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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1979

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE, AND
GENERAL GOVERNMENT APPROPRIATIONS

TOM STEED, Oklahoma, *Chairman*

JOSEPH P. ADDABBO, New York
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AUBREY A. GUNNELS and C. WILLIAM SMITH, *Staff Assistants*

PART 3

EXECUTIVE OFFICE OF THE PRESIDENT

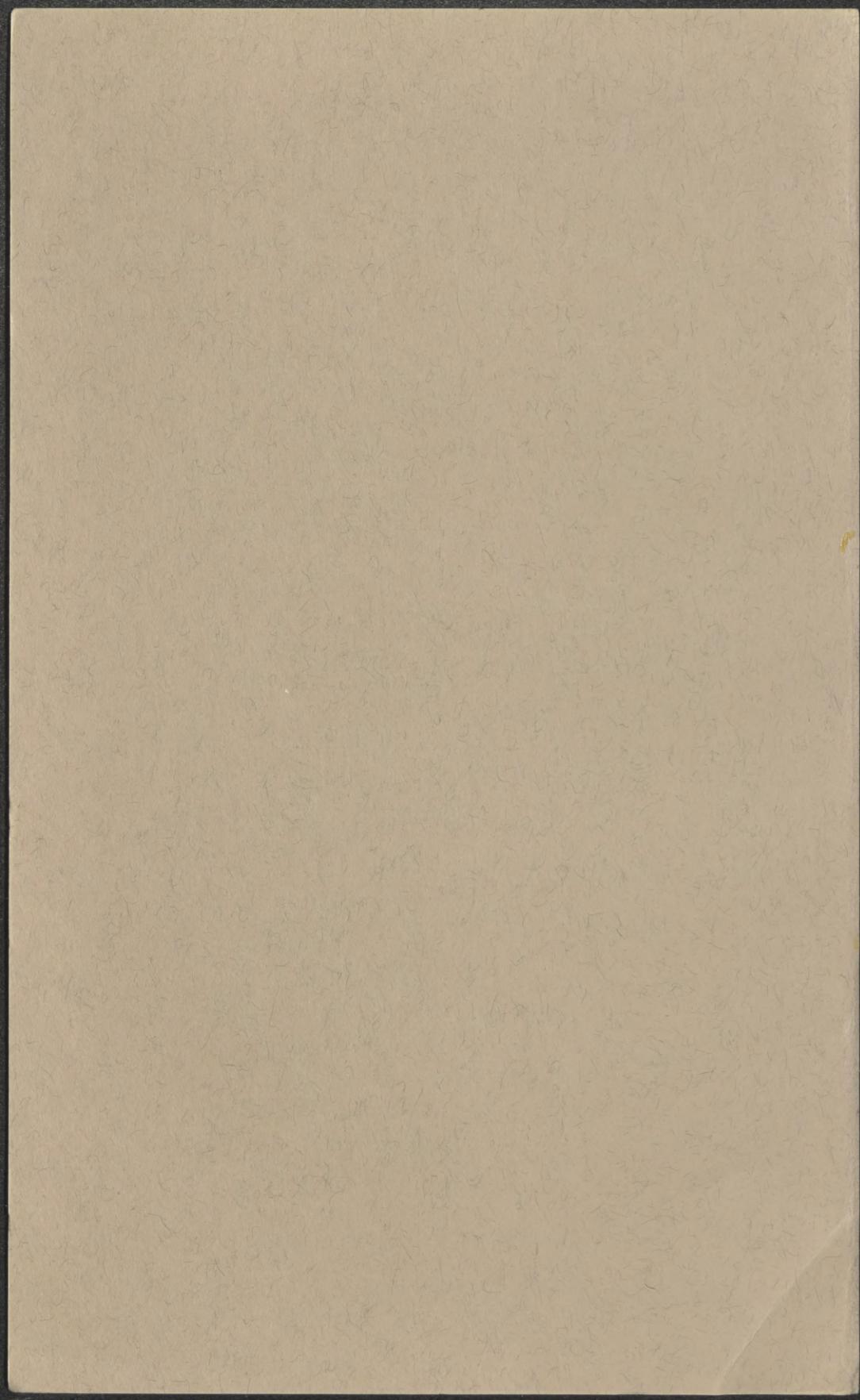
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**TREASURY, POSTAL SERVICE, AND GEN-
ERAL GOVERNMENT APPROPRIATIONS
FOR FISCAL YEAR 1979**

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**TREASURY, POSTAL SERVICE AND GENERAL
GOVERNMENT APPROPRIATIONS FOR FISCAL
YEAR 1979**

TUESDAY, FEBRUARY 7, 1978.

NATIONAL SECURITY COUNCIL

WITNESSES

MRS. CHRISTINE S. DODSON, STAFF SECRETARY
MRS. BARBARA J. DIERING, ADMINISTRATIVE ASSISTANT

OPENING OF FY 1979 HEARINGS

Mr. STEED. The committee will be in order.

Since this is the opening hearing for the 1979 budget, we congratulate you for your cooperation in making it possible for us to get the hearings started this early. The Chair would like to state it will be the policy this year to place prepared statements in the record without reading, to permit us to go directly into the pertinent questions that the subcommittee will have. It will be the policy that prepared statements be made available soon enough to make it possible for members of the subcommittee to have copies prior to the hearing.

I ask unanimous consent that we authorize the staff to make appropriate insertions in the record as may be necessary.

We have to take into consideration the target date of the March 15 budget report.

Mr. GUNNELS. Mr. Chairman, we need to act on that at a subcommittee meeting I would say not later than early next week in order to meet the target date.

Mr. STEED. Could you prepare a proposed report for consideration by the subcommittee?

Mr. GUNNELS. Yes, sir.

Mr. STEED. Also, it will be the responsibility of the staff to work with the various agencies coming before the subcommittee to take care of this matter of the prepared statements and other materials we will need.

Because of the pressure of time this year, we are going to have to keep pushing to get the hearings finished as early as possible so the subcommittee will be proceeding as best we can under whatever circumstances we are faced with.

NATIONAL SECURITY COUNCIL

We are very happy to have the National Security Council with us this morning. We have the Staff Secretary, Mrs. Dodson, and her administrative assistant Mrs. Diering. You may proceed with your statement for the record at this point.

STATEMENT OF CHRISTINE DODSON, STAFF SECRETARY OF THE
NATIONAL SECURITY COUNCIL

Mrs. DODSON. This committee has under consideration today a budget estimate of \$3,432,000 for the expenses of the National Security Council staff during the fiscal year 1979. This amount represents an increase of \$432,000 above the fiscal year 1978 appropriation, as now approved. However, shortly this committee will review a civilian pay supplemental for \$155,000 and an additional program supplemental of \$160,000 totalling \$315,000. With this in mind the fiscal year 1979 budget represents an increase of \$117,000 or under 4 percent.

In comparison with last year's budget the only projected increases are in the 11.1, 12.1, and 23.1 object classification (permanent positions, personnel benefits and standard level user charges). The projected salary increases are mandated by Executive Order No. 12010.

Mr. Chairman, the membership and general responsibilities of the National Security Council are provided for by law and are well known to the members of this committee. The NSC staff, financed by this budget request, is the supporting staff for the NSC system as it operates to meet the needs and work methods of the incumbent President.

Mr. Chairman, I believe this is a fiscally responsible and an honest budget. I would be pleased to answer your questions.

Mr. STEED. The 1978 budget for the National Security Council is \$3 million with a supplemental pay increase of \$155,000, and a supplemental program increase of \$160,000, bringing the 1978 proposal to \$3,315,000.

The request for 1979 is \$3,432,000, an increase over 1978 of \$117,000.

Could you give us just a brief summary of what this \$117,000 increase is for? I assume that absorbs all of the pay increase and other normal increases.

Mrs. DODSON. Yes, it absorbs the pay increases, and if you look at the actual object classification paper, you will note the rest of it is, in effect, the increasing rent imposed on us by the GSA, and very minor inflationary increases in some of the other categories.

We go, for instance, from \$65,000 to \$70,000 for our telephone and telegraph bills and from \$35,000 to \$40,000 in supplies and materials and from \$20,000 to \$25,000 in equipment.

Mr. STEED. In other words, it requires this amount of additional money to continue to do the same thing at the same level you did during the current fiscal year?

Mrs. DODSON. Very much so.

DETAILED PERSONNEL

Mr. STEED. How much support do you get from other government agencies in personnel?

Mrs. DODSON. We have this year 26 officers and support staff detailed to us from other agencies. Some are reimbursable and some not, as you know; some of the agencies we reimburse and some we do not.

Mr. STEED. Why will you reimburse some and not others?

Mrs. DODSON. This is very much up to the agency that will detail an officer or support staff member to us. It is in general the practice of the Central Intelligence Agency not to ask for reimbursement of the officers but to ask for reimbursement of the support staff.

It is the practice of the Defense Department not to ask for reimbursement for any of its officers or enlisted personnel.

It is the practice of the Department of State to ask for reimbursement for everyone.

Mr. STEED. Do you have a situation where CIA, for instance, would be providing personnel as much because of your work and their work matching along together and more a participation by them than a donation to you?

Mrs. DODSON. No. In general the people we receive from any of our agencies are clearly detailed to us. In fact, there is an agreement we have with these agencies that as long as these people work with us they are not to report to their parent agencies.

Mr. STEED. Is this the only outside help you get? Do you get any other type of financial aid?

Mrs. DODSON. None at all.

I have to correct this. I have to say occasionally we do have volunteer students who, as part of their semester in Washington, may work a very brief time for us, but these would not be agencies.

Mr. STEED. Is there a variation in the amount of time these outside people serve with you? They are not on a permanent basis?

Mrs. DODSON. Normally they are detailed for two years to our agency. This does not mean that the person may not be returning to his parent agency earlier than two years or that we may not ask for an extension after the two years are over; but the formal papers we exchange with the personnel offices assume a detail of two years.

Mr. STEED. Are any of these people made available to you because a special type of project you need them for or just available for whatever need you put them to?

Mrs. DODSON. It is the needs we have and the specialties the officers would have. The support staff, of course, is essentially secretarial help.

COUNCIL OPERATIONS

Mr. STEED. How has the Council worked this year compared to prior years? Have the number of meetings you held and the reports, the documents, prepared been about normal?

Mrs. DODSON. I am afraid I do not know what normal is, but compared to other administrations, no. I would say the one thing that is quite different this year is the number of meetings of the

National Security Council itself. We have had seven meetings of the Council throughout the whole year.

There are other ways that the top decision-makers in the field of foreign and defense policy now meet; not necessarily through the formality of the National Security Council. As you know, the way that the National Security Council is run reflects very much the personal style of the specific President. President Carter, for instance, has instituted what he calls a Foreign Affairs Breakfast every Friday morning at some very early hour, and he and the Vice President, the Secretary of State, and the Assistant to the President for National Security Affairs meet to discuss that which may also be discussed in the more formal environment of the National Security Council.

There is a luncheon where the major participants are the President, Vice-President, the Director of Central Intelligence, and the Assistant to the President where matters particularly pertaining to the intelligence community will be discussed.

Other Secretaries also meet informally among themselves, have lunches and discuss.

It is also important to note that in the new National Security Council the two committees below the National Security Council, in other words the Policy Review Committee and the Special Coordination Committee, are at the Cabinet level. This is, in other words, a principals meeting which in many respects—in fact, it would be the identical membership of the National Security Council itself, without the President.

Mr. STEED. Do you know in advance everybody who is going to be at a Council meeting?

Mrs. DODSON. Absolutely. We have to.

Mr. STEED. There is no such thing as a casual drop in?

Mrs. DODSON. No. It is a formal arrangement where we invite specific people.

Mr. STEED. They have to have proper security clearance?

Mrs. DODSON. Yes.

Mr. STEED. That also goes for the folks assigned by their agencies?

Mrs. DODSON. The security clearances are of the National Security Council. Even if you hold a clearance with the CIA or Defense Department or State, you still have to be cleared through the processes of the National Security Council.

Mr. STEED. Any variations of the attendees at Council meetings would be only at the wish of the President?

Mrs. DODSON. Yes.

Mr. STEED. In other words, if the Secretary of State thought there would be somebody he would like to have at a meeting, he would have to clear that through the President?

Mrs. DODSON. Through the President or through Mr. Brzezinski.

Mr. STEED. Do the number of meetings that the Council has reflect the international situation in terms of what the concern of the national security normally is? In some years we have had shooting wars going on and other disturbances, and we get a feeling, now, that type of problem is not quite as extensive as it has been. Are these fewer meetings a reflection of a calmer attitude?

Mrs. DODSON. No, I would not say this would be the cause for it, because I am trying to remember—as you know, I have been with

the National Security Council only one year—at the time of Vietnam not many of the meetings of the National Security Council were about Vietnam. There was another standing group below the National Security Council that dealt with that subject on an ordinary basis.

The Council is called to consider very many different types of things. Negotiations would be a subject for the Council.

Mr. STEED. Would a thing like the Mideast problem of the moment, where Egypt and Israel have been having some very unusual meetings, have any impact on your workload?

Mrs. DODSON. Very much so. We have a Mideastern section that is fully involved, fully busy. In fact, we have had to make some additional personnel assignment to them.

Mr. STEED. Would it be fair to assume that you have allocated a very real amount of your time in the last year or so to the situation in Africa?

Mrs. DODSON. The situation in Africa is of great concern, obviously, to the National Security Council.

Mr. STEED. How would the Council become involved in an area that we would call, as a general thing, space? We have this recent incident in Canada where a space vehicle crashed, and we hear about all these different space objects soaring around the earth. This creates certain international problems.

I just wondered if you get work spinning off from that sort of situation.

Mrs. DODSON. We can specifically discuss that. At the point that the White House was informed of the impending decline in the orbit of the particular Soviet satellite, the White House and National Security Council set up an ad hoc group headed by the science officer of the National Security Council with representatives from all concerned agencies, including NASA, of course. This group acted as a monitoring group of the progress of the satellite. It was a group that would keep the President and the Assistant for National Security Affairs informed of every development. They were the first ones to screen the messages that came through, to keep absolutely on top of the situation, to be available for any kind of critical alert.

Once this situation was resolved, the same ad hoc group, with perhaps different representation, because now the problem has changed of course, will—I assume—follow up on what needs to be done so that we would not have such a situation happen again, or how best to handle it when it arises again.

Mr. STEED. You have, then, a very real input into what may or may not become policy decisions by the President in the months ahead?

Mrs. DODSON. We would definitely coordinate the activities of the other agencies and coordinate this, yes.

Mr. STEED. This is a fairly typical illustration of what generates workload?

Mrs. DODSON. This is a good illustration, yes.

Mr. STEED. You use the word "consolidate" or "review," and of course a part of your function does come in that category?

Mrs. DODSON. This particular incident comes under that part of the National Security Council's work which we would call almost crisis management.

Mr. STEED. If you had two agencies with a different viewpoint, one thinking these facts mean this and another thinking they had a variation from that, would you make both of those viewpoints known to the President?

Mrs. DODSON. Yes, sir, this is very much the work of the National Security Council, to try to identify differences of opinion, try to reconcile them before bringing them to the President.

INFORMATION GATHERING AND PRESIDENTIAL BRIEFING

Mr. STEED. In addition to these obvious special things we all know about that go on all through time, on a day-to-day basis or regular basis, what do you do? Do you have daily reports or weekly summaries or anything of that sort that you make available to the President and the other members of the Council?

Mrs. DODSON. Yes. The President receives from the Assistant to the President for National Security Affairs an evening report. It is, in effect, the summary of the activities of the day that would be of interest to the President. He also prepares for him a weekly report. He also, as you perhaps know, gives him a morning briefing every morning based on the summary of the news that has come through from various sources of information so the President will be best informed of what is going on.

Members of the National Security Council, such as the Secretary of State and Secretary of Defense, I believe, also submit to the President daily reports of their own activities.

Mr. STEED. Have you had any marked improvement in the communication that this sort of work requires in terms of acquisition of information—the world is a big place even though we sometimes think it has shrunk some—and matters of concern to you going on all over the globe? What about accessibility and speed with which information can be brought to you from all over? We know a lot of improvement has been made in all types of communication, what with satellites and things of that sort. Have you been able to reap the benefit of this sort of thing?

Mrs. DODSON. We have, as you know, in the White House the Situation Room, which is in effect a terminal station for a number of lines of information that come from the Central Intelligence Agency, from NSA, from the Department of State, Defense, and other sources. We depend upon and use the White House Communications Agency, which is essentially sponsored by the Department of Defense, to keep our hardware and our software as up to date as possible.

We, of course, cannot compare with an installation like the Command Center of the Department of Defense. But since critical alerting of the President is the key function of the Situation Room, it is a major responsibility of the White House Communications Agency to keep it as up to date as possible. So I would say yes, we certainly stay up to date and keep developing.

Mr. STEED. Since there is bound to be a fairly sizeable volume flowing, probably sometimes much greater than others, there has to

be some sorting out and evaluating. Do you decide how much of this and what form this ongoing flow of information will be prepared for the members of the Security Council, or do they get the whole thing?

Mrs. DODSON. The members of the National Security Council, other than the President and the Vice President, of course, have their own sources of information in their own departments.

For the President and the Vice President, yes, the operation of the Situation Room and Dr. Brzezinski would be responsible for filtering the information and bringing to their attention from this mass of cables and communications those that they consider most important.

Mr. STEED. Then at any given point, if the President wanted additional information, there would be a special request that you would fill?

Mrs. DODSON. Yes. We have lines to all the command centers and operations centers of the major departments.

Mr. STEED. Could you give us just a brief summary of your report on the year's activities?

YEAR-END REPORT

Mrs. DODSON. Again I would have to preface this with my lack of experience with any other years. This is the first and only year I have worked at the National Security Council.

We consider it a good year because we feel that the bases for some very important policies of this administration have been articulated.

From the National Security Council's viewpoint it was a good year for us because we think we now know how best to operate with our other member agencies. This is difficult in the beginning. You have new people, you have to learn to work with them, learn what is the best balance.

We enjoy very much the atmosphere of openness and cooperation we have within the White House and Executive Office of the President. We have a feeling of access to the President, which is very important to us. I think our member agencies—I may be putting words in their mouths—agree that the NSC system is a system we have been impressed with. It is a good coordinating system.

Mr. STEED. The manpower situation has produced no problems for you? You were able to get the skills and the expertise you hire?

Mrs. DODSON. We have the expertise in terms of getting the very best there is. We still would like to be able to expand our staff a bit to get probably two more substantive officers and get more support for them. This is, as you know, the basis of our program supplemental request.

Mr. STEED. Mr. Miller?

FOIA ACTIVITY

Mr. MILLER. Thank you, Mr. Chairman.

Mrs. Dodson, you mentioned last year that because of the Freedom of Information Act you would have many inquiries, perhaps 20,000 inquiries coming to your office. Has that materialized?

Mrs. DODSON. I have the information with me. We have had an increase, we figure, of approximately 30 percent over the calendar year 1976.

In terms of total pages, we have come out to something like 17,000 pages. It seems to be something that is just steady.

I think what happens above all is that the public is becoming more aware of the FOIA legislation with each passing day and therefore there are more requests.

Also this year we have had a great increase on the Privacy Act requests, which is something we did not have before. A lot of it was from Missing-In-Action families. It is a steady thing, absolutely steady flow.

Mr. MILLER. Do you find it is the same sort of inquiry that people are after? We had the impression that in some of the agencies people would be gathering information, for a book, and they wanted, you to help them write the book. Do you find this type of thing prevails in those questions you are asked?

Mrs. DODSON. Yes. I think if you exempt the special cases like the Missing-In-Action families, many of whom submitted Privacy Act requests, the bulk of the requests come from scholars in libraries who in one way or the other are involved in research and would like to get as much information as they can.

Mr. MILLER. You have a computer service, I see. You have contracted for that. Would a lot of the information be in that computer where it would be readily available so that it would be fairly easy to get and take less time to answer the request?

Mrs. DODSON. The computer system that the National Security Council has both for its Freedom of Information and Executive Order 11652 requests, and it is normal paper flow, is essentially an indexing system. It has no text. It is a way to help us identify documents. It is very useful to us because we can search a request through a computer and by a filing system we can go to the actual documents. But there is no text of the documents in the computer.

OTHER CHARGES

Mr. MILLER. You had mentioned in the budget an amount for, as I see it, Social Security. Is that correct?

Mrs. DODSON. Social Security? I do not recognize it.

Mr. MILLER. Under 12, contributions for retirement, FICA, hospitalization benefits, etc. That would be Social Security?

Mrs. DODSON. That is right.

Mr. MILLER. Who would be covered? What type of personnel would be covered that it would require the Social Security payment?

Mrs. DIERING. That would be your full-time permanents.

Mr. MILLER. Permanent personnel. Is that a normal procedure? I have not seen it before.

Mr. GUNNELS. Not for a Civil Service personnel; for a non-Civil Service, temporary—we are talking about Social Security now.

Mrs. DODSON. May we look into it and let you know?

Mr. MILLER. Perhaps some military are involved?

Mrs. DIERING. No, sir, because the military is Defense Department. The Defense Department would handle their retirement.

Mr. MILLER. If you can submit that for the record, we would appreciate it.

[The information referred to follows:]

The National Security Council contributes FICA retirement payments to those of its employees excluded from the civil service retirement coverage: (1) Employees serving under appointments limited to one year or less. (2) Consultants.

COORDINATION WITH DOMESTIC POLICY

Mr. MILLER. You also note that the National Security Council advises the President with respect to domestic, foreign and military policy relating to national security. When you say domestic, what do you mean?

Mrs. DODSON. We have an excellent example. I was hoping you would ask this question. As you know perhaps as a result of Reorganization Plan No. 1 which has gone into effect—the unit of the Executive Office of the President that used to be called the Domestic Council and which is now called Domestic Policy Staff, has been instructed to organize its activities along the lines the National Security Council operates.

Their first study is a study of proposed legislation as a result of the Protection of Privacy Act. In that domestic policy study, for instance, there is of course a very large part that has international implications, both in the sense that we are very anxious to come up with legislation that will extend to Americans living or working abroad the same protection they enjoy at home, and, the reverse, monitor foreign developments. For instance, European countries currently are going through a phase of passing legislation on the protection of privacy, which has a lot of impact on American national interests, not the least of which, of course, is trade barriers.

This is a case where we go and study the data from an international angle but stay close to the Domestic Council's progress, so this legislation would not go in different directions. We are directly involved in their project, and they are represented on ours.

RENTAL CHARGES

Mr. MILLER. I notice under item 23, rent, communications and utilities, you speak of the increase in communications but in office space now occupied. We have an interest in that too because GSA appears before our subcommittee and apparently, there would be a GSA charge for office space of \$310,000.

Mrs. DODSON. Yes.

Mr. MILLER. That seems like an extreme amount for the amount of personnel you have.

Mrs. DODSON. That is quite true. As a matter of fact, we moved, we consolidated and saved a number of thousand of square feet. I have full details, if you want them. It is costing \$11.54 per square foot.

Mr. MILLER. That seems a little bit high. Perhaps it would be the type of facility that you have. Where is it located?

Mrs. DODSON. The old Executive Office Building, the third floor. We have some special charges for the vault. This is considered a special installation. I would say other than that, our space is just plain office space.

Mr. STEED. If the gentleman would yield. I have been, on some occasions, to some conferences down there where there is what obviously is a conference room that would be available to many different segments of the White House staff. Do you share any of those type meeting facilities in the Executive Office Building?

Mrs. DODSON. The Executive Office Building, not the White House Conference Rooms. We control the use of a conference room, and of course if we are not using it and some other office wants to use it, we are happy to give it to them.

Mr. STEED. In other words, the paramount responsibility is with the Council?

Ms. DODSON. That is right. In addition to our office space, I would say this is the one that we have, which would not be just straight office.

Mr. MILLER. And the charges for that conference room are picked up in total by the Council and would be reflected in that \$310,000?

Mrs. DIERING. The charges are shared with other EOP units but, yes, they are reflected in the \$310,000.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. Ladies, we are very appreciative of your cooperation and your presentation. We wish you well. We have a long hearing scheduled to complete before we get down to making any decisions, but we would not forget the National Security Council.

***** Insert Offset Folios 29-34 *****

NATIONAL SECURITY COUNCIL
OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 77 actual	19 78 estimate	19 79 estimate
11-2000-0-1-802			
Personnel compensation:			
11.1 Permanent positions.....	1,413	1,600	1,765
11.3 Positions other than permanent.....	193	158	161
11.5 Other personnel compensation.....	208	180	180
11.8 Special personal services payments.....	616	348	353
Total personnel compensation.....	2,430	2,286	2,459
Personnel benefits:			
12.1 Civilian.....	140	160	177
21.0 Travel and transportation of persons.....	107	110	110
22.0 Transportation of things.....			
23.1 Standard level user charges.....	192	183	310
23.2 Communications, utilities and other rent.....	62	65	70
24.0 Printing and reproduction.....	2	5	5
25.0 Other services.....	196	291	236
26.0 Supplies and materials.....	45	35	40
31.0 Equipment.....	82	20	25
32.0 Lands and structures.....			
33.0 Investments and loans.....			
41.0 Grants, subsidies, and contributions.....			
42.0 Insurance claims and indemnities.....			
43.0 Interest and dividends.....			
44.0 Refunds.....			
.....			
.....			
99.0 Total obligations.....	3,256	3,155	3,432

NATIONAL SECURITY COUNCIL
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code	19 77 actual	19 78 estimate	19 79 estimate
11-2000-0-1-802			
<u>Program by activities:</u>			
10.00 Policy and operations coordination (costs - obligations)	3,256	3,155	3,432
<u>Financing:</u>			
25.40 Unobligated balance lapsing	14	---	---
<u>Budget authority</u>	3,270	3,155	3,432
<u>Budget authority:</u>			
40.00 Appropriation	3,270	3,000	3,432
44.20 <u>Supplemental now requested for civilian pay raises</u>	---	155	---
<u>Relation of obligations to outlays:</u>			
71.00 Obligations incurred, net.....	3,256	3,155	3,432
72.40 Obligated balance, start of year...	626	710	670
74.40 Obligated balance, end of year ...	-710	-670	-675
77.40 Adjustments in expired accounts..	-207	---	---
90.00 Outlays, excluding pay raise supplemental	2,965	3,045	3,422
91.20 Outlays from civilian pay raise supplemental	---	150	5

NATIONAL SECURITY COUNCIL
SALARIES & EXPENSES

PERSONNEL SUMMARY

Identification code	19 77 actual	19 78 estimate	19 79 estimate
Total number of permanent positions.....	70	64	64
Full-time equivalent of other positions.....	8	8	8
Average paid employment.....	92	86	86
Average GS grade.....	11.16	11.58	11.67
Average GS salary.....	\$20,064	\$25,000	\$27,578

NATIONAL SECURITY COUNCIL
SALARIES & EXPENSES

DETAIL OF PERMANENT POSITIONS

	1977 actual	1978 estimate	1979 estimate
<u>GRADES</u>			
GS-18	4	5	5
GS-17	1	3	2
GS-16	6	4	4
GS-15	5	4	7
GS-14	4	4	4
GS-13	5	4	5
GS-12	3	4	3
GS-11	5	5	5
GS-10	10	5	8
GS-9	7	14	6
GS-8	11	7	8
GS-7	4	3	3
GS-6	5	2	4
Total permanent positions	70	64	64
Unfilled positions, end of year	8	---	---
Total permanent employment, end of year	62	64	64

NATIONAL SECURITY COUNCIL

JUSTIFICATION OF ESTIMATES -- OTHER OBJECTS -- FY 1979

12	PERSONNEL BENEFITS	\$177,000
	Contributions for retirement, FICA, life insurance and hospitalization benefits.	
21	TRAVEL AND TRANSPORTATION OF PERSONS	110,000
	Attendance of NSC staff members at conferences and meetings on national security affairs, both domestic and foreign; consultant and contractor travel; official taxi fares.	
23	RENT, COMMUNICATIONS AND UTILITIES	380,000
	For local telephone service, toll calls, FTS, telegraph and cable charges, wire services (\$70,000); pro-rata charge for office space now occupied (\$310,000).	
24	PRINTING AND REPRODUCTION	5,000
	For stationery, printed forms, and GPO publications.	
25	CONTRACTUAL AND OTHER SERVICES	236,000
	25.1 Other services	
	Rental of reproduction machinery and equipment used in document control; maintenance of typewriters, office machines and microfilming equipment; safe repairs; maintenance of pneumatic tube system; leasing of computer terminal for payroll system	\$81,000
	Analysis and technical assistance, computer programming and leased equipment for evolutionary improvement of information handling systems in support of the President and the Council	\$30,000
	Contractual assistance in the study of long-range and in-depth policy questions directed by the Council	\$80,000

25.2 Services of Other Agencies

Reimbursement for employee health
 room facilities, building alterations
 to accommodate personnel and equipment;
 moving services; building services;
 rental of automobile from Interagency
 Motor Pool \$45,000

26 SUPPLIES AND MATERIALS 40,000

For administrative and office supplies,
 newspapers, periodicals, maps and charts.

31 EQUIPMENT 25,000

General office equipment and books,
 including replacement items.

TOTAL -- OTHER OBJECTS \$973,000

THURSDAY, FEBRUARY 23, 1978.

OFFICIAL RESIDENCE OF THE VICE PRESIDENT

WITNESSES

REAR ADMIRAL ROBERT F. JORTBERG, USN DIRECTOR, SHORE FACILITIES PROGRAM DIVISION, OFFICE OF CHIEF OF NAVAL OPERATIONS
CAPTAIN FEDERICK N. MANGOL, USN, ASSISTANT DIRECTOR OF BUDGET AND REPORTS, OFFICE OF THE NAVY COMPTROLLER

MR. DAVID W. TIEDGEN, SERVICEWIDE SUPPORT ANALYST, OFFICE OF THE NAVY COMPTROLLER

Mr. STEED. The committee will be in order.

The committee will now take up the 1979 budget request for the Official Residence of the Vice President. There were operating expenses of \$121,000. The operating expense request for 1979 is \$129,000, an increase over 1978 of \$8,000.

We are very pleased to have you with us today, Admiral Jortberg. Admiral, would you like to identify your associates for the record?

Admiral JORTBERG. Thank you very much, Mr. Chairman, I am accompanied by Captain Frederick Mangol, Assistant Director of Budget and Reports, Office of the Navy Comptroller, and Mr. David W. Tiedgen, Servicewide Support Analyst, Office of the Navy Comptroller.

Mr. STEED. We will include your statement as though read at this point and go right into the questions.

FY 1979 BUDGET REQUEST

Admiral JORTBERG. Mr. Chairman and members of the committee, I welcome the opportunity to once again present the Department of the Navy's fiscal year 1979 budget request for the appropriation, Official Residence of the Vice President.

The fiscal year 1979 request is \$129,000. This is eight thousand more than the \$121,000 that was appropriated for this function in fiscal year 1978. This increase results largely from the increased price of utilities consumed at the residence as well as additional recurring maintenance and alteration requirements.

The fiscal year 1979 request reflects the same level of programmatic effort that is currently being experienced in fiscal year 1978. There are no major improvements or upgrading of the residence included in this budget request. The fiscal 1979 request also reflects a continuation of the \$60,000 appropriated in fiscal year 1978 for official entertainment expenses that will be incurred by the Vice President.

The funding requirements by function are furnished in Table 1. [Table 1 and biographical sketch follow:]

TABLE 1
FUNCTIONAL AREAS

FUNCTION	FY 1977	FY 1978	FY 1979
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Utilities	\$ 8,000	\$13,000	\$15,000
Maintenance of residence	27,000	20,800	24,000
Alterations & improvements	4,000	1,000	2,000
Supplies	2,000	2,000	2,000
Reception assistance	1,500	2,500	2,700
Furnishings	7,000	8,500	8,500
Vehicle lease	3,000	3,000	3,500
General administration	2,000	3,700	3,900
Services	2,000	3,500	4,100
Equipment maintenance	3,500	3,000	3,300
Official entertainment	<u>30,000</u>	<u>60,000</u>	<u>60,000</u>
Total	\$91,000	\$121,000	\$129,000

ROBERT F. JORTBERG

Rear Admiral, Civil Engineer Corps, U.S. Navy

Admiral Robert F. Jortberg, Civil Engineer Corps, U.S. Navy, became Director, Shore Facilities Programming Division on the staff of the Chief of Naval Operations in August of 1974. Prior to that, he was the Commanding Officer, Western Division, Naval Facilities Engineering Command, San Bruno, California. Admiral Jortberg was the last Navy Officer in Charge of Construction, Viet Nam and closed out the large joint venture contract, Raymond, Morrison-Knudsen, Brown, Root and Jones in October 1972. He previously served at the U.S. Naval Academy as the Deputy for Management and as the Public Works Officer and Resident Officer in Charge of Construction from 1969-1972. He served as the Southeast Asia Program Coordinator at the Naval Facilities Engineering Command Headquarters from 1967-1969 and earlier as the Director of the Military Construction Program Management Staff. His assignments with the Navy Seabees have included duty as the Chief Staff Officer, 30th Naval Construction Regiment in Viet Nam, Operations Officer, Commander, Construction Battalions, U.S. Atlantic Fleet and as the Commanding Officer and Executive Officer of Naval Mobile Construction Battalion Seven. He was assigned as the Civil Engineer Corps Detail Officer in the Bureau of Naval Personnel from 1964-1966. Admiral Jortberg's Public Works duty has included assignments at the Portsmouth

OFFICIAL ENTERTAINMENT

Mr. STEED. You have a very modest request. Will you explain that?

Admiral JORTBERG. Primarily the increase is in utilities and in recurring maintenance. Virtually all are associated with the Civil Service personnel at the residence, people employed in the Public Works Department at the Naval Observatory. The level of effort is essentially the same as before.

Mr. STEED. What part of the 1978 budget has been spent for entertainment?

Admiral JORTBERG. There was a total of \$60,000 in the fiscal year 1978 budget estimate for entertainment. To my knowledge during fiscal year 1978 we will use all of that. There is no expectation of using any of the entertainment money for other purposes.

Mr. STEED. As you know, Admiral, we have been having trouble with all executive office items. We are hopeful we will have legislation to put that all back on track so we won't have these recurring points of order.

Is this particular part of the cost authorized by legislation? Is that one of the things we have to get corrected?

Admiral JORTBERG. I understand there is an issue between the House and Senate as to the basis for the appropriation for entertainment expenses. When it was first proposed before your committee, it was considered inappropriate to be included in the House appropriation bill because there was no authorization for it. It was included in the Senate where apparently the rule is different and it was accepted in the conference and I understand that is the procedure by which the appropriation was ultimately approved.

Mr. STEED. This method of going to the Senate and bringing it back under a separate vote has been the only way we can cope with the problem in past years but we are now under notice from some of the other members that we are going to be contested if that happens again this year. So that is why we have been anxious to have a law passed to authorize these things.

Admiral JORTBERG. From the Navy point of view, we would express no preference in the matter. If it is desired to be included in an appropriations bill, we will do that.

Mr. STEED. I think you find yourself somewhat in the same position we are in. We get in a crossfire between rules and I think sometimes we rule ourselves into more problems than we solve.

What is the breakdown of your expenditures for operation and maintenance of the residence?

Admiral JORTBERG. For the fiscal 1979 budget, we anticipate \$15,000 for utilities, \$24,000 for the maintenance of the residence, and \$8500 for furnishings. There are other items, equipment maintenance for \$3300, alterations and improvements, \$2,000; supplies, \$2,000, and reception assistance, \$2700. I believe that adds up, very closely, to the whole. We can expand that for the record so you will have an entire breakdown.

[The information referred to follows:]

OPERATION AND MAINTENANCE

Function	FY 1979 Estimate
Utilities	\$15,000
Maintenance of residence	24,000
Alterations & improvements	2,000
Supplies	2,000
Reception assistance	2,700
Furnishings	8,500
Vehicle lease	3,500
General administration	3,900
Services	4,100
Equipment maintenance	3,300
Official entertainment	60,000
Total	\$129,000

MANPOWER

Mr. STEED. That is very much the same as it has been.

Admiral JORTBERG. Yes.

Mr. STEED. The security is provided by Secret Service?

Admiral JORTBERG. Yes, sir. The Navy has no role in the security budget.

Mr. STEED. Since there are no positions funded in this account, are the wages of the people you use there covered as regular Naval employees?

Admiral JORTBERG. Yes, sir, they are on the rolls of the Naval Observatory in the Public Works Department.

We don't have a fixed number of people there one hundred percent of the time.

Mr. STEED. In other words, whatever manpower you provide from the Navy work force, this fund would permit you to reimburse for that and therefore you don't have the cost of having the people on board to be paid when you don't need them?

Admiral JORTBERG. That is correct, sir.

Mr. STEED. Has the matter ever come to your attention as to why we do this through the Navy the way we do, rather than handle it as a separate direct item with the employees all being on the residence payroll as the White House has done?

Admiral JORTBERG. Mr. Chairman, I think it was simply a matter of convenience at the time the decision was made to establish this residence as the temporary official residence of the Vice President. It had been the residence of the Chief of Naval Operations. The Public Works Department at the Observatory had supported it. The people who worked there were familiar with the house and its peculiar problems as an old structure.

We are not talking about a large number of people and I think it was simply a matter of convenience to leave it with the Navy.

Mr. STEED. Wouldn't it be fair to say if you had gardeners and other people that you would be duplicating what the Observatory already has?

Admiral JORTBERG. There would probably be some duplication of people if we had two separate work forces at the location.

Mr. STEED. It makes it a more economical operation for it to be handled as it is.

Admiral JORTBERG. Yes. The maintenance of the grounds around the house is financed by the Navy; it is a Naval appropriation. That was a decision, as I understand it, by the Congress.

Mr. STEED. The traffic in and out of the house makes it a concern?

Admiral JORTBERG. Yes, sir.

Mr. STEED. Mr. Miller.

Mr. MILLER. Can you tell us why the \$8500 for furnishings and what that money is used for?

Admiral JORTBERG. When the house was converted and Vice President Rockefeller was the first resident, almost all the money was used to upgrade the structure. It was essentially required. There were some structural repairs accomplished; there was some work done in the basement. The Rockefellers furnished the house primarily with their own furniture.

OFFICIAL ENTERTAINMENT

Mr. PATTEN. Including that big bed?

Admiral JORTBERG. That was his, sir.

Mr. PATTEN. He took it with him?

Admiral JORTBERG. To the best of my knowledge.

When the residence was occupied by Vice President Mondale, it was larger than the home he left. Some articles of furniture were left by the Rockefellers. Rather than go forward in any large amount in any given year, we have just budgeted for what we think will be a modest amount on an annual basis.

Mr. MILLER. Can you tell us something about the official entertainment? It was \$30,000 and now it has increased to \$60,000 for '78 and '79.

Admiral JORTBERG. The amount of \$30,000 was essentially for half a year; \$60,000 is thought to be the appropriate level for the full year. This is not a number the Navy has recommended to the Vice President's staff. It is an amount the Vice President's staff has developed and asked us to include in the budget. While we are accountable for it, we really don't feel it is proper to ask the Vice President to explain to us how he is going to use it. So I don't have detailed knowledge on how it would be used. We could obtain that information from his staff or arrange for somebody representing him to speak to that, if you wish.

Mr. MILLER. It is double the amount you say? The first appropriation was for \$30,000 but only for a half year. I guess we haven't had an answer on that, whether it is relieving a load in the White House. Again, when he entertains—is it necessary for the dignitaries visiting our country to be entertained?

Admiral JORTBERG. That was the rationale for it, sir, and a staff member reminded me it was estimated at \$5,000 a month and that is how the \$30,000 number was developed for the first estimate and \$60,000 for the annual figure.

Mr. MILLER. We are aware it does cost something for this and it might be hard for me to sell that to my constituents back home. So if we could have any additional information on that, I would appreciate it.

One other question. Last year we discussed about a new roof being necessary and it may cost as much as \$75,000 and it might be in this '79 budget. Was the roof repaired, replaced, or was it decided not to do anything about that?

Admiral JORTBERG. It was decided not to include it in this budget and it has had interim repairs performed. We patch a leak when it occurs and we are watching it carefully. It is a slate roof. The structure has steep slopes and there are many different parts to it. It will be expensive.

Our estimate of \$75,000 we still think is valid and, of course, as we delay it, the cost will be somewhat increased by inflation. It will have to be done some time. We are not really sure when. We didn't want to ask for it any earlier than we felt truly required.

Mr. MILLER. So the problem is still pending?

Admiral JORTBERG. Yes, sir.

Mr. MILLER. Thank you. Thank you very much.

Mr. STEED. Mr. Patten.

Mr. PATTEN. No questions.

Mr. STEED. We appreciate your being here and your cooperation, and the information you have given us.

Admiral JORTBERG. Thank you very much.

Mr. STEED. We hope that we will be able to handle this under the rules this year, but we will have to wait and see.

Admiral JORTBERG. If there is anything you would like us to do in terms of including authorization language in any bills, we would be delighted to handle it in some appropriate way.

Mr. STEED. The subcommittee is adjourned.

[Justification follows:]

EXECUTIVE OFFICE OF THE PRESIDENT

Official Residence of the Vice President

For the care, maintenance, repair, and alteration, furnishing, improvement, heating and lighting, including electric power and fixtures, of the official residence of the Vice President and for official entertainment expenses of the Vice President, to be accounted for solely on his certificate, \$129,000: Provided, that advances or repayments or transfers from this appropriation may be made to any department or agency for expenses of carrying out such activities.

(Executive Office Appropriation Act, 1978)

DEPARTMENT OF THE NAVY
OFFICIAL RESIDENCE OF THE VICE PRESIDENT
Program and Financing (In Thousands of Dollars)

Identification Code 11-0211-0-1-802

Program by Activities:

Direct Program:

10. Support of the Official Residence of the Vice President
40. Budget Authority (Appropriation)

Relation of Obligations to Outlays:

71. Obligations Incurred, Net
72. Obligated Balance, Start of Year
74. Obligated Balance, End of Year
77. Adjustments in Expired Accounts
90. Outlays

	<u>FY 1977 Actual</u>	<u>FY 1978 Estimate</u>	<u>FY 1979 Estimate</u>
	91	121	129
	<u>91</u>	<u>121</u>	<u>129</u>
	91	121	129
	209	44	54
	-44	-54	-12
	<u>-11</u>		
	245	<u>111</u>	<u>171</u>

DEPARTMENT OF THE NAVY
OFFICIAL RESIDENCE OF THE VICE PRESIDENT
Object Classification (In Thousands of Dollars)

Identification Code 11-0211-0-1-802

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>

Direct Obligations:

25.0 Other Services

91

121

129

DEPARTMENT OF THE NAVY

Operating Expenses, Official Residence of the Vice President

(In Thousands)
 FY 1979 Estimate - \$129
 FY 1978 Estimate - \$121
 FY 1977 Actual - \$ 91

Purpose and Scope of Work

These funds provide for purchase, lease, and operation of appropriate equipment, furnishings, improvements, alterations, maintenance, repairs, services, and other provisions as may be required under the supervision of the Vice President to enable him to perform and discharge appropriately the duties, functions, and obligations associated with his office. The estimates also include official entertainment expenses of the Vice President.

Justification of Funds

The fiscal year 1979 request of \$129 thousand will provide for the continuous day-to-day habitability, up-keep and operational services of the Vice Presidential residence. The increase of \$8 thousand in FY 1979 over FY 1978 will provide for price growth in utilities and payments to others being experienced.

The following table reflects the amounts being requested by function:

	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate
Utilities	\$ 8.0	\$13.0	\$15.0
Maintenance of residence	27.0	20.8	24.0
Alterations & Improvements	4.0	1.0	2.0
Supplies	2.0	2.0	2.0
Reception assistance	1.5	2.5	2.7
Furnishings	7.0	8.5	8.5
Vehicle lease	3.0	3.0	3.5
General administration	2.0	3.7	3.9
Services	2.0	3.5	4.1
Equipment maintenance	3.5	3.0	3.3
Official entertainment	30.0	60.0	60.0
Total	\$91.0	\$121.0	\$129.0

TUESDAY, MARCH 14, 1978.

GENERAL GOVERNMENT

OFFICE OF ADMINISTRATION

WITNESSES

RICHARD M. HARDEN, DIRECTOR
REARDON S. SULLIVAN, DEPUTY DIRECTOR
LARRY HAYES, ASSISTANT FOR FINANCIAL MANAGEMENT
WILLIAM POLLAK, GENERAL COUNSEL

Mr. STEED. The committee will be in order. The committee is in session to take up items under general government.

First will be Office of Administration. Salaries and expenses for 1978, \$4,300,000, with a pay supplemental of \$174,000, bringing the 1978 total to \$4,474,000.

The budget request for 1979 is \$7,279,000, an increase over 1978 of \$2,805,000.

We are glad to have the Director of the Office of Administration, Mr. Richard Harden, with us, and Mr. Director, welcome. If you would like to identify your colleagues for the record, we will be glad to have that and also biographical sketches of your witnesses for the record.

Then we will leave it up to you as to whether you would like to have your statement placed in the record as read and summarize it or whether you would like to read it.

Mr. HARDEN. Thank you, Mr. Chairman. On my left is Reardon Sullivan, my Deputy; Larry Hayes, with our Financial Division, and Bill Pollak who performs a variety of functions involving the Congress and other legal matters.

If it is agreeable to you, Mr. Chairman, I will briefly summarize my statement.

Mr. STEED. All right. I think it may be useful at the beginning to give a little brief sketch of the new Office of Administration, what it covers.

Mr. HARDEN. Mr. Chairman and Members of the Committee:

The FY 1979 Budget request for the Office of Administration is \$7,279,000. This request represents an increase of \$3,011,000 from the amounts transferred to the agency during FY 1978 by Executive Order as a result of Reorganization Plan No. 1. The Budget request provides for 149 full-time, permanent positions, down from the 168 transferred into the agency. In addition, the Budget includes a supplemental request of \$174,000 in FY 1978 for the cost of the government-wide pay increase authorized by Executive Order 12010 of October 1, 1977.

To permit the Members of the Committee to better understand this request, I felt it might be useful to begin by briefly reviewing the reasons for creating the Office of Administration. The President's study of the Executive Office of the President last spring indicated that the administrative support services—while varying widely among the various units—included a significant amount of duplication. The study recommended that all administrative services, excluding those providing personal support to the President, be transferred to a newly created Office of Administration and that consistent support services be provided for all agencies within the EOP. Attachment 1 summarizes the positions transferred.

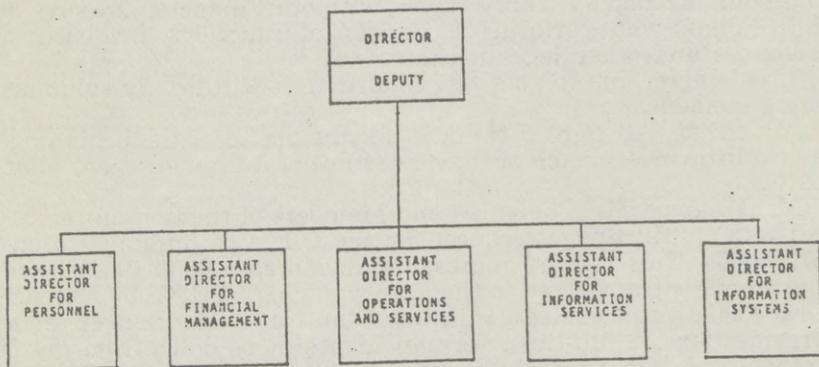
The responsibilities of the Office of Administration are described in Executive Order 12028. They are:

To provide all types of administrative support and services that may be used by, or useful to, units within the Executive Office of the President. Such service shall include:

- (1) personnel management services, including equal employment opportunity programs;
- (2) financial management services;
- (3) data processing, including support and services;
- (4) library, records, and information services;
- (5) office services and operations, including: mail, messenger, printing and duplication, graphics, word processing, procurement, and supply services; and
- (6) any other administrative support or service which will achieve financial savings and increase efficiency through centralization of the supporting service.

Legislative authorization for the Office is included as part of H.R. 10657 introduced by Representatives Harris and Schroeder and is currently pending before the House, Post Office and Civil Service Committee.

The Office is divided into five divisions as reflected in the chart below:



The Personnel Division provides a full range of personnel services and is currently working on an orientation program for new employees of the EOP.

The Financial Management Division will be providing significantly improved service in regard to financial management, and is working with the Treasury Department to develop a comprehensive accounting and payroll system which will provide monthly financial statements comparing budget to actual, not only for each agency, but also for organizational units within each agency.

The Information Systems Division and the Information Services Division will improve the flow and management of information within the EOP. The Systems Division will oversee most EOP data processing services and will establish an EOP Data Processing Center. The Services Division handles the actual management of documents including library and archival records.

The Operations and Services Division handles mail, messengers, reproduction, and a variety of services including word processing, graphics, purchasing, movers, contracts management, and publications.

Since becoming official on January 1, 1978, the Office has taken a series of significant steps to both eliminate duplication and improve services. These include:

As suggested by the GAO, automated the general accounting system and made arrangements with the Treasury Department to use their new automated personnel and payroll system.

Consolidated various library and reference activities within the Old Executive Office Building into a single White House Reference Center.

Significantly improved coordination with the Library of Congress.

Significantly reduced the number of messengers by improved scheduling procedures.

Coordinated with GSA to improve the supply function within the EOP.

Conducted a study of the data processing needs of the EOP. Some of the things that we will be completing in the coming months include:

An upgrade of what was formerly the OMB Computer Center to meet the needs of all of the agencies within the EOP. All procurement will be on a fully competitive basis.

An orientation program for all employees in the EOP outlining how to make effective use of the services provided by the Office of Administration.

Better automated use of techniques for improving the flow and management of information within the complex.

I hope you find this information helpful. I will be happy to answer any questions you and Members of the Committee may have.

BIOGRAPHY RICHARD M. HARDEN

Richard M. Harden was born on September 12, 1944, and grew up in Camilla, Georgia. He attended Davidson College and received his BBA degree in 1966 and his MBA degree in 1968 from Georgia State College in Atlanta.

Following completion of his education, Mr. Harden joined the accounting firm of Arthur Anderson & Company where he remained until 1972. At this time he joined then Governor Carter to assist in the reorganization study of the Georgia State Government and served in the Carter Administration in two consecutive positions as Commissioner of Administrative Services and Commissioner of the Department of Human Resources. This Department had in excess of 22,000 employees and an annual budget of approximately \$700 million dollars. At the end of Governor Carter's Administration, Mr. Harden returned to the private sector.

In June of 1976, Mr. Harden joined the Carter Campaign organization as Budget and Finance Director where he managed the budgeting and allocation of the \$21.8 million dollars provided by the Federal Government. On January 21, 1977, President Carter appointed Mr. Harden Special Assistant to the President for Budget and Organization, a position in which he served until December 28, 1977. In this role he worked on zero base budgeting techniques for the White House Office and assisted in the reorganization of the Executive Office of the President.

Since December 29, 1977, Mr. Harden has been serving in a dual capacity as Special Assistant to the President for Information Management, as well as Director of the newly created Office of Administration within the Executive Office of the President.

Mr. Harden is a CPA and a member of both the Georgia Society and the American Institute of CPAs. He was also active in numerous civic associations in Marietta and Atlanta. He is married to the former Peggy Vann of Camilla and has two children; Kristy, ten and Rick, seven. They reside in McLean, Virginia.

BIOGRAPHY REARDON S. SULLIVAN

Born on October 10, 1925 in Altoona, Pennsylvania where he attended public schools. He attended Kentucky State College, Frankfort, Kentucky and graduated from Pennsylvania State University in 1951.

He served in the U.S. Navy during World War II from 1943 to 1946, during the Korean Conflict from 1951 to 1952 and in the Naval Reserve until 1962.

From 1952 to 1954, he worked for the Ships Parts Control Center (Navy) as a Budget Clerk, Supply cataloguer and Methods Examiner. From 1954 to 1965 he was a Budget intern and analyst for the Department of the Air Force at Middletown, Pennsylvania and from 1965 to 1976 as a Budget Examiner and Branch Chief in the National Security Division of the Office of Management and Budget.

In 1976, he became Deputy Director, Office of Administration, Nuclear Regulatory Commission and in 1978, Deputy Director, Office of Administration in the Executive Office of the President.

BIOGRAPHY WILLIAM R. POLLAR

William R. Pollak was born December 3, 1943, in New Rochelle, New York and grew up in Larchmont, New York. He received a BA degree from the University of Colorado in 1966 and a JD degree from Boston University Law School in 1969.

Following completion of his education, Mr. Pollak accepted a position with the Federal Communications Commission in Washington, D.C. where he remained until 1972. At that time, he joined the law firm of Pollak, Schwartz, Stark, and Amaron in New York City, and was engaged in the practice of anti-trust litigation for a period of 3 years. In January 1976, Mr. Pollak joined the Washington, D.C. law firm of Dell, Craighill, Fentress, and Benton specializing primarily in the representation of professional athletes. In March 1977, the Mr. Pollak joined the White House Staff as an Assistant in the Presidential Personnel Office, and since February 1978, has been acting as Counsel in the newly created Office of Administration within the Executive Office of the President. Mr. Pollak is a member of the bar in New York and in the District of Columbia. He and his wife, Angelika, and their two children, Michael age 5 and Kristina age 3, reside in McLean, Virginia.

BIOGRAPHY LARRY HAYES

Larry Hayes was born on August 30, 1948 in Tampa, Florida. He received a BBA from Georgia State University in Atlanta.

Following completion of his education, Mr. Hayes joined the accounting firm of Bickman, Libby, Thomas and Braxton in Atlanta, Georgia, where he remained until 1977. On February 1, 1977, Mr. Hayes entered government service at the White House as Deputy Special Assistant for Budget and Organization. In this role he assisted in the Reorganization of the Executive Office of the President.

Since January 1, 1978, Mr. Hayes has been serving as Assistant Director for Financial Management of the Office of Administration within the Executive Office of the President.

OFFICE OF ADMINISTRATION—FUNCTION AND ORGANIZATION

Mr. HARDEN. Basically, to give you just a little bit of background, we conducted the study of the Executive Office of the President in the last May-June timeframe. Among the changes was the creation of this Office of Administration. It was brought about basically by pulling together the administrative staffs from OMB, the White House, and, to a lesser degree, from other agencies, to create a central administrative support unit that provides consistent and hopefully better services to all of the 12 agencies.

We have five major functions: personnel management, financial management, operational kinds of things, such as messengers, printing, et cetera, library, and what we are calling information services, and then data processing.

We are making what we feel to be good progress. For example, in the financial management area, we are working closely with the Treasury Department to use their personnel and payroll system so we don't duplicate that activity. We have set up a contractual arrangement with them where we pay them for providing the service to us.

We have set up what we feel to be better library services. We have established a cooperative arrangement with the Library of Congress. We have been able to make some reductions in the messenger area by better scheduling and the like.

That is basically where we are. Our budget has no major additions to it. The increase is more a reflection of the fact we were only funded for part of a year this year, as opposed to significant increases for new programs.

PERSONNEL

Mr. STEED. What are you talking about in terms of personnel? What is the work force of this agency?

Mr. HARDEN. We will have hopefully by the end of the year approximately 149 people. We had 168 people, I think, transferred to us. We are in the process of working with those people, trying to find them appropriate jobs in the various Federal agencies.

Mr. STEED. Could you give us a little outline of what this system gives you in terms of better control of your work and efficiencies that you can bring about.

DATA PROCESSING SYSTEM

Mr. HARDEN. One of the things we hope to improve is in the data processing area where we have a wide range of systems and ser-

vices. OMB has a very large computer, a 370-155. Various of the other agencies have contracts with vendors, most of them external. We hope to develop an overall plan for the Executive Office of the President, both to minimize duplication in contractual external groups and to develop appropriate internal systems, which are available to everybody as opposed to each separate agency developing their own systems.

Mr. STEED. It would be fair to say, then, that basically your function is in the area of general housekeeper for the whole executive setup.

Mr. HARDEN. That is correct.

TRANSFER OF PERSONNEL

Mr. STEED. Could you give us the personnel count on those who have been taken out of other activities and put into this function?

Mr. HARDEN. We have submitted a chart which I think summarizes that.

Mr. STEED. We can make that part of the record.

[The information follows:]

February 15, 1978

INSERT 1-C

EXECUTIVE OFFICE OF THE PRESIDENT
Reorganization Report on Permanent Positions

EOP Unit	FY 1977 Authorized FTP Positions	Transfers Within EOP To Office of Administration		External Transfers	Reductions	Estimate FY 1979 Authorized FTP Positions
		Units	Units			
Office of the Vice President	30				3	27
Office of Special Representa- tive for Trade Negotiations	49				0*	41
Office of Management and Budget and OPM	709	70 14	3* from OTP	(CSC-6) 24- (Comm-15) (GSA-3)	21	575
Domestic Policy Staff	40	1*	3* from OTP 6* from ODAP		3*	45
National Security Council Staff	70			2* (State)	4	64
Council of Economic Advisors	42				7*	35
Office of Administration	0	160			19*	149
Council on Wage and Price Stability	57				10	39
Office of Science and Technology Policy	32					
Council on Environmental Quality	40			1* (NSF)	7	24
Office of Drug Abuse Policy	10			0* (EPA)		32
Council on International Economic Policy	21			2* (HEW)	2*	0
Office of Telecommunications Policy	41	3*	3* to OMB 3* to DPS		21	0
White House	405	72		19* (Comm)	13*	0
Other	06					
TOTALS	1,712			56	108	1,460

* Not yet finalized

Mr. HARDEN. Basically we transferred out of OMB 92 people— from the domestic policy staff, one person; from the Office of Telecommunication Policy, three people; and 72 from the White House, that should add up to 168.

Mr. STEED. Obviously you have to maintain close contact with the other agencies and their functions, but do you use anybody in your work that is not part of your payroll?

Mr. HARDEN. We have at the current time I think 12 detailees from various agencies which we have brought in to assist us for one of two reasons: One, to assist us with workload problems during the transition period, and two is because they have a particular technical competence that we don't have available to us in the White House at this time. It would be on a project kind of basis.

Mr. STEED. Can you run through briefly a list of the different agencies in the executive branch that you will be providing services to?

Mr. HARDEN. It is the Office of Vice President, the Office of the Special Representative for Trade Negotiations, Office of Management and Budget, Domestic Policy staff, National Security Council, Council of Economic Advisers, Council on Wage and Price Stability, Office of Science and Technology Policy, Council on Environmental Quality, and the White House offices.

Mr. STEED. Do you provide the same service for all these in some areas, or do you have special services for each one?

Mr. HARDEN. We provide basically the same service for all.

Mr. STEED. In other words, the payroll service would be the same for all?

Mr. HARDEN. We will have the same payroll system for all. We have also developed, consistent with the recommendations GAO made a year and a half ago, an automated accounting system.

In the near future all of the agencies will begin to receive monthly financial reports.

SERVICES PROVIDED

Mr. STEED. Could you categorize the major functions of services that you are going to have to provide? Payroll would be one.

Mr. HARDEN. Payroll, personnel, just the processing of the papers, library support services, data processing services, messengers and printing.

Mr. STEED. What about physical things like equipment and that sort of thing? Would each of the agencies have to do their own, or do you provide any of that?

Mr. HARDEN. We work with GSA in arrangements on moving equipment, renovations and these types of things.

Mr. STEED. In other words, one of them would not be in a position of acquiring a computer until and unless you were able to tell them there was no other way for them to get the service?

Mr. HARDEN. That is correct. In the data processing kind of thing we have overall responsibility for coordination.

Mr. STEED. Mr. Miller?

Mr. MILLER. Thank you, Mr. Chairman.

JUSTIFICATION FOR 1979 BUDGET REQUEST

Mr. Director, I have several questions in attempting to unravel what you have, and I am not sure there is enough information there to really unravel what you have and the changes you have made, but maybe we can pick up enough information in order to do that.

Just to start with, the total budget last year, as we add together what was requested, was \$19,157,000, and this year \$25,716,000, an increase of \$6,559,000.

That is just what is being requested now, compared to what was budgeted last year. Does that figure tally with the way you see it?

Mr. HARDEN. I am not familiar with the figures you gave. Our total budget is \$7.2 million.

Mr. MILLER. Yes, but in the total we are talking about of the four items under consideration now.

Mr. HARDEN. Okay. You are talking about the White House, the Office of Administration, Vice President—I think one of the things that deals with that is the fact that our 1978 budget is for approximately half of a year. In other words, the funds were transferred in, effective around the first of January.

Mr. SULLIVAN. Another problem is part of the expenses shown for the Office of Administration came from other organizations. From OMB we received about \$3 million as a transfer in. You are not reviewing that today; so it is hard to relate the figures.

Mr. MILLER. I guess we need a list as to what is the difference between the 1978 and 1979 budget, and if there was \$3 million from OMB, then apparently we need to list these and show it for the record, if that can be done, so that we can break down the 1978 budget and the 1979 budget and clarify any discrepancy, because it shows right off the top a \$6,559,000 increase.

Mr. HARDEN. Mr. Miller, I think this maybe summarizes it a little for you. I apologize for being so late with this, but we finished it up this morning. If we can take a minute and go through these figures.

Mr. Chairman; this is the chart we are looking at.

Mr. MILLER. In this particular sheet I see we do have the Office of Management and Budget, which is not relative to last year's budget by adding it in now. It doesn't come up with a clear picture of what we have. Man, this is shuffling figures.

Mr. HARDEN. Let me walk you through this. If you look at that chart, you can see the way the revised total for 1978 came up to be approximately \$76 million.

If you will look back at this figure, this is a summary where we started with the fiscal year 1977 budget authority, which was approximately \$78 million. We show various reductions, and these are external to the EOP, including the transfer of the Office of Telecommunication Policy to the Department of Commerce as well as the annualized savings that we project, which brings us down to a revised budget, assuming no changes have been made, of approximately \$63 million.

Then we show below there the changes, the pay raises, the increase in the SLUC charge, the additional increases in the other

utilities, et cetera, the two new programs which were the Federal Procurement Institute and the reorganization study, which the OMB people will discuss, and various other cost increases.

It brings us back up to approximately the same figure we were at in 1978.

Mr. MILLER. Under this type of arrangement with OMB being in the budget, then what figure are you requesting for 1979?

Mr. HARDEN. We are requesting for 1979, \$7.2 million.

Mr. MILLER. No; with OMB in the budget where it comes up to approximately \$78 million.

Mr. SULLIVAN. Are you talking about the total Executive Office of the President?

Mr. MILLER. Yes. We have them mixed up here.

Mr. SULLIVAN. Seventy-nine million dollars.

Mr. MILLER. Now what then did we have for 1978?

Mr. HARDEN. The 1978 budget was originally proposed at \$81.2 million.

Mr. MILLER. Which indicates that we would have a \$2 million reduction in 1979?

Mr. HARDEN. Correct.

Mr. MILLER. And yet if we take off Telecommunication Policy of \$8 million, right off the top, we should have \$73 million for 1978.

Just as an example, we have that one, that we knew Telecommunication Policy was transferred to Commerce.

Mr. HARDEN. Then we would add back the items identified in this upper chart which are the pay raises which accounted for approximately 3.3, the GSA charge which is approximately 2.9, and so on.

REDUCTION IN THE WHITE HOUSE PERSONNEL

Mr. MILLER. Has the White House reduced the staff from the 485 authorized last year to the 351 today?

Mr. HARDEN. That is correct.

Mr. MILLER. What has happened to the personnel?

Mr. HARDEN. Basically 72 were transferred to the Office of Administration and 62 were reduced.

Mr. MILLER. Were reduced?

Mr. HARDEN. Not hired, transferred out, went back to Atlanta, various courses of action.

Mr. MILLER. So there was an indication that no one would lose their position, but some did lose their position?

Mr. HARDEN. Hugh Carter can address this more specifically. My guess is there probably were a few people who went back home that would have liked to have stayed here. Basically we made an effort, whenever possible, to try to help people find appropriate employment.

Mr. MILLER. Would that be in other departments within the government?

Mr. HARDEN. In some cases, yes.

Mr. MILLER. And would they be performing the same or similar operations and duties and services for the White House as they did prior to this?

Mr. HARDEN. No, they would be performing whatever function they were hired to do in the particular agencies.

Mr. MILLER. Is the Office of Administration performing services formally done by personnel in the White House office?

Mr. HARDEN. Some of the functions, yes.

OFFICE OF ADMINISTRATION PERSONNEL BREAKDOWN

Mr. MILLER. Can you give the subcommittee a list of Office of Administration personnel which indicates the names, titles and salary of that group?

Mr. SULLIVAN. We can provide it for the record.

Mr. MILLER. Fine.

Mr. SULLIVAN. That is of the 72 people that were transferred to the Office of Administration?

Mr. MILLER. Those personnel that are now employed through the Office of Administration, yes, for the White House.

Mr. HARDEN. We have a summary of that in the material, but we will be glad to provide it for the record.

[The information follows:]

162 people and two vacancies have been transferred to the Office of Administration from the White House and OMB. Four are to be transferred in the near future from the Office of Telecommunications Policy and Domestic Policy Staff. As of March 11, 1978, 154 of those transferred were still on the rolls of the Office of Administration. Of these:

- 79 retained the same salary and job title as in their previous position (12 of these received within-grade increases after transfer.)
- 52 have the same job title but slightly higher salaries due to conversions from administratively determined salary rates to general schedule salaries using conversion procedures established by the Civil Service Commission.
- 7 have new job titles but retained the previous salary.
- 7 were duplicating machine operation converted to wage grade from the general schedule rates.
- 9 have new jobs and higher salaries.

154

2 - employees retired

1 - employee resigned

5 - employees are employed by other federal agencies.

162

In summary, 131, or 85% of those transferred from OMB and the White House experienced no change to position title and little or no change in salary as a result of the reorganization.

The following table shows the career status of the employees transferred to date:

OFFICE OF ADMINISTRATION

Full-Time Permanent Staffing Transfers

Status of employees who transferred:

	<u>Competitive Status</u>	<u>Excepted Status</u>
OMB	88	2
White House	29	43
	<u>117</u>	<u>45</u>

(162)^{1/}

^{1/} +Two vacancies from OMB
 + Four employees due to transfer from the Domestic Council and
 Telecommunications Policy.

Length of service for those to be sent to the Civil Service Commission
 for conversion to competitive status:

less than 2 years	-	2
2 to 5 years	-	8
5 to 10 years	-	10
10 to 36 years	-	21
Total		<u>41</u>

TRANSFER OF PERSONNEL TO OFFICE OF ADMINISTRATION

Mr. MILLER. What was the total, again, of the amount of people in the Office of Administration?

Mr. HARDEN. We transferred in 168. We anticipate being down to approximately 149 by the end of the year.

Mr. MILLER. Is it possible to list the total, not just 72, but what do we have? In other words, you will have to admit from what we have here two and two doesn't come out to four, and somewhere along the line we need to know just where we are and what we are doing.

We do not have the facts and figures here, as far as the subcommittee is concerned, to unravel it, and when it comes to being on the House floor, we are going to be asked, and we are not going to be in a position to answer.

I could not go to the House floor with the budget and say this is what is being done on the basis of the information we have before us now?

Mr. HARDEN. We will be glad to provide that, Mr. Miller.
[The information follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

	<u>Fulltime Permanent Positions</u>
Transfers from Other Agencies During FY 1978:	
Office of Management and Budget	92 <u>1/</u>
White House Office	72
Domestic Policy Staff	1 <u>2/</u>
Office of Telecommunications Policy	3 <u>2/</u>
Subtotal	<u>168</u> <u>3/</u>
Less Positions to be Eliminated by End FY 1978:	<u>-19</u>
Remaining Positions for FY 1979	149

1/ Two vacant positions and 90 employees

2/ Transfers not yet finalized

3/ 162 employees transferred as of March 11, 1978

Mr. MILLER. Can you give us the people, showing on that list—because apparently there will be people that were at the White House office prior, so perhaps on the same list we could have what they did, the title a year ago, and what they are doing now, what the title is now.

Mr. HARDEN. We will be glad to.

Mr. MILLER. And for those who have left the office, and apparently that would not make much of a list, because there are not many that are still in government, but those that are in government, if we could indicate where they are employed in government, their job title and salary, and I believe with those lists we could unravel what we have right now, because I have looked at the list and have not had an opportunity to spend the time on it I would have liked to, but I have never seen one that comes out in reorganization and adds in other items until it comes out showing two and two is four.

There seems to be quite a problem of being able to answer on the floor just where we are, whether it will save, whether we have reduced the White House staff, whether we have increased the White House staff, but I think with the lists that we have coming, it will help quite a bit.

OFFICE OF TELECOMMUNICATION POLICY

The Office of Telecommunication policy—back to that now—apparently the largest amount of that money, which was \$8,447,000 last year, was not for personnel, but was for contracts. Am I correct on that?

Mr. HARDEN. Sir, I am not familiar with the details of that particular agency. I will be glad to check and find out.

Mr. HAYES. That is correct. The majority of that \$8 million actually flowed through Telecommunication Policy to Commerce, and it was used for contracts.

Mr. MILLER. The majority of it was for contracts?

Mr. HAYES. That is right.

Mr. MILLER. That has been transferred to another subcommittee I am on, which is the State, Justice, Commerce and Judiciary, and we have heard Commerce on that work. I understood they were lifting that total responsibility from the White House office, and they would have it combined with their telecommunication project, so you would have really nothing in the way of personnel, nothing in the way of dollars for telecommunication policy; is that correct?

Mr. HARDEN. I would say there are three people being transferred to OMB and three people to the Domestic Policy staff relating to policy formulation in regard to Telecommunication Policy, but the great majority of that operation will go to the Commerce Department.

Mr. MILLER. Why will it be necessary to have any personnel in the White House that concern themselves with the Office of Telecommunication policy? I understand they were transferred en toto to Commerce.

Mr. HARDEN. The three will go to OMB and three to the Domestic Policy staff. None of them go to the White House staff.

Mr. MILLER. OMB and Domestic Policy.

Mr. HARDEN. I might add that the arrangements here have not been finalized as of last week with Commerce.

AUTOMATED PERSONNEL PAYROLL SYSTEM

Mr. MILLER. One item also in your statement, on page 4, states, "As suggested by the GAO, automated the general accounting system and made arrangements with the Treasury Department to use their new automated personnel payroll system."

So apparently for payroll, for personnel, this would relieve the responsibilities at the White House because the Treasury Department automated system would apparently be handling that?

Mr. HARDEN. That is the data processing aspect of it.

Mr. MILLER. And for a volume of people like this, it would take some time to do that, so do you have an idea how many positions were needed for that function that Treasury will now do; how many were needed last year?

Mr. SULLIVAN. We will pay Treasury for any services rendered. We pay them so much per record.

Mr. MILLER. That will be dollars, not people. How many people were involved last year in that type of operation?

Mr. HAYES. The picture last year was very different from this year. Various offices of the Executive Office of the President were serviced in a variety of ways. Some went through the GSA system; some went through another Treasury system. The nucleus of the payroll staff comes from OMB and the White House, both of which operated their own systems. The other offices had their work sent out.

We had a total of four actual payroll clerks under the old system. We will have three under this one. It is important to note, though, that going to the Treasury system relieves us of having to have high-price talent in the payroll office since the majority of the heavier work is done by Treasury.

Mr. HARDEN. That saves us one position.

Mr. MILLER. Saves one position?

Mr. HARDEN. One high-salaried position.

Mr. MILLER. Maybe we will be able to have some additional information as we move along on the other two. I am a little leery. We will look over the list that you will furnish, but unless we have more information than what we have now that will unravel what we are to present to the House and the full committee, we are going to be in trouble.

We are going to have people requesting information, and I don't know whether the Chairman, maybe he will be able to answer the question, but on the information I have now, I am not going to be able to answer the questions, so perhaps we will have to go through maybe another session after we receive the lists that we are talking about, Mr. Chairman.

Mr. STEED. We will finish this and see where we are, and then we can give them some idea of what additional information we have to have.

Mr. MILLER. Very good.

H.R. 11003—PENDING

Mr. STEED. Now, before we go away from this item to the next one, I think it will be involved in all of them, and I would like to bring up this pending legislation, H.R. 11003, which, as I understand, has been finally reported out of the committee.

I would like to point out again that since so much of the now Executive Office program is unauthorized in existing law, and we have encountered this before and been put on notice that we are now out of soap, if the legislative bill has passed the House by the time we go to the House with this bill, we are in a position of asking for a rule waiving points of order. They have a policy where they will not give us that rule unless the legislation has at least finished its course through the House.

I mention this by way of emphasis to enlist all the help you can give us in making sure that the House schedule doesn't overlook this very important factor.

Now, as I understand it, the matters under question on the point of order umbrella will be all wiped out if this bill is enacted; in other words, all the authorities that you have a need for at this time will be covered in that. Is that your understanding of it?

Mr. HARDEN. That is my understanding, yes, sir.

Mr. STEED. In the budget this year, as we break it out, you have a request for the White House office of \$16,979,000 and 51 positions, executive residence of \$2,575,000, 86 positions, the Vice President's office of \$1,260,000 with 27 positions, the Domestic Council of \$2,650,000, with 45 positions, and the Office of Administration, \$7,279,000, with 149 positions, and then the unanticipated needs item of \$1 million, which does not involve personnel.

Is this your understanding of the executive office pending request now?

Mr. HARDEN. Yes, sir.

Mr. STEED. And this is what is cleared up in the bill?

Mr. HARDEN. That is right.

Mr. STEED. Are there any facets of the bill—have you any reason to believe any facets of it will bring up any problems or will encounter any difficulties? What is your reading on that?

Mr. HARDEN. I think most of the questions have been resolved with the various committee members.

Mr. Hugh Carter, who will be testifying later this morning, has been involved in the direct negotiations, and I think would be better prepared to discuss the details.

Mr. STEED. If this authorization bill becomes law, do you see any problem the President would have in any further revision of his executive office procedures there? Would he have sufficient authority to make further adjustments if he saw fit?

Mr. HARDEN. I feel there is adequate flexibility. Basically the bill places some limits on the higher level people the President can employ, but it provides flexibility, I think, at GS-15 or below. So if we ran into a crisis situation and needed to hire some additional people to get the job done, I think we have that flexibility.

[The following information was supplied for the record:]

Fiscal Year 1979 Budget Request
for

THE OFFICE OF ADMINISTRATION

OFFICE OF ADMINISTRATION
JUSTIFICATION OF ESTIMATES

General Statement

Summary Tables

Program by Function

Obligations by Object Classification

Budget Plan

Summary of Changes 1978-1979

Staff Profile

OFFICE OF ADMINISTRATION
GENERAL STATEMENT

The Office of Administration was created by Reorganization Plan No. 1 of 1978. The major objective of the Office formalized by Executive Order 12028 dated December 12, 1977, is to provide efficient, economical centralized common administrative services to the units within the Executive Office of the President and to help integrate these units into an effective Presidential support team. Toward this end the Office plans to take advantage of the latest existing technology in all administrative areas so as to:

- provide timely response to EOP needs.
- make effective use of our personnel thru more efficient work patterns and processes.
- reduce duplication of services and take advantage of economies of scale and existing technology.
- provide a consistent information base on which the President can make decisions.
- cooperate with other government and industrial concerns for inter-change of information so as not to "re-invent the wheel".

The Office began operations on January 1, 1978 with functions, personnel and funding transferred from the White House Office and the Office of Management and Budget. Administration services will be provided to other Executive Office units on a reimbursable basis during 1978 and as common services beginning in 1979.

This 1979 budget request reflects costs for the first full year operations of the Office and, in general, is an annualization of 1978.

The budget requested, \$7,279 consists of the following major components: (\$ in 000)

Salaries and benefits	\$3,290
Rents, communications and utilities	\$2,820
Contractual services	\$2,225

In total, the 1979 budget compares with 1978 as follows:

	1978	1979
	9 months	Budget
	(\$ in 000)	
	Annualized	
Total obligation	8,406	8,872
Reimbursements	1,593	1,593
Budget authority	6,813	7,279
Outlays	6,300	7,140
Full-time employment	168	149

The increase in 1979 is essentially to cover a non-discretionary increase for Standard Level User Charges (SLUC) and to purchase cost effective and labor saving equipment to offset the reduction in full-time employment planned for 1979.

Throughout the Executive Office complex a reduction of approximately 20% of the personnel assigned to administrative functions is planned by 1979; 10% of which is reflected in this budget. This reduction results from elimination of overlapping services by several EOP offices.

The office is organized into four divisions, the functions of which are described below:

1. Personnel Division

The Personnel Division is responsible for rendering complete and timely personnel management advice and services to the Executive Office agencies and their employees and to do so in an efficient, effective, and economical manner. The Division provides operating personnel services to Executive Office organizations including such special entities as may from time-to-time be assigned to the Executive Office of the President for administration.

In 1978, the Division is concentrating on fulfilling its basic technical staffing and personnel support service responsibilities to facilitate a smooth transition to Office of Administration servicing and insure continuity of EOP operations.

Major activities undertaken by the Personnel Division in FY 1978 included:

- Consolidating all Executive Office employees under a single automated personnel and payroll system.
- Converting Office of Administration employees with excepted appointments to the competitive Civil Service.
- Developing and conducting regular EOP orientations for new employees.
- Developing basic personnel guidelines and procedures to be applied to all Executive Office agencies.
- Serving as the central point of contact with employment applicants, responding to inquiries, and conducting employment interviews.
- Providing central coordination and technical assistance to all EOP agencies for Equal Employment Opportunity and other special emphasis programs.
- Providing staff support and limited competitive recruitment assistance.
- Assuming responsibility for personnel recordkeeping and preparation of reports to the Congress, Civil Service Commission, Department of Labor, and other agencies on behalf of all EOP agencies.
- Complying with statutory requirements and Civil Service Commission regulatory program and procedural requirements on all new actions.

In 1979, the Personnel Division seeks to strengthen its capability for identifying and developing new ways for improving EOP human resource management and operations. This would include developing and administering pilot applications of new programs, techniques and procedures in such areas as supervisory methods, employee performance evaluation, organization developments, employee health, safety and conduct, incentive awards and employee development and utilization. Additional efforts must be made to establish a comprehensive Office of Administration/EOP position management and classification program that will insure consistency in the classification of positions throughout the EOP and provide for regular position reviews and audits.

Specific initiatives to be undertaken in 1979 include:

- Targeted outreach and recruitment efforts on behalf of all participating EOP agencies to produce well qualified candidates in specialized occupational areas and to improve representation of minorities and women.
- Instituting a formal, viable upward mobility program for the Office of Administration.

- Developing coordinated merit promotion plans for the EOP agencies and employing uniform policies and procedures for the filling of competitive service positions throughout the Executive Office complex.
- Instituting a full classification program including developing position descriptions where none exist, reviewing all position descriptions and developing a plan to correct grade and salary misalignment. Performing job audits and position management and classification surveys.
- Providing in-house training services and skills development assistance to employees of all EOP agencies.
- Establishing an employee learning center on an experimental basis and providing regular training follow-up and evaluation.

2. Information Systems Division

- The Information Systems Division is responsible for assuring that modern information technology is applied throughout the Executive Office of the President in an effective, efficient and economical manner.

The Division is charged with providing the following:

- Centralized control of all information systems for the EOP
- Oversight over all information services within the EOP
- The development of an overall Information Systems strategy
- The development of conceptual and detailed systems designs
- The integration of the various application areas into the fabric of an overall systems architecture
- Supervision of the entire implementation process including programming and the development of both user and computer procedures
- Development of policies and procedures for the initiation and processing of information systems requests
- Preparation of a budget for central computer and information systems
- Review of the budgets for, and monitoring the expenses of, all computer and information systems activities within the EOP
- Development of standards applicable to system development and operation, including standards for necessary control
- Administration of automated data bases
- Review of all requests for new computer and information systems within the EOP
- Library research and archival record services.

3. Operations and Services Division

This division is responsible for providing the following services.

- Purchasing and contracting for all EOP offices except for consumable office supplies;
- Printing and duplicating as authorized by the Joint Committee on Printing. It includes presidential press releases, bulletins, circulars, executive orders and other reports for all offices within the EOP.
- Centralized word processing and graphics services.
- Equipment management including acquisition, maintenance and repair services, and inventory management.
- Internal mail, messenger and distribution services for the EOP. It also includes expedited delivery service of Presidential and executive mail.

Thru centralization of these services, duplicative efforts are being eliminated and reductions to resources previously applied have been realized.

4. Financial Management Division

This Division will provide the full range of centralized budget and fiscal services for units within the Executive Offices of the President including payroll and financial reporting. During 1978;

- a comprehensive, integrated personnel and payroll system will be installed in conjunction with the Treasury Department.
- a single accounting system to serve all EOP units will be installed. This system will standardize obligating payment and monthly financial reporting not only for each agency but for organizational units within each agency.
- travel services, including scheduling, ticketing and payment can be provided from one location to the EOP offices.

OFFICE OF ADMINISTRATION
Salaries and Expenses
Program and Financing (in thousands of dollars)

<u>Program by Function:</u>	<u>Personnel Authorized</u>	<u>1978 Estimate (9 months)</u>	<u>1979 Estimate</u>
Direct program			
1. Director's office	10	198	260
2. Personnel management	14	263	341
3. Financial management	13	250	357
4. Operations and services	69	1,967	3,061
5. Information systems	43	1,590	3,260
Total direct program	149	4,268	7,279
Reimbursable program	--	2,198	1,593
Total Obligations	149	6,466	8,872

OFFICE OF ADMINISTRATION
Salaries and Expenses

Object Classification (in thousands of dollars)

	<u>1977</u> Actual	<u>1978</u> Estimate	<u>1979</u> Estimate
Personnel compensation:			
11.1 Permanent positions	--	1,983	2,565
11.3 Positions other than permanent	--	161	205
11.5 Other personnel compensation	--	198	240
Total personnel compensation	--	2,342	3,010
Personnel benefits:			
12.1 Civilian	--	205	260
21.0 Travel and transportation of persons	--	13	24
22.0 Transportation of things	--	--	5
23.1 Standard level user charges	--	700	1,274
23.2 Communications, utilities, and other rent	--	482	1,506
24.0 Printing and reproduction	--	16	16
25.0 Other services	--	335	672
26.0 Supplies and materials	--	175	338
31.0 Equipment	--	--	174
Total direct obligations	--	4,268	7,279

	<u>1977</u> Actual	<u>1978</u> Estimate	<u>1979</u> Estimate
Reimbursable obligations:			
23.2 Communications, utilities, and other rent	--	800	40
25.0 Other services	--	1,398	1,553
Total Reimbursable Obligations . . .	--	2,198	1,593
99.0 Total obligations	--	6,466	8,872

OFFICE OF ADMINISTRATION
1979 Budget Plan
(dollars in thousands)

	FISCAL YEAR 1978		FISCAL YEAR 1979			
	1978 Budget as allocated	Cost of pay increases October 1977 E.O. 12010	Estimated Requirements for 1979	Base for FY 1979 (reflects reduction of 1978 cost of E.O. 12010)	FISCAL YEAR 1979	
					Full year cost of E.O. 12010	Administrative Increases or decreases
Personnel Compensation						
Permanent positions:						
Total number	149	--	149	149	--	149
Average number	131	--	131	149	--	149
Net salary	1,848	135	1,983	2,395	--	2,365
Other positions:						
Positions other than permanent	150	11	161	195	--	205
Other personnel compensation	184	14	198	239	--	240
Total personnel compensation	2,182	160	2,342	2,829	--	3,010
Personnel Benefits	191	14	205	243	--	260
Travel	13	--	13	18	--	24
Transportation of things	--	--	--	--	--	45
Rent, communications, and utilities:	1,982	--	1,982	2,456	364	2,829
Standard Level User Charges*	(700)	--	(700)	(910)	(364)	1,274
Other*	(1,282)	--	(1,282)	(1,546)	--	(1,546)
Printing and Reproduction	16	--	16	16	--	16
Other services	1,733	--	1,733	2,225	--	2,225
Supplies and materials	175	--	175	300	+38	338
Equipment	0	--	0	108	--	174
Total estimated obligations	6,292	174	6,466	8,195	+402	8,372
Reimbursements	-2,198	--	-2,198	-1,593	--	-1,593
TOTAL BUDGET AUTHORITY	4,094	174	4,268	6,602	4402	61

*Non-add

OFFICE OF ADMINISTRATION

Summary of Changes 1978-1979

<u>Category</u>	<u>1978 Estimate (9 months)</u>	<u>1978 Annualized</u>	<u>1979 Estimate</u>	<u>Change</u>	<u>Explanation</u>
Personnel Compensation & Benefits (Object Classes 11, 12 and 13)	2,547	3,311	3,290	-34	This reflects reduction in overtime made possible thru better scheduling.
Travel and Transportation	13	18	29	+11	To provide for essential employee training and necessary interface with other agencies, contractors deferred from 1978.
Rents, communications and utilities	1,982	2,456	2,820	+364	For non-discretionary increases in Standard Level User Charges.
Other Services	1,733	2,225	2,225	-0	
Supplies & Materials	175	227	338	+111	For costs of supplies used in Data Processing and in duplication services. Supplies were transferred from OMB and the White House in quantities that do not require substantial replacement in 1978. Estimate for 1979 is to provide for costs of supplies to be used during 1979.

<u>Category</u>	<u>1978 Estimate (9 months)</u>	<u>1978 Annualized</u>	<u>1979 Estimate</u>	<u>Change</u>	<u>Explanation</u>
Equipment	0	0	174	+174	For replacement equipment deferred in 1978 to handle increasing workloads without corresponding increases in personnel.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

Staff as of February 28, 1978

GS OR EQUIVALENT LEVEL III	PERMANENT	TEMPORARY	TOTAL
18	1		1
17	1		1
16	2		2
15	4		4
14	7		7
13	9		9
12	8		8
11	12	1	13
10	7	1	8
9	19		19
8	15	1	16
7	31		31
6	31	1	32
5	14		14
4	10	3	13
3	4	6	10
2	0	2	2
1	0		0
TOTAL	176	15	191

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

Staff as of February 28, 1978

<u>GS or EQUIVALENT</u>	<u>PERMANENT</u>	<u>TEMPORARY</u>	<u>TOTAL</u>
Level III	1		1
18	1		1
17	1		1
16	2		2
15	4		4
14	7		7
13	9		9
12	8		8
11	12	1	13
10	7	1	8
9	19		19
8	15	1	16
7	31		31
6	31	1	32
5	14		14
4	10	3	13
3	4	6	10
2	0	2	2
1	0		0
	<hr/>	<hr/>	<hr/>
TOTAL	176	15	191

SPECIAL ASSISTANCE TO THE PRESIDENT

WITNESSES

REARDON S. SULLIVAN, DEPUTY DIRECTOR, OFFICE OF ADMINISTRATION

LARRY HAYES, ASSISTANT FOR FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION

Mr. STEED. All right. Now we will go to Special Assistance to the President. Salaries and expenses for 1978 was \$1,327,000, the budget request for 1979 is \$1,280,000, a decrease of \$47,000.

It is my understanding that this covers the staff of the Vice President in that area where he is directly in assistance to the President, as against his functions as a presiding officer of the Senate.

Could you give us a little explanation of those two different things?

Mr. SULLIVAN. Mr. Chairman and Members of the Committee, the appropriation before you now is for expenses necessary to enable the Vice President to provide assistance to the President in connection with directed and specially assigned functions by the President and to allow the Vice President to maintain a staff adequate to meet these responsibilities. The Vice President, through Cabinet membership and White House contact, must be informed on a continuing basis regarding Presidential responsibilities, and he is given special assignments by direction of the President. Among the Vice President's specifically designated are the following:

Member of the President's Cabinet—acts as Chairman when the President is absent (designated by the President),

Vice Chairman, National Security Council (designated by the President) (Member of NSC—National Security Act of 1947),

Member, Board of Regents of the Smithsonian Institutions, (20 U.S.C. 41 and 42).

In addition to these specific assignments, the President from time to time makes other assignments to the Vice President and he is an advisor to the President on a wide range of issues and national problems. Finally, the Vice President also assists the President in ceremonial functions and in the conduct of international affairs.

To deal effectively with these responsibilities, it is essential that the Vice President be provided with adequate staff. Legislative branch appropriations for the Vice President are not intended to provide the staff support necessary to carry out the functions set forth above.

As part of the reorganization of the Executive Office of the President, administrative support for the Vice President's Office will be provided by the Office of Administration. As a result, the requested funds for this appropriation total \$1,280,000—down by \$47,000 from \$1,327,000 in 1978. The number of personnel authorized is also reduced from 30 permanent full-time positions in 1977 to 27 in 1979.

I shall be happy to answer your questions concerning this request.

Mr. STEED. Please expand on the Vice Presidential functions.

RESPONSIBILITIES OF THE VICE PRESIDENT

Mr. SULLIVAN. As you know, the Vice President has been designated as a member of the President's cabinet; he is Vice Chairman

of the National Security Council, a member of the Board of Regents of the Smithsonian Institute. He travels for the President on national and international trips, and he advises the President on a number of issues, however the President wants to use him.

Mr. STEED. Do you cover in your statement a detailed list of all the specific functions assigned to him by the President in this particular part of his activity?

Mr. SULLIVAN. I have given just three or four major ones because they vary depending on the President's use of him. But I can give you a list of the ones he has a statutory requirement for.

Mr. STEED. It might be helpful if you did, because sometimes it is confusing in the minds of people about the fact he is doubling in brass, and, of course, you see the staffing and funds for his Senate functions are handled by the other body, and the other appropriation bill, and we have no interest or concern in it.

[The information follows:]

CONSTITUTIONAL RESPONSIBILITY

President of the Senate.

STATUTORY RESPONSIBILITY

Regent of the Smithsonian.

Member of the National Security Council.

OTHER RESPONSIBILITIES

Advisor to the President on domestic and foreign policy issues.

Member of the Economic Policy Group.

Member of the Steering Committee on Government Reorganization.

Chairman of the Executive Committee for Presidential Agenda Planning and Coordination.

Member of NSC Special Coordination Committee and NSC Policy Review Committee.

Participant in the President's meetings with foreign leaders in Washington and additionally often meets with them separately.

Undertakes special foreign missions on behalf of the President.

Assumes special project responsibilities at the direction of the President.

OFFICIAL RESIDENCE OF THE VICE PRESIDENT

Are any of these 27 positions involved in maintaining the residence of the Vice President, or do they all work in the executive office complex?

Mr. SULLIVAN. They all work in the executive offices. The Vice President's residence is handled by the Navy and not by these people.

Mr. STEED. Under contract, I understand.

TEMPORARY PERSONNEL

Does the Vice President in this particular item have a need for additional people to be assigned to him on a temporary basis, or does he work in-house pretty much?

Mr. SULLIVAN. In-house pretty much. There are no provisions made for temporary help, no detailees are assigned to the Vice President and staff.

Mr. STEED. In the executive office functions he is involved in, the rest of the activity would be with those parts of the executive office set up that he is working with at any given time?

Mr. SULLIVAN. Yes, most of the people have specific functions; one will have art and one domestic policy, and they deal with the departments of the government for whatever functional area they are working on.

Mr. STEED. What do you call these positions? Are they GS-rated positions?

Mr. SULLIVAN. No, sir, they are not. They are ungraded. They are schedule C-type positions.

Mr. STEED. In other words, these folks are choices of the Vice President because of the fairly personal involvement they have with his own activities, as against a general-service-to-the-public type of activity.

Mr. SULLIVAN. Yes, sir.

ASSISTANCE TO SPOUSES OF VICE PRESIDENT AND PRESIDENT

Mr. STEED. Authorized in the legislation is some language, as I understand it, that would provide certain facilities or assets for the spouses of the Vice President and the President. Does any of this staff get involved in that?

Mr. SULLIVAN. Yes, sir, there are two people presently assigned to the Vice President's wife, paid for from this appropriation. One is an executive assistant who handles her mail and schedules, and one is an arts adviser who assists both Mrs. Mondale and the Vice President in their responsibilities in dealing with the arts in government.

Mr. STEED. Mr. Miller?

VICE PRESIDENTIAL STAFFING

Mr. MILLER. Thank you, Mr. Chairman.

I see that the 1979 request is down \$47,000 and still we have a million and a quarter or \$1,280,000, and apparently we have 27 people who are paid by that budget for special assistance to the President, but paid for and are assigned to the Vice President. That is what I understand; correct?

Mr. SULLIVAN. Yes.

Mr. MILLER. You mentioned the Security Council. This is part of the Vice President's operation. You mentioned another item or two as to what the 27 people will be doing and what type of work they will be covering other than Security Council work?

Mr. SULLIVAN. I did mention a couple others. He is a member of the Board of Regents of the Smithsonian Institute, and he is a member of the cabinet; I mentioned those three specifically.

Mr. MILLER. The Security Council, we also have that through this subcommittee, and they have something like 63 staff members, so how will the 27 be able to work with or what do they do compared to what the 63 staff members on the Security Council would do?

Mr. SULLIVAN. As I understand it, it would probably be one person assigned to the Vice President's staff who could be dealing

with the National Security Council. The Security Council is a self-contained unit and only when the Vice President is working on something for the President, something specific as Vice Chairman, would he use his staff.

Mr. MILLER. How does the figure of 27 compare to the year 1977 and the year 1978?

Mr. SULLIVAN. There were 30, I believe, in 1977.

Mr. MILLER. And 1978, do you recall?

Mr. SULLIVAN. I think it was programmed to 28, but it will be 27.

Mr. MILLER. And it was mentioned on top of this the Vice President would have his staff here in the Capitol Building, and he has several offices there. Does he have some of the 27 staff members working here in the Capitol Building, yet they are being paid through the administrative budget?

Mr. SULLIVAN. Not to my knowledge.

Mr. MILLER. Where would they be located?

Mr. SULLIVAN. In the old Executive Office Building.

CONTRACTUAL AGREEMENTS

Mr. MILLER. Does the Vice President contract any of the work out?

Mr. SULLIVAN. Very little. It would be on special occasions, but not that much.

Mr. MILLER. Do you have a list of what is contracted out for this year?

Mr. SULLIVAN. No, sir, I don't.

Mr. MILLER. Is it possible to furnish it for the record?

Mr. SULLIVAN. We will provide it for the record.

[The information follows:]

The only contracts thus far in FY 1978 are for rental and maintenance of typewriters and reproduction equipment. In addition, several consultants will be compensated for their services and related expenses on a daily basis whenever they are required. While we cannot estimate how many days these consultants will actually serve in FY 1978, it is instructive to note that expenditures for such services last year were relatively small. In FY 1977, 3 consultants were paid only a total of \$2,346 for 28 days of work.

VICE PRESIDENTIAL STAFFING

Mr. MILLER. Would part of the 27 staff members be involved in the work at the White House residence?

Mr. SULLIVAN. No, sir, only to the extent that there would be some entertainment which they might make arrangements for.

Mr. MILLER. At the White House residence?

Mr. SULLIVAN. At the Vice President's residence; none in the White House.

Mr. MILLER. None at the White House?

Mr. SULLIVAN. No.

Mr. MILLER. And I guess it is another thing to be able to evaluate what we have in number, because the Navy furnishes some personnel at the Vice President's residence, also, and they come before this subcommittee to justify their appropriation.

I may have a question on this for the record, and if you could answer it, I would appreciate it. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. Thank you all. We appreciate your cooperation, and we will be back in touch with you as this legislation makes its weary way through the Congress.

[The following information was supplied for the record:]

FISCAL YEAR 1979 BUDGET REQUEST

for

SPECIAL ASSISTANCE TO THE PRESIDENT

SPECIAL ASSISTANCE TO THE PRESIDENT

Salaries and Expenses

For expenses necessary to enable the Vice President to provide assistance to the President in connection with specially assigned functions, services as authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem equivalent of the rate for grade GS-18, compensation for one position at a rate not to exceed the rate of level II of the Executive Schedule, and other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service, including hire of passenger motor vehicles, (\$1,327,000) \$1,280,000.
(Executive Office Appropriations Act, 1978.)

SPECIAL ASSISTANCE TO THE PRESIDENT
Salaries and Expenses

Object Classification (in thousands of dollars)

	<u>1977</u> Actual	<u>1978</u> Estimate	<u>1979</u> Estimate
Personnel compensation:			
11.1 Permanent positions	646	750	734
11.3 Positions other than permanent	10	50	27
11.5 Other personnel compensation	5	36	30
11.8 Special personal services payments	<u>1</u>	<u>20</u>	<u>--</u>
Total personnel compensation	662	856	791
12.1 Personnel benefits: Civilian	53	71	69
21.0 Travel and transportation of persons	21	60	60
23.1 Standard level user charges	150	145	180
23.2 Communications, utilities, and other rent	50	60	70
24.0 Printing and reproduction	5	20	20
25.0 Other services	40	50	45
26.0 Supplies and materials	20	40	30
31.0 Equipment	<u>--</u>	<u>25</u>	<u>15</u>
99.0 Total obligations	1,001	1,327	1,280

SPECIAL ASSISTANCE TO THE PRESIDENT
1979 Budget Plan
(dollars in thousands)

	FISCAL YEAR 1978		FISCAL YEAR 1979		1978 Budget Request
	1978 Budget as allocated	Cost of pay increase October 1977 to E.O. 12010	Estimated Requirements for 1978	Base for FY 1979 (reflects reduction of 1978 cost of E.O. 12010)	
Personnel Compensation					
Permanent positions:					
Total number	28			27	27
Average number	27			27	27
Net salary	750			734	734
Other positions:					
Positions other than permanent	50			50	27
Other personnel compensation	36			36	30
Special personal services payments	20			20	-20
Total personnel compensation	856		840		791
Personnel Benefits					
Travel	71			69	69
Rent, communications, and utilities:	60			60	60
Standard Level User Charges*	205			215	250
Other*	(145)			(145)	(100)
Printing and reproduction	20			20	20
Other services	50			50	45
Supplies and materials	40			40	30
Equipment	25			25	15
Total estimated obligations	1,327		1,319		1,200
Reimbursements					
TOTAL BUDGET AUTHORITY	--		--		--
	1,327		1,319		1,200
				435	-74
					-74
				435	1,200

THE WHITE HOUSE OFFICE

WITNESSES

HUGH A. CARTER, SPECIAL ASSISTANT TO THE PRESIDENT FOR
ADMINISTRATION
VALERIO L. GIANNINI, DIRECTOR OF OPERATIONS
ROBERT LINDER, CHIEF EXECUTIVE CLERK
PHILLIP D. LARSEN, ADMINISTRATIVE OFFICER

Mr. STEED. Now we have the White House Office. The White House Office salaries and expenses for 1978 were \$16,440,000. The amount requested for 1979 is \$16,907,000, an increase over 1978 of \$467,000.

We will have some questions about the total reorganization but we need some clarification on what causes the increase. That question always comes up, and we would like to have it in the record.

Presenting this item will be Mr. Hugh Carter and his associates, and welcome, Mr. Carter. If you would like to identify your associates for the record, we will be pleased to have you do so, and then leave it up to you whether you would like to summarize or read your opening statement, and we will have some questions.

Mr. CARTER. Mr. Chairman, and Mr. Miller, it is a pleasure for me to be here before the committee to answer your questions regarding the 1979 budget request for the White House office.

Before reviewing the highlights of our 1979 budget request, I would like to introduce the members of my staff who are with me today. On my immediate left is Mr. Valerio Giannini, Director of White House Operations; next is Mr. Robert Linder, Chief Executive Clerk, and next is Mr. Phillip Larsen, White House Administrative Officer.

BIOGRAPHIES

I would like to submit a short biography on myself and my staff members, which you may wish to include in the record.

Mr. STEED. We are delighted to put them in the record.
[The information follows:]

BIOGRAPHY OF HUGH A. CARTER, JR.

Hugh Carter was named Special Assistant to the President for Administration in January of 1977. His responsibilities include White House administration, managing the White House operating offices and military assistance, liaison with ex-Presidents and their families, and other projects (such as reorganization) assigned by the President.

Mr. Carter was born on September 29, 1942, and grew up in Plains, Georgia. He received a Bachelor of Industrial Engineering degree from Georgia Tech in 1964, a Masters Degree in Business Administration from the Wharton School of Business and Finance at the University of Pennsylvania in 1968. He served two years in the Army as an Artillery Lieutenant.

After graduation in 1968, Mr. Carter was employed by the John H. Harland Company, a bank stationer based in Atlanta with twenty-seven plants throughout the country. After managing plants in Miami and Orlando, Florida, and Greensboro, North Carolina, he became District Operations Manager in the Atlanta office and was later promoted to the position of Vice President.

Mr. Carter was an alternate delegate to the Democratic National Convention in New York in July of 1976, and a Carter staff floor leader.

Past affiliations include the Jaycees, Rotary Club and Young Democrats.

BIOGRAPHY OF ROBERT D. LINDER

Robert D. Linder is Chief Executive Clerk for the White House Office. He has served in that position since April 1973. Previously he had served in the Office of Management and Budget as an analyst of military research and development, strategic, space, and nuclear testing programs. He also worked on accounting systems and financial management improvement programs.

Mr. Linder holds B.A. and J.D. degrees from the University of Iowa, an LL.M. from George Washington University and an M.B.A. from Harvard University.

Mr. Linder was born on January 10, 1932 in Oelwein, Iowa. He is married to the former Arlis Elvebak of Albert Lea, Minnesota. They have two daughters and a son and reside in Alexandria, Virginia.

BIOGRAPHY OF VALERIO L. GIANNINI

Valerio Giannini, Director of White House Operations, joined the White House Staff in January of 1977. His responsibilities comprise of general management of the White House Operating Offices, reporting to Hugh A. Carter, Special Assistant to the President for Administration.

Mr. Giannini was born on February 7, 1938, and grew up in Los Angeles, California. He received his Bachelor of Science and Engineering Degree from Princeton University in 1959, and subsequently served as an officer in the United States Navy.

Following his military duty, Mr. Giannini was employed in the Corporate Finance Department of the Wall Street investment banking firm of Kidder, Peabody & Co. In 1964 he joined the Corporate Planning Division of IIT Research Institute in Chicago performing management and market research studies for corporate clients.

Mr. Giannini subsequently returned to Southern California, where he formed his own management consulting practice in 1968. Over the next nine years, Mr. Giannini managed new business development studies and programs for large industrial clients, and also served as Chief Executive Officer of several small corporations undergoing financial difficulties.

BIOGRAPHY OF PHILLIP D. LARSEN

Phil Larsen was appointed Administrative Officer for the White House Office on January 1, 1978. His responsibilities include managing White House Office activities in the area of budget, accounting, purchasing, travel and personnel.

Mr. Larsen was born on July 13, 1942 and grew up in Davey and Lincoln, Nebraska. He received a Bachelor of Arts degree in Political Science and History

from Nebraska Wesleyan University in 1964. Following graduation he did graduate work in Public Administration at the University of Nebraska.

In 1967, Mr. Larsen entered the Federal Service as a Management Intern with the Atomic Energy Commission. He served with the AEC as a Personnel Management Analyst until 1970 when he transferred to the Office of Management and Budget as the Assistant Budget and Management Officer. In 1972, he was selected as the Budget and Management Officer in OMB where he served until his recent appointment with the White House Office.

REVISED 1979 BUDGET REQUEST

Mr. CARTER. The 1979 budget request for the White House Office, as revised—and I will add it was revised last week—is \$16,711,000, which represents a decrease of \$869,000 from the amount originally appropriated for the White House Office for fiscal 1978.

The revised 1979 budget, which was submitted last Wednesday, March 8, I believe, reflects a decrease from \$196,000 from the amount originally requested for 1979, resulting from a revised GSA space rental budget estimate received by us in a letter on March 7, 1978.

IMPACT OF REORGANIZATION

The 1978 budget, as restated in this year's submission, was reduced by \$1,140,000 from the amount originally appropriated to reflect the estimated transfer of funds from the White House Office to the new Office of Administration, which was established in accordance with the President's Reorganization Plan No. 1 of 1977. Accordingly, on a post-reorganization basis, the 1979 budget request is \$271,000, or 1.6 percent, greater than the post-reorganization 1978 budget. These increases are all attributable to nonsalary increases, primarily in GSA space rental, computer services, and equipment costs.

STAFF LEVELS

In terms of personnel, the 1979 budget request provides for 351 full-time permanent positions, which is a decrease of 134, or a reduction of 28 percent, from the 485 budgeted for 1977, the year President Carter took office. For 1978, our post-reorganization budget also calls for a maximum of 351, down from 460 originally budgeted for this year.

With respect to 1977, we would like to invite your attention to the fact that we ended fiscal 1977 better than \$500,000 under budget; and that for 1978, the White House Office absorbed the two statutory pay increases granted subsequent to the submission of the 1978 budget without any supplemental appropriation.

Mr. Chairman, while we are constantly looking for ways to achieve even greater economy, it is our opinion that this budget request is the minimum amount needed to adequately support the President. I will be happy to answer any questions you may have.

REDUCTION OF STAFF

Mr. STEED. First off, on page 2 of your statement, where you make the reference to the number of positions now and the decrease of 134, how many of this 134 are now under a different title?

Mr. CARTER. Mr. Chairman, 72 out of that 134 were transferred to the Office of Administration. If you desire, we can supply you with a list of the names of those people.

In addition, there were 62 other remaining positions, most of which were filled with an individual person. Of those 62, some, as I understand it now, have jobs elsewhere in the government. The other left the government service through normal attrition.

We look at those 62 as 62 positions which were eliminated from the White House staff. Some of them were used to fill authorized vacancies elsewhere in the government, and some of them I would assume are not in the employment of the government, but a net reduction of 62 slots to the number authorized in the Federal Government.

Mr. STEED. Do you have a figure on how much of this total budget item is used for personnel cost? I know you have other functions you have to fund under this.

Mr. CARTER. Of our 1979 budget request of \$16,711,000 the total for personnel compensation is \$10,460,000.

Mr. STEED. Does that include the personnel benefits and everything else connected?

Mr. CARTER. No, sir; the personnel benefits would be an additional \$810,000.

WHITE HOUSE OFFICE AUTHORIZATION

Mr. STEED. The reason I bring that up is that you are also familiar with the legislation that is currently in the mill. Are you familiar with the details of that bill as it applies to this particular item? Do you feel it is adequate in giving you the authority that you will need to get this particular function funded?

Mr. CARTER. You are referring to H.R. 11003?

Mr. STEED. Yes.

Mr. CARTER. Yes, sir, I am familiar with the bill. We feel that the bill, if it is passed as it was reported out of committee this past Wednesday, will be adequate to authorize the White House Office and the other offices which are covered by the bill. We understand that there are some restrictions placed on the White House Office that have never been placed on that Office before, but we feel that those restrictions are such that enough flexibility is left for the President to run his office adequately.

CONSULTANTS

Mr. STEED. In last year's bill and in the budget request for this year, of this total amount asked for, \$3,850,000 has been earmarked for use under 5 U.S.C. 3109, which, of course, covers the authority to employ consultants and advisers that the President has a special need for, and since this item is the same this year as last, which would indicate that the impact of inflation hasn't been felt, is this an adequate amount?

Of course, it is optional with the President whether he uses any of it. But do you think that is an adequate ceiling for this function?

Mr. CARTER. The \$3,850,000 for consultants and other experts?

Mr. STEED. Yes.

Mr. CARTER. We understand that this figure has been the language for many years. Our intention is to use consultants and reimbursable detailees when we need to, but I don't anticipate that we will be spending anywhere near that amount of money on consultants.

BUDGET LIMITATIONS

Mr. STEED. The budget request last year for the hire of motor vehicles, newspaper periodicals, and so forth, was limited to \$100,000; does the present budget propose to strike that limitation out. Is there any particular reason why that limitation should come out?

Mr. CARTER. Phil, can you answer that question?

Mr. LARSEN. I don't believe we are proposing to take that out of the budget. It is in parentheses, but it is not in heavy brackets.

Mr. STEED. You have no objection to that limitation of that amount?

Mr. CARTER. No, we are not asking that it be eliminated. It applies only to travel, as I understand it.

Mr. LINDER. Only to the President's travel. That is the same as it was last year, Mr. Chairman.

PRESIDENTIAL TRAVEL

Mr. STEED. I am a little bit at a loss to know why we would put a ceiling on how much traveling the President can do. You are talking about the staff who go with the President rather than his own personal right to travel?

Mr. CARTER. Sir, there are two travel accounts. One is an account that up until this year was \$190,000. We requested that it be raised to \$220,000. That is an account that is normally used for travel by any member of the White House staff. Then there is another account that has consisted of \$100,000 for the last several years and \$100,000 has been appropriated. The bill, H.R. 11003, changes the authorization from \$40,000 to \$100,000, but \$100,000 has been appropriated for several years.

That money is used on the certificate of the President and is used for expenses surrounding his travel. It supports staff members who travel in connection with his travel, advance people, and any expenses that he would have that may be charged to that account.

Mr. STEED. I sometimes wonder why we beg the question on limitations within a fixed amount of appropriations. I can understand some reasons for it in some places, but sometimes it acts more like a straitjacket than it does a method of economy.

OFFICIAL ENTERTAINMENT

For instance, in the entertainment item of \$10,000, you propose to raise that modest amount up to \$12,000.

Mr. CARTER. Yes, sir.

Mr. STEED. Since it has been such a long time ago that item was changed, that would hardly account for the normal inflation, and I imagine entertainment inflates in cost like everything else.

Is this a handicap to have such a small limitation for that purpose, or what is your experience with it?

Mr. CARTER. Well, sir, it has been \$10,000, I understand, for a number of years, like you say.

We used our expenditures from 1977 and tried to project what we would need in 1979. Certainly \$12,000 would be a minimum amount. We think we can make do with the \$12,000.

Mr. STEED. The President of the United States is probably the most powerful and important office on the face of the earth and a great deal of the things that are imposed on it are not by choice; it just happens.

Mr. CARTER. Yes, sir.

Mr. STEED. And I would think if it got into the area of entertainment that it could be too restrictive. I would hope just for the lack of a reasonable limitation, we wouldn't be placing our chief executive in a position of appearing cheap or anything of that sort. So I just want to make sure we weren't begging the question here. If it is adequate, okay, but if it is not—

Mr. CARTER. The bulk of the entertaining that the President does is covered by the budget of the Executive Residence. The entertainment money that we are talking about here, the \$12,000, is used principally to cover the type of things that would be incurred in the working offices at the White House for normal everyday-type expenses of taking care of guests. If we have guests in for a meeting, we might use that to buy them coffee. People that have lunch with a staff member on official business or have lunch with the President on official business, the \$12,000 would cover that type of expense.

DUTIES OF THE PRESIDENT

Mr. STEED. Take a look at this book. This is a printout of all the acts of Congress that impose specific work on the President of the U.S. There are over 5,100 acts of Congress in there—which, of course, brings up the fact that no one man alone can comply with all of those laws. Out of extreme necessity, he is bound and compelled to delegate many of his own functions to other people. And it is in this area, when these people are doing what the President of the United States does, and they are more or less, by proxy, I suppose you would say, they also have the same problem of putting on the right face to it, that the President, himself, would have. So the fact that he has funds to his personal command in one item, might not be quite so easy for the people who are hired under this item and who are, in fact, being the President of the United States on specific occasions, to be free to do what they should do. I use this just to illustrate the magnitude of what we say when we say the President of the United States.

Mr. CARTER. Yes, sir. We feel for the area of entertainment that this appropriation request covers, the \$12,000, that that would be

adequate for the area that it covers. The remaining parts I said would be covered out of the Executive Residence budget.

Mr. STEED. Are all these authorities and limitations covered in this new legislation so that we don't run into this point of order problem the next time we present this item to the House?

Mr. CARTER. Yes, sir, it is my understanding that all of the points—

Mr. STEED. In other words, you made sure that everything that you see fit to need enough to put it in the form of a budget request is covered by the proposed authorization?

Mr. CARTER. Yes, sir, that is correct.

Mr. STEED. And, of course, I think it is well to say here that this is the first comprehensive effort to authorize the functions of the Executive Office that has been undertaken in a long time. The hope I had was that they not only gave enough authority to permit the function of the Executive Office now, but to cover any reasonable expectation of the future demands on that office. So that is why I am so anxious to know that you believe that you have a sufficient new authority here to meet this problem.

Mr. CARTER. Yes, sir, we do.

Mr. STEED. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Carter, we have possibly 62 departments, agencies, committees, commissions that come before this committee, but I have never seen one exactly like we have before us right now, because there is no way to make heads or tails out of what we are doing.

EXECUTIVE OFFICE REORGANIZATION

Your people, and I am not saying you, but someone in the White House did a good job of putting it together so it doesn't come out where the sum of the parts equals the total. And again, I am not sure what we are going to do to be able to justify the budget, itself, because it is a little hard to say where we are, and whether it is up or whether it is down. The President did indicate that he would cut the budget and the personnel, as I recall, in the White House by 30 percent, or a third. Somebody who prepared the budget came out pretty close with what they did, because, on page 2 of the justifications, it says in terms of personnel, the 1979 budget request provides for 351 full-time permanent positions, which is a decrease of 134, reduction of 28 percent; from 485 budgeted for 1977, the year President Carter took office. Now that sounds good, and I wish it were true. But I sharpened my pencil and find out that you told the Chairman that 72 of the 134 in reduction moved to the Office of Administration. Is that correct?

Mr. CARTER. Yes, sir, that is correct.

Mr. MILLER. Now, if you add that 72 to the 351, we come up with 423, and that is a reduction of 12-1/2 percent, or thereabout.

Mr. CARTER. Sir, those 72 people are not working for the White House any longer. They work for the Office of Administration, which supplies the White House with some basic administrative support. The White House still maintains its own administrative unit which consists of 165 people, which do principally all of the

administrative work in the White House, with the exception of some basic support the Office of Administration is providing us with.

Mr. MILLER. The charts that we show that came from the Office of Administration statement show pretty clear that we are going to have a deputy director and then five assistant directors that are going to be feeding information back to the White House as they did before. What other agencies, or what other departments, or what other committees or commissions, with the five assistant directors and the Office of Administration feed back, that could be justified as outside the White House?

Mr. CARTER. Well, the President's executive order which created the Office of Administration calls for the Director of the Office of Administration to report directly to the President. I haven't had the privilege of seeing the documents that you have in your hand, but I assume it reports back to the White House, but it would only be in respect to the Director, because the Office of Administration reports to the President, and he is located at the White House.

Mr. MILLER. I guess what we are getting back to is what we had just a few minutes ago with Mr. Harden, the Director of the Office of Administration. We did not really unravel what was going on, and I don't think we are unraveling it now. If we move a group of people over to another operation, but yet are still working for the same base and theoretically that is what it appears to be, then we have not really reduced, but just shifted and changed names, and it appears that is what we have.

FUNCTIONS OF PERSONNEL TRANSFERRED TO OFFICE OF ADMINISTRATION

Mr. CARTER. Well, sir, the 72 people that were transferred out of the White House do still do some basic administrative functions for the White House, but at the same time they provide the same and even additional administrative functions to the other 10 units of the Executive Office of the President. Those 72 people actually spend a very small amount of time providing the basic common administrative support to the White House. The rest of the time goes to providing administrative support to the other 10 units of the Executive Office of the President.

Mr. MILLER. Those 72 people, when they were located in the Executive Office of the President, or under the President's budget—

Mr. CARTER. Under the White House budget.

Mr. MILLER. Last year?

Mr. CARTER. Yes, sir.

Mr. MILLER. Did they do that same work then and would support the other ten?

Mr. CARTER. No, sir, they worked exclusively for the White House until they were transferred to the Office of Administration. They performed no duties for any other unit within the Executive Office of the President other than the White House before they were transferred.

Mr. MILLER. Maybe we could unravel it a little if you could tell us what those duties were. What is not being done at the White House offices now that was done prior?

Mr. CARTER. Principally all of the printing that the White House was doing for itself is now being done by the Office of Administration; all of the messenger service that the White House is now being provided by the Office of Administration; some basic accounting work that was done by the White House office will now be provided to us by the Office of Administration; some basic personnel processing, paperwork primarily will be handled by the Office of Administration. Those would be the principal areas that the O.A. is helping the White House now.

WHITE HOUSE OFFICE ADMINISTRATIVE FUNCTIONS

It is my understanding that the O.A. provides more support than that to the other EOP units, other than the White House, because the White House has maintained its own administrative unit which handles its switchboard, travel, telegraph, its full correspondence section, which is the biggest section. We still have a small unit that does personnel work, a small unit that does preliminary accounting work. The Executive Clerk's office is still in the White House administrative unit as is the records office, and several other smaller functions.

A different explanation might be that the functions that were common throughout the Executive Office of the President were pulled out of the White House and put in O.A. like basic accounting, basic personnel work, basic printing operation and messengers. All of the units in the EOP had to have those, and we felt by combining those into one unit like the Office of Administration we would gain some economies. The other administrative functions, as I noted, were maintained on the White House staff. One hundred sixty-five people of 351 people on the White House staff are still involved in administrative-type functions.

Mr. MILLER. You gave me some answers as to what is being done for the White House office through the Office of Administration.

Now, those 72 people that were moved from the White House office to the Office of Administration will be doing work for other areas, as you said.

Mr. CARTER. Yes, sir; that is right.

Mr. MILLER. My basic question is what will not be done for the White House that they were doing this year?

Mr. CARTER. The White House has not dropped any functions. In other words, we did not have messengers last year that we are doing without this year. We still have to have messengers, but that messenger service, using that as an example, is being supplied by the Office of Administration, out of its pool of messengers, which not only supports the White House but the other 10 units, and that also applies, as I said, to printing, and accounting, and personnel types of support.

Mr. MILLER. Yes, but 72 people were working for the White House Office and all at once they leave, and now you say part of their work will be for the White House Office. Even if they are in the

Office of Administration they are doing work for other people, so something in the White House Office would not be accomplished. That is my question, what will not be accomplished in 1979 that is being accomplished in 1978 if you have that many less people in the White House?

Mr. CARTER. Like I said, all of the basic functions are continuing to be accomplished. In addition to the 72 people who went to the Office of Administration, we transferred a number of people out of our policy staff. What we have tried to do is gain a better allocation of the resources that remain in the 351. We have found things that were being done at the White House that we could do more efficiently but we haven't stopped any of the basic functions. We haven't eliminated any of them. We cannot do without personnel support; we cannot do without accounting support or printing support. Those were moved to a place where they could be done more efficiently.

Mr. MILLER. If I am asked that question in the full Appropriations Committee, I am not sure what I am going to tell them. That is why I bring up the points here, so we can clear it up before we go to the full committee. It will be beneficial. Thank you.

Thank you, Mr. Chairman.

FUNCTIONS OF THE PRESIDENT

Mr. STEED. I have shown you the book we have here for the printout of Acts of Congress that impose specific work on the President of the United States, and, of course, I think there have been additional laws passed with that same language—"the President shall do"—in it, that are contained in these acts. So it is a growing book, and I don't believe I have had one single case called to my attention, where a law that imposed specific work on the President of the United States has ever been repealed.

What facility does the White House staff have to advise the President what is in this book, and when he has the responsibility to do what is required in that book? Is this a well-tended function?

Mr. CARTER. Yes, sir, I think that would be one of the principal reasons that the President has a White House staff, to advise and aid him in performing the functions that he has to perform.

In addition, the other units of the Executive Office of the President would also help him with those functions, just as would the other agencies of the executive branch of government.

Mr. STEED. Do you know if any of the functions required have been passed up by oversight, or do you know of any cases?

Mr. CARTER. No, sir, I am not personally familiar with any. I could not say there have not been any, but I am not personally familiar with any.

Mr. STEED. It might become better known if some outside beneficiary or participants or interested person in some of these requirements complained because they were not being done. Do you have any knowledge of any such complaints?

Mr. CARTER. No, sir, I don't.

[The following information was supplied for the record:]

Executive Office of the President

THE WHITE HOUSE OFFICE

Budget Request

for

Fiscal Year 1979

Amended

March 8, 1978

THE WHITE HOUSE OFFICE

Salaries and Expenses

For expenses necessary for the White House Office as authorized by law, including not to exceed \$3,850,000 for services as authorized by 5 U.S.C. 3109, at such per diem rates for individuals as the President may specify and other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service; hire of passenger motor vehicles, newspapers, periodicals, teletype news service, and travel (not to exceed \$100,000 to be accounted for solely on the certificate of the President); and not to exceed \wedge [\$10,000], \$12,000 for official entertainment expenses to be available for allocation within the Executive Office of the President; \wedge [\$17,580,000]. \$16,711,000

Executive Office Appropriations Act, 1978

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

Executive Office of the President
The White House Office
Salaries and Expenses

Program and Financing (in thousands of dollars)

Identification code	19 77 actual	19 78 estimate	19 79 estimate
11-0110-0-1-802			
Program by activities:			
10.00 Administration (costs- obligations).....	16,657	16,440	16,711
Financing:			
25.40 Unobligated balance lapsing....	505	---	---
Budget Authority.....	17,162	16,440	16,711
Budget Authority:			
40.00 Appropriations.....	17,162	17,580	16,711
41.00 Transferred to other accounts..	---	- 1,140	---
43.00 Appropriation (adjusted)	17,162	16,440	16,711
Relation of obligations to outlays:			
71.00 Obligations incurred, net.....	16,657	16,440	16,711
72.40 Obligated balance, start of year	1,365	1,045	1,045
74.40 Obligated balance, end of year..	- 1,045	- 1,045	- 1,045
77.40 Adjustments in expired accounts	259	---	---
90.00 Outlays.....	17,236	16,440	16,711
Note: Excludes \$1,216 thousand in 1978 and \$1,216 thousand in 1979 for activities transferred to Office of Administration, "Salaries and expenses." Comparable amounts for 1977 (\$1,520 thousand) and 1978 through December 31, 1977 (\$380 thousand) are included above.			

The White House Office

These funds provide the President with staff assistance and provide administrative services for the direct support of the President. Figures for 1978 reflect the transfer of certain administrative support functions to the Office of Administration, per Executive Order 12028 of December 12, 1977.

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. A-11, Revised.
 500-101

Executive Office of the President
 The White House Office

Personnel Summary

Identification code	19 actual 77	19 estimate 76	19 estimate 79
11-0110-0-1-802			
Total number of permanent positions...	485	351	351
Full-time equivalent of other positions	15	15	15
Average paid employment.....	446	371	351
Average GS grade.....	8.35	8.90	8.90
Average GS salary.....	\$15,964.	\$18,429	\$18,429

STANDARD FORM 304
May 1969, Bureau of the Budget
Circular No. A-11, Revised.
304-103

Executive Office of the President
The White House Office

OBJECT CLASSIFICATION (in thousands of dollars)

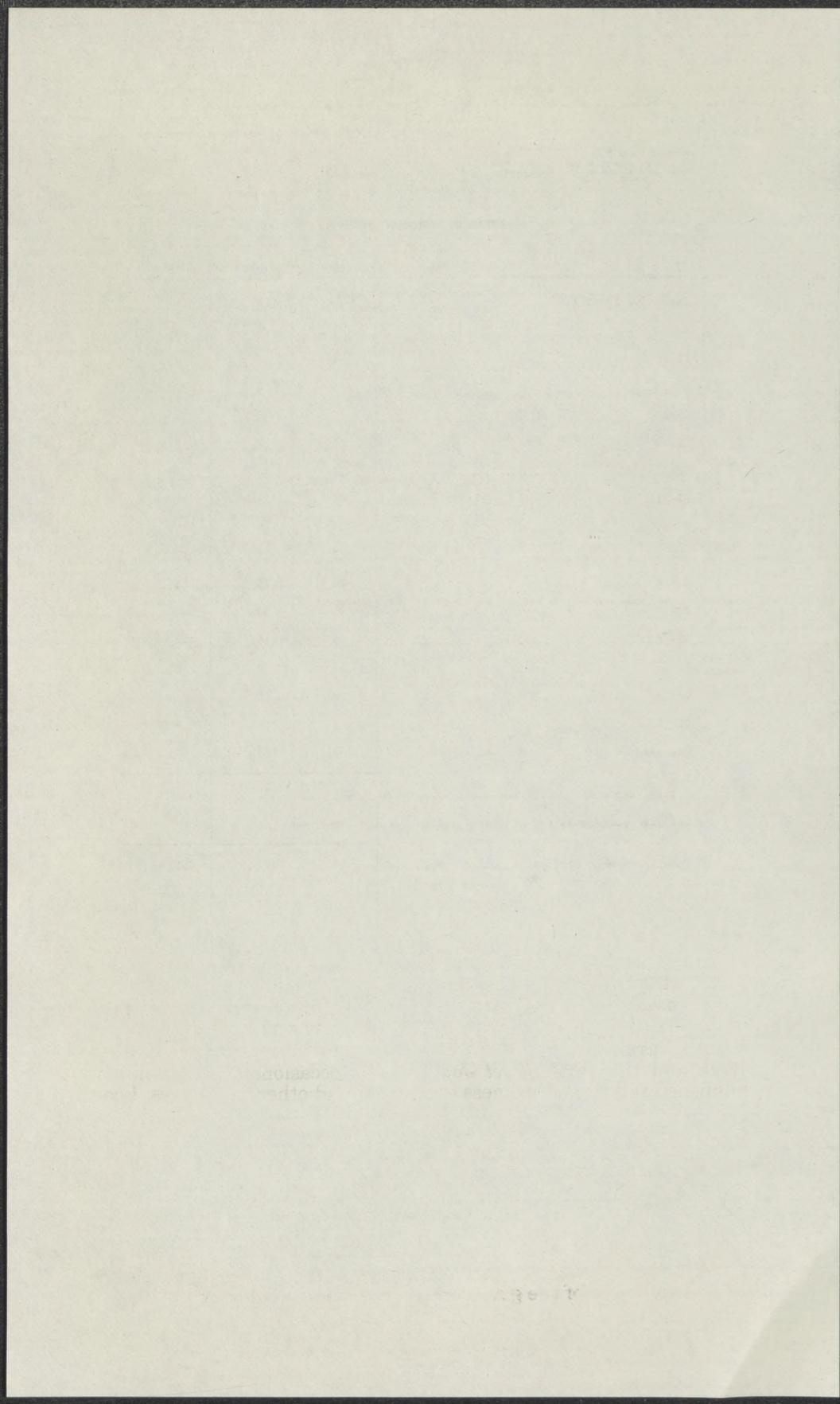
Identification code 11-0110-0-1-802	19 actual 77	19 estimate 78	19 estimate 79
Personnel compensation:			
11.1 Permanent positions.....	10,578	9,645	9,175
11.3 Positions other than permanent.....	167	250	300
11.5 Other personnel compensation.....	819	760	710
11.8 Special personal services payments.....	237	275	275
Total personnel compensation.....	11,801	10,930	10,460
Personnel benefits:			
12.1 Civilian.....	906	838	810
13.0 Benefits for former personnel.....	---	---	16
21.0 Travel of the President.....	63	100	100
23.0 Travel and transportation of persons.....	138	190	220
22.0 Transportation of things.....	5	5	6
23.1 Standard Level User Charges.....	1,275	1,550	1,757
23.2 Communications, utilities and other rent.....	1,790	2,065	2,260
24.0 Printing and reproduction.....	288	337	350
25.0 Other services.....	132	150	310
Official entertainment.....	7	10	12
26.0 Supplies and materials.....	232	230	280
31.0 Equipment.....	20	35	130
32.0 Lands and structures.....			
33.0 Investments and loans.....			
40.0 Grants, subsidies, and contributions.....			
42.0 Loans, guarantees, and indemnities.....			
43.0 Interest and dividends.....			
44.0 Refunds.....			
99.0 Total obligations.....	16,657	16,440	16,711

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
506-103

Executive Office of the President
The White House Office

DETAIL OF PERMANENT POSITIONS

11-0110-0-1-802	19 77 actual	19 78 estimate	19 79 estimate
Executive level II	14	14	14
GS-18	1	1	1
GS-16	2	2	2
GS-15	4	3	3
GS-14	7	6	6
GS-13	10	9	9
GS-12	7	3	3
GS-11	22	17	17
GS-10	18	14	14
GS- 9	27	17	17
GS- 8	28	25	25
GS- 7	49	36	36
GS- 6	36	15	15
GS- 5	18	8	8
GS- 4	8	1	1
GS- 3	2	-	-
Ungraded	232	180	180
Total permanent positions.....	485	351	351
Unfilled positions, end of year.....	- 39	--	--
Total permanent employment, end of year.....	446	351	351



EXECUTIVE OFFICE OF THE PRESIDENT

COMPENSATION OF THE PRESIDENT

WITNESS

HUGH A. CARTER, JR., SPECIAL ASSISTANT TO THE PRESIDENT FOR ADMINISTRATION

Mr. STEED. Now, we will go to the Executive Office of the President, Compensation of the President. For compensation of the President, including an expense allowance at the rate of \$50,000 per annum, as authorized by 3 U.S.C. 102, \$250,000.

I assume you strongly urge the approval of that item?

Mr. CARTER. Yes, sir; that item and that amount is authorized by statute, and I really would have no further—

Mr. STEED. You don't want to tamper with the statute?

Mr. CARTER. No, sir.

EXPENSE ALLOWANCE

Mr. STEED. For clarification, since the \$50,000 for the expense allowance is mentioned in the law, itself, is it true that the President must pay tax on this item?

Mr. CARTER. Yes, sir; that is my understanding; he must pay tax on it.

Mr. STEED. Because of that, if he doesn't use all of it for expenses, it returns to him as part of his compensation?

Mr. CARTER. Yes, sir.

EXECUTIVE COMPENSATION IN THE PRIVATE SECTOR

Mr. STEED. Since this item was set at this figure, has anybody ever made a study that you have seen that indicates how many executives there are in the U.S. who draw higher compensation than the President of the United States?

Mr. CARTER. I am not intimately familiar with any study of that nature. It seems that I have probably heard comparisons in years past, but I don't have any figures with me now, sir.

Mr. STEED. Are you aware of any executive job that exceeds that of the Presidency in the size and the difficulty and the volume of it?

Mr. CARTER. No, sir, I am not. I read periodicals such as *Business Week* and the *Wall Street Journal* and occasionally you will see published salaries of business executives and other executives. I can remember seeing salaries that were probably higher than the President's, but I don't know of any job, in my experience, that I have seen that would be any more complicated or any bigger job than that of the President of the United States.

INCREASE IN THE PRESIDENT'S SALARY

Mr. STEED. Over the years, we have had a number of increases of pay for military and civilian employees of the government, all the other executives of the government, even in the Congress, itself, and

in the courts, and none for the President of the United States. Any discussion going on anywhere in any of the responsible circles that you know of to change that item as it now stands?

Mr. CARTER. No, sir. There is no activity at all, to my knowledge, anywhere within the executive branch of the government to make any changes in the President's salary, or request any change.

Mr. STEED. It would be fair to say if it remains static and sets an example for the rest of the country, but when you look at the record, the country hasn't paid much attention to the example; prices went up as inflation forced them up.

Mr. CARTER. I would assume that at such time it is deemed that it would be appropriate to change the President's salary, that some initiative will be initiated from, I would assume, the congressional branch of government or the executive branch of the government to make such change, but, as I said, I am not aware of any initiatives along that line at all, myself, right now.

Mr. STEED. Off the record.

(Discussion off the record.)

Mr. STEED. On the record. Mr. Miller?

SIZE OF GOVERNMENT

Mr. MILLER. Mr. Carter, I asked a number of questions about other items, but you are no different than the others that came into this committee. If you talk with them, you will find we asked the same questions. We are very much concerned about the size of government, where we are going, what the bureaucracy is, and the fact we are going in debt. We will, as of this year, we will have a payment of over \$55 billion interest on the national debt, over \$800 billion, and that comes out to \$151 million a day interest that we are paying on the national debt, interest alone. The public paying the taxes are very much concerned, and they want to know what we are doing. So we are trying to take it apart and hold it down if we possibly can; we are spending far beyond our limit, and we have to find a solution to the problem.

When it comes to the President's salary, the President has a lot of challenge; there is no doubt about it. He has more responsibility, as far as I am concerned, than any other person in the U.S., and as far as I am concerned, more than any other person in the world. It is a problem that most people, if they could handle the job, would want twice that amount of money to do it. I am aware of that. So I have no objections to that particular one. That is one of the few that come through the subcommittee that I have had no objection to. Thank you.

Mr. CARTER. Thank you, sir.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. STEED. Well, then, thank you very much for your appearance and your cooperation.

[Whereupon, at 11:30 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

[The following information was supplied for the record:]

Fiscal Year 1979 Budget Request

for

COMPENSATION OF THE PRESIDENT

COMPENSATION OF THE PRESIDENT

For compensation of the President, including an expense allowance at the rate of \$50,000 per annum as authorized by 3 U.S.C. 102, \$250,000.

Executive Office Appropriation Act, 1978

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

COMPENSATION OF THE PRESIDENT

Identification code	1977 actual	1978 estimate	1979 estimate
11-0000-0-1-802			
<u>Program by activities:</u>			
10. Compensation of the President (cost-obligations) (object class 11.1).....	250	250	250
<u>Financing:</u>			
Budget Authority:	250	250	250
<u>Budget authority:</u>			
40. <u>Appropriation</u>	250	250	250
<u>Relation of obligations to outlays:</u>			
71. Obligations incurred, net....	250	250	250
90. Outlays.....	250	250	250

WEDNESDAY, MARCH 15, 1978.

EXECUTIVE RESIDENCE OPERATING EXPENSES

WITNESSES

MANUS J. FISH, JR., REGIONAL DIRECTOR, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

ELMER S. ATKINS, ASSOCIATE REGIONAL DIRECTOR WHITE HOUSE LIAISON, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

Mr. STEED. The committee will be in order. The committee will take up on the Executive Department. The Executive Residence Operating Expenses for 1978 were \$2,157,000, supplemental pay increase of \$79,000, bringing the 1978 total to \$2,236,000.

The request for 1979 is \$2,575,000, an increase over 1978 of \$339,000.

We are delighted to have our old friend, Mr. Fish, Regional Director of the National Park Service, with us.

You and your experienced associate, Mr. Atkins, welcome. We will make your statement a part of the record as though read at this point, and we will have a few questions and would like for you to start out by summarizing the cause of the increase.

STATEMENT

Mr. FISH. Yes, sir, Mr. Chairman.

This appropriation request for the Executive Residence for fiscal year 1979, as you say, is \$2,575,000, and we indicated a net increase of \$418,000 because we didn't assume the supplemental. It is before the Congress now. So we didn't include that as already having it. The \$40,000 that you gave us last year in fiscal 1978 for replacing the East Room floor has been deducted.

The following increases are requested: \$79,000 for supplemental, \$42,000 to provide for within-grade advancements authorized in 1977, \$217,000 to fill seven existing positions by reassignment of personnel from the Executive Office of the President, \$90,000 to provide for the increased cost of supplies and materials, utility services, contractual services and equipment costs, and \$30,000 for replacement of banquet chairs.

No additional positions are requested. The funds requested will provide for the normal operating and maintenance needs for the residence at the present level of activity.

I shall be pleased to attempt to answer any questions.

VISITATION

Mr. STEED. What is your outlook on visitation this year? Do you expect it to be like last year, or is there an indication it may increase?

Mr. FISH. There is no indication now, as you know, Mr. Chairman. When we chatted last year, I thought maybe 1977 would be a big year that people were frightened away during the Bicentennial from predictions of a lot of people coming to town for the Bicentennial. But at the White House we dropped a little bit from a million and a half to a million three.

Mr. STEED. Has the weather made any impact so far this year?

Mr. FISH. Yes, sir, and November and December were very bad months, and normally we would average 5,000 a day, and we were down to about 3,000 in those months.

Mr. STEED. Are you going to have any impact on this activity in the reorganization plans that are going on?

Mr. FISH. What happened—

Mr. STEED. Will you be affected in any way by that?

Mr. FISH. No, sir, not other than the seven positions that we mentioned, and the \$217,000, and those were the three calligraphers, and the four positions in the chief usher's office that were transferred as part of that reorganizational study from the Executive Office of the President to the Executive Residence.

Mr. STEED. We know each President has different ideas about some of the routine he follows and some of the ways he wants things done. Have you had any marked change in the tour part of your activity since there has been a change in administration, or is it about the same?

Mr. FISH. It is about the same, and we hope to actually run a little longer. Normally we are open 10:00 to 12:00, and we are trying to get to 12:45, and during the peak season to one o'clock. There is a conscious effort on the part of the First Family to get as many people into the house as possible.

AUTHORIZATION LANGUAGE

Mr. STEED. In the current act, language was included which says "to be expended as the President may determine, notwithstanding the provisions of this or any other act." What use did you make of this, and how much funds were involved?

Mr. FISH. For years the language that is in the appropriations bill has been our authorization to do our hiring and to buy our supplies and materials.

Mr. STEED. Are the amounts of supplies and materials that you buy sufficient to make any marked impact on your budget because of inflation?

Mr. FISH. We have asked for an increase of \$29,000 for supplies and materials and services this year, Mr. Chairman, because it is very difficult to stay up with the increased costs, so this is a minimal. We have looked at it very carefully, but it is something that we do need.

Mr. STEED. Going back to the language in the act, the part which says "to be accounted for solely on his certificate relating to the

entertainment fund," what amount of money are we talking about there?

Mr. FISH. That would be for the food for official events and that, it seems to me, was about \$36,000, Mr. Chairman.

TEMPORARY EMPLOYEES

Mr. STEED. You have what I guess you would call temporary employees, people you call in when you have formal events to do the serving and other chores connected with a big affair of state.

Mr. FISH. We certainly do, and that works very well. They are not needed obviously full-time, but they are needed for those events.

Mr. STEED. Do you have any difficulty keeping a good work force available for this type of service?

Mr. FISH. No, sir, I was going to say that actually the temporary people that we do hire are long term. They have been doing it for a long time, and that is good for us, and, of course, good for them. But it is like the White House staff, itself; it is a very dedicated staff. It is a long-term staff, and that is very helpful to the residence.

NEW GATES

Mr. STEED. Have you had anything unusual happen during the year, or are things pretty normal?

Mr. FISH. We have had a few people go into our gates and the gates have held, and the cars or trucks, whatever they were, were hauled away. We worked with the Secret Service to put in new gates last year.

Mr. STEED. I know, and we have been very happy with the results we are getting with it. Maybe it will happen enough to discourage anybody else from trying such foolishness.

Mr. FISH. We have all eight gates in now, so that it completely rings the White House grounds.

VEGETATION

Mr. STEED. Mr. Fish, what about the shrubbery, the grass and flower beds?

Mr. FISH. We did last winter—not the past one, but the one before—we did have a lot of difficulty, and we have had to replace during 1977 a lot of the plant material in there. Of course, that expense is borne by the National Park Service because we operate the grounds, and there have been a few trees that have come down in the high wind this year.

Mr. STEED. Have you been given any problems from the vegetation standpoint by the use of the helicopter inside the grounds, or is that under control?

Mr. FISH. It is pretty well under control, but it does affect the sod, the grass, and we do the best we can and then if it finally gets to the point we have to re-sod, we do occasionally, but even more than the helicopter, I think the official arrival ceremonies and the setting up of the stages and the parading of the different units and the people out on the lawn, it is very active, the Easter Egg Roll, so it is very active use out there, and it is part of our program to

periodically re-sod. We overseed, but there comes a time when you have to re-sod.

FURNISHINGS

Mr. STEED. Have you had any more than just the routine problems with the furnishings or the upkeep of the building?

Mr. FISH. No, it has just been routine, Mr. Chairman. There is a very active program through the White House Historical Association and private donations for acquisition of furnishings for the White House, and that still continues.

Mr. STEED. Mr. Miller.

NUMBER OF POSITIONS

Mr. MILLER. Mr. Fish, in your statement you indicate that seven people will be moved from the Executive Office of the President, and you have \$217,000 to fill those positions. Apparently there would be some additional expense involved.

Yesterday, we had before our committee the White House Office, and those who testified told us about the administrative office that was set up within the White House Office.

Now, I am wondering, if these seven people are shifted from the White House Office to you and are you going to pay the bill now where they paid the bill before?

Mr. FISH. That is essentially correct, Mr. Miller. The seven positions are three calligraphers, the people that do the lettering for the invitations and the programs, do the design of the programs, and things like that. I might mention that there had been seven in that calligraphers' office and as part of that overall study, four of those people were let go.

So these people have been in the Executive Office of the President for many years, 20-year service, 15-year service for the three that are in there now.

The other positions are in the usher's office, immediate office, and they are classed as ushers to handle the administration of the staff that we are talking about. And an administrative assistant. So those seven were on the Executive Office of the President.

Mr. MILLER. Do you know why they would be shifted to your payroll?

Mr. FISH. Yes, sir, actually they function really completely for this payroll, and they are more properly located because of the functions that they perform on this payroll than they are in the Executive Office of the President.

Mr. MILLER. But they were formerly paid by the Executive Office of the President?

Mr. FISH. Yes, sir, and I might point out that we have had 75 positions for many, many years on this particular budget, and then, if you recall, in 1975 we added 11, 10 from GSA and one from the Park Service, because they were doing the things of this particular budget.

Mr. MILLER. I am not really questioning your budget, but yesterday we did have the people in from the White House, attempting to convey messages to what they were doing in the reorganization. Of all the time I have been around and seen in this particular committee some 64 different groups that come in, I have never seen

one so garbled in my life, and I told them so. We do not have heads or tails of it, and there is no way we can go to the full committee or the House floor and justify that budget.

It came about, I guess, because the President said he was going to cut down the White House some one-third, and there were about 500 people in the White House. The OMB is involved in it now by some of their people being in, and then administrative offices being set up. People apparently are just being transferred so they come under a different budget, and that is the purpose of asking about these seven people that were in the White House, they are lifted out on your budget, but physically they are still in the same location.

Mr. FISH. Yes, sir, they are physically in the same location. If I may, we have always been authorized 86 positions. We had a ceiling of 83 that OMB would allow us to fill. But last year we said we would be at 81. That is down five, and there were two people that left that we did not fill, so actually there was no increase in positions per se. I don't know that much about the reorganization plan, but effectively I am sure that the numbers in the Executive Office would have been reduced, and ours were not increased.

As I mentioned before, four of the calligraphers that were in that office, there had been seven people——

SUPPLIES

Mr. MILLER. You have answered the question for the record that we needed right now that I felt was important.

Just one other question: Under Other Supplies, you have listed for 1978 estimate, \$125,000. Can you tell us what that amount would be used for?

Mr. FISH. That is not an increase, but the Object Class 25, Other Services, the \$125,000 is a contract for laundry and drycleaning of \$13,000 and an elevator maintenance contract of \$8,000, furnishings, cleaning and repairing and part of the cyclic maintenance program, \$71,000, and the banquet chairs were in that figure, also.

Mr. MILLER. That was \$30,000?

Mr. FISH. Yes, and then there was the photo record of the historic furnishings for \$3,000. The total of all those figures is the \$125,000.

Mr. MILLER. And they are contracts in order to maintain the services to the White House?

Mr. FISH. Yes, sir, they are contracts.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. Mr. Fish, I want to express my appreciation to you for your appearance and the good report you have made. We are grateful to you.

Mr. FISH. Thank you, Mr. Chairman.

[The justifications follow:]

JUSTIFICATION OF ESTIMATE
Highlight Statement

The funds included in this estimate are to provide for the care, maintenance and operation of the Executive Residence.

Tourist visitation for the past five years is as follows:

<u>Calendar Year</u>	<u>Number Of Visitors</u>	<u>Average Per Day</u>	<u>Number Of Days Open</u>
1973	1,219,010	5,079	240
1974	1,349,633	5,442	248
1975	1,492,876	6,020	254
1976	1,573,460	6,195	254
1977	1,304,343	5,036	259

OPERATING EXPENSES, EXECUTIVE RESIDENCE

Appropriation, 1978	\$2,157,000
Proposed Supplementals for Salary Increases	79,000
Available - 1978	<u>\$2,236,000</u>
Less Proposed Supplemental for Salary Increases	-79,000
Less Available for East Room Floor Replacement	- 40,000

Plus: Itemized Increases as follows:

Salary increase for employees paid at annual rates, effective October 9, 1977.	\$ 41,000	
Salary increase for employees paid at hourly rates, effective October 23, 1977.	38,000	
Within-grade advancements effective May 8, 1977.	\$ 42,000	
Funding to fill seven positions previously lapsed.	217,000	
Contract for photorecords of historic furnishings.	3,000	
Supplies for Calligraphers	21,000	
Increased utility charges	18,000	
Increased cost of supplies, materials, and services	29,000	
Increased cost of furnishings maintenance	14,500	
Replace furnishings and equipment	30,000	
Additional furnishings and equipment acquisitions	<u>4,500</u>	<u>+ 458,000</u>
BUDGET REQUEST, 1979		<u><u>\$2,575,000</u></u>

Itemization of Estimate

Appropriation Title: Operating Expenses, Executive Residence

<u>Program and Financing</u>	<u>1977 Actual</u>	<u>1978 Estimate</u>	<u>1979 Estimate</u>	<u>Increase + Decrease -</u>
Total obligations	\$2,394,000	\$2,696,000	\$2,870,000	\$+ 174,000
Reimbursements from other accounts	<u>- 264,000</u>	<u>- 460,000</u>	<u>- 295,000</u>	<u>+ 165,000</u>
Appropriation	2,130,000	2,157,000	2,575,000	+ 339,000
Proposed supplemental for civilian pay act increases	-	79,000	-	-
<hr/>				
<u>Obligation by Objects</u>				
11.0 Personnel Compensation	1,565,000	1,825,000	1,893,000	+ 68,000
12.0 Personnel Benefits	125,000	152,000	155,000	+ 3,000
21.0 Travel & Transportation of Persons	1,000	-	-	-
23.2 Communications, Utilities and Other Rent	298,000	310,000	333,000	+ 23,000
24.0 Printing & Reproduction	4,000	17,000	21,000	+ 4,000
25.0 Other Services	101,000	116,000	125,000	+ 9,000
26.0 Supplies and Materials	241,000	220,000	279,000	+ 59,000
31.0 Equipment	59,000	56,000	64,000	+ 8,000
TOTAL OBLIGATIONS	<u>\$2,394,000</u>	<u>\$2,696,000</u>	<u>\$2,870,000</u>	<u>\$+ 174,000</u>
<hr/>				
<u>Personnel Summary</u>				
Total Number of Permanent Positions	86	86	86	-
Full-Time Equivalent of other Positions	4	4	4	-
Average Number of all Employees	83	83	88	-
Average Salary of Ungraded Positions	\$ 14,825	\$ 17,581	\$ 17,744	-

Explanation of Decreases and IncreasesDecreases

Amount available for replacing the floor in the East Room, \$40,000.

Increases

Mandatory pay increase costs, in the amount of \$121,000, to provide for the following: salary increase costs for employees paid at annual rates, \$41,000; salary increase costs for employees paid at hourly rates, \$38,000; and within-grade advancements granted May 8, 1977, \$42,000.

Seven positions, of the 86 authorized, have been lapsed to meet the increases in other costs. The amount of \$217,000 requests funding to fill seven vacancies by reassignment of seven persons previously reflected in the Executive Office of the President.

\$85,500 is requested to provide for the increased cost of supplies and materials (\$50,000), increased utility costs (\$18,000), and increased costs of contractual services (\$17,500)

\$4,500 is requested for the requisition of additional furnishings and equipment.

The balance of the increases, \$30,000, is to provide for the replacement of banquet chairs.

EXECUTIVE RESIDENCE

Operating Expenses

For the care, maintenance, repair and alteration, refurnishing, improvement, heating and lighting, including electric power and fixtures, of the Executive Residence, to be expended as the President may determine, notwithstanding the provisions of this or any other Act, and official entertainment expenses of the President to be accounted for solely on his certificate, [\$2,157,000]. _____ * \$2,575,000

(3 U.S.C. 109-110: D.C. Code 8-108 (1951 edition); Executive Office Appropriations Act, 1978.)

COUNCIL OF ECONOMIC ADVISERS

WITNESSES

CHARLES L. SCHULTZE, CHAIRMAN

PETER G. GOULD, SPECIAL ASSISTANT TO THE CHAIRMAN

Mr. STEED. The committee now takes up the 1979 budget request for the Council of Economic Advisers. Salaries and Expenses for 1978 were \$1,995,000, with a pay supplemental of \$23,000, bringing the 1978 total to \$2,018,000.

The request for 1979 is \$2,042,000, an increase over 1978 of \$24,000.

We are very delighted to have the Chairman of the Council of Economic Advisers, and his assistant, Mr. Gould, and welcome, Mr. Chairman.

We are sorry you had some transportation difficulties this morning, but we now are clear for the rest of the day, so we are delighted to welcome you, and we will be glad to make your statement a part of the record at this point as though read, and then if you would like to do a little oral summarizing, we would be glad to have you do so.

STATEMENT

Mr. SCHULTZE. I am pleased to appear before you to discuss the budget request of the Council of Economic Advisers for fiscal year 1979. I will keep my prepared remarks brief, so that I may make myself available for your questions.

The Council of Economic Advisers was created by the Employment Act of 1946 to advise and assist the President in fulfilling the mandate of the Employment Act "to promote maximum employment production and purchasing power." The Council's principal purpose is to provide the President with information on the state of the overall economy and to advise him on fiscal and budgetary policies that will ensure the achievement of the goals of the Employment Act.

Increasingly over the years the functions of the Council have broadened to encompass the full range of issues affecting the economic life of our Nation. Today, the Council staff is engaged in a broad range of Administration efforts to reform the regulatory process. We are deeply involved in the development of the Administration's international economic policies. Also, we participate fully in the formulation of the major programmatic proposals of the Administration—such as welfare reform, tax reform, or the upcoming urban policy.

Despite this expansion of the functions of the Council over the years, our staff has remained small and of extraordinarily high quality. The budget we have requested for 1979 is structured to continue that tradition.

The Council of Economic Advisers is requesting a total appropriation of \$2,042,000 in fiscal year 1979 to provide for a staff of 35 professional and support employees. We also have requested a supplemental appropriation for the 1978 fiscal year of \$23,000 to cover pay increase costs under Executive Order 12010. This budget re-

quest reflects an increase in total appropriations in 1979 of \$24,000 over 1978—this is an increase of only a little over 1 percent. In keeping with the President's reorganization decisions, this budget reduces somewhat the authorized size of the Council staff and transfers some administrative functions to the new Office of Administration in the Executive Office of the President.

Our expenditures will rise in 1979 over 1978 largely because the CEA budget in past years requested unrealistically low sums for a few particular accounts. Expenditure overruns in these accounts were accommodated by surplus funds elsewhere in the budget. Principally, these surpluses existed because the CEA's staff size for two years has been held below authorized levels, at first, pending the outcome of the President's EOP reorganization study, and more recently as a result of his decisions on reorganization of the Executive Office. In our 1979 budget request, we have adjusted all accounts to reflect both the actual trend of outlays in recent years and the President's reorganization decisions.

In the remainder of my remarks, I would like to explain to you item-by-item the Council of Economic Advisers' 1979 budget requests.

CEA PERSONNEL REQUIREMENTS

Last year the President directed the Office of Management and Budget's Reorganization Team to undertake a thorough review of the Executive Office of the President. That study identified many potential efficiencies through reorganization of functions within the EOP. The President approved those recommendations and implemented them through a reorganization plan that received Congressional endorsement.

The Council's staff requirements have been reduced from 42 permanent full time staff members in 1977 to 35 in fiscal 1979 as a result of reorganization. In addition to the three Council members, the CEA will maintain next year a professional and statistical staff of 22 and a support and administrative staff of 10.

The reductions since 1977 have been achieved through the transfer of three administrative positions to the new Office of Administration within the E.O.P., and the elimination of three professional and one clerical position from the CEA staff. I believe that the high quality of our work will not be hampered by these staff reductions. Staffing changes will save in 1979 \$124,000 in expenditures for full-time personnel, and \$20,000 in part-time employment outlays, for a total of \$144,000 compared with our requirements had staff reductions due to reorganization not occurred. However, we are requesting increases in personnel expenditures for our remaining staff that absorb a large share of this savings.

In fiscal 1978, we have requested \$23,000 in supplemental appropriations to accommodate pay act increases for our support staff. In the 1979 budget, we also have requested \$33,000 to cover executive schedule pay increases approved by the Congress in 1977. We have absorbed these increases in our fiscal year 1977 and 1978 budgets, but will be unable to do so in 1979.

Our 1979 appropriation request includes \$58,000 which we plan to use in order to offer more competitive salaries to attract the best possible economists to our staff. In a small organization such as

ours, we place very heavy demands on our staff of economists and require from them—often on a very short deadline—work that is factually correct and analytically sophisticated. Thus, if we are to fulfill the mandate of the Employment Act and offer the best possible advice to the President, it is essential that our staff be of the highest calibre.

I believe that the current CEA staff meets that requirement. But we have faced increasing difficulty in attracting topflight economists to the Council with each passing year. Our primary obstacle has been the fact that CEA salaries have kept up neither with economist's opportunities in the private sector, nor with salaries they can earn elsewhere in government. The additional funds we are requesting in the 1979 budget will enable us to continue to attract the very best economists into government service with the Council.

Increased appropriations also are requested for two other personnel items. First, we are seeking added funds for overtime expenditures. Salary increases in recent years and increases in the maximum permissible overtime rate of pay have sharply increased the Council's outlays for overtime. However, the CEA budget had not been adjusted in the past to reflect these increases. The \$23,000 additional we have requested in 1979 for Other Personnel expenditures will make appropriations in this account consistent with recent experience. Finally, a small increase in personnel benefits is required to bring this account into line with anticipated salary increases.

OTHER EXPENDITURES

With the exception of the personnel expenditure accounts, the CEA budget for 1979 differs from the 1978 budget only in a few instances where increases have been mandated or when they are necessary to bring budget requests into line with recent outlay experience.

There are three principal changes in the 1979 CEA budget aside from personnel expenditures. First, the General Services Administration has increased the Standard Level User Charge for 1979 by \$60,000. Second, we are requesting an increase in the Other Rent, Communication, and Utilities account of \$22,000 in order to bring this account up to the level of actual outlays during the past several years. Finally, the transfer of certain Administrative functions to the Office of Administration has resulted in a reduction in our Other Services appropriation request of \$30,000.

CONCLUSION

The appropriations we have requested for 1979 provide realistically from the needs of the Council of Economic Advisers in 1979. This budget reflects the economics achieved through the President's reorganization efforts, and it includes requests for increased funding that I believe are required if the Council is to fulfill its charge under the Employment Act of 1946. I hope that this Subcommittee will approve this request. At this time I would welcome your questions.

SUMMARY OF STATEMENT

Mr. SCHULTZE. Thank you, Mr. Chairman. I was caught by 100 percent parity on the way up, so we were a little late.

Mr. STEED. These are natural hazards in the City of Washington.

Mr. SCHULTZE. Yes, sir, that is correct.

Let me just, if I might, submit my remarks for the record and call your attention to some of the highlights of our request.

As you know, the CEA was created by the Employment Act of 1946 to assist the President in fulfilling the mandate of that Employment Act, and our principal responsibility is to provide the President with advice on the overall economy, but over the years we have accrued a lot of other responsibilities in the sense of getting economic advice, wise or unwise, as the case may be, on all sorts of national policies which have economic impact.

Despite the fact that the Council's functions have expanded over the years, my predecessors, and now under the Carter administration, we have kept the staff small, but the quality high. This year, we are asking, as you indicated, for an appropriation of \$2,042,000, compared to \$2,018,000, counting the supplemental, in 1978, for a staff of 35 professional and support employees.

Our staff in 1977 was 42 employees. It has been cut by seven, three of which go to the new Executive Office administrative agency, which will now service all of the agencies, and four of which was a cut in our staff as part of the President's reorganization of the Executive Office in which staffs were generally reduced.

So, as I say, we are, in effect, asking for an appropriation to finance 35 full-time staff members in fiscal 1979.

Mr. STEED. Does this change in personnel account for the fact that the increase you asked for is obviously less than the normal inflation impact and other increases would be, so you absorb most of this by this change in staffing?

Mr. SCHULTZE. That is correct. Our appropriation will go up by slightly over one percent. We are asking for additional funds to enable us to keep on attracting high quality staff.

We found out last year that with the salaries we were paying, I had a lot of turndowns, so we are asking for a modest increase, a deduction in personnel but modest increase in funds, so we can attract at the top level some additional employees.

The other changes, I think I can say, are fundamentally technical. The GSA is increasing the charges. We are not asking for more space, but we are getting charged more for the space we have. That goes up. And we are budgeting, we think, more realistically on communication, but when you net it out, we are reducing the number of personnel which enables us to meet, in effect, inflation with only a one percent increase in the total budget.

ECONOMIC INDICATORS

Mr. STEED. It seems to me that one time in one of these hearings I have in mind that we were told that you have to have access to about at least 38 different types of statistical indexes and this type of information on which to make calculations of the economic trends.

What is your input now, your information sources? Are you able to get good material?

Mr. SCHULTZE. Yes, sir. You know you always want more; you always want better. It is the nature of the job. But yes, I would say that in terms of the different kinds of information we get, it is probably nearer 3,800 than 38, in the sense of all different kinds of information feeding in.

We do have access to a number of highly sophisticated computer models on the economy; we use those, plus our own judgment. We do have access to various other sophisticated bodies of data, some computerized, some available in other parts of the government.

Mr. STEED. You would imagine people making economic predictions would have a fairly small list of what they would call blue-ribbon type of index or statistical or other type of information that they really rely on to make their opinions of the trends. What would this sort of thing consist of? What are some of the more important factors that you must have in order to make what you would consider to be a responsible calculation?

Mr. SCHULTZE. Well, I am trying to break it down.

Mr. STEED. I am talking general terms. If you were in coal, obviously you would have to have information about that subject, but I am talking about the general economy.

Mr. SCHULTZE. One way to look at it is that there are five big areas that are critical. These, in effect, are ways we try to estimate what is going to happen to consumer income and purchases. That is 65 percent of the economy.

Second, what is likely to happen to business investment, plant and equipment? That is about 11 percent of the economy.

Third, what is going to happen to residential construction? That is 5 percent of the economy.

Fourth, what is going to happen to governmental spending, both Federal and State and local? So we have the Federal budget; we don't have anything exactly similar to that in the case of State and local, but we have to predict trends and look at individual governmental budgets, so it is much more difficult than with the Federal. And really it is six, because we also have to know what is happening to exports and imports in the foreign trade.

There are all sorts of different indicators in each of those, but those are the six things. We also want to know what is happening in wage and price. So you have what is going on in the real economy, and, secondly, what is happening to wages and prices, and what is likely to happen to them. So it is those two big areas.

CURRENT MAJOR ISSUES

Mr. STEED. Keeping in this part of the ballpark, what would you say, then, would be one, two, three or more of the major economic problems or crises or issues that are facing us today?

Mr. SCHULTZE. Well, not necessarily in order of importance, coal, when the coal strike is going to be over and what the impact is going to be.

Secondly, with respect to our foreign sector, the one that is troubling everybody now is the dollar, the value of the dollar, what is happening to it, why.

Thirdly, inflation. In the last two or three months the rate of inflation has heated up. The question is, is that temporary or a more fundamental thing? We generally tend to think it is temporary because of what is happening at the moment to meat prices, but, on the other hand, you have to worry.

Finally, of course, we are obviously very concerned with and interested in the outcome of the congressional handling of the President's tax program. How much of a tax cut, what kind of a tax cut?

So if I had to tick off quickly four things, it is those: coal, inflation, dollar, and the fate of the President's tax program.

TAX PROPOSAL

Mr. STEED. Let's take the President's tax proposal, for instance, and assume it is enacted as he recommended. Would you be in a position, when that recommendation comes out here, to estimate about what impact on the economy could be expected from the enactment of the bill?

Mr. SCHULTZE. Yes, we have made such estimates and very roughly they would say that looking ahead to next year, that by the end of next year the tax cut is worth about a million extra jobs, not quite, 900,000 to a million extra jobs. That is number one.

Mr. STEED. Where does that leave us then in the employment picture? Will there be any minuses that would detract from that, or do you expect the rest of it to hold pretty steady?

Mr. SCHULTZE. Well, we would think that the unemployment rate, which is now a little over six percent, would be somewhere between five and one-half and six, if you got that. In other words, you would pull it down, not hugely, but modestly, if you got it.

FEDERAL BUDGET

Mr. STEED. In the stabilizing of the economy, what authorities does the President now have to act? Does he have what you consider sufficient authority to make an impact on it?

Mr. SCHULTZE. Well, a large part of the President's powers over the economy—not all of them by any means—really are bound up in the budget and Congress acts on that, too, so jointly the biggest single weapon to deal with the economy, both expenditures and taxes, is something in which the Congress and the President jointly share, and the President doesn't really have much, if any, kind of unilateral power in that area.

Now he has all sorts of things that he can do on the expenditure side with a given amount of appropriation speeding up a little or slowing down a little, but, as you know, there is not much you can do on that, particularly since the Budget Act of 1974.

Mr. STEED. I know that everybody is worried about the size of the Federal budget deficits, and I am sure that it is fairly universal, and everybody is hoping some handle can be gotten on it and bring it under control.

But how long have we got before we have to bite that bullet of bringing it under control?

Mr. SCHULTZE. As you know, the budget deficit in this budget is \$60 billion. Without the tax cut, we could have come down to

maybe 42, 45. There is a deliberate decision to make. Which is more important, in some sense of the word, trying to pull that budget deficit down by \$15 billion or \$20 billion, from the 60 down to something like 45, 44, or having the tax reduction which keeps the economy growing? Obviously, the President decided that having a tax reduction was more important.

Number two, we are also fairly sure that as the economy moves on up and if we keep a tight rein on expenditures, we can bring those revenues up to match expenditures gradually, and you can cut that, cut it substantially.

I think the choice that President Carter has made is that he is going to set a path for expenditures in which expenditures grow less than the economy and use taxes as the balance wheel.

That is kind of oversimplified.

Mr. STEED. There are a lot of things that bother me, and part is my own mental limitation, but there are some that I keep thinking maybe if I ask enough questions, I can find out something about it.

For instance, the ACIR was in the other day, and they gave us a listing of the grant and loan programs that the government has, bringing it up through 1975, in which they listed 432 different programs, and then they told us that enactments of new ideas since that book was compiled had brought the total now up to 465, costing somewhere between, I believe, \$80 billion and \$90 billion a year.

Then we have the defense budget, and it is a very large item of over \$100 billion, and we keep getting these programs, and we talk about them, and the size of them, and the deficit and all of that, until we get down to foreign aid, and then we talk about what percent of the economy it is, and I have never figured out why all of a sudden we justify it on the fact that it is such a small percent of the total economy. Why don't we justify whether it is worth the cost or not, instead of trying to soft-soap it by putting it on the percent-of-total basis.

Mr. SCHULTZE. I agree we should justify it on the basis of whether it is worth it. I think one reason you see it on percents a lot is because if you want to compare the effort the U.S. is making with the effort, say, Belgium is making in this area, obviously it is only fair to compare it in terms of the size of the economy, and it turns out relative to the size of the economy most other countries are doing more. The people who come up and testify on aid fundamentally and quite rightly, I think, are thinking in terms of looking to what we are doing also compared to what other countries are doing, and the only fair way to do it is in terms of the size of the economy, and I think that is why you hear it there more than other places.

When you are talking grant-in-aid programs, we are not comparing what we are doing to what other governments are doing. In the case of AID, that is important.

Mr. STEED. Somebody told me that one time in the national television business that their ratings are so important to them that is why you always hear about the ratings, and that one percent change in ratings of a national news broadcast, up or down, would translate into the gain or loss of \$25 million a year.

Now, do we have any such comparisons to make like what does one percent increase in unemployment or decrease in the percent of the deficit to the total, what impact it has?

Mr. SCHULTZE. Well, for example, with respect to, say, unemployment, I may want to check these numbers for the record, but every one percent change in unemployment right now means something between \$50 billion and \$60 billion more or less output in our economy. That is, an economy which ends up with one percent smaller unemployment rate ends up producing \$50 billion to \$60 billion more.

One-percent change in unemployment probably affects the budget, because of its effect on income and tax collections and unemployment compensation, by something in the neighborhood of \$20 billion.

INFLATION

Mr. STEED. Another thing bothers me. We hear a lot of talk if we raise farm prices, that will trigger inflation; if we raise wages, that triggers inflation; and we have this sort of thing. But I don't recall seeing that the increase of interest rates is ever considered as an inflationary impact. Isn't it true that interest rates are part of the cost of production and have their fair share of the inflationary blame?

Mr. SCHULTZE. To some extent, that is right, although they are a much smaller part of the cost of production than most other things, but obviously they ultimately do.

The other side of that is if you ask yourself why interest rates are so high now, why, for example, are mortgages running at nine percent or a little over? When you stop to think of it, suppose you got six percent inflation, and you lend your money out, at nine percent, of the nine, six of it is just kind of keeping the money constant for inflation and three percent is the real return you are getting.

What you will find everywhere you look, any country in the world in which inflation is running, wherever inflation is running, it is going to show its way up in interest rates because the interest rates go up as people try to protect themselves against that erosion of purchasing power. So it is a 2-way relationship.

Mr. STEED. By the same token, wouldn't you have to say a farmer's income has to go up eight percent so he can have six percent inflation and three percent profit?

Mr. SCHULTZE. Farm income goes up a lot more and down a lot more, but over time that is right. If you look at income per farm—you don't want to take total farm income, but income per farm and over time, yes, it should go up. Not necessarily every year.

Mr. STEED. Mr. Miller.

ENERGY

Mr. MILLER. Mr. Chairman, to follow through a little on some of the items that you were speaking about, you tell us in your statement that you are deeply involved in the development of the administration's international economic policy, and I am wondering about that in oil. What about the oil problem that we have, and are we going to have an increase in oil prices? Are we going to have a decrease in oil prices? Are we going to have additional

production here, and how does it affect our economy from where we are now?

We know it is creating great problems and problems of higher prices of energy, but it seems to be one of the biggest problems we have now. What can you tell us that will be helpful and help guide us down the road from where we are now as far as the energy problem is concerned?

Mr. SCHULTZE. I am getting my thoughts sorted out. Let me pay attention to two particular important points.

One, oil is important to us in the longer run because there is a very high probability, we can't say certainty, but a very high probability, come the mid-1980's, sometime in the 1980's, that the price of oil, adjusted for inflation, is going to rise very substantially. Nobody can be 100 percent sure of that, but the probability is that.

Our economy and most free economies are pretty good adjusting to that kind of thing, but they are terrible doing it in a hurry. If we can get an energy program which gets us ready over time gradually, and that may mean gradually rising oil prices, and increasing gradually the production of other kinds of energy, and doing R&D and other things, we can, with some pain, I am not denying that, adjust fairly well to a world in which it turns out oil is a scarcity.

If we have to do it overnight, in one or two years, if we sit on our hands and don't do anything, we are in trouble. We saw that in 1974. We had a huge runup in oil prices all at once, and it gave us the worst recession—and the worst inflation in the post-war period.

So the first thing, it seems to me, is quite apart from how one agrees or disagrees with specifics of this or that policy, gradually, on both the conservation and production of other energy, we have to get ready. We have to do it gradually. The immediate problem—

Mr. MILLER. Before you get into number two, we have to get ready. What must we do?

Mr. SCHULTZE. One, we have to get the domestic price of energy up to the world price. We can't sit here—what we are doing now, in effect, it is done by a complicated set of procedures, is subsidize oil imports, in effect. We have to get the domestic price up to the world price of oil. We don't want to do it in one fell swoop, because that does have adjustment problems, but over a period of several years we have to do that.

Secondly, we have got to get, through the higher price of oil, and through other measures, people shifting out of oil to other sources of energy. Again, not overnight, but gradually. Utilities, both to coal and, over time, to nuclear.

Thirdly, we have to do R&D and then again, carefully find out how to make commercially various new ways of producing energy. This is just the technology, itself, making sure we can do it commercially at a reasonable cost.

So I would say those are three big things we have to do.

When I say get ready, I don't mean sit around and wait but move gradually so by the mid-1980's we are in much better shape.

Mr. MILLER. Do you anticipate that we will have a price of energy and we will pay what the Europeans and people in the

Near East are paying right now, which could be in some cases over \$2 a gallon?

Mr. SCHULTZE. Well, not necessarily. What they have chosen to do is to load very heavy taxes on the consumption of gasoline. And they have pushed their economies by that. It is not something new. They have increased them, but for years they are running with much higher gasoline taxes than we are.

Two things happened. One, the higher taxes means it pushes them towards smaller cars, more fuel-efficient cars. On the other hand, the nature of the European geography is such that long-term kinds of cross-country traveling which our people do by cars, they don't do. So you have to take that into account.

I don't see it is inevitable that we would necessarily have to move to the European system of dealing with this by loading huge taxes on gasoline. It doesn't mean gasoline won't go up; I am sure over the years it will go up. On the other hand, whether it will go up to that kind of price is another question.

AGRICULTURAL EXPORTS

Mr. MILLER. If we had not had the agriculture exports last year, we would be in more of a problem than we are right now, because we are sending the dollars out in order to purchase the energy from the OPEC nations so we need to export something, and we did have agriculture exports, but we need to encourage more.

Is anything being done at the present time that you are aware of that will help encourage the agriculture exports, and I am aware of Bob Strauss, and I have talked to him and his people about it, but where are we now that we could look down the road again and decide that we have done something positive now that would help agriculture exports next year? We have to be looking ahead.

Mr. SCHULTZE. I understand. The two big areas, one of which you mentioned, is to use what leverage we can in our various trade negotiations to increase the access of American agriculture exports into other countries. That is a long-standing difficult problem. But that is number one.

Number two, while I don't remember the exact numbers, I think I am right in saying that between the time this administration came into office and the 1979 budget, over that 2-year period, we doubled the CCC, I think I am right on this, resources for credits for agricultural exports to give us a better crack at this.

There is some problem as to how far you want to push this, because you don't want to get an international credit race in which everybody is cutting prices against everybody else. So within the limits of reasonableness, we have substantially increased those CCC export credits, and I think it is about double from 700-and-some million to a billion and a half.

GOVERNMENT EXPENDITURES

Mr. MILLER. This area of government spending that we speak of, and the Chairman covered that to some degree, it seems as though there is no end to it.

As a matter of fact, last year we spoke of government spending and a balanced budget, and you have remarked, if we end up in

1980 or 1981 running huge deficits, that could be a huge problem. That is one of the things I mean about prudence and care. We are into the 1979 budget now, and we have a 60-plus billion, as you mentioned, deficit, and it doesn't appear we are going to correct that by 1980.

Mr. SCHULTZE. You sure won't get it to zero by 1980.

Mr. MILLER. Or by 1981?

Mr. SCHULTZE. It is unlikely except in the context of a really strongly performing economy.

The one thing, on the other hand, that I think is critical is to set a long-term target for expenditures. You can't say expenditures are not going to grow in an economy like this, no way, but you can say that we are going to keep the growth less by a significant amount less than the growth in the overall economy, so the share that everybody takes out of the economy gradually gets smaller. It seems to me when you look at the deficit, you have two parts to it. One, how much of that is because of a big surge in spending? And once you do that, you can never get it back. And how much is it because you reduced taxes? What we have chosen to do is say we are going to hold down on spending, then if the economy needs it, we will be prepared to reduce taxes. If the economy is moving strongly, then we don't want to; we don't have to.

Mr. MILLER. Where do we hold it down on spending? With a budget that we have now, \$60 billion deficit, and a national debt going up now to about \$870 billion by the end of this year, and \$55 billion interest payment on that, at \$151 million a day, just to pay the interest on the national debt that we are charging our citizens, we are going up and up and up all the time. Where we are going to hold down, and I guess I have a right to ask that question, because I offered, in every one of the appropriation bills that came out, a five percent reduction, just take five off the top, where we would only get that on one, and that was foreign assistance, and it amounted to about \$270 million. But all the rest, we had people that had programs, and they would not cut even five percent. So wherever the push comes, we have this problem now, and I have heard it before from other people that we are going to hold down spending, and our target is that we are going to balance the budget out five years from now, four years, but we always seem to be out four years or five years, and we have the same thing; only by then, it is compounded, and we are spending more, so I am not sure where that push is going to come from to help reduce the deficit. The Congressmen have their own pet projects, it seems, and it appears that the President would like to run for another term, so he doesn't want to put the push to hold it down; the Congress doesn't want to do it; there doesn't seem to be enough votes in order to hold us down, because I have tallied the votes on each one of them, and it isn't there. So if you can find a way or have an idea how we are going to be able to accomplish this without actually destroying ourselves and going the way of New York City, I would certainly like to have it for the record.

Mr. SCHULTZE. I wish I had a nice neat bottled answer. Again, all I can call your attention to is the fact that the 1979 budget the President submitted cuts the role of the Federal Government in our economy. 1978 Federal spending takes up about 22½ percent

Federal. 1979 ranging for 22, and we are going to keep that path going to 1981 or so, and we are down to 21. Or look at it another way: We are projecting the economy to grow after inflation by about 4½-5 percent. We are asking, after inflation, for a budget that only grows about 1½ percent. I think to say you are going to have no growth in Federal spending is unrealistic, but to say you can keep that growth down, look at it that way, so it takes up a smaller and smaller share of our national economy, to a point I think maybe you have a chance of getting it.

BALANCE OF PAYMENTS

Mr. MILLER. I put it in the record as frequently as I can, that the spending and it all ties in together, that we do have an interest payment of the \$55 billion, and that we have helped other nations, and that we find now that other nations are buying into our national debt; that West Germany has \$22 billion, and we sent them about \$1,250,000,000 just in interest because they bought into our national debt. They found it to be a good thing, and we do not need to disturb our money markets here, when we can sell it abroad. Japan, we sent them \$800 million two years ago and probably more last year—interest alone on money that they had loaned us to turn over our national debt, and that has increased since then. As a matter of fact, I was a little surprised to hear it has increased from something around \$77 billion, four nations owning our debt to \$108 billion last year. What effect does this have on our balance of payments?

Mr. SCHULTZE. Whether that is public debt or private debt doesn't make any difference. What happened is that we had a \$20 billion balance-of-payments deficit. The sheer arithmetic means that foreigners end up, in effect, loaning us \$20 billion. Whether they happened to do that by way of buying Treasury securities or buying private securities from the standpoint of the amount of interest payments our nation sends abroad doesn't make any difference. In fact, if they buy Treasury securities, it turns out that the interest rate is a little lower than private securities. So it is that \$20 billion is the amount of the payment deficit, not the purchase of our securities.

Mr. MILLER. I guess we are painting a picture of the fact that foreign nations are loaning us money, and we are turning around through the programs and increasing some of the problems at the national level where now we have all kinds of programs and none wants to be cut, it seems, so we are really pointing to two things: One, that we are spending at an extremely high level; two, that part of that spending comes from foreign nations back through our Treasury Department in order to cover our debt; and, three, I guess that we are sending interest payments to those other nations which, in the long run, it appears to me, and I would like to hear your comment on it, whether it has anything to do with the devaluation of the dollar, is the problem we are into right now.

Mr. SCHULTZE. Oh, sure.

Mr. MILLER. The interest payments?

Mr. SCHULTZE. Not the interest payments. That is a very small thing. It is not the interest payment, but the fact that we went from a balance-of-payments deficit of about a billion and a half

dollars in 1976 to about eighteen billion dollars in 1977. That is what it is. It is not the only thing. It is the big oil.

Mr. MILLER. That is correct. I am not sure; I only have it back to 1976, but we shipped out \$4.6 billion just to pay the interest, and we are shipping out probably twice as much as that now.

Mr. SCHULTZE. But our total—

Mr. MILLER. Half of our balance of payments.

Mr. SCHULTZE. The total earnings of the U.S. on its investment abroad are much higher than the total interest dividend and other payments like that we send abroad. So you are right, it has been growing, but you have to balance that by the fact that we get—I will have to correct it for the record, but something like I think \$10 billion or \$12 billion a year, at least, in earnings on our investment abroad; so it is a 2-way flow. In the last year, because we had the \$20 billion balance-of-payment deficit, that the interest payments we are paying abroad grew more rapidly than they have been in the past, much more rapidly. The total magnitude—

Mr. MILLER. The investment is going up every year by foreign nationals, and our national debt is going up every year, so we do have apparently a problem there because we could be reaching \$7 billion or \$8 billion that we would be sending, or \$9 billion. And I do not have the record; we are attempting to get it now, and we could be in that kind of a problem now. That would be half of what is returning in flow to this country from business investments abroad.

Mr. SCHULTZE. We are importing \$45 billion worth of oil. There is no question that we get into the problem of, in effect, having to borrow some of that. No question. In fact, the Treasury securities versus others is not the problem.

Mr. MILLER. I have several questions, and I have already used a lot of time. But that is good that we have at least this much information on the foreign market.

EXECUTIVE OFFICE REORGANIZATION

We have apparently seven people that would be transferred. Is that going to the new Office of Administration in the Executive Office?

Mr. SCHULTZE. Three are, and four simply is a cut in the total size of our personnel. Three are being transferred, and four is a cut in the size of the CEA.

Mr. MILLER. We mentioned a few minutes ago to Mr. Fish this same problem. They had seven that were being transferred, and we are trying to unravel just what is going on because we do not have very good information on it. How does this transaction take place? Who paid before? Who will pay the employees after the transfer?

Mr. SCHULTZE. We paid before.

Mr. MILLER. When you say we?

Mr. SCHULTZE. CEA.

Mr. MILLER. That would be under the Executive Office of the President.

Mr. SCHULTZE. Our normal appropriation would cover. For example, we had our own messengers, and our normal appropriation covered their salaries and our staff. The Executive Office reorganization centralized that administrative apparatus, instead of the

OMB and CEA and Office of Science and Technology budgeting for in each area some of their own administrative services. These have been centralized, and, as I understand, we will get a separate appropriation for that. So it is an attempt to get some efficiency by pulling all those administrative units into one place.

Mr. MILLER. So your particular budget would drop down and the administrative office would increase?

Mr. SCHULTZE. That is right; in fact, it would go from zero to some number, whatever it is. I am not aware of what that total is.

OVERTIME FUNDS

Mr. MILLER. You had mentioned, too, that you are seeking to add funds for overtime expenditures, and I would say the people you have, who are pretty high caliber people, do you have many of those working overtime, and I would imagine they are working many hours, but are they compensated? You have probably some of the highest-caliber people.

Mr. SCHULTZE. Not the professional staff. These are the secretarial staff. We don't pay any of our economists overtime.

Mr. MILLER. And you find it is better to pay the overtime instead of having additional slots?

Mr. SCHULTZE. Yes, because the overtime is very sporadic. If it were steady, obviously you would want the additional slots. My secretaries do try to rotate so one comes in early and one late, but it is inevitable there are periods when they both have to work late or come in early. I always have to have someone there on Saturday, unfortunately, so we think at least we are doing it as efficiently as possible.

INFLATION

Mr. MILLER. Back to one other question, and that concerns inflation for the months ahead. I read in the newspaper where we had a rate of increase in January; if it continued during the year, we would be back in double-digit inflation. Do you anticipate this will happen?

Mr. SCHULTZE. No, sir. I don't want to say don't worry about it. But what we are getting in wholesale prices is a substantial increase in food prices, which fairly clearly will be passed on, or at least a large part passed to retail. This happened last year, and it looked in the early part of the year, those numbers if you projected them out, would be double-digit, and we receded. I think the same thing is happening this year. I don't want to suggest it isn't something to worry about. It is. But we believe a combination of cold weather and adjustment in meat prices is doing this and won't continue. That doesn't mean we have licked inflation, but we can't continue at these rates.

COAL STRIKE

Mr. MILLER. The coal strike. I guess I would like to hear something—I have many questions I would like to ask, but I am using more than my time. But on the coal strike: with the package they have now, do you see it affecting our economy?

Mr. SCHULTZE. The size of the settlement?

Mr. MILLER. The size of the settlement would be the package, yes. We are talking about many things, not just wages, but the fringe benefits.

Mr. SCHULTZE. Fringe benefits, productivity, the whole smear? In the first place, I have not seen the details of the new settlement, so I can't really speak to it. By newspaper reports, it is slightly higher than the old one. How much higher, I don't know. The old one on wages and fringes over a 3-year period would have been something like a 36 percent, maybe 37 percent, increase. This is 39 from what the newspapers say. We haven't had a chance to cost it out.

On the one hand, there are a lot of special circumstances in the coal industry. On the other hand, if those settlements, that size settlement, should become a norm for other industries, we will indeed have additional inflationary pressure. No question about it. We don't think there is a warrant for that. And if you look in the past, in general, unlike some other union settlements, the coal, because it is so special, has not generally set a pattern for other industries; so that our view of it at this stage is that there are some special circumstances in the coal industry, and you look at the settlement separately, there is no warrant for it to expand to other industries where the special circumstances don't exist. We don't think it will. If it did, it clearly would give us another tick up on the rate of increase in prices and wages. We don't think there is any warrant for that, and we don't think it will happen, but obviously it is something we have to watch very carefully.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. Mr. Roybal?

ECONOMIST POSITIONS

Mr. ROYBAL. Thank you, Mr. Chairman.

Mr. Schultze, according to your testimony, you want to increase the salaries of the staff, please provide a list of your employees and how they are distributed on the GS or equivalent scale now, and how the increases—if approved—would change the distribution.

UNEMPLOYMENT

Mr. SCHULTZE. The following chart outlines the distributions of staff slots for CEA Senior Staff economists under current salary schedules and under the requested pay increase:

TOTAL PERMANENT POSITIONS

G.S. grade	Current	Increase in salaries
13.....	1	0
14.....	5	2
15.....	3	4
16.....	1	2
17.....	0	2
18.....	0	0

It should be noted that each Senior Staff Economist at the CEA holds a Ph.D. in economics and has extensive experience, in or out of Government, in economic research and policy development. Seven Junior Staff economists, whose salaries average \$15,500 annually each, work for these Senior Staff Economists. We are requesting the salary increases in order to be able to offer salaries

sufficiently high to attract the best possible talent to the Council's staff. Many individuals on our staff are able to earn substantially more in the private sector than they expect to earn in Government Service. They are often willing to forego much higher incomes in order to serve with the CEA. However, CEA salaries have not kept up either with private sector earnings or with increases in the salaries paid by the Government to its employees. As a result, we have encountered increasing difficulty in attracting top-flight economists to our staff. These pay increases should substantially improve our ability to attract the quality staff we need by putting our salary schedule more in line with salaries offered elsewhere in the government.

Mr. ROYBAL. The Council of Economic Advisers uses various economic models to make predictions on how certain events will affect the U.S. economy.

Can you make regional predictions? For example, can you tell me what effect the California flood will have with regard to economy of Central California?

Traditional economic theories imply an inverse relationship between inflation and unemployment. That is, when one goes up, the other comes down. Unfortunately, in the last few years both unemployment and inflation went up.

Last week the Administration announced that unemployment had decreased to a three-year low. However, the Administration also announced a severe increase in inflation. Is the economy beginning to behave in a more traditional and more predictable manner?

Can you postulate what factors would cause both inflation and unemployment to increase?

Last year the Committee expressed a great deal of concern with regard to the accuracy of unemployment figures.

What efforts has the Administration undertaken to improve the reliability of unemployment statistics? Have any of these efforts been geared towards improving the reliability of unemployment statistics for sub-populations such as Blacks, Hispanics, and the young?

With regard to the ongoing coal strike: What effect will result from its current duration? What would be the difference in economic terms if the President were to decide to seize the mines, as opposed to simply applying the provisions of the Taft-Hartley Act?

Mr. SCHULTZE. The Council of Economic Advisers does not make predictions of economic developments in the various regions of the country, nor do we have the technical capacity—the required models and such—to do so. Therefore, we are unable to analyze the impact of flooding on the California economy.

There are many factors that may explain any particular increase in the rate of inflation. Generalized excess demand inflation occurs when the economy is at or close to its potential and the unemployment rate falls to very low levels. In this situation, markets for workers and final products tighten and upward pressure on wages and prices are created. This phenomenon gives rise to the inverse relationship between inflation and unemployment. On the other hand, inflation may also result from increases in cost that have little to do with the overall state of aggregate demand. For example, the OPEC countries may raise the price they charge for oil, or

a weather disaster may cause a sharp runup of agricultural commodity prices. In both cases, the general price level and the rate of inflation will increase, even though the economy may be experiencing slow growth and rising unemployment. This happened between 1973 and 1975 and could one day happen again. However, the Administration is committed to further reductions in the rate of unemployment and believes this can be achieved without an acceleration of inflation. The principal source of the recent acceleration of inflation has been a sharper rate of increase in food prices that we do not expect to persist. Nevertheless, these increases are a matter of great concern to us, particularly since they are added to an underlying inflation rate which shows no tendency to recede. Their occurrence emphasizes the vital importance of efforts to reduce the current underlying pace of inflation, especially as we look down the road a year or more to further reductions in unemployment and excess capacity.

A major review of the unemployment statistics is being undertaken by the National Commission on Employment and Unemployment Statistics. This commission has called for several papers—prepared by specialists in universities around the country—on topics such as alternative definitions of unemployment, the measurement of discouraged workers (persons who are not in the labor force because they cannot find jobs), seasonal adjustment procedures and the reliability of local unemployment data for allocating revenue sharing funds. All of the papers, and the final Commission report, will be geared to the question of how to improve the quality and usefulness of unemployment data.

On the question of unemployment data for minorities, a paper entitled "Methodological Issues Related to Employment and Unemployment from the CPS for Minority Populations in the U.S." is being prepared by Professor Leobardo Estrada of U.C.L.A. This paper will investigate the problem of under-representation of minorities in the unemployment pool, and it will make specific recommendations on how to improve procedures. The expected completion date of this project is June 1, 1978.

COAL STRIKE

Prior to March, the economic effects of the strike were almost entirely limited to the impacts on coal production and on the miners themselves. During March through the week ending March 18, layoffs induced by the strike ranged between 20,000 and 25,000. A substantial rise in deliveries into the East Central (ECRR) region—the area hit hardest by the strike—prevented the unemployment effect from going larger. With the strike now at an end, it is unlikely that there will be any permanent loss of output due to the strike. Assuming full production of coal resumes in April, depleted coal inventories will be rebuilt to normal levels during the second and third quarters. The snapback of coal production will raise GNP growth in these two quarters above earlier expectations—particularly so in the second quarter. By summer, the economy should be back on its pre-strike track.

Mr. ROYBAL. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. Mr. Patten.

INDUSTRIAL PRODUCTION

Mr. PATTEN. I don't think I would say much about your budget. It looks in good shape, and that is what you are here for, and we shouldn't waste your time just visiting. But we can't resist. In today's Post there is a cartoon the Chairman pointed out to me, some big oil importer, one guy favors restricting imports; another guy favors rationing. And you would think the Congress and everybody had no brains, not meeting these two problems.

I don't want to get into the specificities of that because I know how much trouble the Congress has passing any energy bill. But I am going to confine myself to one other type of question.

I am wondering if we are missing the boat. I remember in the 1930's we didn't have jobs. We talk about technological unemployment. That is a big word today.

Well, factors made us forget that for a while.

As I look at the scene, I wonder how much of a look you have taken to see if things are not going to be like they were, such as railroads. In my lifetime, I saw what happened. I watched my waterfront go to seed. I watched the 78,000 textile jobs leave my district.

I always say the only thing that counts is production, but we don't seem to talk about production. We talk about inflation; we talk about unemployment. I wonder about industrial production, as we have known it, marveling at the automobile industries with their assembly lines. I wonder if something is happening to us as an industrial nation which is different. Maybe we have turned the corner somewhere on this.

In our industrial production as we have known it, not only do certain types of routine jobs go where there is cheaper labor, like the garment industry and our radio electronics. When I think of the big thrust that Thomas Edison and others made, new inventions, and new things coming along, we had the steel and the wood and the brick and everything that went with it. Somehow or other, I think at the rate we are consuming, that we are not going to see in the future an industrial nation like we saw in the past. We are 220-some million. Some of those big shows we made were made with 100 million people. When you have 10 million people in college, this isn't like 1928, when my industry had to absorb one-tenth as many who graduated from colleges.

Do I make myself clear? As an industrial nation and steel is sick, the railroads are sick; somehow or other, I don't think everything is the same in charting us as an industrial nation. I can't put my finger on it, but, as I see it, it is different.

You know what I am driving at? Do you want to comment on it? I am sure you have heard from scholars who have expressed it better. But I don't think everything can be judged by what we did in World War II, how many tons of copper, and this and that we did. It is a different ball game, I think.

Mr. SCHULTZE. Nobody can ever really see what the next generation is going to be. If you go back to the 1920's, go back earlier, you had long books written on how growth in America was going to come to an end because the frontier was gone. Go back to the 1920's, who could have predicted computers, airplanes, as we now

know them? Communications as we now know it, Xerox; I am not sure how much good or bad that did the world, given the volume of paper that comes out. So it is entirely possible someday we will come to the point where there isn't anything more to do. But my hunch is if you go back every generation, you will find people saying, the railroads are running out; we have built them all; or we have built up the steel industry, where are we going to go now? It is possible we will get to it someday.

Mr. PATTEN. I used to go to New York and pride myself seeing the boats, and I took a few of the trips myself. It is gone. New York Harbor is nowhere near what it used to be. People don't go by passenger ships any more.

Mr. SCHULTZE. But there are, I don't know the numbers, but I will wager you, however, that there are now, I am going to pull a number out of the air, 50 times more people traveling across the ocean than there were in the days of the passenger ship.

Mr. PATTEN. Yes.

Mr. SCHULTZE. I don't know what the number is.

Mr. PATTEN. There is a tremendous increase.

Mr. SCHULTZE. Something else comes along.

Mr. PATTEN. In other words, you are saying, as an economist, it is just as well to keep airplanes busy.

Mr. SCHULTZE. There is a bad transition.

Mr. PATTEN. They tell me about the coal mines and the horse and wagons. Truck traffic on any of our highways far exceeds action in total number of people employed. We have more economic activity than we ever had with horse and wagons. The automobile industry, the truck business, the airplane, is absolutely phenomenal, and the U.S. is the leader in everything in this area.

But, on the overall, things are not the same. You used the term in your statement, and I want to confine myself to one thing, are things different, as an economist? Are we just going on producing more?

Mr. SCHULTZE. No, things are different. I am not talking about the next 20 years; I am talking about the next 5 years, and one thing we have today which we didn't have 10 years ago or 20 years ago, now we have and every other country in the world has, not just inflation, and not just unemployment, we have them both together, which we didn't have before. And it was only one problem you were dealing with. It was a lot easier. Now you have them both.

Mr. PATTEN. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. We are very grateful to you for your indulgence and participation in our hearing this morning and the information you have given us. It has been a very interesting discussion and it is always a pleasure to have you.

Mr. SCHULTZE. I always enjoy it, Mr. Chairman.

Mr. STEED. The committee is adjourned.

[Whereupon, at 11:35 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

[The following was received for the record:]

COUNCIL OF ECONOMIC ADVISERS
BUDGET REQUEST FOR FISCAL YEAR 1979

The Council of Economic Advisers respectfully requests an appropriation of \$2,042,000 for fiscal year 1979.

This request represents an increase of \$24,000 over the Council's anticipated budget of \$2,018,000 for fiscal 1978, which is composed of an appropriation of \$1,995,000 and a proposed supplemental of \$23,000 to cover pay increase costs under Executive Order 12010, effective October 1977.

The fiscal 1979 request reflects a reduction of seven permanent positions from the 1978 staffing level: two senior economists, one junior economist, one secretary, and three administrative positions. This reduction totals \$124,000. Included in the 1979 personnel request is an additional \$33,100 to cover Executive Schedule salary increases for the three Council Members under Public Law 90-206, effective February 1977. These increased salaries were absorbed by the Council in fiscal 1977 and 1978. Also included is a request for \$58,000 to allow for increases in the salary levels of the senior staff economists. The net decrease in funds for permanent positions in fiscal 1979 amounts to \$33,000.

CEA staff economists are recruited on an annual basis, largely from the private sector, and traditionally the staff has been of exceptionally high quality. In recruiting for the current year, the CEA encountered substantial difficulty in acquiring the services of

top quality economists, due primarily to the fact that salaries we were able to offer were not competitive with alternatives open to those persons we were seeking to hire. In view of the increase in the salary ceiling under the Executive Schedule, the request for additional salary resources in 1979 is not only justified but essential if the Council is to attract the best possible senior staff.

Positions Other Than Permanent, covering temporary, part-time and intermittent employment, is reduced by \$20,000 due to the elimination of one part-time position.

An increase of \$23,000 is reflected in Other Personnel Compensation which covers overtime payments. The sum of \$32,000 has been budgeted for this purpose while actual outlays have averaged about \$50,000 the past three years. The excess is due primarily to pay act increases and increases in the maximum overtime rate permitted under the Fair Labor Standards Act.

The resulting reduction in total Personnel Compensation for fiscal 1979 is \$30,000.

An increase of \$2,000 in Personnel Benefits is requested in order to bring this item in line with expected outlays.

Standard Level User Charges (SLUC) is increased by \$60,000 to cover increased charges by the General Services Administration for space rental and related services. No increase in square footage is reflected.

The \$62,000 ordinarily budgeted for Communications, Utilities, and Other Rent has been inadequate over the past few years. Therefore, an increase of \$22,000 is requested to bring this category of expenditures in line with past and anticipated outlays.

Other Services is reduced by \$30,000 due to the elimination of payments to the Office of Management and Budget for administrative support services. The Office of Administration, which was created under the reorganization of the Executive Office of the President, will provide administrative support to agencies under the Executive Office in fiscal 1979 and will fund this service.

COUNCIL ACTIVITIES

The activities of the Council are set forth in the Employment Act of 1946. They include the following:

1. To assist and advise the President in the preparation of the Economic Report;
2. To gather and analyze timely information concerning current and prospective economic developments and report regularly to the President on the relationship of these developments to the achievement of maximum employment, production and purchasing power as prescribed in the Act;

3. To appraise and report to the President on the extent to which the various programs and activities of the Federal Government contribute to the carrying out of the purposes of the Act;

4. To develop and recommend to the President national economic policies to foster and promote competitive enterprise, to avoid economic fluctuations, and to maintain maximum employment, production and purchasing power; and

5. To make such studies, reports and recommendations on Federal economic policy and legislation as the President may request.

In carrying out these duties, the Council consults regularly with other Government agencies and departments, as well as the Congress, and representatives of business, labor, consumers, agriculture, State and local governments, and the economic profession. In addition, the Members and staff of the Council are frequently called upon to serve on interagency advisory groups in a wide variety of fields.

Included in the Council's staff is a statistical unit which is responsible for the monthly publication Economic Indicators and the preparation of the statistical material in the annual Economic Report of the President, as well as for providing continuous assistance to the Council and professional staff.

11.0	<u>Personnel Compensation</u>	\$1,129,000
	All categories of personnel compensation.	
12.1	<u>Personnel Benefits</u>	87,000
	Contributions to employees' life insurance, health insurance, retirement, and Federal Insurance Contribution Act taxes.	
21.0	<u>Travel and Transportation of Persons</u>	28,000
	Travel expenses of Council Members, staff and consultants.	
23.1	<u>Standard Level User Charges</u>	169,000
	Rental of space from the General Services Administration.	
23.2	<u>Communications, Utilities and Other Rent</u>	84,000
	Telephone service, postage, telegrams, and rental of duplicating and data processing equipment.	
24.0	<u>Printing and Reproduction</u>	144,000
	Printing of the annual <u>Economic Report of the President</u> and other necessary printing and reproduction.	
25.0	<u>Other Services</u>	372,000
	Automatic data processing, security investigations, public health service, and chart work.	
26.0	<u>Supplies and Materials</u>	15,000
	Office supplies and materials, and newspapers and periodicals.	
31.0	<u>Equipment</u>	14,000
	Needed equipment and replacement requirements.	
		<u>\$2,042,000</u>

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code	19 77 actual	19 78 estimate	19 79 estimate
<u>Program by activities:</u>			
10.00 Economic analysis (costs- obligations).....	1,831	2,018	2,042
<u>Financing:</u>			
25.40 Unobligated balance lapsing.....	42	-----	-----
<u>Budget authority</u>	1,873	2,018	2,042
<u>Budget authority:</u>			
40.00 <u>Appropriation</u>	1,873	1,995	2,042
44.20 <u>Supplemental now requested for civilian pay raises</u>	-----	23	-----
<u>Relation of obligations to outlays</u>			
71.00 Obligations incurred, net.....	1,831	2,018	2,042
72.40 Obligated balance, start of year	147	135	120
74.40 Obligated balance, end of year..	-135	-120	-126
77.40 Adjustments in expired accounts.	-9	-----	-----
90.00 Outlays, excluding pay raise supplemental.....	1,833	2,012	2,034
91.20 Outlays from civilian pay raise supplemental.....	-----	21	?

STANDARD FORM 300
July 1964, Bureau of the Budget
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300-101

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Object Classification (in thousands of dollars)

Identification code	1977 actual	1978 estimate	1979 estimate
Personnel compensation:			
11.1 Permanent positions.....	908	1,072	1,039
11.3 Positions other than permanent.	47	55	35
11.5 Other personnel compensation...	63	32	55
11.8 Special personal services payments.....	35	-----	-----
Total personnel compensation.	1,053	1,159	1,129
12.1 Personnel benefits: Civilian....	83	85	87
21.0 Travel and transportation of persons.....	17	28	28
23.1 Standard level user charges.....	100	109	169
23.2 Communications, utilities, and other rent.....	87	62	84
24.0 Printing and reproduction.....	104	144	144
25.0 Other services.....	347	402	372
26.0 Supplies and materials.....	20	15	15
31.0 Equipment.....	20	14	14
99.0 Total obligations.....	1,831	2,018	2,042

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. A-11, Revised.
 300-101

COUNCIL OF ECONOMIC ADVISERS
 SALARIES AND EXPENSES

Personnel Summary

Identification code	19 77 actual	19 78 estimate	19 79 estimate
Total number of permanent positions....	42	37	35
Full-time equivalent of other positions	3	3	2
Average paid employment.....	40	40	37
Average GS grade.....	9.82	9.93	10.54
Average GS salary.....	\$18,259	\$20,057	\$20,922
Average salary of ungraded positions...	\$26,514	\$29,037	\$32,095

STANDARD FORM 306
 July 1968, Bureau of the Budget
 Circular No. A-11, Revised.
 508-103

COUNCIL OF ECONOMIC ADVISERS
 SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1977 actual	1978 estimate	1979 estimate
Executive level II.....	1	1	1
Executive level IV.....	2	2	2
Subtotal.....	3	3	3
GS-14.....	1	1	1
GS-12.....	1	2	1
GS-11.....	5	4	5
GS-10.....	3	1	3
GS-9.....	3	4	2
GS-8.....	2	1	1
GS-7.....	1	1	--
GS-6.....	1	1	--
Subtotal.....	17	15	13
Ungraded.....	22	19	19
Total permanent positions.....	42	37	35
Unfilled positions, end of year.....	-4	--	--
Total permanent employment, end of year.....	38	37	35

DOMESTIC POLICY STAFF

WITNESS

STUART E. EIZENSTAT, EXECUTIVE DIRECTOR
BERT CARP, DEPUTY DIRECTOR
NANCY DORMAN, STAFF MEMBER
PHILLIP LARSEN, WHITE HOUSE OFFICE

Mr. STEED. The committee will be in order. The committee is in session today to take up the 1979 budget request for the Domestic Council. Salaries and expenses for 1978 were \$1,850,000. The budget request for fiscal year 1979 is \$2,650,000, an increase over 1978 of \$800,000.

We are very glad to have the Director of the Domestic Council with us, Mr. Eizenstat, and welcome, and if you would like to identify your associates for the record, we will make your statement a part of the record at this point, and then suggest that you make an oral summary of the Council and its needs and especially what brings on the increase over last year.

We will put the biographical statement in the record at this point.

Mr. EIZENSTAT. Mr. Chairman and members of the committee, thank you, Mr. Chairman, for this opportunity to testify on the Domestic Policy Staff (formerly Domestic Council) Budget for Fiscal Year 1979.

During the first year of this administration, the Domestic Policy Staff has undertaken the following functions:

Providing policy analysis for the President, often on a quick turnaround basis.

Coordinating policy development for the President.

Coordinating the presentation of domestic policy questions to the President, assuring that all views are fairly represented.

Providing advice on domestic policy matters to the President, and advice on the domestic policy implications of budgetary questions to the President and OMB.

Coordinating the resolution of issues which arise concerning the Administration's legislative program.

Coordinating planning for the Administration's legislative program and other major initiatives.

Drafting Presidential messages.

Coordinating and monitoring the implementation of Presidential decisions.

In short, my staff and I serve as the President's personal staff for matters of domestic policy. We also serve the Cabinet and other agencies of government as a vehicle for interagency discussion of policy questions and as a focal point for key policy decisions—a place where issues can be discussed, clarified, and then submitted to the President for decision.

As you may know, this process has recently been formalized with a newly-instituted Domestic Policy Review System that has expanded the coordination role of the Domestic Policy Staff. The Policy Review System, which we oversee, is designed to ensure that all concerned Cabinet departments and agencies are involved in

policy development and that the President receives a helpful decision document. We feel that this will strengthen the role of cabinet departments in developing presidential policy by having the departments involved in the earliest stages of policy formulation.

Reorganization Plan No. 1 of 1977, under which the Executive Office of the President is being reorganized, has given us several new functions

The Office of Telecommunications Policy will be abolished and its function of advising the President on telecommunications and information policy will be handled by the Domestic Policy Staff. The transfer to DPS is \$93,000 to cover the salaries and expenses for three OTP staff positions for the remainder of fiscal year 1978. We are confident that with this additional staff the Domestic Policy Staff can be a neutral home for the resolution of disputes within the telecommunications policy area, and provide the President with immediate and informed advice and options on telecommunications and information policy. We are seeking no additional funds in fiscal year 1979 to cover the costs of this staff, but feel that this function can be absorbed by our basic budget.

The reorganization also will abolish the Office of Drug Abuse Policy and the coordination and staffing of drug abuse policy will be done by the Domestic Policy Staff. Our intent is to continue to provide an oversight capability to focus on drug abuse policy in the manner described in Public Law 94-237. A drug abuse policy staff will be established as part of the Domestic Policy Staff. This drug staff will be responsive to Dr Peter Bourne, who will continue as Special Assistant to the President for Health Issues after his position as Director of the Office of Drug Abuse Policy has been abolished.

The new staff has been selected from the staff of ODAP and will continue to do many of the things that the current ODAP staff does. The number of ODAP permanent positions will be reduced from 10 to 6 as a result of the reorganization and the budget is reduced from the \$1.2 million appropriated for ODAP in fiscal year 1978 to \$648,000 requested as part of the Domestic Policy Staff budget in fiscal year 1979. We feel that the drug policy staff on the Domestic Policy staff, as well as a revitalized and more active Strategy Council for Drug Abuse Prevention, will be able to provide basically the same overview, coordination and recommendations to the President that was provided by ODAP.

The details of these reorganization arrangements for OTP and ODAP are not yet finalized and the actual reorganization will probably become effective on March 31, 1978. We anticipate that an Executive Order will be published during March and an appropriate determination order will be prepared to make the necessary transfer of remaining unobligated and unexpended balances and property of ODAP, and funds and property of OTP, to the Domestic Policy Staff.

The Domestic Policy Staff has a personnel ceiling of 40 and a budget of \$1.85 million for fiscal year 1978. For fiscal year 1979 we are requesting \$2.002 million, an increase of \$152,000 to support the continuing functions of the Domestic Policy Staff and the additional telecommunications policy staff. We also seek \$648,000 to support the drug abuse policy staff within the Domestic Policy

Staff. Our total request to support the continuing Domestic Policy Staff functions, and the added OTP and ODAP functions, is \$2.65 million and a personnel ceiling of 45 positions. During the past year, we have avoided the use of extensive numbers of details, a practice which I know has concerned this committee. We will continue to do so.

We estimate that in 1979 the reorganized Domestic Policy Staff will result in an overall savings within the Executive Office of the President of seven full-time permanent staff positions and approximately \$400,000. The combined fiscal year 1978 budgets for the Domestic Policy Staff (\$1.85 million) and the Office of Drug Abuse Policy (\$1.2 million) is \$3.050 million. Our fiscal year 1979 budget request for the combined staffs is \$2.65 million or \$400,000 less than fiscal year 1978. Also, the full-time, permanent drug abuse policy staff will be reduced from 10 positions in 1978 to six for the remainder of 1978 and for all of 1979. We also expect to save \$400,000 from ODAP's 1978 appropriation during the remainder of this fiscal year. This expected savings reflects a re-estimate of the budget schedules that were submitted in January. These schedules have been amended to reflect that change. In addition, we have requested no additional funds or personnel slots in fiscal 1979 for our new three-person telecommunications policy staff, but plan to absorb this staff into our basic budget.

Again, the Domestic Policy Staff 1979 budget request is \$2.65 million and 45 positions.

I look forward to working closely with the committee and welcome any questions you may have.

I have brought with me Bert Carp, the Deputy Director of the Domestic Policy Staff, formerly the Domestic Council, and Phil Larsen, who is with the White House Office, and Nancy Dorman, behind us, who is also with the Domestic Policy Staff.

SUMMARY OF PREPARED STATEMENT

Essentially, to summarize my prepared statement, the function of the Domestic Policy Staff is to provide policy analysis and policy coordination in the domestic area in very much the same way as the National Security Council provides it in the area of national security and foreign affairs.

We draft messages, help prepare legislation, help coordinate and monitor legislation that the Administration has proposed to the Congress.

DOMESTIC POLICY REVIEW SYSTEM

We have developed a newly instituted system, Mr. Chairman, which we call the Domestic Policy Review System, which we are using for a number of major issues, such as national health insurance, which have an interagency impact. To ensure that we have a coordinated policymaking apparatus, the Domestic Policy Review System brings the agencies together, assigns a lead agency, defines the topic to be studied, sets a timetable and establishes a mechanism by which each agency can participate and work together to provide a useful decision document for the President.

We are using the Domestic Policy Review System only on major issues that provide us the time to have this interagency involve-

ment, but we are now including Vietnam veterans privacy and non-fuel minerals policy, as well as national health insurance.

STAFF CHANGES DUE TO REORGANIZATION

As you are probably aware, under the first reorganization plan submitted last year, we were asked to assume certain new functions. Most of the increase in our fiscal year 1979 budget request beyond the obvious inflationary increases comes because of the new functions that we were asked to assume under that reorganization.

OTP TRANSFERS

Those new functions are essentially two: First, The Office of Telecommunication Policy under the reorganization plan, was abolished, and its function of advising the President on telecommunications and information policy was transferred to the Domestic Policy Staff. There were 41 authorized slots, I believe, in that office which had been lodged in the Executive Office of the President. Those slots were dispersed, most going to Commerce, a few going to OMB and three to the Domestic Policy Staff with an accompanying transfer of \$93,000 in OTP funds.

ODAP TRANSFERS

The second major function we were asked to assume resulted from the abolition of the Office of Drug Abuse Policy, which was also within the Executive Office of the President. The number of slots that that office had was reduced from 10 to 6 and those 6 slots, along with the funding that went with them, were switched to the Domestic Policy Staff.

Dr. Bourne continues as Special Assistant to the President for Health issues and will continue on a day-to-day basis to direct that 6-person staff.

The Domestic Policy Staff has a personnel ceiling of 40, and, as the Chairman indicated, a budget of \$1.85 million for fiscal year 1978. The increase which we have requested for fiscal year 1979 is \$2.65 million and a personnel ceiling of 45 persons. I would like to stress that the 45-person ceiling that we are seeking, although it appears on the surface to be an increase of five, is solely due to the fact that we have been asked to incorporate the 9 positions from the Office of Drug Abuse Policy and the Office of Telecommunication Policy.

We are not increasing our base staff itself, and indeed we are under our ceiling of 40. We have, I believe, 38 people onboard now and the 45 is due again solely to the transfers.

EFFECT OF EOP REORGANIZATION ON DOMESTIC POLICY STAFF

Mr. STEED. I assume the new responsibilities have been transferred to you, and in getting your basic personnel ceiling raised to 45, what does that compare to in terms of slots prior to the reorganization, yours and the ones that have been transferred to you?

Mr. EIZENSTAT. It doesn't change our slots. In fact, if anything, it reduces them, I guess.

Mr. LARSEN. Prior to the reorganization, the Domestic Policy Staff had an authorization of 40. OTP, for the function that is coming into the Domestic Council, had three, and ODAP had a total staff of 10, for a total of 53. After the reorganization, the Domestic Policy Staff, as a result, was reduced by 4 positions. Three unfilled DPS positions were eliminated and one position was transferred to the Office of Administration. Three positions from OTP and 6 positions from ODAP were transferred to DPS, for a total DPS staff level of 45.

EFFECT OF REORGANIZATION ON DPS BUDGET

Mr. STEED. The amount of money that comes in with the drug abuse policy, I believe, is \$771,000 transferred with the responsibilities that you assume, and since that obviously will not all be needed for personnel, could you give us a little outline on what the cost factors are involved in that transfer?

Mr. LARSEN. Yes, sir, Mr. Chairman. The total ODAP budget for 1978 was \$1,200,000. Our current estimate is that \$429,000 of that will be spent in the first half of the fiscal year. And in the remaining part of the fiscal year, another \$371,000 will be spent, and \$400,000, we estimate, of the \$1.2 million will lapse back to the Treasury at the end of fiscal year 1978.

In addition to personnel, you have the normal costs that any agency would have, such as supplies, equipment, material, standard level user charges and some contracting money for studies on drug-related matters.

Mr. STEED. What about the \$92,000 involved with the telecommunication policy. In addition to personnel, what else will you pick up there?

Mr. EIZENSTAT. Essentially it is personnel, but it also includes a pro rata share of rental.

Mr. STEED. The whole amount then, including personnel, is for ordinary usual cost items?

Mr. EIZENSTAT. Yes, sir, I would like to provide, for the record, a chart that summarizes the effect of the EOP reorganization on the budget and staff level of the Domestic Policy Staff for fiscal year 1978 and 1979.

LEGAL STATUS OF DOMESTIC POLICY STAFF

Explanation of amended Domestic Policy Staff budget for fiscal year 1978

	<i>Thousands</i>
Domestic Policy Staff appropriation fiscal year 1978.....	\$1,850
Transferred from OTP.....	+93
Transferred from ODAP.....	+771
Transferred to OA.....	-30
	<hr/>
Amended DPS budget fiscal year 1978.....	2,684
Domestic Policy Staff budget request fiscal year 1979.....	2,650

Effect of EOP reorganization on Domestic Policy Staff personnel

Domestic Policy Staff positions at present	40
Unfilled DPS positions abolished by reorganization	-3
ODAP positions transferred to DPS upon abolition of ODAP (All ODAP functions being absorbed by DPS).....	+6
OTP positions transferred to DPS upon abolition of OTP (positions also being transferred to OMB and Department of Commerce).....	+3
DPS messenger position transferred to Office of Administration	-1
	<hr/>
Domestic Policy Staff positions for remainder of fiscal year 1978.....	45
	<hr/>
Domestic Policy Staff positions requested for fiscal year 1979.....	45

LEGAL STATUS OF DOMESTIC POLICY STAFF

Mr. STEED. Now then, we are talking about transfers and reorganization; what is the legal status of the Domestic Council at this time from the standpoint of authorizing legislation? Are you included in the bill that is currently in the mill here to authorize the entire executive office?

Mr. EIZENSTAT. Yes, sir, we are.

Mr. STEED. Everything you have done here will be covered in that bill?

Mr. EIZENSTAT. That is correct, sir.

Mr. GUNNELS. Mr. Chairman, it may be necessary for us then to modify some of the language, including possibly the title, as it came up in the President's budget. He asked money for the Domestic Council, that I understand will change.

Mr. EIZENSTAT. Yes, sir, it will change. There is an executive order that has not been signed, but that, I understand, will be signed shortly, which will formally change its name. Under the reorganization plan we were given the authority to change its name, but the executive order has not yet been actually consummated that will formally change the name.

Mr. STEED. Then your budget people can keep in touch with the staff here so in the light of the authorizing legislation we can make whatever adjustments will bring it into line.

Mr. EIZENSTAT. Yes, sir.

Mr. STEED. Anything that you can do to expedite that legislation will be appreciated, because without it we are facing some bad situations. We can't move until that moves. It is very important that it not be delayed.

Mr. EIZENSTAT. Yes, sir.

WORK PROGRAM

Mr. STEED. How do you go about deciding the work program? You mentioned two or three of the major matters that you are working on because they involve more than one agency. Are you the sole judge of what needs to be done, or do you work with the needs of the White House staff in terms of what they are faced with?

Mr. EIZENSTAT. Our work is generated in a number of ways. First, an agency may have a recommendation for a legislative matter or policy matter which it wants the President to approve and in the course of making that recommendation our staff helps the agency, gives it an idea of what we think the President's

position will be, analyzes it, makes sure that the budget implications are factored in, also make sure that no other agency which has an interest has been excluded from having its input, and then try to give the President a decision memorandum which reflects the views of all interested parties in our analysis of the particular issue.

A second way that policy can emanate is because a bill is pending in Congress on which the administration is asked to testify. It would not be an Administration initiative, but the Administration will be asked to give its opinion on a particular bill. The process is much the same. The agency notifies us that they are going to be asked to testify on a particular matter. They then do their own initial analysis; we work with them to make sure, again, that other agencies are involved; we do the budget analysis with OMB and our policy analysis and present the President with options on what position the Administration should take.

A third way is that either the President or our staff, with the President's concurrence, may recommend that the agencies initiate action on a particular piece of legislation that the President is interested in. Again, the process would work in a similar fashion.

Mr. STEED. Let's take housing, for instance. There would be two areas, one where new legislation would be involved; the other where budgeting of existing programs would be involved. Would you get into the matter of the decision as to how much low-cost housing or minority housing would be?

Mr. EISENSTAT. No, sir, we generally do not get involved consciously and purposefully in any implementation of policy. We would only get involved if that implementation issue became of a magnitude sufficient that it was a policy judgment. But in terms of deciding where grants should be made and to what cities, and in what manner, that would be left essentially to the agencies, with some oversight by OMB. Our staff would not generally be involved in it.

Mr. STEED. Could you give a little analysis of the projects currently underway and the ones you have finished this year? You can furnish that for the record.

Mr. EISENSTAT. Yes, sir. I think last year we sent up, an Administration, well over 40 separate messages on major legislation. This year, we have sent up some 8 or 9, which include messages on our economic stimulus package, tax program, Civil Service reform, and the education message. We are now working on a number of other projects, such as national health insurance, and non-fuels mineral policy. On a day-to-day basis, because of the tremendous number of things that are happening on the Hill, whether it is energy legislation, social security or tuition tax credits or what-have-you, we are constantly involved in monitoring congressional action, deciding whether to modify any positions that we initially took, or take new positions based on developments, so that we cover the full range of domestic policy issues.

Mr. STEED. You have a normal work program, and then two sources of work, the President needs something in a hurry, or the committees of the House or Senate schedule something, which puts a different priority on what activity you are called on to do.

Are you the sole coordinator of who, how much and what will be done, and whether something will be set aside in preference for a more urgent matter?

Mr. EIZENSTAT. I would say by and large I am, but, of course, each agency views its particular issue as the most urgent, and we attempt to make some judgment on that. But ultimately it is my job to coordinate that, yes, sir.

USE OF DETAILEES

Mr. STEED. Do you have authority to borrow help from the other agencies?

Mr. EIZENSTAT. I believe we have the authority to do so, but we have attempted to avoid a series of actions which I believe the Chairman and others on your committee have in previous years been concerned with, which is the extensive use of detailees. As I mentioned in my testimony last year, we roughly cut the comparable slots that President Ford had about a third. We have not attempted to make up for that by extensively using detailees. However, on a crisis basis, we have from time to time used one or two detailees. For example, we have someone from the Treasury Department who is helping us put together our urban policy package, but we have made a very good-faith and conscientious and, I believe, successful effort to avoid the extensive use of detailees.

Mr. STEED. Mr. Miller, why don't we go and vote, and when we come back, you can take over.

If you will excuse us again, we will be right back.

[Brief recess to vote.]

DOS BUDGET SAVINGS

Mr. EIZENSTAT. There is one point I think I might make with greater clarity, perhaps, Mr. Chairman, and since Congressman Miller came in after my initial discussion, I would make it mostly for him. That is, that for fiscal year 1979 we are asking for less than the combined budgets that we had last year for our own staff and for the functions that we have been asked to assume. In taking the cost of the transferred functions, and adding to it our base budget, one would get more than the \$2.65 million that we are requesting for fiscal year 1979.

Mr. STEED. Could you make a table for the record that would make those comparisons easy to identify?

Mr. EIZENSTAT. Yes, sir, we can provide that.

[The information follows:]

	<i>Thousand</i>
ODAP fiscal year 1978 budget	\$1,200
DPS fiscal year 1978 budget	1,850
Total	3,050
DPS fiscal year 1979 budget request (which includes absorption of all ODAP functions and reduced staff level)	2,650
Projected saving	400

Mr. STEED. Mr. Miller.

EFFECTS OF REORGANIZATION

Mr. MILLER. I keep hearing this, where it is less, but we haven't unraveled these things yet. There has been a switching of personnel from one group to another and to the Office of Administration. I will have to admit the reorganization is there. It is one of the most detailed reorganizations that I have seen, but we haven't been able to make heads or tails of it. All the information that we have received on reorganization has additional figures in it as far as slots are concerned. People are transferred in from one group and people transferred out, as in the case I understood what you presented here, where there are three slots for telecommunication policy. Now in my other subcommittee on appropriations, at State, Justice, Commerce, and Judiciary, I understood that Commerce was taking over all of the telecommunication policy, and yet I find that we do have three slots left here under the White House.

Mr. EISENSTAT. Yes, sir, they are taking the operational end over, and as with HEW, HUD, Transportation, et cetera, they obviously are all making policy in their area, but the President needs to have someone on the White House staff who is also familiar with those issues so that he can make sure he gets an objective judgment on these things. Just as we have on our staff transportation, health and education experts; we wanted to have telecommunications expertise, because it is an important domestic policy issue.

Mr. MILLER. This is one of the items just off the top of my head, telecommunication policy. Here we do have a reduction, and I am not certain, but I believe the budget last year was around \$8 million for telecommunication policy, and about half of that was contract and the other half to pay personnel. We really have something that I guess we are going to have to unravel before we get to the full committee.

If people would ask in the full committee, and would ask on the House floor, about the reorganization at the White House and what it has done, or hasn't done, and any detailed questions, I could not answer on the basis of the information that has been conveyed to me so far. I don't see how the Chairman could answer, because he has had the same information, and each side of the equation doesn't balance. That is something that is not really under your jurisdiction, but you are affected by it, because you are conveying a message to us about what is left, in the way of getting back to that one item, just telecommunication policy.

The same way with drug abuse. I am not real certain what we have done because you still do state that Dr. Bourne is still head of this organization?

Mr. EISENSTAT. Yes, sir, it will have four less people, sir, than it had. It has been reduced from 10 to 6, but Dr. Bourne is still in charge of that group on a day-to-day basis.

DOMESTIC POLICY STAFF ACCOMPLISHMENTS

Mr. MILLER. To get back to some of the items that you had in the statement earlier, you are providing policy analysis to the President, coordinating the presentation of domestic policy questions and providing advice on domestic policy.

Can you give us an example of what advice you have given the President on domestic policy during the past year?

Mr. EIZENSTAT. We can give you a little example or a big example. We can start with social security, which is a several billion-dollar example.

Mr. MILLER. I would like to hear something about social security.

SOCIAL SECURITY FINANCING

Mr. EIZENSTAT. We were instrumental in coordinating the different agencies, many of whom had different positions on how to solve the social security financial crisis. Ultimately the recommendation for countercyclical general revenue financing, which the President adopted, was one that we helped shape. We performed a similar role for practically every other major domestic issue.

Mr. MILLER. When it gets to the social security, did you take into consideration the amount of the increase? Is that what you are talking about?

Mr. EIZENSTAT. That is correct.

Mr. MILLER. And that is the big problem on the Hill right now.

Mr. EIZENSTAT. Yes, sir, and rejection of our proposal for countercyclical general revenue financing the tax base had to be increased more than otherwise.

Mr. MILLER. So your proposal was to dip in the general treasury for funds?

Mr. EIZENSTAT. Only on a countercyclical basis, if unemployment stays above 6 percent, that was the proposal the Administration sent up.

Mr. MILLER. We are right at that point now. Will you dip into treasury?

Mr. EIZENSTAT. We are not there now, because our proposal was not adopted.

Mr. MILLER. As far as unemployment is concerned, we would be moving into the treasury right now and drawing funds to put into the social security?

Mr. EIZENSTAT. Under the proposal we had sent up, yes, sir, as long as unemployment was above 6 percent. It would be at this point a very modest amount because the unemployment rate is only one-tenth of a percent above the 6 percent.

Mr. MILLER. Yes. Now your advice would be to dip in, and dipping in is the same as going out and borrowing the money?

Mr. EIZENSTAT. I am not sure if this is the appropriate place to get into a discussion of social security.

Mr. MILLER. No, but you are asking for funds in order for the Domestic Council to advise the President, and you are advising the President on such things as social security.

Mr. EIZENSTAT. Yes, sir.

Mr. MILLER. You advised him and are working on coordinating the resolution of issues which arise concerning the administration's legislative program. Another is about the same, coordinating planning for the administration's legislative program, and other major initiatives. We have two programs now that we can think of right away, energy and taxes. Have you advised the President of some changes in the policy so that those particular programs could move? We have such a problem with energy right now.

Mr. EIZENSTAT. Yes, sir, I frankly would not desire to tell the committee what my specific advice is to the President.

Mr. MILLER. Ours has to be wide open. What is the difference?

Mr. EIZENSTAT. I think the advice I give the President is personal and privileged. But to be responsive to your question, we don't stop giving advice when a matter has been passed to the Hill. We help formulate the policy, develop the policy, draft the message that goes up, ensure that the Administration's legislation is consistent with the message, and once the legislation is up here, we are very active, working with Frank Moore and with Congressional committees when there are changes that the committee wishes to make and wants to determine whether those changes are consistent with the Administration position and whether we oppose or support a particular amendment. We do get involved to that extent, yes, sir.

Mr. MILLER. So it is impossible to say whether you have advised the President on making any changes in the energy policy in order to set a policy?

Mr. EIZENSTAT. It is not impossible to say, but I don't think I am required to say it.

Mr. MILLER. We seem to be bogged down—you are asking for dollars for you and your staff. We have an energy bill that is bogged down, and it seems that the information that you would convey to the President would help release that bill.

Mr. EIZENSTAT. Yes, sir, I am not asking for an increase over last year in order to help the energy bill get moving. I am not sure there is a relationship between those two.

Mr. MILLER. I see a relationship. Very much so. If that is what we are going to be doing, but the President needs a domestic policy and needs the advice that you people give him. I guess I am wondering where are we going and what are we doing? I guess I would not be as concerned about it if I did not have all the razzle-dazzle that has come up here where people have tried to say where we are shifting personnel and what their responsibility will be eventually. It has changed things around a great deal.

Can you tell us in your advice as Domestic Council people to the President, can you maybe get down to some basics? What have you been able to accomplish? What have you advised that came up with some end-result?

Mr. EIZENSTAT. The best way to do that, without taking the Chairman's and Committee's time unnecessarily, is to give you a document of about 15 pages which we put out at the year-end, which is a summation of the accomplishments of this first session of the Congress of things we proposed from the economic stimulus package, to minimum wage, clean air, clean water. I will be glad to supply you with that document that was made publicly available to the press.

Mr. MILLER. That 15-page document, can you give us an end-result?

Mr. EIZENSTAT. I mentioned them.

Mr. MILLER. You gave me the items. You did not give me the results.

Mr. EIZENSTAT. The results are that the unemployment rate is down from 8.1 percent at the time of the election to 6.1 percent; taxes were cut by \$6 billion; \$4 billion worth of public works were

put in, cutting the construction trade unemployment rate in half; we have now a dependable and predictable policy with respect to clean air and clean water that will permit industry to plan and will keep the waters clear.

Mr. MILLER. We are getting clear off. I was on the Conference for the Clean Air Act in 1972, and we set that up many years before this.

Mr. EIZENSTAT. Yes, but it had to be extended and improved.

Mr. MILLER. You cannot take credit for that.

Mr. EIZENSTAT. It expired. We had to extend it.

Mr. MILLER. It was extended about the same as before?

Mr. EIZENSTAT. We built on it, of course, but it had to be extended for another period of time.

Mr. MILLER. All I am looking for is some end-results so I can go to the committee and say, yes, you people should have these dollars.

Mr. EIZENSTAT. Those are some of the end-results, and I will be more than happy to supply you with a written list of the Administration's accomplishments.

Mr. MILLER. I would like to look at the accomplishments. If you would supply that, we would appreciate it.

Mr. EIZENSTAT. I would be more than happy to do that.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

[The information follows:]

FOR IMMEDIATE RELEASE

December 17, 1977

Office of the White House Press Secretary

The White House today released a summary and outline of the Carter Administration's first-year domestic, national security and foreign policy accomplishments.

For your guidance, a summary and outline is on Pages 1-5, an outline by topic of domestic accomplishments on Pages 6-17, and the national security and foreign policy accomplishments Pages 18-21.

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SUMMARY AND OUTLINE OF FIRST-YEAR DOMESTIC ACCOMPLISHMENTS

SUMMARY

The President's domestic policy achievements during the first year of his Administration can be summarized as follows:

I. The President tackled directly and comprehensively major domestic problems that had been almost completely ignored in previous years. If actions had not been taken early in this Administration, these problems would have worsened, making any future efforts at resolution far more difficult and costly. Among the major problems confronted were:

1. Energy -- the country had no comprehensive energy plan. There was no coherent way to reduce foreign imports (costing the U.S. \$45 billion annually), shift to more abundant energy sources, conserve energy use or provide fair incentives to encourage domestic energy production. The President proposed a National Energy Plan designed to achieve these goals by:
 - reducing the growth rate in energy consumption to 2% per year;
 - reducing gasoline consumption by 10%;
 - cutting imports of foreign oil to less than 6 million barrels a day, about half the amount that would otherwise be imported;
 - establishing a strategic petroleum reserve supply of at least 1 billion barrels, which could meet all domestic needs for 10 months;
 - increasing coal production by more than two-thirds, to over 1 billion tons a year;
 - insulating 90% of American homes and all new buildings;
 - using solar energy in more than 2½ million homes.

The National Energy Plan was the President's most important domestic priority during the year. A House-Senate conference committee is now considering the plan, with final Congressional passage expected early next year.

2. Welfare Reform -- for years the country has suffered from a welfare system that treats people with similar needs differently, provides incentives for family breakup, discourages work, fails to assist with employment efforts and leads to waste, fraud, and red tape.

The President proposed a comprehensive overhaul of the nation's welfare system, the Program for Better Jobs and Income, that will provide cash benefits to 32 million people out of 36 million eligible (current programs - 30 million receive benefits out of 40 million eligible.) The major elements of the Program include:

- creation of 1.4 million public service jobs for low income families, which provide a job opportunity for every poor family with children.

- . tax reduction of \$4.9 billion for the working poor, through an increase in the Earned Income Tax Credit.
- . improved recipient benefits -- establishing a basic benefit of \$4200 for single parent families (higher than the AFDC benefit in 14 states).
- . fiscal relief to the states and local governments of \$2.1 billion.
- . work incentives to ensure that those who work will have higher incomes than those who do not.
- . ensuring that every family with a working adult would have a total income above the poverty line.

The Congress is beginning its consideration of the President's welfare package; the Special Welfare Reform Subcommittee established in the House moved quickly on major elements of the proposal and has endorsed several key provisions of the Administration plan.

3. Social Security -- the Social Security system was in serious danger of having its major trust funds depleted in 1979 (disability fund) and in 1983 (old age and survivors fund). The system was projected to have an estimated deficit of 8.2% of taxable payroll over the next 75 years. Since 1975, expenditures by Social Security have exceeded income, and unless changes were made in the way the system is financed, that trend would continue and worsen.

The President proposed a refinancing of the Social Security system that would:

- . prevent the default of the trust funds;
- . bring income and expenses into balance in 1978 and maintain that balance through the end of the century;
- . create sufficient reserves to protect the system against sudden declines in revenue caused by unemployment or other economic uncertainties;
- . protect the system's financial integrity through the end of the century;
- . avoid tax rate increases to workers beyond those already scheduled in law, and spread burdens more equitably through the wage base.

The Congress passed a Social Security bill which incorporates many of the major elements of the Administration's proposals which will ensure the financial stability of the system throughout the rest of the century.

II. Economic Recovery - When the President was elected, unemployment was at 8% and the country was still struggling to recover from a severe recession. There were 7.5 million Americans out of work, and 1.4 million full-time workers had been forced to take part-time jobs. It was estimated that the economy operated at approximately \$132 billion below its high employment potential; the country lost nearly \$35 billion in Federal tax revenues and \$10 billion in state and local revenues because of the economy's poor performance.

To alleviate those problems, the President proposed, and signed into law, a comprehensive package of economic stimulus legislation, totalling \$21 billion in Federal expenditures. The main elements of the stimulus package, many of whose effects have already been felt throughout the economy, are:

- . \$4 billion in public works programs (creating about 200,000 jobs);
- . \$5 billion in tax reductions, primarily through an increase in the standard deduction, largely benefitting moderate and low-income workers;
- . \$1 billion increase in counter-cyclical revenue sharing;
- . expansion by 425,000 job slots (to 725,000 slots) in public service employment and training programs;
- . \$1.5 billion youth employment program which will create over 200,000 jobs for young people and will double the size of the Job Corps.

As a result, in part, of the stimulus package, the economy has improved -- unemployment has declined to 6.9%; employment has increased to 92 million workers (the largest number in the country's history); per capita after tax income (adjusted for inflation) has increased 4% over the past 12 months; gross average weekly salary has increased since January from \$179 to \$195; housing starts have increased 27% over the past 12 months; corporate dividends have risen 18% over the past 12 months; and consumer savings have increased 14% over the past 12 months.

III. The President initiated a number of efforts to make the Federal government more efficient and effective. Among the more significant of those steps are the following:

1. Reorganization Authority -- proposed, and signed into law, legislation authorizing the President to reorganize executive agencies and departments, subject to congressional veto.
2. Reorganizations -- completed three individual reorganizations requiring Congressional assent:
 - . Department of Energy (legislation combining and streamlining eleven government entities into one new major department);
 - . Executive Office of the President (reorganization plan reducing size of Executive Office of the President by seven entities and reducing the White House staff by 28%, compared to the size of the staff inherited from the previous administration);
 - . International Communication Agency (reorganization plan combining and streamlining United States Information Agency and cultural functions of the State Department).
 - . Also completed numerous major intradepartmental and other reorganizations not requiring Congressional assent, especially regarding HEW, USDA, DOT, and the intelligence functions of CIA and DOD.

3. Advisory Committees -- eliminated, or proposed to Congress the elimination of, over 40% of the 1200 advisory committees extant at the beginning of the administration.

4. Paperwork Reduction -- initiated a government-wide paperwork reduction program which, by September 30, reduced the gross paperwork burden imposed by the federal government on the private sector by 10%, and resulted in numerous individual paperwork reforms.

IV. The President initiated several efforts toward making the government more open and honest:

1. Accessibility by the President -- the President made himself more accessible to the American people than any President in modern history and set a tone for the rest of his Administration by the following:

- holding a regular news conference every two weeks;
- meeting regularly for interviews with non-Washington editors;
- holding town hall meetings in Clinton, Massachusetts and Yazoo City, Mississippi;
- visiting each Cabinet Department and answering questions from its employees;
- holding a radio call-in show at the White House and a television call-in show in Los Angeles;
- providing complete financial disclosure of his income and assets;
- making three trips to different parts of the country, stayed in the homes of citizens and met with a broad range of citizens and officials;
- holding public policy conferences on energy, water policy and the problems of the poor.

2. Financial Disclosure -- the President required, for the first time, that all Cabinet, sub-Cabinet and White House staff members agree to disclose publicly their income and assets. This has been fully implemented.

3. Ethics Legislation -- the President proposed ethics legislation requiring public financial disclosure by all public officials; strengthening restrictions on post-government service activities of Federal officials and establishing an Office of Ethics in the Civil Service Commission. It has passed the Senate and is making good progress in the House.

4. Revolving-Door -- the President required, for the first time, that all Cabinet, sub-Cabinet, regulatory agency and White House staff members pledge, when they leave government service, not to conduct business before their former employer for two years.

5. Security Classification -- initiated a comprehensive review of the Security Classification system; provided for public comment a draft Executive Order that would, if issued, greatly reduce unnecessary classifications.

V. The President has reversed years of neglect and treated the problems of poor and middle-class citizens with compassion and understanding. Among the major steps taken in that effort are the following:

1. Food Stamp Reform -- the President proposed, and signed into law, reform of the food stamp program which make food stamps available to 2.2 million additional Americans; among the reforms was the elimination of the purchase requirement.
2. Minimum Wage -- The President proposed, and signed into law, an increase in the minimum wage to enable the lowest paid workers to recover from, and keep pace with, inflation; the minimum wage would increase to \$2.65 an hour by January 1, 1978, increasing the earnings of 4.5 million workers by \$2.2 billion; successive increases would raise the hourly rate to \$2.90 in 1979, \$3.10 in 1980, and \$3.35 in 1981.
3. Farm Bill -- the President proposed, and signed into law, a Comprehensive Agriculture and Food Bill, giving security to farmers over the next four years in the form of price supports, loans, and other programs designed to assure them an adequate income from their products.
4. Welfare Reform -- the President proposed a comprehensive reform of the welfare system, a Program for Better Jobs and Income; it includes creation of 1.4 million public service jobs by 1981 and the establishment of the uniform cash assistance program to low-income citizens.
5. Hospital Cost Containment -- the President attempted to control the spiraling costs of hospitalization which often makes needed health care too expensive, by imposing limits on the annual increase in hospital revenues.
6. Energy Fuel Assistance -- \$200 million was provided to grant emergency fuel assistance to poor people adversely affected by last winter's high energy costs.
7. Handicapped -- HEW issued regulations prohibiting discrimination against the handicapped in any program receiving Federal financial assistance from HEW, effectively extending civil rights protection to the handicapped.

OUTLINE BY TOPIC OF FIRST-YEAR DOMESTIC ACCOMPLISHMENTS

Agriculture

1. Food and Agriculture Act - proposed and signed into law a comprehensive food and agriculture bill which removes inequities in community programs; establishes the principle that price support loans should be kept at levels enabling American food and fiber to remain competitive in world markets; uses a cost-of-production concept to set income support levels; improves administration of the P.L. 480 (food for peace) program; improves the Food Stamp Program by eliminating the purchase requirement, standardizing deductions, lowering net income eligibility limits, and (because of the elimination of the purchase requirement) making as many as 2 million persons eligible for food stamps for the first time.
2. Grain Reserve - initiated plan to place 30-35 million metric tons of food and feed grains in reserve during the next year.
3. International Grain Agreement - initiated negotiations with major grain exporting and importing nations to reach an international agreement stabilizing world grain prices.
4. Sugar - negotiated an international sugar agreement which will protect domestic sugar producers while stabilizing world sugar prices (Congressional ratification pending).
5. Emergency Drought Assistance - proposed, and signed into law, legislation designed to help farmers hit by the severe droughts of the past spring and summer; provided over \$800 million in emergency drought assistance.

Civil Rights and Equal Opportunity

1. Bakke - Filed an amicus brief in the Bakke case supporting affirmative action in college admissions programs, provided they use flexible targets or goals instead of inflexible quotas.
2. Sex Discrimination - reaffirmed the validity of, and importance of compliance with, Executive Order 11375, which prohibits discrimination on the basis of sex in Federal employment.
3. Title VII - placed the White House Office under Title VII of the Civil Rights Act, which prohibits discrimination in employment on the basis of sex, race, national origin, or religion.
4. Equal Employment - filed the first state-wide Federal suit to force employment of women and blacks by police and fire departments (affecting 54 cities and parishes in Louisiana).
5. Handicapped - issued Section 504 regulations to guarantee equal access to programs receiving Federal financial assistance.
6. Minority Business - took several actions to aid businesses owned by members of minority groups:
 - placed \$100 million in Federal deposits into minority-owned banks;
 - supported and signed a Public Works Act requiring that 10% of the \$4 billion in public works contracts let during 1977-78 be "set aside" for minority-owned programs;

- approved 15% "set-aside" for minority businesses in construction on the Northeast Corridor railroad;
 - directed Federal agencies to double their purchases of services and goods from minority-owned firms during the next two years, reaching a total of \$2 billion.
7. High-Level Appointments - appointed more blacks, women, and members of ethnic minorities to Executive-level positions than any other Administration in history.

Civil Service

1. Pay Raise - approved a 7.05% cost-of-living pay raise for Federal employees.
2. Hatch Act Reform - supported reform of the Hatch Act to permit most Civil Service employees to participate more fully in the political process, without politicizing the Civil Service. This has passed the House.
3. Civil Service Reorganization and Reform - initiated, under the Federal Personnel Management Project, a review of the Civil Service Commission and the Civil Service employment and promotion laws and regulations. Announcement of proposed reforms will come next year.
4. Part-time Employment - directed Cabinet members and Agency heads to increase the number of part-time jobs, so that the elderly, the handicapped and those with children can more easily obtain Federal employment.
5. Presidential Interns - created a Presidential Management Intern Program to bring 250 public administration students annually to Washington for one year of service in the Federal government.
6. Protection - directed that federal employees not lose their federal employment solely because of reorganization.

Consumer Protection

1. Consumer Agency - proposed the creation of a consumer protection office to represent consumer interests throughout the federal government; passed House Committee.
2. Fair Debt Collection Practices - supported, and signed into law, the Fair Debt Collection Practices Act, which will prohibit abusive and unfair techniques of debt collection.
3. Citizen Participation - supported legislation to reimburse citizens for participation in Court and agency proceedings; to expand class action authority; and to expand citizens' standing to sue the government.
4. Appointments - appointed consumer advocates to major regulatory positions.
5. Passive restraints - required automobile occupant crash protection through passive restraints, which will save 9,000 lives and prevent thousands of injuries each year.

Economy

1. Unemployment - unemployment decreased from 8% last November to 6.9% this November.
2. Employment - Employment has increased during the past 12 months by almost 4 million -- from 88 million to 92 million. This is the largest number of people with jobs in the nation's history. In addition, the proportion of the population holding civilian jobs has increased to 57.8%, a record high.
3. Inflation - the rise in the Consumer Price Index declined from an annual rate of approximately 9% early this year to an annual rate of 4% in October.
4. Duration of Unemployment - the average duration of unemployment has decreased during the past 12 months from 15.5 weeks to 13.8 weeks; the number of persons out of work for 15 weeks or longer has decreased during this period by 25%.
5. After Tax Income - after-tax income per person, adjusted for inflation, has increased 4% during the past 12 months.
6. Salaries - Gross average weekly salary has increased since January from \$179 to \$195.
7. Housing Starts - housing starts have increased 27% during the past 12 months; residential building permits have increased 25% during the same period. Housing starts are at a yearly rate of over 2 million units.
8. Industrial Production - industrial production has increased 7% during the past 12 months; since late 1976, the use of industrial capacity has increased about 3%.
9. Economic Profits - Economic profits of corporations (before taxes) have increased 11% during the past year.
10. Corporate Dividends - corporate dividend payments have risen 18% during the past 12 months.
11. Business Capital Outlays (adjusted for inflation) - business capital outlays are 7% more than they were this time last year.
12. Consumer Savings - consumer savings in the form of time and savings deposits have increased 14% during the past 12 months.

Elderly

1. Mandatory Retirement - supported raising from 65 to 70 years of age the coverage of the Age Discrimination in Employment Act, thereby prohibiting employers from requiring retirement prior to age 70; supported removal of a mandatory retirement age from the Civil Service laws. Bills have passed both Houses of Congress and are now in conference.
2. Social Security - proposed a comprehensive refinancing of the social security system in order to ensure the financial stability of the system for the rest of this century. Social Security legislation incorporating many of the Administration's proposals was enacted on December 15.

3. Medicare - proposed, and signed into law, the Medicare and Medicaid Anti-Fraud and Abuse Act, which will substantially reduce fraud and help to lower patient costs; cancelled, as part of the revised FY '78 budget, the proposed increase in Medicare patient payments.
4. Transbus - required public transportation authorities receiving federal funds to purchase Transbus, a vehicle accessible to the elderly and physically handicapped, after 1979.
5. Hospital Cost Containment - proposed legislation to control the rapidly increasing costs of hospitalization, by limiting total hospital revenues.
6. Housing Assistance - provided \$850 million in FY '78 for assistance to the elderly for 25,000 to 30,000 homes.
7. Emergency Fuel Assistance - provided \$200 million to help the poor, many of whom were elderly, pay their fuel bills during the past winter; provided additional money for weatherization and winterization programs for the elderly poor.

Employment

1. Unemployment - unemployment rate was 8% at the time of the 1976 election; latest figures (November) show that it has dropped to 6.9%.
2. Public Service Jobs - proposed, and signed into law, an expansion of the public service jobs program (CETA) from 300,000 jobs to 725,000 jobs by March 1978. This is the largest public service jobs program since the 1930s.
3. Youth Jobs - proposed, and signed into law, three new youth jobs programs -- the National Youth Conservation Corps, the Youth Community Conservation and Improvement Projects, and the Comprehensive Employment and Training Programs -- creating 200,000 new jobs; also doubled the size of the Jobs Corps.
4. Public Works Job - proposed, and signed into law, a \$4 billion public works program, which will create nearly 200,000 jobs.
5. Minimum Wage - proposed increasing the minimum wage to enable the lowest paid workers to recover from, and keep pace with, inflation; signed a bill increasing the minimum wage to \$2.65 an hour by January 1, 1978, directly increasing the earnings of 4.5 million workers by \$2.2 billion; successive increases will raise the hourly rate to \$2.90 in 1979, \$3.10 in 1980, and \$3.35 in 1981.
6. Mine Safety and Health - supported, and signed into law, a bill to improve the safety and health of the nation's 400,000 miners, by placing all mines under a single safety and health program administered in the Labor Department.
7. Labor Law Reform - proposed the first set of comprehensive labor law reforms in 30 years; the reforms would eliminate delays in NLRB procedures and strengthen NLRB sanctions against labor law violators; passed the House.
8. Undocumented Aliens - proposed a comprehensive program to control the presence of millions of undocumented aliens in the country; the program includes a prohibition against employers' hiring undocumented aliens.
9. Welfare Reform - proposed comprehensive reform of the nation's welfare system; including the creation of 1.4 million public service jobs by 1981.

10. Supplemental Unemployment Benefits - supported, and signed into law, a bill to extend Federal supplemental unemployment benefits for 26 additional weeks.

11. Humphrey-Hawkins - endorsed the Humphrey-Hawkins Full Employment Bill, establishing a 4% unemployment rate and reasonable price stability as national goals for 1983.

Energy

1. National Energy Plan - proposed the nation's first comprehensive energy policy; bills have passed both Houses of Congress and are now in conference.

2. Emergency Natural Gas - proposed, and signed into law, a bill that permitted the President to make emergency allocations of natural gas during last winter's shortage, and permitted emergency purchase of unregulated gas.

3. Department of Energy - proposed, and signed into law, a bill to combine 11 government entities into one Cabinet-level Department of Energy.

4. Alaska Natural Gas - negotiated an agreement with Canada concerning a joint transportation route (the ALCAN Project) for Alaskan natural gas; secured Congressional approval of the route decision.

5. Strategic Petroleum Reserve - undertook to expand the National Strategic Petroleum Reserve from 500 million barrels to 1 billion barrels of oil, giving the country a 10 month stockpile.

6. Nuclear Non-Proliferation - proposed legislation to control the worldwide spread of nuclear fuels by applying uniform standards for licensing of nuclear exports, establishing criteria for the negotiation of new nuclear technology exchange agreements, and authorizing regulations for more expeditious review of nuclear export licenses; passed the House.

Environment

1. Clean Air - supported, and signed into law, amendments to the Clean Air Act, including strict auto emission and stationary air standards.

2. Strip Mining - supported, and signed into law, a strip mining bill (twice vetoed by Ford) which will set the first Federal environmental standards for strip mining.

3. Water Resource Projects - initiated a major review of federal water resource development projects to ensure that those recommended for funding in FY '78, and future years, are economically and environmentally sound, as well as safe; signed legislation halting nine previously authorized projects.

4. Redwoods - proposed a moratorium on logging in Redwood National Park; submitted legislation to expand the park and protect it from further commercial use.

5. Water Pollution - proposed amendments to the Federal Water Pollution Control Act, involving reform of the sewage treatment construction grant program and strict protection for federal wetlands; amendments have passed a House-Senate conference.

6. Environmental Message - submitted to Congress a comprehensive environmental message which included support for four new wilderness areas, eight new wild and scenic parks, and water resource policy reforms.
7. Whaling - ordered protection of whales within 200 miles of U.S. coast; cooperated with the International Whaling Commission on bowhead whales; and supported a 10-year worldwide moratorium on commercial whaling.
8. Alaska Lands - proposed to Congress the protection of 93 million acres of Alaska Federal Lands (d-2 lands), permitting the creation or expansion of 19 National Parks and Reserves, 14 National Wildlife Refuges and 42 Wild and Scenic Rivers.
9. Water Policy - began work on a comprehensive federal water policy.
10. Oil Spills - proposed legislation establishing liability for oil tanker spills and leading to the development of regulations to prevent future spills.

Government Efficiency, Reorganization, and Regulatory Reform

1. Reorganization Authority - proposed, and signed into law, legislation authorizing the President to reorganize executive agencies and departments, subject to Congressional veto.
2. Reorganizations - completed three individual reorganizations requiring Congressional assent:
 - Department of Energy (legislation combining and streamlining eleven government entities into one new major department);
 - Executive Office of the President (reorganization plan reducing size of Executive Office of the President by seven entities and reducing the White House staff by 28%, compared to the size of the staff inherited from the previous administration);
 - International Communication Agency (reorganization plan combining and streamlining United States Information Agency and cultural functions of the State Department);
 - Also completed other reorganizations not requiring Congressional assent, including HEW, USDA, DOT, and the intelligence functions of CIA and DOD.
3. Advisory Committees - eliminated, or proposed to Congress the elimination of, over 40% of the 1200 advisory committees extant at the beginning of the Administration.
4. Paperwork Reduction - initiated a government-wide paperwork reduction program which, by September 30, had reduced the gross paperwork burden imposed on the public by 12%, and which had achieved such particular reforms as these:
 - Ten items were cut from the standard 1040A income tax form, which will reduce the time required to fill out 1977 returns by an estimated 19 million hours;
 - OSHA is reducing its paperwork^s burdens (particularly on small businesses) by 50%.
 - HEW has reduced its required paperwork by over 10 million hours, a 23% reduction, including a cut of 5½ million hours in the Office of Education's reporting requirements on students.

5. Reduction in Regulatory Burden - initiated a program to reduce the burden of federal regulation, including:
- promulgation of an executive order requiring all agencies to disclose in advance their agendas for regulatory action; assuring that agency heads will subject regulation-writers to managerial control; establishing procedures for public comment on proposed regulations before they take effect; and establishing procedures to review and discard outmoded regulations;
 - establishment of reform programs in HEW -- where "Operation Common Sense" will rewrite all regulations within five years -- and in OSHA -- which has eliminated 1100 unnecessary regulations and other practices that annoy small businesses to no good purpose;
 - development of programs to find and eliminate overlapping and duplicative regulations, especially those affecting equal employment opportunity enforcement and toxic substances;
 - establishment of policies to replace regulation with competition, especially in the airline, motor carrier, and communications industries.
6. Zero-based Budgeting - ordered the use of zero-based budgeting by OMB and the Executive Departments in assessing the merits of all Federal programs.
7. Written Regulations - took steps to make federal regulations shorter and more nearly comprehensible.

Health

1. Hospital Cost Containment - proposed legislation limiting increases in hospital revenues; passed Senate Health Subcommittee.
2. Mental Health Commission - established a Mental Health Commission, with Rosalynn Carter as honorary Chairman, to review national efforts in mental health services; final report due in April 1978.
3. Medicare and Medicaid Fraud - supported, and signed into law, a bill designed to halt Medicare and Medicaid fraud.
4. Immunization Program - began an immunization program for more than 20 million children unprotected against communicable childhood diseases.
5. CHAP - proposed legislation increasing from 55% to 75% the average federal payment to the states for health care for poor children. CHAP is the proposed new Child Health Assessment Program.
6. Physician Assistants - supported and signed into law a bill making Medicare and Medicaid reimbursement available to physician assistants in rural clinics.
7. Medical Uses of Illegal Drugs - directed the scientific re-examination of marijuana and heroin for possible medical uses, particularly in the treatment of cancer.
8. Public Health Service Hospitals - restored money in FY '78 budget to keep open eight public health service hospitals; signed into law.

9. Health Professionals - proposed \$101 million increase for FY '78 budget for health professionals' training; signed into law.
10. National Health Insurance - established National Health Insurance Advisory Group to help develop a comprehensive national health insurance plan; conducted hearings in all 50 states.

Housing and Community Development

1. Increased Funding - proposed, and signed into law, the Housing and Community Development Act, which ensures housing for an additional 344,000 low- and moderate-income families; increases FHA mortgage insurance limits for a single family home from \$45,000 to \$60,000 and lowers down-payment requirements; increases community development levels by total of \$12.5 billion over 3 years, giving a disproportionate share of the money to the most distressed urban areas; and creates the Urban Development Action Grant program to provide an additional \$1.2 billion over 3 years to the most distressed urban areas.
2. Supplemental Housing Authorization - proposed, and signed into law, a bill increasing subsidies for housing construction, public housing operations, and houses for Indians.
3. Increased Assisted Housing Starts - doubled to 114,000 the total starts for assisted housing programs between FY '76 and FY '77. This represents the highest level in HUD's history.
4. Eviction Moratorium - imposed moratorium on evictions from HUD-owned properties pending the development of a policy to assist tenants in foreclosed FHA-insured properties.
5. Housing Counseling - inaugurated counseling programs for people contemplating the purchase of their first home and for homeowners in danger of defaulting on their mortgages.
6. Office of Neighborhoods - created special office at HUD to help communities and neighborhoods with programs of local revitalization.
7. Urban and Regional Policy Group/National Urban Policy - re-activated the inter-agency Urban and Regional Policy Group and made it responsible for drafting a comprehensive national urban policy.
8. Anti-Redlining Regulations - promulgated regulations prohibiting discriminatory mortgage credit practices.
9. South Bronx - created an interagency task force to prepare plans for completely rehabilitating the South Bronx.
10. Urban Homesteading - extended the Urban Homesteading program to 15 more cities, helping to restore neighborhoods while increasing home ownership opportunities for families of modest means.

Integrity and Openness

1. Financial Disclosure - required all Cabinet, sub-Cabinet and White House staff appointees to disclose publicly their income and assets.

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2. Revolving Door - required all Cabinet, sub-Cabinet, regulatory agency, and White House staff appointees to pledge not to conduct business with their agency until at least two years after leaving it.
3. Ethics Legislation - proposed Ethics Legislation requiring public financial disclosure by all Federal officials; increasing the restrictions on their service after leaving federal employment; establishing an office of Ethics in the Civil Service Commission; and authorizing appointment of a temporary special prosecutor to handle cases involving certain Executive Branch officials. Passed the Senate.
4. Lobbying Reform - supported strong registration and disclosure legislation.
5. Security Classification System - initiated a comprehensive study of the government's security classification system; proposed reforming the system and reducing unnecessary classification in a draft Executive Order which is now being circulated for public comment.

Justice

1. Pardon - issued pardon for all selective service law violators from the Vietnam war period.
2. Merit Selection - established merit selection panels for the U.S. Circuit Courts of Appeals.
3. Prisoner Exchange - supported, and signed into law, legislation to implement treaties permitting the exchange of prisoners with Mexico and Canada; these transfers are now taking place.
4. LEAA - initiated a thorough review of the operations of the LEAA, which will soon lead to an announcement of its comprehensive reform.
5. Juvenile Justice - supported, and signed into law, a bill extending the Juvenile Justice and Delinquency Prevention Act through 1980 and strengthening Federal efforts against juvenile delinquency.
6. Foreign Intelligence Wiretapping - developed legislation that would, for the first time, require court warrants for foreign intelligence wiretapping done by the U.S. government; passed Senate Judiciary Committee.
7. Marijuana - supported the elimination of all Federal criminal penalties for the possession of up to one ounce of marijuana.
8. Court Reform - developed legislation to reduce court delays by expanding the jurisdiction of Federal magistrates; passed the Senate.
9. Criminal Code - helped revise a bill consolidating and simplifying the criminal code.
10. Fraud - began using advanced computer technology at HEW to uncover Medicaid fraud by physicians and pharmacists, as a result of which more than 2,000 cases of suspected fraud are now in the hands of federal and state prosecutors; also began a nationwide effort to identify Federal employees who are illegally receiving welfare benefits.

Social Services

1. Food Stamps - proposed, and signed into law as part of the Farm Bill, major reforms in the Food Stamps Program simplifying it, increasing participation by the poor, and eliminating the purchase requirement. As a result, 2.2 million more people will become eligible for Food Stamps.
2. Summer Food Service Program - proposed, and signed into law, stricter requirements for Summer Food Service Program sponsors, more assistance to poor children, and harsher penalties for fraud.
3. Title XX - proposed a permanent increase of \$200 million for day care services.
4. Child Care - proposed improvements in the foster care program, procedural protection for children, subsidized adoptions for hard-to-place children, and more money for child welfare services; passed by the Senate Finance Committee.
5. Indochina Refugees - proposed, and signed into law, an extension of the Indochina Refugee Assistance Act, which helps the states resettle Indochinese refugees.
6. Handicapped - issued regulations prohibiting discrimination against the handicapped in any program receiving money from HEW; similar requirements will be issued by other departments. Sponsored the White House Conference on Handicapped Individuals.
7. Emergency Fuel Assistance - provided \$200 million to help the poor pay their fuel bills last winter; program administered through CSA.
8. Welfare Reform - proposed a comprehensive reform of the welfare system, substituting in place of existing programs a Program for Better Jobs and Income, which includes a consolidating cash assistance proposal, 1.4 million public service jobs, and \$3.3 billion in tax relief for the working poor.
9. Public Broadcasting - proposed legislation to increase Federal support for public radio and television, insulate them better from political influences, and increase the amount of public participation in decisions affecting them.

Trade

1. Color TVs - negotiated an Orderly Marketing Agreement to reduce imports of color television sets from Japan from 2.7 million in 1976 to 1.75 million annually for the next 3 years, a 35% reduction.
2. Shoes - negotiated Orderly Marketing Agreements to reduce imports of shoes from Taiwan and South Korea from 200 million pairs in 1976 to an average of 162 million pairs during the next 4 years.
3. Anti-Boycott - helped to develop, and signed into law, a bill prohibiting American participation in secondary economic boycotts by foreign countries such as the Arab boycott of Israel.

4. Steel - announced a comprehensive program to help the domestic steel industry by establishing a "reference price system" which will curb the dumping of under-priced, imported steel.

Transportation

1. U.S. - U.K. Air Agreement - negotiated a new Air Services Agreement with the United Kingdom.
2. Passive Restraint - ordered airbags or automatic belts to be placed on all new cars by 1984; such a program is expected to save 9000 lives and prevent tens of thousands of injuries per year.
3. Auto Efficiency Standards - raised fuel efficiency standards for new cars to 22 mpg in 1981, 24 mpg in 1982, 26 mpg in 1983 and 27 mpg in 1984; these will save approximately 1 million barrels of oil per day by 1990.
4. Concorde Noise Rules - proposed the first noise rules to govern domestic flights of the Concorde SST and any future SSTs. The proposed rules would permit Concordes to use domestic airports only if they meet reasonable non-discriminatory noise rules set by local airport operators. New SSTs would be required to meet the 1969 subsonic noise standards.
5. Transbus - required public transportation authorities receiving federal funds to purchase Transbus, a vehicle accessible to the handicapped, after 1979.
6. Airline Deregulation - supported Congressional efforts to deregulate the airline industry; passed Senate Commerce Committee.
7. International Airfares - approved Laker Airways' application for low-cost trans-Atlantic service and subsequent applications from other airlines offering reduced trans-Atlantic and advance-purchase fares.
8. Northeast Corridor Construction - began work on the \$1.7 billion Northeast Corridor railbed improvement program which will facilitate high-speed rail travel between Boston and Washington, D.C.
9. Waterway Use Fees - urged Congressional passage of waterway user fees; different versions have passed the Senate and House.
10. Vehicle Safety - improved the vehicle safety defect program, causing the recall of 8 million vehicles for safety-related defects.
11. Cargo Airline Deregulation - supported, and signed into law, a bill to deregulate the cargo airline industry.

Veterans

1. Discharge Review - established a discharge review program to permit upgrading of less-than-honorable discharges for Vietnam era veterans; signed a bill expanding this principle to cover all veterans.
2. Disability Compensation - proposed, and signed into law, a bill giving a 6.6% cost-of-living increase to recipients of veterans disability compensation, benefitting 2.5 million people.

3. G.I. Bill Benefits - proposed, and signed into law, a bill raising by 6.6% the G.I. Bill educational assistance benefits for 1.7 million Vietnam-era veterans.
4. Pensions - proposed, and signed into law, a 6.5% increase in pensions for 2.3 million veterans.
5. Project HIRE - established, in association with the National Alliance of Businessmen, Project HIRE to provide jobs in private enterprise for Vietnam veterans.
6. CETA Jobs - proposed that 35% of the jobs under the new CETA Title VI Program be reserved for Vietnam veterans; signed legislation giving priority to Vietnam veterans in the CETA Jobs Program.

Education

1. Comprehensive Education Policy - the Federal Interagency Committee on Education is drafting the government's first comprehensive education policy. Their proposal examines the rationale for federal aid and sets forth priorities for educational support.
2. Increased Funding - the Administration proposed the first major increase in federal aid to elementary and secondary education in eight years, adding about \$1 billion to the Ford FY78 budget. The money bolstered Basic Grants student aid, programs for disadvantaged and handicapped children, school desegregation, and project Head Start.

Miscellaneous

To date (12/15/77), the President has:

- sent 49 treaties and legislative messages to Congress
- signed 235 bills and allowed no bills to become law without his signature
- vetoed 2 bills (the ERDA Authorization bill and the Rabbit Meat Inspection Bill)
- held 27 bill signing ceremonies
- held 21 national press conferences
- given 16 interviews to groups of non-Washington reporters
- given 28 individual interviews
- held 60 meetings with foreign heads of State or government
- hosted 17 State and working dinners at the White House
- received 2.3 million letters and cards.

SUMMARY OF FIRST YEAR ACCOMPLISHMENTS
IN NATIONAL SECURITY AND FOREIGN POLICY

In his commencement address at the University of Notre Dame on May 22, the President outlined the objectives of his foreign policy and described "the strands that connect our actions overseas with our essential character as a nation."

He declared his belief that "we can have a foreign policy that is democratic, that is based on fundamental values, and that uses power and influence ... for humane purposes. We can also have a foreign policy that the American people both support ... and understand ...

"Our policy must be open; it must be candid; it must be one of constructive global involvement, resting on five cardinal principles ...

"First, we have reaffirmed America's commitment to human rights as a fundamental tenet of our foreign policy ...

"Second, we have moved deliberately to reinforce the bonds among ... democracies ...

"Third, we have moved to engage the Soviet Union in a joint effort to halt the strategic arms race ...

"Fourth, we are taking deliberate steps to improve the chances of lasting peace in the Middle East ...

"And fifth, we are attempting ... to reduce the danger of nuclear proliferation and the worldwide spread of conventional weapons ...

The Administration, by its work in international affairs this year, has sought to carry out the objectives which the President set forth at Notre Dame. Among the principal accomplishments in the realm of foreign policy and national security are these:

HUMAN RIGHTS

The President has strengthened our human rights policy and we are letting it be known clearly that the United States stands with the victims of repression. We are also working to advance the full range of human rights, economic and social as well as civil and political. He has signed the American Convention on Human Rights, the International Covenant on Economic, Social, and Cultural Rights. Our foreign assistance programs will reflect more clearly our human rights concerns. We have encouraged several countries to permit inspection visits from the International Committee of the Red Cross. We are strongly supporting international organizations concerned with human rights, particularly the Inter-American Commission on Human Rights, whose budget was tripled this year.

NUCLEAR PROLIFERATION

The Administration has developed a comprehensive policy covering domestic and export activities, and has initiated an international technical evaluation of the entire nuclear fuel cycle. The President signed Protocol I of the Treaty of Tlatelolco, which creates a nuclear weapons-free zone in Latin America.

ARMS TRANSFERS

For the first time, the United States has adopted a policy of restraining both the number and the kinds of American arms sold abroad. We have also begun to discuss restraint with other major arms suppliers.

STRATEGIC ARMS LIMITATIONS TALKS

At the end of the last Administration, the SALT negotiations were at a stalemate. The efforts of this Administration beginning with the March proposal set forth by Secretary Vance in Moscow, have resulted in major progress in the SALT negotiations. We are now working on a comprehensive settlement consisting of a Treaty to last through 1985, a 3-year Protocol, and a Statement of Principles to guide the SALT THREE negotiations. Almost all the major issues are now resolved and we anticipate completion of a SALT TWO Treaty in the early part of next year.

PANAMA CANAL TREATIES

After fourteen years of negotiations under four U.S. Presidents, the U.S. and Panama adjusted their relationship as it applies to the Panama Canal. President Carter and General Omar Torrijos signed two Canal Treaties on September 9, 1977 which would gradually transfer responsibility for the operation and defense of a neutral canal to Panama. The treaties give the U.S. the permanent right to defend the Canal's neutrality.

COMPREHENSIVE TEST BAN

Negotiations are underway on a treaty banning all nuclear explosions.

NORTH/SOUTH RELATIONS

The United States' image in the less-developed world and the United Nations has changed dramatically from that of an adversary to that of a potential partner. In the Security Council debate on Africa, we played a mediating role; our arms control policies have made a favorable impression on the U.N.'s annual review of disarmament issues; we played a constructive role in the Maputo and Lagos conference; and we participated for the first time in an ASEAN (Association of Southeast Asian Nations) ministerial meeting. The appointment of Ambassador Andrew Young highlighted our concern for the Third World.

WESTERN EUROPE

The Administration has: participated in a successful Belgrade CSCE Conference (Commission on Security and Cooperation in Europe), including a review of human rights; prepared another MBFR (Mutual and Balanced Force Reductions) proposal to advance talks; inaugurated four NATO efforts (the Long-term Defense Program; the short-term improvements; the "two-way street" in defense purchases; the East-West Study); agreed to provide a \$300 million loan and forged a multinational consortium to help democracy in Portugal; and secured a major IMF loan for Italy.

SOVIET UNION/EASTERN EUROPE

The Administration has put the US-Soviet relationship on a more reciprocal, realistic, and what we hope will be an ultimately more productive basis for both nations. The Administration has improved relations with various Eastern European countries including Yugoslavia, as a result of the Vice President's visit, and Poland, as a result of Secretary Kreps' visit and the President's scheduled state visit.

ARAB/ISRAELI CONFLICT

The Administration stressed the need for a comprehensive settlement which has three core elements: definition of the nature of the peace, establishment of recognized borders and security, and resolution of the Palestinian question; we have urged with considerable success the Arabs and the Israelis to be forthcoming on peace commitments, direct negotiations, and peace commitments, direct negotiations, and peace treaties; we have supported the Sadat-Begin dialogue.

PEOPLE'S REPUBLIC OF CHINA

The Administration has followed the Shanghai Communique in efforts toward normalization of relations while emphasizing the mutuality of efforts necessary to complete the process; recognizing their strategic importance, we have also continued to develop a consultative relationship with the Chinese on global affairs.

KOREA

The details of the Korean ground troop withdrawal plan has been designed to alleviate major Asian apprehensions that the U.S. is in the process of disengaging from the region.

VIETNAM

The Administration has started the process of normalizing relations through talks in Paris and has established a mechanism to continue to try to account for our servicemen still missing in action.

AFRICA

Vice President Mondale informed Prime Minister Vorster in Vienna that US-South Africa relations depended upon South Africa moving away from apartheid. With the British, we offered a plan for Rhodesian independence. We initiated a Five Power Group to negotiate toward an independent Namibia. We have restored good relations based on mutual respect with black African States of all political leanings.

LATIN AMERICA

The Administration has developed a new global approach to Latin America and the Caribbean, one which recognizes the diversity of the region rather than one which pretends a single policy identified by a simple slogan. (This approach has been well-received in the region.) The President signed the Panama Canal Treaties. Through direct negotiations with Cuba, we have concluded a Fisheries Agreement and established an Interest Section in each country. We have ratified an exchange of prisoners treaty with Mexico and negotiated one with Bolivia. We have adopted a comprehensive policy for the Caribbean and have been joined by 28 nations and 16 international institutions to establish a Caribbean Group for Cooperation in Economic Development. We have dramatically improved our relations with a number of countries, including Venezuela, Jamaica, Peru, and Mexico.

LONDON SUMMIT

With the leaders of major industrial democracies, the President reached agreement at the London Summit on a common program for international economic cooperation.

MULTILATERAL TRADE NEGOTIATIONS

The Administration has reached agreement with the European Economic Community on a timetable for negotiations, breaking a long stalemate.

DEFENSE AND SECURITY

The Administration has formulated a comprehensive national defense strategy which includes an overall American posture toward the Soviet Union. The President reached a decision not to produce the B-1 bomber but to proceed with cruise missiles.

INTELLIGENCE

The Administration has reorganized the intelligence agencies and has taken comprehensive steps to protect telecommunications.

INTERNATIONAL COMMUNICATIONS

The Administration has established a new International Communication Agency to replace the United States Information Agency and the Bureau of Educational and Cultural Affairs in the Department of State.

DEFENSE BUDGET REDUCTION

The President met his campaign pledge to cut military spending by \$5 to \$7 billion. The Ford budget for fiscal year 1978 was \$123 billion. The Carter budget is about \$117 billion, as approved by Congress.

Mr. STEED. Mr. Addabbo.

POSTAL REFORM LEGISLATION

Mr. ADDABBO. Thank you, Mr. Chairman.

You know, Mr. Chairman, every time we hear the appropriation of the Domestic Council, I am wondering why we should appropriate one dollar for it. Because every time we have heard about the appropriation for the Domestic Council, we have heard about new responsibilities. We hear what they are going to do, and every administration, not only this administration, but previous administrations, how much more they are going to do, how much more input they are going to have, and I would love to see us report our accomplishments of the last 14 months. We know what the accomplishments of the Congress have been.

People are concerned about the other accomplishments, and it is our administration, and I am very concerned with our administration. I am very concerned when the adviser to the President and the chairman of the so-called Domestic Council within 24 hours send two different letters to the Rules Committee and to the Members, explaining the position on the simple bill, H.R. 7700.

Mr. EIZENSTAT. I would be glad to go over the first letter and second. I don't think there was any inconsistency in the two letters. We were asked for our substantive position on H.R. 7700, and we stated we agreed with three of the changes and disagreed with others.

We had orally communicated to Mr. Hanley and Mr. Wilson and to the Speaker, that, as a result of the three changes that were made, our position was that we did not support the legislation on the floor, but that the hold that the Speaker had on the bill could be taken off so the bill could be taken forward. That is what the first letter said.

There was some uncertainty about it, and we restated it in the second letter.

Mr. ADDABBO. There was enough uncertainty some place that the minority, from what I understand from Mr. Hanley, has now taken your letters or part of it and using it in opposition to a bill which was brought out supposedly with the final concession agreement of the administration.

Mr. EIZENSTAT. No, sir, I think it is important, and Mr. Hanley and Mr. Wilson would not have misunderstood the fact, because we had a conference about it, that what we were being asked to do was simply release the hold on the legislation that was preventing it from going through the Rules Committee and to the Floor. And we have a right to our own position, which we stated, and that position was stated in my first letter.

However, we made it clear that despite our substantive objections to the bill, we felt the bill should go forward and the committee should vote, and that we would attempt, during the balance of the legislative process, in the Senate and in conference, to work out the differences that we had.

OTP

Mr. ADDABBO. I have not been one of the great supporters of the Office of Telecommunications Policy and I see that this possible reorganization now, after multi-millions of dollars wasted or spent on that program and its so called great importance to communication coordinating. What we are going to do and how we are going to allocate different wavelengths. We now find that we don't really have a need for it, because I usually find that when an office is being incorporated into another office, somehow or other, sometime within the very short future, they are afterwards completely lost and the operation is completely lost in the shuffle.

Do you feel at this time, Mr. Eizenstat, that we have no further problems within the telecommunications, within the executive branches and the agencies, within the communication community?

Mr. EIZENSTAT. No, sir, I don't think there is an absence of problems, and most of OTP's functions have been shifted to Commerce. The only thing that we assume from OTP is the policy functions. For example, just to give you one instance of what the transferred staff has worked on, we sent a message to the Congress on a change in funding for public broadcasting. That is the sort of thing that the telecommunication staff is doing.

So we will not be involved in operational decisions, but rather in the broader policy decisions, and the Commerce Department is assuming the type of operational functions that you mentioned.

ODAP

Mr. ADDABBO. Another Office I have not been fully supportive of is ODAP. The only reason we support it many times is because it has a great sense of purpose associated with the Office of Drug Abuse Policy. Is it going to be totally absorbed, or partially?

Mr. EIZENSTAT. Essentially what happened is that there was a separate office in the executive branch called the Office of Drug Abuse Policy, which had 10 people, and Dr. Bourne was appointed as both Special Assistant to the President for Health issues and director of this office. That office has been abolished, the number of people cut from 10 to 6, and the staff and functions shifted to the Domestic Policy Staff. But Dr. Bourne, still has the day-to-day direction of that staff. I do not really have the day-to-day direction of it. So I would say partially.

Mr. ADDABBO. I would hope one of these days we could find someone with the courage within the administration, within some department, that would say we have a drug problem, and the drug problem is because of smuggling, and we have got to do this, this, and this. And not come out with grandiose papers and say we have problems and we are going to study and study and meanwhile, every day, every hour, every minute of this day, more and more people throughout the U.S. become addicted. I remember when I first came on this committee 10 or 12 years ago, when we used to see a narcotics pie, how it was cut up. There was one pie and 90 percent of it was divided between 3 or 4 major cities and the other part of it to the country.

We don't see it any more, because now that pie is the entire U.S.; that cancer has spread. We know it has spread, and every year

millions of dollars go down the drain in studies and grandiose papers on what is going to be done, what we should do, and here again—

Mr. EIZENSTAT. If I may respond to that, although Dr. Bourne has more details and accurate figures, I believe that the last figures that I saw, and I assume they are as accurate as any other figures in the past, indicate that the imports have been cut in half of heroin, largely because of the agreement that was entered into between this country and Mexico. Again, relying on what others have said, it appears that Mexico has done a genuinely good job of policing that agreement, and I also understand further from Dr. Bourne that the quantity of heroin coming in is of lesser strength than previous years, so I think that we are making some progress.

It is a cancer that we need to work on extracting from our body politic. But I think there has been some progress.

Mr. STEED. If the gentleman will yield, I was looking over last night the weekly report that the Customs Service sent me, and between the week of March 2 to March 8, they confiscated street value drugs, most of it marijuana, cocaine, heroin, up to about \$30 million. They tell us here that they don't believe they are catching over a third of it. That is a sizable amount for one-third of smuggling. That is just one week's time.

Mr. EIZENSTAT. There is no question it is a big problem.

Mr. STEED. That sounds to me about as big a drug problem as ever existed.

Mr. EIZENSTAT. I think there is some progress on the drug problem. I think part of it is due to the Mexican enforcement.

Mr. ADDABBO. Mr. Eizenstat, anyone who says that, I wish they would stop living in ivory towers. I wish you would leave your ivory tower and walk the streets of any urban city, and you would know there is not a reduction in drug problems. All you have to do is walk the streets, and you still see it being sold and transferred, and, as the Chairman just said, he just said it to you, \$30 million worth of drugs Customs seizes and said it is only one-third, of the total amount. Then you turn around and tell me we have a less drug abuse. I can't believe you, Mr. Eizenstat.

Mr. EIZENSTAT. You are right that drug abuse is a major problem. I only said that the figures I have been shown indicate a lessening.

Mr. ADDABBO. That is the problem, because somebody from the ivory tower looks at figures and makes studies, without talking to the police enforcement people and Customs people. If we need more Customs people, let's spend the money there, rather than spending it on some person to make a \$14 million study some place, and meanwhile people are dying out in the street.

I have no further questions, Mr. Chairman.

COORDINATION AND CONSOLIDATION OF FEDERAL PROGRAMS

Mr. STEED. Well, let me ask you one other question. The Advisory Commission on Intergovernmental Relations has issued a publication which is a listing of all the grants and loan programs of the government; 432 were included in it up to the end of 1975, and they told us the list had since grown currently to 465. Reading through that, you find a whole list of programs for health, for education,

and for highway safety. Sure, there is a little difference in each one, but sometime or other these programs have to come up for renewal, and the administration is going to have to make a determination on them.

Do you have any way to look at this whole thing with the idea that maybe some day you can do some of this consolidation in those things that you are doing in terms of the executive office agencies?

Mr. EIZENSTAT. I believe that the Office of Management and Budget is attempting to do that. For example, in the urban policy, we are trying to take some——

Mr. STEED. Would you get involved in that, because you see you are bound to run into more than one agency on some of these things?

Mr. EIZENSTAT. Sure, that is one of the problems.

Mr. STEED. I think if you could do something like that, it would be the biggest contribution to the sanity of the government, to the efficiency of it, and to getting rid of what doesn't pay off and emphasizing those that do. Obviously, there are a lot of good things in them, but I believe there are 18 different highway safety programs, and it just strains my credulity to believe it makes sense.

The highway trust fund is an easy thing to dip into and everybody comes up with a bright idea on how to have another safety program. Safety is a very sexy subject, you know, and everybody is for safety. This thing just proliferates over and over.

I am on the Transportation Subcommittee, and they come in there with all these grandiose schemes and sometimes it is just going to fall down of its own weight.

The President told me, when I first talked to him about changing his staffing down there, that he wanted to set a good example. Well, apparently he is carrying that out. I would like to see the example that has been and is being set begin to work out into some of these other areas, where the real money is spent. These 465 programs now are eating up a little over \$80 billion of your budget, so it isn't a trivial amount. It is a big thing.

I just think there is a rich field here for your council, and everybody else, to make some great improvements. I have been on the Paperwork Commission, and we got into a lot of these things through that.

So I know, of course, it is fundamentally the power of OMB, and they would have to be the major leader in it, but I just think you are advising the President, and it is going to be a lot of the information you can help him with, too.

Mr. EIZENSTAT. Thank you, sir.

Mr. STEED. We have another roll call, and if there are no further questions, we will express to you our appreciation for your cooperation and also for your patience and indulgence with a crazy morning. We are sorry that we couldn't expedite your business any more efficiently, ourselves, but the voting is beyond our control.

Mr. EIZENSTAT. I appreciate your doing as much as you could. Thank you, sir.

Mr. STEED. We have some questions from Mr. Roybal we would like to have answered for the record.

[Whereupon, at 11:15 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

[The following was received for the record:]

THE WHITE HOUSE
WASHINGTON

March 30, 1978

Honorable Edward R. Roybal
House of Representatives
Washington, D. C. 20515

Dear Congressman Roybal:

We have received the written questions you submitted to the House Appropriations Subcommittee about the Domestic Policy Staff's budget request for Fiscal Year 1979 and appreciate your giving us an opportunity to respond.

As you know, the Executive Office of the President is undergoing a reorganization and the Domestic Policy Staff has received additional functions relating to telecommunications and drug policy and a net staff increase of five positions. This generally accounts for our increased budget request for 1979. But I would like to respond to your specific questions point-by-point.

1. The Domestic Policy Staff travel budget was \$60,000 in FY 77 and 78 and we have requested \$100,000 for FY 79. Of this amount, \$60,000 is for the travel expenses of the basic Domestic Policy Staff and \$40,000 is for the travel expenses for the six-person drug abuse policy staff that is transferring to us from the Office of Drug Abuse Policy which is being abolished. It is my understanding that the ODAP staff requires a relatively high travel budget because of the international travel that their work requires.

2. Our printing and reproduction budget was \$25,000 in FY 77 and 78. ODAP's printing budget for FY 78 was \$20,000. Our FY 79 request for the printing needs of the combined staffs is \$35,000, a reduction of \$10,000 from 1978.

3. Attached is a list of our staff and their salaries. Also indicated is the additional information you requested.

Honorable Edward R. Roybal
March 30, 1978
Page 2

4. Five members of our professional staff are from minority groups, and we widely consult with a broad range of concerned organizations -- ranging from the Leadership Conference on Civil Rights to El Congreso to the National Economic Development Association and the Black Businessman's Association of Los Angeles, and including many others. We try very hard to consult with appropriate organizations and individuals on every major policy decision.

Again, we very much appreciate the opportunity to respond to your questions. If you desire additional information about our staff and budget, please don't hesitate to give me a call.

Sincerely,

Bert Carp
Deputy Director
Domestic Policy Staff

DOMESTIC POLICE STAFF

(March 10, 1978)

(Full-time, Permanent)

Jim Mayer	Staff Assistant	\$ 11,101
Karen VeeK†	Secretary	13,662
LaWandra Hicks* O	Secretary	15,937
Mary Molnar*	Secretary	15,593
Robin Varon*	Secretary	16,618
Judie Steinwedel*	Secretary	16,618
Nancy Hall*	Secretary	16,618
Erlyn Ensign*	Secretary	16,618
Melinda Maury*	Secretary	16,618
Marian Craig †	Secretary	18,258
Kathy Corcoran*	Secretary	18,611
Rosemary Rogers*	Secretary*	18,611
Cindy Mascioli*	Secretary	18,949
Sandy Dockery†	Secretary	21,882
Nancy Dorman*	Executive Assistant	28,986
Bill Deller	Assistant Director	30,357
Bob Havely	Assistant Director	31,224
Kurt Schmoeko	Assistant Director	31,775
Marcia Kaptur†	Assistant Director	31,775
Kathy Fletcher*	Assistant Director	35,875
Robert Malson†	Assistant Director	36,171
Steve Simmons	Assistant Director	36,171
Frank Raines O	Assistant Director	36,171
Mary Schuman*	Assistant Director	36,171
Elizabeth Abramowitz* O	Assistant Director	39,789
Robert Ginsburg	Associate Director	45,000
Annie Gutierrez* ✓	Associate Director	45,000
William Johnston	Associate Director	45,000
Orin Kramer	Associate Director	45,000
Simon Lazarus	Associate Director	45,000
Lynn Daft	Associate Director	45,000
Joe Onek	Associate Director	45,000
Kitty Schirmer* †	Associate Director	45,000
Al Stern	Associate Director	45,000
William Spring	Associate Director	45,000
Bert Carp	Deputy Director	48,500
Nelson Cruikshank	Counselor to the President on Aging	51,064
Esther Peterson* †	Special Assistant to the President for Consumer Matters	51,064

¹ Does not include transfers from ODAP and OTP

DOMESTIC POLICY STAFF
Justification for FY 79 Budget Request

The Domestic Policy Staff requests an appropriation of \$2.65 million for Fiscal Year 1979. This request reflects an increase of \$800,000 and an additional 5 permanent full-time positions from the authorized 1978 level of \$1.85 million and 40 permanent full-time positions. The 1979 budget request will support 45 person years of permanent employment.

The requested budget and personnel increase reflects the additional duties given to the Domestic Policy Staff under Reorganization Plan No. 1 of 1977. This Reorganization Plan, as it affects the Domestic Policy Staff, will be fully implemented by March 31, 1978.

The Executive Director of the Domestic Policy Staff is Stuart E. Eizenstat, also Assistant to the President for Domestic Affairs and Policy.

The requested level of funding will enable the staff to fulfill the following functions:

- Assess national needs, collect information and develop forecasts for the purpose of defining national goals and objectives.
- Identify alternative ways of achieving these objectives, and recommend consistent, integrated sets of policy choices.
- Provide rapid response to Presidential needs for policy advice on pressing domestic issues.
- Coordinate the establishment of national priorities for the allocation of available resources.

- Maintain a continuous review of the conduct of ongoing programs from a policy standpoint, and propose reforms as needed.
- Provide recommendations to the President with respect to policies for, objectives of, and establishment of priorities for Federal drug abuse functions.
- Provide recommendations for changes in organization, management and personnel of Federal departments and agencies performing drug abuse functions in implementing approved policies, priorities and objectives.

BUDGET PLAN

	F Y 1 9 7 8				F Y 1 9 7 9		1979 Budget Request	Increase or (Decrease)	
	1978 Budget as allocated	Reorganization Transfers (Apr-Sep 1978)			Estimated Requirements for 1978	Adj. Base for FY79 (reflects annualized effect of transfers)			DPS Activities Domestic
		ODAP	OIP	OA					
Personnel compensation: Permanent positions:									
Total Number	40 ^{1/2}	6	3	-1	45	39	6	45	
Average Number	37	6	3	-1	45	39	6	45	
Net Salary	1,087	93	45	-9	1,216	1,147	190	1,337	
Other positions:									
Positions other than permanent	95	30	--	--	125	55	65	120	
other personnel compensation	50	5	--	--	55	40	10	50	
Special personnel services	30	--	--	--	30	30	--	30	
Total personnel compensation	1,262	128	45	-9	1,426	1,272	265	1,537	
Personnel benefits	110	9	4	-1	122	111	18	129	
Travel	60	20	--	--	80	60	40	100	
Rent, communications and utilities; standard level user charges	125	15	--	--	140	153	40	193	
Rent, communications and utilities; other	123	20	--	--	143	130	40	170	
Printing	15	10	--	--	25	17	17	34	
Other Services	90	154	44	-20	268	134	198	332	
Supplies and materials	40	5	--	--	45	60	10	70	
Equipment	25	10	--	--	35	65	20	85	
Total estimated obligations	1,850	371	93	-30	2,284	2,002	648	2,650	
Estimated Savings	400	400	--	--	400	--	--	--	
Budget authority	1,850	771	93	-30	2,684	2,002	648	2,650	

^{1/} Three positions eliminated by Reorganization.

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. V-11, Revised.
 300-101

DOMESTIC POLICY STAFF
 Salaries and Expenses
 Program and Financing (in thousands of dollars)

Identification code	1977 actual	1978 estimate	1979 estimate
11-2200-0-1-802			
<u>Program by Activities:</u>			
1. Advise and assist the President in the development of domestic policy and on intergovernmental relations between Federal, State, and local governments.	1,521	1,913	2,002
2. Drug abuse policy.	--	371	648
Total program costs, funded	1,521	2,284	2,650
Change in selected resources (undelivered orders)	11	--	--
10.00 Total Obligations	1,532	2,284	2,650
<u>Financing:</u>			
25.40 Unobligated balance lapsing . .	243	400	--
Budget authority.	1,775	2,684	2,650
<u>Budget authority:</u>			
40.00 Appropriation	1,775	1,850	2,650
41.00 Transferred to other accounts .	--	-30	--
42.00 Transferred from other accounts	--	864	--
43.00 Appropriation (adjusted). . . .	1,775	2,684	2,650
<u>Relation of obligations to outlays: .</u>			
71.00 Obligations incurred, net . . .	1,532	2,284	2,650
72.40 Obligated balance, start of year	143	157	286
74.40 Obligated balance, end of year.	-157	-286	-170
77.40 Adjustments in expired accounts	- 17	--	--

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. A-11, Revised.
 300-101

DOMESTIC POLICY STAFF
 Salaries and Expenses
 Program and Financing (in thousands of dollars)

Identification code 11-2200-0-1-802	1977 actual	1978 estimate	1979 estimate
90.00 Outlays.	1,501	2,155	2,766

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. A-11, Revised.
 500-101

DOMESTIC POLICY STAFF
 Salaries and Expenses
 Personnel Summary

Identification code 11-2200-0-1-802	1977 actual	1978 estimate	1979 estimate
Total number of permanent positions..	40	45	45
Full-time equivalent of other positions	1	4	4
Average paid employment.	39	44	47
Average salary of ungraded positions .	\$30,107	\$30,281	\$30,979

STANDARD FORM 304
 May 1969, Bureau of the Budget
 Circular No. A-11, Revised.
 304-103

DOMESTIC POLICY STAFF
 Salaries and Expenses

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	1977 actual	1978 estimate	1979 estimate
11-2200-0-1-802			
Personnel compensation:			
11.1 Permanent positions.....	1,047	1,216	1,337
11.3 Positions other than permanent.....	40	125	120
11.5 Other personnel compensation.....	34	55	50
11.8 Special personal services payments.....	--	30	30
Total personnel compensation.....	1,121	1,426	1,537
Personnel benefits:			
12.1 Civilian.....	83	122	129
12.2 Expenses for other personnel			
21.0 Travel and transportation of persons.....	30	80	100
23.1 Standard level user charges.....	96	133	193
23.2 Communications, utilities, and other rent.....	44	143	170
24.0 Printing and reproduction.....	2	25	34
25.0 Other services.....	65	275	332
26.0 Supplies and materials.....	36	45	70
31.0 Equipment.....	44	35	85
31.1 Expenses for maintenance			
31.2 Expenses for depreciation			
31.3 Expenses for construction of buildings			
31.4 Expenses for construction of other buildings			
31.5 Expenses for construction of other facilities			
31.6 Expenses for construction of other facilities			
31.7 Expenses for construction of other facilities			
31.8 Expenses for construction of other facilities			
31.9 Expenses for construction of other facilities			
31.10 Expenses for construction of other facilities			
31.11 Expenses for construction of other facilities			
31.12 Expenses for construction of other facilities			
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31.88 Expenses for construction of other facilities			
31.89 Expenses for construction of other facilities			
31.90 Expenses for construction of other facilities			
31.91 Expenses for construction of other facilities			
31.92 Expenses for construction of other facilities			
31.93 Expenses for construction of other facilities			
31.94 Expenses for construction of other facilities			
31.95 Expenses for construction of other facilities			
31.96 Expenses for construction of other facilities			
31.97 Expenses for construction of other facilities			
31.98 Expenses for construction of other facilities			
31.99 Expenses for construction of other facilities			
32.0 Residuals			
Total direct costs, funded.....	1,521	2,284	2,650
94.0 Change in selected resources.....	11	--	--
99.0 Total obligations.....	1,532	2,284	2,650

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. A-11, Revised,
 300-101

DOMESTIC POLICY STAFF
 Consolidated Working Fund

Identification code 11-3922-0-4-802	1977 actual	1978 estimate	1979 estimate
<u>Program by activities:</u>			
Public Forums on Domestic Policy. . .	34	--	--
<u>Financing:</u>			
11.00 Receipts and reimbursements from: Federal funds	--	--	--
21.40 Unobligated balance available, start of period.	-34	--	--
24.40 Unobligated balance, end of period	--	--	--
40.00 Budget authority	--	--	--
<u>Relation of obligations to outlays:</u>			
71.00 Obligations incurred, net. . .	34	--	--
72.00 Obligated balance, start of period	--	--	--
74.00 Obligated balance, end of period	-34	--	--
90.00 Outlays.	--	--	--

STANDARD FORM 304
 May 1969, Bureau of the Budget
 Circular No. A-11, Revised
 304-103

DOMESTIC POLICY STAFF
 Consolidated Working Fund

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 11-3922-0-4-802	1977 actual	1978 estimate	1979 estimate
Personnel compensation:			
11.1 Permanent positions.....			
11.3 Positions other than permanent.....	--	--	--
11.5 Other personnel compensation.....			
11.8 Special personnel services.....			
Total personnel compensation.....	--	--	--
Personnel benefits:			
12.1 Civilian.....	--	--	--
12.9 Variable pay and allowances.....			
21.0 Travel and transportation of persons.....	--	--	--
22.0 Transportation of things.....			
23.2 Other rent, communications, and utilities.....	--	--	--
24.0 Printing and reproduction.....	--	--	--
25.0 Other services.....	34	--	--
26.0 Depreciation.....			
27.0 Equipment.....			
28.0 Leasehold interests.....			
29.0 Intangible assets.....			
31.0 Grants, subsidies, and donations.....			
32.0 Intergovernmental and interagency.....			
33.0 Intergovernmental and interagency.....			
34.0 Reserves.....			
99.0 Total obligations.....	34	--	--

July 1968, Bureau of the Budget
Circular No. A-11, Revised.
326-103

DOMESTIC POLICY STAFF
Salaries and Expenses

DETAIL OF PERMANENT POSITIONS

11-2200-0-1-802	1977 actual	1978 estimate	1979 estimate
Ungraded.	40	45	45
Total permanent positions	40	45	45
Unfilled positions, end of year	-2	--	--
Total permanent positions, end of year. . .	38	45	45

COUNCIL ON WAGE AND PRICE STABILITY

WITNESSES

DR. BARRY P. BOSWORTH, DIRECTOR
PETER H. LOWRY, GENERAL COUNSEL

Mr. STEED. The committee will be in order. The committee is in session today to take up the 1979 budget request for the Council on Wage and Price Stability. The appropriation for salaries and expenses for fiscal year 1978 is \$2,100,000. The budget request for 1979 is \$1,753,000, a decrease of \$347,000.

We are very pleased to have the Director of the Council here, Dr. Barry P. Bosworth, and his General Counsel, Mr. Peter H. Lowry. Welcome, Doctor. We will be pleased to make your statement a part of the record at this point and also your biography, and then you can summarize your statement for us.

Dr. BOSWORTH. Mr. Chairman and members of the Subcommittee, it is a pleasure to be here to discuss the Council on Wage and Price Stability's proposed budget for fiscal year 1979. After my statement, I will be glad to answer any questions that you may have.

As you know, the Council was created on August 24, 1974, by enactment of the Council on Wage and Price Stability Act. The Council, part of the Executive Office of the President, was charged with monitoring inflationary activities in both the public and private sectors of the economy. In August of 1975 we were extended for another two years and given the powers of subpoena and requiring periodic reports. In October, 1977, we were again extended—this time until September 30, 1979.

The Council's principal responsibilities are threefold. First, on the private sector side, we are directed to oversee the economy for inflationary activities and to encourage restraint in collective bargaining and pricing decisions. Second, we also have the responsibility of reviewing and appraising the inflationary impact of the various programs, policies, and activities of the federal government itself. Finally, we have been given the principal role in coordinating the Administration's anti-inflation program.

It is this third function—that of coordinating the anti-inflation program—that I would like to elaborate on this afternoon.

To be perfectly frank, I am not especially sanguine about the inflationary outlook. Excluding food and energy prices, the underlying rate of inflation in the industrial sector of our economy has been running at a six percent annual rate since the last half of 1975. The wage side has stabilized in the range of 8 to 8.5 percent a year; productivity has been increasing about two percent a year, thus bringing the rate of wage increases in line with the rate of price increases.

The obvious question is what can be done to turn things around? What tools are available to government? Unfortunately, when the problem is presented people most often turn their attention to aggregate demand. One method frequently suggested is tightening the growth of the money supply. What this really means is to push up interest rates, reduce investment demand, and put some people

out of work. No matter how you slice it, this route inevitably leads to more unemployment.

For some, another nostrum is a reduction in the budget deficit. The trouble here is that changes in the budget deficit do nothing to reduce inflation unless they affect the level of aggregate demand. And if you do reduce this level, it is simply another way of creating more unemployment. And, sadly, we end up eliminating the jobs of those who have little influence on wage and price decisions in our economy.

Controls, of course, are always suggested as a quick cure. But this kind of stubborn, long-term inflation that we have now would not be cured by wage and price controls. Controls work only in emergency situations, such as wartime. They definitely are not appropriate to the kind of inflation we are experiencing now. We do not have an emergency. Instead, we have a problem that has been with us for some time and, in all candor, will continue to be with us in the foreseeable future. Moreover, the social costs would be enormous.

The Administration's anti-inflation program is a voluntary program, one that asks for the cooperation of both business and labor. It is a program that seems sensible and easy to understand. What we are seeking is a deceleration in the rate of inflation for each and every industry. This means that the individual worker should agree to accept a smaller rate of wage increase in 1978 and subsequent years than in previous years. It also means that he should expect to benefit by a slower rate of price increases for the goods and services he buys.

Obviously, workers who have received a higher rate of wage increases will be asked to contribute more, as will industries that have enjoyed greater than average profits. This is only fair.

We will have discussions with labor and industry well in advance of any specific wage and price decisions on their part. We will explain the importance of reducing inflation and what is expected from them. This is diametrically opposite from the jawboning that has gone on in recent years, which was used primarily to get price increases already announced rolled back. The Administration's program, on the other hand, places most of the emphasis on discussions with business and labor before price increases and collective bargaining agreements are made. We want to persuade them that it is in their best interests to slow down the rate of inflation. And we want their advice on what the government itself can do — or undo — to lessen its contribution to inflation.

The anti-inflation program is not a return to the guideposts of the Kennedy-Johnson years. We have no fixed number in mind: instead of numerical standards, we are trying to set behavioral standards. We want to reduce both wage and price increases below their rates of the past two years. We realize that not all industries and not all workers can perform equally, because they have different histories. Taking all of this into account, our goal is one-half of one percent reduction in the rate of inflation each year for the next several years.

The initial steps will be taken in the next few weeks, when we begin talking with representatives from specific industries. In this whole process the role of the Council on Wage and Price Stability

will be that of a coordinator. Other branches of the Administration will be deeply involved, especially the Departments of Treasury, Labor, and Commerce. And I would be deeply remiss to suggest that the White House will not, from time to time, be directly involved.

With this background in mind, I will turn now to the specific appropriation requests for the Council on Wage and Price Stability. The total appropriation requested by the President's budget for the Council for fiscal year 1979 is \$1,753,000. Although the current appropriation level for the Council is \$2,100,000, it has been reduced by \$347,000 concurrent with the President's Reorganization Plan No. 1. This plan called for the continuation of the Council on Wage and Price Stability under the Executive Office of the President with a slightly reduced permanent staff of 39.

There are currently 49 persons on the Council's budget. Of these, 36 are permanent employees, seven are temporary, three are part-time employees, and three are consultants hired for specific projects.

Since you already received a copy of the Council's budget justification, I will not take up your time by reviewing each separate category. I will state, however, that I am convinced that the Council can continue to operate effectively under its requested 1979 fiscal year budget of \$1,753,000. We have been and will continue to be assisted in our work by other departments of the government, and the last thing any anti-inflation program needs to do its job is the creation of a new bureaucracy.

This concludes my prepared remarks, Mr. Chairman, I would be happy to answer any questions the subcommittee might have.

BARRY P. BOSWORTH

Barry P. Bosworth became Director of the Council on Wage and Price Stability on August 1, 1977. Mr. Bosworth was born in Michigan in 1942.

Mr. Bosworth received his B.A. in Economics in 1964 from the University of Michigan. In 1969, Barry Bosworth received his Ph.D. in Economics from the University of Michigan.

Prior to joining the Council, Mr. Bosworth had been a Research Associate and a Senior Fellow at the Brookings Institution since 1971. Barry Bosworth was an instructor at Harvard University in 1969 and then became an Assistant Professor of Economics at Harvard until 1971. He has served as an economist on the staff of the Council of Economic Advisors (1968) and was also a visiting lecturer at the University of California at Berkeley (1974-75).

FUNCTIONS

Dr. BOSWORTH. Basically I thought I would outline quickly the major functions of the Council on Wage and Price Stability. The activities of the Council have been divided primarily in two areas. First is the concern with evaluating both for the Congress and for the administration the inflationary effects of administrative decisions, regulatory decisions and new legislation proposed by the administration.

So in this sense the Council has participated largely in discussions within the administration with respect to regulatory reform issues, testified before independent regulatory agencies with respect to rate increase requests, and before the executive agencies such as EPA and OSHA with respect to regulatory changes in those areas.

The second aspect of the Council activity is concerned formally with monitoring and reporting to the Administration on Inflationary Developments in the private sector, following major wage negotiations and trying to evaluate the cost of the settlements, and major price decisions.

Third has been the function of the Council in this administration to originate most of the staff material for consideration by the President and his major advisers with respect to anti-inflation policy, and therefore it has been our task in most of those areas to draft options, alternatives, and different measures that might be taken by the administration in that area.

With respect to the budget, the Congress had previously appropriated for fiscal 1978 a budget of \$2,100,000. That has been reduced in terms of planned level of expenditures during 1978 to \$1,753,000. On the basis of reorganization where some of the activities of the Council, specifically with respect to monitoring and trying to anticipate inflationary developments in the private sector were shifted to the Department of Commerce, and the budget for 1979 is planned to remain at that same level of \$1,753,000.

Mr. STEED. How long has this shifting of that part of your function to Commerce been in effect?

Dr. BOSWORTH. It was proposed in April of 1977, when the first version of the President's anti-inflation program was announced. That was when the request came to the Congress to raise the level of expenditures. The reorganization was completed in August of 1977 and the function has been transferred over to the Commerce Department since that time.

Mr. STEED. Have you any way of knowing whether the quantity or quality of the work of this particular part of the work has changed significantly since the transfer was made?

Dr. BOSWORTH. No, I think it has gone quite well. We have quite a bit of contact with the Department of Commerce in doing that and the Chief Economist's Office, Courtenay Slater, in the Commerce Department, has had major responsibilities for doing that. We have several major studies underway—one in the area of the aluminum industry where we know we have capacity problems and shortages looming on the horizon, and a general study trying to evaluate specific industries' capacity needs over the next decade.

Mr. STEED. Does the general composition of the Commerce Department give a better area to work in for this type of function than it did under your Council?

Dr. BOSWORTH. Conceptually I think it does. We would prefer to keep such activities that should be ongoing and regular within the agencies and not try to move it out into special places such as the Council. The Commerce Department is in the midst of reorganization, trying to define what the functions of those offices are and has not in the past had a staff with that sort of expertise, sort of economic analysis, but they have been building that up in the recent months.

Mr. STEED. Are we talking about an area in which more work can be done or should be done or needs to be done with the idea that if it is increased that a better product will result?

Dr. BOSWORTH. Yes. The idea is that very little of it has been done. In the past, too frequently the government has known almost

nothing about the conditions of an industry, and when it undertakes new policy action, for example, environmental regulatory actions, there is no way to anticipate what the impact will be on an industry.

The steel industry has been one in the last year or so that has been particularly prominently in the news with respect to all these regulatory actions by the Federal Government. One problem is that no one has been around to assess the cumulative impact of Government action on the industry.

COAL INDUSTRY

Mr. STEED. Let's take the coal business, where we are having a lot of trouble with that. They have a tentative agreement now in the mill. Assuming that it is approved, how do you go about figuring how soon can you hope to know what the impact on inflation or other price changes that contract would have?

Dr. BOSWORTH. I can tell you what the impact on the inflation would be now, the effects of that contract. The proposed contract that has been negotiated is a little bit in excess of a 37 percent increase in labor compensation, including the fringe benefits. It will raise steel prices—if those costs are passed through over the next few years—by about one percentage point, and it will raise public utility rates by about one to one and one-half percentage points for residential use and two to three percentage points for industrial use, assuming the costs are passed through.

The cost of the contract from the perspective of inflation, however, is not those two little areas in which prices go up directly, because coal is still a small industry in this country. The problem is the precedent that sets for other labor contract negotiations and the influence it is likely to have on negotiations in the rest of the industries. If everybody in this country goes out and wants a 37 percent 3-year wage increase, we will have double-digit inflation.

Mr. STEED. Is there any validity to the claim that since the coal industry is so unique in terms of the requirements for those who work in the mines and the dangers they face, et cetera, that it isn't fair to consider it a criteria for other types of employment?

Dr. BOSWORTH. The reason it is not a criteria, or argued that it is not a criteria, is not just because of the special circumstances of mining coal. It is a very dangerous occupation in the deep mines, but not a particularly dangerous operation on the open-pit mines. Wage rates have always been high. That is not a reason wage rates should go up more rapidly than in other industries.

Coal seems to not have that sort of demonstration effect because other unions tend to realize it is a very chaotic situation with a lot of special problems about wildcat strikes, disorganized union, disorganized management. It is just not typical of the bargaining situation most other industries face and therefore the hope is, and we will have to take actions to ensure, that it doesn't become a precedent for other settlements.

Mr. STEED. You do have great concern, then, about the immediate future in the collective bargaining sector?

Dr. BOSWORTH. Yes, I would say our major concern with the present coal settlement, assuming approval, is this impact on other collective bargaining. It has received so much publicity.

Mr. STEED. There is another side to this economic problem, it seems to me, when you get into this. With the mines shut down so long, and the wages not being earned there is a drain on the economy that this stalemated industry imposes. How do you interpolate that type of economic impact into the inflationary impact that the wage hike of this magnitude creates?

Do you anticipate that, for instance, the economic slowdown that the strike has brought on will be overtaken and reclaimed?

Dr. BOSWORTH. Well, in terms of levels of aggregate demand in employment, the experience in the past with situations like this is that the economic losses will be made up in a few months once there is a settlement. So for the year as a whole there would be little aggregate demand loss or total employment loss in other industries.

But there are going to be, and I think you will hear more reports in future weeks, people are going to start to receive their public utility bills for the months of January and February, and for those areas affected by it those bills are going to be extremely high.

The cost of power production will go back down again, so the level of public utility rates in December of 1978 will not be higher just because of this. But people's utility bills for 1978 are going to be very expensive, because the utilities are having to use extremely high-cost marginal sources of electric power, three, four, five times more costly than normal levels of operation.

That is a permanent increase in the price level in cost that is not going to go away. So that adds to the inflationary problems.

INFLATIONERY PRESSURES

Mr. STEED. After considering everything and making allowance for the "if's" that we have to contend with, what is your general idea about our ability to bring inflation under control? It has been with us for a long time, and we have tried all sorts of remedies and different approaches to it, and it just doesn't seem to go away or come back inside an area that we can live with. How far away from getting rid of this monster are we?

Dr. LONGWORTH. A long way. I think it is fair to say now, for example, that we are not making any progress at the present time. Inflation is not going to go away by itself. We have had a recession, where unemployment has been as high as 9 percent; it has averaged over 7 percent for the last 2½ years. Yet the rate of inflation has stuck at 6-7 percent, and it is not decelerating.

Looking ahead, we can say it is not decelerating, but, at the same time, there is not a lot of evidence it is accelerating and will not be getting worse over the next couple of years. But if we have a crop failure, or an increase in OPEC oil prices—those sorts of events we never anticipate today but have always happened in the past—they would operate to drive the rate of inflation higher.

It would be my conclusion that the way our economy operates, the structural changes that have occurred in it have reduced a lot of the competitive restraints that used to be exercised by prices and wages. Most of those changes cannot be reversed and unless we can come up with some other means of public involvement in price and wages and getting people to exercise voluntarily some restraints, we are not going to make any progress against inflation.

The notion that somehow it is going to go away in the next couple of years and the options to do that are very limited. We could do things like hold down aggregate demand. You could balance the budget and hold down the money supply growth. It would end the inflation, but, unfortunately, it is our estimate that it would take a level of unemployment probably in excess of 10 percent a year, and that is an intolerable price to pay. Nobody likes controls, and most believe they are inefficient and inequitable if imposed. If the aggregate demand remains, the only option you really have is to try some voluntary measures. The Council's focus in this area is a recognition that one reason we have inflation, and why it has been getting worse, is the government keeps causing more of it in the sort of regulatory actions and legislative actions that it takes.

This year, for example, it is our estimate that changes in the minimum wage, social security legislation, and unemployment insurance tax increases will add about three quarters of a percent to the inflation rate. In addition, regulatory decisions made by EPA, OSHA, new environmental laws and others that were passed last year will add about three-quarter percent to the rate of inflation. And then if you add on to that depreciation of the dollar—which is down about 8 percent since the latter part of last year—and take the inflation effect of that on higher import prices we are now paying, which is about five-tenths of a percentage point, you are about two percent over the current inflation.

Mr. STEED. These things that you mentioned, when they impact on the inflation rate, is that a one-time thing?

Dr. BOSWORTH. If it was only one action and we ended with that action, yes, it would be one time. A regulatory action, a single one, raises the price level once and for all and any one of them always does it by a very small amount, but the problem is we don't stop with one; we have a continual number of them year after year, and the number of them is growing.

In many areas we want to do something about—environmental concerns, health and safety—we seem to somehow have the notion that while we want to do them, they are costless. But they are not free. They are probably good things to do, but there seems to be an inadequate recognition of the fact that they cost money, and they cost a lot of money, and just because they don't show up in the budget doesn't mean they are free to the country. They show up to the country in the form of higher prices, lower productivity.

Coal mining that we were talking about earlier, one reason the cost has gone up so rapidly is that productivity, which in most industries grows two to three percent a year, has declined 40 percent in deep-coal mines. That means for a given man-day of work, they are producing only about half as much coal as they were back in 1969.

There were good reasons for that. The mines were terribly unsafe, and we had to improve safety standards, but those regulations and the way we proposed them has drastically cut the output. The same thing on surface mining. The environmental regulations and other regulations there. They are probably good things to do, but we don't do them in a very efficient fashion. We do them in a very costly fashion.

Mr. STEED. When you go into the private sector to study inflationary actions and impacts, do you do this on a systematic basis? How do you decide what part of the private sector needs to be looked at?

Dr. BOSWORTH. We tend normally to focus on those parts of the economy where prices are rising most rapidly. For example, we have long been concerned with the steel industry, because within the private sector steel prices have risen faster than anything else except maybe shoes. We spent a lot of time on the food sector, because agricultural prices have been going up rapidly. So we tend to highlight those sectors of the economy where the price is rising most rapidly.

Mr. STEED. We have had historic occasions where inflation in country A, B or C got out of hand and went out through the ceiling, and they had to take drastic steps. I believe one time the French devalued their money 100 to 1, and the German mark got to where you couldn't buy a loaf of bread with a wheelbarrow load of it. The Chinese money once went to where it wasn't worth the paper it was printed on.

How long can we go on with the inflation spiral we have been living with for the last several years before we get beyond the point of control?

Dr. BOSWORTH. I don't think our problem is quite that of an exploding inflation rate, or accelerating. Most of those situations have occurred with the breakdown of government and just uncontrollable increases in the money supply, and heavy government spending. For example, in Germany it occurred after World War I, when they had no government left and the ally-countries were trying to get reparations out of Germany that exceeded their ability to pay. Our problem is not likely to be like that.

Our problem is likely to be that the rate of inflation is just going to continue at about 6 or 7 percent. It may drift up a little bit more gradually over time. We used to talk 10 years ago about some sort of a gradual rate of inflation of one or two percent. Five years ago, we talked about a gradual rate of inflation of four or five; now we are talking about gradual inflation rate of six. So it is creeping up on us.

Our problem is that people's demands continue to exceed the economy's ability to produce. We don't want to exercise the restraint necessary to say no in many cases. One of the things about the inflation we have in our country and in many democracies is it is like a lubricant to the system. We don't want to tell the school teachers or the firemen or the coalminers they can't have an increase. We promise everybody an increase and then find out we have promised more than we can deliver, and, as a consequence, there is inflation, but it is not our fault. It is an internal process of inflation.

That is more and more what is happening in our country, that people go out and demand a large wage increase, or price increase, and they have the economic power to get it. And no one is really going to say no or go through the direct conflict involved in putting their foot down to say no.

Mr. STEED. Do you think your exposure of these factors in the conferences and hearings and all that you participate in in specific

cases like with teachers or the coal or whatever has any deterrent effect on the inflationary spiral? Are you able to talk the unions or management into some restraint?

Dr. BOSWORTH. I think our experience has been very mixed. In the case of talking business into restraints or talking labor into restraints, the Council on Wage and Price Stability is never going to have the leverage to do that. That takes the backing of the President, and to achieve that has been mainly this third function of ours, of trying to propose anti-inflation policies that the President can adopt; so the President takes an active role and uses the prestige of the presidency to get out to emphasize the need for restraint. That is the effort we have been making in recent months and hope to expand in the near future.

In other areas, yes, the Council can. It is more successful gradually over time with increasing the awareness of government agencies' knowledge of what they are doing to the inflation rate. I think we have made progress in areas like regulatory reform; that the agencies now do try to evaluate the economic consequence of a new environmental regulation or new health and safety regulation.

We have had some success with the Interstate Commerce Commission and some of the independent regulatory agencies of changing their regulatory practices to try to hold down rate increases. The response there has been mixed. We do well with some, and others ignore us. It is a very mixed record.

But the council cannot, unless it has the full backing of the Congress and the administration, expect to find that a major private sector is going to adhere to its request to exercise some restraint. That takes more prestige than that.

Mr. STEED. The desirability that a public opinion interest would bring is not pressure enough to be fruitful?

Dr. BOSWORTH. I still continue to think that public interest can have a big impact, but it has to be directed by somebody acting in the name of the President.

CUPONS

Mr. STEED. This may be totally irrelevant to your work, but something that has been going on the last several months that intrigues me, especially in the food field. Apparently the industry does not like to cut prices once they are established for the staples and standards unless it is a very odd situation like in coffee. But apparently a lot of them are getting around the actual price reduction by giving out coupons of all sorts, which has an added incentive to maybe cause a given product to move a little better because some women seem to like the idea they are saving money when they use the coupon.

Is this a purely sales gimmick, or is it making any marked impact on the inflation situation?

Dr. BOSWORTH. No, I think from our perspective, you will find such things to be sales gimmicks. Basically when manufacturers offer such things as coupons, which you can rebate to get some of your money back, by such a mechanism you can pick out the people who are most sensitive to price, who really care the most and then they will buy it because they will take the coupon and

take the time to send it back in, as opposed to a general price reduction for the commodities, which everybody would get.

You keep the general price high; those people who don't pay that much attention or don't want to bother to send the coupon back, they pay the high price. So it is a way of appealing to the people who are cost-conscious and alert and who try to budget and try to save, without having to lower the prices to the people who don't and therefore you can discriminate between the consumer who is very aware of price and the consumer who is not so aware of price.

Mr. STEED. Mr. Miller.

COAL PROBLEM

Mr. MILLER. Doctor, you did mention the coal problem a few minutes ago. You have in the statement that "We will have discussions with labor and industry well in advance of any specific wage and price decisions on their part. We will explain the importance of reducing inflation and what is expected from them. This is diametrically opposite from the jawboning that has gone on in recent years which was used primarily to get price increases already announced rolled back. The administration's program, on the other hand, places most of the emphasis on discussions with business and labor before price increases and collective bargaining agreements are made."

Now, in the case of coal, apparently that did not work.

Dr. BOSWORTH. We did not talk to the coal, because the coal negotiations started last summer, well before this policy was developed in the first part of this year. So we did not have any discussions at all with the coal industry.

Mr. MILLER. Well, the collective bargaining is still going on, so there is an opportunity to become involved, if not at this point in time, it is too far down the road now, but a few months ago it was not too late.

My question is whether it did become involved at all?

Dr. BOSWORTH. I think in retrospect you may be right, that the administration should have, in some sense, become involved. But, there is a difference between becoming involved and jumping in the middle. The decision made at the time, and I admit it may have been wrong, was that negotiations were too far gone.

You remember at the time we announced this program, which was the latter part of January, they were very close to having a preliminary agreement. At that time, you sort of thought they had completed their negotiations. So we decided to stay out and not have discussions with the parties involved.

WAGE INCREASES

Mr. MILLER. What would make us think that the administration's anti-inflation program would work in other areas where the individual worker should agree to accept a smaller rate of wage increase?

You mentioned a few minutes ago there are very few things that can be done that and human nature is such that it is hard to talk someone out of a smaller rate because if they are in a position to negotiate, they are going to go all out. It is war, and they are

willing to do anything they possibly can, it seems, in order to increase and have an advantage, and in some cases rightly so. Labor would not be receiving their fair share of the profits.

But it is hard for me to sit across the table from you, if you are attempting to negotiate, and say, now be a good boy and let's don't go too far on this, and not have any effect on you whatsoever.

Dr. BOSWORTH. I think that is probably the most serious threat we face, in trying to do a voluntary program. But I think there are a couple of things to consider.

First of all, in many cases the private parties, by pushing for large wage increases, in fact, have done something not in their interest. Look at the current problem in the steel industry and the loss of jobs because the industry has become noncompetitive. In other industries there have been similar examples where the workers were only aware of the short-run implications of pushing for higher increases. I would take the Teamsters' case. They have the wage rate so high most of the trucking firms are selling their trucks to owner-operators to get away from the problem. They have priced themselves out. Truckdrivers over the road, long-haul in particular, are a declining share of the market. The union is losing its share of the labor force in that industry.

When you can sit down and talk to these parties, they have a better recognition of the implication of their own rate increase—unfortunately, we didn't do that in coal, and I think we should have, but they don't realize that the deep-mine coal is going to be priced out of the market.

In my view, I would say that is not such a bad idea. It is too dangerous an occupation. I think we should go to more open-pit mining of coal because the death rates are too high in the deep mines.

The second thing is, in some cases, we do have leverage, but we have to learn to be willing to use it. And in those situations, for example, an industry where the Federal Government is providing large subsidies, the government should not sit back and say it is a matter of indifference to us what happens to your costs, and we should move in the direction of trying to establish more incentive measures for them. We won't give this subsidy, and we won't allow the subsidy to grow unless you exercise restraint on the wage side that is consistent with wage increases in the rest of the economy, and the same thing goes for prices.

PRODUCTIVITY

Mr. MILLER. We know we are creating a lot of inflation because of the increase in cost without increasing the productivity, as you have already mentioned. There appears to be absolutely no doubt that this is going on. But I am wondering whether we are spending our dollars in the right place when we talk about wage and price stability and when we speak of the Domestic Council, and when we speak of all the things you are attempting to do. You apparently are talking to people who will be the leaders of industry and the leaders of labor, but they do not seem to have the control over rank and file, or they do not necessarily seem to be able to convey to rank and file what the story is.

Do we need to spend the dollars in another place where we convey to the rank-and-file people, here is what is going on. If we go above a certain level, your position, your job, can be in jeopardy.

I do not believe that the man that is out on the firing line that is working, really understands that balance. Are we doing enough to make him understand, so we will not have this problem? Right now, Bob Strauss, our ambassador in international trade negotiations, is walking a tightwire trying to get us in a position to be able to export agricultural products, and to be able to export all of the manufactured products. When we export, of course, some country we export to will want us to import from them so they can get the dollars to pay us for what they import.

It is just that simple, and it is a tightwire walk, but somehow I don't believe you are getting all this message out to the people who are demanding more and more for today as to what will happen to them next week if it takes place.

Dr. BOSWORTH. I think that is right. There are two parts of that. We have to try to change policy. One, you mentioned, trade is a good example. We tend to do a lot of government things for those people who get in trouble, but little to help those industries which are doing well. On the trade side, the focus of our attention has been on restricting imports for those industries that are troubled. Another way to address the balance-of-payments problem is to try to promote exports of those industries which are doing well. That would change the incentive system quite a bit, if the government was going to step in and help an industry that was doing well to expand more rapidly, instead of trying to spend our time and effort pushing up cost by trying to bail out industries that are not doing very well.

The second part, I think you are right, that there is a limit on what the Council can do in talking to, for example, a union leader. He can't go out and negotiate a wage increase far below the members' expectations. He will lose the next election. We have to find a way to lower people's expectations and in order to do that we need the very active involvement of the President and the Congress, trying to drive across to the people the implication of continuing this inflation.

Mr. MILLER. I don't believe the Congress is going to put it across because of some of the votes I have seen recently. They are in to protect themselves. They all have a pet project and the administration has pet projects, and I am not sure where the push is going to come to help straighten out the problem in order to balance the budget.

But somehow the people have this unrealistic recognition about what can take place. We all want clean air, clean water, we want the safety regulations for the workers; we want good health services; we want all of these things, and they are demanding it now, and there is a big push in order to accomplish it.

But there is that unrealistic recognition that all costs dollars and the consumer eventually has to pay. That is why we are paying today the high utility bills, the high price for clothing, food, whatever, but somehow that message again is not getting across.

There is another area. Apparently we should spend some of these dollars to get the P.R. going to show here where we are and how

far we will we go in this direction. You want it; I want it for my children; they want it, but how far can we go and be realistic. If we go all the way, we are going to create that much more inflation.

Mr. MILLER. The message doesn't get out. How can we get the message out?

Dr. BOSWORTH. I think in our case we agree with you on the anti-inflation program. That is currently where the focus of the administration's efforts are in trying to develop some ways in which the President, who has the prestige to get this across to the people, can undertake more of an educated function with the public and spend a greater focus of his time on the anti-inflation problem and speak on the issue.

That is exactly what we need, more recognition that we can't do all of these things, and even though they are well worth doing, they cost. If people recognize they are not free and would quit trying to pretend somehow they are free because they don't show up in the Federal budget, then we could probably get a more orderly ranking of these and not try to do them at one time.

In the regulatory area, we are working hard, trying to develop, in effect, something that is a regulatory budget, where we try to rank the priority in the regulatory area and control the rate at which we enact these new regulations at the magnitude the economy can afford and absorb.

PRESIDENTIAL ACTIONS

Mr. MILLER. Have you in the past recommended to the President that he should move along on a P.R. program that would convey a message to the average person on the street as to what we are doing and what direction we are going, and if we do these nice things, they are going to cost money and they may not have to pay it within the next week, but within six months or a year down the road, they are going to maybe double the price of a commodity because of some regulatory action in order to make something safe in order to improve the health facilities, in order to clean the water, in order to clean the air? Have you recommended that he do this, to go out to the people to convey the message?

Dr. BOSWORTH. Yes, that is what we are in the process of doing now and what he has agreed to do. The most recent problems in this regard have been a bunch of memos and other things coming out of the administration about what is being done. But I would say now that some of the budget issues particularly that took so much time in January and February, with the tax reform program and the energy program and others, and now the Panama Canal, and the Mideast problems—trying to clear time where the greater focus of the President's attention has been, that he recognizes that we have to do more of this sort of thing.

Mr. MILLER. You mentioned in your statement, too, about the effects on inflation that are caused by the government action and the fact that we are spending at extremely high rates now, and into half-a-trillion-dollar budget, \$500 billion now. We pay a high interest rate on the national debt we have a \$60-plus billion deficit, and we need to conveying a message to the people. The people want programs at the Federal level but we need to be able to convey a message as to what it is costing and how it is affecting

inflation, I think this is important. I am sure that the average person would not have the opportunity to hear it. As a matter of fact, the average person is too busy making a living for the family, and I guess they feel it is our responsibility to take care of the thing. Somehow they need to know that if they demand certain things, it is eventually going to cost them money. The government doesn't have the money. It has to come from them if we are going to do these nice things. Somehow that message doesn't get back to the people, only what nice things Congress does so they can be reelected and the administration does so they can be reelected.

Dr. BOSWORTH. I think we have to distinguish a little bit in two categories. One, I think there is far too much focus on the budget as a measure of what the government is doing. I find the biggest difficulty is that the budget is a very poor summary of what the government is doing. There was a time when it was. But about 20 years ago, Congress started to move in the direction of off-budget financing; they didn't want to put something in the budget for a reason. So they set up a loan program to lend directly, and there was a reform in the budget to begin to collect the financing data, both off-budget and on-budget. But in the last decade, we have had a new development, and that is we didn't have the money in the budget to pay for it. We didn't want to set up a loan program to do it. So we decided to tell people to do it, pass a law, regulation and tell somebody to cut down that pollution. The cost of that never shows up in any government statistics.

And that is where the problem of inflation comes in. We are not today getting inflation from high levels of demand. You find very few prices being driven up because the economy is growing too rapidly, and there are not resources, and demands pressures are pushing up. Today's inflation is mainly cost factors that come from the regulations and others. Yet everybody wants to focus on the budget. It has become a code word. The budget deficit can reduce the rate of inflation only by cutting back government expenditures, reducing production, throwing people out of work and hoping if enough are unemployed, they will quit asking for wage increases. That can be an expensive way to deal with inflation that is not caused by that. The inflation comes from the perpetual increases in the cost, and we don't deal with this.

NATIONAL DEBT

Mr. MILLER. That is what we spoke of a while ago, the unrealistic inflation that is going on, the demands of the utility companies which will have to put in extremely high stacks, or have to put in scrubbers to clean the coal. It all reflects in the utility bill that the consumer eventually pays, and it is showing up now, and they are wondering why. I receive letters, "why would my electric bill be up?" It is up because of those regulations we talk about.

But the next step I spoke of, is that we will have by the end of this year about an \$870 billion deficit. I still try to get it on the record as frequently as I can. I am trying to convey to the people that we are paying more than \$55 billion a year interest on that national debt, and some of that going to other nations that have loaned us money to pay our national debt.

The American people are not aware that over \$100 billion of our national debt is supported by money that came from nations like West Germany and Japan, and that we shipped out about \$800 million interest to Japan last year, for interest on the money they loaned us to pay our national debt. About \$1.4 billion went to West Germany. If we could somehow get this message to the people, that we are not even paying our way, and that we are borrowing and have that \$60 billion deficit in the fiscal year 1979 budget right now. That means, too, that if we do not go to some foreign nation to borrow, we go to the money market; it is bound to affect the interest rates to some degree.

Dr. BOSWORTH. I understand, and I suppose you have, since you have mentioned this, had economists or others come back and say that the burden of the debt is not that great internally. You borrow from Peter to pay Paul, and it is redistribution.

But you do raise an important point, and that is when the Federal debt is owned abroad, that is a serious burden on the economy. The reason for that is not just because of the Federal deficit; it is the fact we are running a deficit, and it is the fact we are not selling as much to foreigners as we are buying. That is where the debt shows. We could have a huge debt from government financing and as long as we had a balance in the balance of payments, we would still not owe it to any foreigners.

I think directly that should be identified. That is the cost of the continuing balance-of-payments deficit, and we should do something about it. The reason we have a balance-of-payments deficit is the continuing inflation in the U.S. which has made our products not competitive in the world market.

OPEC NATIONS

Mr. MILLER. We find the OPEC nations, those that are receiving the high prices for their oil, that they are buying into our debt, and we are sending them not only the money for the oil, but interest to pay off for them loaning us the dollars to keep our budget current. So we have additional problems there.

I am not sure of the solution to that one, but we surely have to hold down somewhere, and I have concern about the other thing you are talking about, which is that if we did owe it to ourselves and not other nations, we would still be borrowing and paying \$151-million-a-day interest on that national debt. Most people are not aware of that. They are still asking for more things at the Federal level, which will raise that interest rate next year above \$151 million a day, just interest without paying a penny on the debt.

So it seems to me that if it was all kept internally, we would still not be helping the poor, with the program that is put out by the Congress and supposed to help the poor. The administration is for it; they are both for it, to help the poor. The poor cannot loan the money and collect the interest on the national debt. We are really helping someone that has money because it has to be people who can buy into that national debt internally within the U.S.

So I have deep concern about it if we keep it all here, we are not harming ourselves; we are owing it to ourselves. We are owing it to the people who have money in the first place.

Dr. BOSWORTH. That is right. Even if the debt were owned internally, it is correct to identify the interest cost as the burden associated with that. It is an inefficiency. But still it is like any private corporation, you borrow money if what you are going to do with that money is worth more than what you are going to have to pay in the way of interest cost. So in many cases that would be true. There is that interest cost.

The question is, if that money is still spent for good projects that have a value to society, it is worth that cost.

I think the major point is that the interest cost contributes to inflation. But the fundamental problem with inflation is not the magnitude of the Federal deficit today, and curing the deficit will not solve our inflation problems. They go deeper than that. They go to the structure of the economy and people's attitudes, and we have to find a way to try to change those.

Mr. MILLER. That is what we spoke of in the beginning, the P.R. in order to change the attitude, but the deficit spending, if we could have a balanced budget, would certainly have to help our inflation problem, would it not?

Dr. BOSWORTH. If we could find a way to do it, it would help as long as it didn't make the unemployment level too high. If we could balance the budget without driving unemployment too high, it would help a great deal.

REORGANIZATION PLAN NO. 1

Mr. MILLER. I guess we could discuss that for a long time, but time is going by and I do have another perhaps question. It comes right to the point where you are talking about reorganization plan number one. This plan called for the continuation of the Council on Wage and Price Stability under the Executive Office of the President with a slightly reduced permanent staff of 39. Apparently you have 48 persons onboard now, and you would reduce nine. Will those nine people—

Dr. BOSWORTH. No, the 39 is permanent staff. Forty-nine is total, both temporary and permanent.

Mr. MILLER. I understand that. But you have them onboard now?

Dr. BOSWORTH. Yes.

Mr. MILLER. You have 48 persons on the Council at the present time?

Dr. BOSWORTH. Yes.

Mr. MILLER. Will any of those be removed so that you can pull down to 39, or will they be transferred to another section?

Dr. BOSWORTH. No, the number of people that we have there now, we have a ceiling of 39 permanent positions. We now have 36 permanent employees. The number of temporary people we have also continues into the future. The temporary staff people are not counted in that total staff of 39.

Mr. MILLER. In the reorganization plan there will be no people moved from your organization into another office of the President?

Dr. BOSWORTH. That is right.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

Mr. STEED. Doctor, thank you very much for your appearance and your cooperation. You have made a very interesting presenta-

tion. It is a subject I guess we never arrive at the answers on, but they are irresistible to talk about.

Dr. BOSWORTH. Thank you very much.

[The following was received for the record:]

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
SALARIES AND EXPENSES

For expenses necessary for the Council on Wage and Price Stability as authorized by the Council on Wage and Price Stability Act of 1974 (PL 93-387) as amended (PL 95-121), \$1,753,000 [Provided, that transfers under this head for the current fiscal year may be made to any account as reimbursement for funds advanced or expenses incurred].

Justification of Fiscal Year 1979 Budget Estimates

1. Authority of the Offices

The Council on Wage and Price Stability was created by Public Law 93-387, August 24, 1974, in response to the President's August 12, 1974 request for a new Federal agency to monitor wage and price movements and other inflationary activities in the economy. That Public Law authorized \$1,000,000 for the Council's activities during fiscal year 1975.

By PL 94-78, Congress extended the Council's authority through the fiscal year ending September 30, 1977. PL 94-78 also gave the Council additional powers to (i) issue subpoenas, (ii) require periodic reports, and (iii) intervene in federal agency rulemaking, ratemaking, and other proceedings. The Council was authorized the expenditure of \$1,700,000 during the period.

On October 6, 1977, the President signed into law PL 95-121, which extended the Council until September 30, 1979, and authorized expenditures of \$2,210,000 for fiscal year 1978 and 1979. Public Law 95-121 also strengthened the confidentiality provisions of the original Act and added a new paragraph (Sec. 3(a)(9)) calling on the Council to review and analyze the effects on the U.S. economy of U.S. participation in international trade and commerce, the changing patterns of world market supplies and commodities, the investment of U.S. capital in foreign countries, short and long-term weather changes, interest rates, capital formation, and the changing patterns of world energy supplies and prices.

II. Purpose

The Council's principal responsibilities are threefold. First, the Council is directed by the Council on Wage and Price Stability Act to monitor the economy for inflationary activities and to encourage restraint in collective bargaining and pricing decisions. Second, the Council also has the responsibility to review and appraise the inflationary impact of the various programs, policies and activities of the departments and agencies of the Federal government. Finally, the Council has been given the principal role for coordinating the Administration's anti-inflation program, as outlined in the President's January 1978 Annual Economic Report.

III. Formal Organization of the Council and Its Staff

The Council on Wage and Price Stability consists of eight members and four advisor-members appointed by the President; it is chaired by Charles L. Schultze, Chairman of the Council on Economic Advisers.

The Council's day to day operations are performed by a full-time staff headed by a Director, who is appointed by the President and confirmed by the Senate. The Council's present director, Barry Bosworth, received Senate confirmation in July, 1977. The staff is organized into five units: (1) the immediate office of the Director, (2) the Office of Wage and Price Monitoring, (3) the Office of Government Operations and Research, (4) the General Counsel's Office, and (5) the Office for Public Affairs and Congressional Relations.

IV. Personnel

The Council on Wage and Price Stability is presently authorized to employ 39 permanent full-time personnel. The Council also uses consultants in carrying out its work. These consultants provide expertise in specialized areas of interest to the Council which would not otherwise be available to a small staff.

The Council also employs a few temporary full-time personnel as research assistants and for other duties. We anticipate that the Council will employ up to ten people in temporary positions or as consultants during fiscal year 1979. These temporary positions on a full-time equivalent basis would amount to about three work years.

V. Appropriation Request

The appropriation requests \$1,753,000 for financing fiscal year 1979 operations of the Council on Wage and Price Stability. It is reduced by \$347,000 from the fiscal year 1979 authorization because of the President's Executive Office reorganization calling for the continuation of the Council with a reduced staff. An explanation of the Council's fiscal year 1979 request by object class follows:

Personnel Compensation, \$1,222,000

It is estimated that \$1,222,000 will be required to cover the cost of 39 permanent positions along with up to ten other positions for intermittent consultant and expert services (not to exceed maximum daily rate for GS-18), and temporary personnel. An analysis of the requested amount follows:

<u>Fiscal Year 1978</u>	<u>Positions</u>	<u>Amount</u>
Permanent Staff	40	1,094,000
Other Staff	10	142,000
Total	50	1,236,000
<u>Fiscal Year 1979</u>		
Permanent Staff	39	1,142,000
Other Staff	10	80,000
Total	49	1,222,000
	<u>FY 1978</u>	<u>FY 1979</u>
Average GS Grade	12.18	12.13
Average GS Salary	\$28,942	\$29,453

Personnel Benefits \$107,000

The personnel benefits are for retirement, social security, group life insurance, and health insurance.

Travel, \$30,000

These funds are to provide reimbursement (i) to the Council staff for travel, subsistence and related expenses and (ii) to persons requested to appear at a hearing or other meeting for their resulting expenses. The funds requested provide for the conduct of on-site consultation, discussions, public hearings, and data gathering with public and private officials who may have specific data and issues bearing on the work of the Council.

Standard Level User Charges, \$137,000

This includes amounts to cover services from the General Services Administration for rental of space. The Council on Wage and Price Stability occupies 11,106 square feet of space in the New Executive Office Building.

Rent, Communications, and Utilities, \$55,000

This includes amounts to cover funds for telephone services, rental of furniture and equipment, from GSA, duplicating equipment and computer terminals, cleaning services, and other housekeeping functions.

Printing and Reproduction, \$75,000

This covers the cost of printing quarterly reports to the President and the Congress on Council activities, as required by the Council on Wage and Price Stability Act, as amended by Public Law 93-449 on October 18, 1974. It also covers the cost of printing news releases, and staff analyses and reports.

Other Services, \$109,000

This includes the costs of various contractual studies of issues and matters related to the Council's work, the cost of computer analysis of wage and price data, as well as miscellaneous costs of equipment repairs, moving expenses, delivery service and stenographic and reporting services for public hearings.

Supplies and Materials, \$16,000

This amount is needed for normal requirements for stationery, office and duplication supplies.

Equipment, \$2,000

This amount is needed to procure necessary office furniture, furnishings, and equipment.

OFFICE OF MANAGEMENT AND BUDGET

OFFICE OF FEDERAL PROCUREMENT POLICY

WITNESSES

LESTER A. FETTIG, ADMINISTRATOR, OFFICE OF FEDERAL
PROCUREMENT POLICY

DR. JOHN J. BENNETT, DIRECTOR, FEDERAL ACQUISITION IN-
STITUTE

MICHAEL MARTINEZ, ASSISTANT FOR LABOR AFFAIRS AND
PERSONNEL

JOSEPH F. ZIMMER, DEPUTY ASSOCIATE ADMINISTRATOR FOR
ACQUISITION LAW

VELMA N. BALDWIN, ASSISTANT TO THE DIRECTOR FOR AD-
MINISTRATION

Mr. STEED. The committee will be in order.

The committee is in session today to take up the 1979 budget request for the Office of Federal Procurement Policy. Salaries and expenses for 1978 is \$2,840,000, with a supplemental pay increase of \$50,000, bringing the 1978 total to \$2,890,000.

The request for 1979 is \$4,040,000, an increase over 1978 of \$1,150,000.

We are pleased to have the administrator, Mr. Fettig, with us today, with his associates, and, Mr. Administrator, if you would like to identify your colleagues for the record, we will make your statement a part of the record at this point, and then ask you to make sort of a general oral summary with the emphasis on the five new positions and the causes for the increase.

Mr. FETTIG. I would be glad to. To my left is Dr. Jack Bennett, the director of the newly formed Federal Acquisition Institute, which was just formed last year; and I believe you know Mrs. Baldwin, from the Office of Management and Budget. Also with me for back-up detail, as required, Mr. Mike Martinez and Mr. Joseph Zimmer, both of my staff.

[The information follows:]



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

OFFICE OF FEDERAL
 PROCUREMENT POLICY

FOR RELEASE ON DELIVERY
 Expected at 10:00 a.m.
 Thursday, April 6, 1978

ADMINISTRATOR LESTER A. FETTIG'S OPENING STATEMENT
 BEFORE THE
 UNITED STATES HOUSE APPROPRIATIONS SUBCOMMITTEE ON
 DEPARTMENT OF TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
 ON THE
 1979 BUDGET REQUEST
 FOR THE OFFICE OF FEDERAL PROCUREMENT POLICY

Mr. Chairman and Members of the Committee --

It is a pleasure for me to appear before this Committee to discuss the appropriation for the Office of Federal Procurement Policy. In addition to our fiscal year 1979 budget estimate, OFPP is requesting \$50,000 as a fiscal year 1978 supplemental budget request to support the October 77 civilian pay increase. Our estimated requirements for fiscal year 1979 are \$4,040,000 (Including the functions of the Federal Acquisition Institute). OFPP manning strength is set at 25 permanent personnel and the FAI at 25.

The Office of Federal Procurement Policy (OFPP) was created as a statutory component of the Office of Management and Budget (OMB) by Public Law 93-400 on August 30, 1974, but has been fully operational only since January 1976.

Expressed in simple terms, the purpose of the OFPP is to improve the economy, efficiency, and effectiveness of Federal procurement by providing overall direction of procurement policies, regulations, procedures, and forms used by executive agencies. Potentially, this impacts one out of every five dollars expended by the Federal Government.

Our FY 1979 budget request represents an increase of \$1,200,000 over the amount authorized for 1978. This is due, mainly to the increase in the budget for the operation of the Federal Acquisition Institute. The Institute became fully operational September 9, 1977. Its budget for FY 1978 was \$1,000,000 and included "start-up" activities and development of plans and programs. Besides the 25 permanent employment mentioned for the FAI, an additional non-permanent staff of 8 would be required.

This is a very significant budget for this Office as we come under the "sunshine" provision of our law, P.L. 93-400 in August 1979. At that time, unless extended by legislation, our charter will end. I believe the budget you have before you is the minimum, an austere one, under which we can operate in order to effectively meet our obligations mandated by Congress. It is to be noted that it is a non-inflation budget, with reduced manning of 25 as compared to our authorized strength of 30 for the prior fiscal year. At this level, though lean, the Office can provide strong leadership for the procurement activities of the executive branch and be responsive to the demands of the President and the Congress.

The scope of our responsibilities greatly exceeds the capability of our small staff. Recognizing this, Congress provided that executive agencies would make services, personnel, and facilities available to us to the greatest practicable extent. In addition, Congress recognized very wisely that research is an indispensable part of the development of procurement policy and authorized the appropriation of research funds. These will be used for many worthwhile initiatives for which agency resources are not available or are ill-suited.

I would now like to summarize our priority projects:

- A-109 Implementation, Major Systems Acquisition
- Unified Regulatory System
- Commercial Products
 - Specification overhaul
 - Marketing research technique
 - Inventory drawdown
 - Federal supply schedule improvements
 - Procurement simplification
- Food Procurement Projects
- Contracting Out, A-76 Circular
- National Supply System
- Small Business Master Plan
- Interagency Contract Support Services
- Federal Procurement Data System
- Federal Acquisition Institute
- Commission on Government Procurement Regulations, Follow-up

To explain the nature of our workload, I have outlined some of the principal activities of the Office of Federal Procurement Policy. Further details are contained in our budget justification.

I am confident that the program adopted by this Office, elements of which I have described to you, will promote economy, efficiency, and effectiveness in the procurement of property and services for the executive branch. This program will not be accomplished overnight, but it can be done -- with your help. As the focal point for procurement activity for Congress, the executive agencies, and the public sector, I can assure you that the modest appropriation requested for FY 1979 will be returned to the American taxpayer many-fold.

You have my assurances that I will do everything within my power to provide the direction and leadership necessary for the attainment of the high goals both the Congress and the procurement community expect.

Mr. Chairman, I will be happy to respond to any questions you or the Committee may have.

FEDERAL ACQUISITION INSTITUTE

Mr. FETTIG. Over all, if I can describe the budget changes, we have had sort of an analogy by the addition of the Federal Acquisition Institute. You may recall last year was the first time we provided funding to look after training our procurement work force. As a result, I would like you to look at the increases as a breakdown in two parts.

For my operation, we have stayed constant. We got 1.9 last year and are asking for that this year. In terms of inflation we are actually decreasing. The Federal Acquisition Institute got a million last year; we are asking roughly \$2 million this year, so the increase is for the Federal Acquisition Institute, and that puts it back up at the original request level.

Last year, we requested \$2 million to get it started. The conferees gave \$1 million. This year, we are only going back to the original start level.

The conferees also directed that the budget would come through my office to keep things together, so I did want to make that distinction that there was a new addition and you can understand the budget changes that way.

In terms of my own staff, as part of the President's executive office reductions, we are aiming to reduce our staff in the Office of Federal Procurement Policy down from 32 with a target of 25. That is what is being requested for fiscal year 1979.

Mr. STEED. Are these actual eliminations or transferred to some other place?

Mr. FETTIG. These will be actual permanent eliminations through a variety of attrition and retirements.

The Federal Acquisition Institute, on the other hand, is going up. It is newly started, and although the original plans called for it to go from 25 to 60 to 80 positions, we revised those plans severely and have now limited it to, I believe, 25 is our new target level.

In overall terms I did want to break the two pieces apart so you can understand how the new request compared to last year's.

I think I will let Dr. Bennett speak for himself, but in our internal review we took 30 percent out of the original request for fiscal 1979 for the Acquisition Institute, and I think we have a real tight program. I am sure we will have further discussion on that.

RANGE OF ACTIVITIES

If I might, just to give you a feeling for the range of our activities, Mr. Chairman, I would like to reference the list on page 3 of my statement and give you a quick update on the type of things we are involved in. These are the major priority projects that we do have underway.

We have issued and are now administering a brand new OMB circular on major systems acquisition. These are defense systems primarily but also the major programs in education and transportation. The General Accounting Office reports regularly on all the major ones, not just defense. We have had tremendous problems in overruns. The A-109 circular sets government-wide principles on how to manage, including a new mission-needs statement that will be coming up to the Congress before these new programs get start-

ed. One of the problems we have had is too often the projects will start in scattered line items, and before you know it, you have a major program on your hands, and we haven't done a good job of looking at the need in the first place and some of the alternatives.

We have had pretty good success. Dr. Perry, the Under Secretary of Defense, is testifying now before Chairman Ichord on how defense is implementing these. We think it is promising.

CONTRACTING REGULATIONS

The next is the new regulatory system. What we have today is pretty much a fragmentation. Each agency has, over the years, developed its own contracting regulations and procedures. Under the law which created my office, and now with the President's strong desire to take some bites out of our regulatory problem, we are going to take about 60 different sets of contract regulations that are scattered all over and make one out of them, a brand-new simple one, modernize it and rewrite it. That is being staffed by volunteers from the Defense Department and GSA. We have 40 people rewriting. We are sending them to writing school to teach them how to write, and we will take a zero base approach and rewrite a brand-new regulation.

We are doing a variety of things in commercial products to get rid of specifications. We are working carefully with GSA on that. The mousetrap spec was 120,000 words and two-and-one-half-inches thick. We have a one-page functional definition, and now we can go to the marketplace. We are doing that across-the-board, everything from soap powder to computer tape. We have tended to get ourselves bogged down designing the products rather than going to the marketplace and getting more effective competition.

Food is another example. We have put a concentrated effort on that. Across-the-board, between HEW and Agriculture and the Defense Department, we spend about 3½ billion on food. Under our guidance and congressional pressures, out of this committee and the Senate side as well, we have now moved to consolidate the food purchases.

Last week, the Defense Department got rid of detail specs on about a quarter billion dollars' worth of red meat. They were defining hamburger to all sorts of crazy details. Now we use the same simple commercial specifications that the restaurants use, and we are consolidating all the quality assurance in one agency, the Agriculture Department, to try to streamline the buying process there as well.

To skip quickly, we do have a major new proposal out and pending now, and I will be testifying next Monday, as a matter of fact, before the House Armed Services Committee on the contracting-out issue.

As you know, there has been, for years, regular fights over whether the work gets done by the civil servants or on contract, and it has been a pretty serious free-for-all. Having spent the last four years on the Senate side, before this job, I know how upsetting it can be to elected representatives to have to adjudicate. The administration has a new plan we issued last November for comments to try to settle that down, and we'll have careful cost comparisons and will take a better look at that.

We are building a national supply system across-the-board to consolidate warehousing and specs and items control. We are generating a combination of actions to see what we can do to help small business. We are moving to get all the different agencies to cross-service their field support services. What will happen many times is they will have a contract with more than one agency and they find the auditors from various agencies coming to see them, different administrative services coming to see them, and we are going to have one agency take care of that, and that is what that item is on, the interagency contract support service. We can save money, by the way.

Beginning October 1, we will have a government-wide data system on what we are buying, from whom, using what methods. Up to now, we haven't had one data system. The Defense Department had one; GSA has tried to collect data from the civilian agencies.

For a variety of needs, including the Congress, we are going to have a uniform updated system beginning the 1st of October.

The Federal Acquisition Institute is just coming on line. I will refer to that in a second. We have a variety of activities, although of lesser priority, depending on the constituent groups, some very important activities to follow up on the government procurement commission.

Across-the-board—maybe I will leave for the record to fill in the scope of our activity the 40 ongoing projects that we do have actively underway and we don't need to get into detail on this morning.

SUMMARY OF ACHIEVEMENTS

Mr. STEED. Is it possible for you to give some kind of a descriptive reference of the problem that you had to begin with, when you have diminished the problem by what degree, anything of that sort, sort of summarize the achievement schedule?

Mr. FETTIG. The Congress, in establishing the office, saw the main problem as being not having a central, well-understood government contracting system. Rather, we had many different ones. And we are paying a price in terms of fragmentation, inconsistency and not having a focal point to get changes made. For example, the Congress might pass a new law for minority business, and, as it came downtown, it went to all the different agencies, the different contracting people, and the Congress essentially had to deal with all of them to get uniform actions taken. So the problem is to give a central focus for our procurement policies and procedures and regulations. That is the problem. As established, that would seem to be a continuing need. The OFPP was statutorily put in OMB. However, it was put on a sunset provision. Having had a hand in writing the law, itself, it was felt that it ought to be rejustified certainly.

In August of 1979, the Congress will have to consider reauthorizing this office. So that will be a major milestone. This budget will carry us through that point.

Mr. STEED. As of now, your time factor is the expiration of the existing act?

Mr. FETTIG. August, 1979, right.

Mr. STEED. Where you have to stop and take stock and regroup, so to speak?

Mr. FETTIG. That is right, and without a positive action on the part of the Congress, we would cease, that is right.

UNIFORM PROCUREMENT REGULATIONS

Mr. STEED. Now, then, if you are able to get these uniform procurement regulations into effect what proportion do you run into that is so specialized it applies to only one agency to give them the feeling that they have to have their own special regulatory freedom to operate and what part is universal enough that carbon paper looks the same way to one agency that it does to the other, that sort of thing?

Mr. FETTIG. In terms of dollars, let me break it out this way. In terms of specialized systems, weapons systems, transportation systems, high technology contents, R&D runs perhaps government-wide \$15 billion on contract, the specialized systems another major fraction, perhaps \$20 billion, commercial products of the variety we talked about, the carbon paper and things like that, perhaps another \$5 billion to \$6 billion. That is the sense of proportion.

But I do want to emphasize more and more each agency is doing a little bit of each kind. For example, the Defense Department worries about the common items as well as the special ones. Even agencies like HUD and Transportation now are realizing that in order to get the job done, they have to start doing R&D and looking at the major systems project. So we are not trying to build a regulatory system that is tailored to each agency, but a flexible system, so, depending on what type of purchases they are making, it is consistent government-wide and those policies are available for all agencies to use as necessary. That is the approach we are taking.

Mr. STEED. How close to tracking this idea are you now?

Mr. FETTIG. Very close. As I said, we have the writers actually now being trained how to write. The first session, I believe, is next Monday. Their target is to finish putting out new pieces of the regulation for public comments by next January, and I have set down a planning date of August 30, 1979, that we will be ready to publish a brand-new regulation for the entire Federal Government.

That is assuming—Congress may not want to reauthorize, but we will accomplish a major regulatory overhaul.

RELATIONS WITH OTHER AGENCIES

Mr. STEED. In regard to the General Services Administration, is that a fairly large part of your problem you are studying, and where are you with regard to bringing them on line?

Mr. FETTIG. They are a large part of the problem, and let me first, before I talk about how we are working with them, let me sort of describe the problem we have had.

GSA, as intended by Congress in the Federal Property Act, was to be sort of the central warehousing and buying agency to get the economies. As the GAO pointed out, the agencies are not using them up to half the way they should be. Now, the reasons they are not is because our procurement methods have gotten out of date.

Take soap powder, for example. GSA, under the law, is supposed to buy all these commodities, stock them and distribute them on volume discount. In this case, and many others, they have written their own specification for soap powder, not like Ajax or anything like that. The agency gets deliveries; they get a product that they think is inferior to what they can buy in the supermarket, and they don't buy it. So we are attacking what we think is the underlying problem, trying to get a more flexible specification approach, the use of multiple award schedules for commercial products so the agencies can get the benefits of discount, but they can get what you and I can buy, in the open market competition.

As to what we are doing specifically to work with them, let me first mention, I am designated as one of the steering group members on the President's administrative services reorganization project. Jay Solomon, the GSA Administrator, is the chairman of that group. We are going to be attacking this problem directly and building in a national supply system approach that the President will be considering later this year to get streamlining on warehousing, stocking specifications.

In addition, the Federal Supply Service is working with us closely now to clean house on all these specifications that have grown up over the years, crazy things like the mousetraps and soap powders, and things that are costing us extra money for products that are obsolete and nobody wants to use. That is the two main areas we are working in.

INTRODUCTION OF NEW ITEMS

Mr. STEED. There is another factor, as I understand it, which is the brand new item, something that has heretofore been nonexistent. Does your system include a mechanism so that the introduction of new items in the procurement stream can be uninterrupted?

Mr. FETTIG. Most important, we are trying to design our system that way. The way we are going to get that is almost automatic. Wherever possible, we are trying to describe the government's need in terms of the job we need done and not the product we are going to buy. That way, when the marketplace develops new products, everything from the audio cassette, if the government states it needs in terms of basic functions a cassette that fits standard dimensions, we can get the benefit of those ongoing new product developments.

Today, we don't in many cases because the government defines a special product. In terms of those cassettes, we have had specifications on the oxide coatings. Nobody makes them, so we get a special manufacturer who supplies only Uncle Sam and Uncle Sam doesn't get the best product, and it pays more for it.

In a very real sense, we have our eye on trying to get us the benefit of this new product development, absolutely.

Mr. STEED. You have an item in your request for \$50,000 under what you describe as "for other services." Could you give us a summary of that?

Mr. FETTIG. If I might express my confidence in my budget support people, and ask which item you are referring to, I would ask them to explain the breakdown.

Mr. STEED. Well, I would assume it pretty well is what it says it is, but I wondered if there is any special study.

Ms. BALDWIN. No, this is pretty well what it says it is, Mr. Chairman.

COOPERATION WITH FEDERAL AGENCIES

Mr. STEED. You seem to have arrived at a level of cooperation with the affected agencies that is acceptable and satisfactory to you. Are you running into any serious difficulties about a willingness of the agencies to forge into this system?

Mr. FETTIG. Yes, in selected individuals and selected subagencies, there is a great reluctance to cooperate on many occasions. However, and let me say strongly, we couldn't be doing what we are and making as much progress as we are now if it hadn't been for the overall fact that we are getting extraordinary cooperation.

Let me give the best example, the Defense Department. They are the giant in government contracting. They have always felt for years and years, and properly so, that the whole system of government procurement ought to mimic them. After all, they are two-thirds of the money spent—anybody wanting to do differently, let them follow. That is an overcharacterization in attitude. In 1974, when Congress passed a law creating the office, DOD didn't want it. None of the other executive agencies wanted it. They preferred to do their own thing.

Now, however, with the new appointees in the Carter administration, there has been a new attitude of cooperation, realizing that we can learn from each other. Dr. Perry, I mentioned earlier, is outstanding. We work closely with him and his staff. The General Services Administration has been outstanding, as well. I would have to mention Jay Solomon and Bob Graham and the Commissioner of ADTS, as well, Frank Carr, and Mr. Shea, the Public Building Service. We have had good cooperation. Those people and those new appointees tended to overcome some of the lower level reluctance.

FEDERAL PROCUREMENT INSTITUTE

Mr. STEED. For clarification, am I right in presuming what was the Federal Procurement Institute in the Defense Department now is a part of your operation?

Mr. FETTIG. It is much more tightly integrated now, that is correct. That is partially at the direction of the conferees in last year's bill. That was a move that the Congress did direct. Where we stand now is we, myself, in particular, in OMB, do go through the Federal Acquisition Institute budget carefully. As I said, we did that this year and took 30 percent off Jack's original request.

The Department of the Army, let me point out, is sort of the womb for the Institute. We buy the space, for example. They are physically located in the DARCOM Building in Alexandria. A lot of administrative details are handled through the Army system. That is a leftover of the Defense Department being the executive agent.

Jack, I know, has some difficulties in those arrangements, but it is certainly workable.

Mr. STEED. That leaves the goals and the directions under what would amount to a single command?

Mr. FETTIG. No, not at all. The Army is purely and simply the administrative home for the Institute. I chair the interagency policy board that provides Jack his direction on the training needs for all the executive agencies. That is a balanced board. I have assistant secretary representation from all the key procuring agencies, Defense, HEW, Transportation. So he gets interagency guidance.

AUTHORITY OF OFFICE

Mr. STEED. Now, when you have a conclusion made and a decision made, does this become mandatory, then, for all affected agencies? Does this become the new form and the elimination of all the ones that it deals with?

Mr. FETTIG. We do have, through the law, Public Law 93-400, that final authority to override procurement contract related policies and procedures. That is right.

Mr. STEED. What about the procurement utilization of automated data processing? Are you making headway, both with the hardware and software and the absorption of any surplus capacity that exists?

Mr. FETTIG. That is a multi-dimensional problem. We are participating as one part of it in a couple important ways. First of all, I have detailed one of my staff to work full-time on the President's ADP organization project. There are two policies we are administering in OFPP that impact on it.

The first is, as I mentioned, A-109, on how we buy major systems. Many large computer systems fall in the category; they are a high-enough dollar threshold. With regard to the principle of good acquisition, we are trying to inculcate the principle in the way we buy computers as well; for example, not automatically assuming you have to buy the same kind of main frame equipment, have you looked at other alternatives, including lease options? A-109 gets in there as well. We are coordinating carefully on those principles. I have had extensive discussions recently with House Appropriations Committee staff, Chairman Brooks' staff, ADP staff, and GSA trying to get a better handle on the front-end controls, how we plan these buys.

The second area where we impact on the computer problem is on A-76, a circular on make or buy. To an increasing extent, computers and their operation are being done in-house. I think across-the-board 25 percent and a growing fraction is being done in-house. As we finalize our proposals on new contracting-out initiatives, we plan to follow up to take a special look at what this implies for computer operations, that being such a large problem. We don't want to inadvertently cause major fluctuations in the operation of the computers, so in those two regards we are heavily concerned about ADP through the President's reorganization project in particular.

Mr. STEED. It may be unfair, but over the years I have kind of reached the conclusion that when agencies have a need or develop a need for ADP that in the process of bringing that state of mind into focus for decision, they sort of want to assert an independence and freedom from any other involvement.

Are you finding that type of attitude a problem yet in trying to get a greater coalition or consolidation of these various needs?

Mr. FETTIG. I directly don't find that to be a problem. It is not within the purview of my responsibility. But I can say in our job of trying to propose and develop better management principles, I am certainly aware of the problems that, for example, the GSA will have in their attempts to implement the terms of the Brooks Act. Their responsibilities to look at these new requirements and yet their inability to really change the details leads to a lot of conflict between the agencies, and they feel they have the basic needs well laid out and GSA, by law, is being asked to offer other alternatives.

The friction point is certainly there, Mr. Chairman. It generally makes itself manifest in relationships between GSA and the other agencies, not so much through my responsibilities.

Mr. STEED. I don't want to go in any detail, but there have been a number of times we thought we had worked out a very economical approach to a problem and a year or two later we find out they have gotten into the world of ADP on an independent basis with surpluses of their own, hunting for a customer. So we always keep talking about consolidating all of this, but it just seems to me, I have the impression, it has a tendency to increase all the time and not to consolidate.

Mr. FETTIG. I think you would find most folks I deal with share your concern and agree it is a problem. I think it is a primary focus in the President's ADP reorganization study. Mr. McIntyre has expressed to me, also, his concern over that issue.

Mr. STEED. I have a few questions here Mr. Roybal, a member of the subcommittee, has submitted, which you can provide answers for.

Mr. FETTIG. Fine.

[The information follows:]

1. Can you bring us up to date on your efforts to establish uniform procurement regulations for all agencies?

The Federal Acquisition Regulation (FAR) project was formally set in motion by letters dated Jan. 31, 1978 from Lester A. Fettig, Administrator for Federal Procurement Policy to Dale W. Church, Deputy Under Secretary of Defense and to Joel W. Solomon, Administrator, General Services Administration. DOD and GSA were requested to play a lead role to assist in developing a single Government-wide procurement regulation. [The objective is to reduce the proliferation of regulations; eliminate conflicts, redundancies and inconsistencies; provide a regulation that is simple, clear and understandable; provide one face to industry; and eliminate unnecessary burdens on the economy, organizations, and individuals.]

In response to the OFPP request, DOD and GSA have established FAR project offices with approximately 40 people in the DOD office and 20 people in the GSA office. On March 27 the OFPP Administrator presided over a combined FAR project writers kick-off meeting. On April 5 the OFPP held a Public Meeting to explain the FAR project and to receive views on public participation in the FAR development process. April 11 marked the beginning of special training

classes conducted by the Writers Center to be given to all FAR writers, reviewers and supervisors. The course is especially designed to teach clear writing and regulation simplification techniques. Both project offices are in place and work has begun. First drafts will be produced incrementally until Jan. 1979. The review and finalization process will continue until the target completion of Aug. 1979.

2. Last year I introduced HR 9657 to establish uniform procedures in the procurement, production, and distribution of audiovisual materials by all agencies.

(a) What is OFPP's position on my bill?

The Administration opposed HR 9657. The bill would have set up another governmental commission without any demonstration that consolidation of Federal audiovisual procurement and management activities in the commission would cut overall cost, develop greater skills in procurement, or provide each agency the flexibility needed to deal with its requirements. The Administration is in favor of efforts to cut Federal costs and improve administrative procedures, but we do not believe that there was a showing that the bill would have produced such results.

(b) What efforts has OFPP undertaken to bring about uniformity in this area?

OFPP has initiated two basic actions to improve Federal audiovisual procurement and management. These actions are:

- (1) OFPP has drawn up a new motion picture contracting system for Federal agencies in order to reduce waste and inefficiency in this area of Federal spending. Individual Federal agencies currently use their own forms and procedures in contracting for films. In order to make films for the government, the private producer must contact each agency directly and attempt to qualify under the agency's own procedures and standards. As a result of the diversity and difficulties encountered in attempting to contract with multiple agencies, many good producers have stopped seeking government business. OFPP's proposed uniform contracting system was reviewed at a public meeting held on November 16, 1977. Many views and comments were received, these views and comments are now being considered

and it is expected that a uniform government-wide policy will be formally promulgated around the end of August 1978.

- (2) OFPP has developed a proposed OMB circular containing comprehensive policies for approving Federal audiovisual management. A draft of the circular was published for public comment in the Federal Register on June 21, 1977. All comments received have now been evaluated and we expect to issue the circular by May 1, 1978. The circular, when issued, will centralize all audiovisual policy guidance in one document and will implement many recommendations contained in past management studies of Federal audiovisual practices.

3. What efforts has OFPP undertaken to ensure that all Federal agencies do their share of contracting with minority business firms?

We have adopted, with Presidential approval, a policy for increasing subcontract awards to minority business enterprise. This policy requires, as a condition to award, an approved plan for subcontracting to minority-owned firms. We are a key participant in the Interagency Council on Minority Enterprise, Small Business Administration's 8(a) Review Committee. We are rendering extensive support to the White House in this policy area.

4. Existing procurement regulations require competition. I also realize that in many agencies, sole source procurement is the general rule, rather than the exception. What efforts has OFPP undertaken to make sure that the government derives the maximum benefits possible from the competitive system?

OFPP supports the enactment of S. 1264, the Federal Acquisition Act of 1977", which would severely restrict the area of sole source procurement. It would facilitate greater competition by requiring the use of functional specifications rather than detailed specifications to the maximum extent practicable. This would increase effective competition by permitting a range of distinct products or services to qualify in response to a solicitation.

In addition to its support of this new legislation, OFPP has also recently reminded the Heads of Executive Departments and Establishments of the requirements for maximum practicable competition under current statute and regulations. A Government Accounting Office report dated 9/15/77 highlighted the incidence of non-competitive purchasing in several civil agency activities. A copy of OFPP's letter to the Agency Heads on this matter is attached.

JAN 25 1978

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS**SUBJECT: Competition for Negotiated Procurement**

The General Accounting Office (GAO) recently issued its report titled "Competition For Negotiated Government Procurement Can And Should Be Improved" (Report B-160725 dated September 15, 1977). The report is based on a survey of procuring activities in five major civilian agencies, and is critical of the extent to which they procured noncompetitively, without adequate justification for not seeking competition.

While it might be unfair to conclude that the situation in every agency is similar to that found in the procuring activities which were surveyed, the results of the GAO survey do at least signal the need for some management attention. We need to ensure that the use of noncompetitive procurement is adequately justified in every instance.

In commenting to the GAO on a draft of this report, we stated that we believe the existing regulations establish adequate requirements for justifying and minimizing noncompetitive procurements. We did note, however, that the Armed Services Procurement Regulation (ASPR) includes a requirement for approval as a level above the contracting officer prior to entering into noncompetitive procurements over \$10,000. The Federal Procurement Regulations (FPR), which govern procurement by civil agencies, do not currently include this review requirement. This additional review should have some inhibiting effect, and we have directed the FPR staff in the General Services Administration to amend the FPR to include this requirement.

Two other ongoing efforts in the Office of Federal Procurement Policy also relate to this matter and are worth noting. The first is our strong support of S. 1264, the "Federal Acquisition Act of 1977." We believe that this bill's stringent requirements for justifying noncompetitive procurement will significantly reduce the use of this method. Second, we are putting the finishing touches on a Federal Procurement Data System, which we hope can be operational by October 1, 1978. This system will provide timely procurement management data on a Government-wide basis, which will include information as to the extent of competition. The greater visibility of agency performance in this respect should enable management to take more timely corrective action.

In the meantime, I urge you to take whatever steps are necessary to insure compliance with policy and regulations in this matter.

Sincerely,

/s/ Lester A. Fetting

Lester A. Fetting
Administrator

Mr. STEED. Mr. McEwen.
 Mr. McEWEN. No questions.
 Mr. STEED. Mr. Patten?

ACCOMPLISHMENTS

Mr. PATTEN. I was wondering if there is any place you would look back on the year in your summary and tell us what you thought you had accomplished during the year to justify the budget. Is there an area in which you got special satisfaction?

Mr. FETTIG. Hamburger and mousetraps.

I am sorry. I discussed it before you came in.

Mr. PATTEN. You don't need to repeat it.

Mr. FETTIG. I beg the indulgence of the Chairman. We converted a quarter billion dollars' worth of Defense food buying from some very complicated specifications that drove us away from competition. We just recently converted that to more simple specifications to buy it just the way restaurants do and get more of the major meat suppliers in and prices are coming down.

The mousetrap is symbolic. We had a specification that was 120,000 words and two-and-one-half-inches thick. We cut it to one page. We can buy what the manufacturers make. Those are two examples of something we have done as part of the overall program.

The other thing I mentioned is we were well on the way to rewriting a single contract regulation for the whole Federal Government. We have the writing teams in place. They are being taught how to write simple English and in 18 months we plan to have one instead of 62 sets of regulations.

Mr. PATTEN. Do you do any monitoring of the Defense appropriations?

Mr. FETTIG. Not in a direct sense, no. We are not involved in the detailed line items, only in the management policies and the way contracts are executed, not in the individual appropriations per se.

Mr. PATTEN. Do you find these other departments are willing to cooperate with you?

Mr. FETTIG. To a large degree, surprisingly so. As I related to the Chairman, the history of the office was for all the agencies not to want to be there. OMB is looked on already as too much of an intervenor, but over the last year we have gotten outstanding cooperation. The Defense Department, in the meat area, is one example. Dr. Perry, the Under Secretary, is testifying, supporting our A-109 now with Mr. Ichord. The Veterans Administration voluntarily came along with us, HEW, and DOD, to have only one agency to start buying our medical supplies, bandaids, and so forth. We were duplicating those services. Without that cooperation we couldn't be making the progress we are.

Mr. PATTEN. A couple years ago, we allowed them to go and make purchases up to \$10,000 without a lot of red tape. From my district it looked beautiful, like we did the right thing. A fellow wants something at Fort Monmouth, or some other facility, he could get to it and get it done. He doesn't need the architects or a lot of red tape, and he can call the local painter and get it done quicker. The purchasing agents in both civil and defense groups in

my area all say it is better to allow them to go to \$10,000. Do you have a feeling on it?

Mr. FETTIG. I do, and I appreciate that input because I have been getting a lot of adverse reaction lately, too. That was an effort that came out of the overall program. It was a law that raised the ceiling. That was necessary. It was the 93rd Congress, I think.

Now, I get positive feedback like you do from the 40,000-odd contracting people who find it simpler, but there are other people who say we may be losing some discipline. Before that, the threshold was down to \$2,500, and they say, well, you know, I don't trust the people who are running the system and I have made it easier for them, and if you take that attitude, you say I have lost checks and balances, I haven't put them through the paper work.

I appreciate hearing that because on balance I think it was an appropriate move and the administration has supported similar moves, by the way, in legislation that is pending on the Senate side to clean up other thresholds.

But I do want to make the point to some people it is controversial because they feel it is a relieving of the checks and balances otherwise imposed on the contracting officers.

IMPACT OF FEDERAL PROCUREMENT

Mr. PATTEN. You mentioned that it was in terms of a couple of years. I remember when Harry Truman was chairman of a committee and was kept on the front page with his oversight of Defense contracts. And everybody felt he did a wonderful job, and that helped him into the Presidency of the U.S. So trying to get a handle on these budgets is very difficult.

But sitting here, I know this is such a big subject that you can earn your pay, and you can help a lot of little people, businessmen, who would stay away from doing business with the government. They are not going to have counsels, lawyers down here, lobbyists, and everything else to get a little contract, and I think they are getting more business than they did before. This is an enormous thing in terms of, well, 25 percent of the economy, I think, in the Federal budget, aren't we, in one sense of the word?

Mr. FETTIG. I believe it is around 22, in that area, and the President wants to keep it there and lower.

Mr. PATTEN. You are a big factor.

I am just going to make one observation, Tom, and I hope somebody writes it up like Tiger Teague. We went into the space program. Kennedy said we would reach the moon this decade. We do this tremendous job with 500,000 people in a program. I think they were as clean as a hound's tooth. I can't remember any scandal with those old scientists and the like. I think they are beautiful, and I don't think the story has ever been told. It isn't because people didn't audit them. I know Congressmen talked to subcontractors, visited the sites, and I am under the impression that NASA and the like has really had a marvelous record. But nobody says that.

I think there are other areas in government which are beautiful. They carry on with integrity and efficiency, but don't get much publicity. So I know you have a big job. It is too big for Congress. We have people calling us all the time, and they always have a

complaint. This whole question of purchasing for the Federal Government is an enormous thing.

So you have a big job, and I hope when you get through, you will look beautiful, like Harry Truman.

Mr. FETTIG. I hope so, too.

Mr. PATTEN. I have no questions, Mr. Chairman.

Mr. STEED. Thank you.

Thank you, Mr. Fettig, and your associates, for your appearance and cooperation, and information, and we appreciate it very much. We will send the questions with the transcript.

Dr. Bennett, we hope that you continue to do a good job, too, and next year, if we are all here, we get more continued good reports.

Dr. BENNETT. Thank you. We think people are one of the most important products that we have.

[The justifications follow:]

JUSTIFICATION OF ESTIMATES FOR 1979
 WORKLOAD STATEMENT OF THE
 OFFICE OF FEDERAL PROCUREMENT POLICY

General

- o P.L. 93-400 established OFPP.
- o Recommended by Commission on Government Procurement (COGP) (P.L. 91-129).
- o Directive authority over all Federal agencies on procurement-related policies, regulations, procedures and forms.
- o Office has eight specific functions assigned to it by Congress, but can draw on "lead agency" resources for reform initiatives, interagency working groups, and research and consultant services acquired by contract.
- o A planned permanent staff of 20 professional and 5 support personnel.

Significant Workload Summary

Acquisition Law

- o Preparation, clearance, and support of legislation.
- o Provides support and advice to the Administrator and other personnel of OFPP on a broad range of policy problems involving complex and controversial legal issues.

o Takes the lead in some 50 areas identified by the Commission on Government Procurement requiring statutory action.

o Will develop policies and procedures concerning the Federal contract aspects of patent law and copyrights; contract litigation in the Federal Judicial system, Administrative Boards, Renegotiation Board, protests of Contract awards to the Comptroller General, and general contract administration.

o Works in setting broad uniform policy for the application of socio-economic factors to Government procurement; contract disputes and remedies; disbarment and suspension practices; the Freedom of Information Act; the Privacy Act; Indemnification, foreign contracting procedures; Labor law; and small business and labor surplus contracting; support of minority entrepreneurship programs.

o Efforts will continue to implement fully the small business master plan developed by OFPP, including making the Commerce Business Daily more useful to the small entrepreneur; and making the procurement process more responsive to minority business.

Regulations and Procedures

o Preparation and procedures to develop an integrated uniform procurement regulatory system to simplify the solicitation, award, and administration of Federal contracts.

o Will establish a system for collecting and disseminating procurement data to meet the needs of Congress and the Public.

- o Identify and examine alternative strategies for the acquisition of major systems and super systems similar to Apollo.
- o Develop Governmentwide policy for the control of management systems and data required of contractors and follow through during the year.
- o Coordinate, monitor and develop policy covering government-sponsored attendance at conventions, symposia, and conferences.
- o Develop policy on Research and Development uniformly to be applied to Federal agencies to encourage innovation and improve U.S. technology base.

Logistics

- o Continue efforts to strengthen compliance with the national policy of reliance on the private sector to meet public needs.
- o Develop an effective National Supply System to consolidate Government-wide purchase, warehousing, and distribution of common off-the-shelf commercial items.

- o Formulate plans and develop policies for Federal use of and participation with voluntary consensus commercial standard-setting bodies for commercial specifications and products.
- o Develop policies requiring agencies to charge commercially equivalent rents for real property and related services provided to non-Federal activities (e.g., commercially owned and operated cafeterias).

o Review and improve Federal construction procurement and techniques for obtaining better interagency coordination on construction matters.

o Followup and evaluate status of the 149 recommendations of the COGP for reporting to the GAO and Congress.

o Support efforts to obtain enactment of a procurement statute that consolidates the Armed Services Procurement Act and Title III, Federal Property and Administrative Services Act.

o Develop techniques that increase competition in the procurement of professional services, improve the management of procurement by recipients of Federal Assistance, and that stimulate multiagency cooperation in promoting research in procurement policies and procedures and improvement of the procurement workforce.

o Emphasis will continue on procurement policy matters as they relate to intergovernmental affairs, the model procurement code for state and local governments, and procurement under federal assistance programs.

Systems and Technology

o Complete the review and approval of agency implementation of Major System Acquisition Policy (OMB Circular A-109), verifying agency compliance, and participate in resolving implementation problems.

o Examine selected acquisitions to find means of improving the timeliness and effectiveness with which changes are contractually accommodated.

o Establish a capability for use of Federal supply schedules by overseas activities for local delivery.

Commercial Products

o Work initiated on the application of the policy requiring the purchase of market acceptable commercial, off-the-shelf products will continue during FY 1979.

o Work to centralize and economize on the Federal Government's system of buying prescription drugs and medical devices and assuring the quality of these items procured by Federal agencies.

o Establish a single system under the Department of Agriculture for assuring the quality of food purchased by Federal agencies and for providing food marketing information to Federal food purchasers.

Labor Affairs and Personnel

o Labor affairs and personnel considerations as they relate to the procurement workforce will continue to demand our attention.

o The Federal Procurement Institute, now operational, will be monitored by OFPP as it develops research programs, curriculum, and other activities for training personnel, for career enhancement, and for strengthening contracting officer qualifications.

SUMMARY OF INCREASES AND DECREASES
1979 BUDGET REQUEST

Fiscal Year 1978:

Appropriation - Office of Federal Procurement Policy--authorized 30 permanent full-time positions and 30 person years of permanent employment	\$1,840,000
Appropriation - Federal Procurement Institute	1,000,000
Proposed Supplemental to cover cost of pay increase, E.O. 12010	<u>50,000</u>
Total estimated obligations--1978	\$2,890,000

Fiscal Year 1979:

Base for 1979 (reflecting reduction of 1978 pay costs for E.O. 12010)	\$2,840,000
Increases:	
Full year cost of E.O. 12010	51,000
Positions other than permanent	175,000
Rent, communications, and utilities; Standard Level User Charges	32,000
Printing and reproduction	90,000
Other services	1,073,000
Decreases:	
Permanent positions	191,000
Other personnel compensation	2,000
Personnel benefits	3,000
Rent, communications, and utilities; other Equipment	<u>10,000</u> <u>15,000</u>
Total estimated obligations and Budget Request for Fiscal Year 1979	\$4,040,000

FUNCTIONAL STATEMENT OF THE
OFFICE OF FEDERAL PROCUREMENT POLICY

P.L. 93-400 established the Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget and mandated that it improve the economy, efficiency, and effectiveness of the procurement process by providing overall direction of procurement policies, regulations, procedures, and forms. Establishment of the OFPP implemented the first recommendation made by the Commission on Government Procurement (COGP) in its report to Congress in December 1972. The OFPP authority applies to procurement by executive agencies and recipients of Federal grants or assistance of:

- property, other than real property in being;
- services, including research and development; and
- construction, alteration, repair, or maintenance of real property.

The Office provides a focal point responsive to the needs of Congress, executive agencies, and the public for information and advice concerning Government procurement.

P.L. 93-400 prescribes the following duties, responsibilities, and functions for the OFPP:

1. Keeping the Congress and its duly authorized committees fully and currently informed of the major activities of the OFPP, including prior notification of major policy matters.

2. Consulting with affected Federal agencies, including the Small Business Administration, on matters regarding procurement policies, regulations, procedures, and forms.

3. Establishing a system of coordinated, and to the extent feasible, uniform procurement regulations for the executive agencies.

4. Establishing criteria and procedures for an effective and timely method of soliciting the viewpoints of interested parties in the development of procurement policies, regulations, procedures, and forms.

5. Monitoring and revising policies, regulations, procedures, and forms relating to reliance by the Federal Government on the private sector to provide needed property and services.

6. Promoting and conducting research in procurement policies, regulations, procedures, and forms.

7. Establishing a system for collecting, developing, and disseminating procurement data which takes into account the needs of the Congress, the executive branch, and the private sector.

8. Recommending and promoting programs of the Civil Service Commission and executive agencies for recruitment, training, career development, and performance evaluation of procurement personnel.

To perform the role Congress envisioned, the OFPP staff is currently organized into the following functional areas:

Acquisition Law (Estimated position requirements: 1978-3; 1979-3).

Duties in this area include establishing and coordinating policies on the Federal contract aspects of patents, copyrights, matters before the Negotiation Board and other Federal tribunals, contract litigation in the Federal judicial system and Administrative Boards, and protests of contract awards. Debarment and suspension practices; extraordinary contractual actions; Freedom of Information, Administrative Procedures, and Advisory Committee Acts. Indemnification for unusually hazardous risks, and foreign contracting are some of the specific matters assigned. Policies and procedures for implementing numerous socio-economic programs through Government contracts such as small business and labor surplus area contracting, minority entrepreneurship, equal employment opportunity, and such labor relations statutes as wage and hour work standards, Walsh Healey, Davis Bacon, Service Contract Act, Occupational Safety and Health fall within this area. Because of the high legal content in procurement matters, this functional area works closely with other OFPP organizational elements in providing advice and counsel to them.

Logistics (Estimated position requirements: 1978-4; 1979-4). 1979-4-1.

Major duties assigned to this area concern logistics policies and practices, and the Government's policy of relying on the private sector for property and services. Logistics functions include property management, utilization and disposal, supply, storage and distribution, communications, and traffic management. One of the major functions is the development and

administration of policies and practices used throughout Federal agencies in determining whether Government-owned resources or contracts with the private sector should be employed to satisfy Government needs (OMB Circular A-76). The logistics area encompasses those policies under which the National Supply System is established and operated, including interagency relationships involving the procurement and supply of common-use items and Federal use of and participation with voluntary consensus standards setting bodies for commercial specifications and products.

Labor Affairs and Personnel (Estimated position requirements: 1978-2; 1979-1).

This functional area recommends and promotes programs designed to assure that the Government work force in procurement is properly selected, trained, and maintained. This includes the organizational placement of procurement; and the recruitment, career development, education and training, and performance evaluation of procurement personnel. The monitoring and surveillance to insure effective operation of a Federal Procurement Institute, wholly responsive to the Government's needs for the development, maintenance, and monitoring of an effective and efficient procurement work force and procurement research, is the highest priority duty in this organizational element.

Regulations and Procedures (Estimated position requirements: 1978-9 1979-8).

The major function of this area is the establishment and coordination of a system of consistent, and to the extent feasible, uniform procurement policies, regulations, procedures, and forms for use by executive agency procuring

Commercial Products: (Estimated position requirements: 1978-3; 1979-3).

Major duties assigned include the development and oversight of procurement policies and guidelines requiring agency purchases of commercial off-the-shelf products for supply to Government users through commercial distribution channels. Review and scrub-down of specifications will be fostered and tie-in to the proposed National Supply System augmented. Programs to eliminate unnecessary duplication in how the Federal agencies procure prescription drugs, medical devices, food and meat will be analyzed and policies developed.

activities. Other responsibilities include the establishment of policies for: (1) procurement matters involving grant and Federal assistance programs; (2) contracting for architect-engineer and other professional services; (3) a system for collecting and disseminating procurement data to meet the needs of Congress and the public; (4) improving Federal construction procurement; and follow-up status of COGP recommendations for reporting to the GAO and Congress. Also, policy considerations related to advertised and negotiated procurement, simplified purchase procedures, multi-year procurement and construction contracting are the responsibility of this area.

System and Technology (Estimated position requirements: 1978-4; 1979-4).

Duties assigned to this area include establishing and coordinating policies for: (1) acquisition of major systems and subsystems, including statements of requirements, solicitation and source selection of system and subsystem contractors, competition, and risk analysis; (2) the processing of unsolicited research and development proposals, cost recovery and cost sharing, and hardware exclusion provisions; and (3) prescription of management systems and data required of contractors. Policies related to research and development also cover the operation of Federally Funded Research and Development Centers (FFRDCs), cost principles for independent research and development (IR&D) and bid and proposal (B&P) costs, and the relationship of Federal laboratories and Government contractors. Coordinate and monitor policy on the use of consultants and Government-sponsored attendance at symposia, conventions, and conferences.

A Summary of the Status of the
COGP Recommendations follows:

Executive Branch Positions Established	--	130
Accepted	--	115
Rejected	--	15
Executive Branch Positions in Process	--	<u>19</u>
<u>Of those Accepted</u>		
Implementation completed	--	19
Legislative required	--	18
Still in process	--	<u>78</u>
	--	115
<u>Rejected</u>	--	15
Positions not yet established	--	<u>19</u>

Information Required by Section 2369 of the
Legislative Reorganization Act of 1970

General Accounting Office (GAO) Reports 1977

- o Numerous reports were compiled by the GAO during the FY 1977. Where recommendations were made by GAO involving OFPP, they were either accepted and action initiated, or reasons furnished as to why the recommendations were not feasible.
- o These reports contribute to OFPP workload and are assigned to the applicable work area for timely response and handling.
- o An average of 10-12 reports a year involve our Office in some form or another.
- o Tied in with these reports is the requirement for tracking and furnishing the progress made on the 149 recommendations of the Commission on Government Procurement (COGP).

JUSTIFICATION OF ESTIMATES FOR 1979

WORKLOAD STATEMENT OF THE
OFFICE OF FEDERAL PROCUREMENT POLICYGeneral

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o Works in setting broad uniform policy for the application of socio-economic factors to Government procurement; contract disputes and remedies; disbarment and suspension practices; the Freedom of Information Act; the Privacy Act; Indemnification, foreign contracting procedures; Labor law; and small business and labor surplus contracting; support of minority entrepreneurship programs.

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Standard Level User Charges	32,000
Printing and reproduction	90,000
Other services	1,073,000
Decreases:	
Permanent positions	191,000
Other personnel compensation	2,000
Personnel benefits	3,000
Rent, communications, and utilities; other	10,000
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3. Establishing a system of coordinated, and to the extent feasible, uniform procurement regulations for the executive agencies.

4. Establishing criteria and procedures for an effective and timely method of soliciting the viewpoints of interested parties in the development of procurement policies, regulations, procedures, and forms.

5. Monitoring and revising policies, regulations, procedures, and forms relating to reliance by the Federal Government on the private sector to provide needed property and services.

6. Promoting and conducting research in procurement policies, regulations, procedures, and forms.

7. Establishing a system for collecting, developing, and disseminating procurement data which takes into account the needs of the Congress, the executive branch, and the private sector.

8. Recommending and promoting programs of the Civil Service Commission and executive agencies for recruitment, training, career development, and performance evaluation of procurement personnel.

To perform the role Congress envisioned, the OFPP staff is currently organized into the following functional areas:

Acquisition Law (Estimated position requirements: 1978-3; 1979-3).

Duties in this area include establishing and coordinating policies on the Federal contract aspects of patents, copyrights, matters before the Renegotiation Board, and other Federal tribunals, contract litigation in the Federal judicial system and Administrative Boards, and protests of contract awards. Debarment and suspension practices; extraordinary contractual actions: Freedom of Information, Administrative procedures, and Advisory Committee Acts. Indemnification for unusually hazardous risks, and foreign contracting are some of the specific matters assigned. Policies and procedures for implementing numerous socio-economic programs through Government contracts such as small business and labor surplus area contracting, minority entrepreneurship, equal employment opportunity, and such labor relations statutes as wage and hour work standards, Walsh Healey, Davis Bacon, Service Contract Act, Occupational Safety and Health fall within this area. Because of the high legal content in procurement matters, this functional area works closely with other OPPP organizational elements in providing advice and counsel to them.

Logistics (Estimated position requirements: 1978-4; 1979-4). 1979-4-1.

Major duties assigned to this area concern Logistics policies and practices, and the Government's policy of relying on the private sector for property and services. Logistics functions include property management, utilization and disposal, supply, storage and distribution, communications, and traffic management. One of the major functions is the development and

administration of policies and practices used throughout Federal agencies in determining whether Government-owned resources or contracts with the private sector should be employed to satisfy Government needs (OMB Circular A-76). The logistics area encompasses those policies under which the National Supply System is established and operated, including interagency relationships involving the procurement and supply of common-use items and Federal use of and participation with voluntary consensus standards setting bodies for commercial specifications and products.

Labor Affairs and Personnel (Estimated position requirements: 1978-2; 1979-1).

This functional area recommends and promotes programs designed to assure that the Government work force in procurement is properly selected, trained, and maintained. This includes the organizational placement of procurement; and the recruitment, career development, education and training, and performance evaluation of procurement personnel. The monitoring and surveillance to insure effective operation of a Federal Procurement Institute, wholly responsive to the Government's needs for the development, maintenance, and monitoring of an effective and efficient procurement work force and procurement research, is the highest priority duty in this organizational element.

Regulations and Procedures (Estimated position requirements: 1978-9 1979-8).

The major function of this area is the establishment and coordination of a system of consistent, and to the extent feasible, uniform procurement policies, regulations, procedures, and forms for use by executive agency procuring

activities. Other responsibilities include the establishment of policies for: (1) Procurement matters involving grant and Federal assistance programs; (2) contracting for architect-engineer and other professional services; (3) a system for collecting and disseminating procurement data to meet the needs of Congress and the public; (4) improving Federal construction procurement; and follow-up status of COGP recommendations for reporting to the GAO and Congress. Also, policy considerations related to advertised and negotiated procurement, simplified purchase procedures, multi-year procurement and construction contracting are the responsibility of this area.

System and Technology (Estimated position requirements: 1978-4 : 1979-4).

Duties assigned to this area include establishing and coordinating policies for: (1) acquisition of major systems and subsystems, including statements of requirements, solicitation and source selection of system and subsystem contractors, competition, and risk analysis; (2) the processing of unsolicited research and development proposals, cost recovery and cost sharing, and hardware exclusion provisions; and (3) prescription of management systems and data required of contractors. Policies related to research and development also cover the operation of Federally Funded Research and Development Centers (FFRDCs), cost principles for independent research and development (IR&D) and bid and proposal (BEP) costs, and the relationship of Federal laboratories and Government contractors. Coordinate and monitor policy on the use of consultants and Government-sponsored attendance at symposia, conventions, and conferences.

Commerical Products: (Estimated position requirements: 1978-3; 1979-3).

Major duties assigned include the development and oversight of procurement policies and guidelines requiring agency purchases of commercial off-the-shelf products for supply to Government users through commercial distribution channels. Review and scrub-down of specifications will be fostered and tie-in to the proposed National Supply System augmented. Programs to eliminate unnecessary duplication in how the Federal agencies procure prescription drugs, medical devices, food and meat will be analyzed and policies developed.

Information Required by Section 2369 of the
Legislative Reorganization Act of 1970

General Accounting Office (GAO) Reports 1977

o Numerous reports were compiled by the GAO during the FY 1977. Where recommendations were made by GAO involving OFPP, they were either accepted and action initiated, or reasons furnished as to why the recommendations were not feasible.

o These reports contribute to OFPP workload and are assigned to the applicable work area for timely response and handling.

o An average of 10-12 reports a year involve our Office in some form or another.

o Tied in with these reports is the requirement for tracking and furnishing the progress made on the 149 recommendations of the Commission on Government Procurement (COGP).

A Summary of the Status of the
COGP Recommendations follows:

Executive Branch Positions Established -- 130
Accepted -- 115
Rejected -- 15

Executive Branch Positions in Process -- 19
149

Of those Accepted

Implementation completed -- 19
Legislative required -- 18
Still in process -- 78
-- 115

Rejected

Positions not yet established -- 19
149

UNANTICIPATED NEEDS

WITNESS

W. BOWMAN CUTTER, EXECUTIVE ASSOCIATE DIRECTOR FOR BUDGET, OFFICE OF MANAGEMENT AND BUDGET
MRS. VELMA N. BALDWIN, ASSISTANT TO THE DIRECTOR FOR ADMINISTRATION, OFFICE OF MANAGEMENT AND BUDGET

Mr. STEED. The committee now will take up the 1979 budget request for unanticipated needs. The appropriation in fiscal year 1978 was \$1 million, and the same request is made for 1979.

We welcome Mr. Cutter here now, and we will put your statement in the record, and you may briefly summarize it. It is not unfamiliar to the committee, but if you have any additional comments to make, we would be glad to have it here now.

Mr. CUTTER. Mr. Chairman and members of the committee, Congress recognized in 1940 the need for the President to have limited funds available to meet unplanned and unbudgeted exigencies that may arise from time to time. In 1975 the Congress changed the account title from "Emergency Fund for the President" to "Unanticipated Needs" and reduced the appropriation from \$1,000,000 to \$500,000. In 1976, 1977, and 1978, the appropriation was restored to \$1,000,000. The fiscal year 1979 budget request for the President's Unanticipated Needs appropriation is again \$1,000,000.

Allocations made in 1977 to the Commission on Executive, Legislative and Judicial Salaries and the President's Commission on Mental Health exemplify the President's need for available funds to deal swiftly and effectively with sudden emergencies and unforeseen problems. I am sure you will agree with me, Mr. Chairman, that without these funds many programs would not get an early start.

To date there have been no 1978 allocations from this fund. I do have a listing with me of 1977 and prior year allocations made from this appropriation which I will be happy to make part of the record, if you wish.

Mr. Chairman, I will be happy to answer any questions you may have.

I don't really, and I know how familiar the committee is with it.

Mr. STEED. Probably the most interesting thing to us is how much of the funds has been used.

Mrs. BALDWIN. None of the funds have been used so far in 1978.

Mr. STEED. Isn't it your experience with this particular item that it is more along in the closing months of the year that the need shows up than it is in the beginning?

Mrs. BALDWIN. It has varied. Some years it will mostly be gone by this time. It really is used intermittently. Some years we turn back over half the fund, as you know. It is used for emergencies that otherwise cannot be funded. Occasionally, it is used for a committee or commission, and then the money is paid back as soon as the commission is funded.

We can give you a list for the record, if you like.

Mr. STEED. Mr. Miller, do you have any questions in talking about the unanticipated needs?

Mr. MILLER. No, I have no questions. Thank you.
Mr. STEED. Thank you very much.
[The justifications follow:]

JUSTIFICATION OF ESTIMATES FOR 1979

UNANTICIPATED NEEDS

An appropriation of \$1,000,000 is requested for Unanticipated Needs for the President for fiscal year 1979. It's purpose is to furnish the President with funds necessary to meet unanticipated needs affecting the national interest, security, or defense, and to pay administrative expenses, including personnel, incurred with respect thereto.

The President, while directing the complex administration of the Federal Government, may be confronted at any time with unforeseen problems affecting the national interest, security, and defense. Funds must be made available when these problems arise. The funds provided for the daily operation of the President's immediate office are not intended to be sufficient to meet these types of situations.

If it were possible to foresee the situations that would necessitate prompt use of these funds by the President, the amounts would be included in regular budget proposals. It will be the practice to restrict all items charged to this account to amounts for those unanticipated needs which cannot be met from regular budget accounts. Despite this

restrictive policy, the total amount requested must be adequate to meet contingencies. The recommended minimum amount which would be appropriate for fiscal year 1979 is \$1,000,000.

In fiscal year 1978, \$1,000,000 was available for allocation. Through January 1978, no allocations have been made.

**1979 BUDGET REQUEST FOR THE OFFICE OF
MANAGEMENT AND BUDGET**

WITNESSES

**JAMES T. McINTYRE, JR., DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET**

**W. BOWMAN CUTTER, EXECUTIVE ASSOCIATE DIRECTOR FOR
BUDGET**

**HARRISON W. WELLFORD, EXECUTIVE ASSOCIATE DIRECTOR
FOR REORGANIZATION AND MANAGEMENT**

**VELMA N. BALDWIN, ASSISTANT TO THE DIRECTOR FOR AD-
MINISTRATION**

DAVID R. LEUTHOLD, BUDGET AND MANAGEMENT OFFICER

Mr. STEED. We will now go to the 1979 budget request for the Office of Management and Budget, Salaries and Expenses for 1978, the office has an adjusted appropriation of \$26,662,000 which includes a supplemental pay increase of \$857,000, and an executive supplemented pay request of \$635,000.

The budget request for 1979 is \$28,146,000, an increase of \$1,484,000. We are very glad to have the new director of the OMB with us today, Mr. McIntyre, and we will put your biography in our record at this point, and the other associates who are with you today for the first time.

[The information follows:]



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

JAMES T. McINTYRE, JR.

James T. McIntyre, Jr., of Vidalia, Georgia, took the oath of office as Director of the Office of Management and Budget at a White House Rose Garden ceremony on March 24, 1978. He is the 24th Director of OMB and its predecessor agency, the Bureau of the Budget, and the sixth since OMB was established in 1970.

President Carter initially nominated Mr. McIntyre as Deputy Director in early 1977. He was unanimously confirmed by the Senate, as he was for his present position. He served as Deputy Director from March 25, 1977, until the President named him Acting Director on September 24.

As Acting Director, Mr. McIntyre was in charge of putting together the fiscal year 1979 Federal budget -- the first full budget to bear President Carter's stamp.

OMB is responsible for the financial plans under which the nation spends about \$500 billion each year. At the President's direction, OMB has incorporated the principle of Zero Base Budgeting (ZBB) into the budget process. Under ZBB, departments and agencies assign priorities to spending programs and make special efforts to evaluate their effectiveness.

The President also has given OMB primary responsibility for charting a reorganization of the Executive Branch of the Federal government.

A native of Vidalia, Georgia, Mr. McIntyre was born on December 17, 1940. He received his A.B. from the University of Georgia and his J.D. from the University of Georgia School of Law in 1963. He is a member of the State Bar of Georgia.

In 1964, Mr. McIntyre was employed by the University of Georgia's Institute of Government and practiced law in Athens, Georgia. He served as general counsel to the Georgia Municipal Association from July 1966 to April 1970. In that capacity he represented GMA on various boards and commissions, and assisted in implementing the legislative programs affecting local governments.

In April 1970, Mr. McIntyre was appointed Deputy State Revenue Commissioner. He was appointed Director of the Office of Planning and Budget in October 1972, by then Governor Carter, and reappointed to that position by Governor George Busbee in January 1975.

As Director of OPB, Mr. McIntyre's responsibilities included managing the State's budget, and directing State efforts in planning, intergovernmental relations, management improvement, energy conservation, arts promotion, regional commissions, and Coastal Zone management.

Mr. McIntyre served as legal counsel to Governor Carter's Reorganization and Management Improvement Study in 1971, and as project director of the State and Local Government Coordination Study in 1972.

Mr. McIntyre is married to the former Maureen Ball. They have three daughters, and live in Clifton, Virginia.

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

W. BOWMAN CUTTER

W. Bowman Cutter of Waterford, Virginia, was named Executive Associate Director for Budget of the Office of Management and Budget by OMB Director Bert Lance on February 21, 1977.

Mr. Cutter was Assistant to the President of the Washington Post Company, specializing in the area of corporate planning and budgeting, from mid-1975 until last fall. He was leader of the budget analysis group in President Carter's transition organization.

Prior to joining the Post, Mr. Cutter had been Executive Director of the Cable Television Information Center and Special Assistant to the President of Northwest Industries in Chicago. He was staff and research director in the 1970 campaign of Senator Adlai Stevenson (D-Illinois). He also was a speech writer and campaign adviser for former Governor Dan Walker of Illinois.

Mr. Cutter was born in Miami Beach, Florida, on November 6, 1942. He is a 1964 graduate of Harvard and subsequently received a master's degree in anthropology and economics from Oxford University, Balliol College, and in public administration from the Woodrow Wilson School at Princeton.

For six years he lectured in economics and public policy at the University of Chicago.

Mr. Cutter lives in Waterford with his two children, Ann Grier and W. Bowman IV.

2/21/77



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

HARRISON WELLFORD

William Harrison Wellford of Kendale Farm, Chance, Virginia, was designated Executive Associate Director for Reorganization and Management of the Office of Management and Budget by OMB Director Bert Lance on February 21, 1977.

Mr. Wellford served as chief legislative assistant to the late Senator Philip A. Hart (D-Michigan) from June 1973 until November 1976. He headed the government reorganization group in President Carter's pre-inaugural transition team.

Author, attorney, lecturer and teacher, Mr. Wellford in the early 1970s was executive director of the Center for Study of Responsive Law and consultant to the same organization on food safety and environment. His writings include the book, "Sowing the Wind: Food Safety and Chemical Harvest," published in 1972.

He also has initiated several successful legal actions related to environmental and government secrecy issues.

Mr. Wellford was born in Wichita Falls, Texas, on March 22, 1940. He earned his bachelor's degree at Davidson College and master's at Cambridge University. He holds a Ph.D. from Harvard and a Doctor of Jurisprudence degree from Georgetown University.

He and Mrs. Wellford, the former Susanne Bernice Lane of Charlotte, N.C. live in Washington, D.C. They have two daughters, Susannah and Elizabeth.

2/21/77

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



DAVID R. LEUTHOLD

David R. Leuthold was designated Budget and Management Officer on January 29, 1978. Mr. Leuthold was a Budget Methods Specialist with the Budget Review Division of the Office of Management and Budget since November 1973. Prior to joining OMB, Mr. Leuthold was stationed in Falls Church, Virginia, as a supervisory auditor with the U. S. General Accounting Office.

Mr. Leuthold was born in Pittsburgh, Pennsylvania on June 21, 1947. He is a 1969 graduate of the Pennsylvania State University, where he received a degree in accounting.

Mr. Leuthold and his wife, Sandra, and two sons, Michael and Jeffery, live in Springfield, Virginia.

Mr. STEED. We will make your opening statement a part of the record at this point and ask you to highlight it in a summary sense, with emphasis on this reduction, what part is brought about by transfer function or what part is brought about by other action.

Mr. McINTYRE. Mr. Chairman, I welcome the opportunity to appear before this Committee to discuss the fiscal year 1979 budget request for the Office of Management and Budget. This is my first appearance before you in my present position, but I have been here earlier and know all of you. I have had opportunities to meet with members of this Committee to discuss many important national issues, as well as the work of the Office of Management and Budget. Your advice and counsel has been of real value to me during the past year, and I look forward to continuing this exchange of views. I want to keep you fully informed on the activities of the Office of Management and Budget.

The fiscal year 1979 budget request for the Office of Management and Budget is \$28,146,000. This represents an increase of \$1,484,000 over the \$26,662,000 we estimate to be available in 1978, which includes currently pending supplemental requests of \$635,000 to finance the cost of the executive pay raise pursuant to recommendations of the Commission on Executive, Legislative, and Judicial Salaries (Public Law 90-206), February 1977 and \$857,000 for the government-wide pay raise of last October. A major portion of the added amount is to increase personnel support for the President's reorganization program and for the related costs associated with these personnel. Another significant portion of the increase relates to increased printing costs for the budget documents and for items appearing in the Federal Register.

Before I discuss with you specific matters related to the current and proposed work program of the Office of Management and Budget, I would like to take a moment to talk about the role of the Office in the executive branch and about the work that the Office does to assist the President in preparing and executing his budget and in promoting the establishment of more efficient organization and operations within the executive branch.

The Office of Management and Budget's basic function is to manage the process of allocating finite resources among seemingly infinite potential uses and to make sure that the resources used by agencies do not exceed the amount appropriated to them.

More broadly, the Office of Management and Budget is the management assistance arm to the President. The President has many functions to perform, one of which is to oversee the activities of the executive agencies. OMB is his principal agent in carrying out this responsibility. In this connection, I would emphasize that it is not the President's or OMB's responsibility to perform the activities of the executive agencies, but he, and OMB for him, cannot abrogate his responsibility to oversee these activities.

The main objective sought by OMB in carrying out this function is to make sure that the executive agencies are responsive to the President's executive direction and that their activities are consistent with the objectives and policies established by the Congress in legislation and consistent with the President's guidance. We must also make sure that the resources allocated to the agencies are consistent with the functions charged them, and that the organiza-

tional arrangements and work processes are best suited to get the work done. Further, the Office of Management and Budget continually evaluates the performance of agencies to make sure that their programs are efficiently and effectively carried out. In a broad sense, this is the role of the Office of Management and Budget.

I would like to talk for a moment about the staff of the Office of Management and Budget. We select staff people who are as expert as we can find in analyzing organizations and programs, in applying evaluation techniques, in coming to the best judgments possible as to whether organizations and programs are effective. Most of all, we want our people to be catalytic agents who work with agencies to help make the agencies' own judgments to be the key to final decisions by the President.

I am very impressed with the quality of work by the OMB staff. I am even more impressed by the fact that quality is not sacrificed by the pressures of extremely long hours.

Having just been through my first full budget cycle, I am deeply aware of the importance of the OMB's role in developing the budget and the budget's importance to developing an improved economy and ensuring a more responsive and less costly Federal government. The Congressional Budget and Impoundment control Act have added greatly to OMB's budget and fiscal responsibilities, and our workload has increased significantly as a result.

Last year we stressed the importance of the President's reorganization program, and it is now a significant part of our present workload. As you will see from the chart in our justification materials, we have a portion of the OMB's organization devoted exclusively to reorganization. But all parts of OMB are involved to some degree in reorganization studies. The budget personnel become deeply involved when a reorganization study affects any particular part of an executive agency's functions and organization.

During our testimony here today, we will be glad to bring you up to date on particular aspects of our reorganization studies. We are ready to discuss future progress. In addition to OMB's budgetary responsibilities and reorganizational studies, its numerous other functions will continue to receive increased attention. For example, we will continue to place emphasis on reducing Federal reporting requirements, and we will continue to emphasize regulatory policy reforms.

Mr. Chairman, this concludes my opening statement. I have tried to highlight the most important responsibilities where we anticipate increased workloads for OMB. The coming year will be a challenging one for OMB.

I will be happy to answer questions you or members of the Committee may have.

SUMMARY

Mr. McINTYRE. The 1979 budget request for the Office of Management and Budget is \$28,146,000. It represents an increase of \$1,484,000 over the \$26,662,000 that we estimate to be available in 1978. This amount estimated to be available in 1978 does include a currently pending supplemental request of \$635,000 to finance the cost of executive pay raises, and \$857,000 for the government-wide

pay raise adopted last October. A major portion of the added amount is to increase personnel support for the President's reorganization program and for the related costs associated with these personnel.

Another significant portion of the increase relates to the increased printing cost for budget documents and for items appearing in the Federal Register. As you may be aware, this is the first year that we have, I believe—Mrs. Baldwin, correct me—we have actually had to pay for the items going into the Federal Register, so we expect an increase in that cost for next year.

REORGANIZATION

Mr. STEED. You make reference to the reorganization program. Could you give us a kind of brief summary of that function activity up to now, and the current status, and what the outlook for the months ahead is?

Mr. McINTYRE. Yes. As you know, last year, the President proposed and the Congress passed the authorization for the President to prepare and submit reorganization plans to the Congress. Pursuant to that authority, we asked this committee for a supplemental appropriation which was granted by the Congress, and we proceeded to prepare for the reorganization study. Last year, we completed two studies which were submitted to the Congress in the form of reorganization plans. The first plan was to reorganize the Executive Office of the President. This plan was approved by the Congress and has been—all of the executive orders implementing the plan have been completed, and we met the April 1st deadline for the implementation of Reorganization Plan No. 1 for 1977.

The second organization plan that was sent to the Congress was the plan to restructure the United States Information Agency and some of the cultural affairs and educational activities in the State Department. This resulted in the establishment of the International Communications Agency, which consolidated these functions, and that plan was also approved by the Congress.

Currently, we have one plan pending before the Congress, Plan No. 1 of 1978, which would restructure the equal employment opportunity functions in the Federal Government. We have legislation that we have submitted to the Congress that will be a part of our second reorganization plan which will deal with the reorganization of the Civil Service Commission. The plan that will accompany that legislation should be submitted to the Congress within the next several weeks. We do intend to submit several more plans to the Congress this year. However, because of the President's extensive agenda, legislative agenda, and because of the press of business in the Congress, we will probably limit the number of total reorganization plans that are submitted this year, but the important thing is to keep our studies going so that we can submit additional plans to the Congress next year for its consideration.

That is the way we are going. I have with me Mr. Harrison Wellford, our Executive Associate Director for Reorganization and Management, who might want to elaborate a little.

Mr. STEED. First give us a manpower total that you are currently using.

Mr. WELLFORD. We have 129 full-time personnel working on the whole range of activities on the management side. This is the regulatory policy effort, the administrative improvement effort, and the structural changes that the director just described. We also have detailees from a number of agencies working with us, approximately 200 working with us now. That fluctuates because once a project is completed, we send the detailees back.

We had a large number of people working with the Civil Service project at one time, and now we have less than 10 still working with us at the implementation stage.

We have a number of things that we are doing that won't result in plans, but we think are very significant. We have an ambitious cash management project underway. The goal of that project is to make Federal managers more sensitive to the time value of public money. And we expect substantial savings to come forth from that project in 1978 and 1979.

We have an ambitious administrative service project, looking at the way the government procures services, trying to evaluate the effectiveness of GSA, and, again, we expect to have substantial changes from that study, the results of which will probably be available early this summer.

So just to recap, the activities fall in three major areas: The regulatory policy and paper work; the administrative improvement, the centerpiece of which is a personnel management improvement that we have pending in Congress; and structural reform, such as reorganization of the Executive Office last year, the EEOC this year, and other reorganization plans we will be sending up to you.

Mr. STEED. In a function of this kind, since you are under legal restriction as to the salaries you can pay and you have this need for so much expertise and highly qualified workers, have you had any recruiting difficulties to achieve the level of expertise that you desire?

Mr. WELLFORD. There is always a tension between the level of expertise you would like to have in the ideal world and which resources permit. But what we have been able to do, we have had very good cooperation from members of the cabinet in giving some of their very best people to us on a loan basis. And we have gone out into the private sector and gotten excellent people to help us, where regulations permit it. We have had some people from the State and local governments also working with us.

Mr. STEED. Has the authority to use consultants helped you meet this problem?

Mr. WELLFORD. Yes, sir.

Mr. STEED. To some degree at least?

Mr. WELLFORD. Yes, sir, there is no question about that.

OMB INTERNAL REORGANIZATION

Mr. STEED. In addition to the reorganization of the whole government, what about the Office of Management and Budget, itself? I don't know whether you call it reorganization or adjustment of your functional structure. Can you tell us anything about that?

Mr. McINTYRE. Yes, sir, Mr. Chairman. As you know, last year, the fiscal 1978 appropriation allocated us 682 permanent positions and a total budget authority of \$28,830,000. There have been a

number of transfers out of the Office of Management and Budget as a result of the reorganization plan, and I will be glad to submit to the committee, and for the record, the transfers that have occurred to the various agencies. But just a couple of examples: We have transferred six positions to the Civil Service Commission; 15 positions to the Department of Commerce; three positions to the General Services Administration, and then a number of our administrative positions—in fact, most of the administrative positions—were transferred to the Office of Administration.

Our request for 1979 shows us requesting 550 positions and a total budget of \$28,146,000. We have moved out as a result of reorganization to some of the agencies, the so-called line functions, those functions that we felt could be better performed in the agencies, as opposed to being performed in a staff agency like the Office of Management and Budget.

We have made some internal changes in the Office of Management and Budget, since our meeting with you last year, but we communicated those to the committee back last August, as I recall, in which I outlined to you our proposed changes in the internal structure.

We think the structure that will provide us with high visibility of the management role and responsibilities in OMB as well as the high visibility that has always been accorded the budget role will be very important in the long run to the Federal Government in trying to achieve overall management policies and to achieve other efforts that will ensure a more effective and more efficient performance on the part of the Federal Government.

MANAGEMENT

Mr. STEED. In the years gone by, when this management function was added onto the budgeting process, some of us had an idea that it was intended to teach managers not only what was expected in the field of management, but how to achieve those things. Then we have had occasion in the past of thinking maybe that got misinterpreted into the fact that OMB was supposed to do the managing, itself, and I guess it is hard to draw a clear line where one ends and the other begins.

But in addition to the normal budget function that you perform, which is very well established, I understand you have from time to time new goals that the management part of your function gets involved in. Currently I have been interested in your efforts in the field of cutting down on government paperwork, cutting down on this interminable problem of regulation. Could you give us some outline about what you are doing and where you hope to be going in that area?

Mr. McINTYRE. Yes, sir. Mr. Chairman, we are very concerned about the amount of paperwork and red tape that the Federal Government imposes on not only the private sector but other public sector employees, State and local governments, nonprofit organizations.

In response to the President's own personal concerns about reducing paperwork and red tape in the government, we have established an associate director for management and regulatory policy in the Office of Management and Budget. We had a regulatory

function in OMB, but it was down in the agency and did not have the high visibility and the same objectives that we have established for this new activity in OMB.

We have asked the agencies to give us their goal and objectives for reducing paperwork in the Federal Government for 1978. This is a continuation of our role in this area last year, and, in response to this effort, the agencies did reduce their paperwork requirements by some 12 percent. We have asked them to do better in 1978 and to do it in areas that are much more visible than last year.

In addition to that, the President has signed an executive order which requires the department heads throughout the Federal Government in the executive agencies to review the regulations that they expect to issue during the coming 12 months and to publish an agenda twice a year of those regulations that they expect to issue.

The Office of Management and Budget will be working very closely with other agencies in the Executive Office of the President to review these regulations and, in fact, we will be looking very carefully at the way agencies carry out the President's directives to write these regulations in clear plain English to review them to make sure they are consistent with the requirements of their statutes, to have those regulations signed by the persons who wrote them. In fact, the President said, when he announced this, that he would hope there would be a lot of pride of authorship by signing these regulations.

We intend to monitor that activity closely and work closely with the Council of Economic Advisers in reviewing the effects of these regulations on such things as inflation.

Mr. STEED. I believe you personally have also wanted to have some capability of accepting information from the private business community, where it indicates to you unnecessary impact that these things make on the public and you hope to develop that capacity. Could you make some comment about what you think might be helpful in that area?

Mr. McINTYRE. Yes, sir, I have asked my staff to look at the various approaches that we might consider in trying to estimate the cost of government regulations on the private sector.

This has been referred to in earlier years as the development of a regulatory budget concept which will try to develop a budget with respect to regulatory activities, just as we develop a budget for other agencies in the government, all the agencies in the government.

We do not have a specific proposal to make at this time, and I have asked both my budget staff, Mr. Cutter, and Mr. Wellford's staff, through Wayne Granquist, our Associate Director for Management and Regulatory Policy, to develop a proposal for my consideration as to how we can approach this and how we can deal with evaluating the cost of regulation on the private and other governmental sectors.

It is a very complex, complicated subject, as you can imagine. We intend to move forward on that, and I hope sometime in the near future I will have a specific proposal I can present to the committee for consideration.

PAPERWORKS SAVINGS

Mr. STEED. During the time I served as a member of the Paperwork Commission, I was impressed with the fact that one of the major areas of burden on the public was in the government use of questionnaires and also how remarkable a change could be effected by using a multiplechoice type of questionnaire rather than a narrative answer type. Many of the agencies actually ended up with a whole lot less paperwork, a lot less burden on the public and better and more useful information by developing the technique in that sort of thing, and I was very impressed when I found out you still would like to know what happens down at the other end of the line where this type thing finally hits. The method I used on the Paperwork Commission, as these matters came up, was that I tried to analyze as best I could whether the taxpayer got any apparent good out of this function. You always hope that whatever the government was doing, it had had for its end result some benefit to the people who pay the bill. It left us hanging out in mid-air sometimes when you ask that question or apply that test to a given thing.

Mr. McINTYRE. We are still very much involved in monitoring the implementations of the recommendations of the Paperwork Commission, Mr. Chairman. In fact, in the report I mentioned I sent to the agencies asking their plans on how they were going to reduce paperwork in the coming year. I also asked them to outline for us how they propose to implement the recommendations of the Paperwork Commission. So we will have that, also.

Mr. STEED. We found that the paperwork problem was two-fold. One was what already existed and that was an enormous problem, and the other one was how do you minimize the input of additional paperwork in the years to come.

So that is where I think you come in; that is, by having a roadblock, you can prevent a lot of this from ever happening in the first place. It may not be quite as dramatic in the results that you achieve, but the very fact it diminishes paperwork, I think, is very desirable.

I would like to urge all effort in that direction that you can give to it, because I don't know of anything that pays as good as it does, both from the standpoint of actual dollars, and also from the standpoint of public favorable reaction to the government, itself.

Mr. McINTYRE. We will continue to pursue that vigorously.

Mr. STEED. I must say, in that connection, that we also found on the Paperwork Commission that the number-one culprit in the creation of paperwork was the Congress, itself. We are trying to take steps here to fix it so you don't keep running into the fact that the law mandates something that apparently on its face may not be necessary, and I think we are making some headway in that direction. So maybe all of us together can begin to bring about a better balance of this thing called paperwork.

We thought we had identified a total government paperwork program of about \$35 billion, and that, all put together, we had between 200,000 and 250,000 people that got involved in paperwork at the government level in one way or another. Obviously, a lot of this was quite necessary, and quite well justified, but some of it

was utterly useless. I think we have to do that, like you do the grass in your lawn; you mow it and it grows back, and you have to mow it again. So I suppose paperwork will be with us always, and the only thing we can hope to do is fight it and keep it at a minimum.

CUSTOMS REORGANIZATION

We have had a concern in this committee for a long time—I am sure you have heard—about the U.S. Customs Service and trying to keep it with a sufficient manpower to cope with what we consider to be a very onerous burden and problem at our borders in the field of smuggling.

What can you tell us about that? Are we going to get a good strong team on the border finally to cope with this problem? For instance, let me tell you, I got a report from Customs on seizures between March 2 and March 8, for one week, over \$20 million worth of contraband and narcotics and drugs, and they figure they are only catching about a third of it. So any way you can approach it, the smuggling of contraband is an enormous thing and growing. I don't think we are coping sufficiently with it.

What can you tell us about this?

Mr. McINTYRE. We are certainly trying, through the budget process, to see that the Customs agencies, Drug Enforcement Administration and other border-related agencies, have sufficient funds and personnel to carry out their responsibilities. But, as you well know, there has been some degree of separate action by these various agencies that work on the border in the past few years, and we have tried to address that in a reorganization study to deal with border management. And I would like to ask Mr. Wellford if he would bring you up to date on where we stand with that study, Mr. Chairman. The study has not gotten to me, unless it just came within the last day or so, for my approval, but I know it is in the final stages of preparation.

Mr. WELLFORD. Mr. Chairman, we have had frequent discussions with you and your staff about this. Our schedule is to send the recommendations on border management to the President this month. We are looking to probably Law Day, which is the beginning of May, as an occasion for the President to announce his conclusions. You are familiar, because we have discussed it, with the political difficulties that we have in developing the kind of support we need in the Congress to push this thing through. There isn't any question, though, that the problem is large and it is growing. We have been to the border and traveled every mile of it from San Diego to El Paso, and all it takes is one day's trip to see that the problem just cannot be ignored. Whether we can get—I know you are sensitive to it—whether we can get the rest of the Congress to respond is something we are working on, but, in short answer to your question, the study is going to the President this month, and we will see what we can do.

Mr. STEED. Well, I objected when they took some of the enforcement capability out of Treasury several years ago, and I think, as time has gone by, our judgment then has been upheld by the passing of time. I think you have to combine these different functions together to cope with the problem, because there are certain

things you have to do at the border without giving any thought to the crime. Then you just don't think you can take this part of the border function away from it and never know exactly where you stand.

It gets into the area, when you come to the physical equipment that it takes to cope with the different type problems, why have two or three, when you can make one do the work of the whole problem? So it seems to me uneconomical to have this concept of a team.

Mr. WELLFORD. Mr. Chairman, you may have noticed that we achieved some modest results since we first talked about this. You remember we talked about the possibility of having the Coast Guard's mission changed a little so they would be more law-enforcement-conscious and try to do more interdiction on the seas. And when we floated out our option about having the Coast Guard change its mission, there was a great uproar, but the result has been that the Coast Guard has suddenly begun to make a lot of seizures, particularly down around Florida, and, to some degree, on the West Coast. There is a lot more that needs to be done, obviously. But I think it is an interesting development.

CUSTOMS PRECLEARANCE

Mr. STEED. Mr. McIntyre, over the last weekend, I was in a meeting out in Honolulu that affected the air transport industry, and we were there by virtue of the involvement the subcommittee has had in what we call preclearance of custom. As the years have gone by, and as the air transportation industry has grown and expanded, the idea of preclearance has also grown in popularity, and we now found out this last weekend that not only the Canadians, who have been granting us the privilege of preclearance in Canada, now are thinking in terms of wanting a reverse of that, where they can have their preclearance here.

Then, of course, the Japanese now are expressing a very keen interest in this same sort of idea because of the apparent heavy flow of people between Japan and Honolulu. So you get into the airports and four or five wide-bodied planes hit an airport in a matter of an hour or two and you have hundreds of people standing round with the existing physical facilities, and it is impossible to cope with it. Even if you can get them through Customs, you don't have transportation to get them from the airport just by sheer volume. The air transportation industry is convinced, and I don't know anybody that would dispute the idea, that this is going to continue to grow. I know that matter of preclearance will involve a little bit of a switching in the use of personnel and Customs, but I think, from my experience, I have been to Bermuda and other places we have done this, and I think it is a good investment. I hope that your management people, among other things, will give some thought to what additional use can be made of it. For instance, if the time ever came to where we could have this capacity in Mexico like we have in Canada, we could solve a lot of other problems. There are certain reasons why they have been a little reluctant to go in there just yet, one of which has been the feeling of the Mexican Government that having uniformed American officers on their territory was just a little hard for them to get used to.

But it doesn't seem to bother our other neighbors at all, and I don't think it will bother us any if treaties are entered into where Canadian customs agents could be processing their folks in one of our terminals. We have got to do something. You see the Customs don't have control over what kind of terminal you build or what kind of flights are going to be permitted to come in or when—all kinds of things that deal with that.

Anything that minimizes or improves the capacity of Customs to improve this problem is all to be desired. They are going to get to be affected by it, in any event, and when they are already swamped, anything that brings in more problems for them isn't going to cure anything. So this may be one of the several solutions they are talking about that is worth a lot more attention than it has been getting.

Our Customs people have had some personnel difficulties, and they have been a little reluctant to commit any of their work force to this sort of thing, but they still have to admit that in most cases they think they are getting a fine return on their investment of manpower in this activity.

So if they cut out preclearance, for instance, they are not going to save very much, because it is going to create a problem somewhere else that they are going to have to cope with. So you just can't sweep this under the rug. It is just here, and it is going to get bigger.

I still think anybody that really gets into it and understands the whole facet of it will say that one of the answers to this unsolved problem is preclearance and that it has a potential for doing a lot more good.

You can't solve all your problems by building another wing onto a terminal. You still have to have manpower. If you can use manpower and eliminate the necessity to build another wing, I think that would be the most desirable answer.

GENERAL PROVISIONS IN APPROPRIATION BILLS

There is another thing that we would like for you to give some thought to. We have in our bill each year what we call general provisions, and sometimes, you know about the only reason you have them in there this year is that they were in there last year. We sometimes read them and are not right sure they are still needed. I was wondering if some of your experts couldn't take a look at those, and if you find one that is antiquated or is not saying it the right way or doing more harm than good, it would be appreciated, because I don't think it improves the quality of the bill to have a general provision that is counter-productive.

We would appreciate a little help along that line. If you could help us with it.

Mr. McINTYRE. Sir, we will let Mr. Gunnels know of any suggestions we might have.

Mr. STEED. Sometimes in general provisions it is fine for this year, and goes to pot pretty good a few years later, and we have had a review or two made in times gone by and cut some of the underbrush, but I would feel better if I had a kind of expert eye on it all the time so we wouldn't be running two or three years past the need for something.

Mr. Addabbo, do you have some questions?

PROCUREMENT POLICY

Mr. ADDABBO. I am sorry, I was tied up in Defense, trying to save money. I am sorry, also, I missed my friend, Mr. Fettig. We have had quite a to-do with Mr. Fettig and his Federal procurement policy as far as lack of enforcement of small business regulations and the expanding of efforts in that direction. I hope that more will be done within that procurement policy as far as small business is concerned, and not just give the usual lip service that has been given.

ROLE OF OMB

Mr. Director, on page 2 of your statement, you say, "The basic function for OMB is to manage the process of allocating finite resources among seemingly infinite potential users."

Could you expand for the record the scale of priorities applied in assembling the fiscal year 1979 budget proposals?

[The information follows:]

In carrying out its responsibilities for preparing the Federal budget, OMB is, of course, the President's agent. It recommends resource allocations to him based upon the policy guidance he provides. This guidance as it relates to a particular agency or program can be either general or specific. It leads OMB to consider the following factors in reviewing agency budget requests and in making its recommendations to the President.

Conformance of the agency's request to the specific policies and planning ceiling established by the President for that agency;

Relative importance of the agency's budget request within the overall framework of the President's budgetary objectives (e.g., effect on the President's fiscal policy and priority among the many responsibilities the Government has to meet critical needs of the Nation);

Assessment of agency goals and objectives and demonstrated progress in achieving them; and Degree of efficiency of the agency's operations and its ability to manage the taxpayers' resources prudently.

Mr. ADDABBO. On page 3, you emphasize it is not OMB's responsibility to perform the activities of the executive agencies, but you do have responsibilities to oversee them. Later on, you say, "We must also make sure that the resources allocated to the agencies are consistent with the functions charged them and that the organizational arrangements and work processes are best suited to get the work done." If you are involving yourself in the actual work process of a given agency, are you not also assuming the responsibility for performance?

Mr. MCINTYRE. Absolutely not. What we are talking about there is: Are there more efficient ways to do a job in the government, traditional management-type responsibilities that I would think you would want OMB or some agency like OMB to perform to ensure that agencies are performing in the most efficient and effective manner possible, using modern up-to-date systems applications, ensuring that they are complying with the provisions of law that the Congress has passed, and those types of areas.

I can assure you that we have plenty to do in OMB without trying to run the agencies, and even if we had that desire, the President has enunciated the policy that the cabinet officers are responsible for establishing policy and running their agencies, and OMB certainly does not have any intent or desire to do that.

Mr. ADDABBO. That has been the intention and the wish of this committee, because too often we have found that the M in OMB is not management, but actually, as Mrs. Baldwin has heard us say often, meddling. Meddling has caused great trouble because department heads are confirmed and are subject to the discipline of the Congress and for them to have the nameless ones in OMB to make the decision isn't right.

RAILROAD SAFETY

One of the things that bothers me is that we have had a lot of problems, as you know from the paper, about the railroad safety and derailments and everything else, and we had a recent GAO report on commuter railroads, the ConRail, and let me put this to you.

"The records indicated that it had requested fairly substantial increases in personnel over the past few years but that the Office of Secretary of Transportation and the Office of Management and Budget have significantly reduced FRA's request to the Congress. For instance, fiscal year 1976, FRA requested 154 additional positions. OST disallowed 74 and OMB disallowed an additional 39, resulting in a request to the Congress for 41 additional positions out of 154 originally requested. Conversely, Congress added an additional 17 positions during the appropriation process which resulted in a net increase of 58 positions. OMB then established a very low employment ceiling which did not allow FRA to fill 58 of the 429 authorized positions in fiscal year 1976."

Now, do you feel that this is not possibly meddling in the determinations of Congress and the departments?

Mr. MCINTYRE. Let me say right off the bat that the facts speak for themselves. That occurred in 1976. I don't know what might have happened last year, but I would be glad to take that report and look at it and update and see where we stand on dealing with the Federal Railway Administration this year.

We do establish personnel ceilings. We are looking at alternative ways of dealing with the need to constantly ensure that the Federal agencies perform their functions as efficiently as possible. We are looking at such alternatives as full-time equivalent positions, and we are establishing some pilot processes in four or five agencies to experiment with this concept. We have no desire to put an agency in a position that it cannot carry out its responsibilities. On the other hand, I don't think you would want us to let agencies get so many people that they have what is termed a lot of fat in their budgets.

Mr. ADDABBO. I fully agree with you, but, again, the thing that disturbed me is so many times, as the Chairman discussed with Customs, where the Congress felt there was additional personnel necessary, we gave additional personnel. Then OMB, the faceless ones, decide even though Congress gave it to the agency, we are still going to run the show and not hire them.

AUDIO VISUAL EQUIPMENT

One other problem that has been brought to my attention, and I am sorry Mr. Fettig has left, because this has to do possibly a little

with procurement and part with your office. OMB Management Circular A-76 states that the government should use the private enterprise system for needed products and services.

The Office of Telecommunications Policy, in their report on the audio-visual activities in government in December of 1973, recommended that Federal departments and agencies should adhere strictly to the policy and requirements of OMB Circular A-76.

Mr. McINTYRE. What was the date of that?

Mr. ADDABBO. Again, before your time.

Now, this administration has been in effect since January 20, 1977. Has OMB in this present administration applied the private enterprise concept to the audio-visual industry?

Mr. McINTYRE. Mr. Addabbo, let me answer two questions. One is implied in your statement, and, yes, we have reviewed the application of Circular A-76. The principle of utilizing the private sector is still a valid one, and one in which we believe. On the other hand, we do not believe in the establishment of quotas as did exist prior to our coming into office, and we have changed that. We have also tried to review the application of the circular to make it fairer, to protect those Federal employees in which the decision would be marginal under the best of conditions, so we have thoroughly reviewed Circular A-76 in that regard.

We have not issued our final modifications to the circular, and I hope we do that very soon. As far as specifically relating to audio-visuals, I am aware that we have an action going on with respect to audio-visuals. Exactly what the effect of A-76 on audio-visuals would be, I would have to get Mr. Fettig to provide you an answer for the record on that.

Mr. ADDABBO. With reference to the audio-visual production, OMB has been preparing a production procurement document for several years. The preparation of this document started way back in 1974, was supposed to be completed by 1975. There was a meeting held in 1977 with the completion date set for February 1, 1978. Now, that completion date is targeted, I understand, for August of 1978. Do you have any information on that?

Mr. McINTYRE. Again, I have a recollection that we have been very active in the audio-visual area. In fact, I have had several papers cross my desk on that. As to the specifics of your question, I will have to answer that for the record, but I will get the information for you.

Mr. ADDABBO. I have several other questions on the audio-visual, and I will supply them for the record, because they are specifics and you can expand on them for the record.

Mr. McINTYRE. All right.

[The information follows:]

Re: Office of Management and Budget Audio-Visual Activities

1. OMB Management Circular A-76 states that "Government should use the private enterprise system for needed products and services".

(A) To what extent has OMB, in this Administration, applied this concept to the audio visual industry?

Answer. Government audiovisual facilities are reviewed for compliance with Circular A-76 in the same manner as other commercial and industrial activities. Circular A-76 requires each agency to review their commercial and industrial activities on a three year cycle. The agencies establish schedules for the review and conduct them without OMB involvement.

(B) A-76 is being revised. How will such revision affect private enterprise audiovisual production versus "in-house" government operations?

Answer. One of the prime problems with Circular A-76 is that it has not been implemented in a uniform or even manner. Some agencies have developed very thorough procedures for implementing it, others have not. The revision of Circular A-76 will call for more visibility in the implementation process and more specific guidelines for agency compliance. Each agency will prepare and publish a schedule for reviewing all commercial and industrial activities, as well as contracts for services that could feasibly be performed in-house. The results of these reviews will be available to interested parties, and there will be an appeals procedure for A-76 decisions. A cost comparison handbook will also be developed with sufficiently specific guidance to ensure uniformity in results from all agencies.

2. Specifically, in the case of audio-visual production for Government by the private sector - motion picture films video-tape, etc. - OMB has been preparing a production and procurement document for several years. What has taken so long in the completion of this document - and can you give me now a date by which it will be completed and implemented?

Answer. OMB has been directly involved in the development of a Government-wide motion picture contracting system since January, 1976. The system has not been completed because of difficulties involved in developing a contracting system for a creative product such as a motion picture. The contracting system for motion pictures must be sufficiently structured to protect the Government's interest and at the same time be flexible enough to avoid stifling the film makers' creativity. A number of different contracting approaches have been considered and it was only recently that a generally accepted system was developed. This system was reviewed at a public hearing held on November 16, 1977. Several issues were raised at the hearing that must be resolved before the system can be completed. Our schedule is to resolve these issues and assign the system to a lead agency for implementation by the end of August 1978.

3. OMB has an audio visual management circular now being finalized. Can you give the Congress a firm date for the completion and implementation of this document?

Answer. The proposed OMB audiovisual management circular is scheduled for issuance by May 1, 1978.

4. The OMB production and procurement document, as presently drafted, is unsatisfactory to the professionals in the private sector of the audiovisual industry. In one instance you consider only film production and have eliminated all consideration of video-tape production. Since film and video-tape are differing methods of motion picture production and video-tape production is a growing technology, why isn't video-tape included in the current considerations?

Answer. Our basic reason for not including video-tape in the proposed contracting system for motion pictures is that we want to test the system's effectiveness before we expand it to other areas. The current plan is to test the motion picture contracting system for about six months. If the system is workable and proves to be effective during that time frame, we will then add video-tape productions to it. While video-tape is not included in the initial phase of the contracting system, it is included in the proposed audiovisual management circular and it is covered by Circular A-76.

Mr. STEED. Mr. McEwen?

STATIONING OF SECOND INFANTRY DIVISION

Mr. McEWEN. Thank you, Mr. Chairman, and Mr. Director.

I would like to inquire into a matter that is really before another subcommittee on which Mr. Patten and Mr. Steed and I also serve, and that is Military Construction.

As you know, there is an ongoing study for the stationing of the Second Infantry Division after its return from Korea. Candidates are Fort Bliss in Texas, Fort Benning in Georgia, Fort Drum in New York, with an alternative of stationing part at Fort Dix and part at Fort Devens and training at Fort Dix and Fort Devens.

With the exception of the project that was authorized and the moneys appropriated in fiscal year 1978 at Benning, the other projects that I want to speak to were authorized, one in fiscal year 1972, two in fiscal year 1973, one in 1976, and two in fiscal year 1977.

Our subcommittee was told by the Department of the Army that the Office of Management and Budget was not releasing funds for the installations that are candidates for the stationing of the Second Division. There was one exception to that, Fort Bliss, Texas, and I think quite properly so. There was money for the hospital at Fort Bliss, and I don't think anyone can question whether the Second Division or any part thereof or none of it goes to Fort Bliss, that the hospital funding is needed.

The Army, in fact, the Comptroller of the Army, has furnished to our subcommittee this week a report which recognizes the validity of OMB's hold on the barracks at Fort Benning, Georgia, because it will be a different type of barracks if the division should be stationed there. It will be a permanent party barracks rather than trainee barracks.

As to the remaining items, however, the Army has repeatedly requested apportionment of funds. In the case of Fort Drum, 7 times; Fort Dix, 14 times; Fort Devens, 12 times; Fort Benning, 3, and they have dropped that for the time being until the study is done.

I would like to address two of these, and I expect the gentleman from New Jersey would like me to yield on the one in his district.

The two at Fort Drum have absolutely nothing whatever to do with whether any part of the Second Division comes to that post or not. As you probably know, it is the largest training center that we have for our Army Reserve component soldiers, 60,000 to 70,000 a year. We have an appalling deficiency in medical dispensary and in barrack space for active Army personnel brought from all over the country for the annual training cycles there in the summer. The Army has said whether or not the Second Division comes isn't going to make any difference. It is needed, and they say the same with regard to a project at Fort Dix and one at Fort Devens. Fort Benning is the only one they now agree with your people on; that pending that decision, it could change the type of barracks that should be built.

Following on what my colleague from New York, Mr. Addabbo, was raising, it does seem in some cases as if the management

function is taken over by OMB from, in this case, the Department of the Army. I wonder what you could tell us on these?

Mr. McINTYRE. I am not familiar with those specific cases. I will secure information on those, Mr. McEwen, as soon as I get back to the office. I will get my staff to put together a status report on it for me and an explanation of any action OMB has taken.

That is certainly not part of the management functions in OMB. It is part of the budget process and the apportionment of money, but that is just a subtle distinction, and I am certain—I am not throwing that out to try to answer your question, but I will look into the specific instances and get you a report on them.

I just am not familiar with those specific cases.

Mr. McEWEN. Let me say that being better acquainted with some of your people down at OMB than I am, one of my friends from the State of Georgia, who is somewhat interested in resolving some of these problems, did make some inquiry, Mr. McIntyre, to someone in your organization, I don't know to whom, just so you can pursue it, it was Mr. Punaro, of Senator Nunn's office. Arnold said he knew some of the good old Georgia boys, and he would call them. I don't know who he talked to.

Mr. McINTYRE. There are no good old Georgia boys in the defense activity in OMB, so I don't know whom he talked to, either.

Mr. McEWEN. I have scribbled on this, but if you will, that is the factsheet that the Comptroller of the Army furnished to our subcommittee.

I will yield to Mr. Patten for any comment he may have on Fort Dix.

Mr. PATTEN. Only for the purpose of this one project?

Mr. McEWEN. Or the barracks, or both.

Mr. McINTYRE. I will check into it.

CONGRESSIONAL BUDGET ACT

Mr. PATTEN. Mr. McIntyre, you are not part of that crowd that just vetoes my district projects; you don't know about that. I mean I had to live with Bo Callaway and all this for years.

Now, in the first place, we passed that budget control act. We have about 250 people down there at the old FBI Building, in the Congressional Budget Office; I thought Congress was going to hear from it when you or anyone else held up some appropriations.

I am not sure how that works. We heard you cut out the B-1, I don't remember the timing of it. I thought under our budget control that we were supposed to be notified?

Mr. McINTYRE. You were notified of the B-1. In fact, the Congress deliberated over that decision to rescind those funds for several months.

Mr. PATTEN. We had different things at different stages. But, do you recall, Bob, somewhere along the line, I am of the opinion that our Congressional Budget Act was not complied with. Am I right?

Mr. McEWEN. If the gentleman will yield, I thought we would be notified when there was either a rescission or deferral. What the gentleman is speaking of is the fact that the production was stopped prior to any notification being sent to the Congress. But let's take the specific case in hand. In your view, Mr. McIntyre, should we have been advised of the deferral of these projects?

Mr. McINTYRE. First of all, not being familiar with the facts, I can't tell you whether there is a question of deferral or rescission involved. If there is a question of deferral or rescission, then obviously we should comply with the law. My intent is to fully comply with the budget statutes, the accounting and the impoundment statutes that the Congress has passed. And I don't know of a case since I have been in office where we haven't complied.

I will look into this, get familiar with the facts, and I will inform this committee of the status of it. That is all I can do because I am not familiar with it.

Mr. ADDABBO. Will the gentleman yield? I think there is no question that prior to your time, and since you have been in the office, that there has been compliance with the deferrals and rescissions. The complaint the Congress has, I agree with some of the rescissions and supported them, but I would have to agree with the proponents of this criticism of OMB and the administration, that too often it would almost appear that the administration is rescinding or deferring without the consent of the Congress indirectly by closing down production.

We had the question of the M-3 in some of the areas, the question of the B-1 production which is all tantamount to a rescission prior to the actual agreement and the message being sent here to the Congress.

Now, we realize the rationale given to us by the Defense Department. That is the only one I know of, but I imagine some of the other departments might also be guilty of it. The rationale is that once the administration decision has been made, is it less costly to immediately notify the contractor and then you can always restart it, but if they are continuing in a production line and the Congress does agree to a rescission, you have wasted some money. But, again, too often, the cart came before the horse.

Mr. McINTYRE. That is a very technical legal and complex legal statute that has been passed dealing with rescissions and deferrals. I would have to go back and read the statute to see exactly at what point the administration does notify the Congress of the intent to rescind or of the deferral. I will be glad to pursue this matter for you and give you our findings on it.

Mr. PATTEN. I would like to add this, though: I know it has never come to your attention, but McGuire Airfield is one of the largest air bases in the world in terms of business, comparable to Kennedy. It is absolutely fabulous. This cold storage facility is tied in with McGuire. We are not tied up with a base that they may phase out or may cut out basic training, but I have enormous Air Force Reserve at Dix; it is a busy place. We are talking about protecting the food, protecting the meat, everything else for two great installations, and ever since I have been in the Congress, these people tell me they need a new icebox, and we appropriate the money, the Army asked for it every year; I don't hear anything about it, and I find out the money wasn't spent.

We are talking about a million dollars. Maybe more now. But any sensible person visits Dix like I did, and Bob, and saw the overall picture, we are not talking about Dix; we are talking about McGuire Airfield, which is a going concern and not thought of

phasing out. All we need is to have some trouble down there with this food poisoning or something.

Mr. McEWEN. If the gentleman will yield on that, let me say, I talked to General Wray of the Army, on this, and they are concerned about what Mr. Patten mentioned about having a bad incident there, because they say their existing facility is totally inadequate. And it would appear, and the Army factsheet suggests this, that somebody in OMB was aware that there was talk that because of the decline in the Army's training base, (and this is true or at least at the moment it is true; it may go up again), and with the consolidation of training at Fort Benning, that this post might be closed to training.

But, as Mr. Patten has brought out, McGuire is there; this facility supports McGuire, and whatever happens on training, Dix has other missions with regard to the reserve components that need this.

The same thing at Devens. I have a feeling someone in OMB may not be aware of the meeting with the Speaker and the President and the decision that was made on Devens, and the fact that that post has a continuing mission, without regard to what may happen on the Second Division.

Finally, with my own area, it is the northeast training center for Army National Guard and Reserves, and these projects have nothing to do with other than that; it is going to be needed whether or not any part of the division comes in.

Mr. PATTEN. Mr. Chairman, may I say something, because some of us who remember several cracks at this reorganization business, we can remember the Hoover Commission, and we can remember other things. I think we had great success with them. I hope you do, too. I hope you have the satisfaction—when you tell me you are looking over the regulatory agencies and the administration and the structural reforms, that really you come up smelling like a rose. In spite of what the establishment believes, there is a job to be done that will win the approval of the American people. You mentioned equal opportunity employment, Civil Service, the administration service project; you said by July we will get the GAO report. These are enormous subjects, and we wish you the best of luck on them, and I hope you come up with it so we all look good, because personally as we watch day-in and day-out, we pull our hair, what little we have, so often at some things we see.

And I think there is room for you, Mr. McIntyre, to do a good job, and I know you have the integrity and the devotion, and I hope that your conferees and associates here, that you do look good when it is all over. I think you can.

Here is one fellow who has been around here for a long time. The things he observes are real 18-carat genuine constructive. I hope you really grab the ball. The President needs this; he needs a winner. You got to be the winner. This is the best area for him to have a winner.

Mr. STEED. The administrator needs a little time for consultation. We will take a little recess here now.

[Brief recess.]

Mr. STEED. The committee will be in order.

Mr. Miller?

CREDIT PROGRAMS

Mr. Miller. Director McIntyre, in your statement there is comment about developing a system to control credit programs. It is in this justification on page 5, item 3. I am not sure what we mean by that. Is it possible for you to explain it?

Mr. McINTYRE. Yes, sir, I believe that refers, Mr. Miller, to our concern about loan guarantee programs. As you know, we indicated that in the 1979 budget that we had committed ourselves to develop a process to control credit programs, many of which are financed through the so-called off-budget agencies, possibly by establishing limitations on the amount of obligations that might be made annually under them. We are continuing to work on ways to deal with the loan guarantee programs and other credit programs of the government, so that we can have a better handle on them.

Mr. MILLER. If you have any additional thoughts, would you expand it for the record, please?

Mr. McINTYRE. I certainly will.

[The information follows:]

Our concern about Federal credit programs and our plans for bringing them under better budgetary control were discussed in the 1979 Budget. That discussion is as follows:

Control of Federal credit activities.—Federal lending and loan guaranteed are a large and growing means of meeting objectives of Federal programs. Gross loans and loan guarantees by the Federal Government are expected to be \$99.7 billion in 1979, and total Federal loans and loan guarantees outstanding are estimated to be \$360.8 billion at the end of 1979. While plans for direct and guaranteed lending activity under individual Federal credit programs are reviewed during the annual budget process, there is no systematic mechanism in the Government for regularly reviewing total Federal credit activity. Consequently, there is no systematic way to consider the resource allocation implied by those plans or whether the share of credit transactions being made or guaranteed by the Federal Government is reasonable. In order for the Government to influence efficiently the allocation of economic resources and the behavior of financial markets and the economy as a whole, it must exercise control over guaranteed loans as well as over direct loans and other outlays and the ways in which these programs are financed.

In testimony last year before congressional committees, the administration agreed to consider ways to achieve better control over credit programs. Consistent with that commitment, the Administration will propose to the Congress shortly a set of control procedures. The basic elements of the administration's proposal are likely to be the following:

That, as part of the executive branch budget process, the President establish, (a) overall ceilings on the authority to make direct loans and on the authority to guarantee loans, and (b) overall annual ceilings for gross new direct loans and loan guarantees. (The annual ceilings would be based on a consideration of the impact of Federal lending activity on the allocation of available resources, the general economy, and financial market conditions.);

That the President propose and request congressional approval of limitations in annual appropriation acts on the amounts of new direct loans and loan guarantees for each program;

That the Congress establish similar controls in its budget process, including ceilings on aggregate lending activity in the budget resolutions.

The administration will work closely with the appropriate committees of the Congress to reach agreement on a mutually acceptable system of credit control.

REDUCTION OF FEDERAL GOVERNMENT

Mr. MILLER. In the regular statement you have here, we are talking about improved economy and ensuring a more responsive and less costly Federal Government. Good, general words, no doubt about it, and everyone is for it. But there was a time when the

President made a promise, and I would have to call the figures off the top of my head, where we would take some 2,000 agencies, departments, commissions and committees and reduce them to some 400; in round figures. Do you recall such statement?

Mr. McINTYRE. I believe he made some reference to that in his campaign.

Mr. MILLER. Yes. It was made, and maybe after the campaign, but at least the statement was made, and I was all for it. Here we are going to simplify and reduce and come out with a system that probably would require fewer people. It would be a smaller bureaucracy apparently, and there would be less paperwork for our individuals and our corporations and our contractors. All of the some-2,000 now do have the paperwork they send out, and we receive a lot of complaints.

Now we haven't accomplished that thus far. We may have made some steps toward it in the reorganization, but we haven't been able to unravel the reorganization as yet. We have our problems that go beyond that financially; this is one, and maybe you can answer them in general. We are going to be limited in time. Would you rather make some statement on that particular question?

Mr. McINTYRE. I will be glad to make a general statement, and we can amplify on it for you.

First of all, we have attempted to deal with the overlap and duplication of various functions in the government. As you know, you have been in Congress a long time, and you know it is a very complex and difficult thing to do. Recognizing that fact, we are still undaunted in our efforts, and we are working on several reorganization plans that we intend to propose to the Congress next year that we hope will move us further along on that goal.

We are continuously looking through the budget process, as well as through our reorganization efforts at ways to recommend to the Congress the elimination of overlap and duplication of efforts and functions.

The selecting of numbers, sure it would be desirable to get down to 400 agencies, and if we can, I think that is wonderful and great. But what we have tried to deal with is rather than taking a number, we have tried to look through very objective studies and review process where the opportunities lie to bring structural improvements as well as management improvements in the Federal Government.

And I hope that when we end up, we can end up with a substantially lower number of Federal agencies, boards, bureaus, commissions and councils.

We have made some substantial reductions in the number of advisory committees. That has been very difficult, and, in fact, I understand that there have been several pieces of legislation introduced which would restore a number of the advisory committees that we were able to eliminate. We need your support and your help if we are going to achieve substantial reductions in agencies.

Mr. MILLER. I am sure you know you have my help. You looked at my voting record.

Mr. McINTYRE. In the generic sense of you, the Congress, not you personally, but the Congress, yes, sir.

Mr. MILLER. My card most of the time only votes red. If I try to vote green, it backfires on me. So you have the help.

The point is, a statement was made. The President has made the statement, and many of us were encouraged by the statement, but now we are disillusioned. There is a limited amount of time in which to accomplish this.

Mr. McINTYRE. Absolutely.

Mr. MILLER. And I am of the opinion that apparently there is not enough time to accomplish this unless there is a crash program put on in order to reorganize in such a way that we would hold down the bureaucracy. It is an uphill battle. There is no doubt about.

But the statement was made that we are going to do it. And I am ready and willing to help. But we are not getting the direction, and we are not getting the leadership that we need in order to help. We very definitely need a program, but everytime a program is uncovered, it will step on someone's toes. So apparently it never gets off the ground, or off the drawing board, and somehow if we are going to accomplish it, we are going to have to bite the bullet. We certainly are getting too far out in size of the bureaucracy and the amount of dollars we are spending every year.

Mr. Chairman, would it be better to come back at two o'clock, or go vote and try to complete this right now?

Mr. STEED. That is up to you. I will accommodate you either way you prefer.

Mr. McINTYRE. I will be glad to wait for you to vote.

Mr. MILLER. If that is the case, then we will complete it so you won't come back at two o'clock.

[Brief recess.]

Mr. STEED. Mr. Miller.

Mr. MILLER. We were discussing some of the problems and the need to cut down the agencies, departments, commissions and committees. That is only a part of the problem, of course.

The fact that it costs additional dollars for the bureaucracy is something that I believe the average citizen is now starting to think about. They are getting the message of what we are doing and the direction we are going and what kind of a debt we have and what kind of a deficit we have, as of this year a deficit something above \$60 billion. I still like to put it in the record as many times as possible.

At the end of 1979, we will have something like \$870 billion national debt and in our budget this year is over \$55 billion, and that is \$151 million-a-day interest alone on the national debt.

As the people receive this kind of a message and see us going in debt again this year, 1979, over \$60 billion a year, it disturbs them.

It wasn't many years ago that I had the remark made to me, that people are not interested. We owe it to ourselves. But when we stop to think, we don't owe it just to ourselves anymore. We find that other nations, some which we helped with foreign assistance, are now loaning us money to pay our debts. In the case of West Germany, about \$28 billion; and we send them over a billion dollars every year interest. That doesn't help our balance of payments. And we sent Japan some \$700 million last year on about an \$18 billion loan they have made us. \$100 billion of our debt is owned by people and nations overseas.

Once this message gets out, the people start to think that maybe the government can't do everything for everybody. We just do not have the tax dollars to work with. I guess what I am trying to convey is that you are in a position to say many times we will or we will not spend the dollars. You are in a position to advise the President as to what direction he should go on the budget first and whether the dollar would actually be spent if it is appropriated.

It seems we definitely are going the direction of New York City. And the map is on the wall, but we are not watching the map. We have said that we are going to balance the budget by 1981. This was stated by the President. I recall reading it. Here it is the fiscal year 1979 budget. We only have next year, one more year after 1979, before we jump into the 1981 with a billion dollar budget and we have a \$60 billion-plus deficit in the 1979 budget. I am very concerned.

I had hopes, too, the President was going to be able to do that. I read the message loud and clear, and I said more power to him, I am going to help him. But it is not taking place. The reorganization, cutting the agencies, the balance in the budget is not taking place. Surely you would have some thought as to whether it will take place.

By all indications, it is not going to take place by 1981. I hope you can tell me it is going to take place by 1981, and we are going to balance the budget.

Do you have anything to convey to us about it?

Mr. McINTYRE. Yes, I would start off by saying, Mr. Miller, that it is still the President's goal and objective to balance the budget.

Mr. MILLER. I heard that from Bert Lance. As a matter of fact, we had him to a luncheon over a year ago and that was the exact answer that Mr. Lance gave. It is still the President's goal, and it is an objective we want to meet. And that was long before the 1979 budget was ever presented to us with that \$60 billion deficit.

Mr. McINTYRE. The objectives that I have are to try to balance the budget, and I would point out to you that while there is a \$60 billion deficit proposed for 1979, the makeup of that deficit is quite different from the makeup of the deficit in 1978 in that the tax reduction proposals have increased what would otherwise be the debt by some \$15 billion to \$20 billion.

To put that another way, were it not for the tax reduction, the amount of the debt would be \$15 billion to \$20 billion lower than it is expected to be.

I think we have, considering all of the pressures and the different competition for government resources, we have put together a restrained budget, and we intend to put together another tight budget next year. I expect to see the deficit reduced next year. I think we have got to get the deficit down. It is important to the country that we get it down, and I believe that the American people want to see us get it down and get this budget back into balance so we can properly manage the Federal Government's financial matters.

It is a difficult thing to do, and I think you know that, and all I can tell you is that we are going to try to do it, do the best job we can. And I hope that when I am up here next year—

Mr. MILLER. Off the record.

[Discussion off the record.]

Mr. MILLER. What I am trying to convey is that we hear that you are trying, and I think if we are going to accomplish it, we all have to work together to get it done. I am not just talking about spending dollars as such. We are talking about the farm program right now. We are spending dollars that would be necessary to spend, but inflation helped to create part of that problem. Inflation has helped create the problem with the devaluation of the dollar which has caused problems to our elderly. They carry home a smaller bag of groceries because they are on fixed income, so we are not just talking about spending. We have to watch that dollar alone, but it is the ramifications of what we have because of continuous deficit spending and the piling up higher national debt.

We use words continuously, but we seem to be short on the action to get it done. There is no doubt about it, the legislative body as well as the administration has to bite the bullet if we are going to accomplish it.

Now, we know there are so many programs that have been started, and we know the political subdivisions, the villages and the cities and the counties and the States, which keep coming to the Federal Government for more dollars, dollars that we don't have. Yet back at the States they have a surplus. We know there is a lot of politics used to encourage votes at the Federal level to vote the programs in, but it seems to me maybe we have to find a way where everybody is elected for one term in the legislative body and one term as President. That might be a solution so that they will not attempt to be re-elected.

I think I have a right to make the statements that I have made because of the voting that I have made in attempting to hold down spending. I am not proud of some of the no votes, because there were good things in the programs, but the programs had mushroomed and enlarged to such an extent—just take the housing program. Maybe you can convey a message to me as to whether you looked into section 8 of the HUD act. Do you have the information as to what can be paid in subsidy to one family under section 8?

Mr. McINTYRE. Not the outside figures, no. It is based on some formula.

Mr. MILLER. We did a little research, because I could not find any answers on the floor from the Democrats or the Republicans. We seem to continually run into a dead-end because it is a confusing bill, there is no doubt about it. But my question was on the maximum amount that any one family could receive under section 8, which would be rent subsidy.

I found it out by going to HUD. In New York City, in a high-rise, elevator-type apartment building, and it is listed that way, it is possible for one family to receive \$1,047 a month rent subsidy. If the breadwinner is not working, the Federal Government will pay it all, \$1,047 for a 4-bedroom high-rise elevator apartment.

We have to find a way to get rid of this type of thing. I guess maybe your people need to keep looking to give us some advice as to how we are going to do it.

Mr. McINTYRE. We will continue to look at these programs and, as you bring these points up, there are things I can take back and ask my people to review and pursue.

WHITE HOUSE OFFICE

Mr. MILLER. Could we cover one other area at least and that is the White House office? Again we were going to reduce a third. We know that. We do not know exactly whether it can be done, but the remarks are there and if we are not going to be able to do it, I think we should say so.

First of all, do you have information on the reorganization of the White House?

Mr. McINTYRE. Not for my budget presentation on OMB. I didn't bring it.

Mr. MILLER. Would you take that sheet, and give me your thinking as to what the reorganization of the White House would be, because you are involved in it, as you see.

Mr. McINTYRE. What do you mean, what would it be?

Mr. MILLER. Can you explain what is going to take place? You have how many, 89, out of OMB, that will be transferred to the administrative office, which is a new office?

Mr. McINTYRE. That is correct.

Mr. MILLER. And we certainly cannot come up with totals as to how we are going to reorganize the White House. Apparently we are going to set up a new section. What will the 89 people from OMB do over in the administrative office of the White House, and why would they be transferred from OMB to the administrative office?

Mr. McINTYRE. Let me make a distinction between the White House and the Executive Office of the President. The Office of Administration was created in the Executive Office of the President to provide administrative support activities to all agencies in the Executive Office.

Mr. MILLER. I understand there are some 1,700 employees in the executive offices?

Mr. McINTYRE. There were some 1,712 employees authorized; although a lot of positions were not filled, as I recall.

But the idea of creating the Office of Administration was to provide a centralized administrative type activity to those organizations that constituted the Executive Office of the President. So one of the recommendations in the creation of that office was to transfer those administrative functions that existed in the various agencies in the executive office to the new Office of Administration.

Eighty-nine positions from OMB were transferred to the Office of Administration. Some positions were transferred from the White House to this new office and it may have gotten some positions from other activities in the Executive Office. But the idea was in this particular case to consolidate the administrative activities for the entire Executive Office of the President.

Mr. MILLER. We have been attempting to unravel it. We will be asked, when this subcommittee brings a budget to the floor, about your budget and the Executive Office of the White House, and the White House offices, and the Office of Administration. There is no way that we could take that sheet and explain to people on the

House floor what they were voting for as far as volume of dollars compared to what is being done in reorganization. It seems to be a big problem. So we are going to find an answer.

I thought if you could shed any light on it—we are already on the track of finding an answer, but if you could shed any light we would appreciate it.

Mr. McINTYRE. Mr. Miller, we have nothing that we would want to keep light from being shed upon, so I would be glad to provide any information that we can, and we will certainly assist in any efforts that the committee has undertaken to determine the requests. We thought we provided that information in the budget as we normally do when functions are transferred, and I stand to be corrected, of course, but my recollection of the budget is that we did provide information in the budget as to the positions and dollars that flowed from one activity in the Executive Office to another activity.

I stand to be corrected if that is not correct, but that is my understanding and recollection and perhaps the staff could shed some light on that.

Mr. MILLER. Well, let's put it this way: The people who came in to present the budget really never had the answers for us.

Mr. McINTYRE. That is unfortunate.

ZERO BASE BUDGETING

Mr. MILLER. And we will be finding answers, but I thought perhaps you may have had some additional information that you could give to us.

Mr. Chairman, did you cover zero-base budgeting in any way at all?

Mr. STEED. No.

Mr. MILLER. Is it possible for you to cover that? But if you would show us where we are. It is a little like some of the other programs that I have heard about. It is going to be a great beneficial thing, and I had hoped, too, that it was going to happen and it would be beneficial and reduce the size of the bureaucracy.

Maybe it has to some degree, and if you have any information and would share it with us, we would appreciate it.

Mr. McINTYRE. Certainly. The way that the Office of Management and Budget has approached the implementation of zero-base budgeting is that it is a management tool for making decisions. It is a process that enables managers to review what they are doing, to look at other ways of performing those activities and to establish priorities on the allocation of their resources. It has never been touted as a magical process out of which falls some compact budget document.

It has been explained as a way to bring some systematic approaches and decision-making on the allocation of resources, which is what the budget process really is.

We implemented it throughout the Federal Government this past year. The 1979 budget was developed based upon the use of the zero-base budgeting techniques and we think that it was very helpful to us in putting together our budget recommendations to the Congress.

There are several advantages that we experienced this past year in using the process.

First of all, the process gave us for the first time in the Federal Government a systematic, uniform way to display budget information.

For at least the first time in several years, we got the budgets in on time so that we could analyze them properly. The agents understood that we were serious about getting them in, so we could deal with them.

It involved managers at all levels of the government and that may not seem very important, but my experience is that it is important because there becomes a budget consciousness or awareness at the operating level of why the manager has the resources that he or she has and why the decisions are made with respect to allocating people and money to that particular activity.

I think that is important, particularly in an organization as big as the Federal Government, where it is very difficult to communicate in most instances anyway.

We did have this review at other levels and we saw a significant amount of redirecting of resources in some agencies, changing of priorities. We found that the establishing of priorities by various levels of management was very important in helping managers bring about what I like to refer to as goal concurrence for the agency so managers understand what they were supposed to be doing and why and how many resources they had to do those functions with.

So we found the process to be very helpful and very beneficial and we intend to use it this coming year.

Now, obviously we had some problems. The information systems in agencies vary. Some of them have very good information systems; they can produce information from which they can develop and make budget decisions. Others don't. And this type of process really shows those kinds of gaping differences.

We also found that we created some additional paperwork in the process. We knew that we would create a little bit because any time you ask an agency to give you three different levels of effort on what they would do in performing a function, you are going to generate some additional paperwork. But in many agencies it produced more than we thought was necessary and we are going to try to correct that deficiency this year.

We are going to try to do a better job of working with the agencies in trying to establish those areas in which decision packages should be developed, because that again can generate a lot of paperwork if you develop those at too low a level.

So, while there were some problems, we think the overall implementation of this process was successful this year and I intend to get a report out so that it can be seen in the public exactly what our achievements were, as well as our shortcomings in implementing the process this year.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. STEED. We like to have as complete a record in our hearings as we can because our experience is that this part of our hearing probably gets the closest scrutiny of any of it. It also gives you an opportunity not only to place policy matters on record in a favor-

able position, but also I think all through the government they pay attention to what you say. So it is not only for the purpose of our bill, but I think it is a very useful exercise for the whole year long because it comes nearer giving people in the Congress and in the government a better handle on the President's activity and aims than any other place in the record.

Mr. McINTYRE. Thank you, sir.

Mr. STEED. And we want to thank you again for your appearance and cooperation, and we are grateful for the information you have provided and wish you well and hope we will be around when the fruits of the labors are more apparent than they are this year. We do have some questions Mr. Roybal submitted to be answered for the record.

Mr. McINTYRE. We hope so too.

Thank you, Mr. Chairman, and members of the committee.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned.]

[The following was received for the record:]

QUESTIONS FROM MR. ROYBAL

Question 1. You indicate that OMB's basic function is to manage the process of allocating finite resources among seemingly infinite potential users. (a) What factors does OMB consider in making such allocations? (b) What recourse is available to an agency unsatisfied with OMB's decision? (c) Can an agency appeal OMB's decision directly to the President? If so, how many such appeals have been made concerning the fiscal year 1979 Budget? What was the result of those appeals?

Answer. (a) In carrying out its responsibilities for preparing the Federal budget, OMB is, of course, the President's agent. It recommends resource allocations to him based upon the policy guidance he provides. This guidance as it relates to a particular agency or program can be either general or specific. It leads OMB to consider the following factors in reviewing agency budget requests and in making its recommendations to the President.

Conformance of the agency's request to the specific policies and planning ceiling established by the President for that agency;

Relative importance of the agency's budget request within the overall framework of the President's budgetary objectives (e.g., effect on the President's fiscal policy and priority among the many responsibilities the Government has to meet critical needs of the Nation);

Assessment of agency goals and objectives and demonstrated progress in achieving them; and

Degree of efficiency of the agency's operations and its ability to manage the taxpayers' resources prudently.

(b) As is implied in the answer to (a), OMB does not make decisions on the budget, the President does. OMB is a staff advisor to the President, reviewing agency proposals to assure consistency with Administration policy and developing alternatives for the consideration of the President.

As a general rule, OMB's recommendations to the President on agency budget requests are not communicated to the agencies before initial Presidential review. (However, the agency's views are made known to the President when OMB's recommendations are presented to him.) Following this review, OMB notifies the agencies of the initial Presidential budget determinations and advises them that if the agency head wants to appeal, he or she should do so in writing to the President. The agency head may also discuss significant appeals with the President, if he or she so desires.

(c) As is noted in response to the previous question, final decisions on the Budget are made by the President. Agency heads are given an opportunity to appeal his initial decisions directly to the President, either in writing and, if the agency head requests, orally.

In the 1979 Presidential Appeals process, seven formal appeals sessions were held with the President covering the programs of 23 Federal agencies. In many cases, the President agreed with the objections raised, and reversed or modified his earlier decision. In other instances, the President was not convinced and reaffirmed his earlier decisions.

Question 2. We have increased our recruiting efforts to attract more applicants of Hispanic background. We are concerned about the decrease in the number of Hispanics on the OMB staff, not only because we feel that greater minority representation is good for the organization, but because we have lost some very outstanding talent with these particular losses.

Answer. Our cooperation with the Washington area Hispanic Employees Program Coordinators has been increased this past year and we are contacting colleges and universities for qualified applicants. All our vacancies are reported to the *Noticiero*, a publication of the Coordination group, which is available to all agency Hispanic coordinators.

(a) Two of the Hispanic employees who have left OMB did so to return to their home states—one to enter family business and the other to take another government position in that area. The other two left because of other opportunities in the Washington area—one to become an Assistant Secretary of the Department of Housing and Urban Development and the other to become a Special Assistant to a Civil Service Commissioner.

Question 3. Our Affirmative Action Plan, which is attached, contains detailed action items to address each of the stated areas of concern. We have been able to keep on schedule with these items in most instances.

Answer. Our efforts to provide better opportunities for upward mobility have resulted in the identification of jobs within the Office which are potentials for redesign as bridge positions, but we have not advertised any of these positions yet. We hope to have some positive results in this area before the end of the fiscal year.

Our training program has lagged somewhat. This is due, in part, from the reorganization of the Executive Office, under which our training officer and other key personnel in this area were transferred into the new Office of Administration. We intend to get underway with this effort soon.

Our activities with respect to monitoring personnel actions with respect to individuals interviewed, hired and promoted have resulted in a much greater participation by senior level supervisors in the EEO effort. I review quarterly reports on all of these actions. We are gaining better experience in pinpointing our recruitment needs.

Our survey to determine knowledge of and confidence in the EEO program at OMB is just being completed. The results have not been analyzed, but it is clear from an initial review of the responses that most employees are aware of the EEO program and are satisfied with it.

(b) During fiscal year 1978, 34 people have been hired at OMB.

(c) No Hispanics have been hired during this fiscal year. The following positions were filled, at the grades indicated:

Position	Number	Grades
Budget Examiner	4	GS-9, 11, 14, and 15.
Operations Research Analyst	3	GS-11, 12, and 14.
Budget Preparation Specialist	2	GS-11.
Systems Analyst	2	GS-13 and 14.
Management Analyst	2	GS-15.
Economist	2	GS-12 and 15.
Program Analyst	2	GS-14 and 15.
Computer Specialist	1	GS-9.
Associate Administrator for Acquisitions Law	1	GS-17.
Engineer	1	GS-14.
Deputy Assistant Director for Evaluation	1	GS-17.
Senior Staff Member	1	GS-15.
Policy Development Officer	1	GS-15.
Motor Vehicle Operator	1	WG-7.
Secretary	8	GS-5 (2), GS-6 (3), GS-7 (1), GS-8 (2).
Clerk	1	GS-5.

Question 4. The resources for the EEO program are set forth in the Affirmative Action Plan, attached, at page 5.

ANSWER TO MR. ROYBAL'S QUESTION NO. 5

The President's August 4, 1977, proposals dealing with the undocumented alien problem included an announcement that "border controls would be improved by adding at least 2,000 additional enforcement officers at the borders and by concentrating their presence where the crossing of our borders is most likely." The President did not specify that all 2,000 enforcement officers would be Immigration and Naturalization Service (INS) Border Patrol officers. There are other Federal agencies (e.g., the United States Customs Service) with law enforcement responsibilities at the border, and it is the President's intention to improve the overall Federal enforcement effort. Neither did the President specify that all 2,000 enforcement officers would be new Federal employees, though clearly most would be. The INS has moved personnel from the interior and from the northern border to the southern border in direct response to the President's policies.

OMB contributed significantly to the development of the policies and initiatives announced by the President. Policy level officials and career staff participated in the interagency task force on undocumented aliens from the very beginning of that effort. The nature of the input should probably be categorized as technical and analytic on the part of career staff (e.g., the development of workload and cost estimates, etc.), and judgmental on the part of policy level officials.

OMB and other members of the interagency task force did give consideration to the need for clerical staff—not instead of Border Patrol personnel but in addition to them. The option, if such it is, was not rejected; the need for additional clerical personnel for the INS is recognized and is an important part of the President's undocumented alien program:

The 1978 appropriation for the INS includes funds for 454 additional personnel that were not requested in the President's 1978 Budget. Of these, 97 are clerks and 89 are other service-related (i.e., nonenforcement) personnel. The decision to accept these unrequested personnel resources was directly related to the President's undocumented alien initiatives.

The President's 1979 budget includes a request for funds for 295 new clerks and administrative support personnel.

OMB is presently reviewing a supplemental request for 1978 which would provide funds for 128 temporary employee work-years for service-related activities, of which 85 work-years are for clerical functions.

The principal components of the President's undocumented alien initiatives require authorizing legislation. When that legislation is adopted, OMB will recommend and the President will almost certainly request a very substantial increase in personnel to implement the adjustment of status and temporary resident alien registration provisions. (Tentative estimates submitted to the Congress indicate the need for as many as 1,855 clerical work-years for these purposes.)

OFFICE OF MANAGEMENT AND BUDGET
1979 BUDGET SUBMISSION

Summary of Personnel Compensation by Office and Division

	Estimated 1978		Estimated 1979		Increase or Decrease 1978 over 1979 NO.
	Total No.	Salary	Total No.	Salary	
Director's Office	61	1,601,000	61	1,601,000	--
Executive Associate Director					
Budget	3	96,000	3	96,000	--
Budget Review	84	2,213,000	84	2,213,000	--
National Security and					
International Affairs	84	2,440,000	84	2,440,000	--
Human Resources, Veterans					
and Labor	54	1,522,000	54	1,522,000	--
Economics and Government	55	1,505,000	55	1,505,000	--
Natural Resources, Energy,					
and Science	80	2,102,000	80	2,102,000	--
Executive Associate Director for					
Reorganization and Management	12	360,000	12	360,000	--
Organization Studies	43	1,288,000	43	1,288,000	--
Management and Regulatory Policy	74	2,245,000	74	2,245,000	--
Net permanent positions	350	15,372,000	350	15,372,000	--
Deduct lapses	-25				
Adjustment for pay change	4				457,000
Net permanent	325	13,375,000	325	13,375,000	-16,000
Positions other than permanent:					
Temporary	--	688,000	--	895,000	207,000
Intermittent	--	153,000	--	66,000	-87,000
Other personnel compensation	--	265,000	--	189,000	+76,000
Special personnel service payments	--	56,000	--	34,000	+22,000
TOTAL PERSONNEL COMPENSATION	525	17,327,000	546	18,611,000	21 +1,284,000

SUMMARY OF OBLIGATIONS BY OBJECTS
(in thousands)

	Estimated		Increase or decrease
	1978	1979	
11 Personnel compensation	17,327	18,611	1,284
12 Personnel benefits	1,474	1,597	123
21 Travel and transportation	331	465	134
22 Compensation or benefits	5	5	--
23 Communications, utilities and other			
rent	1,069	844	-225
23-1 Standard level user charges	2,030	2,384	354
24 Printing and reproduction	1,419	1,816	397
25 Other services	2,645	1,651	-994
26 Supplies and materials	250	250	--
31 Equipment	200	253	53
Total obligations	26,730	28,146	1,416
Less: Reimbursements	-68	---	68
TOTAL APPROPRIATIONS OR ESTIMATE	26,662	28,146	1,484

Account title: Salaries and Expenses
 Account symbol: 11 0300
 Agency Code Agency Code

Agency: Executive Office of the President
 Bureau: Office of Management and Budget

REIMBURSEMENTS AND ADVANCES RECEIVED

Purpose (1)	Account Symbol (2)	Statutory Authority (if Other Than 31 USC 686) (3)	Fiscal Year 1977 Actual (4)	Received As Of 01-31-77 (5)	Fiscal Year 1978 Estimated For Rest Of Year (6)	Total (7)	Fiscal Year 1979 Estimated (8)	Should the Performing Agency Receive the Appropriation For This Activity (Yes or No) (9)
I. Federal Sources								
A. For administrative services performed for the:								
1.	Council of Economic Advisers	(11 1900)	30,000	7,500	---	7,500	---	No
2.	Domestic Council	(11 2200)	40,000	10,000	---	10,000	---	No
3.	Office of Federal Procurement Policy	(11 0201)	40,000	10,000	---	10,000	---	No
B. Other								
	Personnel details	-	16,000	---	20,000	20,000	---	-
	Other services	-	106,000	---	20,000	20,000	---	-
	TOTAL FEDERAL SOURCES		232,000	27,500	40,000	67,500	---	

JUSTIFICATION OF ESTIMATES FOR 1979

OFFICE OF MANAGEMENT AND BUDGET

GENERAL STATEMENT

The Office of Management and Budget requests an appropriation of \$28,146,000 for Fiscal year 1979. This request reflects an increase of \$1,484,000 over the Office's estimated 1978 appropriation of \$26,662,000. The 1978 appropriation consists of \$28,830,000 originally appropriated, net transfers out of \$3,660,000 under the President's Reorganization Plan No. 1 of 1977, and two pending supplemental requests totaling \$1,492,000. One supplemental request will be used to cover partial costs of the October 1977 pay increase enacted by Executive Order 12010, \$857,000; and the other request will cover the costs of the Executive Level Pay Increase enacted through the recommendations of the Commission on Executive, Legislative, and Judicial Salaries (\$635,000).

In the 1979 budget request, the increase of \$2,659,000 over the 1979 base for personnel compensation is composed of nondiscretionary and administrative increases and decreases. The nondiscretionary net decrease of \$374,000 is the result of the transfers into and out of OMB under the President's Reorganization Plan No. 1, (\$474,000) and the increased cost associated with paying the full salary for reemployed annuitants (\$100,000). The full year cost of the October 1977 and Executive Level pay increases (\$1,391,000) is also nondiscretionary. The administrative increase of \$973,000 represents a decrease in the lapse rate (\$577,000) and higher average salaries than originally budgeted for. The net increase of

\$669,000 for other personnel reflects the increased use of temporary personnel and consultants in carrying out the President's reorganization efforts. As a result of these increases in personnel compensation, personnel benefits are estimated to increase \$240,000 over the 1979 base.

Net increases totaling \$9,000 over the 1979 base are requested for object classifications other than personnel compensation and benefits. Many of the increases and decreases associated with that net increase result from the transfers into and out of the office due to the reorganization proposals put into effect. Other increases over the 1979 base are needed to more effectively support OMB's budget and management efforts, such as the \$400,000 increase requested for supplies, equipment, and travel. Most of the increases though, are nondiscretionary, as follows: Standard Level User Charges increase of \$381,000; printing of the Budget documents and items in the Federal Register, \$367,000; telephone services, \$172,000; and photocopying and supply needs associated with the increased staffing of non-permanent positions, \$175,000.

The following summary and budget plan highlight the changes requested over the 1979 base.

NOTE: The amounts in this justification differ from those printed in the 1979 budget due to more current estimates.

OFFICE OF MANAGEMENT AND BUDGET
1979 BUDGET PLAN
(DOLLARS IN THOUSANDS)

	FISCAL YEAR 1978										FISCAL YEAR 1979																																																																																																																																																																																																																																																																								
	Appropriation as allocated (Civil Service)	Transfer to Civil Service	Transfer to Commerce	Transfer to OMA	Transfer to Administration	Transfer from OMA	Total	Per Annuity Supplemental	Total, as is 1978 Budget, adjusted for special differences	Administrative Change	Appropriation Available	Base for FY 1979 of 1978 Pay Act and Supplemental	Modification Administrative Change	Administrative Change	Full Year Supplemental	1979 Subject Request																																																																																																																																																																																																																																																																			
Personnel compensation:																	Total number	625	6	15	-3	89	32	272	796	285	272	14,259	550	-294	935	1,391	16,217	Personnel compensation	16,131	-217	-458	-51	-1,141	32	14,258	796	285	13,253							Other personnel:																	Contractual	821		-40		-48		713			713	951		78	721	1,250	Commodities	435				-150		285			285	285		-54	-31	180	Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335
Total number	625	6	15	-3	89	32	272	796	285	272	14,259	550	-294	935	1,391	16,217	Personnel compensation	16,131	-217	-458	-51	-1,141	32	14,258	796	285	13,253							Other personnel:																	Contractual	821		-40		-48		713			713	951		78	721	1,250	Commodities	435				-150		285			285	285		-54	-31	180	Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																	
Personnel compensation	16,131	-217	-458	-51	-1,141	32	14,258	796	285	13,253							Other personnel:																	Contractual	821		-40		-48		713			713	951		78	721	1,250	Commodities	435				-150		285			285	285		-54	-31	180	Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																		
Other personnel:																	Contractual	821		-40		-48		713			713	951		78	721	1,250	Commodities	435				-150		285			285	285		-54	-31	180	Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																			
Contractual	821		-40		-48		713			713	951		78	721	1,250	Commodities	435				-150		285			285	285		-54	-31	180	Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																				
Commodities	435				-150		285			285	285		-54	-31	180	Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																																				
Competition	56						56			56	56			-22	34	Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																																																				
Total personnel	17,445	-117	-498	-51	-1,339	32	15,504	796	285	14,879	17,227	15,952	-214	1,442	18,411	12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																																																																				
12.0 Personnel benefits	1,468	-10	-10	-4	-104	12	1,344	67	50	1,461	1,474	1,377	-28	180	1,597	21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																																																																																				
21.0 Travel	1,405						1,405			1,405	1,405	1,377	3	15	1,422	22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																																																																																																				
22.0 Information of policy	1,846				-84	14	1,776			1,776	1,776	1,776		13	1,789	23.1 Standard Level Over Charge and utilities	2,074		-32		-84		1,958			1,958	2,039		21	15	2,054	23.2 Standard Level Over Charge and utilities	1,479				-90		1,389			1,389	1,419		21	15	1,434	25.0 Other services and materials	332		-80		-4		248			248	2,055		284	21	1,871	31.0 Supplies and materials	21,538	-137	-482	-35	-2,052	119	18,796	657	635	19,431	18,500	18,500	74	219	19,219	Total estimated obligations	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335	Total Budget Authority	31,538	-137	-482	-35	-2,052	119	28,796	657	635	29,431	30,200	28,500	1,800	1,335	30,335																																																																																																																																																																				
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WORKLOAD OF THE OFFICE OF MANAGEMENT AND BUDGET

The variety and complexity of the work of the Office of Management and Budget in functioning as staff to the President is enormous and cannot easily be summarized in a brief statement. The continuing work responsibilities of the Office set forth below describe the most significant workload toward which the 1979 budget request is directed.

PROGRAM AND BUDGET REVIEW

BUDGET REVIEW DIVISION

The following factors affect the Office's workload in the Budget Review Division:

1. The growing complexity of the budget process in recent years has produced a substantial and continuing increase in the workload associated with preparing and executing the federal budget. Causes of these permanent increases include:

- a. the Congressional Budget and Impoundment Control Act, which requires the submission of current services estimates, the development of national needs and agency mission statements, more detailed and complex long-range projections, additional testimony, greater emphasis on scorekeeping in connection with the concurrent budget resolutions, the preparation of several updates of budget information throughout the year, and reports to the Congress on all proposed rescissions and deferrals of budget authority.

- b. the Legislative Reorganization Act, which requires that standard terms, definitions,

classifications, and codes be developed, established, and maintained for use by all Federal agencies in supplying the Congress fiscal and budgetary data. It also requires that standardized data processing and information systems for fiscal, budgetary, and program-related data be established and maintained. The Act gives the General Accounting Office the lead role in carrying out the first of these requirements, but OMB has a major role, too. For example, consideration of possible revisions to the functional classification structure, which the Act requires that OMB do in consultation with the Appropriations and Budget Committees of the Congress, is a permanent source of additional workload in OMB, particularly since the functional structure is also the basis for information on national needs. The Office will continue to work with the GAO, CBO, and other congressional staffs in an effort to develop information systems that meet both congressional and executive branch information needs better. This is a long-term effort that is not likely to have a definitive end, since improvements will always be sought.

- c. the establishment of a zero-base budgeting (ZBB) system. The development and coordination of a ZBB system for the entire Federal Government was a major accomplishment during the past year. The Division is currently undertaking an assessment of the first year's results to identify areas where improvements can be made. Work to improve the design of the system and provide technical assistance to the agencies and OMB program divisions will continue through 1979 -- and beyond.

- d. the establishment of a multi-year budget planning system. This system is being designed to integrate long-range planning into the

credit programs. The conceptual and operational difficulties that must be overcome in the process of developing such a system are extensive and will require concentrated work over an extended period of time.

4. The increasing size and complexity of Federal programs has added to the Division's workload. The dynamics of program developments require not only that proposed new programs be analyzed in-depth but that efforts be directed continuously toward evaluating existing programs to assure that lower priorities activities or uneconomic or outmoded programs are identified for elimination or reform.

5. As the President promised, reorganization of the executive branch has been given high priority in his Administration. As reorganizations take place, new appropriation structures must be developed to match the new organizations, budget analyses must be restructured to fit the new pattern of activities, and assistance must be given for the transfer of funds, personnel, and property. These tasks have added significantly to the Division's workload -- and will continue to do so.

6. Assumption of the responsibilities previously carried out by the Office of Financial Management in GSA has had a significant impact on the workload of this Division. Continuing sources of workload include providing leadership to agencies in modernizing financial management systems to meet management needs and the requirement of law; reviewing and approving agency regulations for systems of administrative fund control, as required by law; providing direction to executive audit agencies on coordination among audit staffs, the

executive budget cycle, to ensure that long-term consequences are identified before decisions are made, and to provide a structure for review and analysis of long-term programs and tax policy choices. This Division has the responsibility for developing and managing such a system and for providing detailed instructions and technical assistance to the agencies and OMB program divisions on its operation. The intensive staff work needed to establish this system will take place throughout fiscal years 1978 and 1979.

e. problems with outlays "shortfalls." The chronic "shortfalls" of the recent years have given renewed emphasis to this Division's efforts to develop better techniques for use in estimating outlays. While improvements have been made, substantial continuing work will be needed to improve and maintain the accuracy of our estimates.

2. Section 601(i) of the Congressional Budget Act requires the presentation in the budget, beginning with the budget for fiscal year 1979, of information in terms of national needs, agency missions, and basic programs. Preparing this information for the 1979 Budget proved to be a demanding task -- and was compounded by the change in the timing for submission of the current services estimates from November to January (i.e., concurrently with the budget). The workload demand associated with preparing these bodies of information will not recede. In particular, a great deal remains to be done to compile or to improve national needs information in budget authority and outlay terms in several areas.

3. This Division has the responsibility for carrying out the Administration's commitment (stated in the 1979 Budget) to develop a system to control

need for early audits, and the elimination of audit overlap and duplication, particularly in intergovernmental programs; encouraging agencies to use business-like practices to manage cash flow; and monitoring the application of standard cost principles for determining costs applicable to Federal grants and contracts with State and local governments, universities, and other nonprofit organizations.

7. Most of the work of the Economic Policy Unit is in response to specific requests of the Director or the Executive Associate Director, to whom the Unit's staff are special assistants. All of the functions planned for the Unit for 1978 are expected to continue into 1979. These functions include keeping the Director and others apprised of current developments in the economy, making forecasts of future developments in the economy, analyzing policy issues that have particular economic significance, and other activities.

LEGISLATIVE CLEARANCE

LEGISLATIVE REFERENCE DIVISION

The following table furnishes recent data on the volume of the workload involved in the Office's Legislative Reference Division:

	93rd Congress	94th Congress	95th Congress
Congressional requests for OMB views	3,645	3,577	2,152
Agency reports and testimony for clearance	8,546	7,878	2,548
Agency draft bills	844	957	376
Enrolled bills	806	762	252
Total	13,841	13,174	5,328

This large volume of work affects all organizational units of OMB since the specialists in each program or functional area are called upon to assist in the review, analysis, and clearance of agency legislative proposals, reports, and testimony, and in the preparation of replies to congressional committee requests for the Office's views on pending legislation.

It should be noted that the table does not include all legislative coordination and clearance functions of the Office, such as responding to requests for information and coordinating agency views on other agencies' reports and testimony. Also, Office officials and staff members spend a substantial amount of time in testifying before congressional committees, attending committee hearings relating to their work, and working informally with committee staff on pending legislation.

ANALYSIS OF NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS

NATIONAL SECURITY DIVISION

The National Security Division is responsible for examination of and recommendations regarding programs, operations, management, and budgetary issues of the Department of Defense and the Intelligence Community. It is the principal liaison at the staff level for the Office of Management and Budget with all echelons of the Department of Defense and the Intelligence Community, including the Office of the Secretary, defense agencies such as the Defense Supply Agency and the Defense Communications Agency, and the Departments of the Army, Navy and Air Force. In this capacity the Division is responsible for the review of defense programs, the projection of fiscal estimates based on these programs, and the staff work relating to budget targets.

The Division works closely with the National Security Council staff, the Department of Defense, and others in identifying and analyzing the program and fiscal implications of national security policy alternatives.

INTERNATIONAL AFFAIRS DIVISION

The International Affairs Division is responsible for the examination of and recommendations regarding operations, management, and budgetary issues of the foreign affairs programs of the United States, including diplomatic and consular, foreign information, foreign military assistance, and economic activities. The Division reviews the programs, budget requirements, operating methods, management,

and legislative proposals of the Department of State, Agency for International Development, International Communication Agency, Export-Import Bank and other agencies having responsibility in the area of international affairs. The Division is responsible for the review of U.S. contributions to international organizations; such as, the United Nations and its specialized agencies, and to multilateral financial institutions; such as, the World Bank and regional development banks. It provides advice on proposed uses of foreign currencies, especially those accruing under Public Law 480, on U.S. Government transactions entering the balance of international payments, and on international monetary and trade affairs.

In 1979 special emphasis is expected to be placed on such issues as: military and economic aid to the Middle East; ongoing efforts to improve the effectiveness of U.S. development assistance provided through Aid; the PL-480 food aid and multilateral programs; strengthening U.S. participation in the United Nations system; providing better program support for key international initiatives in limiting arms sales, nuclear proliferation, and human violations; international energy policy; and broader international trade, monetary, and investment issues.

SPECIAL STUDIES DIVISION FOR
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS

The Special Studies Division for National Security and International Affairs is responsible for the conduct of in-depth analyses of selected policy issues in this program area and for the coordination of certain cross-cutting reviews.

During 1978 the Division is conducting several major projects including an analysis of the All-Volunteer Force (AVF) for meeting military manpower requirements, a study of ways to reduce the costs of military recruit training, a review of the economic adjustment process for domestic base realignments, and a study of the payment of ocean freight differentials for the shipment of agricultural commodities under PL-480. The Division is also engaged in the coordination of OMB's participation in several cross-cutting policy reviews, including nuclear non-proliferation, terrorism, technology transfer, and bilateral science and technology agreements.

During 1979, the Division will continue studies and policy reviews begun in 1978 and will also initiate work on a number of new projects involving evaluation of defense and international program issues.

ANALYSIS OF HUMAN AND COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

The Human Resources Division is concerned primarily with the Department of Health, Education, and Welfare efforts in the areas of education; health; and income security. In addition, the Department of Agriculture's food and nutrition programs fall within the purview of this Division. In 1979 these areas will total more than \$194 billion in budget authority.

The Division is concerned with the efficiency and effectiveness of Federal activities in these areas, systems for service delivery, links between the Federal Government and State and local

governments, and the effects of Federal assistance on the ultimate beneficiaries.

1. Income maintenance programs. Social Security, welfare, and related programs such as Food Stamps, social services, community services, and child nutrition, account for over 25 percent of the total budget. The increasing cost and complexity of these programs make it essential that they be continuously and carefully scrutinized from the standpoint of equity, effectiveness, and consistency. Staff resources will be concerned with the development of proposals to increase the effectiveness of current programs, with particular emphasis on Social Security and with planning for implementation of the Program for Better Jobs and Income. Concurrently, efforts will continue in analyzing alternative proposals for improving and simplifying income assistance programs.

2. Federal health programs. Federal support for health programs has increased over 120 percent in the last five years from \$22 billion in 1974 to an estimated \$49 billion in 1979. In addition, the Federal Government has also been the dominant source of support for biomedical research. The Federal role has been broadened to include financing health services for the aged, poor, and disabled; improving the quality and appropriateness of medical care received under Federal programs; attempting to more equitably distribute health resources; developing new and more efficient approaches to health services delivery; providing access to basic health care and preventive health programs; helping to control drug addiction; attempting to identify and control environmental and occupational health hazards; and protecting the consumer from hazardous food and other products. All of these efforts have placed greater demands for in-depth analysis of alternative

coordinate an interagency jobs program which assists Vietnam veterans in obtaining employment. A high volume of legislative activity, reflecting executive and congressional interest in veterans' programs, will continue to require in-depth Division staff analysis. In the year ahead, staff analyses will also be required to assess the impact on veterans program requirements of such external developments as changes in federally-funded social benefit programs, aging of the veteran population and the continued implementation of the All Volunteer Armed Force. The projected increases in demands for health care and nursing home assistance by elderly veterans will require major policy decisions to restrict eligibility or enter into significantly expansion programs in these areas.

2. Training, employment, and labor services. Agencies within the Division's responsibility will administer training and employment programs with projected Federal outlays of over \$12.7 billion in 1979 outlays, compared to \$6.8 billion in 1977. Programs providing income replacements for those temporarily unemployed or injured on the job account for another \$12.1 billion. Programs establishing and enforcing standards that affect the relationship between employer and employee (including minimum wages, overtime payments, equal pay for equal work, job discrimination as the basis of age, welfare and pension plans, fair practices and mediation in labor-management relations, and job safety and health) will spend over \$700 million in seven separate agencies. Responsibility for the Government's program for recruiting and assigning volunteers, both in the Peace Corps abroad and in domestic volunteer programs, is also assigned to this area. Major activities include the development of approaches for determining the role and effectiveness of employment and training programs in

proposals affecting health care, with particular emphasis on developing a National Health Insurance proposal.

3. Education. Education programs within the Division's area of responsibility account for \$14 billion in budget authority. In FY 1979, staff will work closely with the Department of Health, Education, and Welfare on proposals for reform of the impact aid program, and the elementary and secondary education programs. Work will continue with the National Institute of Education in developing a national research and development strategy. Considerable effort will be placed in analyzing problems related to the student assistance programs.

VETERANS AND LABOR DIVISION

The Veterans and Labor Division is responsible for review and analysis of Federal activities in such program areas as employment and training, veterans benefits and services, civil rights, and volunteer promotion. The Division is responsible for providing analyses of and recommendations on policy issues in these areas which involve resource allocation, program design, management, and legislation.

Major activities of the Division include the following:

1. Veterans Affairs. The Division reviews the budget and legislative program of the Veterans Administration--a nearly \$20 billion program of medical care, education, housing, and income assistance for veterans, and their dependents. In this review, staff efforts are aimed at achieving economy and effectiveness. Staff also helps

helping to reach overall employment and unemployment goals. Special attention must be given to the new Government efforts to attack the problems of and to unemployed youth, especially minorities, and to increase the number of private sector jobs for the disadvantaged through the involvement of industry in local programs. The design or implementation of programs relating employment and training to income maintenance programs is expected to require considerable activity over the next few years. Possible changes in unemployment compensation benefits and financing, and in workers' compensation laws, will raise complex budgeting issues for detailed analysis and decision. The transfer of responsibility for examining a greatly expanded mine health and safety program (including the creation of a new independent agency) will require increased efforts to assess the effectiveness of various occupational safety and health efforts. Other priority projects include assistance in increasing the effectiveness of regulatory activities in the labor area; improvement in methods for determining resource needs for labor statistics programs; assessing the impact, and analyzing proposals to modify, the activities of the Pension Benefit Guaranty Corporation; continuation of efforts to improve the efficiency of the Federal-State employment and unemployment insurance service; and further analysis of the role of the Federal Government in supporting volunteer activities.

3. National Capital region. The Division performs the budgetary functions affecting the District of Columbia Government which are assigned by law to OMB. The staff works closely with District officials, as well as officials of other organizations involved in District affairs.

During fiscal year 1979, the Division will continue to review issues arising from increased self-government resulting from "Home Rule" legislation. These issues include the size of the Federal payment to the District. In addition, the Division will be responsible for review of the ongoing development activities of the Pennsylvania Avenue Development Corporation, and the coordination and review functions of the MCPC and the CGFR.

4. Civil rights. The Division is responsible for analyzing the civil rights activities of the Civil Rights Commission, the Equal Employment Opportunity Commission, the Office of Federal Contract Compliance Programs, and HUD's Office of Fair Housing and Equal Opportunity. Major activities in 1979 will include assessment of the effects of requested increases in enforcement of equal employment opportunity laws and the budgetary adjustments and analyses required by the reorganization expected in this area.

HUMAN RESOURCES, VETERANS AND LABOR
SPECIAL STUDIES DIVISION

The Human Resources, Veterans and Labor Special Studies Division conducts in-depth analyses of domestic social program and policy issues. Division staff also monitor and provide assistance in implementing Presidential decisions and initiatives to the Department of Health, Education, and Welfare, the Department of Labor, the Veterans Administration, and other Federal agencies with domestic social program responsibilities.

In FY 1978 the Division is continuing and expanding major efforts to improve the accuracy of benefit payments and the efficiency and effectiveness of resource allocation processes in

federally funded income maintenance programs; participating in developing of the Administration's National Health Insurance proposal; concluding a study of fair market rents in the Section 8 assisted housing program; completing development of a model which provides long-range cost estimates of veterans pension program reform alternatives; and undertaking a number of other major efforts.

In FY 1979 the Division will continue efforts begun in FY 1978 and initiate new projects directed toward improving the effectiveness and efficiency of Federal income maintenance, employment and training, health, education and veterans' programs.

ANALYSIS OF ECONOMICS AND GOVERNMENT ECONOMICS AND GOVERNMENT DIVISION

The Economics and Government Division is primarily concerned with resource allocation, program analysis, and clearance of related legislation on issues involving such areas as law enforcement, tax administration, domestic commerce, transportation, and government-wide housekeeping activities. More specifically some of the major workload items are in the following areas:

1. Transportation. Significant staff resources are needed to assist in and review the implementation of the Administration's major new legislative proposals now being considered by the Congress in the areas of highways, public transportation, highway safety, and aviation regulatory reform. Evaluation and analysis of anticipated legislation on airport program extension is also required. Evaluations will address the options for Federal Government actions with respect

to the freight railroad industry, AMTRAK, Northeast rail corridor and ConRail. Other studies/reviews with the agencies will address FAA's upgraded third generation air traffic control automation program, transportation regulations, the integrated vehicle system, and the motor carrier regulatory program. The staff will analyze the alternatives analysis and the financial plan of the Washington Metropolitan Area Transit Authority. Staff resources will also be used to monitor the Administration's legislative initiatives and the financial plans and programs of the transportation agencies.

2. Treasury. The Division will: (1) investigate proposals for increasing the effectiveness of border enforcement programs; (b) examine the fiscal condition of State and local governments and evaluate alternative proposals for providing general purpose fiscal assistance, including the extension of general revenue sharing; (c) with regard to Federal taxes, review requirements for audit coverage and tax information document matching; (d) investigate the need for added computer capability and production facilities; and (e) examine opportunities for increased productivity in processing activities.

3. Administration of Justice. The Division will continue efforts to improve the Federal justice system and to make Federal assistance to State and local governments more effective by studying proposals to: (a) target Federal law enforcement efforts more effectively on major problems of national concern; (b) focus on better coordinate drug enforcement efforts on major traffickers of addictive drugs; (c) reduce administrative problems in the immigration and naturalization systems; (d) utilize litigative resources more effectively; (e) examine alternatives to and requirement for more

analyses and considers options for improving Federal disaster relief policies.

6. General Management. In 1979, work will continue on improving a variety of general government functions including those housed in the Civil Service Commission and the General Services Administration. A high priority will be given to implementing civil service reform and reorganization of the Civil Service Commission. Employee development, life and health insurance programs will receive critical evaluation and analysis. High priority will be given to implementing administrative services reorganization recommendations. Emphasis will also be placed on improving the administration of the Federal Building Fund (including allocation of resources for the Federal buildings programs), funding for Federal supply operations, automated data systems, and archival and records programs.

ECONOMICS AND GOVERNMENT SPECIAL STUDIES DIVISION

The Special Studies Division for Economics and Government is responsible for in-depth analysis of major policy, budget, and management issues related to five Federal departments and over fifty smaller agencies. The Division provides advice and assistance to the Director, Deputy Director, Executive Associate Director, and the Associate Director for Economics and Government.

In 1978, the Division will be engaged in projects which require the preparation, in-depth analyses and studies of selected programs and policy issues. As appropriate, these activities will be conducted in cooperation with other units of OMB, the Domestic Policy Staff, the Council of Economic

Federal prison and jail facilities; and (f) increase the impact of State and local assistance programs.

4. Commerce. In 1979, efforts will focus on reviews and analysis of Federal oceans programs, economic development assistance programs, and business assistance programs (the latter effort will focus particularly on programs of the Department of Commerce and the Small Business Administration). Particular attention will be focused on reviewing the planning and tests for conducting the 1980 Decennial Census. In addition, ongoing reviews of Federal weather service programs, maritime subsidy programs, and the U.S. Postal Service will be continued.

5. Housing and community development. The Division works closely with the Department of Housing and Urban Development (HUD) in analyzing the impact of alternative housing and leasing credit policies and programs on individual welfare and the Federal budget. The principal housing programs include HUD's Lower Income Housing Assistance (section 8) and public housing programs, for which Congress provided over \$3.1 billion in budget authority in 1978, the public housing operating subsidy program and the Housing for the Elderly or Handicapped program (section 202). Housing credit programs include not only the mortgage insurance activities of the Federal Housing Administration and secondary market operation of GNMA within HUD, but the credit activities of the Federal Home Loan Bank Board as well. With the community development block grant program now in operation, the Division will continue to work on problems associated with the phaseout of the various categorical programs. At the same time, impact analysis of the block grant program will be monitored. Finally, the Division

Proposals to expand environmental programs, particularly pollution control and abatement, into new areas are under continuous review. High public and congressional interest in environmental matters produces new legislative proposals and an increased concern for program expansion. The expansion of regulatory legislation and the resulting impact on nearly every sector of the Nation's economy and on its State and local governments make careful review and evaluation all the more critical.

Increasing workload relating to environmental programs is the result of rapid program growth and the need for additional attention in existing and proposed programs to such factors as: (a) improved problem definition, (b) identifying and evaluating benefits and costs associated with alternative solutions to problems, (c) distribution of responsibilities for solving problems among sectors of the economy and between levels of government, and (d) agency program planning and evaluation. Conflicts arising from energy demand and consequent environmental impact also require attention.

Considerable workload will also result from the requirements for review and analysis of legislative proposals originating in the Congress and those developed as a part of the President's programs for protecting and enhancing environmental quality.

Even though major pollution control programs have been consolidated in the Environmental Protection Agency and major civil environmental observation and prediction programs have been consolidated in the Department of Commerce's National Oceanic and Atmospheric Administration, other agencies continue to be involved in environmental programs. Increased attention is needed in promoting interagency cooperation in the

Advisers, the Office of the Vice President, and appropriate policy officials of other agencies.

The process of policy review and analysis will be ongoing through 1979.

ANALYSIS OF NATURAL RESOURCES, ENERGY, AND SCIENCE

NATURAL RESOURCES DIVISION

Protection of the environment and the efficient and effective development and prudent use of the Nation's water, mineral, and other natural and Agricultural resources involve many important legislative and budgetary issues. Influences affecting this general area of the budget include the growing concern for the quality of our environment; heavy demands for energy and other resources from public lands and the Outer Continental Shelf; continued pressures for Federal development of our river basins; expansion of outdoor recreation opportunities; and conflicts between those whose aim is preservation and those who desire development and utilization of resources under Federal administration.

The following are some of the workload items which confront the Division:

1. Environmental programs. Rapid expansion has occurred in programs relating to the environment, including pollution control and abatement; environmental protection and enhancement; and activities to understand, describe, and predict environmental conditions. The Division is responsible for the continuing review and evaluation of the multi-billion dollar grant program for municipal waste water treatment facilities.

development of proposals for environmental programs and in promoting interagency coordination in their execution. The Division is responsible for: (a) promoting interagency cooperation through meetings on joint proposals and through coordinated Office review of agency proposals, (b) undertaking a special analysis of environmental programs, (c) monitoring the program for reducing pollution from Federal facilities (Executive Order No. 11507), and (d) coordinating the Office's review of numerous special environmental studies, messages, and reports (e.g., reports of the Council on Environmental Quality).

2. Water resources project reports. Under Executive Order No. 9384, the Office reviews reports on projects proposed by the Corps of Engineers and the Bureau of Reclamation before they are transmitted to the Congress. During calendar year 1976, 94 Corps of Engineers project reports were received and 78 were cleared.

The workload is affected not only by the number of project reports but also by the increasing complexity of water projects serving many purposes, conflicting demands for water, and growing interest in environmental preservation.

3. Other water activities. The Division works closely with the Water Resources Council because of common interests in coordination and resolution of problems concerning Federal water resource activities, including comprehensive river basin planning, cost-sharing for water programs, improvement of project formulation and evaluation standards, and assessment of national water requirements. The Division is also concerned with interstate compacts dealing with water.

4. Management of Federal lands. The management of Federal lands raises special problems which are often complicated and unique and require substantial work. The Interior Department administers large areas of land, the largest of which are the so-called National Resource lands, and the Outer Continental Shelf. These lands have substantial value, including mineral and timber values. Due to increasing interest in the use of public lands, especially for oil, gas, and coal development, and because substantial values and Federal income of significant amounts are involved, the Division is required to apply substantial staff time to a variety of public land proposals, problems, and studies. Examples are studies of oil and gas leasing on the Outer Continental Shelf, and the review of legislative proposals dealing with the disposal of minerals on public lands. The Division has responsibility for the new Office of Surface Mining in Interior. New proposals for additions to the National Park System and additional wilderness, wild and scenic rivers, and national trails proposals continue to be made and must be reviewed. Greater interest in the preservation of wildlife and particularly endangered species give rise to increased workload.

In addition to public lands, the Division is concerned with nationwide topographic mapping, geologic and hydrologic investigations, and mine health and safety.

5. Recreation. Recreation programs require ever increasing attention as the size of direct Federal and grant programs increase for historic preservation, recreational land acquisition and capital investment, and for the protection of areas of natural and cultural heritage. Recent interest in environmental protection and ecological research

7. Agricultural commodity programs. The aim of Federal agricultural programs is to:

- a. Assure sufficient agricultural production to meet domestic needs and to capture a fair share of growth in export markets through a healthy and efficient agriculture.
- b. Provide an adequate return to farmers based on the cost of production.
- c. Dampen fluctuations in food prices.

This Division is responsible for reviewing the Department of Agriculture's (USDA) many commodity decisions made each year, for assessing the long- and short-range impact of these decisions on the budget, prices, and farm income, for legislative review, and for general policy development and implementation. This necessitates working closely with other agencies such as the Council of Economic Advisers, the Department of State, the Departments of Commerce and Treasury, and the Council on Wage and Price Stability.

8. Related agricultural programs. The Division is also responsible for program analysis, management, and coordination with other agencies for:

- a. the rural community development programs of the Farmers Home Administration and the Rural Electrification Administration, 7 billion dollar effort in 1976;
- b. the Forest Service programs of USDA (a particularly important task in helping to illuminate for policy level officials, the conflicting demands for more wilderness and more timber production); and

have produced a number of laws, Executive Orders, regulations, and procedures requiring Federal agencies to consider or avoid adverse effects on the environment. These entail staff time for review, analysis, monitoring, and evaluation.

6. American Indians and territorial affairs. The President is continuing the policy of self-determination for American Indians. The programs and policies established by the Indian Self-Determination and Education Assistance Act require considerable staff effort in resource allocation, analysis, and progress measurement. Self-Determination Act contracts which allow Indian tribes to contract with the Bureau of Indian Affairs to provide services directly to tribal members have increased over the past few years and require a good deal of staff time in monitoring and analysis. In addition to Self-Determination Act programs, considerable staff effort goes into the monitoring and analysis of reservation resources development, and welfare services, law enforcement, eastern Indian land claims, and coordination with other Federal programs, providing assistance to Indians. Legislative analysis and review also account for considerable staff time.

Work continues on the future relationships of the U.S. to the Trust Territory of the Pacific Islands which entails certain U.S. financial assistance. The President has announced his intention to terminate the Trusteeship Agreement by 1981. Proposals have increased recently for special grant and loan assistance to the other U.S. territories. These must be analyzed in program and budgetary terms and coordinated with international and national security policies.

c. the agricultural research and related extension activities USDA supports in Land Grant Universities.

ENERGY AND SCIENCE DIVISION

The Energy and Science Division is responsible for programs of the Department of Energy (DOE), National Aeronautics and Space Administration (NASA), the Office of Science and Technology Policy (OSTP), the National Science Foundation (NSF), the Nuclear Regulatory Commission (NRC), the Tennessee Valley Authority (TVA), and the Smithsonian Institution (SI). The work of the Division is concerned with four important aspects of these agencies--identification and analysis of major program and policy issues, resource allocation, management problems, and clearance of legislation.

The Division is responsible for assessing the overall Federal energy program, both within and beyond the DOE and the NRC. This oversight responsibility includes energy information and analysis, conservation, regulation, and emergency preparedness as well as energy research and development and other energy supply activities in relation to the total national effort. The Division is also concerned with monitoring the Federal research and development effort on a Government-wide basis and dealing with key problems and issues in or involving science and technology, including Federal support of basic research.

Major activities of the Division during 1979 will include the following:

1. Energy and related programs. The Federal Government's emphasis on development of a comprehensive national energy policy, including

major energy research and development programs to achieve the capability for long-term energy self-sufficiency, places heavy demands on the staff resources of this Division. Division responsibilities include assisting in the formulation and implementation of the Federal energy policy and program strategy, in collaboration with the Department of Energy and other agencies concerned; monitoring and evaluating specific energy programs; and identifying, assessing, and making recommendations on energy issues and problems to insure that the overall Federal effort moves forward effectively in partnership with industry and other private sector institutions and with State and local governments.

Special attention is needed to assure better integration of the DOE planning, management and budget processes. Energy conservation must be carefully examined because of its importance as the cornerstone of the National Energy Plan. Progress toward improvement of energy regulatory policies and programs must be evaluated to insure that budgetary resources committed to such improvements are efficiently used for maximum payoff in easing regulatory burdens on the private sector. In addition, the energy emergency preparedness area, including contingency planning efforts and further development of the Strategic Petroleum Reserve, will require extensive Division review and analysis.

The further buildup of energy R&D in 1979 toward the higher cost demonstration phase stage in fossil fuel, solar, and other technologies will particularly add to demands on the Division for staff analysis in budget review and program evaluation. Included in this will be a major coordinating effort aimed at bringing closer together the programs, plans and policies of the

2. Space program. The Division is responsible for reviewing and appraising the programs of the National Aeronautics and Space Administration, for identifying and analyzing key issues affecting the future of the U.S. civilian space and aeronautical R&D efforts, and for making recommendations on funding and personnel requirements for NASA programs within the context of the total Federal budget.

The continued development and future operational use of the space shuttle presents several potentially difficult problems related to the effective use of funding and staffing resources over the next several years. These include the need to balance the costs of the shuttle against other NASA programs in aeronautics, science, and applications of space technology; the need to modify NASA's institutional capabilities and operational procedures to gain full advantage of the cost-savings potential of the shuttle; and the need to begin to identify specific missions and payloads to utilize the new capabilities which the space shuttle will provide; and finally, the need to assure that appropriate funding arrangements are developed for all prospective users of the shuttle.

In addition to the space shuttle, other NASA programs will require careful review from the standpoint of budgetary impact, their program benefits, and their relation to other Government programs and to activities in the private sector. These programs include space science projects (astronomy and planetary spacecraft), space application projects (weather, environmental, and earth resources survey satellites), tracking networks, and aeronautical research and technology.

Increasing attention must also be given by the Division to insuring effective coordination of NASA

environmental research programs in DOE and EPA and the energy technology development programs in DOE. All of these programs will also need to be structured so that they are more responsive to the information needs of the regulatory organizations in DOE and Department of Interior.

In order to assure effective implementation of the President's nuclear energy policies, the Division will need to spend much time reviewing nuclear program proposals, evaluating results of various nuclear system assessment studies and reviewing detailed program plans for the disposal of commercial and defense radioactive wastes. In addition, the Division has responsibility for the Nuclear Regulatory Commission with programs and activities that will be significantly affected and altered by the evolution of the Administration's nuclear policies. Assisting the NRC in improving the efficiency and effectiveness of its programs will also require detailed analyses of NRC's regulatory methods and procedures thus placing added burdens on the Division.

In addition to energy R&D, the ongoing military, uranium enrichment, and basic research programs of the DOE will require staff analysis to assure effective review appraisal of these programs including their relationship to activities of other departments and agencies.

Specific concerns about the development of nuclear power in a manner that provides adequate protection of the environment, human health, and material safeguards, requires this Division to give increasing attention both to the programs of DOE in this area and to the resource requirements of the Nuclear Regulatory Commission for effective regulation of nuclear power development.

NATURAL RESOURCES, ENERGY AND SCIENCES
SPECIAL STUDIES DIVISION

programs with programs and responsibilities of other agencies in such areas as shuttle payloads, space science, and application projects.

3. General science program. The Division is responsible for reviewing and analyzing the programs of the National Science Foundation and the Smithsonian Institution. The National Science Foundation plays a special role in assuring a balanced approach toward overall Federal support of basic science. The responsibilities of the Division, therefore, extend not only to evaluating programs of the Foundation, but also to analyzing the Federal Government's total support of research--particularly basic research--and its contribution to meeting national needs.

The programs of the Foundation now encompass not only support of basic research but also sponsorship of problem-related research and its application in our society and economy. A larger amount of staff time will be necessary to assure that these programs of the Foundation are effectively managed and appropriately focused on problems of highest priority; that they are appropriately coordinated with the activities of other agencies at the Federal, State, and local level; and are properly related to the development of Federal and national policies affecting research and the use of science to serve national needs.

The Division is also responsible for working with the Office of Science and Technology Policy in the Executive Office of the President to help assure that its technical and scientific advice is effectively utilized in the formulation of budgets, the evaluation of programs, and the development of general policies related to science and technology matters.

The Special Studies Division is responsible for the completion of in-depth studies of policy and program issues in the natural resources, energy and science area. The studies are typically carried out as joint efforts with affected agency(s). The studies often involve issues that cut across agency lines of policy/program responsibility. The Division also provides assistance to the Associate Director on management improvements that are suggested for the NRES agencies.

During 1978 the Division is completing the following study projects: 1) in conjunction with the Water Resources Council, completion of an assessment of the supply/demand situation for the Nation's water resources and development of options to achieve water conservation; 2) completion of an analysis of existing and proposed energy programs and how State government roles are affected by national energy goals; 3) completion of analyses of the budgetary impacts of proposed energy legislation; and 4) serving as member of an interagency study team to evaluate Federal policies and programs affecting the supply and demand for nonfuel minerals.

The Division will initiate approximately 5 to 6 new study projects in 1979, in addition to completing the previously described projects from this year.

GOVERNMENT-WIDE PERSONNEL MANAGEMENT
FEDERAL PERSONNEL POLICY DIVISION

ANALYSIS OF REORGANIZATION AND MANAGEMENT
MANAGEMENT IMPROVEMENT AND EVALUATION DIVISION

The Office of Management and Budget responsibility for improving personnel management in the Federal service is lodged, principally, with the Federal Personnel Policy Division. This Division provides staff assistance to the Director and the President in formulating executive branch personnel management goals and policies and coordinating management of personnel systems throughout the executive branch.

The Division serves as a focus within OMB for developing personnel policy options, giving direction to the development of more effective personnel management systems and otherwise exerting OMB influence on personnel matters. The Division provides an independent view of personnel policies as they impact the operation of the executive branch, anticipating Government-wide personnel problems and initiating efforts to resolve them.

The overall coordination of the Government's numerous personnel systems is a continuing responsibility of the Division. The largest Federal Government personnel system is that of the military; second largest is the competitive career service administered by the Civil Service Commission. Other systems include the various foreign affairs groups, the Commissioned Corps of the Public Health Service, and the National Oceanic and Atmospheric Administration. Also included are systems for agencies which are exempt from the classified service, such as the Central Intelligence Agency and the Tennessee Valley Authority, as well as some specialized groups within other agencies, such as the Federal Bureau of Investigation and the physicians, dentists, and nurses of the Veterans

This Division is the central point within OMB for developing executive branch initiatives in management improvement and program evaluation activities in Federal agencies.

Specific work items are as follows:

1. Management improvement. The Division administers the President's Management Improvement Program. It reviews OMB Circulars pertaining to management practices to keep them up to date with executive branch needs and priorities. It undertakes specific management improvement projects on high priority programs as requested by the OMB Director.
2. Program evaluation. The Division works closely with OMB program divisions to incorporate program evaluation activities into the budgetary process, especially in the appropriate aspects of zero base budgeting. It develops a working relationship with agency evaluation and program staffs and the General Accounting Office to promote, adopt, and assess useful evaluation techniques.
3. Reorganization Implementation. The Division provides management systems advice to the reorganization teams working on the President's Reorganization Project. It provides follow-on management assistance to major reorganizations in the preliminary stages of implementation to assure successful initial operations.

Administration. Continuing attention is required to ensure economy and appropriate consistency among the classified service and the various special personnel systems with respect to staffing and employee pay, benefits, and labor relations.

As a part of the President's Reorganization Project, the recommendations of the Federal Personnel Management Project call for extensive civil service reforms. This Division will be heavily involved in the formulation, clearance, and implementation of the legislative proposals and reorganization plans involved in this comprehensive reform effort.

Major work items are detailed below:

1. Personnel legislation. One means of assuring coordination and consistency among the various personnel systems is through review of proposed legislation and Executive Orders dealing with personnel matters. During the 95th Congress, 1st Session, the Federal Personnel Policy Division reviewed over 100 such bills and analyzed views of the various agencies on the proposals, sought resolution of conflicting agency views, and recommended executive branch positions on the proposals. This workload is expected to increase, partly as a result of legislative recommendations growing out of the Federal Personnel Management Project.

2. Pay systems. The Director of the Office of Management and Budget, the Chairman of the Civil Service Commission, and the Secretary of Labor are the President's agents for Federal pay comparability findings and adjustments in certain statutory pay systems. With military pay adjustments tied to General Schedule adjustments, this operation

constitutes the review of approximately \$47 billion of the annual Federal payroll.

Each year the Division, jointly with the Civil Service Commission, analyzes data obtained from the annual survey of professional, administrative, technical, and clerical salaries conducted by the Bureau of Labor Statistics, develops the comparability payroll based on this data, and makes recommendations to the President for appropriate adjustments in rates of pay. The Division is also deeply involved in the development and implementation of compensation recommendations growing out of a number of studies designed to improve the comparability process.

Surveillance is also required over other pay systems, which include wage systems, military pay, and a number of small, independent Federal pay systems. This is necessary to coordinate overall Federal pay policy and assess changes within any one system for possible impact on the others.

3. Labor relations. Executive Order No. 11491 of October 29, 1969, established the Federal Labor Relations Council as a central authority to oversee administration of labor management relations in the departments and agencies. Members of the Council are the Director of the Office of Management and Budget, the Chairman of the Civil Service Commission, and the Secretary of Labor. Executive Order No. 11636 of December 17, 1971, established an Employee-Management Relations Commission, with membership from the Office of Management and Budget, Labor Department and the Civil Service Commission, to administer a similar employee-management relations program for the Foreign Service. The Division provides staff support for the Director in

continue to monitor employment levels, staffing patterns, turnover rates, and average grades in each agency.

REGULATORY POLICY AND REPORTS MANAGEMENT DIVISION

The Regulatory Policy and Reports Management Division has a principal role in developing, coordinating, and implementing the development of the Administration's regulatory policy and the President's directives to reduce the paperwork burdens imposed by Government agencies on the public. It is also responsible for implementing the Federal Reports Act of 1942 to minimize the burden of public reporting to Federal agencies. In addition, the Division is responsible for periodic reports to the President and Congress on the status of efforts to implement the recommendations of the Commission on Federal Paperwork. The Division reports to the Associate Director for Management and Regulatory Policy and provides policy advice and assistance to the Director and other OMB officials on regulatory and paperwork matters.

Staff effort in 1979 will be devoted to:

1. Improving Management of the Regulatory Process. The Division will place primary emphasis on the final issuance and implementation of an executive order requiring agencies to increase public participation in the development of regulations and ensure that they are written in understandable English, improve oversight of the regulatory process by top level agency managers, and improve the quality of regulatory decisions through better analysis of the potential consequences of regulations. The Division will work closely with the departments and agencies to assure effective

performing his responsibilities to the Council and the Commission.

Executive Order No. 11616 of August 26, 1971, which amended Executive Order No. 11491, specifies the joint role of the Office of Management and Budget and the Civil Service Commission in providing policy guidance to agencies and conducting periodic reviews of labor-management relations policy implementation. In this connection, a comprehensive set of labor relations guidelines was established to assist agencies in developing a positive and constructive relationship with Federal employee unions and for the use of agency management in assessing program adequacy.

4. Employee benefits and allowances. There is a continuing need to evaluate the various employee benefit and allowance programs to be certain they are meeting the needs for which they were designed, are reasonably competitive with those offered in the private sector, and that the cost to the Government is kept under control. To this end, the Division monitors and supports a total compensation comparability development program being conducted by the Bureau of Labor Statistics and the Civil Service Commission. This program is testing the feasibility of measuring and adjusting the pay and benefits of Federal employees together on a basis of total compensation comparability.

5. Federal staffing. The various divisions of the Office of Management and Budget cooperate in the control of agency employment levels by establishing ceilings on full-time and total employment for each agency. The Office also monitors Federal agencies actions to control General Schedule average grades and for the promotion of sound position management practices. In fiscal year 1978, the Office will

work closely with the departments and agencies to see that effective implementation takes place.

INFORMATION SYSTEMS DIVISION

The Information Systems Division is responsible for assuring that the benefits of modern information technology are applied throughout the executive branch in an efficient, effective, and economical manner within the policy concerns of privacy and reduction of unnecessary reporting.

This Division is responsible for the following activities:

1. Congressional budget analysis and fiscal information support. The Division provides the staff of several legislative units, including the House Committee on Appropriations, the House Information Systems Staff, the Senate Subcommittee of Computer Services, the Congressional Budget Office, House and Senate Budget Committees, the General Accounting Office and other legislative branch representatives, with various computer programs, data files and supporting documentation to facilitate budget analysis being done by these organizations.

The Division coordinates the development of the annual report to Congress on plans for addressing congressional information needs, and implementing changes to classifications and codes as required by the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344).

2. Information and computer policy coordination. Increasing public interest in a variety of information policy issues has substantially increased the workload of the Division

implementation of the Order and report periodically to the President on agency performance.

2. Regulatory policy development. The Division coordinates regulatory policy matters within OMB. This includes assisting in budget decisions for regulatory agencies, participating in the clearance of legislation and testimony on regulatory issues, and developing a coordinated OMB position on major regulatory policy issues. In addition, the Division works closely with other elements of the Executive Office to design and carry out the Administration's regulatory reform program. This includes the development of legislative proposals and working with agencies to identify and carry out administrative improvements in regulations.

3. Reports management and reducing reporting burdens. The Division administers the reports clearance program required by the Federal Reports Act. Approximately 3,000 reports are reviewed each year. In addition, the Division is responsible for directing the President's Paperwork Reduction Program. In 1977, the paperwork burden on the public was reduced by 12% and further reductions are anticipated for FY 1978. The Division issues guidance to the departments and agencies for setting burden reduction goals and monitors their performance.

4. Implementation of the Federal Paperwork Commission recommendations. OMB has statutory responsibility to coordinate implementation of the recommendations of the Commission on Federal Paperwork and to report periodically to the President and Congress on the status of actions taken. The Division has developed a system to track implementation of the 700 recommendations and will

in coordinating OMB positions on new information policy initiatives proposed by agencies or contained in proposed legislation. These include issues related to public access to information, protection of data, appropriate governmental uses of data, transfer of data among agencies, dissemination and communication of data and many others.

The Division is also responsible for the functions assigned to the Office of Management and Budget under the Privacy Act of 1974 (P.L. 93-579). The Act requires that OMB issue "guidelines and regulations for the use of agencies in implementing oversight of" its implementation. Activities in this area includes: (a) the operation of an automated system for tracking agency notices of systems of records subject to the Act; (b) preparation of the President's annual report on executive branch compliance with the Act; (c) continuing to serve as the focal point for numerous public, congressional, and agency inquiries regarding the Act to help assure meaningful compliance; (d) reviewing procedural rules issued by agencies to assure conformity with the Act; and (e) reviewing reports on new systems or proposals to alter existing systems subject to the Act and suggesting changes and improvements to the agencies.

In 1977, the Division coordinated the development and issued for comment a transmittal memorandum to OMB Circular A-71 which, will: require each executive branch agency to establish a computer security program; define a minimum set of requirements to be included in each agency's computer security program; and define the responsibilities of General Services Administration, National Bureau of Standards and Civil Service Commission, as the central ADP management agencies, to develop and coordinate computer security policies

and standards for the executive branch. It is anticipated that the memorandum will be issued early in 1978.

The Division continues to provide support to executive branch agencies in their implementation of Office of Management and Budget, Office of Telecommunications Policy, General Services Administration and National Bureau of Standards directives pertaining to ADP Planning, procurement, organization, staffing and management of agency information activities.

3. Budget examination assistance. The Division, in cooperation with the OMB examining divisions, conducted extensive analyses of all Federal Agency ADP budget requests in conjunction with the regular budget process which resulted in significant reductions in funds expended for ADP services. In a closely related activity the Division conducts in-depth reviews (in cooperation with the examining divisions) throughout the year of agency proposals for major procurements--for management information systems, ADP systems, or both.

The Division coordinated the development and issuance of OMB Bulletin No. 78-6 which continued procedures for making ADP resources a more integral part of the President's FY 1979 budget recommendations and established procedures for providing ADP justification material to the Congress.

INTERGOVERNMENTAL AFFAIRS DIVISION

The Intergovernmental Affairs Division has a principal role in monitoring accomplishments of the President's directives to make the Federal Government more responsive to State and local government concerns in order to provide more capable government at every level and to assure more effective overall management of the more than \$80 billion in grants to State and local governments.

Staff effort during 1979 will be devoted to the following activities:

1. Intergovernmental Relations Branch. This branch has the responsibility of insuring that intergovernmental impacts of various potential Federal actions are understood and weighed as a part of the OMB decisionmaking process; developing and maintaining effective working relationships with the public interest groups and other State and local representatives; and serving as the staff resource to the OMB program and management divisions on the intergovernmental aspects of Federal agency activities under OMB review.

The branch administers OMB Circular A-95 which serves to oversee a State and local network for evaluation, review, and coordination of Federal and federally-assisted programs and projects that currently consists of 50 State and over 550 areawide clearinghouses, and OMB Circular A-85 which allows for consultation through the public interest groups with State and local governments in developing Federal regulations that affect them. The branch has the OMB lead in major policy changes on furnishing Federal employee tax information to State and local taxing units and in implementing legislation to permit State and local tax

withholding from military wages. It also administers the OMB Budgetary Information System which provides regional and State budget breakdowns for certain grant programs immediately after submission of the Federal budget to Congress in January, and oversees the other State/local information system such as the Treasury Circular (TC 1082) for the grants award notification system. The branch also performs OMB staff work on implementation of the Federal Program Information Act of 1977.

It has the division lead in staffing the Director in his intergovernmental science and technology role under Reorganization Plan No. 1 of 1977, including monitoring the Intergovernmental Science, Engineering and Technology Advisory Panel to assure better intergovernmental technology transfer.

The Branch also has OMB lead for assuring a constant flow of information during the year to State and local governments and their interest groups on numerous budget issues and problems including arranging OMB budget briefings, reviewing further opportunities for Advance Funding of State and local grants and responding to specific requests for advice and information from Governors, Mayors and other State/local officials.

2. Grants Management Branch. The Grants Management Branch is responsible for developing, promulgating, and monitoring compliance with selected Government-wide policies relating to the administration of domestic assistance programs. This function includes implementation of the Joint Funding Simplification Act (OMB Circular A-111), and the conduct of policy and operational analyses

related to the delivery of domestic assistance programs to State/local governments.

Current and proposed policy studies under the leadership of the branch include: interagency zero-base review of planning requirements imposed on State and local governments and implementation of major planning requirement consolidation proposals for 162 programs in 17 agencies; development of policy, criteria and standards to guide the consistent Federal agency use of contracts, grants and cooperative agreements; a study to determine the feasibility of developing a more comprehensive system of administrative policy guidance governing various types of Federal assistance, including grants, loan guarantees, insurance and payments to individuals; and assessment of issues and problems in the utilization of joint funding techniques to streamline the delivery of closely related Federal programs. In addition, the branch provides policy direction and support for selected administrative reform efforts of an intergovernmental and interagency nature such as relocation assistance policies and practices, applicant eligibility requirements, and other related aspects of grant management.

3. Field Operations Branch. The branch has the division lead to ensure better regional interagency and intergovernmental coordination and more effective and efficient delivery of Federal assistance to State and local governments through various coordinating systems including the Federal Regional Councils and the Federal Executive Boards.

a. Regional Councils. At the direction of the President, Federal Regional Councils have been established in the ten Federal administrative regions consisting of the ten major grant agencies:

the Departments of Housing and Urban Development; Health, Education and Welfare; Labor; Energy; Community Services Administration; the Environmental Protection Agency; the Department of the Interior; the Department of Agriculture; the Department of Commerce; and the Department of Transportation. Other agencies participate on an ad hoc basis. The branch provides staff assistance to the Under Secretaries Group of member departments, the Office of Management and Budget and the White House in the general oversight and guidance to the Councils. The branch provides OMB staff assistance and liaison to the Federal Regional Councils by assigning part-time staff stationed in Washington for each of the ten regions as the OMB representative responsible for maintenance of effective field relationships and communications with Federal officials, public interest groups, State and local representatives.

The following activities are representative of Regional Council capacity to focus Federal resources across agency lines: (1) act as State and local communication channel on problems/issues with Federal programs in each region; (2) assist State and local governments in analyzing and coordinating events causing major regional change such as military base realignments, energy development, and large scale disasters; (3) improve delivery of Federal programs regionally through joint funding process, through intergovernmental task forces, and through better implementation of Federal information (BIS) and grant coordinating systems (A-95); and (4) tests new interagency and intergovernmental coordination systems.

b. Federal Executive Boards. The Federal Executive Boards (FEBs) are associations of the top Federal executives in 26 major metropolitan areas, developed to improve Federal Government-wide

internal management and to mobilize Federal response to metropolitan civil problems. The branch provides guidance in support of agency initiated projects, general evaluation of the FEB system, and working information for FEBs to keep field offices current on management policies and field systems developments.

c. Federal Executive Associations. The branch is responsible for information exchange with 101 Federal Executive Associations, composed of senior agency officials located in smaller cities with which OMB has no direct field liaison.

d. Crisis management. The branch ensures that the Federal Government's performance in emergency response situations where there is no clear identified point of responsibility within the Federal Government, is timely and effective; assists in concentrating existing Federal resources in a prompt, flexible manner to meet major national disasters and other critical situations; staff tracks and monitors Federal activities in critical situations and provides technical assistance for specific crisis management in the field, including coordinating major defense base realignments with the Department of Defense.

The branch is responsible for policies governing the field organizational structures of Federal agencies including standard regional boundaries and field office locators (OMB Circular A-105). The branch provides technical assistance to Federal agencies and OMB program divisions in the development, design and streamlining of Federal regional and field structures. The branch is also responsible for major review/evaluation of Federal field coordinating structures and in 1978 completed

an assessment, with the White House, of Federal Regional Councils.

A major assessment of the Federal Regional Councils, Federal Executive Boards, and other field structures will be conducted during FY 1979 in accordance with the President's request.

NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION/ORGANIZATION

The National Security and International Affairs Division will perform the following activities in FY 1979:

1. Activities

a. Conduct studies and assist in the implementation process on national security and international affairs organizations and policy areas. Specific studies underway or planned include: (1) Selective Service System Reorganization; (2) State-Defense policy; and (3) International Economic Policy.

b. Continue to monitor the internal reorganization of the Defense and State Departments to ensure their consistency with reorganization objectives. Specific studies include: (1) Department of Defense top management; (2) Department of Defense resources; and (3) National Military Command structure.

2. Budget Monitoring. The Division will continue to work with the budget division and monitor the budget process to ensure that department and agency proposals are consistent with reorganization objectives.

3. Monitor Other Administration Policy Initiatives. The Division will continue its review of major policy initiatives in the national security and international affairs areas to assure consistency with reorganization objectives and general efficiency and sound management in the implementation of proposals.

HUMAN RESOURCES DIVISION/ORGANIZATION

In FY 1979, the Human Resources Division will engage in the following specific tasks:

1. Education Study. The Education Study has examined the issues of whether to create a Department of Education and which programs should be included in a new department encompassing education related programs.

a. Complete any remaining parts of Phase II of the study including action on legislative and reorganization proposals for the new department.

b. Continue to monitor the internal reorganization of the Office of Education within DHEW to assure its consistency with plans for a separate department.

c. Design, in cooperation with the Department of Health, Education, and Welfare and other OMB divisions, an implementation plan for the department. This task will include detailed planning of functions of the department such as the structure, personnel, administration, budgeting and policy development.

2. Human Services Study. The Division has studied the organization of Federal human services programs in order to recommend to the President a

more efficient organization of Federal programs to support a more responsive human services delivery system.

a. Complete any remaining work on the initial decision memorandum to the President.

b. Prepare an implementation plan to make the organizational changes chosen by the President.

c. Monitor preparation of legislative proposal to make any changes necessary to effect the options chosen by the President.

3. Other Studies. The Division has under consideration these additional studies in FY 1979:

a. Consolidation of small human services agencies.

b. Organization of environmental, occupational and consumer health and safety programs.

c. Organization of human resources research programs.

4. Budget Monitoring. The Division will continue to work with the budget division and monitor the budget process to assure that department and agency proposals are consistent with reorganization objectives.

5. Monitor Other Administration Policy Initiatives. The Division will continue its review of major policy initiatives in the human resources area to assure consistency with reorganization objectives and general efficiency and sound

1. Performance of Reorganization Studies. since its inception in the Spring of 1977, the workload of the Division has increased substantially because of the implementation efforts required for reorganization projects approved by the President in mid- and late-summer, 1977. Initially, the Division was small in terms of staff and was engaged exclusively in identifying appropriate agenda items for the President's reorganization efforts. Beginning in the Fall of 1977, however, the Division became responsible for actually implementing three of the studies approved by the President. That implementation involves significant personnel responsibilities (identifying and hiring detailees from other agencies) and substantial and intense analytical work which will continue into FY 1979. Appropriate recommendations will be developed for consideration by the President.

2. Monitoring of Other Administration Initiatives. Analysis of related issues identified in ongoing and future studies by other Federal working groups will constitute a sizable portion of the Economic Development Division's workload. For example, as the Domestic Policy Staff examines issues such as urban policy, the Division has had to devote substantial resources to monitoring and contributing to that effort because of a closely-related reorganization project being conducted by the Division. These types of activities will continue in FY 1979.

3. Monitoring of Internal Agency/Department Studies. The workload of the Economic Development Division has increased substantially because of the ever-increasing internal reorganization activities in the departments and agencies which it monitors. A number of departments and agency heads have proposed internal reorganizations, which the

management in the implementation of proposals, including:

- a. Welfare reform.
- b. National health insurance.
- c. President's Retirement Commission.

In these cases, a staff member of the Division will be assigned to work with the task forces developing these initiatives.

6. Coordination with Other Organization Studies. The Division will monitor related studies performed by other OMB divisions. These studies include:

- a. Local and economic development studies.
- b. Food and nutrition study.
- c. Law enforcement study.
- d. Natural resources study.
- e. Civil rights enforcement study.

7. Other OMB Efforts. The Division will work with the other OMB divisions studying such subjects as Federal planning requirements, Federal regional structure and regulatory reform.

ECONOMIC DEVELOPMENT DIVISION/ORGANIZATION

The following identifies and discusses specific work activities of the Economic Development Division:

Economic Development Division has responsibility for reviewing to ensure their consistency with PRP reorganization work.

4. Performance of Public Awareness and Field Activities. The extensive public awareness and field work activities required by some of its efforts will also demand considerable Economic Development Division resources. Valuable interest group contacts have already been established through field visits conducted in conjunction with one study. Depending upon the nature of the programs involved, more field activities may be needed.

5. Performance of Additional Studies. In FY 1979, new studies on Transportation and Government Corporations will be conducted.

6. Budget Monitoring. The Division will continue to work with the budget division and monitor the budget process to assure that department and agency proposals are consistent with reorganization objectives.

7. Other OMB Efforts. The Division will work with other OMB divisions studying such subjects as Federal planning requirements, Federal regional structure, and regulatory reform.

NATURAL RESOURCES DIVISION/ORGANIZATION

1. Studies. This Division is currently conducting a study that covers all Federal responsibilities relating to the nation's natural resources and the protection of our environment. The study is broad in scope and will provide the President with an evaluation of the existing organization structure of natural resources and

environmental functions and alternatives for improving the design.

Specifically, the study will evaluate existing organizational arrangements and identify alternatives for:

- a. setting broad policy
- b. making balanced and credible resource planning and management decisions
- c. developing and enforcing regulatory programs
- d. providing responsive and coordinated research and technical support
- e. assuring consistency and accountability in program actions
- f. assuring effective delivery of services to citizens in an understandable and responsive manner

The Natural Resource Division provides recommendations for an improved process and organization for the Federal role in natural resources, environment, civil preparedness, Native Americans, energy, science and technology policy and program areas.

2. Monitor Other Administration Policy Initiatives. The Division works closely with the related program elements on the budget side of OMB, Council on Environmental Policy, Office of Science & Technology Policy, Domestic Policy and National Security Council staffs and officials in the Departments and agencies in identifying and

analyzing the organizational implications of natural resources, environment, civil preparedness, energy, science and technology reorganization initiatives.

3. Budget Monitoring. The Division will continue to work with the OMB budget division and monitor the budget process to assure that department and agency proposals are consistent with reorganization objectives.

4. Coordination with Other Organization Studies. The Division will monitor the work of related studies by other divisions. These studies include:

- a. Regulatory reform
- b. Food policy
- c. Local economic development

5. Other OMB Efforts. The Division will work with the other OMB divisions studying such subjects as Federal planning requirements, Federal regional structure and regulatory reform.

GENERAL GOVERNMENT DIVISION/ORGANIZATION

The General Government Division will devote staff resources to the following specific activities:

1. Studies. These studies are on-going now and will be implemented during 1979.

a. A Government-wide study of organizations and programs involved in law enforcement. The study is designed to improve the efficiency and effectiveness of Federal law

enforcement services through reduction of duplication and overlapping responsibilities and to result in more rational policy and priority development.

b. A study which cuts across programs, organizations and activities designed to improve the Nation's justice system and quality of justice.

c. An analysis of the availability and utilization of legal resources within the Federal Government to improve their utilization and improve the litigation of issues involving the Federal Government.

d. A study of law enforcement, customs and immigration programs to provide a more coherent Federal organization and policies in dealing with issues involving the security of our borders.

e. A study to reduce the number of agencies reporting to the President.

2. Budget Monitoring. The Division will continue to work with the budget division and monitor the budget process to assure that department and agency proposals are consistent with reorganization objectives.

3. Monitoring of Other Administrative Policy Initiatives. The Division will continue its review of major policy initiatives in the law enforcement and justice areas to assure consistency with reorganization objectives, general efficiency, and sound management in the implementation of proposals, including:

a. Improvements in the justice system

possible, measure benefits resulting from realignment. The findings of these studies will be provided to the President.

3. Readjustments. Based on assessment studies, modifications to reorganizations or new initiatives, which enhance greater rationality and maximum effect at minimum costs in enforcement programs, will be developed and submitted to the President.

4. Public Outreach. Contact will be maintained with the Congress and interested groups during the implementation of reorganizations in order to ascertain public views concerning changes and the success of realignments. This outreach will be accomplished through interviews, correspondence, and participation in national interest group meetings.

5. Budget Monitoring. The Task Force will continue to work with the budget division and monitor the budget process to assure that department and agency proposals are consistent with reorganization objectives.

6. Coordination with Other Organization Studies. The Task Force will monitor the progress of related studies by other divisions. These studies include:

- a. Federal Personnel Management
- b. Human Services
- c. Federal Legal Representation

7. Other OMB Efforts. The Task Force will work with other OMB divisions studying such subjects as Federal planning requirements, Federal regional structure and regulatory reform.

- b. Law enforcement
 - c. Border management
 - d. Reduction in numbers of small agencies
4. Coordination With Other Organization Studies. The Division will monitor the progress of related organizational studies conducted by other divisions. These studies include:

- a. Civil Rights Enforcement
- b. Cash Management
- c. Federal Statistical Organizations
- d. Administrative Services

5. Other OMB Efforts. The Division will work with other OMB divisions studying such subjects as Federal planning requirements, Federal regional structure and regulatory reform.

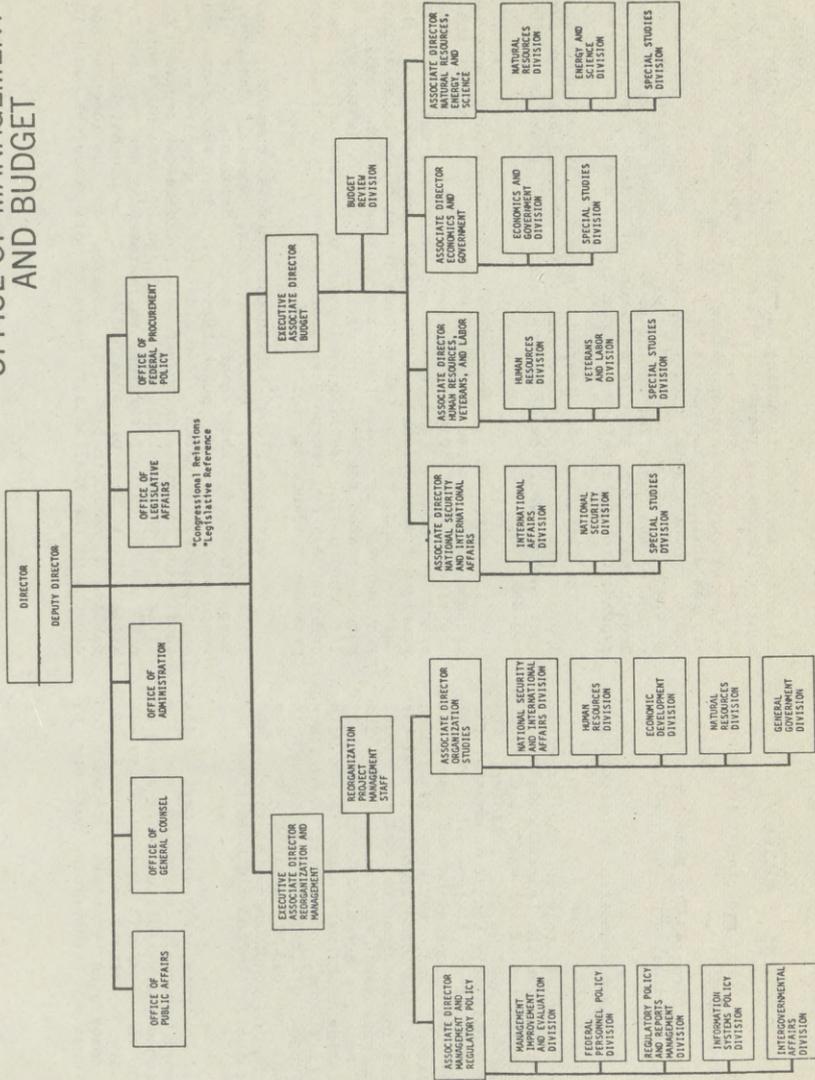
TASK FORCE ON CIVIL RIGHTS REORGANIZATION

Staff efforts in 1979 will be devoted to the following specific activities:

1. Implementation assistance. Various enforcement functions will be transferred to selected agencies on a phased basis. In order to ensure that recipient agencies possess the necessary management and administrative capacities to assume new responsibilities, the Task Force in cooperation with OMB's Management and Regulatory Policy divisions will see that necessary technical assistance is provided.

2. Assessment of Improvements. Several studies will be conducted to identify and, where

OFFICE OF MANAGEMENT AND BUDGET



DETAILED STATEMENT OF FUNCTIONS BY DIVISION

Executive Associate Director for Budget: (estimated position requirements: 1978-3, 1979-3).

The Executive Associate Director for Budget provides executive direction and coordination for activities performed by the following:

Budget Review Division: (estimated position requirements: 1978 - 85, 1979-84)

This Division has the lead staff role in the exercise of the Office's responsibilities for the Federal budget. It is responsible for the coordination of the executive branch budget process, the recommendation of budget policies; the annual preparation of the President's budget documents; the improvement of financial management systems for Federal departments and agencies; the preparation of fiscal and credit analyses, projections, and reviews (including proposals related to fiscal and credit policy); and the design of and development of instructions for Federal budget preparation, execution, and employment control systems. The Division assists in the presentation of budget recommendations to the President and maintains liaison with the House and Senate appropriations and budget committees and the Congressional Budget Office. It also assists in presenting information on the budget outlook to the committees of Congress having cognizance over revenue and public debt matters and to the Joint Economic Committee, as required.

Economic and fiscal analyses are a vital part of the budget task. The national economic situation and the Government sector of the economy are reviewed every month by this Division (including the Economic Policy Unit) in cooperation with the Treasury Department and the Council of Economic Advisers. It translates economic forecasts and projections into detailed economic assumptions for use by

affected agencies in making budget estimates. The Division monitors budgetary trends, prepares projections, and makes special analyses related to fiscal policy. It provides technical support in econometric and statistical analysis to program divisions in OMB, as well as analytic support for OMB's concern with credit programs and State and local government finance. It also helps in the preparation and review of the bases for estimates of receipts and translates budget estimates into a statement of Federal receipts and expenditures on a national income account basis.

The Division is responsible for maintaining the appropriate fiscal data concerning the Federal debt and for carrying out analyses of issues associated with borrowing and debt.

The Division is responsible for developing improved systems for the formulation and execution of the budget that are effective, efficient, and responsive to the needs of the executive branch, and consistent with current laws. It provides instructions and technical assistance to the agencies and to the OMB program divisions on establishing and improving zero-base budgeting systems and on compiling budget-related reports. The Division coordinates the system for controlling civilian employment in the executive branch and provides reports on government-wide employment. It also provides guidance on user charges policy.

The Division plans, schedules, controls, compiles, and edits the Budget, Budget Appendix, Special Analyses, Budget-in-Brief, and related budget documents. It is responsible for the presentation of budget amendments and supplemental estimates. It coordinates the preparation and submission of rescission and deferral messages required by Title X of the Congressional Budget and Impoundment Control Act and the current services estimates that are required by Title VI. It also prepares updates of the budget that are published periodically. It advises on the longer-range aspects of the availability and uses of resources and is

developing a multi-year planning and budgeting system that will go into effect this fiscal year.

The Division publishes policies, guidelines, and procedures directed toward the goal of achieving and maintaining effective financial management within the executive branch. It provides leadership for the development of effective financial systems and practices capable of producing timely and meaningful data. It exercises executive branch leadership in improving audit systems. It reviews and approves agency regulations for administrative fund control to assure that they are adequate to preclude overobligations and overexpenditures. The Division participates with Treasury, GAO, and the CSC in the Joint Financial Management Improvement Program. For Federal assistance programs, it develops and assures implementation of simplified and uniform standard administration requirements and develops uniform cost principles applicable to grants.

The Division collects, assembles, and publishes the Catalog of Federal Domestic Assistance annually and revises it completely once during the year. The document provides detailed information on the more than 1,000 Federal domestic assistance programs.

The professional staff members of the Economic Policy Unit, which is a part of the Budget Review Division for administrative purposes, serve as special advisors to the Executive Associate Director for Budget. They make forecasts of the U.S. economy and provide guidance about the economy to OMB's program divisions. They are also responsible for reviewing the economic impact of Federal policies.

More specifically, the Unit identifies economic issues, prepares analyses, and makes recommendations to the Director. It provides staff support for the forecasting and policy analysis activities of the Economic Policy Group. As

a part of the budget review process, the Unit prepares analyses of likely conditions of the economy during the budget year. The Unit analyzes tax proposals to provide information about their overall fiscal impacts and their effects upon particular groups of taxpayers and programs of the Federal Government. It also prepares the legislatively mandated review of tax expenditures, i.e., revenue losses resulting from tax preferences, which appears annually as a Special Analysis in the Budget.

Associate Director - National Security and International Affairs: (estimated position requirements: 1978 - 2, 1979 - 2).

The Associate Director for National Security and International Affairs provides executive direction and coordination for the activities performed by the following three divisions.

National Security Division: (estimated position requirements: 1978 47, 1979 - 47).

This Division is responsible for examination of budget requests, programs, operating methods, and legislative proposals of the Department of Defense and the Intelligence Community, including the Office of the Secretary of Defense, defense agencies such as the Defense Supply Agency and the Defense Communications Agency, and the Departments of the Army, Navy, and Air Force.

The Division reviews long-range programs, participates in the development of a long-range programming process, and prepares fiscal projections based on these programs. It conducts special analyses relating to problem areas of these agencies, emphasizing areas of common interest among them with a view toward improvements in coordination, program effectiveness, economy of operation, and utilization of resources.

Associate Director - Human Resources, Veterans, and Labor: (estimated position requirements: 1978 - 2, 1979 - 2).

The Associate Director for Human Resources, Veterans, and Labor provides executive direction and coordination for the activities performed by the following three divisions.

Human Resources Division: (estimated position requirements: 1978 - 28, 1979 - 28).

This Division is responsible for the examination of budget requests, programs, operating methods, and legislative proposals of the Department of Health, Education, and Welfare; as well as the food and nutrition programs of the Department of Agriculture. In addition, numerous smaller agencies with related functions are also the responsibility of the Division.

Federal programs in the areas of education, medical research, health protection and service programs, and welfare activities have grown rapidly in recent years. The objectives, requirements, and performance of these programs are continuously analyzed in an in-depth fashion.

Veterans and Labor Division: (estimated position requirements: 1978-17, 1979-17).

This Division is responsible for examining the budget requests, program and legislative proposals, and operations of the Department of Labor and the Veterans Administration. The review of budgets and activities of several smaller independent agencies also fall within this Division's responsibilities.

Concentrated effort is directed toward areas such as employment and training, veterans benefits and services, volunteer programs, civil rights, and equal employment opportunities.

To cope successfully with the workload, Division staff are assigned to parallel the organizational structure of the agencies. For example, this requires assignments to 50 major defense appropriation accounts, 10 programs, and four military services.

International Affairs Division: (estimated position requirements: 1978 - 28, 1979 - 28).

This Division is responsible, for review and examination of policies, programs, operations, and budgetary issues regarding U.S. diplomatic and consular activities; foreign military and economic assistance; U.S. participation in international agencies; U.S. governmental transactions entering into the balance of payments; international trade and finance; and U.S. information and cultural exchange programs. The Division participates in the analysis of such matters with staff of the National Security Council and other interagency bodies.

Special Studies Division for National Security and International Affairs: (estimated position requirements: 1978 - 7, 1979 - 7).

The Division is responsible for the conduct of in-depth analyses of selected policy issues concerning national defense and international affairs. The overall objective of these analyses is to make possible the achievement of significant economies and efficiencies by providing a better analytical basis for decisionmaking for the President's budget. The Division also coordinates within OMB, the Executive Office of the President, and interagency review groups the analysis, policy development, and implementation of certain cross-cutting issues (e.g., nuclear nonproliferation).

Human Resources, Veterans and Labor Special Studies Division: (estimated position requirements: 1978 - 7, 1979 - 7).

The Division is responsible for conducting in-depth analyses of domestic social program policy issues which are designed to improve the analytical bases upon which administration program and budget decisions are made. The Division also provides assistance in implementing Presidential decisions and initiatives to agencies responsible for human resources, labor and veterans programs.

Associate Director - Economics and Government: (estimated position requirements: 1978 - 2, 1979 - 2).

The Associate Director for Economics and Government provides executive direction and coordination for the activities performed by the following two divisions:

Economics and Government Division: (estimated position requirements: 1978 - 46, 1979 - 46).

This Division is responsible for the review and examination of budget, program, management, operations, and legislative proposals of the Departments of Commerce, Justice, Transportation, Housing and Urban Development, and Treasury; of major independent agencies including the Civil Service Commission, General Services Administration, Postal Service, and Small Business Administration; several independent regulatory agencies including the Civil Aeronautics Board, Federal Communications Commission, Federal Maritime Commission, Federal Trade Commission, Interstate Commerce Commission, and Securities and Exchange Commission; and some 40 other independent agencies and Presidential staff offices.

On a continuing basis, the Division gives oversight to policy, program, budgetary, and legislative issues regarding

wide ranging matters including direct financial assistance to State and local governments, community economic development and adjustment, information on and assistance to business, domestic and international trade, general law enforcement, the interdiction and control of illicit drugs, and criminal justice, as well as national transportation policies.

Economics and Government Special Studies Division: (estimated position requirements: 1978 - 7, 1979 - 7).

This Division is responsible for the conduct of in-depth analyses focusing on policy, budget, and management issues of major Federal programs. The concentration will be on the analysis of issues related to the Departments of Commerce, Treasury, Justice, Transportation, and Housing and Urban Development and will seek to provide a better analytical basis for decisionmaking related to the President's budget and legislative program.

In addition, the Division coordinates within OMB, the Executive Office of the President, and interagency review groups the analysis, policy development and implementation of cross-cutting issues.

Associate Director - Natural Resources, Energy and Science: (estimated position requirements: 1978 - 2, 1979 - 2).

The Associate Director for Natural Resources, Energy and Science provides executive direction and coordination for the activities performed by the following three divisions.

Natural Resources Division: (estimated position requirements: 1978 - 43, 1979 - 43).

This Division is responsible for the examination of budget requests, programs, operating methods, and legislative proposals of the Departments of Agriculture and

Interior, the Environmental Protection Agency, the civil functions of the Corps of Engineers, and other related agencies. The Division undertakes a review of Federal public works projects in the water resources area prior to their transmittal to the Congress for authorization. It also gives attention to planning and analysis of special problems affecting natural resources and the environment.

Energy and Science Division: (estimated position requirements: 1978 - 28, 1979 - 28).

This Division has three primary substantive areas of activity in which it is responsible for review and analysis of policies, programs, budgets, legislation and management problems. The program areas are:

1. Energy and related programs. This Division is the lead organization in OMB for coordination and integration of Federal energy policies and programs. This includes energy information and analysis, conservation, regulation and emergency preparedness as well as energy research and development and other energy supply activities. The Division is also responsible for programs of the Department of Energy, the Nuclear Regulatory Commission, and the Tennessee Valley Authority.

2. Space research and technology. This functional area involves National Aeronautics and Space Administration programs including manned space flight, space science and applications, space technology, and aeronautical technology.

3. General science. This Division is the lead organization in OMB for integrating the Government-wide budgetary, legislative and management aspects of general scientific and basic research programs. Assigned agencies include the National Science Foundation, the Smithsonian Institution, and the Office of Science and Technology Policy.

Natural Resources, Energy and Science Special Studies Division: (estimated position requirements: 1978 - 7, 1979 - 7).

The Division provides in-depth analysis of policy and program issues relating to natural resources energy and science. The objective of these analyses is to provide the detailed information and analytic framework needed for the development and evaluation of options for the President's budget and policy initiatives. The Division also directs or coordinates within OMB, the Executive Office of the President, and interagency task forces the analysis and policy development and implementation of cross-cutting issues or initiatives (e.g., nonfuel minerals policy).

Executive Associate Director - Reorganization and Management: (estimated position requirements: 1978 - 15, 1979 - 15).

The Executive Associate Director for Reorganization and Management plans and directs the President's Reorganization Project which includes organizational reforms as well as management improvement and regulatory reform initiatives.

The staff to the Executive Associate Director coordinates the congressional relations activities, assists in the public awareness efforts, and provides general staff assistance for the reorganization and management improvement study teams.

Associate Director - Management and Regulatory Policy: (estimated position requirements: 1978 - 2, 1979 - 2).

The Associate Director for Management and Regulatory Policy provides executive direction and coordination for the activities performed by the following five divisions.

Management Improvement and Evaluation Division: (estimated position requirements: 1978 - 11, 1979 - 11).

plans, program, and budget requests for information, computer and communications activities.

(3) Congressional budget and fiscal information - The development of executive branch plans, policies, and systems for responding to congressional information requirements as required by the Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344).

Intergovernmental Affairs Division: (estimated position requirements: 1978 - 20, 1979 - 20).

The Intergovernmental Affairs Division has a principal role in OMB in carrying out the President's directives to make the Federal Government more responsive to State and local concerns and to assure more effective overall management of grants to State and local governments. The Division is responsible for improvement of working relationships among the levels of government by systematically communicating and coordinating with State, county, and municipal governments and their representatives and centrally designing processes to achieve that coordination.

The Division has the lead to ensure that intergovernmental impacts of various potential actions are understood and weighed as part of the OMB decisionmaking process; to develop and maintain effective working relationships for OMB with State, county, and municipal officials and the public interest groups that represent them nationally and regionally; and to serve as the chief OMB staff resource on the intergovernmental aspects of Federal activities having specific intergovernmental impact.

The role and responsibilities of the Division should include the development, improvement, and maintenance of intergovernmental management and information systems and practices such as a more simplified, integrated planning

On a continuing basis, the Division will be responsible for the implementation of the Executive Order on Improving Government Regulation and working with the agencies to assure an improvement in the quality of regulatory decisions. In addition, the Division provides policy coordination and advice on regulatory matters within OMB and participates in legislative clearance and budgetary decisions.

The Division is also responsible for managing the reports clearance process required by the Federal Reports Act of 1942. It works closely with the agencies to assure that reporting requirements are necessary and structured so as to impose as little burden as possible on the public. In addition, the Division assures implementation of the President's Paperwork Burden Reduction Program. It is also responsible for coordinating the implementation on the Paperwork Commission's recommendations and reporting periodically to the President and Congress on action taken.

Information Systems Policy Division: (estimated position requirements: 1978 - 13, 1979 - 13).

This Division is responsible for assuring that the benefits of modern information technology are applied throughout the executive branch in an efficient, effective, and economical manner. It carries out this mission through three general areas of activity:

(1) Information and Computer Policy - The formulation of Federal policies pertaining to the acquisition, utilization and protection of information, computer and teleprocessing systems. Specific responsibility includes oversight of the implementation of the Privacy Act of 1974 (P.L. 93-579) and the Brooks Act (P.L. 89-306).

(2) Budget Examination Assistance - The provision of support to the examining divisions, in the review of agency

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The Division has the lead to ensure that intergovernmental impacts of various potential actions are understood and weighed as part of the OMB decisionmaking process; to develop and maintain effective working relationship for OMB with State, county, and municipal officials and the public interest groups that represent them nationally and regionally; and to serve as the chief OMB staff resource on the intergovernmental aspects of Federal activities having specific intergovernmental impact.

The role and responsibilities of the Division should include the development, improvement, and maintenance of intergovernmental management and information systems and practices such as a more simplified, integrated planning

National Security and International Affairs Division/Organization. (estimated position requirements: 1978 - 7, 1979 - 7).

Functions of the National Security and International Affairs Division (NSIA) include the following:

1. The NSIA Division conducts organization studies and monitors other studies of national security policy issues of high Presidential and public interest. Such issues include: simplifying the workings of the national security establishment; matching defense capabilities with national goals; improving the defense management and the National Military Command structure; improving defense resources management; ensuring the adequacy of international economic analysis and policy institutions; ensuring the coordination of foreign and domestic policy; improving the management of international economic policymaking; and providing a better mechanism for the coordination and integration of State Department and Defense Department policy and program decisionmaking.

2. The Division works closely with the budget division and monitors the budget process for reorganization implications.

3. NSIA Division assists the National Security Council staff, Domestic Policy Staff, and Defense and State Department officials in identifying and analyzing implications of internal national security and international affairs reorganization and policy initiatives.

Human Resources Division/Organization: (estimated position requirements: 1978 - 8, 1979 - 8).

The Human Resources Division is charged with the following areas of responsibility:

process for the 162 Federal grants calling for State and local planning components, an information and coordination system for Federal grants through OMB monitored clearinghouses in 50 States and over 550 substate regions (OMB Circular A-95), a process to integrate application/funding for similar Federal programs (Joint funding, A-111), and a process for clearance/review of draft Federal regulations with affected State/local officials (A-85 and Executive Order on Improving Government Regulation). The Division also is responsible to advise OMB program and management staffs on the impact and problems caused by major Federal actions in each of the ten Federal administrative regions by providing staff liaison to selected regional coordinating bodies including Federal Regional Councils and Federal Executive Boards; develop and streamline Federal regional and field structures through special studies, actions and overview of OMB Circular 105 (standard regions); monitor the OMB intergovernmental science, engineering and technology advisory panel to improve intergovernmental technology transfer; coordinate OMB response to intergovernmental economic impacts resulting from military base realignments and GSA excess property procedures; and promote consistent use of contracts, grants, and cooperative agreements by Federal agencies, working toward a more comprehensive guidance for Federal assistance programs.

To accomplish these functions, the Division works closely with other divisions within OMB, with appropriate officials in other Federal agencies, and with State and local officials as required.

Associate Director - Organization Studies: (estimated position requirements: 1978 - 3, 1979 - 3).

The Associate Director for Organization Studies provides executive direction and support for the activities performed by the following six units:

1. To conduct studies of the organization of human resources programs across Government to determine the most efficient way for the Government departments and agencies to perform their responsibilities, and to prepare appropriate recommendations for the President.

2. To study human resources program delivery systems to determine the most efficient and responsive manner in which to serve clients of these programs, and to prepare appropriate recommendations.

3. To assist OMB and the White House in developing policy and legislative proposals for high priority Administration human resources initiatives.

4. To assist the budget division in review of budgets of human resource departments and agencies to determine consistency of agency proposals with reorganization objectives.

5. To assist the Management and Regulatory Policy Division in oversight studies of such subjects as Federal planning requirements, regulatory reform and the intergovernmental aspects of the Federal field organization.

In FY 1979 as the studies of the Division enter the implementation phase, this phase will require the Division to study carefully each proposed program or departmental change and its budget, staff, and support resources.

The Division will continue its periodic monitoring of new Administration health and welfare initiatives as well as any other human resource initiatives undertaken in FY 1979.

Economic Development Division/Organization: (estimated position requirements: 1978 7, 1979 - 7).

The Economic Development Division is generally responsible for identifying and implementing reorganization

opportunities in the areas of community and economic affairs, transportation, agriculture and food, economic development and related matters. This responsibility involves the performance of the following functions:

1. This Division is currently conducting three reorganization studies involving:

- community and economic development programs;
- food and nutrition programs; and
- the Federal economic analysis and policymaking machinery.

At their conclusion, appropriate recommendations will be developed for consideration by the President.

2. Additional studies are slated for implementation in FY 1979. These efforts are undertaken as part of the President's responsibilities under the Reorganization Act of 1977 (P.L. 95-17).

3. After Division reorganization plans and/or recommendations have been approved by the President, the Division is responsible for drafting or assisting in the drafting of required plans, legislation and executive orders, and for preparing and compiling all necessary background and documentation materials for congressional presentation.

4. The Economic Development Division is also responsible for overseeing the implementation of approved reorganization plans and recommendations in the areas mentioned above. In fulfilling this responsibility, the Division is to ensure smooth and orderly change and that changes are in fact implemented in a way to maximize improvements in efficiency, responsiveness and service delivery.

3. Develops reorganization initiatives, coordinates these initiatives with other OMB efforts, other PRP Division initiatives and specific reorganization plans and proposals of Federal natural resources, environment, energy, science and technology and related departments and agencies.

4. Assists OMB budget division in review of budget of natural resources, environment, and related agencies and departments to determine consistency of agency proposals with reorganization objectives.

General Government Division/Organization: (estimated position requirements: 1978-7, 1979-7).

The General Government Division analyzes the effectiveness of structures and processes used within executive branch organizations. The principal focus of reorganization analysis performed by this Division include organizations and programs of the Departments of Justice, Treasury and several small independent agencies. Organizational studies often involve issues that cut across a wide range of organizations within the executive branch. The General Government Division has responsibility for performing the following types of activities:

1. This Division conducts reorganization studies to improve the structure and processes of organizations to enhance their efficiency and effectiveness. The Division focuses principally on the programs and organization of the Departments of Justice and Treasury and a number of smaller agencies.

2. The Division develops reorganization issues in coordination with other OMB Divisions and the departments and agencies involved. The Division studies form the basis for recommendations to the President.

5. Other responsibilities of the Division include monitoring and commenting on related Administration and congressional initiatives. This involves the close tracking of Administration and congressional policy development in areas such as economic and community development, and food and agriculture. It also involves reviewing internal organizational shifts proposed in departments such as the Departments of Agriculture, Commerce, Housing and Urban Development, and transportation in order to ensure their consistency with reorganization goals.

6. The Division represents PRP and OMB before interest groups and the Congress on matters dealing with reorganization in areas for which the Division has responsibility.

7. The Division assists the OMB budget division in reviewing budgets of departments and agencies having responsibility in economic development and related areas to assure consistency with reorganization objectives.

Natural Resources Division/Organization: (estimated position requirements: 1978 - 8, 1979 - 8).

The Natural Resources Division performs the following types of functions:

1. Conducts organization and policy studies on Federal agencies and policies concerning natural resources, environment, and other related areas of high Presidential and public interest. Prepares appropriate recommendations for the President.

2. Provides the analytic basis for decisionmaking for the President's Reorganization Project initiatives and for the OMB Director's policy role in natural resources, environment, energy, civil preparedness, science and technology affairs.

matters, and maintains liaison with the White House congressional relations staff.

Legislative Reference Division:

This Division coordinates the review by the Office of agency legislative proposals, agency reports on pending legislation, and enrolled bills; participates in the development of the President's legislative program; informs congressional committees and the agencies of the relationship of proposed or pending legislation to the program of the President; and makes recommendations to the President on legislative proposals and enrolled bills.

Submission by the agencies of proposed legislative programs in connection with their annual budget submissions makes it possible for the Director and the President to consider with the budget the financial and other relevant data for all Presidentially approved proposals.

Individual proposals for new legislation are sent by the agencies to the Office prior to submission to the Congress so that (a) they may be analyzed for their budgetary implications, (b) they may be referred to other interested agencies to prevent conflicting recommendations, and (c) their relationship to the President's general program may be determined. Inconsistencies and conflicts concerning particular proposals are worked out by such means as interagency conferences or by referral to the White House staff or the President.

The Division reviews and coordinates agency reports on pending legislation and furnishes advice on their relationship to the program of the President. This advice relates to the content of the bills and does not control or prevent the expression of whatever views the

3. The Division assists the budget division in reviewing budgets of the Departments of Justice and Treasury and a number of smaller agencies to determine consistency of agency proposals with reorganization objectives.

4. The Division monitors implementation of approved recommendations and provides assistance to affected departments and agencies.

Director's Office: (estimated position requirements: 1978 - 61, 1979 - 61).

The Director's Office provides executive direction and coordination for all Office of Management and Budget activities. It is composed of the Director and Deputy Director and their principal assistants. Staff and special assistance is provided to the Office of the Director and the entire Office of Management and Budget by the following:

General Counsel: The General Counsel is the legal advisor to the Director, Deputy Director, and the Office's staff. In this regard, the General Counsel provides a similar type of clearance function with respect to proposed Executive Orders and proclamations that is performed by the Legislative Reference Division with respect to legislation. In addition, he participates in the development of legislative proposals to be sponsored by the Office or which affect the performance of Office functions.

Assistant Director for Legislative Affairs: The Assistant Director for Legislative Affairs is responsible for coordinating all Office activities that relate to the Senate or House of Representatives. Specifically, he coordinates responses to congressional requests for information, maintains working relationships with the members, committees and staff of the Congress, keeps the Director and Deputy Director informed on current legislative

agencies deem appropriate. The only requirement is that the agencies' reports include the advice received from the Office. When the time-schedule of a congressional committee does not make this review possible, an agency is authorized to present its reports without prior submission to the Office.

Enrolled bills are handled in a similar fashion. The Office supplies the President with the views of interested agencies, together with analyses of the bills and any draft documents that may be required.

Assistant to the Director for Public Affairs: The Assistant to the Director for Public Affairs is responsible for the Office's relations with the press and other information media, prepares news releases, and provides clearance for speeches and articles, originating within the Office. In addition, he serves as liaison between the Office and the White House press office.

Assistant to the Director for Administration: The Assistant to the Director for Administration is responsible for the management and service activities required for the effective operation of the Office of Management and Budget and provides liaison with the Office of Administration.

The principal internal management functions are personnel administration and position management, budget planning and control, personnel and documentary security, clearance of Office issuances, and analysis of particular operations in the Office to assure efficiency and economy in the performance of the Office's work load.

AGENCY AND PROGRAM RESPONSIBILITIES ASSIGNED TO:

NATIONAL SECURITY DIVISION

American Battle Monuments Commission
 Central Intelligence Agency
 Department of Defense
 Military Functions, all
 Civil Functions:
 Cemeterial expenses
 Ryukyu Islands
 Wildlife conservation
 U.S. Soldiers and Airmen's Home
 Federal Preparedness Agency
 Intelligence Community Staff
 National Security Council
 Selective Service System

HUMAN RESOURCES DIVISION

Committee for Purchase from the Blind and
 Other Severely Handicapped
 Community Services Administration
 Consumer Product Safety Commission
 Corporation for Public Broadcasting
 Department of Health, Education, and Welfare
 Food and Nutrition Service, Dept. of Agriculture
 Legal Services Corporation
 National Commission on Libraries and Information
 Science
 National Foundation on Arts and Humanities
 Railroad Retirement Board

VETERANS AND LABOR DIVISION

ACTION
 Advisory Commission on Intergovernmental Relations
 Commission on Civil Rights
 Commission of Fine Arts
 Department of Labor
 District of Columbia
 Equal Employment Opportunity Commission
 Federal Home Loan Bank Board
 Federal Mediation and Conciliation Service
 Federal Mine Safety and Health Review Commission
 Minimum Wage Study Commission
 National Capital Planning Commission
 National Commission on Employment and Unemployment
 Statistics
 National Commission on Manpower Policy
 National Commission on Unemployment Compensation
 National Labor Relations Board
 National Mediation Board
 National Railroad Adjustment Board
 Occupational Safety and Health Review Commission

INTERNATIONAL AFFAIRS DIVISION

Agency for International Development
 Board for International Broadcasting
 Department of State
 Export-Import Bank of the United States
 Food aid program (P.L. 480)
 Foreign Claims Settlement Commission
 Inter-American Foundation
 International Communication Agency
 International economic policy analysis
 International financial institutions
 Japan-United States Friendship Commission
 Military assistance programs
 Office of the Special Representative
 for Trade Negotiations
 Overseas Private Investment Corporation
 United States Arms Control and Disarmament Agency
 United States International Trade Commission

Pennsylvania Avenue Development Corporation
Pension Benefit Guarantee Corporation
Handicapped
President's Committee on Employment of the
Handicapped
Veterans Administration

ECONOMICS AND GOVERNMENT DIVISION

Administrative Conference of the United States
Advisory Committee on Federal Pay
AMTRAK
Appalachian Regional Commission
Canal Zone Government
Civil Aeronautics Board
Civil Service Commission
Coastal Plains Regional Commission
Commission on Executive, Legislative, and Judicial
Salaries

CONRAIL

Council of Economic Advisers
Council on Wage and Price Stability
Department of Commerce
Department of Housing and Urban Development
Department of Justice
Department of Transportation
Department of the Treasury
Domestic Policy Staff
Emergency Loan Guarantee Board
Executive Residence
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Financing Bank
Federal Maritime Commission
Federal Reserve Board
Federal Trade Commission
Four Corners Regional Commission

General Accounting Office
General Services Administration
Interstate Commerce Commission
Legislative Branch
Marine Mammal Commission
National Center for Productivity and
Quality of Working Life
National Credit Union Administration
National Transportation Policy Study
National Transportation Safety Board
New England Regional Commission
Office of Management and Budget
Old West Regional Commission
Office of Administration
Office of Federal Procurement Policy
Official Residence of the Vice President
Ozarks Regional Commission
Pacific Northwest Regional Commission
Panama Canal Company
Renegotiation Board
Securities and Exchange Commission
Small Business Administration
Southwest Borders Regional Commission
Special Assistance to the President
The Judiciary
Unanticipated Needs
United States Postal Service
Upper Great Lakes Regional Commission
U.S. Railway Association
White House Office
Washington Metropolitan Area Transit Authority

NATURAL RESOURCES DIVISION

Army Corps of Engineers (civil functions)
Council on Environmental Quality
Delaware River Basin Commission
Department of Agriculture

Department of the Interior
 Environmental Protection Agency
 Franklin D. Roosevelt Memorial Commission
 Indian Claims Commission
 International Boundary and Water Commission
 Interstate Commission on the Potomac River Basin
 Joint Federal-State Land Use Planning Commission
 for Alaska
 Lowell Historic Canal District Commission
 Navajo and Hopi Relocation Commission
 Susquehanna River Basin Commission
 Water Resources Council

ENERGY AND SCIENCE DIVISION

Department of Energy
 National Aeronautics and Space Administration
 National Gallery of Art
 National Science Foundation
 Nuclear Regulatory Commission
 Office and Science and Technology Policy
 Smithsonian Institution
 Tennessee Valley Authority
 Woodrow Wilson International Center
 for Scholars

REQUIREMENTS FOR 1979 BY OBJECT CLASS

Personnel compensation (11), \$18,611,000

The funds requested by the Office for fiscal year 1979 will be sufficient to support 550 permanent full-time positions. This reflects no change over the fiscal year 1978 authorization. The average numbers of permanent full-time employees are estimated at 672 for 1979 and 658 for 1978.

Personnel benefits (12), \$1,597,000

This estimate is for the Office's agency contributions to the Civil Service Retirement System, the Social Security program, the Federal Group Life Insurance program, and the Federal Employees Health Benefits program.

Travel and transportation of persons (21), \$465,000

This estimate is to provide travel funds for the study of executive branch activities outside Washington, D. C. and other official business by Office of Management and Budget staff.

Transportation of things (22), \$5,000

This estimate covers cost of shipments of supplies and materials and the cost of moving household goods as provided by law. The estimate includes the transportation of household goods for employees on extended training.

Rent, communications, and utilities: Standard Level User Charges (23.1), \$2,384,000

This estimate represents payments made to the General Services Administration for the Office space.

Rent, communications, and utilities: Other (23.2)
\$844,000

This estimate includes payment to the General Services Administration for the cost of operating the Executive Office joint telephone switchboard, including salaries of telephone operators, use of telephone equipment, and telephone service. Also included in this estimate are costs associated with rental of office equipment, IBM computer and computer software.

Printing and reproduction (24), \$1,816,000

This estimate covers work done for the Office by the Government Printing Office, principally the printing of the budget document and related materials, printing forms and binding, and other printing and duplicating work which cannot be handled by the Office's small duplicating unit.

Other services (25), \$1,651,000

This estimate includes charges for payments to contracts assisting in the development of various information systems, personnel security investigations conducted by the Civil Service Commission, reimbursements to the General Services Administration for Building Security Service, and for furnishing miscellaneous services, including recurring and nonrecurring costs for maintenance and additional costs for overtime heating and air conditioning, reimbursements to the Public Health Service for the Office's share of maintaining an expanded employee health program for employees of

the Office, reimbursements to the U.S. Postal Service for penalty mail, and repairs to equipment.

Supplies and materials (26), \$520,000

This estimate is for the purchase of office supplies and additional work materials such as legislative bills, reports, enacted legislation, and periodicals.

Equipment (31), \$253,000

This estimate covers purchase of office equipment, including adding machines, calculators, typewriters, and books for the library.

OBLIGATIONS BY OBJECTS (including reimbursements)

(Dollars in thousands)

Object Class	Estimated 1978	Estimated 1979	Increase or Decrease
11 Personnel compensation	\$17,327	\$18,611	\$1,284
12 Personnel benefits	1,474	1,597	123
21 Travel and transportation of persons	331	465	134
22 Transportation of things	5	5	---
23.1 Rent, communications, and utilities; Standard Level User Charges	2,030	2,384	354
23.2 Rent, communications, and utilities; other	1,069	844	-225
24 Printing and reproduction	1,419	1,816	397
25 Other services	2,645	1,651	-994
26 Supplies and materials	230	520	290
31 Equipment	200	253	53
Total obligations	\$26,730	\$28,146	\$1,416
Deduct estimated reimbursements	68	68	---
TOTAL BUDGET AUTHORITY	\$26,662	\$28,146	\$1,484

Attachment B (Continued)

AUTHORITIES

The basic responsibilities of the Office of Management and Budget are defined in the following:

Reorganization Plan No. 2 of 1970, 35 F.R. 7959, which established the Office of Management and Budget in the Executive Office of the President. See also Reorganization Plan No. 1 of 1977, 42 F.R. 56101, which changed the functions of the Office from those contained in the 1970 Plan.

Budget and Accounting Act, 1921 (31 U.S.C. 1-24), which established the Bureau of the Budget as a staff arm of the President to assist him in the preparation of the annual budget and any supplemental or deficiency estimates, and to conduct administrative studies to enable the President to achieve greater economy and efficiency in the executive branch. As part of its budgetary functions under this Act, the Office reviews for the President agency recommendations for, or on, legislation.

Government Corporation Control Act of 1945 (31 U.S.C. 847-849, 852), which extends the budgetary function to wholly-owned Government corporations.

Budget and Accounting Procedures Act of 1950 (64 Stat. 832), which amplifies the Budget and Accounting Act by providing for a performance budget; improved administration of executive agencies; integration of statistical activities; and a continuous program for the improvement of accounting and financial reporting throughout the Government.

Section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), which prescribes procedures for

apportioning appropriations, provides for agency systems of administrative control of funds, and authorizes establishing reserves in appropriations and funds.

Act of August 1, 1956 (70 Stat. 782), which amended the Budget and Accounting Act and the Budget and Accounting Procedures Act, mainly to make further improvements in governmental budgeting and accounting methods and procedures.

Act of October 30, 1965 (40 U.S.C. 759), which deals with automatic data processing equipment, and under which the Office provides guidelines and information for the management of automatic data processing activities in the Federal Government.

Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3334), which requires the Office to prescribe rules and regulations for the coordination of Federal aid in metropolitan areas.

Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4201-4244), and the President's memorandum of November 8, 1968, delegating certain authority under that Act (33 F.R. 16487), which require issuance of rules and regulations with regard to: (1) improved administration of grants-in-aid to the States; (2) special or technical services to State and local units of government; and (3) the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development.

District of Columbia Revenue Act of 1970 (31 U.S.C. 26) which requires the Office to examine and review D.C. appropriations to determine priorities of expenditures and where reductions can be made.

Sections 201-203 of the Legislative Reorganization Act of 1970 (31 U.S.C. 1151-1153) which provides for the establishment of a standardized information and data processing system for budgetary and fiscal data.

P.L. 93-344 which requires the Office to prepare legislation and to perform other functions in relation to the new fiscal year and budget submissions.

Impoundment Control Act of 1974 (Title X, P.L. 93-344) which governs the establishment of budgetary reserves and reports of those reserves to the Congress.

Office of Federal Procurement Policy Act (P.L. 93-400) established, in the Office of Management and Budget, the Office of Federal Procurement Policy.

Privacy Act of 1974 (P.L. 93-579) requires the Office to provide for oversight and to issue guidelines for implementation of the Act.

5 U.S.C. 305, which provides for regulations under which each agency makes systematic reviews of its operations on a continuing basis.

5 U.S.C. 4112, which requires the issuance of regulations for the absorption of costs of Government employee training programs.

44 U.S.C. 1108, which requires approval of the use of appropriated funds for the printing of periodicals.

44 U.S.C. 3501-3511 (the Federal Reports Act), which requires coordination of Federal reporting and

statistical services in order to eliminate duplication, reduce the cost of such services, and minimize the burden on the public of furnishing information to Federal agencies.

Executive Order No. 8248 of September 8, 1939 (4 F.R. 3864), which specifies the functions of the Office as part of the Executive Office of the President.

Executive Order No. 9094 of March 10, 1942 (7 F.R. 1972), which provides for coordination and planning of Federal mapping and chartmaking activities.

Executive Order No. 9384 of October 4, 1943 (8 F.R. 13782), which provides for review of Federal public works and improvement projects.

Executive Order No. 10579 of November 30, 1954 (19 F.R. 7925), which provides for a final decision on appeal by an agency from any determination by the Administrator of General Services with respect to the establishment of an interagency motor vehicle pool or system.

Executive Order No. 10654 of January 20, 1956 (16 U.S.C. 1005) delegating certain functions under the Watershed Protection and Flood Prevention Act.

Executive Order No. 10900 of January 5, 1961 (26 F.R. 143), as amended by Executive Order No. 11036 of July 11, 1962 (27 F.R. 6653), which provides for fixing amounts of certain foreign currencies to be used for various purposes and waiving certain statutory requirements.

Executive Order No. 11030 of June 19, 1962 (27 F.R. 5847), as amended by Executive Order No. 11354

of July 1, 1967 (32 F.R. 7695), which provides for clearance for the President of Executive orders and proclamations.

Executive Order No. 11060 of November 7, 1962 (27 F.R. 10925), which provides for determining and establishing rates of hospital care and treatment furnished by the United States, for use in connection with recovery from tortiously liable third persons.

Executive Order No. 11541 of July 1, 1970 (35 F.R. 10737), which delegates to the Director of the Office of Management and Budget the functions transferred to the President by Reorganization Plan No. 2 of 1970.

Executive Order No. 11592 of May 6, 1971 (36 F.R. 8555), which delegates to the Director of the Office of Management and Budget the function of granting certain approvals under provisions of the Rivers and Harbors Act of 1970 and the Flood Control Act of 1970.

Executive Order No. 11609 of July 22, 1971 (36 F.R. 13747), which delegates to the Director of the Office of Management and Budget the exercise of statutory authorities of the President involving (1) regulatory functions with respect to quarters and facilities, (2) transfers of balances of appropriations, (3) land acquisitions, contracts for land acquisitions, and other land transactions, (4) approval of regulations relating to rental of substandard housing for members of the uniformed services, (5) approval of use of funds for printing of periodicals, and (6) allocation of funds for management improvement.

Executive Order No. 11647 of February 10, 1972 (37 F.R. 3167), as amended, which established the Federal Regional Council System and also established

the Under Secretaries Group for Regional Operations, to be chaired by the Deputy Director, to give the Councils policy guidance.

Executive Order No. 11672 of June 6, 1972 (37 F.R. 11455), which requires approval by the Director of property transferred from the Postal Service to other agencies.

Executive Order No. 11721 of May 23, 1973 (38 F.R. 13717) as amended, which designates the Director of the Office of Management and Budget, the Secretary of Labor and the Chairman of the Civil Service Commission, as the President's agents under 5 U.S.C. 5305, relating to Federal pay administration.

Executive Order No. 11747 of November 7, 1973 (38 F.R. 30993), which delegates certain functions under the Water Resources Planning Act to the Director, Office of Management and Budget.

Executive Order No. 11758 of January 15, 1974 (38 F.R. 2075), as amended, delegating to the Director certain functions under the Rehabilitation Act of 1973.

Executive Order No. 11845 of March 24, 1975 (40 F.R. 13299) which delegates to the Director certain functions of the President under the Impoundment Control Act of 1974.

Executive Order No. 11874 of July 25, 1975 (40 F.R. 31737) delegating certain functions to the Director regarding support assistance to the Legal Services Corporation.

Executive Order No. 11893 of December 31, 1975 (41 F.R. 1040) transferring certain management functions from GSA to the Director.

Attachment C (Continued)

Information Required by Section 236 of the
Legislative Reorganization Act of 1970

1. GAO Report ID-77-18 "Controlling Foreign Investment in National Interest Sectors of the U.S. Economy."

GAO recommended that OMB coordinate and develop a plan to assess the reliability of agencies' foreign investment information and report this information periodically to the Congress.

OMB believes that this recommendation is fully within the authority and duties accorded the President in section 4(a)(3) of the International Investment Survey Act of 1976. Executive Order 12013 directs the Secretary of Commerce to perform the functions set forth in this section. OMB has advised the Secretary of Commerce to give close attention to the GAO recommendations in carrying out section 4(a)(3) and to report as required under section 236 of the Legislative Reorganization Act of 1970. OMB will monitor action in accordance with its functions regarding the International Investment Survey Act as stipulated in Executive Order 11961.

2. GAO Report EMD-77-23 "Rocky Mountain Energy Resource Development: Status, Potential, and Socioeconomic Issues."

GAO recommends the Under Secretaries Group (USG), chaired by OMB, take the following specific actions: (1) open and staff an office where State and local officials can obtain advice on the availability of Federal assistance programs and, if necessary, assistance in applying for such aid; (2) monitor and evaluate the work of this office and the need for additional Federal assistance for Rocky Mountain

States and local communities impacted by energy development; (3) direct any such office to prepare an annual report to the President in close coordination with the Department of Energy, evaluating the need for additional Federal assistance.

A number of actions have taken place affecting the USG and FRC system: (1) the President has directed that the FRC system be maintained while a major review of intergovernmental and interagency issues is conducted during this next year; (2) the new group of Under Secretaries is in the process of developing overall guidance and policy for the Federal Regional Council system; (3) the new Department of Energy (DOE) is being organized; (4) field offices of FRC member agencies are undergoing organizational changes which may affect the role field officials can play in mounting FRC type initiatives.

GAO recommendations to take action to staff such an office and the related funding provisions will be reviewed by the USG within the context of the above events. OMB will bring this recommendation to their attention for consideration during the development of FY 78 guidance for the Federal Regional Council system and for specific applicability to the Mountain Plains Federal Regional Council. OMB believes, however, that the responsibility for establishing an office as described should be that of the new Department of Energy, and has brought the report to the attention of that Department for its consideration.

3. GAO Report No. GCD-77-24 "Federally Assisted Area-wide Planning: Need to Simplify Policies and Practices."

GAO recommended that the Office of Management and Budget pay greater attention to the problems caused by the proliferation of planning agencies, inconsistent boundaries, different planning requirements, and lack of criteria for conducting planning.

OMB agreed with the context of the Report and undertook a survey and evaluation of Circular A-95, Evaluation, Review, and Coordination of Federal and Federally Assisted Programs and Projects. During this comprehensive evaluation and review, every consideration has been given to the recommendations contained in the report, and following completion of the survey and evaluation, OMB will take the necessary actions to improve the implementation of Circular A-95 as it affects coordination of areawide planning.

4. GAO Report No. GGD-77-28, "Crime in Federal Recreation Areas -- a Serious Problem Needing Congressional and Agency Action."

GAO recommends that the OMB create an interagency task force to prepare a national policy for visitor protection on Federal recreation lands. In general, the OMB agrees with the need for improvements in law enforcement on Federal recreation lands, but believes that agencies should be encouraged to resolve law enforcement problems by consultation with the Justice Department. OMB has asked the Justice Department to establish a process for so doing. In addition, in its executive branch reorganization studies the OMB is addressing public lands management and law enforcement issues and is examining the questions of jurisdiction, authority, standards, personnel, and practices used in enforcing laws on the various Federal lands.

5. GAO Report No. PSAD-77-128, "An Organized Approach to Improving Federal Procurement and Acquisition Practices."

GAO recommended that the OMB establish a continuing program of research to create better Federal procurement practices and design and test the best ways to carry out the new policies.

OMB shares GAO's concern that insufficient attention has been given in the past to procurement research. The Office of Federal Procurement Policy has initiated efforts through the Federal Procurement Institute to begin the task of planning a Government-wide procurement research program. There has been established an interagency Specialized Work Group to assist in developing a program that will lead to well organized, coordinated, and effective procurement research that will meet the specific requirements of individual agencies as well as make improvements in the procurement process on a Government-wide basis.

6. GAO Report HRD 76-152, "Returning the Mentally Disabled to the Community: Government needs to do more."

GAO recommended that the OMB instruct Federal agencies to develop and help implement the deinstitutionalization of programs affecting the mentally retarded and administered by various agencies and departments; clearly define agency responsibilities and actions; and direct Federal regional councils to mobilize, coordinate, and evaluate the program throughout the country.

OMB commended that the Administration is determined to provide appropriate levels of support for programs to assist the mentally disabled, but

maintains that such programs should be addressed at the State and local levels. OMB further stated that the Presidential Commission on Mental Health has been established to examine the appropriate Federal role in the support of such programs, and that its recommendations would be considered in the context of developing funding levels for the 1979 Budget.

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GAO REPORT ON REORGANIZATION OF THE EXECUTIVE OFFICE OF THE PRESIDENT



GGD 4/21

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-191694

April 21, 1978

The Honorable Tom Steed
Chairman, Subcommittee on Treasury,
Postal Service and General Government
Committee on Appropriations
House of Representatives

Dear Mr. Steed:

We have scheduled the impact of Reorganization Plan No. 1 of 1977 on the funds, functions, and personnel of the Executive Office of the President as requested by the Committee's letter of March 20, 1978, signed jointly with Congressmen Cederberg, Mahon, and Miller.

More changes are likely, but those planned or made as of March 1978 were:

- There were 14 units in the Executive Office instead of the 21 that existed in early 1977 and the 19 when the plan was sent to the Congress.
- Full-time permanent positions are being reduced by 244--9 less than needed to meet the plan's goal of 1,459. The reduction is to be made by abolishing 188 positions and transferring 56 positions to agencies outside the Executive Office. Personnel reductions are being made through attrition. Additionally, 180 permanent positions are to be transferred between the units in the Executive Office.
- Transfers, both within and outside the Executive Office, for which we were able to obtain authorizing documents total 196 permanent positions and 185 personnel. Of these, 32 positions and 23 personnel were moved out of the Executive Office. Twenty-five other personnel apparently transferred out of the Executive Office between September 30, 1977, and February 28, 1978; however, we were unable to document who they were or where they went.

GGD-78-63
(41909)

B-191694

--Appropriated funds of \$4.8 million have been transferred. A total of \$0.9 million was reallocated to agencies outside the Executive Office. The rest was reallocated among the units within the Executive Office.

--The reorganization plan did not cover non-permanent positions (detailees from other agencies and part-time employees). Sixteen part-time employees have moved within the Executive Office.

These actions are discussed more fully in the following sections of this letter. The information was obtained largely from the Office of Management and Budget (OMB) which was designated by the White House as our focal point for this review and whose cooperation was a major factor in the timely completion of our work.

EXECUTIVE OFFICE OF THE PRESIDENT REORGANIZATION

The reorganization plan was submitted to the Congress on July 15, 1977, and became effective on October 15, 1977. Under the plan the Executive Office was intended to become more efficient and responsive through

--a reduction in the number of units from 17, when the plan was submitted to Congress, to 12 and

--a reduction in the number of full-time staff positions from 1,712 to 1,459.

REDUCTION OF UNITS

Before reorganization there were 21 units in the Executive Office. There were 14 as of March 1978. Two of the 21 units (Foreign Intelligence Advisory Board and the Economic Policy Board) were abolished prior to the plan. Thus, 19 units existed when the plan was sent to the Congress--although the plan identified only 17. One missing unit was the Executive Residence which is not shown on any organization chart but which is a unit for budget purposes and which is included in the reorganization's staffing goal. The other--the Vice President's official residence--is also an Executive Office unit for budget purposes; however, it is not included in the plan's staffing goals because the U.S. Navy provides the staffing.

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Enclosure I lists the units in the Executive Office, including the Office of Administration created by the plan, and shows which were included in the U.S. budgets for 1978 and 1979 and which remain after reorganization. Thirteen of the 14 remaining Executive Office units were included in the fiscal year 1979 budget request; the remaining unit--Intelligence Oversight Board--receives funding and staffing from the White House Office.

Excluding the Executive Residence and the Vice President's Official Residence--the reorganization plan's goal of 12 units has been achieved.

HOW POSITIONS AND PERSONNEL
ARE TO BE REDUCED

Reduction in full-time
permanent positions

The reorganization plan called for 1,459 full-time permanent positions. It did not mention detailees from other agencies or part-time employees. The fiscal year 1979 budget requests 1,468 positions, a reduction of 244 positions, but 9 more than the plan. The 9 positions are in the Domestic Policy Staff (2); OMB (5); and Office of Science and Technology (2). To meet the budgeted figure, 188 positions are to be abolished and 56 transferred to other executive agencies. Enclosure II details the planned changes in permanent positions.

As of March 1978, 32 of the 56 positions had been transferred. Enclosure III shows the losing unit, the recipient agency and the grade of the position transferred. Of the 188 positions to be abolished, 136 had been abolished as of February 28, 1978. OMB officials said that no employees have lost or will lose jobs because of the reorganization. The following table shows the means by which the 188 positions were to be abolished.

	<u>Positions</u>	
	<u>Abolished</u>	<u>To be abolished</u>
Accomplished by:		
Executive Order		2
Allowing statutory authority to lapse	21	
Reducing authorized ceiling	<u>115</u>	<u>50</u>
Total	<u>136</u>	<u>52</u>
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Reduction in people

There were 84 fewer people in full-time permanent positions as of February 28, 1978, than a year ago, but still 42 in excess of the plan. The following schedule compares the Executive Office staffing about 6 months before the plan's approval with staffing about 5 months after approval.

	<u>Number on-board</u>		<u>Difference</u>	<u>Plan</u>
	<u>3/31/77</u>	<u>2/28/78</u>		
Full-time permanent employees	1,585	1,501	-84	1,459
Detailees	300	305	+ 5	N/A
Others	<u>270</u>	<u>301</u>	<u>+31</u>	N/A
Total	<u>2,155</u>	<u>2,107</u>	<u>-48</u>	

As noted previously, detailees from other agencies and part-timers were not covered by the reorganization plan. The number of detailees and part-timers on board at specific points in time is not particularly meaningful in measuring the extent these types of employees are utilized, because their number is apt to vary considerably during any given period.

Enclosure V details the staffing of each organizational unit in the Executive Office.

POSITIONS, PEOPLE, AND FUNDS TRANSFERRED

To reach the full-time permanent position goal in the 1979 budget for each unit remaining after reorganization, 236 transfers are planned--56 out of the Executive Office and 180 within the Office. OMB-supplied documents show that 196 positions and 185 people had been transferred as of March 31, 1978, as follows:

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	Transfers		
	Within Executive Office	Out of Executive Office	Total
<u>Positions</u>			
Transfers planned	180	56	236
Less: Transfers made	<u>164</u>	<u>32</u>	<u>196</u>
Transfers to be made	<u>16</u>	<u>24</u>	<u>40</u>
<u>People</u>			
Transfers made	<u>162</u>	<u>23</u>	<u>185</u>

In addition, 16 nonpermanent (part-time, temporary) positions and people were transferred within the Executive Office.

The largest transfer involves the newly created Office of Administration which is ultimately to receive 168 full-time permanent positions--92 from OMB, 72 from the White House Office and 4 from other units. The 168 positions are 19 greater than the plan's goal of 149. OMB officials said that of the 19 positions, 16 would be reduced through attrition and 3 abolished. The Office of Administration received all 162 permanent and 16 nonpermanent people transferred to date.

The 32 positions and 23 people transferred out of the Executive Office were to:

	<u>Positions</u>	<u>People</u>
Environmental Protection Agency	8	1
Department of Commerce	15	14
General Services Administration	3	3
Civil Service Commission	<u>6</u>	<u>5</u>
Total	<u>32</u>	<u>23</u>

The total annual salary costs of the employees transferred (including the 16 nonpermanent staff) are shown below.

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<u>Transfers</u>	<u>People</u>	<u>Annual Salary</u>
Within Executive Office	178	\$2,850,382.60
Out of Executive Office	<u>23</u>	<u>671,749.00</u>
Total	<u>201</u>	<u>\$3,522,131.60</u>

A total of \$4.8 million has been reallocated because of reorganization--\$3.9 million within the Executive Office and \$0.9 million to other agencies. The Office of Administration received about \$2.9 million from OMB and \$1 million from the White House Office.

OMB officials told us there had been no transfer of positions or funds into the Executive Office as a result of the reorganization.

A verification of all Executive Office personnel changes by name and position would require a time-consuming reconstruction of payroll records and personnel rosters for various periods of time. OMB did not have that data nor could it be readily assembled. For example, based on OMB-supplied data, between September 1977 and February 1978, 48 full-time permanent employees left the Executive Office. Yet OMB could provide the names of only 23, leaving unaccounted at least 25. Therefore, an exact accounting for personnel changes was not possible.

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Detailed information on the impact of reorganization on each Executive Office unit is contained in the following enclosures:

Enclosure I	Number of Executive Office Units Before/After Reorganization and Extent Included in U.S. Budget for 1978 and 1979
Enclosure II	Planned Reduction in Executive Office Full-Time Permanent Positions
Enclosure III	Details of Funds, Functions, and Personnel Transfers Among Executive Office Units

B-191694

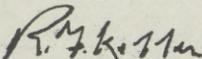
Enclosure IV Summary of Personnel Transferred
 Within the Executive Office and
 to Other Agencies

Enclosure V Comparison of Executive Office
 Staffing March 1977 and February
 1978

Because of time constraints, we did not obtain written comments on this report. We did, however, discuss it with OMB officials who generally concurred with our analysis.

We are sending this report to all those who have signed the Committee's request. As arranged with your office, we will also make unrestricted distribution of this report 30 days from the date of this letter or earlier if publicly released by the Committee. We are, of course, available to discuss in detail the information provided.

Sincerely yours,


Acting Comptroller General
of the United States

Enclosures - 5

ENCLOSURE I

ENCLOSURE I

NUMBER OF EXECUTIVE OFFICE UNITS BEFORE/AFTER REORGANIZATION AND EXTENT INCLUDED IN U.S. BUDGET

FOR 1978 and 1979

Executive Office units (22)	Appropriations requested in: 1978 budget		1979 budget		Why excluded from 1978 or 1979 budget request	Units remaining (x) after reorganization implementation
	Yes a/	No	Yes	No		
Council of Economic Advisors	x		x			x
Council on Environmental Quality	x		x			x
Council on International Economic Policy (note a)	x			x	Statutory Authority lapsed 9/77.	
Council on Wage and Price Stability	x		x			x
Domestic (Council) Policy Staff	x		x			x
Economic Opportunity Council		x		x	Inactive--no staffing/funding. Abolished 3/78.	
Economic Policy Board		x		x	Inactive--no staffing/funding. Abolished 3/77 before plan.	
Energy Resources Council		x		x	Inactive--no staffing/funding. Abolished 9/77.	
Executive Residence	x		x			x
Federal Property Council		x		x	Inactive--no staffing/funding. Abolished 10/77.	
Foreign Intelligence Advisory Board		x		x	White House Office provided staffing/funding. Abolished 5/77 before plan.	
Intelligence Oversight Board		x		x	Will continue to exist. White House Office provides funding/staffing. Not in existence until 12/77.	x
Office of Administration		x		x		x
Office of Drug Abuse Policy	x			x	Abolished 3/78.	
Office of Management and Budget	x		x			x
Office of Science and Technology Policy	x		x			x
Office of the Special Rep- resentative for Trade Negotiations	x		x			x
Office of Telecommunications Policy	x			x	Abolished 3/78.	
Office of the Vice President (note b)	x		x			x
National Security Council	x		x			x
Vice President's Residence	x		x			x
White House Office	x		x			x
Totals	<u>15</u>	<u>7</u>	<u>13</u>	<u>9</u>		<u>14 c/</u>

a/The Council on International Economic Policy was the only unit which did not receive a 1978 appropriation. The Council did not get an appropriation since (pursuant to the reorganization) its statutory authority was to be allowed to lapse on September 30, 1977.

b/U.S. budget lists as "Special Assistance to the President."

c/Thirteen included in 1979 U.S. budget for the Executive Office. The other unit is the Intelligence Oversight Board which receives no direct congressional funding.

ENCLOSURE II

ENCLOSURE II

PLANNED REDUCTION IN EXECUTIVE OFFICE FULL-TIME PERMANENT POSITIONS

Executive Office unit	Reorganization Plan Authority before plan		1979 budget estimate		1979 budget excess plan		Planned reduction per 1979 budget		How it is to be done	
	Plan	Final	Estimate	Final	Final	Final	Reduction	Transfers out	In	Out
Council of Economic Advisors	42	35	7	35	-	-	7	-	-	7
Council on Environmental Quality	40	32	8	32	-	-	8	8	-	-
Council on International Economic Policy	21	-	21	-	-	-	21	-	-	21
Council on Wage and Price Stability	57	39	18	39	-	-	18	-	-	18
Domestic (Council) Policy Staff	40	43	(3 increase)	45	2	-	(5 increase)	-	9	1
Economic Opportunity Council	-	-	-	-	-	-	-	-	-	-
Economic Policy Board	-	-	-	-	-	-	-	-	-	-
Energy Resources Council	-	-	-	-	-	-	-	-	-	-
Executive Residence	86	86	-	86	-	-	-	-	-	-
Federal Property Council	-	-	-	-	-	-	-	-	-	-
Foreign Intelligence Advisory Board	-	-	-	-	-	-	-	-	-	-
Intelligence Oversight Board	-	-	-	-	-	-	-	-	-	-
Office of Administration	-	149	(149 increase)	149	-	-	(149 increase)	-	168	-
Office of Drug Abuse Policy	10	-	10	-	-	-	10	2	-	6
Office of Management and Budget	709	570	139	575	5	-	134	24	3	92
Office of Science and Technology Policy	32	22	10	24	2	-	8	1	-	7
Office of the Special Representative for Trade Negotiations	49	41	8	41	-	-	8	-	-	8
Office of Telecommunications Policy	41	-	41	-	-	-	41	19	-	9
Office of the Vice President	30	27	3	27	-	-	3	-	-	3
National Security Council	70	64	6	64	-	-	6	2	-	4
Vice President's Residence	-	-	-	-	-	-	-	-	-	-
White House Office	485	351	134	351	-	-	134	-	-	72
Totals	17,712	14,609	2,523	14,609	9	-	244	56	180	100

ENCLOSURE III
Page 2

ENCLOSURE III
Page 2

DETAILS OF FUNDS, FUNCTIONS, AND PERSONNEL TRANSFERS AMONG EXECUTIVE OFFICE UNITS

Executive office unit Office of Administration	Function(s)	Funds	Grade	Positions	Personnel	To	From	Authorizing/implementing documents and comments
Executive office unit Office of Administration	Administrative and support functions	\$1,025,602	Administratively determined	72	72	-	The White House Office	Transfer effective January 11, 1978. (See White House Office).
	Administrative and support functions	\$1,999,226	GS-15	1	1	1	Office of Management and Budget	Transfer effective January 1, 1978, by OMB determination order dated January 11, 1978.
			GS-14	4	4	4		
			GS-13	6	6	6		
			GS-11	5	5	5		
			GS-10	1	1	1		
			GS-09	5	5	5		
			GS-08	8	8	8		
			GS-07	9	9	9		
			GS-06	7	7	7		
			GS-05	5	5	5		
			GS-04	10	10	10		
			GS-03	8	8	8		
			GS-02	4	4	4		
WR-17	1	1	1					
WR-15	1	1	1					
WR-14	1	1	1					
WR-13	3	3	3					
WR-08	1	1	1					
WR-06	2	2	2					
WR-05	5	5	5					
WR-04	2	2	2					
			94	93				
Administrative and support functions	\$ 905,700	GS-15	3	3	3	-	Office of Management and Budget	Transfer effective February 17, 1978, by OMB determination order dated February 17, 1978.
		GS-14	4	4	4			
		GS-12	1	1	1			
		GS-07	2	2	2			
		GS-06	1	1	1			
					14	13		
Abolished	Abolished							Unit and 10 positions abolished effective March 26, 1978, by Executive Order 12045. All functions transferred to the President for reorganization.

ENCLOSURE III
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Page 3

DETAILS OF FUNDS, FUNCTIONS, AND PERSONNEL TRANSFERS AMONG EXECUTIVE OFFICE UNITS

Executive Office unit	Function(s)	Funds	Grade	Positions	Personnel	To	From	Authorizing/Implementing documents and comments
Office of Management and Budget	Administrative and support functions	\$1,959,226	See Office of Administration	94	93	Office of Administration	Office of Administration	Transfer effective January 9, 1978, by Executive Order dated January 11, 1978. Includes 16 other than permanent positions. (See Office of Administration.)
	Administrative and support functions	\$ 905,700	See Office of Administration	34	13	Office of Administration	Office of Administration	Transfer effective February 12, 1978, by Executive Order dated February 17, 1978. (See Office of Administration.)
	Certain statistical functions	\$ 673,000	GS-18	1	1	Department of Commerce	Department of Commerce	Transfer effective October 9, 1977, by Executive Order 12013 and OMB de-termination order dated October 7, 1977.
			GS-16	2	2			
			GS-15	3	5			
			GS-14	1	1			
			GS-12	1	1			
			GS-09	1	1			
			GS-07	1	1			
			15	17				
Advisory Committee Management Secretariat		\$ 55,400	GS-13	1	1	General Services Administration	General Services Administration	Transfer effective November 20, 1977, by Executive Order 12024 and OMB de-termination order dated December 27, 1977.
			GS-11	2	2			
				3	3			
Certain executive and other secretarial functions		\$ 136,436	GS-15	1	1	Civil Service Commission	Civil Service Commission	Transfer effective December 4, 1977, by Executive Order 12027 and OMB de-termination order dated December 29, 1977.
			GS-14	1	1			
			GS-13	1	1			
			GS-09	1	1			
			GS-07	1	1			
			6	6				
Federal telecommunications procurement and management policy and arbitration of interagency disputes and frequency allocation						Office of Telecommunications Policy	Office of Telecommunications Policy	Transfer effective March 26, 1978, by Executive Order 12046.
Policies to facilitate the transfer and utilization of research and development results, and reorganization						Office of Science and Technology Policy	Office of Science and Technology Policy	Transfer effective February 26, 1978, by Executive Order 12039.

ENCLOSURE III
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ENCLOSURE III
Page 4

DETAILS OF FUNDS, FUNCTIONS, AND PERSONNEL TRANSFERS AMONG EXECUTIVE OFFICE UNITS

Function(s)	Funds	Grade	Positions	Personnel	To	From	Authorizing/implementing documents and comments
Executive Office unit Office of Science and Technology					National Science Foundation		Transfer effective February 26, 1978, by Executive Order 12039.
Preparation of the annual Science and Technology report							
Policies to facilitate the transfer and utilization of research and development results and reorganization					Office of Management and Budget		Transfer effective February 26, 1978, by Executive Order 12039.
Evaluation of capability of communications systems to meet national security requirements and direct the exercise of communications under the President's war powers						Office of Telecommunications Policy	Transfer effective March 26, 1978, by Executive Order 12046.
Office of Special Representative for Trade Negotiations							
Office of Telecommunications Policy							
Abolished							Unit and 41 positions abolished effective March 26, 1978, by Executive Order 12046.
Federal telecommunications procurement and management policy and arbitration of interagency disputes about frequency allocation					Office of Management and Budget		Transfer effective March 26, 1978, by Executive Order 12046.

DETAILS OF FUNDS, FUNCTIONS, AND PERSONNEL TRANSFERS AMONG EXECUTIVE OFFICE UNITS

Executive Office unit	Function(s)	Funds	Grade	Positions	Personnel	To	From	Authorization/Implementing documents and comments
Office of Telecommunications Policy (cont.)	Evaluation of capabilities of communications systems to meet national security and emergency needs and direct the exercise of communications capabilities in President's war powers					Office of Science and Technology Policy		Transfer effective March 26, 1978, by Executive Order 12046.
	Policy direction of development and operation of national communications systems and coordinating mobilization and use of the Nation's telecommunications resources in an emergency					National Security Council		Transfer effective March 26, 1978, by Executive Order 12046.
	All functions except above					Department of Commerce		Transfer effective March 26, 1978, by Executive Order 12046.
Office of Vice President								
National Security Council								
White House Office	Administrative and support functions	\$1,025,002	Administratively determined	72	72	Office of Administration		Transfer effective January 1, 1978, by OMB Memorandum dated January 11, 1978.
Official Residence of the Vice President								
Summary of transfers:								
	Funds	\$4,795,364						
	Positions	212						
	Personnel	201						

ENCLOSURE IV

ENCLOSURE IV

SUMMARY OF PERSONNEL TRANSFERRED WITH THE EXECUTIVE OFFICE
AND TO OTHER AGENCIES

Grade	Transferred within Executive Office		Transferred to other Government agencies		Total	
	Number	Total annual salary	Number	Total annual salary	Number	Total annual salary
GS-18	-	\$ -	1	\$ 47,500.00	1	\$ 47,500.00
GS-16	-	-	2	89,923.00	2	89,923.00
GS-15	4	155,538.00	6	242,352.00	10	397,890.00
GS-14	7	235,750.00	b/2	70,725.00	9	306,475.00
GS-13	a/8	225,516.00	2	52,044.00	10	277,560.00
GS-12	6	140,775.00	1	21,883.00	7	162,658.00
GS-11	5	96,771.00	2	36,516.00	7	133,287.00
GS-10	1	19,388.00	-	-	1	19,388.00
GS-09	5	83,498.00	c/1	17,102.00	6	100,600.00
GS-08	8	128,861.00	4	67,388.00	12	196,249.00
GS-07	11	149,670.00	d/2	26,316.00	13	175,986.00
GS-06	8	102,498.00	-	-	8	102,498.00
GS-05	5	59,091.00	-	-	5	59,091.00
GS-04	10	96,445.00	-	-	10	96,445.00
GS-03	8	63,440.00	-	-	8	63,440.00
GS-02	4	28,140.00	-	-	4	28,140.00
AD e/	72	1,023,992.00	-	-	72	1,023,992.00
WP-17	1	19,302.40	-	-	1	19,302.40
WP-15	1	18,200.00	-	-	1	18,200.00
WP-14	1	17,638.40	-	-	1	17,638.40
WP-13	3	51,355.20	-	-	3	51,355.20
WP-08	1	14,414.40	-	-	1	14,414.40
WP-06	1	12,064.00	-	-	1	12,064.00
WL-06	1	16,099.20	-	-	1	16,099.20
WG-05	5	66,268.80	-	-	5	66,268.80
WG-04	2	25,667.20	-	-	2	25,667.20
Total	<u>178</u>	<u>\$2,850,382.60</u>	<u>23</u>	<u>\$671,749.00</u>	<u>201</u>	<u>\$3,522,131.60</u>

a/Excludes two GS-13 positions (\$52,044) that are vacant.

b/Excludes one GS-14 position (\$30,750) that is vacant.

c/Excludes seven GS-09 positions (\$105,000) that are vacant.

d/Excludes one GS-07 position (\$12,336) that is vacant.

e/Administratively determined salaries.

ENCLOSURE V

ENCLOSURE V

COMPARISON OF EXECUTIVE OFFICE STAFFING
MARCH 1977 AND FEBRUARY 1976

Executive Office units (22)	Staff on-board as of 3/31/77				Staff on-board as of 2/26/76			
	FTP d/	Detailees	Other a/	Total	FTP d/	Detailees	Other a/	Total
Council of Economic Advisors	39	-	-	39	34	2	-	36
Council on Environmental Quality	46	4	12	62	43	5	14	62
Council on International Economic Policy	21	-	-	21	Statutory authority lapsed 9/30/77			
Council on Wage and Price Stability	41	-	18	59	35	-	10	45
Domestic (Council) Policy Staff	33	1	3	37	38	1	4	43
Economic Opportunity Council b/	-	-	-	-	-	-	-	-
Economic Policy Board	Abolished 3/07/77							
Energy Resources Council b/	-	-	-	-	Statutory authority lapsed 9/30/77			
Executive Residence	79	-	1	80	85	-	1	86
Federal Property Council b/	-	-	-	-	Abolished by reorganization plan			
Foreign Intelligence Advisory Board c/	-	-	-	-	Discontinued 5/04/77			
Intelligence Oversight Board c/	-	-	-	-	-	-	-	-
Office of Administration	Established 12/04/77				172	18	17	207
Office of Drug Abuse Policy	-	-	-	-	11	5	2	18
Office of Management and Budget	645	20	78	743	555	209	65	829
Office of Science and Technology Policy	16	16	65	97	18	12	97	127
Office of Special Representative for Trade Negotiations	51	3	6	60	45	10	11	66
Office of Telecommunications Policy	44	7	35	86	34	5	43	82
Office of Vice President	22	10	1	33	21	3	2	26
National Security Council Staff	64	30	15	109	61	25	6	92
Vice President's Residence	-	-	-	-	-	-	-	-
White House Office	484	209	36	729	349	10	29	388
Totals	<u>1,585</u>	<u>300</u>	<u>270</u>	<u>2,155</u>	<u>1,501</u>	<u>305</u>	<u>301</u>	<u>2,107</u>

a/ These represent part time, intermittent and temporary employees. U.S. budget shows full-time equivalent of other positions (aside from FTP positions) on an annual basis as 149 for 1977 and 169 for 1976.

b/ Inactive prior to abolition; hence, had no staffing.

c/ Staffing provided by White House Office.

d/ Full-time permanent.

EXECUTIVE OFFICE OF THE PRESIDENT
Summary of Personnel Authorizations and Appropriations

Agency	FY 1977		FY 1978		FY 1979		Budget Request Positions (\$000)		
	Authorized Full Time Positions	Actual Positions	Approved Positions	Reductions Positions	Transfers Positions	Proposed Pay Elemental Positions		Revised Plan Positions (\$000)	Reductions Positions
White House Office	485	17,162	17,580	- 62	- 72	--	16,440	351	16,917
Executive Residence	86	2,180	2,157	--	--	--	2,236	86	2,575
Official Residence of the Vice President	--	91	121	--	--	--	121	--	129
Domestic Policy Staff	40	1,775	1,850	- 3	+ 834	--	2,684	45	2,650
Foreign Policy Council	70	3,270	3,080	- 4	- 2	135	3,135	64	3,432
Special Assistance to the President	30	1,271	1,327	- 2	--	--	1,327	27	1,280
Office of Management and Budget	682	27,472	28,830	- 19	-113	857	25,848	550	28,146
Office of Federal Procurement Policy	27	1,681	2,840	+ 3	--	50	2,890	30	4,040
Council of Economic Advisers	42	1,873	1,995	- 5	--	23	2,018	35	2,042
Council on Environmental Quality	40	3,300	2,854	--	- 8	--	2,854	32	3,126
Council on International Economic Policy	21	1,450	-0-	- 21	--	--	-0-	--	--
Consumer Policy Stability	44 ^{1/2}	1,917	2,100	- 4	--	40	2,100	39	1,753
Office of Drug Abuse Policy	10	1,100	1,200	- 2	- 8	--	429	--	--
Office of Telecommunication Policy	41	8,476	8,447	--	--	--	8,447	41	--
Office of Science & Technology Policy	22	2,300	2,800	+ 2	--	--	2,399	41	--
Office of Special Representative for Trade Negotiations	49	2,581	2,680	--	--	24	2,800	24	2,621
Office of Management Communication of the President	--	250	250	--	449	71	2,751	41	2,665
Unanticipated Needs	--	1,000	1,000	--	--	174	4,374 ^{2/2}	149	7,279
TOTAL	1,689	79,149	81,031	-117	- 46	1,409	75,776	1,526	79,895

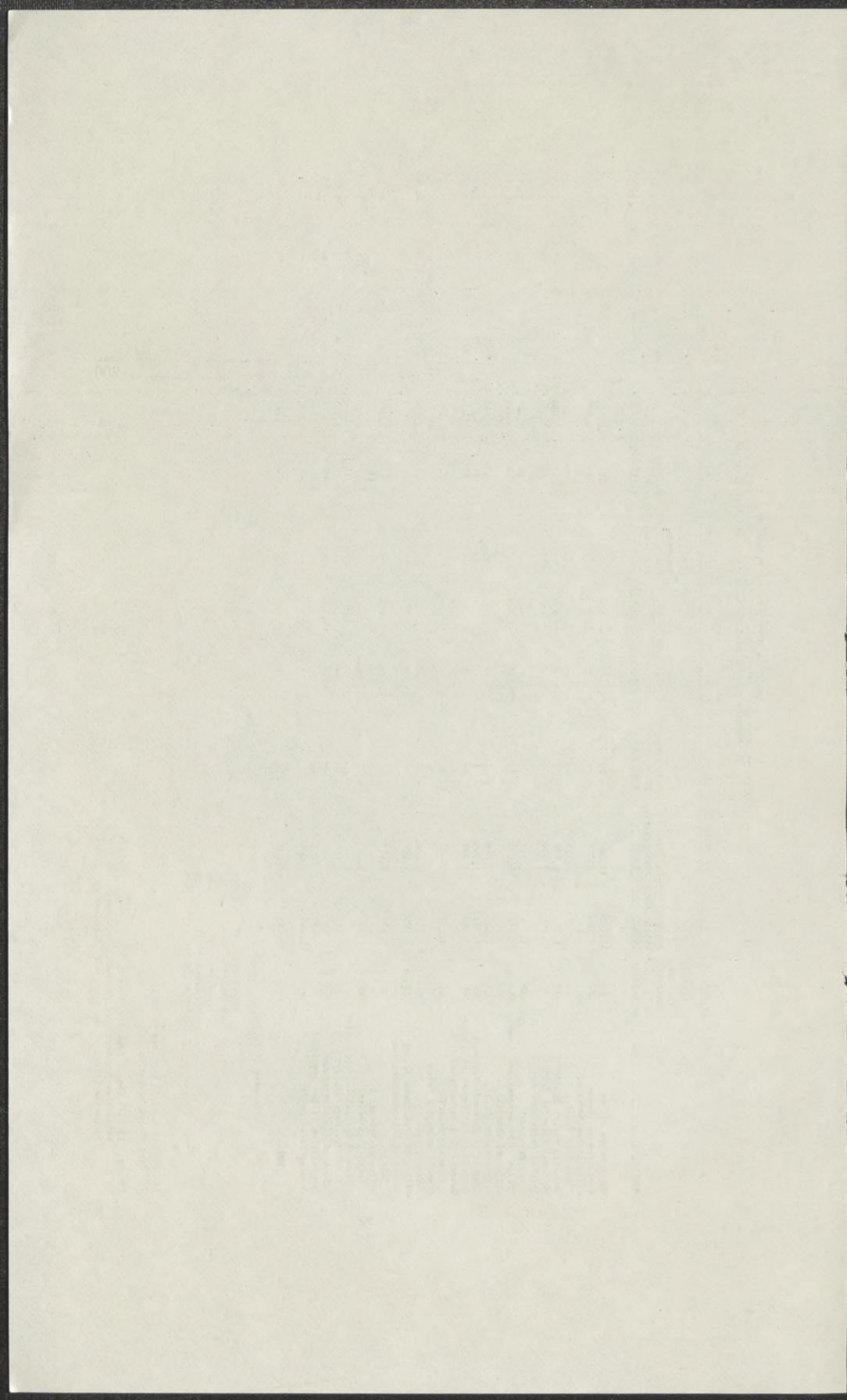
Summary of Personnel Changes:

Authorized 1977	1,689
Reduction 1978	- 117
Transfers 1978	446
Reduction 1979	- 58
Projected End 1979	1,468

^{1/} Reduction of 13 achieved in 1977

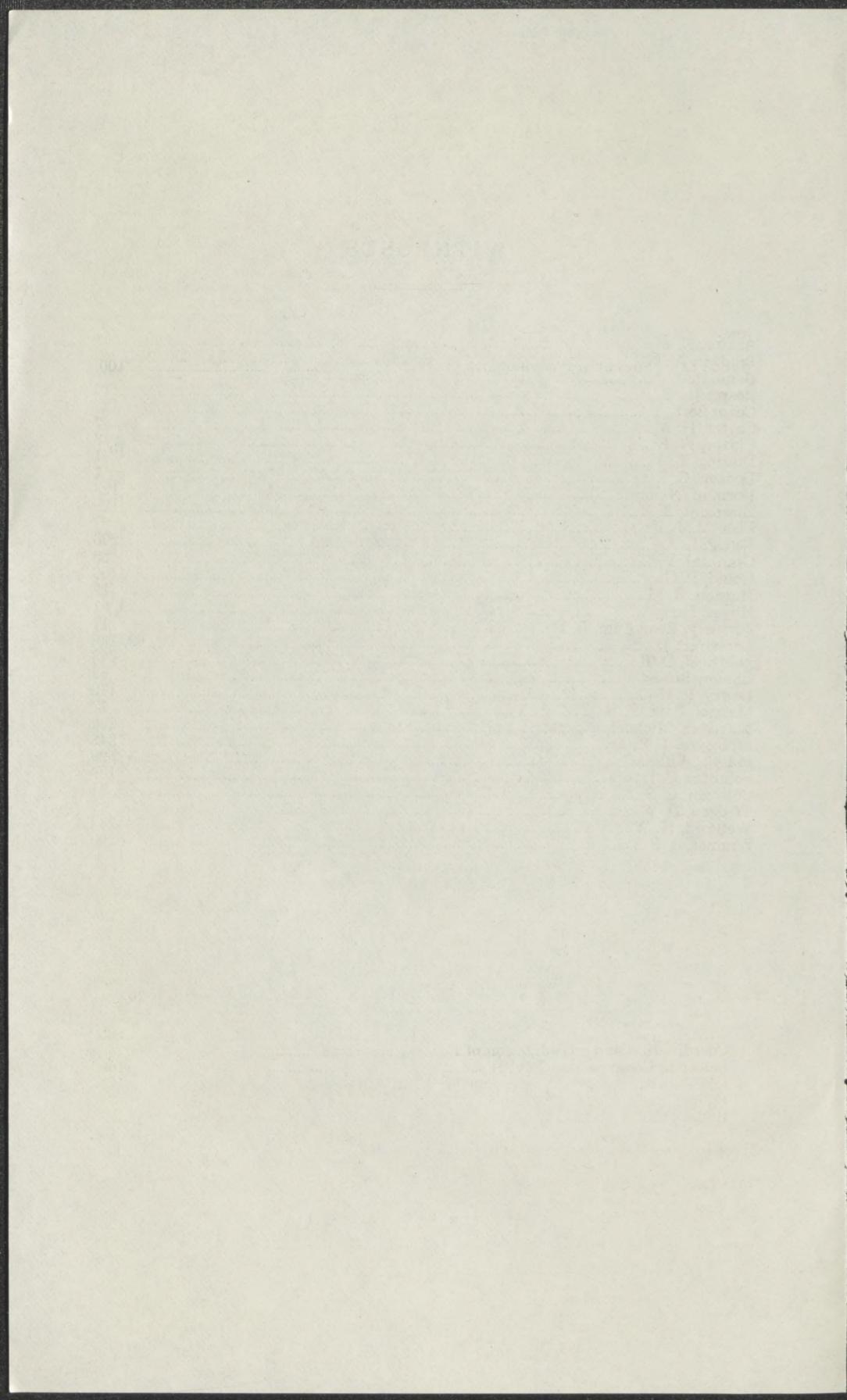
^{2/} Nine months operation only

Source: FY 1979 Budget Appendix, Part I
Reorganization Report on Personnel Positions
Executive Office of the President, February 15, 1978



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