have clearly indicated that in any event monetary policy must be expansionary. */

*/ Senator Proxmire states: "I reject this alternative. We should cut spending, and if possible, increase tax cuts, not the other way around."

The possibilities for expanding existing spending programs are limited. We have recommended increases in public sector job programs and countercyclical grants, and we have also indicated areas where the President's Budget estimates appear to be low. These proposals yield a total expenditure estimate of $500-505 billion.

If we choose to rely exclusively on spending increases to provide economic stimulus, we would need to consider major new initiatives. While we are not prepared to make specific recommendations at this time, there is certainly no shortage of opportunities. National health insurance and welfare reform are two issues which have been debated and which, depending upon the specific proposal, could imply sizeable spending increases. We are also very aware of the deficiencies in our transportation infrastructure and of our enormous urban needs. Many farmers are also in trouble and need help.

There are, obviously, many ways to raise spending should we decide to do this rather than lower taxes. The problem is to buy the time necessary to plan the programs so that the funds will be spent productively and at the same time provide a speedy economic impact.

In fiscal year 1979, total Federal expenditures should fall within $500-505 billion and total tax receipts should be approximately $440 billion. */ This fiscal policy, combined with monetary policy discussed above, will achieve the economic goals set forth in this Report.

*/ Senator Proxmire states: "I believe expenditures are at least $25 billion too high and that the Government could be more efficient at the lower figure."

Tax Policy

It may seem surprising that the 1979 Budget provides almost no net additional stimulus in calendar year 1979 even though it contains a proposed income tax reduction of about $25 billion. The reason is that the tax reduction is largely offset by tax increases that will take place automatically in 1978 and 1979.

*/ Senator McGovern states: "The Joint Economic Committee does not discuss the Administration's individual tax proposals in this Report. However, there is one reform proposed by the President that is so urgent and so long overdue that I feel it is my responsibility to call attention to it and to urge its enactment.
(Continued on page 75)

If social insurance payroll taxes were to rise by the same percent as the forecasted rise in nominal GNP in calendar year 1978, the taxes would increase by about $13 billion. However, the forecasted increase is closer to $19 billion. The extra increase of about $6 billion is attributable to the fact that both the social security tax rate and base rose at the beginning of 1978 and to the fact that the minimum taxable Federal base for unemployment insurance increased from $4,200 to $6,000, thereby raising Federal payroll taxes on employers, and forcing many States to raise their unemployment insurance payroll taxes.

Because of the progressivity of the personal income tax, this tax tends to rise automatically by 1.5 to 1.6 times the percentage rise in nominal personal income. If income taxes were proportional, they would rise by about $19 billion in calendar year 1978. But because of the progressivity factor they will rise by $29 billion. The difference of $10 billion between the two figures is the fiscal drag attributable to the personal income tax. Added to the disproportionate payroll tax increase, this amounts to a net fiscal drag from these two sources of about $15-$16 billion, and wipes out about two-thirds of the stimulus that would be provided by a $25 billion tax reduction.

Those who propose to reduce taxes by more than $25 billion certainly have a strong case. They can point to the severe fiscal drag that will occur in 1978. They can also emphasize that this drag will be magnified to $30 billion in 1979 when the new social security law begins to affect the level of payroll taxation.

In general we are favorably disposed towards the Administration's specific tax reduction proposals. Because of the combination of tax reduction with controversial tax reforms, a somewhat larger tax reduction than the President's $25 billion may emerge.

Congress has recently enacted a social security financing bill that relies entirely on increased payroll taxation and that is likely to have very serious economic consequences. Payroll taxes charged to employees are generally regressive so that income tax relief may not provide an adequate offset. Payroll tax increases on employers raise labor costs and are passed forward into higher prices. This reduces consumer real income and consumption and therefore simultaneously adds to inflation and unemployment.

We are impressed by the proposal to fund Hospital Insurance under Medicare (HI) and Disability Insurance (DI) through general revenue. For calendar year 1978 this would eliminate the need to raise $33 billion in payroll taxes.

Serious consideration should be given to a $33 billion reduction in payroll taxes as a substitute for the Administration's tax proposals. Since business costs would be reduced by about $16 billion, corporate tax liability would rise by about $5 billion, so that the net revenue loss would be about $28 billion. Employers would benefit from lower labor costs and higher profitability; output and employment would expand; inflation would be slowed; and our tax system would become far fairer and more equitable. Unlike the retirement system, benefits from DI and HI are not closely linked to contributions and there

is therefore no particular justification for financing these programs from earmarked payroll taxes.

Fortunately, there is ample time to undo the harm of the recently passed social security bill because Congress wisely delayed the addition of any new taxes until 1979. Some provisions of the bill, such as the elimination of double indexation of benefits, were badly needed changes which should be retained.

Congress should immediately begin a review of the social security financing legislation recently enacted. Special attention must be given to the long-term macroeconomic consequences of any financing proposal.

Because of the extraordinary drains caused by the deep and protracted recession, the Unemployment Insurance (UI) system is in financial distress. States and the Federal Government have raised their payroll taxes on employers. This has been very harmful to the economy because it raises labor costs and therefore adds to inflation and unemployment.

The Administration's proposal to reduce the Federal tax rate on employers from 0.7 percent to 0.5 percent of taxable wages merely reverses the rate increase that went into effect in January 1977. It would be more useful to rescind the Federal tax base increase (from $4,200 to $6,000) that went into effect in January of 1978 since this base increase raises the minimum taxable base for the States and therefore forces many of them to raise their UI taxes.

Additional measures to assist UI are urgently needed. Specifically,

(1) Federal Trust Fund deficits attributable to Extended Benefit and Supplementary Benefit programs should be forgiven by a one time emergency transfer from the general fund to the Federal UI Trust Fund. Such a transfer is entirely appropriate since UI was never intended to have to deal with long-term unemployment. The transfer would add nothing to the budget deficit.

(2) Assistance to the States in reducing present debt should be provided by transfers from the general fund. So-called "cost equilization" grants are entirely appropriate. These grants should be allocated on the basis of the amount of extraordinary unemployment suffered in a State during the recent recession. It is important that the allocation not be related to the size of a State's Trust Fund deficit, since that would penalize those States that have worked to maintain the financial viability of their UI systems and would be a "bailout" for States that have not. */

*/ Senator Bentsen states: "I disassociate myself from this recommendation."

(3) The present system of imposing Federal penalty taxes on employers in States whose UI systems are in debt to the Federal Trust Fund accounts should be discontinued because it causes States to raise employer payroll taxes during periods of high unemployment. This system should be replaced by a 5 to 10 year repayable loan program, and the incentive to repay should be provided by a modest interest charge rather than by harmful taxes on employers. The term of the loan should be extended by a year for any year in which unemployment in a State exceeds 6 percent.

(4) General funds should be infused into the State UI system whenever the unemployment rate in the State rises above 6 percent. This would enable States to avoid tax increases during periods of high unemployment.

We believe that these reforms are extremely important. The viability of our unemployment insurance system makes it imperative that the Federal Government assume major financial responsibility during periods of economic emergency. Failure to do so merely means higher burdens of payroll taxation on employers with the consequence of more inflation and higher unemployment.

Crowding Out

The prospect of a $60 billion deficit has caused renewed expressions of concern about the possibility that Federal competition for funds would raise interest rates and "crowd out" private investment spending. It is therefore important to re-examine this issue.

Crowding out would certainly be the consequence of an increase in government spending or a reduction in taxes at a time when the economy's resources are fully utilized. Under such circumstances, the share of national output that accrues to one sector of the economy cannot be expanded without reducing the share that goes to other sectors. However, this is not currently a problem because the presence of idle resources makes it possible for all sectors to expand simultaneously.

To conduct a greater volume of business, individuals and businesses will need more money in their pockets and in their bank accounts. When the Federal Reserve fails to supply this accommodation, interest rates rise. To get the money balances which they need, people will attempt to borrow and to sell some of their earning assets -- bonds, stocks -- and as a result of this, bond prices will fall and interest rates will rise. This produces monetary crowding out of interest-sensitive expenditures. However, such crowding out is entirely avoidable by sufficiently accommodative monetary policy. On March 7, 1975, we reported to the Senate Budget Committee as follows:

> If heavy government borrowing does drive up interest rates, it will be because the Federal Reserve has not made sufficient credit available, not because the financial system cannot handle the flows.

We continue to subscribe to this view.

Nevertheless, one may ask why the budget deficit remains so large despite very substantial economic recovery. One answer is the bias of recent years towards restrictive

monetary policy combined with expansionary fiscal policy. This policy bias has weakened investment. A second reason is the very sizeable surplus that is now being run by State and local governments. This surplus came to $29.2 billion in calendar year 1977 on an NIPA basis and it represents a net withdrawal of purchasing power that is appropriately offset by the Federal deficit. A third reason is our foreign trade deficit. As long as imports exceed exports, there will be a net drain of purchasing power out of the United States. Unless we are willing to let such a drain slow the economy, we will have to offset it either with a deficit in our Federal budget and/or with other measures that stimulate spending in the private sector of the economy.

Improvements in Policy Coordination

Many committees in the Congress are concerned with economic policy. It is the unique responsibility of the Joint Economic Committee to review the overall economic situation and to ensure that policies are adequate, consistent, and properly coordinated. Under the Employment Act of 1946, the Joint Economic Committee reports to Congress early in the year on the President's Economic program, and in this Report the Committee provides its own evaluation and recommendations on the entire program and its component parts.

Monetary policy is a central ingredient in the annual policy strategy, and it is therefore essential to review monetary policies in detail and to consider their impact and interrelation with other elements in the economic outlook. Of particular concern to us is the appropriateness of the

monetary-fiscal mix. We must ensure that monetary and fiscal policies do not work at cross purposes. To see that these policies are coordinated in the common interest is one of the essential functions of the Joint Economic Committee.

Over the years we have frequently called attention to serious inadequacies in the coordination of monetary and fiscal policy. It was this concern that led us in 1975 to urge that the Federal Reserve report regularly to the oversight committees on its monetary policies and the operation of such policies. Subsequently, legislation was enacted to require quarterly reporting to the House and Senate by the Federal Reserve.

While the legislation has represented a great improvement over past practice, subsequent experience has disclosed imperfections, and an experience such as that of the third quarter of 1977, which was described earlier, leads us to urge further changes in the congressional Federal Reserve oversight process. As noted earlier, there are some technical deficiencies of the Federal Reserve's reporting system, and we are also very concerned with the development of a rational monetary-fiscal strategy. To deal with both of these problems, we make the following recommendations:

The Federal Reserve should issue a written report to the Congress shortly after the receipt of the Economic Report of the President. After consultation with the House and Senate Banking Committees, the Joint Economic Committee will review the report and make its recommendations. The Federal Reserve's report would be expected to meet three basic requirements:

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(1) It would analyze the desirability, consistency, and feasibility of the quantitative goals for employment, growth, and inflation for the forthcoming fiscal year as set forth by the President.

(2) It would provide the Federal Reserve's own quantitative forecast of economic activity for the forthcoming year on a quarterly basis.

(3) It would discuss in exact quantitative terms how the proposed monetary policies are designed to reconcile the President's targets and the Federal Reserve's own forecast.

This reform would eliminate many serious problems. It would provide this Committee with the information it needs to perform its policy coordination role effectively. It would also ensure that monetary and fiscal policies aim at the same goals rather than work at cross purposes as has happened all too frequently in the past. Such biases as the one that has supported consumption but held back investment during the course of the current recovery would be eliminated.

It should be understood that the Federal Reserve System is responsible and accountable to the Congress. In the event that there is conflict between the targets of the Administration and the goals of the Congress, the Federal Reserve must be guided by the will of the Congress.*/

*/ Senator Ribicoff states: "We should not forget the benefits of an independent Federal Reserve System. While I support moves toward increased communication and coordination, I would oppose any attempt to eliminate or seriously damage the independence of the Federal Reserve System."

Finally, in the past the Budget Committees have been hampered in their attempts to estimate future expenditure and revenue levels because these variables will depend on the state of the economy, and that cannot be known with any certainty as long as there is no precise knowledge about the intentions of monetary policy. We therefore make the following recommendation:

> The timing of the Federal Reserve's reporting cycle should be changed to make it coincide with the congressional budget cycle. The Chairman of the Federal Reserve would therefore appear before both Banking Committees in time to permit these committees, and the Joint Economic Committee, to report to the Budget Committees on monetary policy prior to the First and Second Concurrent Resolutions on the budget.*/

*/ Senator Proxmire states: "This recommendation is subject to the actions of the House and Senate Banking Committees. As Chairman of the latter I reserve judgement on it."

None of these proposals is in any way inconsistent with, nor are they meant to change, any of the requirements of the Full Employment and Balanced Growth Act described in Chapter III. It is essential to reform the present Federal Reserve reporting system and to ensure the planning and coordination of monetary and fiscal policies in the national interest. Passage of the Full Employment and Balanced Growth Act would greatly facilitate the aims set forth here.

Continuation of Senator McGovern's statement.

"The proposal in question is the President's plan to scrap the present system of providing each family with exemptions of $750 per dependent and to replace this with a per capita tax credit of $240. This reform would greatly improve the equity of our income tax system since the exemptions are of principal benefit to high income taxpayers. To illustrate, if a high-income family that pays a marginal rate of 40 percent has an additional child, that family will save 40 percent of $750 or $300 in taxes. On the other hand, a low income family paying a 10 percent marginal rate would save only $75. This is clearly an unfair system. If it were replaced by the $240 tax credit, both families would save $240 if they gained an additional dependent.

"I would like to carry the President's proposal one step further. A low income person whose computed tax liability (prior to deduction of the credit) does not come to $240, cannot avail himself of the full amount of the credit. I therefore propose that the credit be made fully refundable. This would further improve the equity of the tax system; it would provide a family of four with a minimum income of $960 and therefore establish the basis for a rational start towards welfare reform. It would provide an incentive for more low-income persons to file a simple tax return and to acquire social security numbers. This would be of tremendous assistance to the so-called "outreach" programs that presently spend large sums attempting to identify and locate low-income persons so that they can receive the various benefits to which they are entitled. Finally, by consolidating the present $30 per capita credit with the new $240 credit, combined with the elimination of

the exemption, the personal income tax would be greatly simplified.

"I have asked the staff to estimate the budget cost of this proposal and have learned that its cost would be about $21.5 billion in calendar year 1978. In view of the very serious danger of a recession in 1979, it seems to me that this proposal would not only be humane and improve the equity of our tax system, but would be very sound fiscal policy as well."

V. THE CONTROL OF INFLATION

Inflation continues to be among the most serious and intractable problems confronting our economy. Under the impact of increased oil prices and poor world food harvests, consumer prices rose 11.0 percent in 1974. In 1975, despite enormous slack as the economy reached the bottom of the worst recession since the Great Depression, the Consumer Price Index (CPI) still grew 9.1 percent. Substantial improvement occurred in 1976 with a slowing of the inflation rate to 5.8 percent, but this once again gave way to a worrisome rise of 6.5 percent in 1977. It is important to note that none of the cited years could be regarded as years in which aggregate demand was excessive.

The central theme of our 1977 Midyear Review of the Economy */ was that inflation is the principal impediment to the recovery of the economy. That theme is still valid. In 1975 it was thought that an annual real growth rate of 7 percent was feasible and that full employment could be restored no later than 1980. Because of the failure of inflation to abate, policymakers are fearful that rapid rates of real growth will set off new waves of inflation. This fear has been a serious impediment to the adoption of stimulative policies designed to speed the recovery of the economy.

*/ The 1977 Midyear Review of the Economy, Report of the Joint Economic Committee, Congress of the United States, together with Minority and Additional Views, September 30, 1977.

Inflation and Recovery

Excessive unemployment calls for expansionary policy, but this risks renewed inflation, while a high rate of inflation calls for restrictive policy, thereby risking higher unemployment. Unfortunately, during the 1970s inflation has hampered the implementation of the Employment Act by fostering the adoption of economic policies that slow economic growth and increase unemployment.

A notable example is the Federal Reserve's action to reduce the real quantity of M1 by a full 9 percent from the end of 1972 to the middle of 1977. Another is the cautious fiscal policies pursued during this same period. We have had very large budget deficits, but these have been the automatic consequences of the recession. The recession has depressed revenues from all tax sources, and it has raised outlays for unemployment compensation, welfare, food stamps, and the like. The bulk of the deficits have been due to these automatic factors which overshadow the effects of the discretionary policies that have been put in place. Although Congress has granted tax relief and has created new public service and youth employment programs, it is nevertheless true that the budgets of the last few years have provided very little net new fiscal stimulus, and the budget for FY 1979 is no exception. Fear of inflation has been the principal source of this fiscal caution.

Inflation produces restrictive effects that automatically slow growth and raise unemployment. It lowers the real quantity of money, raises interest rates, and reduces investment. It also reduces the real value of

public debt and has an adverse wealth effect that may lower consumption. Perhaps worst of all, it moves taxpayers into higher brackets, even without benefit of any rise in real income, so that their average tax rate increases, real disposable income therefore declines, and consumption expenditure is curtailed.

We have repeatedly pointed out that inflation cannot be dealt with through demand restriction without exacting intolerable costs in terms of lost production and employment.

Dr. Otto Eckstein, President of Data Resources Incorporated, has made the results of a study of stagflation available to the Committee. This study shows that inflation could be reduced to about 4 percent by 1981 by restrictive policies that would steadily raise the unemployment rate to about 10 percent. In an alternative, but equally unacceptable scenario, it was calculated that inflation can be reduced to about 4 percent by 1983, but at the cost of an immediate sharp rise in unemployment to about 8 percent and subsequent indefinite maintenance of the unemployment rate at that level. Experiments by other competent researchers are consistent with these unacceptable trade-off estimates.

Clearly, demand restriction is not the answer to a cost-push inflation triggered by sharp increases in oil and raw materials costs and propelled onward by subsequent spirals of wages and prices attempting to keep up with each other. We have maintained our opposition to demand restriction consistently and we are gratified that the present Administration is in full agreement. In his Economic Report, the President states (p. 17):

> Recent experience has demonstrated that the inflation we have inherited from the past cannot be cured by policies that slow growth and keep unemployment high. Since 1975 inflation has persisted stubbornly at a 6 to 6-1/2 percent rate--even though unemployment went as high as 9 percent and still stands above 6 percent, and even though a substantial proportion of our industrial capacity has been idle. The human tragedy and waste of resources associated with policies of slow growth are intolerable, and the impact of such policies on the current inflation is very small. Moreover, by discouraging investment in new capacity, slow growth sows the seeds of future inflationary problems when the economy does return to high employment. Economic stagnation is not the answer to inflation.

In view of the basic agreement that stagnation is not the answer to inflation, the question before us is how to stop inflation without resorting to the tight budgets and monetary restriction that have been the centerpieces of the futile and costly anti-inflation policies of the last several years.

Inflation Prospects

Earlier in our Report, we accepted the Administration's goal of 6 percent rate of inflation in both 1978 and 1979 as a limited improvement that is attainable. As a goal, 6 percent is realistic. As a projection, it can only be termed optimistic. There are several reasons for this conclusion.

If recovery proceeds as hoped we may run up against specific capacity bottlenecks. Such a prospect sounds remote with unemployment still above six percent, but the lagging capital spending that we discussed in the preceding chapter makes it entirely possible. If reliance is placed exclusively on monetary and fiscal policy, we cannot expect the inflation rate to decline as the economy approaches full employment and full capacity because this will be accompanied by tightening of labor, materials, capital goods, financial, and product markets.

In addition, government policies keep pushing up costs and prices. While some of these policies may be unavoidable and justifiable, they nevertheless raise prices. Even when the price increase comes from a one-time change such as a decision to increase a payroll tax, or a decision by a State to increase its sales taxes, the higher prices become a part of the cost of living. This affects subsequent wage negotiations, and this, in turn, affects the behavior of unit labor costs, and therefore is likely once again to show up as a price increase. Consequently, even one-time changes that raise the price level tend to become embedded in the wage-price spiral.

To cite a few examples of inflationary Federal policies, in 1977 the importation of color television sets was sharply limited by a quota system, and at present a new program is being implemented that would deny domestic consumers the option of using low-cost foreign steel. Import quotas were also placed on shoes, and the International Trade Commission has been pressured by demands for protection from the manufacturers of a wide variety of products. As our Mid Year Review noted, "One of the best ways to slow domestic inflation is to avail ourselves of inexpensive supplies of foreign goods." */ Recent trends have moved in the opposite direction and, in the light of our trade deficit, there is little ground for hoping that this situation will change in the near future.

During 1977 price supports on milk and other agricultural products were raised. Although we do have a serious farm problem

*/ The 1977 Midyear Review of the Economy, p. 60.

at the present time, it is important to recognize that the traditional approach of raising farm prices through supply restriction contributes to inflation. Farming is a hazardous occupation, and farm income is volatile and in need of stabilization. But certainly in the era of rapid and stubborn inflation, it would be preferrable to achieve income parity by means other than price supports. */

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*/ Senator McGovern states: "The Committee report is correct in its statement that we now have a serious farm problem. I take issue, however, that traditional approaches necessarily contribute to inflation. In the first place, the Committee print does not address itself to posing an alternative to the necessity for raising net farm income nor does it recognize that it is more probable that any inflationary tendencies that result from price supports are ascribable to other sectors within the food chain. Adjusted net farm income for 1977 fell to 20 billion dollars. It was $30 billion in 1973. Farmers cannot produce for a market whose prices are below their cost of production. I feel that it is shortsighted for the Committee to conclude that it is preferable to achieve parity by means other than price supports without considering what means of achieving parity it would consider to be in the national interest.

"May I further point out that in my judgment the Committee has failed to focus on the intensity of the present farm crisis. My years of public service indicate to me that the present day revolt is more serious than anything the Congress has seen since the 1930s. For these reasons, I respectfully wish to disassociate myself from that paragraph of the report relating to agricultural prices."

Environmental regulations are laudable but they deter investment and they raise prices. More careful scrutiny of the employment and inflation generating effects of such regulations is badly needed.

Minimum wages were raised during 1977 from $2.30 to $2.65 (effective January 1, 1978), and under the new law additional increases are scheduled for 1979 and 1980. While designed to provide minimum income to low-income workers, it tends to decrease their prospects for employment. In addition, higher labor costs are transmitted into higher prices, and this may tempt the Federal Reserve to pursue more restrictive monetary policies.

Some people are harder to employ than others and minimum wage legislation often creates the severest employment problems for those it is most intended to assist. We therefore suggest that an experimental system of wage subsidies for employers be designed for high unemployment labor markets that would equalize employment opportunities for

unskilled teenage Americans. Hopefully, this would remove many of the present obstacles to the hiring of young people -- especially minority teenagers -- and it would permit them to develop work habits and skills that would provide future value to the economy far in excess of the cost of the program.*/

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*/ Representative Reuss and Representative Long add the following: "Should such a program prove successful on an experimental basis, yielding demonstrable increases in employment without displacing workers who do not qualify for subsidy, then I recommend further experimentation with a differential minimum wage for new teenage workers in certain job classifications in, say, three selected labor markets. Such experimentation would serve to test whether any benefit may be had by allowing young people to earn pocket money at sub-minimum rates in jobs that might not otherwise exist. Such a program should be designed with the strictest safeguards against any undermining of wage standards for those already employed or likely to become employed by the natural growth of employment in existing organizations. If experimentation with wage subsidies shows that such safeguards can be designed, then it is my opinion that differential minimum wages offer the prospect of a sufficiently attractive alternative (at no cost to the budget) to outright unemployment, to justify such limited experimentation."

In January 1977 the Federal payroll tax on employers that finances the Federal Government's share of the unemployment insurance (UI) program was raised from 0.5 percent of taxable wages to 0.7 percent. This past January the taxable wage base increased from $4,200 to $6,000. In combination, the two changes doubled the payroll taxes per worker that employers must pay to the Federal Government for unemployment insurance. Since the Federal base sets a minimum base for the States, the rise in the base is forcing many States to raise their payroll taxes. As noted in the previous chapter, employer payroll tax increases raise labor costs, are pushed forward into higher prices, and lead to additional inflation and unemployment.

Similarly, the new social security law has adverse serious consequences for growth and price stability. The legislation calls for steady increases in both the tax rates and the taxable wage base for both employers and employees. For employees the tax is generally regressive and burdensome. For employers it implies a tripling in the payroll taxes per employee they have had to pay to finance social insurance in the last decade. This substantial rise in payroll taxes will raise labor costs, it will contribute to the curtailment of production and employment, and it will increase the level of prices. This legislation poses a serious threat to growth and price stability throughout the indefinite future.

.Congress has yet to pass an energy bill. Necessary as it is, the legislation will surely cause the prices of oil, natural gas, and other fuels to rise. It is important that these price increases take place slowly so that consumers of energy, whether industrial

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Indexing and Incomes Policy

There are two approaches to inflation that do not rely on policies that slow growth and raise unemployment. One is to learn to live with inflation by moderating its harmful effects through programs of inflation correction or "indexing". The other approach is to attempt to stop the inflation by an incomes policy. The two approaches are not incompatible. European economists have tended to view indexing of the personal income tax as an indispensible ingredient of a successful incomes policy because high marginal rates of taxation are among the principal factors that disrupt incomes policy agreements. In the United States we have tended to view the two approaches as incompatible and conflicting in economic philosophy. That is because we have foolishly permitted indexing to become an ideological issue.

As noted in the previous chapter, the Administration's tax proposals will offset the unfortunate impact of inflation on our tax system in 1978. However, Congress should begin giving consideration to measures which will offset these effects without requiring annual legislation. For example, we might consider following the Canadian practice of changing the exemption level, bracket limits, and tax credits of the individual income tax at a rate equal to the rate of inflation. In this way the real values of the exemptions, brackets, and credits would remain constant, and the average tax rate would not rise unless the real income of the taxpayer increased. Such "indexing" of the individual income tax would eliminate one of the major sources of automatic restriction discussed in Chapter IV.

Another reform is to discontinue taxing nominal capital gains. When a capital asset

or residential, can adjust to the higher costs with a minimum of disruption.

At present, there is no program that offsets the inflationary impact of such essential measures as the proposed energy program and the other price raising policies that have been noted above. We should adopt policies that would help to offset the inflationary impact of other government programs. As noted in Chapter III, the proposed Humphrey-Hawkins bill enumerates a number of direct anti-inflationary measures that could be taken. We urge the Administration to move expeditiously on such programs even before enactment of the Humphrey-Hawkins bill.

Apart from overall fiscal and monetary policies, Federal actions have tended to raise rather than lower the rate of inflation. This situation needs to be reversed. The specific measures that raise prices either need to be more carefully considered or to be offset in a systematic and intelligent manner.

One example of a policy that would act as an offset to Federal price level raising programs would be a payroll tax reduction. As discussed in the previous chapter, $33 billion in payroll taxes could be eliminated by removing hospital and disability insurance from social security. This would reduce Federal payroll taxes by almost one third and would have enormously beneficial consequences for production, for employment, for business profitability, for equitable taxation, and finally, for slowing inflation.

rises in value at a rate no greater than the rate of inflation there is no real gain. The current practice of taxing nominal capital gains is, therefore, a capital levy that varies arbitrarily in response to the rate of inflation. Whether or not real capital gains should be taxed is a separate issue.

A third possibility is to discontinue the taxation of nominal interest and replace this by a taxable real interest rate equal to the nominal rate of interest minus the rate of inflation. This would eliminate such inequities as those that occurred in 1974 when small savers earned nominal (and taxable) interest of 6 percent, but lost ground in real terms as their savings were eroded by an inflation rate that greatly exceeded the nominal rate of interest.

A final proposal is to provide small savers with an opportunity to inflation-proof their savings by making available Federal Government purchasing power bonds in small denominations. This would be particularly helpful to the small savers who do not have the resources to overcome the fixed brokerage costs that full access to capital and real estate markets provide. This change would create difficulties for savings and loan institutions and, therefore, would have to be accompanied by changes in Regulation Q. The latter is a reform that many believe to be overdue, but it should be accompanied by measures that ensure an adequate supply of mortgage credit.

We are quite aware that proposals to provide for inflation correction are gaining support, and we realize the need to moderate the arbitrary redistributive effects of inflation need to be moderated. At the same time, we cannot yield to inflation. Incomes policy, defined as direct government

involvement in the wage-price determination process, is employed in various forms in nearly every industrial country. It was tried in the United States in the early 1960s and it helped to hold back inflation during the period of rapid economic expansion of 1961 to 1965.

Conventional incomes policies tend to break down when demand in the economy is so strong that employers gladly grant wage increases that exceed the guideposts in order to retain valued employees, and foreign experience suggests that incomes agreements tend to break down under the pressure of unanticipated and sharp cost-of-living increases such as occur when the costs of imported food and fuel rise suddenly. It has also been clear from the experience of foreign countries that conventional tax policies may be incompatible with an incomes agreement. Such agreements generally imply a willingness to accept a freeze in the relative shares of the national income between wages and profits. However, high marginal income tax rates and increases in social security taxes raise the Government's share of national income and this puts pressure on the incomes agreement.

Aggregate demand in the United States is not excessive at present; yet cost push factors keep the inflation rate rising at an annual rate of 6 percent. Since demand restriction is a costly and inefficient way to slow this kind of inflation, this is the time to consider the reintroduction of an incomes policy.

We have long been on record as opposed to comprehensive wage-price controls and we do not recommend them now. However, we are deeply concerned that pressures will mount for such policies if we do not get inflation under

control. We should therefore implement an incomes policy now so that we will not be driven into more drastic measures later. There is no anti-inflation program that, by itself, is adequate to reduce the inflation rate significantly. Many anti-inflation initiatives must be pursued if progress is to be made in slowing the rise in prices.

At present, the Council on Wage and Price Stability (CWPS) is the principal government agency responsible for analyzing the inflationary effect of public and private sector activities. Under its statutory authority, CWPS reviews the inflationary impact of government policies, programs, and regulations, and together with the Office of Management and Budget, reviews the inflationary impact statements prepared pursuant to Executive Order 81811 as extended by Executive Order 11949. The Council also monitors and reviews private sector price and wage increases.

We believe that public policies designed to contain inflation must contain both short-run and long-run strategies. We have previously recommended that the functions of CWPS must be strengthened and expanded in order to enforce the Federal Government's commitment to reduce inflation. Last year in our Report, we stated:

> Legislation should be enacted authorizing the Council on Wage and Price Stability to require prenotification of planned price increases from selected industries and to delay for modest periods wage or price increases which could have serious inflationary effects on the economy.

The President should support the efforts of the Council on Wage and Price Stability by directing all government agencies to cooperate with it and to make available such information and assistance as the Council may require. The President should also be prepared to help make available to the public the facts, findings, and recommendations developed by the Council.

We continue to believe that prenotification and delay of wage and price increases in selected industries is a reasonable start toward an incomes policy, short of voluntary or mandatory controls, which would allow the Council to review and comment on the justification for wage and price increases. In addition, prenotification and delay of wage and price increases would help give the Administration and the Congress time to consider and develop long-run measures to reduce inflation.*/ **/

*/ Representative Reuss states: "Prenotification is a useful idea under certain circumstances. However, the present nervous business climate is such that prenotification requirements may do more harm than good. Such requirements may impair the willingness of business to undertake new ventures and to expand their capacity, and as a consequence impede the attainment of full recovery and full employment."

**/ Senator Bentsen has provided additional views on this recommendation at the end of the Report.

We also support the Administration's effort to require Executive Branch agencies to prepare an economic analysis of proposed regulations and to submit it to CWPS for review. This procedure will help check the Federal Government's additions to inflation. CWPS could focus more national attention on the Federal responsibility to fight inflation by including in its annual report an analysis that would summarize Federal actions which either raised or lowered prices.

As part of its annual report to the Congress, the Council on Wage and Price Stability should determine whether Federal actions have resulted in a net reduction or increase in inflation. Any specific actions which have had a significant impact should be thoroughly discussed and these impacts should be quantified.

Increasing the power and authority of CWPS alone is not sufficient. Additional measures must be adopted which will attack the structural underpinnings of inflation. One idea which deserves serious consideration is a tax-based incomes policy (TIP). Governor Henry Wallich of the Federal Reserve Board testified before the Committee and discussed two basic versions of TIP.

One has been characterized as the carrot approach, while the other has been characterized as the stick. The approaches are not incompatible and they could easily be combined. There is a central theme. To raise the demand for labor and to raise employment, it is important to reduce the real labor costs that confront employers. On the other side, the desire of workers for higher real compensation works against the expansion of employment. By using the tax system to lower

real labor costs to employers while raising the real after tax compensation to employees, both higher employment and wage-price stability can be attained.

The stick proposal is commonly known as the Wallich-Weintraub plan. It would impose a tax penalty on firms that grant wage increases in excess of a predetermined government guideline. It would therefore provide employers with incentives to resist excessive wage demands.

As Governor Wallich pointed out, this proposal would restrain wages but because the penalty tax would be paid by employers, evenhandedness would be maintained. Because compensation of employees comprises 75 percent of national income, reducing wage increases would necessarily slow price increases. The proposal is highly flexible in that the tax could be imposed as an increase in the corporate income tax, as a payroll tax, or through disallowance of tax deductions of any excessive wage increase.

The so-called carrot proposal associated with Arthur Okun is a second TIP variant specifically directed to the present economic situation. However, except for numerical details, its application is general. Okun's plan is to provide tax relief as an incentive to workers and businesses to "enlist in a cooperative anti-inflation effort." For 1978 Okun proposes that participating firms pledge:

> ...to hold its employees' average rate of wage increase below 6 percent and its average rate of price increase below 4 percent. */

In return for voluntary participation in this plan, employees of the firm would receive a tax rebate of 1.5 percent of their wage incomes with a ceiling of $225 per person. At the same time, the participating firm would receive a tax rebate on its business income tax liabilities of 5 percent.

One of the advantages of the Okun plan is that it is voluntary. The basic idea is that wage bargains should be based on a target inflation rate, and that the workers who agree to bargain on the basis of this target rate will not be penalized if the actual inflation rate exceeds the target rate because their participation in the wage-price restraining program entitles them to tax rebates that make up for any wage losses incurred by less aggressive bargaining.

Okun estimates that his plan will cost about $15 billion a year in tax reductions. A second attraction of the proposal therefore is that while it slows inflation it also stimulates production and employment.

The Wallich-Weintraub and Okun proposals rely on market incentives rather than on coercion and control. We are aware that each program has many shortcomings and administrative complexities. Dr. Rudy Oswald, Research Director of the AFL-CIO, brought many

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*/ Arthur M. Okun, "The Great Stagflation Swamp," The Brookings Bulletin, Vol. 14, No. 3 (Fall 1977), 6.

potential problems to our attention. Nevertheless, inflation is so serious and pervasive that we must address these problems and design a program which can be implemented in the near future. We believe it is time for the Congress to consider some such proposal. We prefer the Okun-type approach because it is voluntary. Yet it is an approach that has genuine force and could be quite effective.*/

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*/ Representative Reuss adds the following suggestion: "Undoubtedly it will take considerable time before we and the Administration are fully convinced that TIP is an appropriate means of controlling inflation. Meanwhile, it is important that we learn more about TIP. I therefore recommend that the Council on Wage and Price Stability (CWPS) be asked to study various TIP proposals and report to us on their effectiveness and on their ability to be implemented in practice. Further, I ask for periodic reports from CWPS estimating the extent to which the inflation rate would have been altered had a TIP policy been in place, its effect on incomes, and its budget costs, if any. Adoption of this proposal would be an important and appropriate step in making CWPS the inflation monitoring agency we have always intended it to be."

Instituting a tax based incomes policy and increasing CWPS power and authority are just a few promising examples of a direct attack on inflation. In Chapter III, we emphasized the contribution the Humphrey-Hawkins bill could make by focusing on a series of specific policies that could contain and reduce inflation without restricting aggregate demand. The Administration has taken several steps in the right direction on the inflation front. We would like to see them take several more. As we argued elsewhere, the Council on Wage and Price Stability should be greatly expanded and strengthened. The inflationary impact of Federal programs must be carefully assessed, and price reducing Federal policies should be given priority. The key point is that a series of individual programs can make a substantial contribution to reducing overall inflation.

VI. STRUCTURAL UNEMPLOYMENT

The economy is now in its thirty-fifth month of recovery following the trough of the 1974-1975 recession. Employment has increased by a total of 7.8 million persons since the bottom was touched in early 1975. More than half of the total increase in employment, 4.1 million, occurred in 1977, the largest annual increase on record. All major demographic occupational groups, except farmers, experienced substantial employment gains.

Joblessness has declined from a recession peak of 9 percent in May of 1975 to 6.3 percent at the end of January 1978. The prospects for continued expansion of employment and continued reduction of unemployment as we approach potential levels of real output will depend heavily upon carefully designed policy.

Primary reliance on aggregate fiscal and monetary policies, while needed to continue to raise employment, may begin to generate new inflationary pressures as the economy approaches full capacity. Given the combination of rapid labor force growth and slow capital stock growth, the risk will be especially great if the policy mix continues to be characterized by almost total reliance on fiscal policy for economic stimulus. The overall unemployment rate for January 1978 is less than 1.5 percent from the point (4.9 percent) where tightening labor market conditions for prime age workers are expected to begin bidding up wages. Consequently, expansion generated by general macroeconomic policies and programs may only reach the periphery of the Nation's deep and chronic joblessness caused by structural, demographic, and geographic problems. However, it must be emphasized that no structural programs will be

effective unless there is sufficient overall activity to create a demand for additional workers.

As the slack in the economy declines, greater stress must be placed on microeconomic approaches targeted at the structurally unemployed. Concern for the welfare of such potential workers should dictate action regardless of the state of the economy. But the need to supply continuing labor market demands for qualified workers, and to check the inflation that would otherwise occur, provides any additional incentive needed to move in this direction.

The employment gains for all nonfarm workers during the recovery were accompanied by very rapid increases in civilian labor force participation. As a result, the number of new job seekers and labor market re-entrants equaled or exceeded the expansion of job opportunities in some important areas. As indicated by Table VI-1 the unemployment rate for minority women remained unchanged while the jobless rate for minority teenagers actually increased since the recession trough. Intolerably high levels of joblessness continues to exist for minorities, teenagers, and women. In fact, in relative terms only the employment rate for white males has improved and all other groups are worse off. Table VI-1 shows a two-tier labor force, one which is white and male and benefits the most from stimulative macroeconomic policies, and one which is composed of minority workers many of whom require effective, targeted structural programs if they are to be permitted to engage in productive employment.

Table VI-1. Selected Unemployment Indicators

	Unemployment Rate		Ratio of Unemployment Rate to Nat'l Unemployment Rate		Percent of Civilian Labor Force		Percent of Unemployment	
	1975:2	1977:4	1975:2	1977:4	1975:2	1977:4	1975:2	1977:4
White Total	8.2	5.8	.92	.88	88.7	88.3	81.7	76.9
White Males, 20+	6.5	4.2	.73	.64	49.4	48.1	36.4	30.2
White Females, 20+	8.0	6.0	.90	.91	30.9	31.8	27.8	28.7
White Teenagers	18.3	14.1	2.06	2.14	8.5	8.5	17.5	18.0
Black & Other Total	14.2	13.3	1.60	2.02	11.3	11.7	18.1	23.6
Black Males, 20+	12.0	10.1	1.35	1.53	5.6	5.7	7.6	8.6
Black Females, 20+	11.8	11.8	1.33	1.79	4.7	5.1	6.2	9.0
Black Teenagers	36.7	38.3	4.12	5.80	1.0	1.0	4.3	6.0

Source: Unpublished Bureau of Labor Statistics data and Joint Economic Committee staff.

The ratio of the unemployment rate of minority adult women and minority teenagers to the national unemployment rate increased significantly during the recovery period. The ratio of the unemployment rate of minority women to the national unemployment rate increased by nearly 35 percent, from 1.3 to 1.8 by the fourth quarter of 1977. The black teenage unemployment rate ratio increased by more than 40 percent.

As emphasized throughout this Report, monetary and fiscal policies designed to promote vigorous and sustained economic expansion are essential to lower both the national unemployment rate and the unemployment rates for various groups in society. Table VI-2 indicates that the economy still has an ample supply of unemployed labor in all categories. The second quarter of 1969, shown in the first column of the table, is the prerecession quarter with the lowest unemployment rate. The second column shows the unemployment rates at the beginning of the recession. As shown in the last column, all of the fourth quarter 1977 unemployment rates, except that for white teenagers, were higher than the comparable rates in either of the base periods. There are at present no tight labor markets as measured either by demographic groups or occupational classifications.

Increased aggregate demand will also serve to reduce joblessness among minority workers, teenagers, and others who fall into the category of the structurally unemployed. However, these reductions will be less than the reduction in the unemployment rate of white adult workers. During the Committee's annual hearings the Secretary of Labor, estimated that potential output will be achieved when overall unemployment is reduced

Table VI-2. Unemployment Rates by Selected Characterics, (selected quarterly averages, seasonally adjusted)

Selected Characteristics	1969:2	1974:3	1977:4
Total, 16 years and over	3.4	5.6	6.6
Men, 20 years and over	2.0	3.7	4.8
Women, 20 years and over	3.7	5.5	6.8
Both sexes, 16-19 years	12.2	16.3	16.7
White, 16 years and over	3.1	5.1	5.8
Men, 20 years and over	1.8	3.5	4.2
Women, 20 years and over	3.4	5.1	6.0
Both sexes, 16-19 years	10.6	14.2	14.1
Black and other, 16 years and over	6.4	9.7	13.3
Men, 20 years and over	3.6	6.7	10.1
Women, 20 years and over	6.1	8.1	11.8
Both sexes, 16-19 years	25.0	33.3	38.3
Occupations			
White-collar workers	2.0	3.3	4.1
Professional and technical workers	1.3	2.3	2.9
Managers and administrators, except farm	.9	1.8	2.7
Sales workers	2.8	4.0	4.9
Clerical workers	2.8	4.8	5.7
Blue-collar workers	3.8	6.8	7.6
Craft and kindred workers	2.1	4.4	5.3
Operatives, except transport	N.A.	8.2	9.2
Transport equipment operatives	N.A.	4.9	5.7
Nonfarm laborers	6.4	10.6	11.4
Service workers	4.4	6.4	7.9
Farm workers	1.9	2.9	4.1

Source: Bureau of Labor Statistics, unpublished data.

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to 4.75 percent. Yet as indicated by Table VI-3 which presents hypothetical jobless rates in 1983 and assumes an overall unemployment rate of 4.75 percent, unemployment will continue at unacceptable levels for teenagers and all minority workers.

Table VI-3

Hypothetical Unemployment Rates in 1983

	Rate	Level (000 omitted)
Total, 16 years and over	4.8	5,044
White	4.2	3,854
Men, 20 years and over	3.1	1,566
Women, 20 years and over	4.2	1,459
Both sexes, 16-19 years	11.0	829
Black and Other	9.2	1,190
Men, 20 years and over	7.2	463
Women, 20 years and over	9.4	523
Both sexes, 16-19 years	22.1	204

Source: Testimony of Secretary of Labor Ray Marshall. Joint Economic Committee Annual Hearing, February 10, 1978.
Note: This table assumes an overall unemployment rate of 4-3/4 percent and nc change in historical structure.

Special measures are needed to aid the structurally unemployed, -- those who remain when the economy reaches potential output levels. These special measures can

dramatically help reduce overall unemployment and the unemployment rate differentials between particular demographic groups. As the Secretary of Labor testified:

> If, by structural programs, we are able to reduce the 1983 differential between the black and white rates of unemployment from a ratio of 2.2 to 1.0 to a ratio of 1.5 to 1.0, the overall unemployment rate would fall by 0.4 of a percentage point.
>
> If we develop programs that cut in half the differential between the unemployment rate for those aged 16-24 and that for adult men, the unemployment rate would fall by 0.6 of a percentage point.
>
> If the adult female unemployment rate could be reduced from 30 percent higher than the male rate to 1.5 percent higher, the overall unemployment rate would fall by 0.25 of a percentage point.

These illustrations show the important role that structural unemployment programs can play in improving the operation of the labor market.

Youth Unemployment

Although teenage employment grew last year by 341,000, these gains were disproportionately enjoyed by whites, and youth unemployment still accounted for nearly one-half of all unemployment in 1977. The jobless rate for workers aged 16 through 24 was 13.6 percent. For teenagers alone it was

17.7 percent and for young persons 20 to 24 years old the rate was 10.9 percent.

Black teenage unemployment increased by 23,000 in 1977 and averaged 41.1 percent for the year. Joblessness among Hispanic teenagers increased slightly, but their unemployment rate decreased to 22.3 percent because their labor force expanded even more rapidly. Unemployment among American Indians on reservations is also exceedingly high -- about 40 percent in 1977.

Several reasons have been suggested as causes of youth unemployment. It has been asserted that the minimum wage has caused youth unemployment to increase. However, in the 1970s the minimum wage has been lower relative to the average wage of production workers than it was throughout most of the 1950s and 1960s. Therefore, based solely on relative wages, there has been a comparative advantage in hiring young people in the 1970s. Most studies show that the significance of the minimum wage is small, and the testimony of Dr. Joseph Kasputys of Data Resources, Inc. confirmed this fact.

The problem of teenage unemployment is not the inability to hold a job, but to get one in the first place. In 1977, 42.8 percent of total teenage unemployment was among youths who had never worked before. The situation was even more critical for minority teenagers. Nearly one-half of minority teenage unemployment in 1977 was among persons who had never worked before.

Adult Women

The unemployment and employment problems of women are similar to those of young people.

Since 1970, the female unemployment rate has been higher than it was in the latter half of the 1960s. The disparity between the female unemployment rate and male unemployment rate has worsened. As testimony from Dr. Beatrice Reubens indicated, in the fifteen years from 1947 to 1961, the women's rate exceeded the male rate by one percent or more in only two years. In the succeeding sixteen years, the differential exceeded one percent or more in every year. She concluded, "It appears that a new, higher level of female unemployment rates in relation to male unemployment rates may have been established."

Much of the disparity between the male and female unemployment rates is accounted for by a widening gap between female and male rates in the 25-44 year old age group, probably because reentrants to the labor force form a larger share of female unemployment than male unemployment and reentrants are most likely to fall into the 25-44 year old age group. In 1977, 37.3 percent of the unemployed females 20 years and older were reentrants into the labor force, while 19.3 percent of the unemployed males 20 years and older were reentrants.

Two other factors should be noted with respect to female unemployment. First, hidden unemployment -- defined as persons too discouraged to look for work and therefore not counted as labor force participants -- is much greater among women than among men. According to the Bureau of Labor Statistics, during 1967-1976 there were approximately twice as many female discouraged workers male discouraged workers. Consequently, the official unemployment rates underestimate the disparity between female and male unemployment rates.

Second, although 36 percent of the women who were unemployed in 1977 had employed husbands, this does not mean that joblessness is not a serious problem for such women. In many families it is essential for the wife to supplement the husband's income in order to attain an adequate standard of living. The frequently propounded notion that all women job seekers are not seriously in need of employment would make them second class citizens. Needless to say, this attitude and its implications are unacceptable.

In the case of both youth and women whose primary labor market problem is a lack of job skills and a relative lack of job experience, easing their entry and re-entry problems into the labor market is the necessary first step towards reducing their unemployment.

Eliminating Bottlenecks

The central focus of eliminating these problems must be to provide better mechanisms to match job seekers with jobs. Much of the present responsibility for this task lies with the U.S. Employment Service. But the Service's link with private employers has not been fully and effectively developed. An understanding between the Employment Service and private business of each other's needs and services is necessary before job seekers will be effectively matched with job opportunities. Congress should consider increasing employment service funding to improve and expand the services it offers to private business.

Schools, businesses, and unions should expand the scope of the activities that link classroom activity to work. There are approximately 600,000 persons enrolled under Titles II and IV of the Comprehensive

Employment and Training Act (CETA) who could be matched with private sector job opportunities. Greater coordination between CETA Prime Sponsors and private business should be developed to place these persons in the private sector when their public service employment ends.

To help offset wage and fringe benefit costs, CETA Prime Sponsors should be given the resources for provision of "bonuses" to private employers for employment of selected hard-to-employ workers in the private sector.

Such a program could easily be monitored by local Prime Sponsors to prevent abuse and it would fit into the existing CETA framework. Prospective employees must have the requisite skills for employment. Public service employment and manpower training programs must be geared to providing the skilled labor which meets the needs of employers.

Current Federal manpower training programs provide the basic training and retraining necessary to equip unemployed workers with skills to meet entry level requirements, but these programs are inadequately funded. Such programs should be expanded by about $1-1/2 billion over the next two years. Training programs should also put more emphasis on upgrading employees from entry level jobs in order to assure their employability. Career ladders should be developed to give employees greater incentive to remain with an employer.

Geographic Employment Problems

Many areas of the country continue to face high rates of unemployment and net employment losses. At the same time they suffer from

relatively slow or even stagnant economic growth.

Between 1960 and 1970, central cities employment in the East declined 2.4 percent, while it rose by 7.0 percent in the Midwest, 23.1 percent in the South, and 28.0 percent in the West. The 1974-1975 recession induced further job losses in the East, but it also aggrivated the situation in central cities across the country.

The decline in central city employment opportunities is especially serious for minorities. In 1977, 54.4 percent of the nonwhite civilian labor force resided in central cities, while minority central city unemployment accounted for 60.2 percent of total minority unemployment. Concurrently, the central city minority teenage unemployment rate increased from 40.5 percent to 43.0 percent and employment has declined. The nonwhite teenage central city employment-population ratio has declined from 22.1 percent in 1975 to 21.2 percent in 1977.

Although the unemployment problem for minorities is primarily an urban problem, the geographic aspects of structural unemployment are significantly related to poverty areas. In 1977, nearly 15 percent of the white civilian labor force and 39.9 percent of the nonwhite civilian labor force resided in urban and rural areas officially designated as poverty areas. Among blacks and other minorities, most of the civilian labor force living in poverty areas resided in metropolitan areas; among whites, most of the civilian labor force living in poverty areas resided in nonmetropolitan areas.

As Table VI-4 shows, in metropolitan poverty areas the overall white and nonwhite

Table VI-4. Distribution of the Labor Force and of Unemployment in Poverty and Nonpoverty Areas

	Metropolitan Areas				Nonmetropolitan Areas			
	Poverty Areas (a)		Nonpoverty Areas		Poverty Areas (a)		Nonpoverty Areas	
White	1976	1977	1976	1977	1976	1977	1976	1977
Per cent of total civilian labor force	3.4	3.3	62.8	56.9	8.6	8.5	19.6	20.0
Per cent of total unemployment	4.6	4.6	51.9	49.3	6.9	6.7	16.9	17.8
Unemployment rate (per cent)	10.5	9.7	7.0	6.1	6.1	5.5	6.6	6.3
Male,20 & over	9.4	8.8	5.4	4.5	4.4	3.8	5.0	4.6
Female,20 & over	9.1	8.8	6.7	6.1	6.4	5.9	6.9	6.3
Both sexes, 16-19	22.9	19.0	17.3	15.4	15.7	14.7	15.3	15.0
Nonwhite								
Per cent of total civilian labor force	3.0	2.9	5.9	6.0	1.7	1.7	.9	.9
Per cent of total unemployment	6.6	7.4	8.9	9.8	2.6	2.8	1.5	1.6
Unemployment rate (per cent)	16.9	17.6	11.5	11.4	12.2	12.0	13.5	12.4
Male,20 & over	15.1	15.1	9.2	8.4	7.7	8.0	10.5	8.1
Female,20 & over	12.6	14.1	10.1	10.3	12.7	12.7	12.8	11.5
Both sexes, 16-19	43.3	45.4	35.2	37.3	33.8	30.7	30.8	34.7

Source: Employment and Earnings, Bureau of Labor Statistics, January 1978, p. 173.

(a) Poverty areas are those census geographical divisions in which 10 percent or more of the residents were poor according to the 1970 census.

unemployment rates were significantly higher than their respective rates in metropolitan nonpoverty areas. The greatest differentials in both cases occurred among adult males and teenagers. In nonmetropolitan areas, with the exception of nonwhite adult females, the unemployment rates in poverty areas were actually lower than their corresponding rates in nonpoverty areas.

Structural changes in the economy have created growth differences between regions. First, there has been a pronounced regional shift in the distribution of manufacturing employment over the last twenty years. New England, Mid-Atlantic and East-North Central States have lost a large share of manufacturing employment since 1956. The largest loss has been in the Mid-Atlantic States which had 25.2 percent of manufacturing employment in 1956 but have only 18.4 percent today. Other changes in manufacturing employment by region during the period 1956-1976 are indicated in Table VI-5.

Table VI-5. Manufacturing Employment
(percent distribution)

	1956	1976
Total United States	100.0	100.0
New England	8.7	7.0
Mid Atlantic	25.2	18.4
East North Central	27.9	24.8
West North Central	5.7	6.6
South Atlantic	11.2	14.5
East South Central	6.4	7.9
West South Central	4.7	7.3
Mountain	1.3	2.3
Pacific	9.0	11.1

Source: U.S. Department of Labor, Bureau of Labor Statistics

To aid in the fight against structural unemployment, the Committee supports the Administration's recommendation for continued funding of 725,000 CETA public service employment jobs through fiscal year 1979.

The Committee recommends two steps to help insure that public service employment achieves this goal:

First, the "overhead" payments permitted to Prime Sponsors should not be made on the basis of wages paid. Existing legislation permits overhead payments for nonwage costs equal to 15 percent of the wage bill. This provides that the largest overhead payments will be for highest paying jobs, exactly those jobs not matched for the structurally unemployed. As an alternative, the overhead payment could be made to vary on the basis of an employee's labor market skills or could be made to vary inversely with the wage level.

Second, tenure in public service employment should be limited to 18 months. Requiring this periodic turnover would increase the public service job opportunities and the availability of on-the-job training for the structurally unemployed.

Expansion of public service employment as a countercyclical tool has created a dependency among many local governments on CETA. In some cities, up to one-third of the city work force is composed of CETA employees. Many of these cities still suffer from revenue shortfalls, the need to maintain current levels of municipal services, and a declining tax base. The continued decline in unemployment raises the prospect of the termination of CETA

programs in many localities. If this happens, the severe fiscal conditions of some of these localities, now partially relieved by CETA funding, will become even more intense. Therefore, consideration should be given to new programs which would provide fiscal relief to localities that will be affected by loss of CETA funding before that loss occurs.

The Administration's budget contains $400 million in outlays to provide incentives for private business to hire the hard-to-employ. We strongly support this effort. Private business involvement in manpower training programs for the hard-to-employ is less today than it was a decade ago. The Administration's proposal to create local Private Industry Councils, made up of business and labor representatives, to provide local job training slots is a positive step toward increasing private sector involvement in this area. We call attention to an extensive list of successful job training and employment programs which are being operated by many companies in cooperation with local councils throughout the nation. A useful survey of those listed programs has been published by the Committee for Economic Development. Such efforts should be encouraged and expanded. The long-term solution to the unemployment problem resides in the private sector, which employs 5 out of 6 Americans.

VII. THE CURRENT SERVICES BUDGET

Section 605 of the Congressional Budget Act of 1974 requires the Office of Management and Budget to submit by November 10 of each year "the estimated outlays and proposed budget authority which would be included in the Budget ... for the ensuing fiscal year if all programs and activities were carried on during such ... year at the same level ... and without policy changes." It further requires that the Joint Economic Committee "shall review the estimated outlays and proposed budget authority so submitted, and shall submit to the Committee on the Budget of both Houses an economic evaluation thereof on or before December 31...." The following discussion is presented in accordance with this requirement.

When the Joint Economic Committee presented the first Current Services Budget estimates in December of 1973, they were explained as follows:

> The figures for 1975 in this study are baseline projections. They are not an attempt to predict the future or to anticipate the official 1975 Budget. However, they represent an effort to show how existing programs will change based on current law and projected changes in prices, wages, and workloads.*/

*/ The 1975 Budget: An Advance Look, a staff study prepared for the use of the Subcommittee on Priorities and Economy in Government of the Joint Economic Committee, Congress of the United States, December 27, 1973, p. 10.

In subsequent reports we elaborated on this idea:

> A baseline, or current services budget, is especially helpful in caluating alternative budget proposals made by the President and Congress. Since the baseline assumes no policy changes, the difference between an up-to-date baseline and the budget estimates presented in the Presidential recommendations submitted in January would be the policy proposals of the President.*/

The problem generally encountered in trying to apply these ideas to the actual numbers was that up-to-date estimates were seldom available. The current service estimates were prepared in November or December of each year, and by the time the President's estimates were submitted in late January or February, the economic assumptions had changed enough to keep the numbers from being precisely comparable. The result of this procedure was that the estimates were not as helpful as Congress had hoped when the Congressional Budget Act, requiring their submission, was passed.

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*/ An Economic Evaluation of the Current Services Budget, Fiscal Year 1977, a staff report prepared for the use of the Joint Economic Committee, Congress of the United States, December 22, 1975, p. 4.

In an effort to improve the usefulness of these figures, in 1977 the Director of the Office of Management and Budget requested permission to engage in a one-year experiment. During this experiment, the current service estimates would be presented as part of the President's Budget submission and would therefore be based on the same economic assumptions as the President's policy recommendations. This experiment was undertaken with the concurrence of the Chairman of the Joint Economic Committee, the House and Senate Budget Committees, and the House and Senate Appropriations Committees.

In our judgment, this experiment has been a success. The presentation of the current service estimates in the budget summary clearly shows the impact of the President's policy recommendations on the budget. The discussion in Special Analysis A, which compares the current services estimates with the President's Budget request on a program-by-program basis, is a significant improvement over previous reports.

Presenting the Joint Economic Committee's views in the context of our Annual Report has the added advantage of allowing a more complete evaluation of the economic analysis underlying both the current services estimates and the President's recommendations. We have therefore focused our comments in this section of the Report on specific recommendations regarding the current services estimates and have left the economic analysis for other sections.

The Congressional Budget and Impoundment Control Act of 1974 should be amended to allow the President to submit current services budget estimates concurrently with his budget proposals and to allow

the Joint Economic Committee to submit its evaluation of these estimates concurrently with its annual report to the Congress.

Although the reporting procedures have been improved, we still consider the current service estimates themselves inadequate. Our primary objection is to the treatment of inflation. The current practice is to include an allowance for anticipated inflation in the current services estimates for those programs where inflation adjustments are mandatory under existing law or those programs included in the Department of Defense. Estimates for programs which are not military or are not linked by law to the cost of living include no inflation allowance.

This unequal inflation treatment means that the current service estimates are sometimes misleading and unnecessarily difficult to use. For example, if one compares the current service outlay estimate for the Department of Defense -- military ($114.3 billion) with the President's request ($115.2 billion), one could correctly conclude that the President has requested a real increase in military spending. However, a similar comparison for the Veterans Administration (a current services estimate of $18.9 billion compared to a Presidential request of $19.2 billion) could lead to the erroneous conclusion that the President has requested a real increase here as well. If the Veterans Administration estimate had included an inflation allowance, the current services figure would have exceeded $20 billion and, by comparison, the Administration's estimate would appear to be a real reduction. By the Administration's own estimates, if an inflation adjustment had been made for all programs not limited by statutory ceilings, the current service outlay total

would have been about $3 billion higher than the estimate presented.

The Administration's treatment of inflation in the current services estimates is misleading and confusing. All programs in the Budget should receive comparable inflation treatment in the current services estimates.

Since 1963 when we held hearings and issued a report on the "Federal Budget as an Economic Document," the Joint Economic Committee has stressed the need to view the Budget in the context of a broad, long-range set of projections. Gradually, with the adoption of Planning-Programming-Budgeting (PPB) systems in 1965, the Legislative Reorganization Act in 1970, and the Budget and Impoundment Control Act in 1974, the Executive Branch of Government has moved in the direction of providing more long-range estimates. The fiscal year 1979 budget which provides current services estimates on an aggregate basis through 1983 is a further step in this direction.

The usefulness of 5-year budget projections is not to predict what budget totals will actually be in future years but to examine the scope for and desirability of changes in budget policy. Since no one can foresee policy changes several years into the future, we are convinced that the current services projection method is the most sensible way to make long-range budget projections. We commend the Administration on the work done thus far and recommend that it be extended.

In future budgets, the 5-year current services estimates should be expanded to include functional and agency-level detail.

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ADDITIONAL VIEWS OF VICE CHAIRMAN LLOYD BENTSEN REGARDING THE PRENOTIFICATION RECOMMENDATION

I disassociate myself completely from this proposal which I regard as a very serious mistake. Despite its reluctance to admit it, this Committee is recommending mandatory price and wage controls. The Report recommends that the Council on Wage and Price Stability be given authority "to delay for modest periods wage or price increases." The authority to delay wage or price increases is logically the authority to fix and control wages and prices. So despite the Report's disclaimer that this proposal is "a reasonable start toward an incomes policy, short of voluntary or mandatory controls," the Committee is in fact calling for mandatory wage and price controls.

Government dictation of wages and prices has never worked to control inflation in peacetime. Wage and price controls attack the symptoms of the disease, but not the disease itself. They may provide a temporary disguise, they may present a comforting illusion, but sooner or later consumers will confront the harsh reality of shortages, low quality products, and hundreds of devices designed to circumvent the controls. Price and wage controls put the economy in a straightjacket which invariably results in inequities among both workers and business enterprises.

We should have learned by now that wage and price controls cannot be imposed on our economy without exacting a heavy cost in the form of serious misallocation of resources, inefficient production, and the potential domination of our daily lives by faceless

government bureaucrats. We should have learned by now that excessive government regulation of business, which results in waste and inefficient production, is one of the major reasons for our inability to bring down the cost of living. It is, therefore, fundamentally unsound to recommend additional bureaucratic authority to regulate the private enterprise system in the name of fighting inflation.

Most leaders of business and labor strongly oppose the concept of wage and price controls. Businessmen fear that controls will result in less investment, low productivity, and slow growth. Labor leaders know that it is more difficult for workers to circumvent wage controls than it is for business to get around price controls. Both business and labor leaders correctly recognize that there is no easy, simple solution to the problem of inflation. We will bring inflation under control when we reduce excessive government regulation of business, which drives up the cost of doing business; when we develop ways to encourage competition through the entry of new businesses into our Nation's marketplaces; and when we provide adequate incentives for business to invest in more productive machinery and equipment.

ADDITIONAL VIEWS OF REPRESENTATIVE HENRY S. REUSS

I agree with the analysis and major conclusions of this report. It lacks only a concise statement on an action program for the economy that is required. In my view, the key elements of such a program are these:

Unemployment: We need a maximum attack on structural unemployment suffered by young people, minorities, and residents of the central cities. The President should detach his proposal to double public service employment, from 700,000 jobs to 1.4 million, from his welfare reform program and send it to Congress for immediate action. Measures to stimulate private-sector employment: wage subsidies, tax credits for new hiring, and (on an experimental basis in several labor markets) minimum wage differentials for high unemployment areas or new labor market entrants.

Taxes: The rate increases recently effected in the Social Security payroll tax should be rolled back. Additional scheduled rate increases should be repealed. The difference ($5 billion in 1979) should be collected from general revenues, with a compensating reduction in the amount of personal income tax relief proposed by the Administration.

The proposed extension of the investment tax credit to structures should be dropped. Instead of this measure, which will exacerbate the decline of job opportunities in the central cities, job-preserving measures should be enacted: a tax credit for rehabilitation only, for example.

Monetary Policy: I agree with the report's assessment that a moderately expansive monetary policy is needed in the year ahead. The shift to relative monetary ease, should, however, be accompanied by some relative fiscal restraint. This can be achieved by substituting direct job creation measures for a larger dollar volume of less effective tax reduction.

Energy: The proposed wellhead tax on domestic crude oil has become a political stumbling-block and should be dropped. The energy bill with the remaining four elements of the President's plan should become law promptly. Work should then begin on a Phase Two energy program, including more support for the development of alternative energy sources, such as solar, wind and geothermal, and a standby gasoline rationing system to ensure fair allocation in the event of a supply shortage.

Agriculture: As the report points out, higher price supports are an inefficienty and inflation-causing way to ensure a decent income to farmers. The Administration should develop instead (1) a supplementary program of direct income supports, enabling the family farm to weather bad years without imposing unnecessary costs on consumers or socially wasteful restrictions on production; and (2) a meaningful war-on-hunger program.

International Policy: We must continue to resist protectionist, interventionist, and inflationary measures designed to close our trade gap or support the precarious level of the dollar. Such measures are ineffectual or undesirable or both. In the short run, the pressure on the dollar will continue, and there is little the monetary authorities can or should do about it, disorderly markets

aside. In the long run, if our trading partners expand their economies, our exports will pick up; and if our energy policy succeeds in reducing our reliance on imported oil, our import bill will decline. These two measures can cure the patient: tinkering with the thermometer cannot.

ADDITIONAL VIEWS OF REPRESENTATIVE LEE HAMILTON

I generally support the goals and recommendations of the Committee's Annual Report. The Report provides a clear view of many of the major economic problems that confront the Nation and suggests new and promising directions for economic policy. My additional views reflect a desire to emphasize some of the added complexities that lie in the path the Committee recommends. Because any report must narrow its focus, I also want to mention economic problems that should be considered by future Joint Economic Committee reports.

Humphrey-Hawkins

The Committee Report strongly endorses the Full Employment and Balanced Growth Act of 1977, better known as the Humphrey-Hawkins bill. I find myself in sympathy with the broad purposes of the Act and many of the specific proposals it contains. The emphasis on setting long-term goals as a guide for year-to-year policy is basically sound. There is a definite need to assure coordination of monetary and fiscal policies. The bill pushes our view beyond the traditional remedies of macroeconomic policy to the need for specific structural programs to attack inflation and unemployment. Nonetheless, I do not share the unrestrained enthusiasm that some of my colleagues have for Humphrey-Hawkins and I do have reservations about it. My reservations boil down to two interrelated points.

First, can we deliver on the promises that Humphrey-Hawkins is making to the American public? Is it desirable, in a day of deep

public cynicism about Government's performance, to encourage the view that it is possible to reach a 4 percent overall rate of unemployment by 1983 without a serious outburst of inflation? Second, does the bill provide enough emphasis on fighting inflation?

If we succeed in achieving the goals contained in this Report, the economy will reach its full potential some time in 1981. At that point, there will still be millions of Americans out of work and the unemployment rate should be in the neighborhood of 4.8 percent.

The hard fact is that it is unlikely that we will be able to achieve all of our desired economic goals. The likelihood is that we will have to face difficult trade-offs among program goals, full employment, inflation, and balanced budgets. I am not at all sure that Humphrey-Hawkins treats the American people with the candor about our central economic realities that they deserve.

How can we go beyond the short-term goals of this Report and not trigger new inflationary pressures? The answer has always been that specific structural programs will get us the rest of the way without pushing up prices.

At the annual hearings of the Joint Economic Committee we heard extensive testimony about what structural programs had worked in the past, how existing programs could be improved, and even what approaches we might adopt in the future. It is also a possibility that the added pressure of our ambitious employment goal will force the Administration and the Congress to be more

imaginative with regard to employment programs. In effect, goals may become the mother of invention.

But we must keep in mind that the Humphrey-Hawkins bill sets an extremely ambitious target. We may not be able to meet it. The bill itself recognizes that economic circumstances of one sort or another may force a delay in reaching the 4 percent goal. We should be honest with the American people about how difficult it will be to reach the 4 percent unemployment rate in 1983 and tough with ourselves in moving away from the goal if economic reality dictates.

Usually viewed as just a full employment bill, Humphrey-Hawkins also puts considerable emphasis on reducing inflation. However, the bill specifically directs the President to adopt a number of policies that will tend to lower prices. I am in full sympathy with many of the specific proposals for fighting inflation and the importance the bill assigns to reducing inflation. Nevertheless, I still have some reservations about whether the bill can effectively reduce the price level. Reaching a 4 or even a 4.8 percent unemployment level will tighten labor markets and strain productive capacity. That is a situation that could well lead to more inflation. The individual programs contained in the bill promise some relief, but may simply not be enough.

I just do not have any feeling that the President's anti-inflation program is succeeding. With the basic inflation rate stuck at at least 6 percent, we are getting no relief from inflation, and I have no confidence that relief will come soon. Inflation apparently is the most intractable of all our economic challenges. Most of the

witnesses before this Committee suggested inflation is more likely to accelerate than to decelerate.

I am not comfortable with an exclusive emphasis on growth and investment as the way to cure inflation any more than I am comfortable with the view that restrictive policies applied long enough will wring inflation out of the economy. I think we must be willing to try other approaches. I approve the Report's interest in the proposal to grant tax relief for price and wage restraint. It would probably be imprudent to introduce such relief before subjecting it to much wider discussion and evaluation with regard to its effectiveness and administrative feasibility, but the momentum of inflation is so great this proposal should be seriously considered immediately.

Other steps must also be taken. Those of us in government must become much more serious about assuring that government action does not raise costs. So often, government regulatory and tax policies generate their own inflationary pressures. I like the Committee's proposal that the President's Council on Wage Price Stability report annually on which government programs have raised prices and which have lowered them. It may be too soon to adopt Arthur Okun's suggestion that we should set a target of zero new Federal impact on the price level, but we should begin to move in that direction.

We must set our course for declining Federal deficits coupled with the skillful use of a wide variety of employment programs designed to deal with structural unemployment. Well tailored training, public service employment, youth programs,

antidiscrimination laws, and better labor market information can all help us achieve full employment without adding to inflation. I was particularly impressed with the recommendations of the Committee for Economic Development to encourage private sector jobs for the hard to employ through the use of incentives such as tax credits, stipends for trainees, or an exemption from the minimum wage.

During the annual hearings of the Joint Economic Committee, a number of witnesses stressed the fact that we just did not know how to control inflation as effectively as we could the level of production or employment. I do not disagree with that. But we must also recognize that in many cases inflation is less a result of ignorance than of political expediency. As Gardner Ackley has reminded us, the major obstacle to containing inflation is not a lack of knowledge, or even a lack of devices to deal with it, but a lack of political will and leadership to take the right action at the right time. If the Humphrey-Hawkins bill is to be an effective guide to future public policy, it will require both good judgment and rare political courage.

Deficit

For fiscal year 1979, the President has proposed taxing and spending policies that will result in a deficit of just over $60 billion. Although I am uneasy about a large deficit this far into the recovery, I am prepared to tolerate a deficit of that size for this year. So long as unemployment is high and there is slack capacity in the economy, there is little danger of inflation

from excess demand. What I do not accept is one deficit after another, and we are perilously close to that situation.

The principal targets of national economic policy are growth, low levels of unemployment, and price stability. It can be costly and self-defeating if these goals are sacrificed for admittedly secondary targets like the balanced budget. But the costs of budget deficits cannot be ignored. If we continue to run massive budget deficits year in and year out we run the risk of further eroding public confidence in the Government. The size of the deficit may not worry the professional economist, but it does worry the average American. By one recent poll, 65 percent of all Americans think a balanced budget is a "very important" goal and another 24 percent think it is a "fairly important" goal. The huge deficits may have more to do with the lack of confidence in the economy than many experts realize. Within the bounds of prudent economic policy we should begin to get serious about moving to reduce our dependence year after year upon these huge deficits. By relying principally on the private sector for growth and the new jobs demanded by a growing labor force, we can begin to reduce our dependence on Federal spending. The President has taken the right tack in emphasizing the private sector and working to reduce the share of Federal expenditures in our gross national product. And the cost of interest on mounting Federal debt can be a burden on the taxpayer for years to come. Within the bounds of prudent economic policy we have to start moving toward a balanced budget.

The International Value of the Dollar

In recent months the value of the dollar has decreased relative to the Japanese yen, the Swiss franc, the German mark, and European currencies tied to the mark. The fall has been steep and disorderly.

For several years now, the United States and other major economic powers have lived in a world of flexible exchange rates. By and large, they have served us well. High levels of world demand coupled with the oil shock of 1973 led to high and widely divergent rates of domestic inflation. The Bretton-Woods system that assumed only occasional changes from otherwise fixed exchange rates would have been hard-pressed to function in the early 1970s.

The sharp fall in the value of the dollar against certain key currencies should not be interpreted as a fundamental weakness of the dollar. It may be regrettable, but it is not disastrous. Compared to the currencies of all our major trading partners, the dollar fell by about 5 percent in 1977 -- far less than the 20 percent fall against the yen. It should also be remembered that the dollar and other key world currencies have fluctuated in value several times since the Bretton-Woods System ended in 1971.

At the same time, we cannot turn our back on a special international responsibility that comes with the dollar's role as the world's principal reserve currency. Sharp and disorderly fluctuations in the dollar create the kind of uncertainty that can affect trade and investment decisions. In turn, such decisions could lead to a loss of growth and employment opportunities for many nations.

If the decline of the dollar continues, it could cause severe political difficulties for many of our allies. The sheer rapidity of the dollar's fall against the currencies of Germany and Japan has already created a severe threat to their export industries. Slow growth and painful adjustments for their major industries could be the result.

The steady erosion of the international value of the dollar is also of understandable concern to the OPEC cartel. Not only is oil priced in terms of dollars, but many of the OPEC members have substantial dollar-denominated assets. A further drop in the value of the dollar could percipitate an increase in the price of oil and a movement away from American investments.

The fall in the international value of the dollar, therefore, is a matter that demands the careful consideration of the Administration. On the other hand, it is not so serious as to constitute a crisis either for the domestic or international economies. In addition, we must recognize that the United States is limited in what it can do to control the international value of the dollar. The Joint Economic Committee is properly critical of using domestic monetary policy to stabilize the dollar. By tending to attract more foreign capital to the United States, higher domestic interest rates would tend to increase the foreign demand for dollars and therefore the value of the dollar relative to other currencies. That process is both uncertain and costly. There is already a substantial interest rate differential between the United States and Western Europe. That has not been enough to overcome the expectations that additional decreases in the international value of the dollar are sure to come. Higher domestic

interest rates will also come only at the expense of slower growth, less investment, and higher rates of unemployment. The international economy is crucially important to the United States -- the value of our exports is now almost 50 percent greater than the total value of residential construction. But the domestic economy remains our principal focus. Using monetary policy to stabilize the international value of the dollar would be a case of allowing the international tail to wage the domestic dog.

We can intervene in foreign exchange markets to make sure adjustments in the international value of the dollar are smoother. I support recent activities of the Department of the Treasury and the Federal Reserve System that move in this direction. Intervention designed to actually support a currency, however, is costly and only temporarily effective.

We should also do everything we can to deflate widespread expectations that the dollar may fall further in value. The President's recent strong commitments to maintain a sound dollar are helpful. Although a national energy program will not have a direct effect on the trade balance for some time, it would be an unmistakable signal that the United States has begun to adopt a long-term strategy to reduce its oil imports and its trade deficit. The same could be said about aggressive and imaginative plans to reduce inflation and increase exports. We should also exercise our imagination in the international arena -- searching out those policies and proposals that can help stabilize the dollar without sacrificing domestic growth. In any case, the United States should make it clear that it understands the pressures on German and

Japanese industry that have come from such a rapid increase in the relative value of the mark and yen.

Proposed Direction for Future JEC Reports

Traditionally, the Annual Report of the Joint Economic Committee has dealt with specific economic problems as well as the broad macroeconomic issues. With a strong emphasis on the need for structural programs to fight both inflation and unemployment, this year's Report is very much in that tradition. Looking ahead to future Committee reports, I would like to suggest some areas that merit detailed study by our Committee.

Research and Development. Research and development (R&D) have played a critical role in American growth since the end of World War II. New products have expanded vastly the range of choice confronting the American consumer, and new processes have steadily reduced the amount of labor, capital, and material needed to produce American goods. By contributing to increased productivity, R&D fights inflation and makes American goods more competitive in foreign markets.

The need for further R&D is evident in almost every industrial sector of the country. American productivity is no longer growing as rapidly as it did for most of the post-World War II period. Many industries must find more efficient ways to function or face constant pressure from foreign imports. America's longstanding strength in high technology items can only be maintained by a constant R&D effort. The sharp increase in energy prices forces us to find new sources of fuels as well as new ways to conserve energy. The Joint Economic Committee should

take a detailed look at the current status of future prospects for R&D in the United States.

Small Business. Too often the serious problems of small business are lost in a focus on broader, more abstract problems. But small business occupies a unique and valuable role in the American economy. In many ways, small business is the urban equivalent of the family farm. For generations of Americans, small enterprises have offered everyone the opportunity to build his own future. In addition, small businesses have been the source of a considerable share of the Nation's new inventions. There can be no doubt that the small businessman is under intense pressures, many of which are caused by government policy. It is time we took a detailed look at the problems that beset small business in America and what public policy can do about them.

Agriculture. Administration after Administration has been content to keep American agriculture on a roller coaster that mixes sudden prosperity with hard times. We need to take a close look at the changes that are sweeping American agriculture. Support programs should be designed to assure the American farmer an adequate income without relying solely on price increases. Mechanisms to stabilize agricultural prices and income should also be explored. America has been blessed by unparalleled bounty in agricultural resources. It is a part of the economy that we neglect at our peril. The farmer, as well as the small businessman, deserves our sympathetic consideration of his problems.

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ADDITIONAL VIEWS OF SENATOR WILLIAM PROXMIRE

I believe that both the President's proposed $500 billion budget and this Committee's estimate of expenditures of $500 to $505 billion are too high. These expenditures represent an enormous burden on American taxpayers. They should be cut by a minimum of $25 billion and better yet, by $35 billion in order to provide a freeze on Federal outlays of about $465 billion as the distinguished financial expert Henry Kaufman proposed before the House Committee on the Budget.

First of all, this is an achieveable cut. It represents only a 5 to 7 percent cut in the President's budget and would provide for total budget outlays at about the fiscal 1978 level. Further, as one who has routinely examined the budgets of numerous Government agencies as a member of the Senate Appropriations Committee, I assert without fear of contradiction that there is not a single general Government function where a 5 to 7 percent cut of the funds could not result in a more efficient or less wasteful program combined with better service to the American public. One can name the function--defense, foreign aid, delivery of mails, welfare, housing, education, law enforcement, highways, public works, reclamation, sugar or mineral subsidies, etc.--and know from experience that the budget could be cut without harming the function.

Second, modern economists have for too long merely looked at the overall or "macro" effects of spending. Very little attention, if any, is paid to the genuine benefits of the proposed increase in outlays. They are justified on such spurious grounds as necessary to "keep even" because of inflation,

to stimulate the economy to offset fiscal drags, or as no more than provided by a current services budget.

The general has overcome the specific. Spending is justified for these economic purposes without any or few arguments justifying their specific benefits. We are urged to keep wasteful military projects going to avoid cuts in jobs, to continue pork barrel public works programs because the local communities want them, and to universalize spending because if all 50 states aren't cut in on the proposal it will fail of passage. The amounts of money which are taxed by the Federal Government from the earnings or savings of 220 million Americans for inefficient purposes has grown beyond any justification on macro-economic grounds.

It is true, as Justice Holmes remarked, that with taxes we buy civilization. But we are not required to buy a wasteful or bloated or super-civilization.

Third, the new totals are essentially unprecedented. Henry Kaufman put it succinctly in testimony before the House Budget Committee on February 6, 1978. Here's what he said:

"The sharp acceleration in Federal expenditures during fiscal 1978 and 1979 has few parallels in the postwar years.

"Judged against the size of the economy, Federal budget outlays in fiscal 1978 represent a record postwar high of 22.6% of total GNP. While this ratio is expected to decline to 22% in fiscal 1979, it will still be the fourth highest in the last 25 years.

"The yearly percentage increase in officially projected expenditures, totalling 15% for fiscal 1978, has been exceeded only twice in the past 25 years, once in a recession year (1975) and another in a war-related year (1967). It is twice as large as the average annual rate of increase over this 25-year period.

"The officially proposed increases in Federal expenditures are far greater on a percentage basis for this time in the business cycle in the present economic expansion than in the previous four business recoveries."

Finally, I wish to remind my colleagues and the public of what former Senator Paul H. Douglas, once Chairman of this Committee said on this subject. The phrase he coined was that "A liberal need not be a wastrel." Wasted funds build no schools, feed no hungry children, clothe no person, and help no one in need.

There is now general agreement that proper and appropriate Government functions are far greater than every envisaged by the Founding Fathers or by the so-called rugged indivualists of the industrial age. That is no longer in question.

But what is in question is our ability to live within our means, to use public funds wisely and efficiently, and whether the Government is to provide subsidies to everyone everywhere.

We are probably providing more welfare for the well-to-do than for those in genuine need.

I believe we should carry out Lincoln's definition of the legitimate objects of Government as doing for the people "whatever

they need to have done, but cannot do at all, or cannot so well do for themselves in their separate and individual capacities."

Even a generous interpretation of that sentiment would allow us to reduce Government spending by more than the $25 to $35 billion I have proposed.

ADDITIONAL VIEWS OF SENATOR GEORGE MCGOVERN

The President's Economic Report of 1978 is obviously less restrictive than those of the last few years. I believe it provides a useful starting point for budget policy considerations, and this Joint Economic Committee Report, by and large, represents an excellent positive critique of the budget as a document of economic policy.

In some respects the President's Budget is encouraging. I am heartened by the Administration's recognition of the need for a fiscal stimulus to reduce projected unemployment rates that are still disgracefully high. It is also worth special note that the fiscal 1979 military budget would have been some $2.9 billion higher if the B-1 bomber had not been cancelled.

My basic concern is that tne President's 1978 Economic Report represents too cautious and traditional an approach to curbing inflation and lowering unemployment. It has provided very little new fiscal stimulus, and thereby lacks almost entirely any social vision. Events have brought us beyond the luxury of viewing fiscal and monetary policy as socially neutral blueprints.

As a result, I have to say that I am in sharp disagreement with the Administration's approach on several fundamental questions.

First, we have already raised a regressive tax -- the social security payroll tax; now we hear that part of the justification for a $25 billion cut in the more progressive income and excise taxes is to compensate for the payroll tax hike. The combination makes

no sense. It will make a bad tax system worse. In part, middle-income workers will be paying more to finance a new tax break for people in higher brackets. I will propose instead that we forgo the $25 billion tax cut, and that we pay $7.7 billion of the savings into the social security trust fund so we can cancel next year's increase in payroll taxes.

Second, with the remaining $17 billion in savings, as well as with funds which can be saved by permitting a smaller increase in military spending, I believe we ought to move to stimulate the economy through direct investments in high priority public investment.

There are a number of other pressing needs that cry out for attention.

One area of emphasis should be a systematic effort to help our major cities through their severe financial crises. A substantial public sector contribution to urban transportation, housing, and other public services would both help meet that crisis and provide millions of jobs where they are most needed. I note that the National League of Cities and Conference of Mayors has just recently called for an $11.3 billion commitment beyond that proposed by the President to enterprises of this kind. That is the kind of program we could afford if we were to forgo a quick tax cut as the standard remedy to a sluggish economy.

Research and development in the use of renewable energy resources could pay the highest of dividends -- by helping to provide thousands of jobs while at the same time eroding our terrible growing reliance on imported oil.

I would also favor a substantial program to bolster farm income. The national farmers' strike has helped spotlight the fact that the new farm program adopted last year, while a distinct improvement, is still gravely insufficient. We are in real danger of losing the family farm structure that is central to a productive, efficient agriculture. And if that happens it will be a crushing blow to farmers and consumers alike.

Another priority investment should be in rail transportation -- particularly in reconstructing and upgrading rail lines. Here, too, we could provide large numbers of jobs, while at the same time investing in the kind of energy-efficient transportation the country urgently needs.

What I want to underscore is my firm conviction that a tax cut now is not the wisest method to achieve economic stimulus and social progress. A properly conceived budget can both stimulate the economy and set hopeful new priorities.

Certainly no taxpayer will turn down a tax cut. But I believe the American people also understand that their country needs things which personal spending cannot give it. I think they understand that healthy cities, employed workers, prosperous farms, and efficient rail lines will enrich us all far more than a few dollars in tax cuts for each family or business.

In my opinion this Annual Report is excellent. The only shortcoming I wish to dwell upon is its failure to specify and discuss in detail those areas of social and human needs which deserve our priority attention. I see no reason why we can't

develop priorities for addressing public needs (energy, for example) and analysis of how treatment of these needs will affect employment, inflation, balance of payments, capital development, etc. Unless we create a mechanism for this kind of evaluation and coordination, our most serious social and economic problems will continue to be discussed and treated separately, which cannot be in our best interests. It is my hope that in the future the Members and staff will use this Report to comment more explicitly on the President's Economic Report as a blueprint for meeting the unmet needs of our people.

I believe the Joint Economic Committee has been especially perceptive in outlining ways to attack inflation directly and in explaining the role that monetary policy can and should play in stimulating the economy. Finally, by clearly pointing out that rising productivity and employment are the true measures of our economic well-being, not the size of the deficit or the level of Federal expenditures, the Committee has correctly redirected our attention to the basic issues at hand. Hopefully, all this effort will help to create a new and wiser public understanding of our economy.

MINORITY VIEWS

ON THE

1978

ECONOMIC REPORT OF THE PRESIDENT

I. INTRODUCTION

The picture on economic growth is not encouraging, and the policies being proposed by the Administration will not meet our goals.*/ However, we believe there are policies that will meet our growth objectives without threatening price stability. We believe that such non-inflationary growth is possible, that it is desirable, and indeed that our major social and economic problems can be solved if we pursue sound policies. Savings and investment are needed to produce growth without inflation, and these are the focus of this report.

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*/ See the Additional Views of Congressman Clarence J. Brown of Ohio on the seriousness of the economic outlook.

II. REVIEW AND OUTLOOK FOR 1977-78

1977 was a moderately good year. Although the rate of growth slowed appreciably from the first to the fourth quarter, annual real GNP grew a respectable 4.9 percent for the year as a whole. Unfortunately, the slowing of activity was accompanied by an increase in the rate of inflation (as measured by the chain price index) to an annual rate of 6.2 percent in the fourth quarter. The inflation rate reflected an acceleration of farm prices, the government pay increase, and rising prices for housing and business investment. Employment for the year expanded at a fast clip -- 3 million workers -- but because of the large increase in the labor force, the unemployment rate dropped only 1 percentage point by the year-end. Industrial production grew almost 6 percent; auto unit sales increased 11.1 percent over 1976; and housing starts edged over a 2 million unit rate in the latter half of 1977. State and local expenditures accounted for substantial increases in government spending. The fourth quarter ended with a net export deficit of $15 billion in current dollar terms. The personal savings rate has increased from a low of 4.1 percent in the first quarter of 1977 to 5.5 percent in the fourth quarter.

The outlook for policy for the rest of 1978 and 1979 is influenced by two main factors; namely, the shape and condition of the current expansion and the narrowness of the gap believed to exist between potential and actual GNP. The Administration has proposed three general conclusions concerning the expansion. (1) The expansion has been largely "uncoordinated." Some sectors have provided a substantial push throughout its three-year cycle, while other sectors have either grown

slowly or have remained stagnant. (2) This imbalance may prolong the expansion beyond the average postwar recovery period of four years. Because not all sectors have exceeded their past peaks of activity, growth in the lagging sectors will provide continuing stimulation to the economy. (3) There is additional room for economic stimulation because capacity constraints have not begun to exert themselves, and so there is less danger of a reignition of inflation.

The Administration has made little attempt to harmonize the growth of the various sectors. As a result, the last year has been characterized by the continuation of sudden spurts of economic growth and periods of flatness. Personal consumption expenditure increases and accelerated inventory investment spurred GNP growth in early 1976 and the first half of 1977, but 1978 should witness slower increases. Residential investment made a strong recovery (averaging over a 2 million unit rate in the last half of 1977) but is not expected to continue at that pace through 1978. Business investment has continued to lag, although desultory promises of accelerated activity from orders for capital goods emerge occasionally. The outlook for State and local spending is not very promising, and the sluggish growth of exports is expected to continue exerting a significant drag on the economy, though perhaps less than in 1977.

The Administration has proposed a non-stimulative tax program, which only offsets the increasing tax bite from social security taxes and the impact of inflation on tax rates. The Administration has admitted that their tax cut proposals will not be sufficient to encourage economic growth; it is quite probable that additional stimulus will be necessary in 1979. At best, we must expect

1978 and 1979 economic activity to do well in spite of the government and not because of it.

The extent to which capacity utilization of business has risen has direct implications for the Administration's conclusion that excess industrial capacity presently leaves room for additional stimulus without increasing inflation. The industrial production index for total manufacturing reached 82.8 in the fourth quarter of 1977. For industrial materials, the index stood at 82.3 for the same period. It is generally understood that operating rates in harmony with moderate price behavior are well below 100 percent of capacity utilization, e.g. 88 percent was the peak rate for manufacturing in 1973, when inflation reached 8.8 percent, as measured by the Consumer Price Index. Moreover, the aggregate capacity utilization indices often do not accurately portray the situation in the individual industries. Some industries may already be experiencing capacity constraints even though other industries are operating at capacity rates well below the average.

If capacity bottlenecks occur in selective basic industries, inflationary pressures could occur which also would exert pressure on other sectors. In addition, capacity utilization indices do not measure such things as distribution systems which could impose significant constraints upon manufacturers. For example, a recent shortage of available railroad cars in the West curtailed needed coal shipments to the Midwest which was suffering from a shortage of coal.

Inflationary pressures also can emerge from sources other than capacity problems. Agricultural prices have been depressed for the greater part of 1977. However, farm prices are expected to rise more rapidly in

1978 and will exert upward pressure on consumer food prices. As discussed in more detail in the agricultural section, the Administration has not addressed this issue. The only major Administration proposal for the agricultural sector is set-asides, and these will neither assure adequate supplies, nor protect the viability of farms and farmers. More important to this discussion, set-asides will possibly increase inflationary pressures.

Another source of inflationary pressure is Federally mandated cost increases -- that is, the bigger bite of social security taxes, the increase in the minimum wage, and the requested, although undetermined, new energy taxes. These measures will cause significant upward movement in business costs and will consequently push upward on prices. Unfortunately, the Council on Wage and Price Stability continues to have an uncertain mission and even less certain powers. Witnesses before the JEC have described the Administration's anti-inflation program as largely worthless. Moreover, witnesses feared any discussion of wage or price guidelines might fuel fears of eventual price controls.

Dr. Gerard Adams from Wharton Econometric Forecasting Associates stated that "some (government policy impact) is unavoidable, but it is terribly important for Congress to realize and the President to realize that many of the regulatory measures which have been imposed on the economy do have an inflationary impact." He stated that "I am very skeptical that voluntary price-wage guidelines...lead anywhere, and I am even more skeptical of price-wage ceilings or freezes or anything else." Dr. Jack Carlson of the U.S. Chamber of Commerce named still other cases of Federal

inflationary pressure-- farm price supports, Federal pay increases, and labor law reform as legislative measures with an inflationary impact.

Another source of inflation is the continuing depreciation of the dollar, a development for which there is no fully acceptable solution. Imports are costing business and consumers more. For businesses, the higher costs of materials, parts, and sub-assemblies will have to be reflected in higher domestic prices. For consumers, the higher prices may well generate increasingly aggressive wage demands in the near future.

Wage settlements are a key element of cost pressures. For example, whatever the final resolution of the coal strike, one aspect is clear: the terms of the original contract rejected by the workers called for a 37 percent wage increase over three years. Such a settlement necessarily would have inflationary implications for the remaining collective bargaining agreements to be negotiated in 1978.

Because 1978 will be a light bargaining year, deferred increases and cost-of-living adjustments will be major elements in the total wage-rate increase for the year. New contract negotiations are expected to affect about 2 million workers with the largest groups in construction, food stores, transportation equipment and Postal Service workers. From already existing contracts at least 6.3 million employees will receive deferred wage increases averaging 5.1 percent (In 1977, the average deferred wage increase was 5.9 percent). Moreover, 4.1 million of these workers probably will receive cost-of-living increases. The Consumer Price Index went up at an average rate of 6.5 percent in

1977 (6.8 percent December 1977 over December 1976) compared to 4.8 percent the previous year. Contract formulas typically do not provide for one-to-one increases, but the growing use of cost-of-living escalator clauses in collective bargaining does result in a more ingrained momentum.

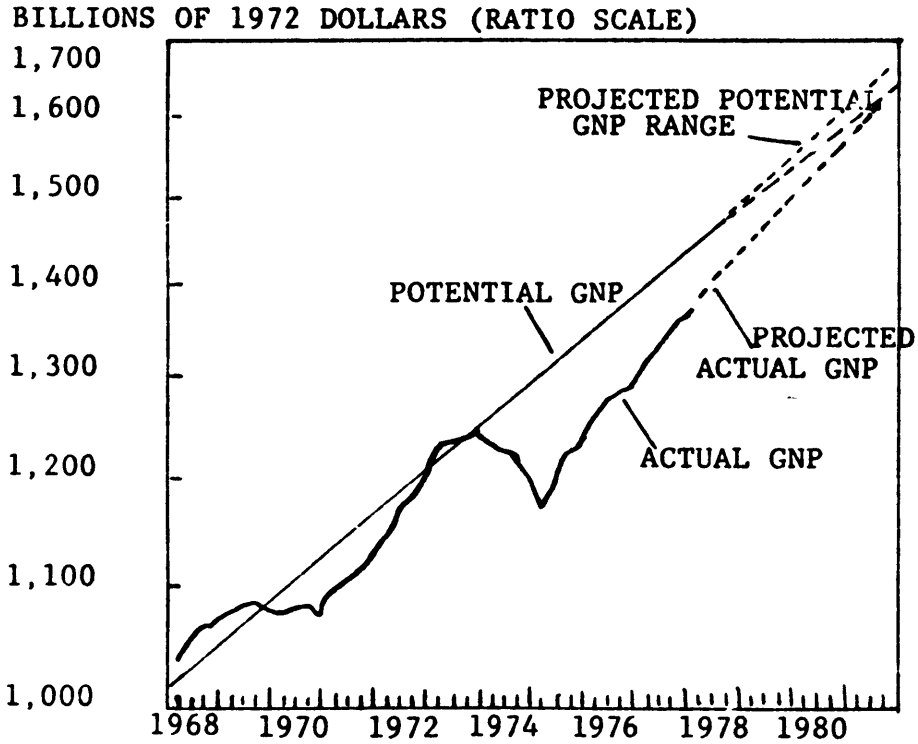
The life expectancy of the business cycle is also involved in the Administration's conclusion concerning capacity constraints. As mentioned previously, the average postwar upswing has lasted four years. In the present case, recovery has continued for three years, although there have been several hesitations. However, not all upswings will last the average length, and there is no convincing rationale for believing expansions must continue until full utilization of all sectors occurs. Recoveries have disintegrated in the past, even though some sectors had not yet reached their full capacity.

In addition to the shape of the current expansion so far, the outlook for policy changes for the rest of 1978 and 1979 is influenced by the size of the gap between actual and potential GNP. In their Annual Economic Report, the Council of Economic Advisors presented a chart (shown below) that showed GNP growth to be within a range of 3.3 to 3.8 percent through 1981. However, in the Outlook section, the Council of Economic Advisors maintained that a "seven-year growth path" for GNP of 5 percent per annum was both the best that could be done and the minimum necessary to meet the Administration's employment and budget goals. This implies that the expected actual growth rate on a long-term basis (i.e., seven years) is faster than the potential rate -- an event impossible by definition -- at the same time it is supposedly impossible to reach potential GNP

for the next five years! Clearly, the concept of potential GNP -- which was never too sharp -- is becoming steadily more confused.

TABLE I.-1

ACTUAL AND POTENTIAL GROSS
NATIONAL PRODUCT



SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS.

Potential GNP is an estimate of what the economy could produce at high rates of utilization of the available factors of production -- labor, capital, and natural resources. It follows that the factors of production must be present in order to be utilized or fairly accurate estimates of future availability must be made. It can be argued that because of the severity of the last recession, the level of the capacity of the U.S. economy was permanently lowered. (As an illustration, the line in the chart representing potential GNP should be shifted downward so the line is more nearly parallel to actual GNP from 1974 to present.) Because the capital base required as underpinning for the projection of potential GNP over the next several years (as shown in the chart) was simply never put in place as a result of the last recession, current estimates of the level of potential GNP must be lowered, and therefore the size of the gap must be smaller.

If the projection of the level of potential GNP is shifted downward, it suggests an entirely different situation than the 3.3 to 3.8 percent range proposed by the Administration. (The CEA has assumed that the track for potential GNP remained the same even after the 1974-75 recession.) More properly, the projection should have a lower starting point and a faster rate of increase -- according to the Council itself, something very close to 5 percent. Using the chart again as an illustration, the line for potential GNP should be lower, but its slope should be steeper. Without this adjustment, one is inclined to ask just what the potential line represents for 1978, 1979, and 1980? If we cannot reach the potential level for at least several years, but we can grow faster than potential for more than five years, just what is the Council's concept of potential GNP

growth? Is it something more properly called "unattainable potential"?

The implications of the two perspectives concerning GNP potential are significant. The capacity limitations for the economy may be much closer than is presently assumed, and perhaps resources, other than labor, are being utilized more heavily. If there is not as great a gap between actual and potential GNP, inflationary pressures may be an even more imminent problem. If the growth rate of potential GNP over the next five to seven years is not between 3.3 and 3.8 percent, but closer to 5 percent, policymakers should take extreme care to tailor the economic stimulus to the real needs of the economy. Excessive short-term stimulus could exacerbate inflation very quickly, yet insufficient longer-term stimulus would allow the gap to widen even more than portrayed under the current projection. Specific policies to deal with this potential anomoly are discussed in the following chapters.

III. ECONOMIC GROWTH: WHY AND HOW

The Need for Growth

The United States is about to experience its first year of a $2 trillion GNP. It could have been $3 trillion.

Since 1950, the average annual growth of the U.S. economy in real terms has been 3.7 percent. Many other major industrialized countries have grown at annual real rates averaging in excess of 5.5 percent, and some have averaged more than 6 percent. If the United States had grown on average 1.5 percent faster each year since 1950, at a rate of 5.2 percent, its GNP would now be $3 trillion.

With a $3 trillion economy, incomes would be 50 percent higher than at present. Jobs would be plentiful. Federal revenues this year would be $200 billion higher, enough to provide for a balanced budget, welfare reform, national health insurance, and unquestioned military pre-eminence, with enough left over to let us reduce payroll and income taxes instead of raising them. Of course, price stability would have been another spin-off of the growth of real output and the balanced budget.

The Minority does not mean to cry over spilt milk. Our purpose is to illustrate the power of compound interest, and the benefits to be had within a generation from faster economic growth.

Faster growth, higher incomes, and plentiful jobs are exactly what the unemployed, the underprivileged, and the minorities of this country have been seeking for many years. It is no accident that the

greatest gains in income, jobs, and dignity for minority workers have come during periods of rapid economic expansion. In recent weeks, the NAACP has issued a clear call for a return to rapid economic growth and the creation of real jobs in the private sector. Bitter experience with unproductive, dead-end public jobs programs has convinced many black leaders that young people need the skills which can be learned and benefits which can be earned in the production of goods and services.

The social security tax increases just enacted are drawing sharp criticism even before they go into effect. In fact, these tax increases are but the tip of the iceberg.

Benefits currently promised will require increases in social security taxes by 50 percent, from 12 percent of payroll to 18 percent of payroll, over the next 70 years, if real wages grow only as rapidly as the Social Security Administration predicts (1.75-2 percent per year). It is widely assumed that the next generation will be unwilling to pay such taxes, either in the form of payroll taxes or sharply higher income taxes. Recent polls already show a decline in public support for the Social Security System. For these reasons, some have suggested reducing benefits or raising the retirement age to 68 for workers just entering the System. But this assumes that nothing can be done to get income to rise more rapidly than the Social Security Administration anticipates. If wages can be encouraged to grow, revenues will rise without a tax rate increase.

The Minority believes that it is far better to increase real wages by 50 percent more than the Social Security planners predict, than to impose a 50 percent increase in the tax rate on currently expected real income. An

increase in the annual U.S. growth rate by only 0.6 percent would produce such a wage increase within the 70-year planning period. We urge that steps be taken (as described below) to bring about the needed increase in the rate of economic growth.

Savings and Growth

Anyone hoping for more rapid economic growth must be concerned with savings. Only that part of national income which goes into savings is available to cover investment and the government deficit.

Once the government chooses a deficit, the only way to get more investment without expanding our foreign debt is to raise savings. The ratio of investment to GNP basically determines the country's growth rate. Only by increasing savings can the real growth rate be raised. This is especially true in the face of a massive diversion of investment to non-growth uses, such as pollution control and the coal conversion portion of the Energy Program.

The government could help growth by reducing government spending to lower the deficit. However, a tax increase to reduce the deficit would also reduce saving by reducing the after-tax return to saving and would be counterproductive.

As described below, one way of encouraging saving is to lower personal income tax rates across the board. This would allow every taxpayer to keep a higher percentage of the additional interest or dividends earned from additional saving, and thus, would make saving more attractive.

Ancther approach would be to tax income only when it is spent, thereby not taxing net savings. A tax deduction for savings would be created. For savings accounts, the deduction would be interest plus deposits minus withdrawals. For stocks and bonds, the deduction would be purchases and reinvested dividends minus sales. (Net withdrawals or sales would be negative deductions and would be added to taxable income.)

Other nations have out-saved and out-grown the U.S. by wide margins over the years. Table III-1 shows the results of the relatively low saving rate, which the Energy Plan, and higher social security and income taxes, threaten to make worse.

TABLE III.-1

WAGE INCREASES, INVESTMENT, AND SAVING

	1965-75 Percent Change In Real Wages and Fringe Benefits 1/	Investment as Percent of GNP- Averages, 1960-73		Household Savings Ratios '76 Est.
		Total	Total minus Homebuilding	
United States	15.7	17.5	13.6	6-8%
Canada	48.5	21.8	17.4	10-12%
Japan	137.9	35.0	29.0	24-26%
France	77.4	24.5	18.2	16-18%
Germany	78.1	25.8	20.0	14-16%
Italy	116.4	20.5	14.4	22-24%
United Kingdom	53.9	18.5	15.2	12-14%

1/ Includes pension programs and other fringe benefits.
Sources: Bureau of Labor Statistics, OECD.

Productivity and Savings

Once saving is stimulated, it must be put to work creating capital investment and jobs.

A higher rate of investment is necessary in the short run to bolster our current economic expansion. But in the long run as well, we need massive capital outlays. Various studies in recent years have pointed to the huge volume of capital investment needed over the next decade -- trillions of dollars -- to expand, replace, and modernize our production facilities to accommodate economic growth, to help us reach full employment, to achieve greater energy independence, and in general, to raise our standard of living. (Even for those who advocate "zero economic growth" as a way of enriching our overall quality of life, huge amounts of capital formation are still essential in order to develop new products and new processes of production which are more economical in their use of resouces and less damaging to the environment.)

Increased productivity (output per unit of input) is the key to economic growth and more jobs . Over the past 25 years, improvement in labor productivity has accounted for more than two-thirds of the growth in the real gross national product.

From 1949 to 1968, private non-farm productivity increases averaged about 2.6 percent per year. From 1968 to 1977, productivity rose by only 1.4 percent per year. This slowdown in the growth of output per worker hour is one of our most serious economic problems. Without faster gains in productivity, inflation is aggravated, and improvement in real incomes, if it comes at all, comes to some at the expense of others.

Productivity depends on: (1) increases in the amount of physical capital per worker; (2) technological innovation that brings more output from each unit of resources, capital, or labor; (3) qualitative improvements in the labor force through better education, motivation, and manpower training; (4) improved mobility of labor and capital, permitting resources to shift from low productivity sectors to high productivity sectors; and (5) management innovation to improve the way labor and capital are used.

Of the factors listed, increased and improved capital per worker is one of the most potent forces for productivity and economic growth. From 1949 to 1968, the capital-labor ratio grew at an annual rate of about 3 percent. Over the last decade it has grown much more slowly, about 1 percent a year. If capital required to meet government-imposed pollution and abatement regulations is deducted, the capital-labor ratio growth is even less.

The slower growth of the capital-labor ratio in the past decade is at the root of our recently reduced rate of productivity increase.

We must turn our productivity trends around through large-scale investment in new business plant and equipment. This can best be accomplished by direct tax rate reduction to increase the after-tax return to saving and investment. Tax rate reduction, plus measures to reduce the risks associated with the regulatory climate, can promote the expansion of business plant and equipment spending needed for economic growth.

Demand or Supply Problems

Every administration witness to appear before the Joint Economic Committee discussed proposed tax changes in terms of aggregate demand, or total spending. Herbert Stein has questioned this approach, asking how demand can be stimulated by a tax cut if the government does not reduce its spending. What the government gives away with the tax cut, it must take back with increased borrowing to fund the spending.

Other economists have pointed out that the Administration approach fails to take account of the impact of tax rates on aggregate supply. For example, in every year without a tax rate reduction, inflation pushes people into higher tax brackets, even when they have no increase in real income. Their average tax rate rises, which means that their tax burden rises faster than inflation, and they have less to spend. However, there is an additional effect which demand theorists tend to overlook.

Inflation raises the average tax rate by raising the marginal tax rate. It is marginal income, the last few hundred dollars of the taxpayer's earnings, which falls into higher brackets and is taxed at a higher rate. The government takes a larger slice out of the last few hundred dollars of each person's wages, profits, interest, and dividends. These higher rates also apply to any increase in wages, profits, interest, and dividends which could be earned by working longer, saving more, or investing more.

The problem of higher tax rates resulting from inflation is not a minor matter.

Inflation is producing real tax increases of $7 to $9 billion per year on individuals. Millions of workers have seen their incomes taxed in higher and higher brackets.

Furthermore, the change in marginal tax rates can affect behavior. At the margin, leisure might be substituted for labor, because the reward to labor has fallen. Consumption could tend to replace saving and investment because the reward to saving and investment falls. On the other hand, higher real tax rates will tend to force workers to ask for higher pay increases than might otherwise have been the case, in order to compensate for their lowered real after-tax incomes. In any event, these shifts in behavior cause real GNP, investment, and job creation to drop, even if the government spends the money to keep nominal demand constant. Nominal demand cannot offset the shift away from productive activity as taxes reduce the rate of return to labor, saving, and investment.*/

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*/ See the discussion of marginal tax brackets in the additional views of Senator Javits.

This adverse effect on GNP occurs whenever a tax is imposed. For example, a payroll tax reduces the after-tax wage of labor, and raises the after-tax cost of labor to the firm. The supply and demand for labor fall. So do employment and GNP.

Similarly, a tax on the use of oil and gas reduces the after-tax receipts of the producers, and raises the after-tax prices of goods and services to consumers, which reduces the value of their wages. Output of gas and oil falls. The supply of labor falls. Employment and GNP fall.

This drop in output will occur even if the energy taxes are handed back to consumers in some fashion unrelated to work effort. Demand may be maintained, but the supply disincentives remain. Furthermore, we know all too well that when money is poured through Washington, a substantial amount of it, in effect, "sticks to the funnel." There is considerable waste in any such income transfer. For this reason, the Administration is wrong to think that the proposed energy taxes and energy rebates will have no net impact on economic activity. Consequently, netting these tax changes out in the presentation of the budget gives a misleading picture of the budget's economic impact.

The inability to take account of the supply of productive effort is the biggest failure of demand management economics. Unfortunately, this shortcoming is shared by most of the major econometric models used by policymakers.

Inflation and Growth

Personal Taxes

In the short run, the impact of inflation on personal income taxes can destabilize the economy. Many economists believe that the higher personal income taxes generated by inflation between 1972 and 1974 contributed heavily to the recession of 1974-75. In a study prepared for the Joint Economic Committee, Thomas Dernberg concluded that the tax code should be adjusted (indexed) annually for inflation to keep tax rates from rising without an open debate and vote by the Congress. He suggests that "an indexed personal income tax would have helped to avert the collapse of 1974, that it would tend to stabilize the level of economic activity, that there is little presumption that it would contribute to inflation, and that it might, indeed, do the opposite if it relieved cost and supply pressure."

The reason that inflation is a tax problem is that the tax system treats every increase in income as if it were real income. The tax system does not take into account the fact that a worker's real income has increased less than his or her nominal income -- the entire nominal income gain is taxed. Thus, with the sustained high inflation of recent years, workers have had wage increases reduced not only by inflation but also by the higher taxes that must be paid as inflation pushes incomes into higher tax brackets.

As high inflation continues, as marginal tax rates remain high, and as decreasing productivity gains reduce the real component of wage increases, the economic effect on taxpayers becomes more severe. James T. Lynn,

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former Director of the Office of Management and Budget, estimates that during this decade inflation-induced taxes will take $82 billion from the American taxpayer, if Congress does not take compensating action.

In the long run, inflation has another effect, a subtle but devastating influence on saving. Inflation acts through the tax system both to reduce personal saving, and to misdirect what saving is done into inefficient, even unprofitable investments, thereby reducing economic growth.

It is not commonly realized that inflation and the tax changes since 1964 have had the effect of raising marginal tax rates in spite of the fact that average tax rates have been held fairly steady. Increases in the standard deduction, and adoption of the general tax credit, have held down effective tax rates, while increased nominal income has been taxed at higher marginal rates.

Economists have long warned that a broad tax base with low tax rates is less disruptive of economic growth than a narrow base with higher rates. Unfortunately, the tax system has been moving in the wrong direction since 1965.

It begins to pay a taxpayer to look into the use of tax shelters when his income rises to the point where it is being taxed at marginal rates a bit in excess of 30 percent. The number of taxpayers in those brackets has risen dramatically in the last 12 years. In 1965, less than 2 percent of taxable returns reached brackets above 30 percent. By 1974, 7 percent of returns were in that category. This year, the figure is nearly 10 percent. Taxpayers in these brackets have incomes roughly three times the median income. Thus,

the share of national saving done by these taxpayers is likely to be at least three times higher than their share of the number of taxable returns filed would indicate. The percent of total personal saving which potentially could be lured into tax shelters has risen from perhaps 10 percent to about 30 percent since 1965.

At the present time, less than $3 billion is collected in tax revenues on existing taxable income by having marginal tax rates in excess of 50 percent. Much of the potentially taxable income in these brackets has been sheltered or simply not earned. To increase the taxes on this income group will only result in a lower tax take, as more of their income would be shifted to non-taxable forms of income.

The amount of income actually being directed into certain types of tax shelters has risen several hundred percent in the last few years. Many brokerage houses are finding it harder to interest customers in common stock, while finding it very difficult to keep up with the demand for tax exempt bonds and tax exempt mutual funds and unit trusts.

It is very likely that marginal tax rates have risen to the point where they are causing a substantial reduction in this country's growth rate. There is even a reasonable possibility that marginal tax rates are so high that they have actually reduced Federal revenue. The Minority strongly urges the Treasury and the Joint Economic Committee to investigate these possibilities.

Corporate Taxes

Inflation depresses the growth of business activity, job formation, and wages by

interfering dramatically with depreciation. The tax code only permits a tax deduction of the historical cost of plant and equipment. When inflation increases the cost of new plant and equipment, the firm finds that the money it has set aside for replacement is inadequate. It must use taxable income to supplement its depreciation allowances just to maintain its productive capacity -- just to stand still. Thus, actual economic depreciation is understated, and corporate profits are overstated. Inflation "disallows" the deduction of a real cost of doing business, increases the firm's tax liability, and reduces its ability to grow.

The Bureau of Economic Analysis regularly reports a data series designed to show the true value of corporate profits after allowance for real depreciation and the cost of replacing inventory. The goal is an accurate measure of business health. Reported profits are reduced by the "capital consumption allowance adjustment" and by the "inventory valuation adjustment." What remains are true "economic profits." These may be reduced by corporate tax payments to produce "economic profits after tax," or set out in constant dollars to produce "real economic profits."

Treasury Secretary Blumenthal has been quoted as saying, "I can't explain the stock market. I didn't understand the market when I was in business, and I don't understand it now." Yet, there is nothing mysterious about the behavior of the stock market. The broadly-based Standard and Poor's 500 index, expressed in real dollars, shows that stock prices have been accurately matching changes in real economic profits for years. After-tax real

economic profits are well below the levels of 1965 to 1968. The stock market is reflecting that fact.

TABLE III.-2

ECONOMIC PROFITS OF DOMESTIC CORPORATIONS

Calendar Year

	Current dollars (billions)	1972 dollars (billions)
1960	44.7	65.1
1961	44.6	64.3
1962	52.3	74.1
1963	57.0	79.6
1964	63.9	87.8
1965	73.8	99.3
1966	79.8	104.0
1967	76.3	96.5
1968	82.6	100.0
1969	77.7	89.6
1970	64.1	70.2
1971	72.6	75.6
1972	87.2	87.2
1973	92.2	87.1
1974	74.0	63.8
1975	93.1	73.2
1976	119.9	89.6
1977	129.8	91.8

The market is also reflecting a sharp rise in the effective corporate tax rate, defined as taxes paid divided by economic profits. Two tax rate series are presented. One is based on economic profits, as described above. The other is based on a profit series with one further adjustment. The capital consumption allowance adjustment estimated by the BEA appears to many observers to be too small. Recently, the SEC was empowered to require large corporations to file a special report on the cost of replacing their existing equipment. The results of the survey suggest that the BEA allowance may be only half the proper amount. Profits in the second series have been adjusted accordingly, by doubling the capital consumption allowance adjustment.

Either way one looks at the depreciation allowance, one sees a sharp rise in the effective tax rate on pre-tax economic profits. The rate increased from roughly 40 cents on each dollar, after the tax cuts of 1962 and 1964, to roughly 50 or 60 cents by 1977. These are increases of 25 to 50 percent over the 1965 rate.

TABLE III.-3

EFFECTIVE TAX RATES ON U. S. CORPORATIONS BY FISCAL YEAR*
FEDERAL, STATE AND LOCAL

	TAX COLLECTIONS NIPA PROFITS 1	TAX COLLECTIONS ADJUSTED ECONOMIC PROFITS 2
1960	49.5%	52.4%
1961	53.1%	55.8%
1962	44.1%	44.5%
1963	42.7%	41.5%
1964	41.2%	39.6%
1965	40.4%	38.5%
1966	40.9%	39.0%
1967	46.8%	44.6%
1968	39.4%	37.6%
1969	48.4%	46.3%
1970	52.6%	50.7%
1971	44.9%	44.3%
1972	46.3%	45.6%
1973	45.4%	44.2%
1974	52.2%	52.0%
1975	64.7%	72.5%
1976	42.6%	48.7%
1977	50.8%	58.8%

1. NIPA profits are pre-tax economic profits -- National Income and Products Accounts domestic corporate profits after inventory valuation and capital consumption allowance adjustments.

2. Adjusted economic profits equal NIPA profits less an adjustment to the capital consumption allowance adjustment implied by the new SEC replacement cost data. The added annual "adjustment" equals 100% of the old adjustment.

* Courtesy of House Republican Research Committee Economic Task Force

The stock market is reflecting real factors and will continue to be depressed as long as real economic profits are expected to remain at very low levels. The expected increase in energy taxes, social security taxes, and underdepreciation over the next few years are sufficient to explain the market's continued pessimism.

Minimizing the Damage

The best way to end the damage which inflation is doing to the economy is to move toward price stability. This will require a gradual reduction in the rate of growth of the monetary aggregates over many years.

In the meantime, other steps should be taken. The Congress should reduce marginal personal income tax rates and should examine the tax code annually to make sure that increases in nominal income do not expose taxpayers to increasing marginal tax rates in the future. On the corporate side, replacement cost depreciation should be considered, to allow firms to set aside sufficient funds to maintain and modernize our stock of productive capital. These two steps would go a long way toward guaranteeing rapid increases in jobs and after-tax wages.

IV. MONETARY POLICY: DOMESTIC AND INTERNATIONAL

Great concern has been expressed in many quarters that monetary policy has not been easy enough in recent months to produce rapid economic growth. This concern has intensified since the beginning of the year, when the Federal Reserve moved to strengthen the dollar in relation to foreign currencies.

The Minority feels that this concern is unwarranted. Indeed, rising inflation at home and reduced demand for the dollar overseas indicate that the dollar is, if anything, in excess supply. The recent very modest increases in interest rates are clearly signs that the public expects a rise in the rate of in inflation. The increases in interest rates are due to a rise in the inflation premium, not to an incipient credit crunch.

Recent History

During 1977, M1 (the narrowly-defined money stock consisting of currency plus demand deposits) grew at a rate of nearly 7 1/2 percent. This rate was even higher, in excess of 8 1/2 percent, for the first three quarters of the year. In the last 13 weeks, M1 has grown at a 4 percent annual rate. Judging from other figures, this lower rate may be an aberration.

Also during 1977, M2 (a broader money measure made up of M1 plus time deposits at commercial banks) grew 9 percent. Since the turn of the year, M2 has grown at an annual rate of about 6 1/2 percent. Historically, M2 has moved more closely with GNP than has M1.

While M1 and M2 rose rapidly in 1977, they have occasionally grown faster, though not often. At the same time, the monetary base (bank reserves and currency, the base on which bank credit, M1, and M2 are built) was setting growth records. It rose about 9 percent in 1977, and its major component, Federal Reserve credit, rose at least 10 percent on the year, and at a 12 percent rate in the last half. Since the turn of the year, the monetary base has grown at a 15 percent annual rate. This too is an aberration due to a short-term surge in reserves in January, but it does indicate that no great tightening of monetary policy has occurred.

In fact, continued expansion of the monetary base and Federal Reserve credit at 1977 rates would be contrary to the Fed's announced intention to reduce the rate of growth of the monetary aggregates in order to curb the rate of inflation and to halt the decline of the dollar on the foreign exchange markets.

There are other reasons for believing that the monetary aggregates are growing rapidly enough to sustain the economic recovery. Liquidity can be assured through a variety of means:

1. Velocity of circulation may rise. It has proven to be flexible in the past, usually rising with inflation and interest rates as people try to shift out of money into interest bearing assets.
2. Many foreign governments, especially those with heavy oil revenues, continue to be large buyers of U.S. government securities, recycling petrodollars and shifting investment money to the U.S., the most rapidly

growing major Western nation. Admittedly, how much longer these countries will hold American securities is problematical if the dollar continues to decline.

3. Many private holders of dollars have reduced their demand for the dollar as it has declined in value. Multinational firms and foreigners can transact business in a wide variety of currencies. When the dollar appears unsettled, they can and do go elsewhere. This frees large sums for use in the U.S. money markets.

Money and Investment

The Administration hopes that new management at the Federal Reserve will produce an easier monetary policy. It hopes to lower short-term interest rates to stimulate investment. If recent history is a guide, this policy will not work.

Nominal short-term interest rates have little to do with real long-term investment in plant and equipment. Real long-term interest rates are the rates relevant to investment decisions.

Easy money will generate inflationary fears which will raise nominal short-term interest rates. Eventually, nominal long-term rates will rise as well. The effect on real long-term interest (nominal interest rates minus the expected inflation) rates is unclear.

Inflation increases uncertainty and raises the tax burden on individuals and businesses. It understates depreciation and reduces the real return on all forms of business investment. It discourages saving by pushing

individuals into higher tax brackets, reducing their after-tax return on stocks and bonds. Whatever all this means for real interest rates is immaterial, since it also implies less saving and less investment regardless.

In testimony before this Committee, Joseph Kasputys of Data Resources, Inc., presented DRI's comparison of two methods of inducing a given amount of investment. One method was to reduce the corporate tax rate or alter the investment tax credit. The other was to increase the money supply in an effort to reduce interest rates.

The tax reduction method resulted in a drop in the rate of inflation by nearly 1 percent over a five year period, compared to the baseline forecast. The easy money method raised the rate of inflation by between 1 and 2 percent.

Clearly, tax policy is a far less inflationary way to increase investment than is monetary policy, even assuming an easy money policy could work. In fact, a moderate monetary policy may be used to curb inflation (a move which would also help investment) while a properly designed tax policy could simultaneously increase investment and real growth.

International Considerations

The Administration's faith in an easy money policy may be misplaced for still another reason. Such a policy would conflict with the Administration's international economic goals of a strong dollar, stable exchange markets, and a coordinated economic recovery of allied and Third World countries.

Easy money would produce a declining and erratic dollar. A declining and erratic dollar would wreak havoc with all nations' exports, imports, and employment in the short run, and with the U.S. rates of inflation in both the short term and long term. A falling dollar hurts U.S. consumers and does not produce jobs for American workers. A falling dollar does threaten worldwide trade disruption and recession.

The Administration has decided not to intervene to support the value of the dollar in relationship to other currencies. The President has recently restated the position that the U.S. will intervene in the foreign exchange markets to offset disorderly conditions, but not to affect basic trends. The success or failure of this policy depends upon a clear understanding of the processes at work.

Many observers apparently believe that the Federal Reserve has raised interest rates to support the dollar by attracting an inflow of investment funds. These observers fret about the impact of the higher interest rates on the domestic economy. Other observers feel that the Federal Reserve can buy dollars on the foreign exchange markets to support the exchange rate, while creating dollars in the U.S. to hold down short-term interest rates. Both views are off the mark.

Interest rates have not risen by more than expected increases in inflation. This has produced no added drawing power for foreign funds. Strengthening the dollar is done by restricting the supply of dollars on the world market, not by raising interest rates.

The market for dollars is worldwide. The world supply of dollars and the world demand for dollars determine the value of the dollar in terms of other currencies. All transactions impact on the exchange rates -- trade and capital flows affecting demand, creation of dollars and other currencies affecting relative supplies. There is no rigid segmentation of the market into domestic and foreign sectors.

Two types of operations affecting the world supply of dollars are carried out by the Federal Reserve Bank of New York. Through the Foreign Exchange Desk, the Bank can engage in swap arrangements with foreign central banks, acquiring foreign currency with which to buy dollars on the foreign exchange markets. These purchases reduce the world supply of dollars and support the dollar's value. Through the Open Market Desk, the Bank increases or decreases the quantity of dollars by buying or selling Treasury securities. This is how monetary policy is normally conducted.

A dollar is a dollar is a dollar. It would make no sense for the Bank to be reducing the world supply of dollars through the Foreign Exchange Desk while increasing the supply through the Open Market Desk. Consequently, the two Desks are under one management. Their activities are coordinated. The Foreign Exchange Desk, dealing in terms of a few hundred million dollars, has been used on a day-to-day basis to smooth out disorderly conditions in the exchange markets. However, such sums are dwarfed by the billions of dollars which are created or destroyed each week at the Open Market Desk. Only as the Fed

moves gradually to slow the growth of the monetary aggregates through its open market operations will the basic trend in the value of the dollar be altered.

Exchange Rate Policy

International economic policy, and especially exchange rate policy, are intimately connected with monetary policy.

In 1977, the U.S. had a trade deficit on the order of $30 billion. However, there is more to the balance of payments than the trade account. The trade deficit was partially offset by a surplus in services of approximately $9 billion. The remaining current account deficit was covered by earnings on foreign assets and by capital inflows (borrowing or sale of equities) from abroad. Stocks, bonds, and government securities are, in a sense, our biggest "export."

The dollar has not fallen simply because of the U.S. trade deficit. The U.S. had a trade deficit every year from 1776 to 1914. However, because this was a rapidly growing country with great investment opportunities, capital inflows covered these deficits. Foreign lenders knew that their investment would be backed by increased real output, and they had no hesitation in buying American bonds.

Over the past ten years, excessive dollar creation has generated inflation, lower real profits, higher taxation, and higher real costs of production in the U.S. The reduced after-tax returns have led to savings and investment rates that are the lowest in the developed world, and our long-term growth

prospects are poor. These facts and prospects are a direct threat to our ability to fund our trade deficit with "exports" of commercial paper, bonds, and government securities.

The U.S. current account deficit is largely the result of the growth of the U.S. economy at a time when other nations are in recession or are growing only slowly. Many of our largest trading partners, including Canada, Germany, Japan, Britain, France, and Italy, suffered falling real output in one or more quarters of 1977. Consequently, our purchases of their products grew normally, while their purchases of our exports lagged. As the world economy recovers, the U.S. deficit will fall.

To use the current trade deficit as the primary reason for passage of the Administration's energy proposals is faulty logic from two perspectives. First, only one-third of our increased import bill since 1975 is due to oil. There is an energy problem in our balance of payments, but it is clearly not the only problem, and its resolution will not resolve the trade deficit. Secondly, the heavy taxes proposed in the energy plan will raise U.S. production costs, reducing our competitive position. Furthermore, the plan's emphasis on energy conservation rather than production will result in more oil imports than strictly necessary. Congress should not be pushed into hasty action on the energy program.

Over the last year, the dollar has slipped in value approximately 5 percent relative to other currencies, on a trade-weighted basis. This drop has increased the rate of inflation in the U.S. Robert Solomon, a recent witness before the Committee, has stated that the recent drop in the dollar has already added about 1.2 percent to the U.S. price level.

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A falling dollar is far more inflationary than is commonly realized, and far less likely to improve our trade balance than is commonly supposed.

The devaluation theory which has been dominant since the 1930's had no real test until the collapse of the Bretton Woods system of fixed exchange rates in the currency disorders of the late 1960's. This theory held that a devaluation would discourage imports by raising their price and make exports relatively cheaper for foreigners to buy. If domestic and foreign buyers reacted strongly enough to the price changes, the trade balance would eventually improve.

The theory predicted a rise in prices generally limited to imports. Thus, we see calculations that a 5 percent fall in the dollar will raise prices on the 7 percent of our spending which goes for imports, with a price level impact of 0.35 percent (.05 x .07). Spillover effects on other prices are assumed to be minor.

In fact, the situation is more complicated.

When the dollar declines, about 60 percent of any price adjustment occurs in the U.S. and about 40 percent in the rest of the free world. (The adjustment burden is distributed inversely with the sizes of the economies involved. The U.S. has roughly 40 percent of free world GNP. A very small country, with little impact on world prices, would bear nearly the entire burden of adjustment.) The 60-40 ratio means that a 5 percent decline in the dollar will cause world prices of traded goods to rise about 3 percent more than normal in terms of dollars and about 2 percent less than normal in terms of other currencies. These changes will have spillover effects

which will help to increase U.S. prices generally by the same 3 percent over a two year period, while helping to reduce general inflation in other countries by about 2 percent.

First, both U.S. import and export prices will tend to rise by about 3 percent in dollar terms to the new world price. Why would exporters charge less than the going world price? Then prices of close substitutes for imports, and of products similar to exports, will also rise. For example, wheat bound for Boston and wheat bound for Bombay sell for the same world price in Chicago. Domestic steel and auto prices will firm in response to higher prices on imports. All tradable commodities, whether exported, imported, or produced and consumed domestically, will trade at the world price.

These predictions are firmly grounded in the law of markets and in historical observation. Efficient, centralized markets with modern communications bring all world buyers and sellers into contact. Then the law of one price dictates that identical products sell for identical prices at any moment in time.

Once basic commodities and large numbers of manufactured goods rise in price, cost of living allowances and wage negotiations bring matching wage increases and extend the price increases into the service sector. With raw materials and wages rising, costs catch up with prices, and any initial stimulus to exports, or disincentive to imports, is undone.

Most of a devaluation is uselessly spent in raisng domestic prices and costs, with little improvement in our competitive posture or trade balance.

The price impact from the recent fall in the dollar is already well in excess of the predictions of traditional theory. The price increases following the U.S. devaluations of the early 70's also tend to support the modern view. Another recent case in point is the substantial Mexican devaluation, which was quickly followed within a year by a 32 percent rise in Mexican prices.

Debasement of a nation's currency is not a cure for fundamental policy errors. Nations cannot enrich themselves at their neighbors' expense. A declining currency increases inflation, raises taxes, reduces saving and investment, and weakens a country's economy internationally and domestically.

Strengthening the economy requires another approach. A drop in Federal spending as a percent of GNP would permit substantial personal, payroll, and business tax reduction. This would result in a drop in the real costs of production in the U.S. It would help the trade balance, increase our growth rate, restore confidence in the U.S. economy and the dollar, and make it easier to sell our bonds to cover any residual deficit.

V. TAX POLICIES

Effects of Social Security Increases on Tax Policy

The President has stated that his tax cut would offset the higher social security taxes and the effects of inflation on the progressive income tax system. These two effects have a serious impact on the taxpayers of this country.

The social security tax increases were proposed as a solution to the financial instability of the social security system. The bill the President signed into law is, in essence, a "tax solution." This piece of legislation increases the tax burden on the public by almost one-quarter of a trillion dollars by 1987.

The new social security legislation will increase both the tax rate and the maximum wage base that can be taxed. The tax rate (to both employers and employees) increases from 5.85 percent to 7.15 percent by 1986. The tax rate is boosted dramatically in 1981 and 1985, which will present the winners of the 1980 and 1984 national elections with growing taxpayer resentment.

Under the new legislation the wage base will increase very rapidly by 1981. In 1977 the wage base was $16,500 and indexed by the rate of wage increase. The new legislation will increase the wage base to $17,700 this year, $22,900 next year, $25,900 in 1980, and $29,700 in 1981. After 1981 the wage base will then again be indexed by the wage rate. The rate and base increases will greatly increase the tax take from social security

participants. Over the next ten years, the new social security legislation will amount to approximately $227 billion in increased taxes on payrolls.

The increase in social security taxes will have its largest effects on taxpayers in the next three years because of the boost of the tax rate by .8 percent (on both employer and employee) and the lifting of the base by $13,200. And the brunt of the new Carter taxes falls in the same old place -- on the middle-income taxpayers. The President's plan assures this heavy burden on the middle-income group by increasing the maximum wage base to levels that are in the middle-income range. Consequently, as the rate increases, the middle-income people will be hit the hardest because theirs will be the highest salaries below the maximum wage base. Conceivably, a social security tax of any level could be acceptable, if presented as a purchase of a good: one's pension. The more generous the pension, the larger the tax. However, the Social Security System is more in the nature of a simple income transfer program; wage earners currently pay social security taxes for today's, not tomorrow's, annuitants. Policy should therefore concentrate on how this burden should most equitably be spread.

The Minority does not believe that the wage base should be increased to higher levels to redistribute the tax burden. The Minority seeks to reduce the Carter tax burden for <u>all</u> taxpayers, not to increase it for a <u>few</u> taxpayers. The Minority is particularly concerned with reducing that burden on the middle class because the new social security taxes are especially harmful to them.

The following table shows how the middle class will be affected by the new legislation signed into law by President Carter. It is safe to assume that a social security taxable income of $13,000 would be in the middle-income range. If we assume that the median wage will increase by 8 percent per year between 1977 and 1981, we can determine the effect on this middle-income group in the near future.

TABLE V.-1

	1977	1978	1979	1980	1981
Tax Rate	5.85	6.05	6.13	6.13	6.65
Wage Ceiling	16,500	17,700	22,900	25,900	29,700
13,000 Covered Income	13,000	14,040	15,163	16,376	17,686
FICA Tax/13,000	760	849	929	1,003	1,176

Notice that the tax on this income level increases by 55 percent. While this is bad enough, we must consider that the income range of the middle class has a much higher limit than the $13,000 in covered income. Most experts would include an income of $20,000 (in covered income; in 1977 dollars) in the middle group. Because a portion of their salary was exempt from social security taxes before the new legislation, this middle-income level has even larger percentage increases in their tax.

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TABLE V.-2

	1977	1978	1979	1980	1981
Rate	5.85	6.05	6.13	6.13	6.65
Wage Ceiling	16,500	17,700	22,900	25,900	29,700
$20,000	20,000	21,600	23,330	25,194	27,209
FICA Tax/20,000	965	1,070	1,403	1,544	1,809

Table V-2 shows that the social security tax increases by 88 percent between 1977 and 1981 for an income of $20,000 indexed at an 8 percent annual wage increase. The new legislation is very harmful to those middle-income individuals who had a portion of their income exempt from OASDI taxes or those middle income individuals who through pay increases would have moved above the maximum wage base. The latter would include a large number of the middle-income group.

The social security tax is shared equally by employer and employee. Each group will seek to recoup their share of the $227 billion of their wages or profits lost to these higher taxes in the next ten years. The employee will demand higher wages which will be paid by the employer partly out of higher prices. The employer will also have to offset his higher labor costs with higher prices. While the tax reduction offered by the President (and still pending in Congress) will help to ease the pressure on prices, by 1979 the pressure will increase as a majority of the taxpayers will experience an increase in taxes.

The employment effects of the large increases in social security are of major concern to the Minority members of the Joint Economic Committee. As the social security tax that the employer must pay on each employee increases, the employer will be less willing to keep present employees or to hire additional workers. Also, as the employee's social security tax increases, he will experience a drop in the reward to work. Because the incentive to work has been reduced, the employee may seek not to work at all and rely on government aid, or he may seek compensation in the form of leisure (such as longer vacations).

These effects on inflation and unemployment caused by the social security tax increases should not be taken lightly. The Committee has heard testimony supporting this belief from a wide range of experts both in and out of the Administration.

The Carter Tax Package

While the Carter tax plan offers a net aggregate tax reduction in 1979, there are serious deleterious effects on specific income groups.

In truth, the Carter tax plan is a tax increase for many persons in our economy who are sacrificed to reduce the taxes of other taxpayers. It is structured around the erroneous belief that to provide tax relief for some Americans and to pay for bloated government expenditures, the government must increase the tax burden on other Americans. While it is important to identify those who will have their taxes increased, the Minority feels that at this time any increases in taxes for anyone in our society is wrong. In addition, it is an ill-founded belief that increasing the taxes on the upper-income groups will result in vast tax revenues that can then be "returned" to lower-income groups in the form of new government programs or tax reductions. The fact is there is just not that much money in the higher income brackets because there are not that many people earning these high incomes.

Size of the Package

Most economic forecasters have been warning for more than a year that some form of additional economic stimulus will be needed if

the economy is to remain strong through 1980. Significant tax cuts are necessary if social security and inflation-induced tax increases are to be offset and if the tax burden, as a percent of GNP, is to fall. The tax cut must be larger still to offset the major energy taxes proposed by the President and modified by the Congress become law.

Unfortunately, the Administration tax package does not offset the tax increase that will be occurring over the next several years. The Administration promises that there will be further tax cuts several years down the road. Nonetheless, most individuals and businesses face substantial tax increases by 1980. These tax realities outweigh vague promises in the formation of consumer confidence and business investment plans.

The accompanying tables compare the impending social security, inflation-induced, and energy tax increases with the net tax cuts in the Carter tax package. Compared with fiscal year 1977 tax rates, the President's package will increase taxes by $.8 billion in 1979, $7.4 billion in 1980, $21.4 billion in 1981, $21.6 billion in 1982, and $18.4 billion in 1983.

TABLE V.-3

TAX CHANGES[1]
(In billions of dollars)

	FISCAL YEAR					
	1979[2]	1980	1981	1982	1983	Total
PENDING TAX INCREASES						
Social Security	9.5	12.7	24.2	32.6	35.3	114.3
Inflation[3]	13.4	9.0	10.4	12.1	13.8	58.7
Energy taxes[4]	2.9	12.3	15.4	7.7	4.2	42.5
Total	25.8	34.0	50.0	52.4	53.3	215.5
CARTER TAX PACKAGE						
Tax cuts	30.4	37.1	41.9	46.4	52.4	208.2
Tax increases	5.3	10.4	13.2	15.6	17.5	62.0
Total	25.0	26.6	28.6	30.8	34.9	145.9
PENDING INCREASES MINUS CARTER NET TAX CUTS						
Tax increase	25.8	34.0	50.0	52.4	53.3	
Tax cut	25.0	26.6	28.6	30.8	34.9	
Total Tax Increase	.8	7.4	21.4	21.6	18.4	

[1]Prepared by the staff of the Joint Committee on Taxation.
[2]Includes fiscal 1978 increase of $7,200,000,000 and fiscal 1979 impact of $18,600,000,000.
[3]Estimate based on 5 to 6 percent inflation rate.
[4]Based on energy tax bill passed by House.

The size of the Carter tax package does not appear to be adequate to keep the economy moving. This is a serious problem. The economic indicator which has historically given the longest warning time of approaching recession is formed by dividing the BEA index of coincident indicators by the index of lagging indicators. That ratio has turned down. It peaked in April of 1977. Many observers believe that a recession, or at least a serious reduction in economic growth, is likely by mid-1979. The economy cannot wait until 1980 for a second tax bill to remedy the shortcomings of the first.

The President has stated that the Federal government must reduce the size of its tax take, as a percent of the gross national product. We agree with that view.

Shape of the Package

The size of the Carter tax package is merely inadequate. The shape of the package is actually harmful.

Across tax brackets, the package discriminates against middle-income taxpayers and especially those covered by social security. Within tax brackets, it discriminates against taxpayers with large families, households with two workers, workers dependent on overtime to make ends meet, and taxpayers in the middle or top portions of many of the brackets.

Average Tax Burdens

Treasury Secretary Blumenthal told the Committee that all but a handful of taxpayers would benefit from the Carter tax package.

Unfortunately, this is true only if the analysis is restricted to the income tax. Social security tax increases will completely offset the benefits from the income tax cuts for most workers with income above $25,000 by the end of 1978 and above $20,000 by 1979. Even more amazing, when the effect of inflation on the tax rates over the next two years is added in, we find that families earning only $17,000 in 1979 will be paying a higher real tax than they do today.

TABLE V.-4

The Effect of Income and FICA Tax Changes on Effective Tax Rates,
1977 Law to Proposed 1979 Law
(Four-Person Family, One-Earner)
(Monday amounts in dollars)

1979 income level	1977 Taxes 1/					1979 Taxes					Combined tax liability with 1977 effective tax rate	Change in tax	
	Equivalent 1977 income 2/	Income tax 3/	FICA tax 4/	Total tax	Combined effective tax rate	1979 income	Income tax 3/	FICA tax 5/	Total tax	Combined effective tax rate		Amount	Effective tax rate
5,000	4,440	-356	260	-96	-2.16%	5,000	-300	306	6	0.12%	-108	114 6/	2.28%
10,000	8,800	259	519	778	8.76	10,000	134	613	747	7.47	876	-129	-1.29
12,000	10,656	567	623	1,190	11.17	12,000	502	736	1,238	10.31	1,340	-102	-0.85
15,000	13,320	1,070	779	1,849	13.88	15,000	1,072	920	1,992	13.28	2,082	- 90	-0.60
17,000	15,096	1,345	883	2,228	14.75	17,000	1,430	1,042	2,472	14.54	2,509	- 37	-0.20
20,000	17,759	1,788	965	2,753	15.50	20,000	1,910	1,226	3,136	15.68	3,100	36	0.18
25,000	22,199	2,603	965	3,568	16.07	25,000	2,830	1,404	4,234	16.94	4,018	216	0.86
30,000	26,639	3,503	965	4,468	16.77	30,000	3,910	1,404	5,314	17.71	5,032	282	0.94
40,000	35,519	5,606	965	6,571	18.50	40,000	6,630	1,404	8,034	20.08	7,400	634	1.59

Office of the Secretary of the Treasury
Office of Tax Analysis

January 25, 1978

1/ Tax law in effect December 31, 1977.
2/ Deflated by expected increase in CPI from 1979 levels shown in column 1
3/ Assumes itemized deductions equal to 23 percent of gross income in 1977 and 20 percent of gross income under the proposed 1979 law.
4/ Calculated under 1977 wage base ($16,500) and tax rate (5.85 percent). Employee share only
5/ Calculated under 1979 wage base ($22,900) and tax rate (6.13 percent). Employee share only.
6/ Under the Administration's welfare proposal, taxpayers in this income class will have a net tax reduction from the liberalized earned income credit.

Median family income in 1978 is estimated to be between $15,000 and $16,000 (the last precise figures available from the Census Bureau are for 1976). By 1979, median income will be somewhere between $16,500 and $18,000. This means that by 1979, the majority of American families will be paying a higher percent of their income in Federal taxes than they do today.

The picture is even worse if we look only at taxpaying families. People in roughly the bottom fifth of the income distribution pay no income tax. The median income of taxpaying families is about $3,000 higher than median family income. Thus, the majority of taxpaying families will earn more than $18,000 or $19,000 in 1978 and more than $19,500 or $21,000 in 1979.

Well over half of all taxpaying families will experience a real increase in their tax burdens by 1979, even with the Carter tax package. The exceptions (allowing some leeway for differences in family size) will be those families currently earning less than approximately $14,000 to $15,000 (less if single) and those not subject to social security taxes.

Thus, it is apparent that the Carter tax package fails dramatically when it comes to providing tax relief for middle-income families, especially those who pay social security taxes.

Tax Rates on Future Income

Whatever one thinks of the desirability of greater income redistribution, the move to a more steeply progressive tax schedule poses certain problems. It increases the rate at

which any given level of inflation pushes people into higher tax brackets. In fact, with many people being dropped from the tax rolls, and with government spending still growing, many taxpayers must, of necessity, be pushed into higher brackets to pay the bill. While the rates in each tax bracket will be reduced under the President's proposal, inflation will soon move millions of taxpayers into higher brackets and higher tax rates than they have ever paid before.

Thus, while it may appear that the reduction in marginal tax rates in each bracket by 1 to 4 points proposed by the Administration will raise the after-tax reward to greater work effort and saving by a substantial amount, inflation, plus the rise in progressivity in the tax plan, will work to offset this effect.

Progressivity is increased by the proposed switch from the $750 personal exemption to a $240 credit. While the $240 credit would lower the tax burden for most taxpayers below the 32 percent bracket, it would also eliminate the $750 deduction from taxable income. In many cases, this would move families into higher tax brackets.

TABLE V.-5

Marginal Tax Rates, Joint Returns, After Rate Reduction and Change-Over to $240 Credit

Current Taxable Income (a)	Marginal Rate		Family of Two		Family of Four	
	Present Law	Tax Proposal	Taxable Income After Loss of $1,500 Exemption	Marginal Rate	Taxable Income After Loss of $3,000 Exemption	Marginal Rate
0 - 500	14	12	1,500 - 2,000	14(b)	3,000 - 3,500	17(b)
500 - 1,000	14	12	2,000 - 2,500	16(b)	3,500 - 4,000	17(b)
1,000 - 2,000	15	14	2,500 - 3,500	16/17	4,000 - 5,000	18(b)
2,000 - 3,000	16	16	3,500 - 4,500	17/18	5,000 - 6,000	18(b)
3,000 - 4,000	17	17	4,500 - 5,500	18(c)	6,000 - 7,000	18(c)
4,000 - 8,000	19	18	5,500 - 9,500	18/19(c)	7,000 - 11,000	18/19(c)
8,000 - 12,000	22	19	9,500 - 13,500	19/20	11,000 - 15,000	19/20
12,000 - 16,000	25	20	13,500 - 17,500	20/23	15,000 - 19,000	20/23
16,000 - 20,000	28	23	17,500 - 21,500	23/27	19,000 - 23,000	23/27
20,000 - 24,000	32	27	21,500 - 25,500	27/32	23,000 - 27,000	27/32(c)
24,000 - 28,000	36	32	25,500 - 29,500	32/36(c)	27,000 - 31,000	32/36(c)
28,000 - 32,000	39	36	29,500 - 33,500	36/39(c)	31,000 - 35,000	36/39(c)
32,000 - 36,000	42	39	33,500 - 37,500	39/42(c)	35,000 - 39,000	39/42(c)
36,000 - 40,000	45	42	37,500 - 41,500	42/44	39,000 - 43,000	42/44
40,000 - 44,000	48	44	41,500 - 45,500	44/48(c)	43,000 - 47,000	40/48(c)
44,000 - 48,000	50	48	45,500 - 49,500	48	47,000 - 51,000	48
48,000 - 52,000	50	48	49,500 - 53,500	48/51(c)	51,500 - 55,000	48/51(c)
52,000 - 54,000	53	51	53,500 - 55,500	51	55,000 - 57,000	51
54,000 - 62,000	53	51	55,500 - 63,500	51	57,000 - 65,000	51/54(c)
62,000 - 64,000	53	51	63,500 - 65,500	51/54(c)	65,000 - 67,000	54(c)
64,000 - 76,000	55	54	65,500 - 77,500	54/57(c)	67,000 - 79,000	54/57(c)
76,000 - 88,000	58	57	77,500 - 89,500	57	79,000 - 91,000	57/60(c)
88,000 - 90,000	60	57	89,500 - 91,500	57/60(c)	91,000 - 93,000	60(c)
90,000 - 100,000	60	60	91,500 - 101,500	60(c)	93,000 - 103,000	60(c)
100,000 - 110,000	62	60	101,500 - 111,500	60/62(c)	103,000 - 113,000	60/62(c)
110,000 - 120,000	62	62	111,500 - 121,500	62(c)	113,000 - 123,000	62(c)
120,000 - 130,000	64	62	121,500 - 131,500	62/64(c)	123,000 - 133,000	62/64(c)
130,000 - 140,000	64	64	131,500 - 141,500	64(c)	133,000 - 143,000	64(c)
140,000 - 150,000	66	64	141,500 - 151,500	64/65	143,000 - 153,000	64/65
150,000 - 160,000	66	65	151,500 - 161,500	65	153,000 - 163,000	65
160,000 - 175,000	68	65	161,500 - 176,500	65/66	163,000 - 178,000	65/66
175,000 - 180,000	68	65	176,500 - 181,500	66	178,000 - 183,000	66
180,000 - 200,000	69	66	181,500 - 201,500	66/68	183,000 - 203,000	66/68
200,000 and over	70	68	201,500 and over	68	203,000 and over	68

(a) The zero bracket is not shown in this table. To include the zero bracket, increase all taxable incomes shown by $3,200.
(b) The $240 credit eliminates tax for returns with total taxable income falling in this bracket.
(c) Brackets in which many taxpayers could experience either no reduction, or an increase, in marginal rates.

For example, elimination of $3,000 in deductions for a family of four which used to have $2,500 in taxable income, would raise that family's taxable income to $5,500. The $2,500 in taxable income is now taxed at marginal rates of 16 percent. The $5,500 taxable income, now taxed at a 19 percent marginal rate, will only be taxed at an 18 percent marginal rate under the President's plan. Nonetheless, 18 percent is higher than the original 16 percent. For this family's marginal tax rate, the move to a higher tax bracket more than offsets the proposed rate reduction in that bracket. Their average tax rate and total tax will be lowered by the switch to the credit. But any additional earnings acquired by working overtime, or having both spouses work, will be taxed more heavily at the margin.

For as many as one-half of all taxable joint returns, the switch to the credit will cause a rise in taxable income sufficient to push the family into a higher tax bracket. In perhaps half of these cases, one-quarter of the total, the new tax rate in the new bracket will be as high or higher than the old tax rate in the old bracket. This effect is less pronounced for single taxpayers, and more pronounced for larger families than for smaller families.

The Administration could have avoided most of this mess, while still helping lower-income taxpayers, if it had kept the exemptions while raising the minimum value of the general tax credit by an appropriate amount. If it had, the incentive effects of reduced marginal tax rates would not have been lost in such a peculiar fashion, for so many taxpayers.

It is particularly unfortunate that the failure to reduce marginal tax rates begins to be especially pronounced in the 32 to 42 percent tax bracket, exactly the region in which people start to profit by switching into tax shelters. To remedy the problem, the Minority recommends that, if the $240 credit is adopted, families be allowed the option of retaining the current $750 exemption or switching to the Credit.

Business Tax Changes

The Administration has proposed net tax cuts for business valued at $5.7 billion in 1979, $7.2 billion in 1980, and $6.7 billion in 1981. These involve a reduction of 4 points in the corporate tax rate, and an expansion of the 10 percent investment tax credit (now limited to equipment) to cover structures and to offset a larger share of taxes. The reductions will be partly offset by a reduction in DISC export subsidies, elimination of deferral of taxes on foreign souce income, reduced business entertainment deductions, elimination of the minimum tax deduction for ordinary taxes paid, and other tax reforms.

Unfortunately, the tax cuts being promised are more than offset by increases in social security taxes and proposed energy taxes. Business can expect an additional burden of more than $6 billion in 1979, $20 billion in 1980, and $27 billion in 1981 in these new taxes.

Thus, business is facing net tax increases of a few hundred million in 1979, $13 billion in 1980, and $20 billion in 1981. This comes

on top of the severe erosion of the value of depreciation allowances by inflation described above.

Business tax relief should be larger than that proposed by the Administration. Replacement cost depreciation and deeper corporate tax rate reduction would be most helpful in spurring productivity, reducing unemployment, and raising wages.

Investment Tax Credit

The extension of the investment tax credit to structures, and to offset larger percentages of profits, is possibly an inefficient use of tax reduction dollars, compared to deeper cuts in the corporate tax rate.

The investment tax credit as a tool for promoting growth is viewed with suspicion by some economists. The credit is not a reduction in marginal taxes on production and does not act directly to stimulate output. It is equivalent to a lump sum payment to the firm for employing a particular type of input.

Milton Friedman has pointed out that the quantity of investment depends on the amount of investment funding available. The ITC does little to increase national savings. Thus, the primary effect may well be a shift of investment from ineligible to eligible equipment, from structures, inventory, and added manpower or manpower training to new machinery.

Norman Ture has compared the ITC with corporate tax rate reduction and finds the reduction in the marginal tax rates to be a

far more effective stimulus to output and job creation.

Chase Econometrics reaches similar conclusions. The ITC is of little effect at low rates of capacity utilization, while a reduced corporate tax rate raises the rate of return to production at all levels of output. In addition, businesses surveyed by Chase appeared to view the credit as too changeable to be relied upon in investment planning.

Furthermore, urban development experts are concerned that the extension of the ITC to structures will make it more attractive for firms to build from scratch in the suburbs rather than remodel older buildings in depressed urban areas.

Deferral of Taxes on Foreign Income

The proposal to eliminate the deferral of taxes on foreign source income is ill advised. Foreign subsidiaries of American firms are an important source of export orders. It is unwise to put these firms at a competitive disadvantage overseas.

Furthermore, the Treasury may end up losing money on this reform. If U.S. subsidiaries repatriate foreign earnings, they will face higher foreign taxes on remitted dividends. This will increase amounts claimed under the foreign tax credit. Alternatively, if U.S. firms try to pay the U.S. taxes out of domestic income, they will have less money available for domestic job formation.

Alternative Tax on Capital Gains and Elimination of Deductions for Regular Taxes

Current law allows a deduction from preference income subject to the minimum tax of an amount equal to regular taxes paid. The Administration proposes to end this deduction, as well as the alternative tax on capital gains. The chief impact will be to raise further the tax burden on capital gains, which are a large part of preference income. This can only serve to reduce economic growth.

Capital gains are already overtaxed. They are not ordinary income, and we should not be trying to tax them as if they were.

Capital gains occur when the price of an earning asset rises. The price increase is generally caused by a perceived increase in the future earnings of the asset. Those future earnings will be taxed when they occur. To tax the rise in the asset's value as well as the future earnings is to double tax those earnings. For this reason, no major nation treats capital gains as ordinary income.

Any move to increase taxes on capital gains will worsen the existing double taxation of saving, as compared with consumption spending. Income is taxed as it is earned. It may be spent or used to purchase an income earning asset. Ideally, the tax system would be neutral between the choices. However, if income is spent, only a small sales tax is levied. But if it is saved, a substantial share of the earnings are taxed. If the saving is in the form of a fixed dollar asset, such as a bond or savings account, inflation erodes the principle. If not, any gain in price, whether due to inflation or a real

increase in value, is taxed as a capital gain. The tax code discriminates against growth activities in favor of consumption.

Budget Totals, Taxes, and Rebates

The Administration has placed much emphasis on the small rise in real terms of Federal outlays for 1979. The real increase is roughly 2 percent. Unfortunately, the full impact of the President's budget proposals is not reflected in the budget totals.

One glaring example of the problem is the netting out of the energy tax and rebate proposals before they appear in the budget totals. The Administration proposes to increase taxes on energy production and use by some $8.3 billion. They also propose to provide rebates and credits on the order of $7.2 billion. All that appears is a net increase in receipts of $1.1 billion.

While it is technically correct to subtract the rebates and credits from the receipts column, it is also true that the economic impact of a tax and transfer program is the same whether the transfer is effected by outlays or credits. The tax burden on producers of energy and industries which use energy still results in less energy production and higher product prices. The transfer of money to consumers of heating oil or the buyers of coal-burning equipment does not undo this impact, whether it is done by tax rebates or by Federal check.

Thus, the budget looks as if it has revenues of $439.6 billion and outlays of $500.2 billion. In fact, the budget behaves as it it has receipts of $446.8 billion and outlays of $507.4 billion.

When off-budget items and the true economic impact of the proposed energy tax credits are factored in to the budget totals, we see little evidence of a firm hand on expenditures, and no sign that the much-heralded zero-based budgeting concept has produced any results to date.

Tax Policies affecting Small Business

Small business provides employment for over half of the workers in the private sector and contributes 43 percent of our GNP. Thus, small business is an important contributor to the economy; if small business is healthy, it is a major boon to the health of the economy as a whole; if small business is sick, it is a drag on the economy.

The one overriding problem facing small business in the United States is external financing, especially equity financing. This is a problem for business as a whole but especially for small business. The cost of floating securities is prohibitively higher for small firms compared to large firms. Security offerings by small firms may be so unusual as to require a separate market mechanism. Small businesses are perceived as being, ipso facto, more risky than large businesses, and therefore, risk premiums are higher. And finally, what external financing is done is usually in the form of debt rather than equity -- for several years now the stock market has presented a nearly impossible environment for raising capital via new equity for small businesses.

At the same time that external financing is a difficult problem for small businesses, especially new companies. Internal funds from after-tax earnings are becoming more difficult

to achieve due to increasingly big bites of corporate income and other taxes. Our tax laws have methodically eroded traditional incentives for investment. For example, the 1969 Tax Reform Act increased capital gains taxes from 25 percent to a 35 percent maximum. In addition, the minimum tax provisions have raised the potential capital gains tax to 49 percent. At the same time, the risk of any investment has been doubled by permitting only a 50 percent write-off of capital losses.

Increasing the differential between the tax rate on realized capital gains (by eliminating or reducing the capital gains tax), and that paid on ordinary income, would be one solution -- this would encourage companies to retain and reinvest their earnings in new plant and equipment rather than paying them out in dividends.

But the best route to stimulate small business capital formation and provide the necessary internal financing for other business purposes is substantial reduction in the corporate tax rate. Moreover, the small business exemption should be raised from the current $50,000 to a minimum of $150,000 of taxable income.

Although such a reduction would help all corporations, it especially would help small companies that do not have large incomes and must rely heavily on retained earnings.

Other tax provisions that would help small business are:

Adjust depreciation schedules to reflect replacement costs of assets, with carry-forward provisions to aid firms that are not yet profitable.

Defer capital gains taxes if the proceeds from an investment in a qualified small business concern are reinvested within a limited period of time in another small business concern.

The foregoing proposals would be helpful to small business and, in turn, would contribute to the health of the whole economy. Cost estimates for these proposals have not been developed, but they would not cost as much as the Carter tax package, and they would be more helpful in stimulating long-run economic growth and employment. As discussed in a previous section, the Minority members of the Joint Economic Committee also strongly recommend an across-the-board reduction in the marginal rates of personal taxes, which also would aid unincorporated small businessmen.

One serious problem facing all business, but which small business may find especially hard to deal with, is the heavy cost of Federal regulation. We note the study of Federal regulation being prepared by the Senate Governmental Affairs Committee. We urge that particular consideration be given to the impact of regulation on small business, and to the comparative disadvantage of small business in contesting unreasonable agency rulings.

VI. EMPLOYMENT

The Employment Situation in 1977

Over 1977, employment grew by 4.1 million, or 4.7 percent, marking the largest numerical 12-month gain ever recorded in the post-World War II period. Employment for adult men grew by 1.8 million, for adult women by 1.7 million, and for teenagers by nearly 650,000. Employment in blue-collar and service work grew relatively more than other occupations.

Accompanying this substantial increase in employment was a correspondingly large increase in the civilian labor force, which ended the year at 98.9 million persons. The 12-month rise was nearly 3 million. The labor force participation rate in December eased back to 62.8 percent, just below the all-time high of 62.9 percent in November.

Because of the large labor force growth, the numbers of unemployed dropped by only 1.1 million, and the unemployment rate was 6.4 percent, a decline of 1.4 percentage points from December a year ago. Over the year, jobless rates dropped markedly for white men, women, and teenagers, and black adult men, while no downtrend was evident among black women and teenagers.

These statistics underscore some of the concerns expressed at the White House Conference on Balanced National Growth and Economic Development. Vernon Jordon of the National Urban League maintained that a large part of minority unemployment especially for minority youth still is due to discrimination. Statistics show that even with the same amount of education, blacks suffer disproportionately higher unemployment rates than whites.

Another graphic illustration of the variance of employment opportunities for blacks is the situation in the Sunbelt regions. Although many new industries, and consequently new jobs, have settled in those areas, black unemployment remains very high in that region. This has happened even though minorities represent a larger share of the population. Unfortunately, they also constitute the isolated rural poor, the least skilled, and the most poorly educated.

The evidence that minorities and youth have not participated as freely as have other groups in the jobs created by the expansion of the economy over the last several years does not come as any real surprise. These are precisely the groups with characteristics that make them harder and more costly to absorb into the ranks of the employed workers. What does cause concern among black leadership occurs in the discussion surrounding policies to achieve full employment.

The first point of concern is that the full-employment unemployment rate will be set so high that it will be virtually meaningless as an appropriate goal. Some of these fears were sharpened by the Council of Economic Advisors' acceptance of the benchmark unemployment rate at 4.9 percent in 1977 (compared with 4.0 percent in 1955) after adjustment in the age-sex composition of the labor force. There is no doubt that a fixation upon one number can be misleading and result in misdirected policies.

What may be more important, however, is the possible relaxation of public policy once a politically acceptable number is reached. For example, once the unemployment rate reaches 5.0 percent, just how much pressure will be

put on government to achieve a lower rate, particularly if meeting that goal might induce additional inflationary pressure?

Policies for Full Employment

While debate still rages about the specific target for the unemployment rate under conditions of full employment, agreement on the necessity for a double-pronged attack to reach full employment has gradually evolved. This involves: (1) a high enough rate of economic growth to absorb the growing number of entrants in the labor force and to reduce the present high number of unemployed, (2) structural programs that target on groups with specific unemployment problems such as minorities, youth, and older workers.

Although economic expansion is a crucial element in the movement of disadvantaged groups in the labor force into jobs, the purpose of this section on employment policies is to treat structural problems exclusively. Suggestions on structural programs have come from witnesses before the Joint Economic Committee and from the White House Conference on Balanced National Growth and Economic Development. One theme stressed repeatedly was that the structural programs must involve a high degree of local initiative and authority. In addition, structural unemployment programs should be incorporated within other regional and urban strategies.

Another element was the involvement not only of large firms but small businesses. The latter have many of the added job opportunities, particularly in the fast expanding service sector. John Burns, from the Committee on Economic Development, pointed out that half of the jobs in this country are

in firms with a hundred employees or less and that three-quarters of the jobs are in firms with fewer than five hundred employees.

Not much emphasis was placed on the development of new initiatives. It was more of a commitment to use tools already established in a more flexible framework. A wider dissemination of information about workable programs, a concerted effort to involve business leadership on local and national levels, and the use of intermediate organizations that would serve as liaisons between businesses and the disadvantaged were recommendations to better implement training and education programs.

Beyond a grass roots approach, effective incentives for employers to participate in these programs can be created by tax credits and subsidies from the Federal government. These incentives can suit various alternative purposes:

1. Tax credits to encourage business to locate in central cities. In the Administration's tax program, the investment tax credit is available both for the construction of new utility and industrial structures and the rehabilitation of existing structures so the proposal will have no anti-urban bias. If the investment tax credit spurs rebuilding in central cities, jobs wil flow to the areas of concentrated high unemployment. It has been suggested that the investment tax credit be channelled more narrowly by limiting it to areas with high unemployment rates. However, the more restriction and consequently, more expensive

paperwork, put on the use of such a credit, the less businesses will be disposed to take advantage of the credits.

2. Employment tax credits. These have been directed to youth, the hard-core unemployed, and minorities. An example is S. 2436, proposed by Senator Javits, which provides a refundable tax credit to business, equal to one-half of the increase in unemployment insurance wages over a base period. This credit is applicable to youth aged 16 to 19 who have been either unemployed 15 weeks or longer or enrolled in a CETA employment or training program for at least 15 weeks.
3. Wage Subsidies. One of the assumed effects of the increased minimum wage is that the marginal productivity of many new entrants into the labor force, especially youth, does not equal their marginal cost for businesses. A wage subsidy would allow businesses to recoup part of the wages paid and, thus, encourage employers to hire youth.
4. We continue to believe that a viable system of local labor-management-government committees as described in the section on urban policy action can have a favorable impact on the amount of structural unemployment.

Participants in JEC hearings and in the White House Conference made it clear that a training element must be associated with all tax incentive and subsidy programs or the employment gains would prove illusory in the long run.

There is a brick-and-mortar policy aspect that national, state, and local government bodies also must undertake. Businessmen pointed out that while tax and subsidy incentives were very important, a basic and suitable infrastructure had to be available to encourage the relocation of business to a new area. The necessary infrastructure would include a transportation network, adequate housing for workers, effective police, fire, and sanitation support, and effective insurance at reasonable rates.

VII. AGRICULTURE

Some of America's farmers are hurting. In fact, grain farmers and farmers in several other sectors of agriculture are desperate. Livestock and poultry farmers, dairymen and fruit and vegetable farmers had a pretty good year in 1977, but these bright spots in agriculture do not offset the overall negative atmosphere in the farm sector.

Net farm income (including net inventory change) has dropped from a peak of $33.3 billion in 1973 to $20.6 billion in 1977. Of course, 1973 was a good year for farmers and perhaps an unfair base year comparison. But, even with that perspective, farmers are restless.

The squeeze comes in prices received by farmers for their products versus the prices paid by farmers for costs of production and household operations. For example, the Prices Received index (1967 = 100) rose sharply in 1973 and averaged 179 that year; it rose further to 192 in 1974. The Prices Paid index, on the other hand, averaged only 144 in 1973. Since then, the relative position of these indices has painfully reversed itself, with Prices Received dropping to 183 in 1977 and Prices Paid rising very sharply to an index of 202 last year. In 1973, the parity ratio, adjusted for government payments to farmers, stood at 94. By January 1978 it had dropped to 67, the lowest level in 45 years.

The problem is that commodity surpluses have depressed prices, leaving many wheat and feedgrain farmers in financial difficulty. For many, especially some new farmers, debt-to-equity ratios are reaching precarious

levels, threatening both their financial stability and the stability of those financing them.

The plight of farmers has brought forth many proposals for solving the problems -- some good, some bad, some drastic. Some call for making it illegal to sell any agricultural product below 100 percent of the parity price. Others call for a return to high price supports, set-asides, and the controls of the 1950's and 1960's.

In the interests of farmers, consumers, and taxpayers, we should be careful to avoid policy mistakes like those made after World War II. Farmers don't want the government again to become the dominant force in the market. The policies and programs of the 1950's were primarily concerned with attempting to assure fixed returns to farmers, but they had the effect of insulating agriculture from the need to adjust to changing conditions. This only delayed the time when adjustments had to be made. One of the adjustments was that thousands of small farmers went out of business.

Small bureaucratic errors in program formulation during that era resulted in substantial costs to taxpayers and also damaged the Nation's pre-eminent position as the world's greatest agricultural exporter.

Holding prices at levels that are inconsistent with the underlying demand and supply situation creates excess capacity and requires strict controls on the amount produced. This leads to all kinds of mischief, loss of freedom, inefficiencies and frustrating farm policy administration. Farmers should be free to control their own

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operations and permit market prices to play their traditional role in directing production and consumption.

Within this concept, there is a role -- but not a dominant one -- for government. Government should be responsible for placing a floor over the pit of disaster, but beyond this, government should devote itself to improving the functioning of the marketplace. Examples of useful government services are negotiation of sales abroad, market supervision, supervision of grades and standards, outlook information, relatively low loan levels and target prices that would permit prices to fluctuate freely most of the time, and overseas food aid, such as Public Law 480.

Market-oriented agricultural policy would involve less government involvement than we had in the 1950-1970 period. But within that market concept, there are specific things that can be done to bolster farm incomes:

1. Let farmers intelligently choose the proper level of output of their products, in keeping with supply/demand conditions and relatively free market prices.
2. Develop and strengthen marketing organizations, structures, and programs for both domestic and foreign farm product sales.
3. Expand agricultural exports.
4. Bolster agricultural credit programs to help deserving farmers meet current financial crises.
5. If we hope to help agriculture or any other sector of the economy, we must control the overall rate of inflation.

In the following paragraphs we elaborate on some of these points:

Legislative Proposal in Keeping with the Free Market Concept

The current set-aside program is not working well because the incentives don't attract many farmers. On the other hand, increasing the incentives too much would pose the danger of excessive government involvement in commodities. One possible compromise has been proposed which deserves careful debate and consideration. Under this proposal, S. 2481, the government would establish a flexible schedule of prices and production set-asides that would permit an individual farmer to choose his own target price, up to parity: however, the higher he went up the price scale, the lower his permitted production would be. Thus, farmers would have a flexible mechanism whereby they could voluntarily control their production, and each individual could reflect the target level and set-aside that was best for his farm operation, based on the sliding scale.

Under this type of program a farmer could achieve parity without corresponding price increases to the consumer and with only relatively modest outlays from the Federal Treasury.

Enhanced Marketing

Government can do more than it has been doing to aid farm marketing. We need better information, research, and regulatory services.

Through their organizations, farmers must develop the capacity to understand the market

system, to manage their production, and to form associations to negotiate contracts with handlers in advance of production.

Agricultural cooperatives can be a dynamic force in farm marketing in keeping with the preservation of our competitive enterprise system. These cooperatives can provide business units large enough to compete effectively with other enterprises. Government should not intrude into the operation of cooperatives.

Expand Commercial Export Markets

The expansion of commercial exports is the key hope for prosperity in American agriculture.

U.S. agricultural exports have increased for seven consecutive years now, reaching $24 billion in 1977. However, indications are that exports will trail off slightly in 1978, to about $23 billion.

Our highly efficient agricultural system enables us to compete for export markets in spite of the fact that many U.S. exports are subject so some form of restriction in foreign countries. But what we have done so far is not good enough. We must do more to expand our foreign markets. We slipped badly in grain exports last year (ending June 30). While Canada, Australia, and Argentina increased their wheat shipments by 3.7 million metric tons, U.S. wheat exports fell by 5.8 million metric tons. Fortunately, 1978 looks much better, and we should substantially regain the ground lost in 1977.

There is an urgent need to increase sharply our promotional efforts. The $23.5 million that the U.S. will spend this year to promote some $23 billion of exports is an investment of only one-tenth of 1 percent. Our competitor, Australia, by contrast, will invest ten times as much on a proportional basis. A recent House Agriculture Committee study shows that U.S. export promotion expenditures totalled $16.8 million in 1970. The $21.4 million spent in 1977 is only $13.6 million in 1970 dollars, a real dollar reduction in effort.

Actually, farmer organizations have been much more aggressive in promoting and marketing American farm products than has been the government itself. Export promotion by co-ops and organization of "Unitrains" to carry carloads of a single commodity direct from farm areas to export ports have helped keep American agriculture moving abroad.

One thing we should not do is rely on a declining dollar to stimulate export sales. As the dollar declines in value, it raises inflation and inflationary expectations in the United States. Energy prices, materials prices, and wages build upward momentum as inflationary expectations continue even after the initial devaluation of the dollar, eliminating any benefit to farmers from the farm price increases a devaluation may bring. Therefore, in the long run there is no benefit to farmers from a weaker dollar. What is needed is a direct drive on export promotion by the government, without regard to the status of the dollar on world markets. (See other observations on this point in the section on International Considerations.)

Specifically, the Minority members of the JEC recommend the following six-point program to help sell American agricultural products abroad:

1. Liberalize restrictive trade barriers which limit the flow of agricultural exports. Emphasize to importing countries that we can guarantee them a dependable supply of farm commodities.
2. Provide short- and intermediate-term government credit (through the Commodity Credit Corporation) to other countries for the purchase of U.S. farm products. */

*/ Representative Clarence J. Brown recommends that we permit these CCC loans to totalitarian economies such as the People's Republic of China, the Soviet Union, and the Eastern European nations. In addition, Mr. Brown recommends that we adjust our tariff policy to provide most favored nation tariff status to certain countries, including some communist countries (although not such countries as Cuba, North Vietnam, or North Korea until other disputes are settled). Such sales can help pave the path for peace by increasing the dependence of these nations on America for their food. Moreover, these sales agreements should comport with recommendation five (5) below.

3. Expand Export-Import Bank financing of loans for farm commodity exports commensurate with agriculture's share of total U.S. exports.
4. Implement existing legislation that permits foreign nations to purchase our grain and store it in the U.S. for subsequent export.
5. Push for steady and regular annual export sales over long periods, rather than huge bulges from year to year.
6. Expand our agricultural trade missions.

The Farmers' Heavy Costs

Rising farm costs in the face of falling prices received by farmers are putting a squeeze on many otherwise sound farm operations. It now costs more to process, transport, and distribute food each year ($58 billion) than to produce the food itself on the farm ($56 billion). Food processors, marketing firms, and distributors -- the middlemen in the agribusiness world -- receive a bigger share of the food dollar than do the farmers. And while the farmer has recently been subject to falling profits and profit margins, profits earned by middlemen continue their upward trend. Like the farmer, the middleman faces higher costs for labor, energy, materials, construction, and government regulation. But unlike the farmer, the middleman is able to pass along his higher costs to the consumer.

For example, in 1977 the average family paid $41 more for its domestically-produced food than it did in 1976. But $39 of that increase went to the processors and other middlemen, not to the farmers.

Thus, the villain in the farm economy is inflation. Increases in the minimum wage, huge jumps in social security taxes, and proposed energy taxes will create even larger costs for farmers and middlemen alike.

It is better to raise parity for farmers by reducing prices paid by farmers than to raise prices received by farmers.

In this regard the Minority emphasizes a major item in the cost of food production and distribution, i.e., the cost of over-regulation by government. The GAO has estimated that the annual tax cost of government regulation of the food industry is nearly $1 billion. At least 75 Federal agencies have the power to control rural Americans in some way or another. The need for "sunset" legislation in the agriculture and food industry is obvious.

The goal for U.S. farmers is rising real incomes. This can best be accomplished in an atmosphere of freedom, which admittedly has its fluctuations, but allows for real gains over the long run. Prices must not be dictated by government. This stance, combined with aggressive export promotion and government policies that attack, rather than promote, inflation are the sure path to prosperity for American agriculture.

VIII. URBAN POLICY*/

The near bankruptcy of New York City in 1975 and the prospect of another New York City crisis this year underscore an unfortunate aspect of our political life -- that the United States lacks a national urban policy.

By virtually every statistical measure, America's larger -- and especially her older -- cities display the symptoms of economic waste and stagnation. As the following analysis shows, the problems of urban areas have been building up for several decades. Furthermore, the problems are not confined simply to the so-called northern tier states but instead can be found in cities of all sizes in virtually every part of the country.

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*/ Senator Hatch has additional views on urban problems.

Most of the problems of society, from ancient times on, have been the problems of cities. "Congestion" is really urban congestion; air and water pollution is usually urban pollution; crime rates in urban areas are higher than in rural ones. Ironically, the rising expectations of our affluent society have generated accelerating demands for services which many cities, given their relatively fixed tax base, cannot afford. Cleaner air, better education, modern medical care, efficient transportation systems, and an effective police department able to cope with modern society's problems are typical of the expensive demands which we place on government; yet each of these examples is also typical of the items with which mayors must deal in making up their own budgets.

There was a time when economic trends could have kept up with these aspirations of modern urban society more easily than they can now. Urban development during the 19th century was relatively well balanced, and our cities as a whole continued to grow vigorously into the 1920's. During this time, growth in the cities was faster than growth in the United States as a whole. This was the period when our urban industrial centers attracted millions of foreign as well as displaced domestic agricultural workers. The growth sectors in our geography were urban, and not suburban.

According to Census Bureau figures, suburban growth had begun to outpace growth in central city areas by 1930, and this trend has accelerated up to the present day. The disparities became so great that cities such as New York, Chicago, Philadelphia, Detroit, and Pittsburgh actually lost population during the 1950's. During the 1960's, according to Census Bureau statistics, 70 major core cities

lost population. A greater consequence, the urbanized areas of the country -- the New England and mid-east states -- also lost in overall population during this period.

A breakdown of these population movements also reveals a disturbing pattern of income levels and employment. Fragmentary surveys indicate that core city areas in all parts of the country today are showing fewer and fewer employment gains than suburban areas regardless of the overall level of economic activity at the national level. Rates of unemployment are also higher in central city areas than in the suburbs regardless of the city's size or its location; fragmentary data suggest that non-white unemployment in core city areas is also higher than non-white suburban unemployment. Finally, central city residents have lower incomes than their suburban counter-parts and a lower share of the higher-paying jobs.

As a result, many of the nation's cities, especially its central cities, are caught in a mire of stagnation, dragged down by high tax rates on an inadequate tax base on the one hand and by the lack of competitive public facilities on the other. As we have noted, these conditions are exacerbated by national population trends and by the economic principles which favor growth outside the central city areas.

Policymakers have not ignored these problems. Thus, the 1930's saw precedent-setting legislation in the field of housing, and the 1960's witnessed the growth of Great Society programs. With an increased emphasis on the fiscal problems of State and local governments per se, the early 70's have produced the general revenue sharing program, counter-cyclical fiscal assistance, and

several examples of grant-in-aid consolidation. Increases in aid to State and local governments, in fact, claimed approximately 40 percent of the Federal government's budget increases in the decade 1965 to 1975.

Most of this assistance has been in the form of categorical grant-in-aid programs, block grants, and revenue sharing (including counter-cyclical fiscal assistance). The common denominator to this assistance was money, whether in the form of grants, loans, or loan guarantees. Relatively little consideration has been given to urban policy per se.

We now see how shortsighted this approach has been; because in fact we have had a Federal "urban policy," a de facto urban policy which was well intentioned, but which has brought many central cities to where they are today.

Most urban economists acknowledge that Federal policies are in a large part responsible for the poor fiscal condition of many urban governments. For example, a Rand Corporation study cites Federal grants for sewage and water treatment facilities, the investment tax credit, the national highway program, mass transit, airport subsidies, pollution control, and the minimum wage as examples of Federal policies which either have or may have affected central cities adversely, in favor of suburbs. A recent study by the Urban Institute concludes that "directly or indirectly, provisions of the federal tax code have tilted the terms of economic competition in favor of suburban development and development of new regions of the country, thereby accelerating the abandonment of central city housing, contributing to the

deterioration of the existing urban capital infrastructure, and precipitating the decline of the central city tax base."

Federal macroeconomic policies have a major impact on local economies as well. The statistics on urban employment and business formation tend to correlate to the swings in the national economy. Furthermore, we are concerned that a national economic policy which fails to promote business confidence will also fail to promote the urban economy itself.

There have, of course, been some positive aspects of Federal urban policy. Transfer payments -- i.e., social security, unemployment compensation, and SSI payments -- have prevented the urban poor from becoming totally destitute. In some cases, the existence of a widespread system of transfer payment support has meant a significant difference in the overall health of the urban core economy itself. For example, a survey of personal income growth in five older cities between 1970 and 1975 shows that the largest gain in income during this time came from increases in transfer payments than from private sector wages, salaries, and other income. By extension, Federal aid other than cash transfer payments -- such as medicaid, housing subsidies, food stamps -- has also helped urban areas generally as well as the residents of these areas.

The thrust of recent Republican policy initiatives such as general revenue sharing, counter-cyclical fiscal assistance, and the grant consolidation proposals*/ contained in President Nixon's special revenue sharing program have all been directed at increasing the freedom of, and reducing the red tape associated with, the administration of local government. We still believe that greater progress in reducing the amount of Federal involvement in local decisionmaking is necessary.

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*/ Senator Javits states, "I support the efforts at grant consolidation, provided there is no tendency to reduce improperly the overall amount of support, under cover of grant consolidation."

In reaching our recommendations on urban policy, we take note of the following findings and conclusions:

1. Federal urban policy is poorly coordinated and inadequately monitored. The fact that the Treasury Department administers the New York City program and that the Commerce Department has considerable urban development responsibilities indicates that urban policymaking is fragmented at best. The same fragmentation is reflected, though to a lesser degree, in the congressional committee structure. Furthermore, we do not know the effects on our urban areas of various Federal policies. The congressional statement of policy for the Department of Housing and Urban Development itself makes little distinction between the smallest community and the largest city. The New York City crisis is an example of a national issue which found the Federal government bereft of appropriate policies; the Seasonal Loan Program that was finally adopted has proved to be only a stopgap measure.

2. Confusion in urban policy often arises from the failure to distinguish between income support programs and economic development activities. In our view, urban policy should avoid concentrating so much on income maintenance for urban populations as to become a means of perpetuating the urban poor.

3. The urban economy is closely tied to that of the country as a whole. A recent study indicates that core city job levels were sustained during periods of rapid economic growth but fell during recessionary times. The same study indicates that industries showing rapid national growth also show more growth in cities. In other words, balanced and continued national economic growth is the single most effective urban policy we have today.

4. The most important single factor affecting urban development in the past ten years has been population shifts from urban to suburban areas and from the slower growing to the more rapidly growing regions of the country. Commerce Department statistics indicate a direct relationship between population growth on the one hand and growth in real personal income on the other. Those sections of the country with the slowest or with negative population growth, have also experienced the slowest rates of growth in per capita personal income. By contrast, the so-called "sunbelt" states, including the Rocky Mountain states, have had above average growth in both these categories.

The President's urban policy recommendations were being finalized as these views went to press. However, certain aspects of these recommendations have been in the public domain for some months, and the general outlines have been described by Administration spokesmen. In our view, the important aspects of a national urban policy are as follows:

The most effective and fool-proof urban policy is a sustained level of balanced economic growth. Therefore, our tax, fiscal, and monetary policy recommendations also constitute the chief recommendation of this urban policy section. We know that urban areas respond unevenly to changes in economic growth, and do not conform precisely to the ups and downs of the business cycle in the Nation at large. In other words, there are leads and lags in the response of cities in all parts of the country. However, a sustained period of growth helps urban areas regardless of size or location. Several specific tax proposals in these views would also help serve the needs of urban development. In particular, we cite the tax proposals with regard to small business and to reducing structural unemployment.

Urban areas are especially hard-hit by inflation. Therefore, an effective anti-inflation policy is a necessary component of a national urban policy. Because the urban tax base is relatively rigid and does not respond to sudden changes in the economy, the inflationary shocks of the past decade have been especially severe. For example, the real purchasing power of urban areas actually declined between 1970 and 1974, as fuel costs sky-rocketed and labor costs rose in an attempt by municipal unions to keep pace with inflation. The additional fuel bill for New York City alone in 1974 was estimated at $250 million.

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Municipal employees' salaries constitute the largest single item in any urban budget, and hence the biggest opportunity for savings. Nevertheless, there are not sufficient incentives for urban governments to resist unnecessarily large wage demands. We affirm that the appropriate salary level for municipal employees must be set through collective bargaining between the appropriate governmental body and the municipal employee union. We also accept the principle that differences in salary levels across the country will arise because of many factors, including the existence of different salary levels in private industry. However, we also believe that greater attention needs to be paid to the productivity of municipal workers and to the economic impact of the Federal and local regulations and programs which many of them have been hired to enforce. */

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*/ Senator Javits states, "While municipal employee salaries may possibly constitute an area for savings, they can be a shrinking base where, as in New York City, major lay-offs have already been necessitated. Hence, other economies must be sought in those situations, as well as a buildup of municipal revenues themselves, preferably through enhanced business activity."

We believe that part of the problem of national urban policy is one of organization. Our government is poorly organized for making policy. Thus, we recommend that greater efforts be made to coordinate the administration of Federal urban policy. */

We do not know adequately the effects on our cities of legislation which may have been enacted in pursuance of widely differing policy goals. Therefore, we recommend that the President assess the impact which those legislative programs with major urban effects have made on our cities. We also recommend that major legislative proposals by the Administration carry an urban impact statement so that the unwanted effects of legislation can be avoided.

While we support the concept of welfare reform, we urge that welfare reform per se not be used as a substitute for a bold and innovative urban policy. Because welfare expenditures constitute a large percentage of urban budgets, there will be a temptation to look upon welfare reform as the preferred means for helping out our cities. This route must be avoided. Otherwise, we consign our cities to the role of warehouses for the Nation's poor and frustrate any progress toward other meaningful reforms in urban admiistration and finance.

The distribution of Federal grants-in-aid and Federal procurement must be rigidly scrutinized and re-assessed with a view

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*/ Senator Javits and Representative Heckler recommend an Office of Urban Affairs in the White House in order to provide the requisite high-level coordination and support of a national urban policy.

towards determining whether urban areas and the urban regions of the country have been unfairly discriminated against. There is ample evidence to support the view that military bases and Federal grants-in-aid favor those parts of the country which are already faster growing. On the other hand, several innovations have been made in recent years to introduce criteria into grant-in-aid distribution formulas which recognize the problems in older sections of the country and the problems of urban areas where prices are often higher. We urge that work be continued in developing suitable criteria for Federal spending that our urban areas not be short-changed.

Above all, we believe that national urban policy must affirm the central role of private enterprise in developing and maintaining the economic base of our cities. This means that urban governments must actively cooperate with business and with non-municipal employee unions in developing strategies for growth which are appropriate to the peculiar conditions in the city at hand. While the Federal role in this process must necessarily be minimal, there is conceivably room for Federal assistance in developing city-wide business-labor-government councils to give this form of cooperation the high profile that it needs. Such councils should actively advise City Hall on means to attract and hold the high quality labor force -- both professional and blue collar -- that private firms must count on. Past experiments with municipal councils of this kind have shown that they can be instrumental in providing training programs, attracting new business, clarifying the needs of the business and labor communities, and improving the labor climate and business confidence in the area. */

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*/ Senator Javits states, "I support the concept of an Urban Development Bank. Such a bank should be a major vehicle for Federal loans and loan guarantees in promoting development in our cities. The bank should be equipped with the appropriate technical expertise for engaging in technical assistance in municipal development and finance.

ADDITIONAL VIEWS OF SENATOR JACOB K. JAVITS

Traditionally, the Minority report has served the valuable function of challenging the Majority's viewpoint and recommendations. Because of the grave dangers that I see on the international economic front in 1979, I feel compelled to assume that role.

The evidence of the problem is all around us: the weakness of the dollar; the lagging recovery and the relatively low level of capital formation in the industrialized countries; the problems of recycling the vast accumulation of financial resources in the hands of a small number of oil exporting countries of the Persian Gulf; and the persistent coupling of unacceptable unemployment and inflation in industrialized countries.

The choice of the solutions that the developing and developed countries make in solving these problems will determine the health and stability of the U.S. economy. Because of the interdependent economic relationships between the U.S. and the rest of the world, the U.S. and the other industrialized countries must provide the basis for the cooperation in chartering a course to establish a viable world economy rather than one which faces recession, even depression in the next few years.

My proposals touch several strategies -- financial assistance and trade policy with separate elements for the developed and for the developing countries.

1. In spite of efforts by oil-importing countries to increase their exports to OPEC and Third World countries or to increase their international debt to finance their oil bills, OPEC's surpluses amounted to almost $133 billion in 1974-76, with a surplus of an additional $45 billion estimated for last year. OPEC countries have placed their investment funds largely in short-term assets, deposited in the industrialized world's financial intermediaries (mainly commercial banks). Because of the nature of short-term instruments, the "recycling of OPEC funds" has become a game of balance-of-payments accounting with every dollar of deficit being balanced by a surplus dollar. There is no guarantee that this money will be used for capital equipment investment to stimulate non-inflationary and productive growth. If this type of investment does not take place, oil-importing countries will have no way to establish a higher growth rate and to build up their industrial capacity to pay off their debts.

Because of the danger of potential disruptions of world financial markets if OPEC managers rapidly shift these short-term assets, we must develop a large pool of capital using at least half of the reserves of Western currency -- mainly dollar denominated -- that are being held by the surplus OPEC countries. These funds must be converted from short-term assets to long-term investments.

However, governments of the industrialized countries must be prepared to meet OPEC's legitimate concerns for the preservation of the value of their funds. A guarantee of a rate of interest reflecting expected inflation rates and a formula which allows the

withdrawal of surplus funds in an orderly manner should ease any initial misapprehension of the OPEC nations.

This capital pool which should be about $150 to $250 billion (representing conservatively 50 percent of OPEC's surpluses over the next 10 years) should be used to stimulate investments in return for a pledge from developing countries to establish rational trade policies. Country criteria for investment funding should include evidence of high product demand and insufficient industrial capacity and the maintenance of a favorable investment climate.

2. In addition, we must increase on a bilateral basis all forms of our aid programs, international lending, direct private investment and bond financing. We must improve the delivery of the U.S. aid program, i.e., the International Development Cooperation Act of 1978, which I have cosponsored.

On a multilateral basis, we must provide greater capital to the international financial institutions such as IBRD and the World Bank. Also, the Congress should authorize immediately the $1.7 billion requested by the Administration for the Witteveen Facility of the International Monetary Fund.

3. In addition to the aid mentioned above, we should help the developing countries increase their export earnings by providing economic opportunities in the developed countries. This can be accomplished by programs which seek to stabilize commodity prices. We should engage in specified commodity agreements, provide some financing of selected buffer stocks and underwrite some export earnings through economic programs similar to the Stabex Plan under the Lome

Agreement. Some accomodation must be made with the developing countries on a "second window" that will provide soft technical assistance to commodity producers covered by the Common Fund. We should expand our system of Generalized Trade Preferences, which will permit the LDC's to increase their exports of manufactured and semi-manufactured products.

4. The spin-off to the U.S. from encouragement of productive investment and greater economic development to take place in the developing countries is the provision of expanded markets for U.S. and other industrialized countries' products.

I believe that one of the problems which impedes U.S. industrial growth is the lack of sufficient overseas markets for U.S. products. The Administration must develop a serious export expansion program and create greater interest on the part of U.S. industry and agriculture in exporting.

The Government especially should encourage small- and medium-sized firms with no prior international experience to explore the overseas market potential for their products.

Because I believe that the Administration should improve business confidence through tax policy, I do not favor the elimination of DISC (Domestic International Sales Corporation) and the ending of tax deferral on undistributed profits earned abroad by affiliates of U.S. businesses.

Domestic Economic Situation

I applaud the key points made in the Minority Report that greater productivity resulting from increased investment is needed to finance our economic growth. Unless we, as

a Nation, maintain our competitive edge by improving productivity, U.S. business will be unable to take advantage effectively of the growth of foreign markets for its products. Investment in human capital is the cornerstone in achieving productivity growth. As an added bonus, increased productivity, combined with substantive growth in technological development, can counter the erosion of business profits through inflation.

As my legislative record makes very clear, I have sponsored Labor-Management Committees and pushed profit sharing and pension reforms in order to involve workers in the mainstream of corporate activity. The Human Resources Committee, on which I am Ranking Minority Member, continues to examine these proposals for Labor-Management Committees and expects to act on them in the 95th Congress. Not only will advantages accrue to the business community, but the human needs of workers also can be satisfied. It is the marginal worker, the one who needs to develop skills, that we want to incorporate into the ranks of productive employment.

On the issue of the Minority Report's recommendations for social security, I must separate myself from my colleagues. The Minority is opposed to increasing the wage base for social security. If there is a change to be made, the wage base should be increased, not decreased. This opinion stems from my fundamental belief that the increases in social security taxes were legislated after congressional realization that the cost of higher benefits must be paid by the recipients of those benefits. Increases in the wage base will mean ultimately larger benefits to the

workers on retirement. We could not continue to legislate a system that permitted higher and higher benefits without recovering the costs.

We must consider the plight of the low- and middle-income taxpayer. In February of this year, I cosponsored S. 2503, a bill which would have substantially eased the burden of social security taxes on low- and middle-income taxpayers. This proposal would have removed the disability insurance and hospital insurance (Medicare) programs from payroll tax financing and, instead, funded these programs from Federal general revenues. Payroll taxes would continue to finance old age and survivors benefits.

S. 2503 will reduce the payroll tax burden by almost one-third; make the Social Security System actuarially sound for the next 75 years; re-establish a 100 percent reserve fund to protect beneficiaries from inflation and recession; and return the system to its original design as a retirement program.

As a result of my position on social security financing, I would rearrange some of the incremental components of the Administraion's Tax Reform Package. Inflation has boosted taxpayers' incomes into higher marginal tax brackets without a corresponding increase in real living standards.

While I believe that some of the tax cuts should offset this phenomenon, the rest of the package should be shifted largely to business tax cuts. As explained in my earlier section, we desperately need more business investment. Personal consumption has not lagged in this recovery, but investment spending has. We need to cut corporate tax rates, increase the investment tax credit, accelerate the

depreciation rate, and give incentives which stimulate further increases in research and development. Business means jobs, and while government programs can aid the structurally unemployed as well as maintain adequate levels of economic activity, there is no substitute for private sector initiatives.

In addition, I cannot agree with the doctrine put forward by supply-side economists. It is conceivable that high marginal tax rates could encourage some to substitute "leisure for labor" because the reward to labor has fallen, as the Minority Views point out. I would even add that this phenomenon is more likely to take place in affluent countries where people can more easily afford to forego the small amounts of additional real income they would receive from working for extra earnings at these high marginal tax brackets. But it is just as possible that a worker whose real after-tax income falls might be forced to work harder -- perhaps at a second job -- in order to keep up with inflation, the mortgage payments, the new car, etc.

With regard to savings and consumption being affected by marginal tax rates, I am not sure that the relationship is all that simple. The incentives from a combination of inflation and high marginal tax rates could be just as strong to change one's pattern of saving (e.g., municipal bonds, real estate, etc.) as to substitute consumption for saving. Ultimately I am concerned that the real after-tax incomes of workers have fallen substantially over the past ten years. High marginal tax rates have prevented workers' pay increases from keeping pace with inflation. It is this fact, in my view, which underscores a basic failing in our economic policy.

As a final note, I would urge additional consideration of the need for planning with regard to an urban policy, balanced national growth, structural unemployment, and other domestic issues. The White House Conference on Balanced National Growth and Economic Development emphasized repeatedly that meeting national employment and unemployment goals could only be made within the context of national, regional, and local planning. It has become absolutely apparent to me that our problems cannot be solved on an ad hoc basis, but instead must be interwoven in order to gain maximum results for the time, money, and involvement put into their development.

ADDITIONAL VIEWS OF CONGRESSMAN CLARENCE J. BROWN

Noting the importance of timing in making decisions designed to affect the economy, I feel that it is already too late to avoid the sequence of inflation and recession over the next two to three years. This all-too-familiar cycle of the past decade is the result of the routinely high rates of inflation which have affected the U.S. economy as a result of the steadily growing Federal deficits since the beginning of the Vietnam era. Federal tax and spending policies still predicated on the experiences of the Great Depression should have been changed a decade ago when it became apparent that inflation had become endemic to the U.S. and other deficit-ridden national economies. Germany and Japan -- even Great Britain and France -- have faced up to the need for spending restraint and, as a result, their currencies are showing more relative strength than ours. Our economy and our dollar would be even weaker but for the fact that we are still the largest and the most self-contained of all the world's major trading nations.

The evidence of wrong-headed policy is all about us and hardly needs to be emphasized: the Administration's energy proposals, the growth of Federal regulation, the growing real tax burden, the impact of two severe winters, the coal strike, the lack of competitiveness in many major industries (the ones whose under-utilization pull down total plant capacity utilization figures), the rising wholesale prices, and the lack of investment, and on and on -- many of which have been dealt with in this report.

Exacerbating the present situation is a growing sense of drift produced by an absence of decisiveness in national leadership. This same situation (for different reasons) worsened the slide of 1974.

Psychological factors can be significant to economic change. Disillusionment and frustration with the ability of government to cure all "the heartache and the thousand natural shocks that flesh is heir to" has been evident for some time. And very few things have happened in the year since the last of these annual reports was published to offer any reasons to change that perception. However, I am confident that traditional American self-reliance will pull us through whatever lies ahead. At the very least, a government that cannot help should not be permitted to hinder.

ADDITIONAL VIEWS OF SENATOR WILLIAM V. ROTH, JR.

I concur generally with the views expressed by the Minority, but I believe the need for substantial and permanent tax rate reductions and for strengthened international economic policies deserve further emphasis.

As the Minority Views correctly point out, the President's proposed tax package will not offset the increased social security taxes and inflation-induced tax increases. In addition to being too small, the President's tax proposals will soak the middle-income taxpayers of this country. In particular, his proposal to replace the $750 personal exemption with a $240 tax credit and his proposed changes in itemized deductions will substantially increase the tax burden on middle-income taxpayers.

Larger Tax Cuts Needed

The President's claim that 96 percent of all taxpayers will benefit from his tax cut proposal is simply not true. By failing to take into account the impact of inflation and the social security tax increases, every family of four now earning more than $17,250 will be paying higher taxes under the President's proposal. By 1980, every family of four now earning $10,000 or more will be paying higher taxes under the President's proposal.

The following chart shows the net impact of the President's tax program on families of four at various income levels whose income merely kept pace with the Administration's own inflation estimates of 5.9 percent in 1978,

6.1 percent in 1979, 5.7 percent in 1980, and 5.2 percent in 1981. The figures represent tax cuts (-) and tax increases (+).

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IMPACT OF CARTER TAX PROGRAM

1977 Income	1979	1980	1981
$ 8,000	- 98	- 61	+ 51
10,000	-100	+ 16	+ 111
15,000	- 37	+ 25	+ 157
17,500	+ 14	+ 92	+ 257
20,000	+186	+ 270	+ 449
25,000	+247	+ 458	+ 848
30,000	+377	+ 663	+1110
35,000	+549	+ 960	+1389
40,000	+710	+1129	+1661

As the chart shows, middle-income taxpayers face substantial tax increases over the next three years under the President's tax proposals, and the President is misleading the American people by claiming they will be paying lower taxes.

The following chart compares the Administration tax cut claims with the actual tax cuts (-) or tax increases (+) which will occur next year. As the chart shows, the Administration has overestimated the impact of its tax cuts for virtually every income level.

COMPARISON OF CARTER TAX CUT CLAIM AND ACTUAL TAX CUT/TAX INCREASE

Income	Administration Claim	Actual Tax Cut/Tax Increase
$ 8,000	- 98	- 98
10,000	-294	-100
15,000	-216	- 37
17,500	-186	+ 14
20,000	-150	+186
25,000	- 22	+247
30,000	- 24	+377
35,000	+ 24	+549
40,000	+ 80	+710

As the figures show, the President's tax cuts are not large enough to offset the social security and inflation-induced tax increases. We need a tax cut which will both offset these tax increases and substantially reduce the total tax burden on the working taxpayers of this country.

The Tax Reduction Act

The Roth-Kemp Tax Reduction Act (H.R. 8333; S. 1860), which I have introduced with Congressman Jack Kemp, is expressly designed to restore incentive to the economy by increasing the after-tax reward for work, production, and investment. This bill, which is co-sponsored by 163 Members of Congress, would provide substantial tax relief to all Americans, and its adoption would stimulate economic growth and create millions of new jobs in the private economy.

The Tax Reduction Act would provide across-the-board tax rate reductions for both individuals and businesses, phased-in over a three-year period.

For individuals, the bill would reduce tax rates by an average of 33 percent, reducing the present tax rates which range between 14 and 70 percent to rates ranging between 8 and 50 percent.

For businesses, the tax rates would be reduced from 48 to 45 percent and the small business surtax exemption would be increased from $50,000 to $100,000.

The immediate adoption of the Tax Reduction Act would assure the type of long-term economic growth needed to create jobs in the private economy. The principal obstacle to

strong economic growth is the excessive tax burden imposed on the American economy. The high rates of taxation now imposed on the economy are strangling economic growth, increasing inflationary pressures, and choking off private initiative, investment, and the creation of jobs. An across-the-board tax reduction is the best way to remove these restraints on economic growth.

The Tax Reduction Act is modeled after the legislation proposed by President Kennedy in the early 1960's to get this country moving again. Kennedy realized then, as we should realize now, that the largest single barrier to a higher rate of economic growth is the heavy drag of Federal income taxes. The Kennedy tax rate reductions reduced individual tax rates from a range of 20 to 91 percent to the present range of 14 to 70 percent, and reduced corporate tax rates from 52 to 48 percent. These across-the-board tax rate reductions stimulated a five-year period of unprecedented economic growth, low inflation, and high employment.

The Tax Reduction Act would provide substantial relief to all taxpayers, with the largest percentage tax cuts going to lower- and middle-income taxpayers. When fully effective, the bill would reduce the tax burden on a family of four earning $8,000 by 90 percent, reduce the tax burden on a family of four earning $10,000 by 50 percent, and reduce the tax burden on a family of four earning $15,000 by nearly 40 percent. Those earning more than $20,000 would have this tax burden reduced by about 33 percent.

The economic impact of these across-the-board tax reductions would be enormous. By reducing the tax burden on the economy, the

cost of working and producing would be reduced, and production, employment, investment, and wages would increase substantially.

According to one econometric projection, the Tax Reduction Act would increase this country's gross national product by $43 billion and result in the creation of 1.2 million jobs by the end of 1978. By 1985, the bill would increase GNP by $240 billion and create 5.5 million jobs.

Although critics contend these tax reductions would increase the budget deficit, history proves otherwise. In every tax rate reduction enacted since 1946, the estimated revenue losses have not occurred, and in fact revenues have increased because of the tax rate reductions. This is because tax rate reductions expand the economy, create taxpaying jobs, reduce Federal spending on unemployment benefits, and expand the Federal tax base. In the case of the Kennedy tax rate reductions, the Treasury Department estimated a six-year revenue loss of $89 billion. But the tax reductions stimulated the economy so much that revenues actually increased by $54 billion.

As President Kennedy said 15 years ago, we must free up the private sector to give consumers, workers, and employers the opportunity to get this country moving again. Instead of relying on increased government spending, we should reduce the tax burden on the private sector. The massive increases in government spending, and the budget deficits we have experienced for 18 out of the last 19 years, have drained resources out of the private economy, resulting in higher taxes, higher prices, and higher levels of unemployment. The American people do not want

a bigger government with bigger government deficits. They want less government spending and lower taxes, and tough controls are necessary to reduce the growth of Federal spending. Working Americans need this kind of relief, and the American economy needs it in the interests of jobs, equity, and real economic growth in the private sector.

International Trade Policies

Turning to international economic policy, I believe that the United States will be facing much tougher international competition in the coming years. International economic policy has become much more complex, but at the same time, there are increased opportunities for the United States to create jobs and promote sound growth through the sale of American industrial and agricultural goods and services.

I am deeply concerned that the United States is not properly organized to cope with a rapidly changing international economic environment much less to take advantage of the great opportunities in that environment. We have seen that in a few short years, the Japanese can virtually destroy an American industry, but we have paid very little attention to how to forecast such dangers, to give our industries early warning, and to provide them with the kind of protection or help they need to make appropriate adjustments.

Time and time again, United States effectiveness in the international economic arena is sapped by bureaucratic turf fights. This kind of wrangling can only weaken our ability to bargain effectively with foreign

countries. As Harold Malmgren, a former Deputy Special Trade Representative, recently testified:

> In fact, my own negotiating experience is that if the man across the table senses divisions behind the U.S. negotiator, he will exploit them. He will try to bring one U.S. agency into conflict with another, if he can. If he senses a way to peel away one issue from another, he will.

I believe that in addition to strengthening coordination on broader international economic policy issues, we should consolidate into a single Department of International Trade and Investment the many existing offices and agencies dealing with foreign commercial and investment policy issues. The International Trade and Investment Reorganization Act, S. 1990, which I have introduced together with Senator Ribicoff, would create such a Department by joining together the Special Trade Representatives with the international, commercial, and investment functions of the Departments of State, Treasury, and Commerce. The statistical functions of the International Trade Commission would also be placed in the Department, and the Export-Import Bank and Overseas Private Investment Corporation would be semi-autonomous elements of it.

This Department would reduce duplication and streamline decision-making on international trade and investment issues. It would join the trade negotiating and the retalitory functions, thus strengthening United States bargaining leverage in trade negotiations. By consolidating the offices and people who collect trade and investment statistics and make analytical studies, it should help develop improved forecasting of

potential trouble areas and the development of intermediate and long-range strategies for avoiding serious adjustment problems and taking advantage of new market opportunities for U.S.-produced goods and services.

I firmly believe that if the United States is going to have a first-rate foreign economic policy, we need a first-rate governmental apparatus for developing and implementing those policies. Like the other major economic powers, we should have a single agency for helping promote U.S. exports, protecting U.S. industry from unfair competition, and negotiating with foreign countries.

ADDITIONAL VIEWS OF SENATOR ORRIN G. HATCH AND SENATOR JAMES A. McCLURE

Econometric Models

We are in strong agreement with the Minority Views on supply problems and taxes and on the need for economic growth. We want to express our concern that policymakers are reducing job opportunities, living standards, and the growth of the economy by relying on an economic policy that neglects the economics of supply.

The econometric models used in the formulation of public economic policy assume that the levels of GNP and employment and the rate of economic growth are demand-determined. Following the view that the greater the spending, the greater that GNP and employment will be, economic policy focuses on increasing aggregate demand. Policymakers are preoccupied with shifting the aggregate demand schedule along the aggregate supply schedule, largely through the use of fiscal policy.

Policymakers have ignored the fact that fiscal policy produces shifts in aggregate supply in addition to shifts in aggregate demand. Fiscal policy affects the tax burden and produces incentive or disincentive effects that affect aggregate supply. For example, if marginal tax rates are changed, two important relative prices that affect output are altered. One is the price that governs the choice at the margin between additional current income or additional leisure. The other governs the choice between additional future income (savings) or additional current consumption. The higher the marginal tax

rates, the less after-tax reward there is to saving and work, and the less that additional leisure and current consumption cost in terms of foregone after-tax current and future income.

A fiscal policy that raises tax rates reduces work effort and the supply of savings for investment and reduces the level of aggregate supply. Thus, it is possible for fiscal policy to retard production even as it increases aggregate demand. If the real tax burden is, as Milton Friedman and other distinguished economists say, equal to total government spending, a fiscal policy designed to increase government spending may shift the supply schedule backward as it shifts the demand schedule forward. This would explain why fiscal policy in recent years has increasingly worked to raise the price level rather than to raise the real output of goods and services.

A fiscal policy that reduces tax rates would increase the likelihood that aggregate supply would respond to an increase in aggregate demand. Traditional multiplier analysis ignores the supply-side effects of fiscal actions. As a result, it does not give an accurate comparison of the effects on the economy of increases in government spending and reductions in personal income tax rates.

Traditional economic policy has a problem of transition from the short run to the long run. In the short run, policymakers try to maximize demand. According to a recent report by the Congressional Budget Office, a savings rate in excess of 7 percent of consumers' disposable income is bad for the performance of the economy ("Closing the Fiscal Policy Loop: A Long-Run Analysis," December 1977). According to the CBO report, which purports to

be a long-run analysis, the economy will be strong if the savings rate is less than 6 percent.

The problem with this view, if carried to its logical conclusion, is that if all income is spent in order to maximize demand, there cannot be savings to finance the investment that increases the productivity of labor and makes the economy grow. More attention to supply-side economics may let policymakers escape the short-run treadmill in which business will not invest unless consumer demand is strong, and strong demand means a savings rate below 6 percent and few real resources for investment.

The neglect of supply-side economics is best illustrated by the forecasts in recent years by two of the three big commercial econometric models of the result of a reduction in corporate income taxation. According to the econometric simulations, the result of increasing the after-tax profitability of business investment would be a decline in investment and GNP! This bizarre prediction illustrates the pitfalls in an economic theory based on the assumption that output is demand-determined. It is this kind of misguided theory that has led to big spending, big government, and big trouble.

Urban Policy

Whereas we agree with the statement that "urban policy should avoid concentrating so much on income maintenance for urban populations as to become a means of perpetuating the urban poor," we believe that most of current and proposed policy perpetuates the urban poor and the financial plight of urban centers.

Many economists believe that our large cities are becoming warehouses for the poor because political entrepreneurs saw opportunities to build their spending constituencies and acted upon them. Politicians and welfare bureaucracies have been successful in causing migrations of poor to their constituencies by offering a higher living standard in terms of welfare benefits and leisure than could be obtained by working in lower income areas from which they came. Once there, handouts are traded for votes, and the political machine rolls on. As the machine rolls on, it rolls over the productive citizens and the taxpayers, and they respond to the rising tax rates and deteriorating police and educational services by removing themselves from the machine's jurisdiction. As the Minority Views point out, "a survey of personal income growth in five older cities between 1970 and 1975 shows that the largest gain in income during this time came from increases in transfer payments rather than from private sector wages, salaries, and other income."

The other part of the machine's constituency has been municipal employees. As the Minority Views point out, "municipal employees' salaries constitute the largest single item in any urban budget...Nevertheless, there are not sufficient incentives for urban governments to resist unnecessarily large wage demands." Of course there are not, because politicians in pursuit of their self-interest trade benefits in the form of current salaries and future pensions for the bloc vote of a large and well organized group.

Strangely, the Minority Views suggest that the urban problems of escalating budgets and declining tax base are a result of affluence

which has generated accelerating demands for services such as "cleaner air, better education, modern medical care, efficient transportation systems, and an effective police department." The question is: Has affluence made our cities poor by generating demands that they could not afford, or have politicians made our cities poor by building their spending constituencies and securing their political future at the expense of the economic viability of the cities? Are some cities in trouble because they have provided quality educational and police services, or because increasingly their budgets have been allocated to their spending constituencies and not to their taxpaying constituencies?

A first principle of economics is that subsidies increase the supply of that which is subsidized. If we subsidize with Federal bailouts the political behavior that has contributed to the plight of some of our cities, then we can expect an increase in this kind of behavior. If we make it pay, it will spread to additional cities. If we establish incentives that will generate this behavior nation-wide, we will succeed in ruining the entire country. As the Minority Views point out, "increases in aid to state and local governments, in fact, claimed approximately 40 percent of the Federal government's budget increases in the decade 1965 to 1975." And things got worse. Obviously, by subsidizing the growth of political spending constituencies, the Federal government insured that they continued to grow.

We should not make it pay for cities to conduct their financial affairs in irresponsible ways nor help them keep large numbers of people in welfare-dependent positions. Unfortunately, under current policy, when cities succeed in getting into

financial difficulties, Federal money is their reward. This policy means success for urban politicians and ruin for the country.

The Minority Views point out that the older urbanized areas of the country are losing population from their privately-employed and taxpaying ranks, but the Minority Views fail to relate these facts to the taxing and spending policies of these urbanized areas. Instead, it is suggested that the loss of working population is the result of some "economic principles which favor growth outside the central city areas." If the relative decline of central city areas is not related to the taxing and spending policies of those areas, and if the relative growth of suburban areas is due to some inherent economic advantage that makes them more efficient in the use of resources, then to adopt a policy that would interfere with the shift of resources out of urban and into suburban areas would reduce the overall economic performance and rate of growth of the national economy. We believe that our urban areas are more likely to be restored by re-establishing in them incentives for financial and political discipline than by underwriting on the Federal level the kind of incentives that have led them to their present plight.

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