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Senate Hearings

Before the Committee on Appropriations

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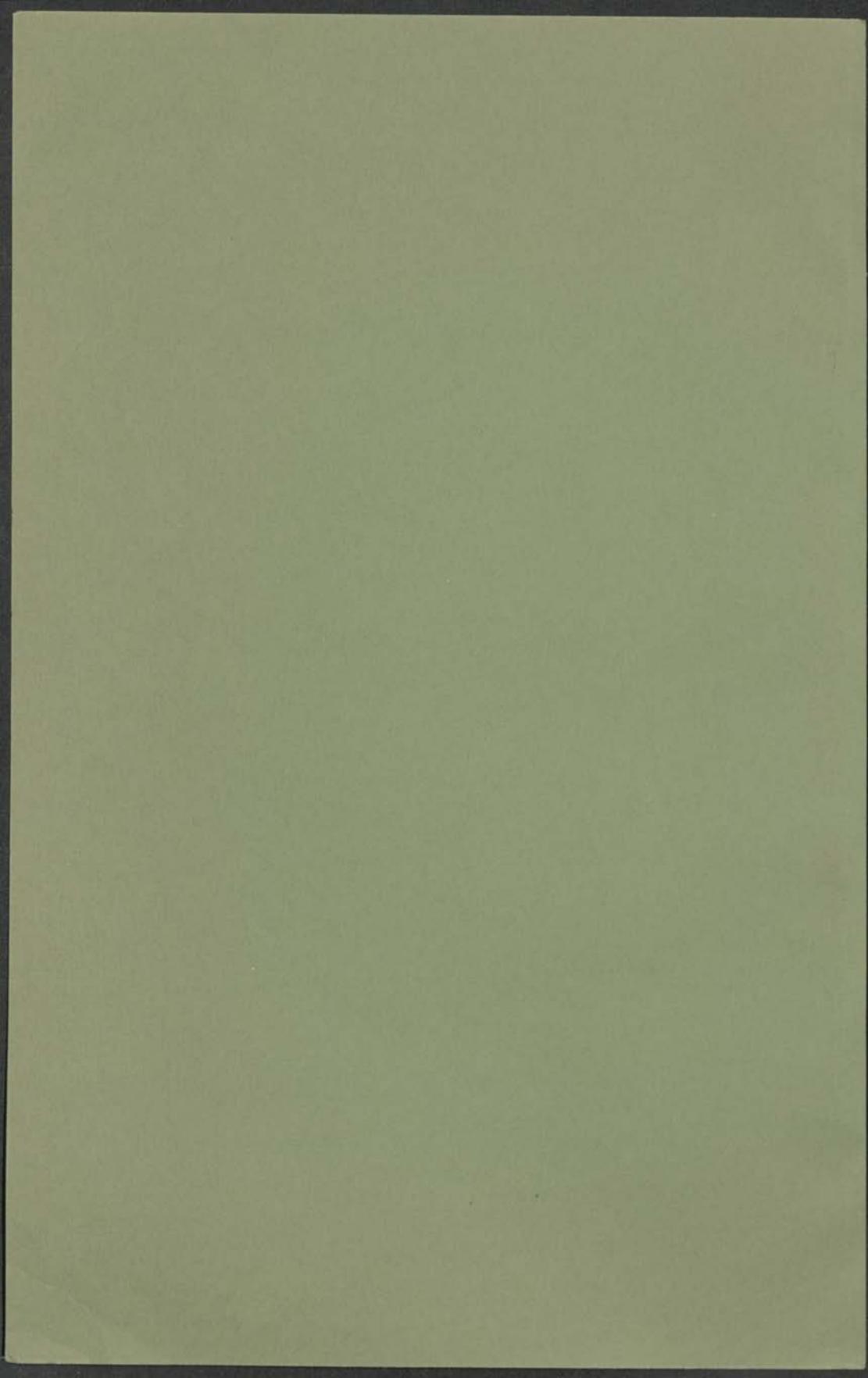
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DEPARTMENTS OF LABOR, HEALTH AND HUMAN
SERVICES, EDUCATION, AND RELATED AGENCIES
APPROPRIATIONS FOR FISCAL YEAR 1981

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
NINETY-SIXTH CONGRESS
SECOND SESSION

PART 5 (Pages 1-159)
DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF LABOR

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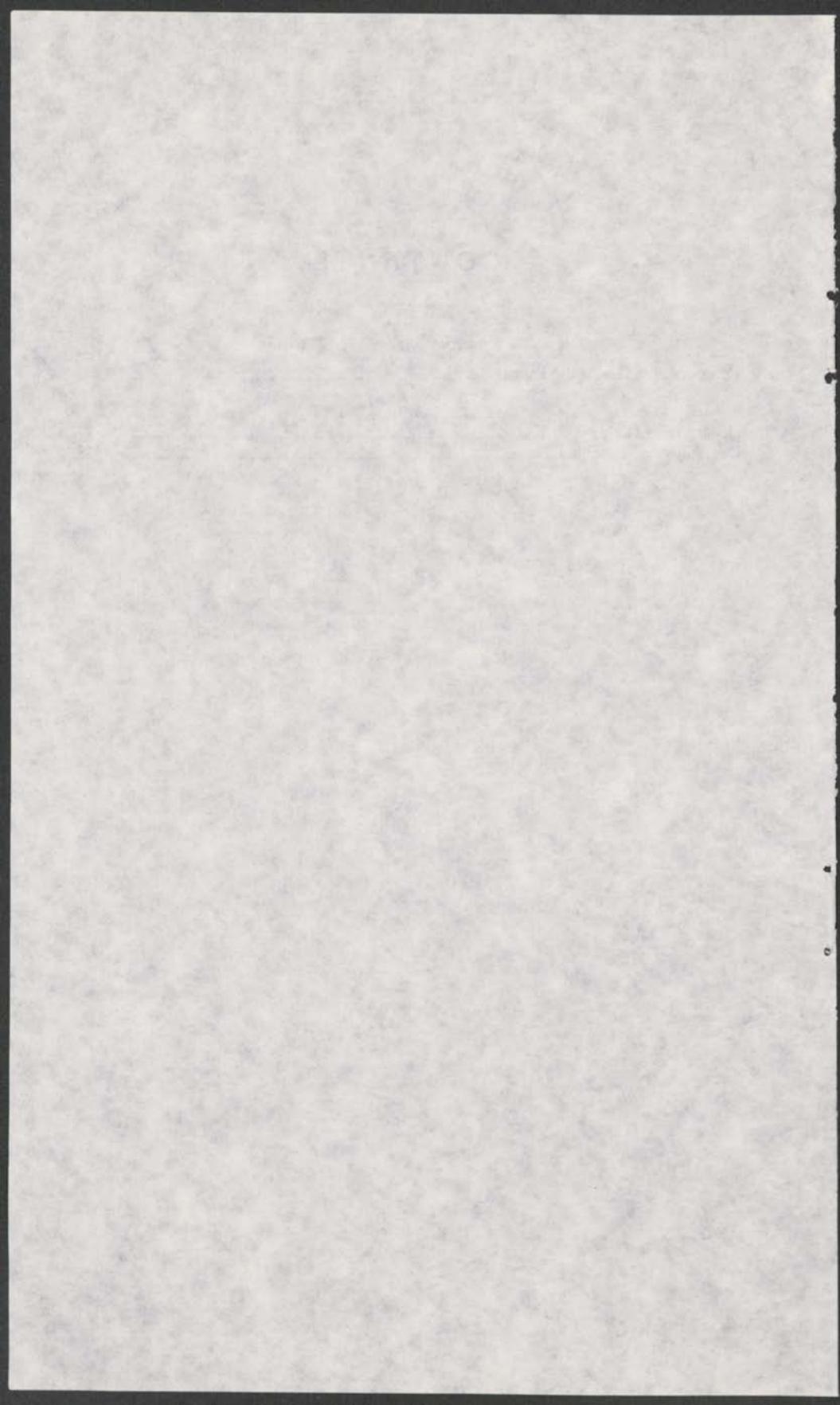
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DEPARTMENTS OF LABOR, HEALTH AND HUMAN
SERVICES, EDUCATION, AND RELATED AGENCIES
APPROPRIATIONS FOR FISCAL YEAR 1981

THURSDAY, APRIL 17, 1980

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:35 p.m. in room S-128, the Capitol, Hon.
Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson and Burdick.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATEMENT OF PATRICIA ROBERTS HARRIS, SECRETARY

ACCOMPANIED BY

FREDERICK M. BOHEN, ASSISTANT SECRETARY FOR MANAGEMENT
AND BUDGET

WILLIAM B. WELSH, ASSISTANT SECRETARY FOR LEGISLATION

ALAIR TOWNSEND, DEPUTY ASSISTANT SECRETARY, BUDGET

BUDGET REQUEST

Senator MAGNUSON. The subcommittee will come to order.

This afternoon we will hear from Secretary Patricia Harris on the effect of the President's latest budget revisions on the Department of Health and Human Services. The revised requests Secretary Harris has presented to us are \$57.4 billion for fiscal 1981, \$2.7 billion in supplements for fiscal 1980 and \$243 million in 1980 rescission proposals.

You may proceed with a summary of your statement, Madam Secretary. We have a copy of your full statement which we will place in the record.

Secretary HARRIS. Thank you, Mr. Chairman.

[The statement follows:]

(1)

STATEMENT OF SECRETARY PATRICIA ROBERTS HARRIS

I AM HERE TODAY TO DESCRIBE TO YOU CHANGES IN THE FISCAL YEAR 1980 AND 1981 BUDGET REQUESTS FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES. THIS SECOND APPEARANCE BEFORE YOU ON THIS BUDGET IS AN EXTRAORDINARY EVENT IN RESPONSE TO EXTRAORDINARY CIRCUMSTANCES.

IN MY TESTIMONY BEFORE THIS SUBCOMMITTEE LAST JANUARY ON THE BUDGET FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, I NOTED PRESIDENT CARTER'S CONCERN THAT INFLATION BE REDUCED. SINCE THAT TIME, INFLATION HAS GROWN WORSE, AND THE PRESIDENT HAS DETERMINED THAT PROVIDING A BALANCED BUDGET IS AN ESSENTIAL STEP IN CONTROLLING INFLATION. TO ACHIEVE A BALANCED BUDGET, SPENDING REDUCTIONS ARE BEING MADE THROUGHOUT THE FEDERAL GOVERNMENT, AND THE DEPARTMENT OF HEALTH AND HUMAN SERVICES IS NO EXCEPTION.

THIS IS NOT AN EASY TASK FOR ANY OF US. BUT THESE BUDGET REDUCTIONS HAVE FORCED US TO DETERMINE OUR HIGHEST PRIORITIES AND NEEDS.

THE GENERAL PHILOSOPHY THAT UNDERLAY THE ANALYSIS OF AREAS IN WHICH REDUCTIONS COULD BE MADE WAS THAT WE SHOULD MAKE EVERY EFFORT TO PROTECT BASIC HEALTH AND INCOME SECURITY BENEFITS; PRESERVE HIGH-PRIORITY PROGRAM EXPANSIONS; AND MAINTAIN A STRONG FEDERAL FUNDING ROLE FOR THOSE ACTIVITIES LEAST LIKELY TO BE CONDUCTED BY OTHER PARTS OF GOVERNMENT OR NON-GOVERNMENTAL SOURCES. AS A RESULT, THE MOST IMPORTANT OF OUR PRIORITIES ARE INTACT, AND THE DEPARTMENT'S REVISED BUDGET CONTINUES TO EMPHASIZE BENEFITS AND SERVICES FOR THE AGED, THE DISABLED, THE SICK, AND THE POOR.

- O FULL COST-OF-LIVING INCREASES ARE INCLUDED FOR BENEFICIARIES OF SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, AND BLACK LUNG PROGRAMS;
- O FUNDING INCREASES OF \$30 MILLION FOR ELDERLY NUTRITION PROGRAMS AND \$85 MILLION FOR HEAD START ARE PROVIDED;
- O HEALTH SERVICES FOR THE UNDERSERVED RECEIVE AN INCREASE OF \$65 MILLION;
- O FUNDING INCREASES OF \$119 MILLION ARE PROPOSED FOR INITIATIVES IN THE MENTAL HEALTH AND ALCOHOLISM AREAS.

ADDITIONALLY, WE ARE REQUESTING AT THIS TIME A \$2.2 BILLION APPROPRIATION FOR LOW-INCOME ENERGY ASSISTANCE.

THUS OUR HIGHEST PRIORITIES OF MEETING THE GREATEST NEEDS HAVE BEEN PROTECTED IN THIS REVISED BUDGET. HOWEVER, WE HAVE REDUCED OUR REQUESTS BELOW THOSE PRESENTED IN JANUARY. FOR FY 80, WE ARE PROPOSING REDUCTIONS OF \$457 MILLION; IN 1981, \$1,049 MILLION.

THE FY 1981 BUDGET FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES PROVIDES FOR BUDGET AUTHORITY OF \$226.2 BILLION AND OUTLAYS OF \$222.5 BILLION. THESE TOTALS ARE LARGER THAN THOSE INCLUDED IN THE PRESIDENT'S JANUARY BUDGET BECAUSE OF THE IMPACT OF HIGHER INFLATION ASSUMPTIONS AND THE INCLUSION OF LOW-INCOME ENERGY ASSISTANCE.

TABLES 1 AND 2 SUMMARIZE THE REVISIONS IN THE FY 1980 AND 1981 BUDGETS BY AGENCY AND BY TYPE OF CHANGE FOR THE DEPARTMENT AS A WHOLE.

LABOR-HEW APPROPRIATIONS BILL

TABLE 3 INDICATES THAT, FOR PROGRAMS CONSIDERED BY THIS SUBCOMMITTEE, THE PRESIDENT'S REVISED 1981 BUDGET REQUESTS APPROPRIATIONS OF \$57.4 BILLION, COMPARED TO \$54.9 BILLION IN OUR JANUARY REQUEST. THIS INCREASE IS THE NET RESULT OF INCLUDING FULL APPROPRIATIONS REQUESTS FOR LOW-INCOME ENERGY ASSISTANCE AND REFUGEE PROGRAMS BASED ON LEGISLATION ENACTED SINCE MY APPEARANCE IN JANUARY, THE IMPACT OF INFLATION ON CERTAIN ENTITLEMENT PROGRAMS, AND PARTIALLY OFFSETTING REDUCTIONS OF \$771 MILLION WE ARE PROPOSING IN OTHER AREAS.

THE NEW 1981 REQUEST REPRESENTS AN INCREASE OF \$7.2 BILLION OVER THE REVISED REQUEST FOR 1980. WE ARE REQUESTING YOUR APPROVAL OF RESCISSION PROPOSALS OF \$243 MILLION AND REVISED SUPPLEMENTALS OF \$2,721 MILLION IN 1980.

I WILL BRIEFLY SUMMARIZE THE BUDGET BY AGENCY, BEGINNING WITH THE PUBLIC HEALTH SERVICE.

PUBLIC HEALTH SERVICE

THE FISCAL YEAR 1981 REQUEST FOR THE PUBLIC HEALTH SERVICE (PHS) IS \$7.0 BILLION FOR PROGRAMS CONSIDERED BY THIS SUBCOMMITTEE. THIS REQUEST IS VIRTUALLY THE SAME AS THE REVISED 1980 REQUEST, AS IS APPARENT FROM TABLE 4. WITHIN THIS LEVEL, FUNDING HAS BEEN PROVIDED TO ACCOMMODATE INCREASES FOR THE HEALTH SERVICES ADMINISTRATION WITH ITS IMPORTANT MISSION OF PROVIDING SERVICES TO THE POOR AND UNDERSERVED; FOR THE NATIONAL INSTITUTES OF HEALTH, (NIH) TO MAINTAIN FUNDING FOR 5,000 NEW AND COMPETING GRANTS; AND FOR THE ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, TO PROVIDE INNOVATIVE AND BETTER COORDINATED MENTAL HEALTH AND ALCOHOLISM SERVICES.

THE MOST SIGNIFICANT REDUCTIONS IN OUR REQUEST AFFECT THE EXPANSION OF COMMUNITY HEALTH CENTERS, VARIOUS GRANTS PROVIDED ON A FORMULA BASIS TO STATES AND LOCALITIES, PORTIONS OF NIH OTHER THAN NEW AND COMPETING GRANTS, AND INITIAL FUNDING FOR THE HOSPITAL CONVERSION AND DISCONTINUANCE DEMONSTRATION PROGRAM.

HEALTH CARE FINANCING ADMINISTRATION AND SOCIAL SECURITY ADMINISTRATION

THE BUDGETS FOR THE HEALTH CARE FINANCING ADMINISTRATION (HCFA) AND THE SOCIAL SECURITY ADMINISTRATION (SSA) ARE DRIVEN FOR THE MOST PART BY ECONOMIC CONDITIONS AND BY CHANGES IN THE NUMBER OF ELIGIBLE PERSONS. IN TABLES 5 AND 6, THE IMPACT OF HIGHER INFLATION CAN BE SEEN IN THE INCREASED REQUIREMENTS FOR MEDICAID AND SUPPLEMENTAL SECURITY INCOME. FOR THE LATTER PROGRAM, WE ARE NOW FORECASTING COST-OF-LIVING INCREASES OF 14.4 AND 10.6 PERCENT IN 1980 AND 1981 RESPECTIVELY, COMPARED TO 13.0 AND 9.9 PERCENT IN THE JANUARY BUDGET.

THE SSA APPROPRIATIONS REQUEST NOW REFLECTS THE ENACTMENT OF THE REFUGEE ASSISTANCE ACT AND THE WINDFALL PROFIT TAX ACT, WHICH AUTHORIZES THE LOW-INCOME ENERGY ASSISTANCE PROGRAM.

THE REQUEST FOR REFUGEE PROGRAMS IS \$693 MILLION, INCLUDING THE EXTENSION OF SPECIAL BENEFITS TO REFUGEES FOR THREE YEARS INSTEAD OF TWO AS PROPOSED BY THE ADMINISTRATION.

THE REQUEST FOR LOW-INCOME ENERGY ASSISTANCE IS \$2.2 BILLION, AN INCREASE OF \$600 MILLION ABOVE THE 1980 LEVEL AND A REDUCTION OF \$200 MILLION BELOW THE AMOUNT INCLUDED IN THE JANUARY BUDGET (WITHIN THE TOTALS FOR THE EXECUTIVE OFFICE OF THE PRESIDENT) FOR 1981.

OFFICE OF HUMAN DEVELOPMENT SERVICES

OUR CURRENT REQUEST OF NEARLY \$4.8 BILLION FOR THE OFFICE OF HUMAN DEVELOPMENT SERVICES IS A REDUCTION OF \$62 MILLION BELOW THE JANUARY BUDGET.

THIS REDUCTION FALLS IN TWO MAJOR AREAS: \$33 MILLION IN AGING SOCIAL SERVICES, MAINTAINING THESE ACTIVITIES AT THEIR 1980 LEVEL; AND \$29 MILLION FOR A NUMBER OF SMALL REDUCTIONS IN RESEARCH AND EVALUATION, TRAINING, PROGRAM MANAGEMENT, AND SPECIAL PROJECTS.

WE HAVE PRESERVED THE INCREASE OF \$85 MILLION FOR HEAD START AND THE INFLATION ADJUSTMENT FOR AGING NUTRITION SERVICES.

CHANGES IN 1980 APPROPRIATIONS ESTIMATES

THE REVISED APPROPRIATION REQUEST FOR FY 1980 IS \$221 MILLION IN BUDGET AUTHORITY BELOW THE JANUARY BUDGET TOTALS. THIS IS A NET AMOUNT INCLUDING RESCISSION CHANGES OF \$145 MILLION AND A REDUCTION OF \$76 MILLION IN PAY AND PROGRAM SUPPLEMENTAL REQUESTS.

1980 RESCISSIONS

A PACKAGE OF RESCISSIONS TOTALLING \$243 MILLION IS INCLUDED FOR THE PUBLIC HEALTH SERVICE, AS LISTED IN TABLE 8. THE RESCISSIONS FOR HEALTH PROFESSIONS CAPITATION GRANTS AND STUDENT ASSISTANCE LOANS TOTALLING \$97.8 MILLION HAVE BEEN RESUBMITTED. FURTHERMORE, WE ARE PROPOSING \$145.4 MILLION IN ADDITIONAL RESCISSIONS, INCLUDING \$52.2 MILLION IN HEALTH RESOURCES, \$41.5 MILLION FOR NIH, \$34.9 MILLION FOR HEALTH SERVICES AND \$12.8 FOR THE OFFICE OF THE ASSISTANT SECRETARY FOR HEALTH. THESE PROPOSALS ARE AN

INTEGRAL PART OF OUR OVERALL BUDGET STRATEGY, AND WE ASK YOUR FAVORABLE CONSIDERATION OF THEM.

1980 PROGRAM SUPPLEMENTALS

SUPPLEMENTALS BEFORE YOU AT THIS TIME TOTAL \$2.7 BILLION, A NET REDUCTION OF \$69 MILLION FROM THE JANUARY BUDGET. THE CHANGES INCLUDE WITHDRAWAL OF THE SUPPLEMENTALS FOR ALCOHOL AND MENTAL HEALTH COMMUNITY PROGRAMS AND A REDUCTION OF \$10 MILLION IN THE REQUEST FOR THE NATIONAL HEALTH SERVICE CORPS.

WE HAVE LIMITED OUR SUPPLEMENTAL REQUESTS TO THOSE OF A CRITICALLY IMPORTANT NATURE, INCLUDING FINANCIAL DISTRESS, REFUGEE ASSISTANCE, ASSISTANCE PAYMENTS, AND GRANTS TO STATES FOR SOCIAL SERVICES (TITLE XX) AND CHILD WELFARE.

* * * *

THIS CONCLUDES MY STATEMENT, AND I WILL BE PLEASED TO ANSWER YOUR QUESTIONS.

Table 1

Summary of Budget Revisions for the
Department of Health and Human Services

(In millions of dollars)

	1980		1981		Change
	January Budget: Budget Authority	Change Outlays	January Budget: Budget Authority	Change Outlays	
President's January Budget.....	\$194,853	\$193,313	\$222,950	\$222,950	\$219,366
Public Health Service.....	8,188	-73	8,553	-540	-308
Health Care Financing Adminis- tration.....	50,566	+141	61,519	+131	-280
Social Security Administration.....	130,719	+1,272	147,247	+3,705*	+3,757*
Human Development Services.....	5,161	-167	5,406	-48	-25
Departmental Management.....	251	-2	259	-12	-11
Offsetting Receipts.	-32	-2	-34	-10	-10
President's Revised Budget.....	\$195,853	\$193,012	\$226,176	\$222,489	

* Includes the low-income energy assistance program (\$2.2 billion)

Table 2

Department of Health and Human Services
 Summary of FY 1980 and 1981 Budget Revisions
 by Type of Action

(In millions of dollars)

	1980		1981	
	Budget Authority	Outlays	Budget Authority	Outlays
President's January Budget.....	\$194,853	\$193,313	\$222,950	\$219,366
Adjustments:				
1. Proposed rescissions.....	-164	-41	--	-99
2. Reduced or withdrawn supplementals.....	-81	-37	--	-43
3. Reduced requests.....	-53	-53	-642	-301
4. Proposed legislation.....	-39	-39	-407	-544
5. Revised economic assumptions/base reestimates.....	+1,457	-9	+1,966	+1,807
6. Impact of Congressional action on legislation.....	-120	-120	+109	+109
7. Low-income energy assistance program.....	(+1,600)*	(+1,600)*	+2,200	+2,200
8. Other.....	--	-2	--	-6
Total, adjustments.....	+1,000	-301	+3,226	+3,123
Revised President's budget.....	\$195,853	\$193,012	\$226,176	\$222,489

* Funds for the low-income energy assistance programs were appropriated to the Community Services Administration in 1980.

Table 3

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1981 BUDGET
PROGRAMS CONSIDERED BY LABOR-HEW SUBCOMMITTEE
(Appropriations in billions)

	1979		1980		1981	
			Jan. Est.	Curr. Est.	Jan. Request	Revised Request
Public Health Service	\$6.8		\$7.2	\$7.0	\$7.5	\$ 7.0
Health Care Financing Administration	19.6		22.8	22.8	25.5	25.6
Social Security Administration	14.2		15.4	15.4	16.9	19.8
Office of Human Development Services	4.8		4.8	4.8	4.8	4.8
Departmental Management	.2		.2	.2	.2	.2
Total	\$45.6		\$50.4	\$50.2	\$54.9	\$57.4

Table 4

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1981 PUBLIC HEALTH SERVICE APPROPRIATIONS SUMMARY
(Appropriations in millions)

	1979	1980		1981	
		Jan. EST.	Curr. Est.	Jan. Request	Revised Request
Health Services Administration	\$1,177	\$1,319	\$1,274	\$1,437	\$1,320
Center for Disease Control	351	366	365	391	293
National Institutes of Health	3,186	3,442	3,399	3,581	3,490
Alcohol, Drug Abuse, and Mental Health Administration	1,105	1,185	1,115	1,261	1,159
Health Resources Administration	761	639	587	530	457
Office of Assistant Secretary for Health	214	280	267	307	285
Subtotal, L/HEW Programs	6,794	7,231	7,007	7,507	7,004
Other than L/HEW Programs	881	951	933	1,041	1,004
PHS Total	\$7,675	\$8,182	\$7,940	\$8,548	\$8,008

Table 5

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1981 HEALTH CARE FINANCING ADMINISTRATION
(Appropriations in millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>
		Curr. Est.	Jan. Request
			Revised Request
Medicaid	\$11,690	\$14,716	\$15,739
Payments to Health Care Trust Funds	7,761	7,968	9,589
PSROs (Program Level)	30 (150)	29 (144)	30 (193)
Research and Demonstration	18	30	35
State Certification	2	2	5
Administration	59	67	73
Total	\$19,560	\$22,812	\$25,471
			\$15,877
			9,589
			(193)
			31
			5
			68
			\$25,599

Table 6

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1981 SOCIAL SECURITY ADMINISTRATION APPROPRIATIONS SUMMARY
(Appropriations in millions)

	1979	1980		1981	
		Curr. Est.	Jan. Request	Revised Request	
Assistance Payments	\$6,628	\$6,802	\$8,146	\$8,146	
Supplemental Security Income Program	5,558	6,349	6,925	7,005	
Refugee Assistance	235	524	87	693	
Coal Miners Benefits	1,017	1,005	1,098	1,098	
Payments to Social Security Trust Funds	761	677	676	673	
Low Income Energy Assistance	--	(1,600)	(2,400)	2,200	
Total	\$14,199	\$15,357	\$16,932	\$19,815	
(Limitation on Admin. Expenses)	(2,272)	(2,455)	(2,672)	(2,661)	

Table 7

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1981 HUMAN DEVELOPMENT SERVICES SUMMARY
(Appropriations in millions)

	1979		1980		1981	
	Jan. Est.	Curr. Est.	Jan. Est.	Curr. Est.	Jan. Request	Revised Request
Title XX Services and Training	\$2,908	\$2,786	\$2,792	\$2,618	\$2,615	
Child Welfare Services	57	57	57	57	57	
Subtotal	2,965	2,843	2,849	2,675	2,672	
Children, Youth and Families (Head Start)	739	796	796	889	877	
	(680)	(735)	(735)	(825)	(820)	
Aging Programs (Social Services and Centers) (Nutrition)	543	652	652	714	674	
	(197)	(247)	(247)	(280)	(247)	
	(277)	(320)	(320)	(350)	(350)	
Work Incentives	385	365	365	385	385	
Program Direction	56	62	62	69	67	
Other HDS Programs	98	104	104	107	102	
Total	\$4,786	\$4,822	\$4,828	\$4,839	\$4,777	

Table 8

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1980 PROPOSED RESCISSIONS
(Appropriations in Millions)

	Jan. Est.	Curr. Request
PUBLIC HEALTH SERVICE		
Health Services Administration (HSA)		
Family Planning.....	...	\$-10.0
Emergency Medical Services.....	...	-15.9
Other.....	...	-9.0
Total, HSA.....	...	<u>-34.9</u>
National Institutes of Health (NIH)		
National Cancer Institute.....	...	-17.0
National Heart, Lung and Blood Institute.....	...	-7.0
Research Resources.....	...	-5.0
Other.....	...	-12.5
Total, NIH.....	...	<u>-41.5</u>
Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA)		
Drug Abuse and Alcoholism Formula Grants.....	...	-4.0
Total, ADAMHA.....	...	<u>-4.0</u>
Health Resources Administration (HRA)		
Health Professions Capitation.....	\$-81.3	-81.3
Student Assistance Loans.....	-16.5	-16.5
Nursing Capitation Grants.....	...	-24.0
Other, Health Professions.....	...	-28.2
Total, HRA.....	-97.8	<u>-150.0</u>
Office of Assistant Secretary for Health (OASH)		
HMO Development Activities.....	...	-4.0
Adolescent Health.....	...	-8.8
Total, OASH.....	...	<u>-12.8</u>
Total, Public Health Service.....	\$-97.8	\$-243.2

Table 9

DEPARTMENT OF HEALTH AND HUMAN SERVICES
1980 PROGRAM SUPPLEMENTALS
(Appropriations in Millions)

	Jan. Est.	Curr. Request
PUBLIC HEALTH SERVICE		
National Health Service Corps (HSA).....	\$11	\$1
Clinical Center Renovation (NIH).....	(7)	(7)
Mental Health Community Program (ADAMHA).....	50	-
Alcoholism Community Programs (ADAMHA).....	15	-
Financial Distress (HRA).....	2	2
Total.....	78	3
HEALTH CARE FINANCING ADMINISTRATION		
Medicaid.....	2,289	2,289
Total.....	2,289	2,289
SOCIAL SECURITY ADMINISTRATION		
Assistance Payments.....	80	80
Refugee Assistance.....	107	107
Total.....	187	187
OFFICE OF HUMAN DEVELOPMENT SERVICES		
Grants to States for Social and Child Welfare Services.....	236	242
Total.....	236	242
TOTAL, HEALTH AND HUMAN SERVICES.....	\$2,790	\$2,721

REVISED BUDGET OVERVIEW

Senator MAGNUSON. Now are those figures correct?

Secretary HARRIS. Yes.

Senator MAGNUSON. The revised requests are for \$57.4 billion in 1981 and \$2.7 billion in fiscal 1980 supplementals, and \$243 million in 1980 rescission proposals. That will add up to an additional cost in the 1981 budget of \$600 million. The 1980 rescissions are increased by \$164 million and requested supplementals are down \$75 million.

So anywhere we slice it, we're over the 1981 original budget, aren't we?

Secretary HARRIS. That's correct. But there was no way to avoid that. I do have some comments on that in my statement, Mr. Chairman.

Senator MAGNUSON. All right, go ahead on your statement.

Secretary HARRIS. Mr. Chairman and members of the committee, I am here today to describe to you changes in the fiscal year 1980-81 budget request for the Department of Health and Human Services. This second appearance before you on this budget is an extraordinary event in response to extraordinary circumstances.

In my testimony before this subcommittee last January on the budget for the Department of Health and Human Services, I noted President Carter's concern that inflation be reduced. Since that time, inflation has grown worse and the President has determined that providing a balanced budget is an essential step in controlling inflation.

To achieve a balanced budget, spending reductions are being made throughout the Federal Government and the Department of Health and Human Services is no exception. This is not an easy task for any of us, but these budget reductions have forced us to determine our highest priorities and needs. The general philosophy that underlay the analysis of areas in which reductions could be made was that we should make every effort to protect basic health and income security benefits, preserve high priority program expansions and maintain a strong Federal funding role for those activities least likely to be conducted by other parts of government or nongovernmental sources.

As a result, the most important of our priorities are intact and the Department's revised budget continues to emphasize benefits and services for the aged, the disabled, the sick and the poor.

Full cost-of-living increases are included for beneficiaries of social security supplemental security income, and black lung programs.

USING THE CONSUMER PRICE INDEX

Senator MAGNUSON. All right. Now right there, what percentages are you basing the cost-of-living increases on? Is it the Consumer Price Index?

Secretary HARRIS. It is the CPI. Our estimate for 1980, the increases that will go into effect the month after next are 14 percent.

Senator MAGNUSON. You use the CPI for social security, SSI, and black lung programs. There has been some dispute over whether the CPI is an accurate analysis but you are taking it as it is?

Secretary HARRIS. We are taking it as it is. We are making no rec-

ommendations in this budget that we change the manner of computation of the increases in any of those programs.

Senator MAGNUSON. It is claimed that the CPI is not accurate; that it is too high.

Now until we do something about changing it, I don't know if we have any other choices other than to use it as it is.

Secretary HARRIS. I don't think that we have any other choices and I think, particularly, we ought not to make ad hoc decisions limited to social security. We ought to look at all these measurements.

Senator MAGNUSON. Well, this is mainly regarding its use with social security.

Secretary HARRIS. Well, it may not measure something that we want measured. But it does measure what it says it measures. And the question is whether we should make ad hoc decisions about the application of the CPI or whether we should examine it in long-range social security terms.

Senator MAGNUSON. Well, a specific problem, and you ought to be interested in this, is the housing cost issue.

Secretary HARRIS. Well, there is an issue that with respect to the elderly who either own their own homes and have paid for them or who are in smaller quarters with perhaps smaller costs, includes a measurement of interest cost which is in the CPI and applies to the elderly.

I am informed, for example, that the CPI that we use only assumes that about 6 percent of all of the people covered, that are being analyzed, have interest costs.

So there is within the CPI today, according to the Secretary of Labor when I discussed this with him, an assumption that not everybody has this cost. But, again, we should look at the CPI in terms of whether it is accurate in measuring costs for all of the classes covered by the CPI; if it does not then make a judgment about the validity of the CPI.

But I do not think, as I have said twice this afternoon, that we should make an ad hoc decision limited to social security beneficiaries.

Senator MAGNUSON. Well, there's not much you can do about it unless we change it.

Secretary HARRIS. That's right and we don't make that recommendation at this time.

Senator MAGNUSON. It seems to me that the CPI should be based on four things: It should cover transportation costs; it should cover food and housing costs; and the cost of housing should be included.

Well, go ahead.

HEALTH SERVICES FOR THE UNDERSERVED

Secretary HARRIS. Funding increases of \$30 million for elderly nutrition programs and \$85 million for Head Start are provided. Health services for the underserved receive an increase of \$65 million.

Senator MAGNUSON. What do you mean by the "underserved"?

Secretary HARRIS. People who do not have adequate facilities or adequate health care personnel. It could include both rural and urban areas. Funding increases of \$119 million are proposed for initiatives in the mental health and alcoholism areas.

Additionally, we are requesting at this time a \$2.2 billion appropriation for low-income energy assistance. Thus, our highest priorities in meeting the greatest needs have been protected in this revised budget.

LOW-INCOME ENERGY ASSISTANCE

Senator MAGNUSON. Now regarding low-income energy assistance, are you going to rely upon the Community Services Administration to provide that?

Secretary HARRIS. That choice will be made by the States. The States will determine whether they wish to ask the CSA crisis intervention program to assume the State responsibility.

However, it is the Secretary of Health and Human Services who will approve State plans when the Governor determines how he wishes to—

Senator MAGNUSON. States come to you?

Secretary HARRIS. That is correct.

Senator MAGNUSON. OK.

Secretary HARRIS. We have reduced our budget request below that presented in January. For fiscal year 1980, we are proposing reductions of \$457 million, in 1981, \$1.05 billion. The fiscal year 1981 budget for the Department of Health and Human Services provides for budget authority of \$226.2 billion and outlays of \$222.5 billion.

These totals are larger than those included in the President's January budget because of the impact of higher inflation assumptions and the inclusion of low-income energy assistance.

Senator MAGNUSON. How much is in this request for low-income energy assistance?

Secretary HARRIS. \$2.2 billion.

Senator MAGNUSON. How much have you expended on this program?

Secretary HARRIS. How much have we expended this year?

Senator MAGNUSON. Yes.

Secretary HARRIS. \$1.6 billion.

Senator MAGNUSON. What are you going to do with the rest of the funds?

Secretary HARRIS. That is all we had.

Mr. BOHEN. That is the full appropriation for the current year, sir.

Senator MAGNUSON. Then this request is in addition. Can you spend that?

Mr. BOHEN. Yes, sir; and I think the basis of that increase is because of the steadily increasing cost of fuel that we anticipate in 1981 based on the Government's projections.

Secretary HARRIS. And we were very lucky this year, Mr. Chairman. We had a very mild winter, with the worst weather coming toward the end.

Senator MAGNUSON. Well, the rising cost of fuel—in other words this is the difference between what the cost is to the person and what we are going to subsidize, isn't it?

Secretary HARRIS. There are several things for which we are paying. We are paying for those people who run out of money. There is the provision for crisis intervention. There is the possibility that a specific

sum can be allocated by the States to be paid by us to SSI recipients. They may choose to—

Senator MAGNUSON. What I'm saying is, if recipients get a fuel bill and the fuel bill is too high for them to handle, we are subsidizing the difference, aren't we?

Secretary HARRIS. Not necessarily; it depends upon what the plan is. It may be that the States will decide only to use this for predetermined persons who are poor and pay them a specific amount, just as we did this year. We did not pay the difference between their bill and what they could afford.

Senator MAGNUSON. Well, supposing their fuel bill wasn't too high and they could handle it.

Secretary HARRIS. They may be allowed to.

Senator MAGNUSON. You can't give everybody low-income energy assistance; just to those those that can't afford it when their fuel bill is too high.

Secretary HARRIS. This is a program which is not an entitlement program, but essentially a program to intervene to prevent a crisis or to get people over particular crises situations resulting solely from their real inability to pay their fuel bills.

This is not an entitlement for everybody who has a fuel problem.

Senator MAGNUSON. Well, is the award limited to \$400?

Secretary HARRIS. We suggested, in last year's program, that there be a maximum amount, but this year Governors may make that decision.

Senator MAGNUSON. And it is sent out through social security?

Secretary HARRIS. Under the new program, it may be.

Senator Burdick. You see, the Governor takes care of it. He has an option to, you know.

Senator MAGNUSON. OK.

REVISED BUDGET TABLES

Secretary HARRIS. Now we have some tables attached to the testimony that summarize the revisions in the fiscal years 1980 and 1981 budgets by agency and by type of change for the Department as a whole.

Table 3 indicates that for programs considered by the subcommittee, as you noted in your opening remarks, the President's revised 1981 budget request appropriations of \$57.4 billion compared to \$54.9 billion in our January request.

This increase is the net result of including a full appropriations request for low-income energy assistance and refugee programs based on legislation enacted since my appearance in January.

REFUGEE ASSISTANCE

Senator MAGNUSON. How much is in there for the refugees? Would you break it down? The request is \$2.4 billion over the President's budget?

Mr. BOHEN. \$2.5 billion, actually.

Senator MAGNUSON. That's over the original budget. That's \$2.5 bil-

lion. And you say that that is the result of including a request for full appropriation for low-income energy assistance and refugee programs based upon legislation enacted since your appearance in January.

Now what percentage is in refugees?

Secretary HARRIS. I believe that it is the difference between the \$2.2 billion and the total amount. Let me check that.

Mr. BOHEN. The total amount is \$2.5 billion. The impact on refugees is as a result of the passage of legislation.

Senator MAGNUSON. I understand that. But we want to know how much the increase for refugees is. What is the total?

Mr. BOHEN. About \$95 million is for refugees.

Senator MAGNUSON. The refugee program request is not a significant amount of the increase then?

Mr. BOHEN. That is correct, sir.

Senator MAGNUSON. It seems sufficient. It's \$95 million. The big proportional increase is in the low-income energy assistance program. That is the big amount.

NEW SUPPLEMENTALS REQUEST

Secretary HARRIS. In addition to those two items, the increase is due to the impact of inflation on certain entitlement programs and the partially offsetting reductions of \$587 million we are proposing in other areas. The new 1981 request represents an increase of \$7.2 billion over the revised request for 1980.

We are requesting your approval of rescission proposals of \$243 million and revised supplementals of \$2.721 billion in 1980.

I will briefly summarize—

Senator MAGNUSON. All right now. Those supplementals haven't come up yet.

Secretary HARRIS. Yes; they have, sir.

Senator MAGNUSON. Are they all here?

Secretary HARRIS. Yes.

Senator MAGNUSON. And you are withdrawing your support of some of the supplementals?

Secretary HARRIS. Yes; \$75 million in supplementals have been withdrawn. That is our revised supplemental request. We are asking for \$2.721 billion.

Mr. BOHEN. The major item, Senator, is the medicaid supplemental, which is \$2.3 billion. The medicaid supplemental is \$2.289 billion.

There is a supplemental of \$107 million for refugee assistance in 1980 because of the passage of the legislation. There is a supplemental—

Senator MAGNUSON. Well, now the refugee legislation is a congressional authorization that is passed.

Mr. BOHEN. Yes, sir.

Senator MAGNUSON. That doesn't mean that we have to appropriate the money now.

Mr. BOHEN. We are here seeking the money. We are making the request.

Senator MAGNUSON. Well, it doesn't mean that we have to talk about full funding.

Mr. BOHEN. There is a supplemental of \$242 million under the title

XX program for grants to States for social and child welfare services as a result of the passage of the legislation on title XX. And there is an increase of \$80 million in assistance payments. That is a changed estimate.

Senator MAGNUSON. But the big amount is in medicaid?

Mr. BOHEN. Yes, sir; nearly \$2.3 billion of the \$2.7 billion total.

MEDICAID ESTIMATIONS

Senator MAGNUSON. How do you get your medicaid estimates? How do you arrive at your cost estimates?

You've always asked for more than you need.

Secretary HARRIS. As I told you when we were here in January, we have changed our estimating methods. We will be using the States' estimates, which we have found generally to be more accurate than ours. Part of that additional amount is due to the fact that the State estimates were more accurate than ours.

But another part is because of the inaccuracy of State estimates. I think about a half billion of that is an error in the State estimates with respect to medicaid. We don't have any alternative. Those costs will be paid. The question is in which year will the appropriation be?

Senator MAGNUSON. Well, you have upped your estimates since January. A \$217.5 million increase in estimates in just 2 months.

Secretary HARRIS. Well, the rate of inflation, sir—

Senator MAGNUSON. Now wait a minute. The rate of inflation isn't that much in 2 months.

Secretary HARRIS. But the difference in the accuracy of the estimates, plus the rate of inflation—

Senator MAGNUSON. It is the accuracy of the estimates that I am questioning.

Secretary HARRIS. We have recognized with respect to our estimates that the method we have used has been less accurate than that used by the States. We have come to the conclusion that that is the one we should use the State estimates.

Senator MAGNUSON. Your justification indicates that in 2 months, between the January President's budget and the revised March President's budget, medicaid requests went up \$137.5 million because of the most recent update of the States' projections.

Secretary HARRIS. That is correct. That is the other part that I mentioned to you.

CHANGES IN CALCULATING THE SSI REQUEST

Senator MAGNUSON. In SSI, the changes since January increased the appropriation request by \$80 million in 2 months.

Mr. BOHEN. That is the result, Mr. Chairman, of the change in the rate of inflation projected in the President's budget. The original number was 13 percent.

Senator MAGNUSON. But inflation doesn't pick up \$271 million.

Mr. BOHEN. That \$80 million in SSI is directly related to inflation. It really shows what the cost of 1 percent of inflation is in terms of these programs that are indexed.

Senator MAGNUSON. But you make an estimate and then inflation changes—maybe your estimate was too high.

Secretary HARRIS. You mean too low.

Mr. BOHEN. In this case it was too low because it did not foresee the actual rate of inflation that we now expect.

Senator MAGNUSON. Previously there was a \$2 billion difference in your medicaid estimates from actual costs. It was \$2.4 billion we cut on your estimates, as I recall, and you got along fine.

Now your estimates may be getting better. I don't know.

Mr. BOHEN. Mr. Chairman, our problem here is that our estimates were too low.

Secretary HARRIS. We estimated at a lower rate than inflation is now projected.

Senator MAGNUSON. Inflation has nothing to do with your basic estimates. You calculate inflation within your estimates.

Secretary HARRIS. Yes; but that is why we are giving you new estimates because inflation figures have changed.

Senator MAGNUSON. I'm questioning whether your new estimates or your original estimates were correct.

Secretary HARRIS. Well, we won't know until the bills come in. But we think we're closer to the reality than we were.

Senator MAGNUSON. I hope you are, because you were over \$2 billion off 2 years ago, and you were about \$1 billion off last year.

Secretary HARRIS. Well, we have tried to cut the margin of error by using the States' estimates.

STATE ESTIMATE ERRORS

Senator MAGNUSON. If we didn't put in the \$2.3 billion increase, what would happen?

Secretary HARRIS. When the actual amounts billed came due, we would pay by borrowing, forward borrowing. And we would just be putting into—

Senator MAGNUSON. Have you thought of requiring the States to give you better estimates?

Secretary HARRIS. They are doing better.

Senator MAGNUSON. I know, for example, that my State has been off.

Secretary HARRIS. We will be glad to work with the State of Washington.

Senator MAGNUSON. States always estimate more than they need. They always do. We are in the process here of taking a look at that.

Secretary HARRIS. Well, we will pay whatever is due. The question is, in which year will the appropriation occur.

Senator MAGNUSON. Well, the States don't get their figures in for at least a year, do they?

Secretary HARRIS. We are pushing them to get more timely billing, and I think we are doing better. The point is, it would not be a real cut. It is just putting into a future year something that we have to pay, we have reason to believe.

DEFERRING ESTIMATED REQUESTS

Senator MAGNUSON. But why appropriate for something we don't currently have to pay?

Secretary HARRIS. Because we do have to pay it.

Senator MAGNUSON. I know; sooner or later you have to pay it.

Secretary HARRIS. But it is probably better to deal with it within a planned budget.

Senator MAGNUSON. You better review the States' estimates carefully then.

Secretary HARRIS. We do.

Senator MAGNUSON. How do you do it?

Secretary HARRIS. By an analysis of what they have estimated in terms of what we know the costs really are. And we have found historically that they have been closer to the real figure than we have been, and that is why we are moving to their estimates.

Senator MAGNUSON. Well, you can take a cut on that request. We are under fiscal years 1980 and 1981 budget restraints. We're not going to appropriate money for something we don't immediately need, that we may need to pay later. You can put that request in another budget when the bill comes in.

Secretary HARRIS. But it will be due in 1980 and in 1981.

Senator MAGNUSON. Perhaps. Some States don't even come in with current year estimates.

Secretary HARRIS. I would urge that you seriously consider this, and we would urge that it be in the budget.

Senator MAGNUSON. Well, if we cut that request out, it would just about bring you back to your present budget.

Secretary HARRIS. But it wouldn't be real, sir. We have the obligation. We are going to have to pay it. And it would not be a reflection—

Senator MAGNUSON. How do you know you have that much obligation?

Secretary HARRIS. Under law we have the obligation. I would be willing to put a dollar down here that we are right. [Laughter.]

Senator MAGNUSON. When you need to pay it, when the bills come in, then you can ask for the money. You don't have to assume it. Medicare and medicaid have historically always been off on their estimates.

Secretary HARRIS. But that will mean that we will have a supplemental next year that will be much larger than the supplemental that we inevitably have, because we cannot hit on the head the exact amount.

Senator MAGNUSON. Well, why don't you wait and see?

Secretary HARRIS. Because then you have no way to plan the budget overall in terms of reasonably expected costs. And this is an effort to plan.

Senator MAGNUSON. Well, we appropriate money from year to year.

Secretary HARRIS. That's correct, and that's what we are asking.

PUBLIC HEALTH SERVICE

I would briefly summarize this budget by agency, beginning with the Public Health Service. The fiscal year 1981 request for the Public Health Service is \$7 billion for programs considered by this subcommittee. This request is virtually the same as the revised 1980 request, as is apparent from table 4.

Within this level, funding has been provided to accommodate increases for the Health Services Administration, with its important mission of providing services to the poor and underserved; for the National Institutes of Health to maintain funding for 5,000 new and competing grants; and for the Alcohol, Drug Abuse, and Mental Health Administration to provide innovative and better coordinated mental health and alcoholism services.

The most significant reductions in our request affect the expansion of community health centers, various grants provided on a formula basis to States and localities, portions of NIH other than new and competing grants, and initial funding for the hospital conversion and discontinuance demonstration program, the budgets for the Health Care Financing Administration and the Social Security Administration.

COMMUNITY HEALTH CENTERS

Senator MAGNUSON. Just a minute. How much are you reducing the amount for community health centers?

Secretary HARRIS. We are reducing it by an amount that will result in us not expanding the number of centers.

Senator MAGNUSON. As I was going to say, that means there will be no expansion of community health centers?

Secretary HARRIS. That is correct. That's the reason I said we will have no additional centers, but we would expect to maintain services and increase the number of people served.

Senator MAGNUSON. You would increase the capacity of the present community health centers?

Secretary HARRIS. Yes; we will increase the number of people served and maintain existing services, that is correct. But we will not be able to expand the number. Our budget in January provided for 14 new centers and we have not returned with that requested expansion.

Shall I continue, sir?

Senator MAGNUSON. Yes.

WINDFALL PROFITS FINANCING

Secretary HARRIS. The budgets for the Health Care Financing Administration and the Social Security Administration are driven for the most part by economic conditions and by changes in the number of eligible persons. In tables 5 and 6, the impact of higher inflation can be seen in the increased requirements for medicaid and supplemental security income.

For the latter program, we are now forecasting, as I said earlier, cost-of-living increases of 14.4 and 10.6 percent in 1980 and 1981, respectively, compared to 13.0 and 9.9 percent forecast in the January budget.

The Social Security Administration appropriations request now reflects the enactment of the Refugee Assistance Act and the Windfall Profit Tax Act, which authorizes the low-income energy assistance program. The request for refugee programs—

Senator MAGNUSON. You don't even know what's coming in on the windfall profits tax.

Secretary HARRIS. But we know what is authorized.

Senator MAGNUSON. But we haven't any idea what revenue is coming in.

Secretary HARRIS. But I think we can be sure—

Senator MAGNUSON. We know a great amount will be coming in, but we aren't sure.

Secretary HARRIS. Whatever comes in, it undoubtedly requires an appropriation which would be enough to cover the low-income energy assistance costs.

Senator MAGNUSON. I'm talking about fiscal 1981. There are various figures regarding what's coming in during the life of the program.

Secretary HARRIS. But the Congress has authorized \$3.1 billion for this.

Senator MAGNUSON. We have authorized that within what is estimated to be coming in.

Secretary HARRIS. But I would assume there would be enough revenues for that.

Senator MAGNUSON. I hope so.

REFUGEE STATUS AND BENEFITS

Secretary HARRIS. The request for refugee programs, as we indicated earlier, is \$693 million, including the extension of special benefits to refugees for 3 years, instead of the 2 as proposed by the administration.

Senator MAGNUSON. Now, does that include the Cuban refugees?

Secretary HARRIS. We think that we will be able, within the figures that we have requested, to deal with the 3,500 new Cuban refugees. Our estimates of the mix and the needs indicate at this time, although since we don't know who the individuals are we can't be sure, that we can cover this within the requested figures.

Senator BURDICK. Mr. Chairman, has it been determined legally that they are refugees and not emigrees?

Secretary HARRIS. Let me say at this stage it is the responsibility of two other Departments to make these determinations, the Department of State from a policy point of view and the Department of Justice with respect to the Immigration Service.

I cannot answer that question for you. I only know the policy enunciated by the President, and we have examined what our responsibility will be when and should these people arrive. And our present estimates, which obviously should change, our present estimates are that we do not need at this time to make a request for additional funding.

The request for low-income—

Senator MAGNUSON. Well, we have a problem here, Madam Secretary. We have a second appropriation for taking care of the Cuban refugees. The Senator from Florida has been concerned about that. Would this request be added to that?

Mr. BOHEN. This includes that, Mr. Chairman. This is a comprehensive request.

Senator BURDICK. You see, Mr. Chairman, my legal point is that they are not refugees. They may not come under this category.

Secretary HARRIS. Well, as I say, we cannot answer that. We have not investigated that. The question is to be prepared when they arrive, if they are in this category for which we are responsible.

BY PROGRAM AMENDED BUDGET REQUEST

The request for low-income energy assistance is, as we have noted, \$2.2 billion, an increase of \$600 million above the 1980 level and a reduction of \$200 million below the amount included in the January budget within the totals for the Executive Office of the President for 1981. That was not in our original budget figures, but it has now been authorized and is now presented to you for the first time as part of this budget.

Our current request of nearly \$4.8 billion for the Office of Human Development Services is a reduction of \$62 million below the January budget. This reduction falls in two major areas: \$33 million in aging social services, maintaining these activities at their 1980 level; and \$29 million for a number of small reductions in research and evaluation, training, program management, and special projects.

We have preserved the increase of \$85 million for Head Start and the inflation adjustment for aging nutrition services. The revised appropriation request for fiscal year 1980 is \$221 million in budget authority below the January budget totals. This is a net amount, including rescission changes of \$145 million, and a reduction of \$76 million in pay and program supplemental requests.

A package of rescissions totaling \$243 million is included for the Public Health Service as listed in table 8. The rescissions for health professions capitation grants and student assistance loans totaling \$97.8 million have been resubmitted. Furthermore, we are proposing \$145.4 million in additional rescissions, including \$52.2 million in health resources, \$41.5 million for NIH, \$34.9 million for health services, and \$12.8 million for the Office of Assistant Secretary for Health.

These proposals are an integral part of our overall budget strategy and we ask your favorable consideration of them.

HEALTH PROGRAM CUTS

Senator MAGNUSON. Health programs are taking the burden of cuts, aren't they?

Secretary HARRIS. No, sir; no, sir. What is happening is that we have looked very carefully at areas where health programs, health research, will not be affected. We have gone into the area of planning and made some reductions there. But we believe that the reductions in our request, the rescissions, are consistent with the priorities of both this committee and the Department.

Senator MAGNUSON. The priorities of this committee have always been set against health rescissions. If it wasn't for this committee and

our budgetary processes, whether you're Republicans or Democrats, there would be no health program. We put the money in and we force you to use it.

Secretary HARRIS. I would say that the area of the budget in which we have been most protective has been in the area of health services and the area of research on health matters. And it is not true that we have cut health only.

Senator MAGNUSON. Well, they appear to be the only programs being cut.

Secretary HARRIS. Well, we came in in January with most of these rescissions. This is not a new policy, a new proposal, the positions we have taken.

Senator MAGNUSON. No; I say it is an old-time proposal. You never quit.

Secretary HARRIS. These are not health cuts, sir. These are cuts in capitation grants.

Senator MAGNUSON. You aren't being inconsistent at all with the previous Health and Human Services budget directors.

Secretary HARRIS. Well, let me say I'm not sure that was a compliment. But I point to the fact that it is in the area of capitation and student loans that we really have moved to achieve rescissions. There is no cut from the January figures that we are happy about proposing. But we think these are the least hurtful cuts. There is no way, sir, to balance the budget—

Senator MAGNUSON. Without picking on health?

Secretary HARRIS. We are not picking on health. We may be picking on physician training institutions who feel that they should continue to have capitation grants, even though we have successfully expanded capacity. But we are not in any way reducing our ability to meet the health needs of this country, which are the responsibility of the Department of Health and Human Services.

I deny that we are picking on health. Our research grants are being maintained. Our medical services programs are being maintained. And we are not asking for a rescission in a single service area where direct health service is being given.

Senator MAGNUSON. Well, you are asking for a rescission on family planning, aren't you?

Secretary HARRIS. But that is not a health service in the sense that we are providing health care directly. Some of that is going to be done in our community health centers, anyway. But there is not a single budgetary change that does not hurt. We came in January with a barebones budget. When we reduced it, obviously there were some things that we would have preferred to keep if we were not trying to balance the budget.

Senator MAGNUSON. We're going to establish the priorities in budget cutting.

Secretary HARRIS. There is no question that that is your responsibility.

Senator MAGNUSON. I think you are zeroing in on health too much.

CHANGES IN HEALTH BUDGET SUPPLEMENTALS

Secretary HARRIS. May I say for the record, sir, that we are \$7 billion above the 1979 budget, even with our rescissions. So it is not a matter of cutting back on health. This is a major priority for us, as it is for you. The program supplementals before you at this time total \$2.7 billion, a net reduction of \$69 million from the January budget.

The changes include withdrawal of the supplementals for alcohol and mental health community programs and a reduction of \$10 million in the request for the National Health Service Corps.

Senator MAGNUSON. Now we are getting down to the amended supplementals request—a total of \$2.7 billion. You are withdrawing your support from the alcohol and mental health community programs. The reduction in the request of the National Health Service, how much was that?

Mr. BOHEN. It was originally \$11 million.

Senator MAGNUSON. And you're withdrawing that?

Mr. BOHEN. We are asking for \$1 million of that.

Senator MAGNUSON. Well, that is a health program again.

Secretary HARRIS. That is a problem that we did not create for ourselves. We sent over the supplemental last year with the hope that we could have it enacted early on. In order to obligate the members of the National Health Service Corps, we must be able to get them at the time they come out of school, before they leave. In fact, this is not possible because the supplemental has not been passed.

We know on the basis of the availability of participants in the Corps that we will not be able to utilize that amount of money which we are withdrawing. It is simply because we didn't have the money at the beginning of the year and will not have it, because you are examining the supplemental in the normal course of the budget process, that we have withdrawn that, not because, again, our priorities have changed.

We are still supporting the Health Service Corps as we were before. We just can't spend the money.

Senator MAGNUSON. All right.

Secretary HARRIS. We have limited our supplemental request to those of a critically important nature, including financial distress, refugee assistance, assistance payments and grants to States for social services, title XX, and child welfare.

This concludes my prepared statement, Mr. Chairman. I will be pleased to take your questions.

Senator MAGNUSON. Senator Burdick, you have some questions?

TURTLE MOUNTAIN AND INDIAN HEALTH PROJECTS RESCISSIONS

Senator BURDICK. Well, my questions are a little bit apart from what you talked about, but still within the jurisdiction. There is one particular case here that I feel very strongly about. While I can understand the President's wishes to cut back on Federal funding wherever possible, I question the wisdom of rescinding funding for projects which are proceeding on the good faith that the Government will live up to its commitments.

Last year, for example, we appropriated \$4 million to construct a rural water distribution system for the Turtle Mountain Indians in North Dakota. If I had the water here today, I don't think anybody would drink it, it is that bad out there.

We are talking here about providing basics, such as indoor plumbing and decent drinking water. When the tribe got the go-ahead last fall, they contracted with the engineers and other professionals to get the project underway. Now I am hearing—and I hope it isn't true—that the Indian Health Service is proposing halfway through the fiscal year to rescind funding for the project.

When such funding is stopped in midstream, isn't there a possibility of this being a little bit penny wise and pound foolish, not to mention initiating the dissolution of commitments supposedly made in good faith? What compensation is available for individuals or companies that have already obligated money for this project? In this case, an engineering firm has already spent about \$30,000.

This project was specifically mentioned in last year's appropriations bill. I have the conference report here. This project is a line item. It was given high-priority status. Why was this singled out for rescission?

I understand that the administration is planning to rescind \$18 million of the \$50 million appropriated for fiscal year 1980 for the Indian Health Service sanitation facilities construction program, and that the remaining \$32 million is obligated for new construction. I have been told that when OMB was formulating its budget rescission recommendations, they assumed that HUD would be cutting back on new housing starts for Indian reservations and, therefore, decreased the sanitation facilities budget accordingly. But then I understand HUD did not in fact decrease its housing starts.

SANITATION CONSTRUCTION GRANTS

How do you propose to fund sewer systems for these new homes, since the sanitation facilities budget does not allow for them? I understand we are talking about 2500 homes which won't have sanitation facilities.

Now, the first question is, why, when we have a line item, why was Turtle Mountain singled out?

Secretary HARRIS. Turtle Mountain was not singled out, sir. The planning will be completed. It is the construction that will not be possible.

Senator BURDICK. Well, that's what they want.

Secretary HARRIS. I understand. But Turtle Mountain was not singled out, because in looking for places in which we could reduce the budget, it was determined to reduce this item of health sanitation facilities. The \$18 million was cut out. The result is we will not have any money to proceed with any existing housing sanitation facility construction, and that the small amount of money that remains will be dedicated, as suggested by your comments about HUD's program, to new housing facilities.

We deeply regret that we will not be able at this time to proceed under our funding request with the Turtle Mountain construction. But

there will be others that we will not be able to proceed with. No existent housing will receive sanitation facilities under this restricted budget.

Senator BURDICK. How will the remaining \$32 million be used?

Secretary HARRIS. We have obligated already \$29.4 million of that \$32 million. We have already obligated it.

Senator BURDICK. But that is for sanitation, isn't it?

Secretary HARRIS. That is for sanitation, but for new housing. We do not have any obligated or available for existing housing. The amount that remains, if you subtract the obligated amount, is less than \$3 million, and the Turtle Mountain amount, as I understand it, is considerably more than that.

We simply do not have the funds available.

Senator BURDICK. Well, I'm not against the housing starts. But there's been no cutback in housing starts. What are we going to do about sanitation facilities for those units of housing?

Secretary HARRIS. When I was told about this problem, Senator, I smiled wryly and said, I understand this. Because one of the problems I had when I was Secretary of HUD was trying to get HEW to provide our new housing with adequate funding. So I understand the problem. There will not be enough, obviously, with these figures, to deal with the need.

The only hope I have—and I have not talked to Secretary Landrieu about this—is that the preparation time will be such that our funding will catch up with their sanitation needs. I know from the other side of the picture what the frustration is here.

Senator BURDICK. That frustration is here, too.

Secretary HARRIS. I realize that, Senator.

Senator BURDICK. What you're telling me, Madam Secretary, is that there will be no sanitation money spent at all for older housing, for existing housing?

Secretary HARRIS. Not at this time, that is correct.

Senator BURDICK. And although we proceeded and we spent money, relying upon Congress, is there any recapture of the expenditure we've already undergone?

Secretary HARRIS. The planning information should remain available. This is not wasted effort, because the planning has taken place. And should the time come when we were able to move, at least the planning has been done. This was a planning grant. I do not believe construction has begun on this.

Senator BURDICK. This was a construction grant.

Mr. BOHEN. The total need includes a construction grant. But what has already been obligated is a planning grant.

Senator BURDICK. I know. But we want a construction obligation.

Secretary HARRIS. But it will not be wasted money. The planning that has taken place will be available.

The important point about this budget operation is that there is no painless change as far as I am concerned. Everything that we have changed, everything that we have deferred, everything that we have cut, was something that was significant. And it is something that clearly, at another time, had a high priority.

But there is no way that we can balance the budget without cutting something that is important.

CUTS VERSUS RESCISSIONS

Senator BURDICK. Well, it is one thing to cut and it is one thing to rescind. They are two different things.

Secretary HARRIS. But you can't do one, ultimately, without doing the other.

Senator BURDICK. But one is prospective and one is retroactive, really.

Secretary HARRIS. But the question is, if we put the first construction brick at Turtle Mountain, that really would require us to proceed with the total amount of construction costs. And if we are going to cut the \$4 million from the budget that would be within the amount we might otherwise be able to obligate, it is fairer for us to start before construction has begun. Rescissions are an integral part of the process of reducing the Government's obligation to expend funds in the future.

Senator BURDICK. Well, thanks for the explanation. It doesn't make us happy, but thanks for the explanation.

Secretary HARRIS. We are not happy either.

CONSULTANT CUTS

Senator MAGNUSON. And now let's talk about cuts. Maybe we will keep a little health in and cut some other places.

Now, have you reduced your \$110 million ceiling for consultants by 15 percent?

Secretary HARRIS. We have met the requirements of this body and the President fully, and we intend to continue to do so.

Reducing consultants might seem to be an easy matter, but if we are to meet the requirements of this body we must have available to us the resources that are required to do what this body requests. We use consultants to do such things as help us make analyses and for planning to improve the efficient utilization of program funds.

Senator MAGNUSON. When the President talked about the 15-percent reduction, that was throughout the Federal Establishment. Have you already made that cutback?

Secretary HARRIS. The budget is presented on the assumption that we will meet fully the requirements of the President.

TRAVEL CUTBACKS

Senator MAGNUSON. What about travel?

Secretary HARRIS. I'm afraid that we have really reduced this area, especially considering inflation.

Senator MAGNUSON. Have you asked for any rescission in the travel amount?

Secretary HARRIS. We have not. We have, however, cut back travel as required by this body and by the President by 8 percent and made no allowance for inflation. Again, there are things that we must do. Somebody has to deal with the Indian tribes where they are, and in order to do that, people have to travel there. If you cut back travel you cut back service.

So I want to be sure that we try to avoid arbitrary cuts in what are essentially service operations of the Department. But we have met the requirements.

Senator MAGNUSON. Well, we are not talking about basic obligations. We're talking about unnecessary travel.

Secretary HARRIS. Well, we would not have unnecessary travel if we could avoid it, even if you didn't tell us not to. You can believe me, we would try.

Senator MAGNUSON. Well, you don't use your regional offices enough. You send personnel out from Washington. I can't get on an airplane from Seattle unless it's loaded with Government employees—and I am one, too.

But I think travel could be substantially reduced.

Secretary HARRIS. Well, we have reduced it substantially.

Mr. BOHEN. Mr. Chairman, as you know, the Congress last year—

Senator MAGNUSON. How much did you spend for travel?

Mr. BOHEN. I would have to submit that for the record. I believe it's about \$121 million in the Department as a whole.

[The information follows:]

OBLIGATIONS, FISCAL YEAR 1979 TRAVEL—ACTUAL

[Dollars in thousands]

PHS:	
FDA	8,756
HSA	7,533
IHS	23,755
CDC	6,732
NIG	11,428
ADAMHA	2,629
St. Elizabeths	564
HRA	1,620
OASH	3,383
Subtotal, PHS	66,400
HCFA	6,616
SSA	29,965
Refugee programs	125
OHDS	3,865
OS:	
GDM	2,862
OIG	2,999
OCR	1,525
OCA	38
Subtotal, OS	7,424
Total, HHS	114,395

Mr. BOHEN. As you know, the Congress passed a limitation on travel last year, and we took that out of the original budget.

Senator MAGNUSON. Yes, we did; I didn't think it was sufficient.

Mr. BOHEN. The President has subsequently asked for a 2-percent across-the-board reduction in all operating expenses, and that will impact on consultant services, in travel, and, of course, in personnel compensation, and, indeed, has reduced the budget before you by 2 percent.

Senator MAGNUSON. Well, I understand the President—I talked with him yesterday morning on this—

Mr. BOHEN. That is 2 percent on every line that involves these kinds of activities.

Senator MAGNUSON. That doesn't include the freeze on employment.

Mr. BOHEN. Yes, it does.

PERSONNEL UTILIZATION

Senator MAGNUSON. He's going to have a freeze on employment hiring.

Secretary HARRIS. In 1981?

Senator MAGNUSON. Yes.

Secretary HARRIS. Let us hope not. We have one now.

Senator MAGNUSON. We're going to impose a freeze if you don't meet the limitations.

Secretary HARRIS. We clearly will meet your personnel limitations. The question is, Do we have adequate resources to provide the services that you mandate? As long as the numbers are adequate for that, the numbers are clearly acceptable.

Senator MAGNUSON. Well, that isn't the point. The point is, we want services that we mandate, but you have too many people giving those services. You have people sitting around who fall all over one another down there. Let's utilize the people that are working productively.

Every time we establish a new program, we put the responsibility on for you to effectively use your personnel. You might have to hire some new people instead of picking out some of the deadheads in the Department and moving them over. We have got to hire new productive people.

Secretary HARRIS. I would submit to you that part of the problem may be moving some of these people to the new program. Unfortunately, we have to utilize our resources as we have them, and we have to try to bring in the best resources that we have for new programs.

Senator MAGNUSON. Well, you have, before education was split off, 1,144,000 employees in HEW. That is a population ratio of 1 in every 20 people. If there are 20 people sitting in this room, 1 of them has got to be working for HEW.

Secretary HARRIS. And here we have five. [Laughter.]

Senator MAGNUSON. No; I meant just normally, any 20 people. And this is what the citizens are mad about.

Secretary HARRIS. Unless they are one out of those whatever.

Let me say that I do not have direct responsibility for all of them. For the record, I have responsibility for 140,000 employees only.

Senator MAGNUSON. You can't know who's working and who isn't down there.

Secretary HARRIS. But I think we can put into place procedures in which we find out.

Senator MAGNUSON. But Parkinson's law still takes effect.

Mr. BOHEN. Mr. Chairman, the President's freeze is going to reduce HEW's employment by about 2,800 positions as of September 30 of this year. And we have already taken out of the budget in front of you, in

this new revision, \$14.5 million for compensation for those positions that won't exist next year.

FRAUD, WASTE, AND ABUSE

Senator MAGNUSON. And every time you hire a new employee, why, he thinks he's got to make a new regulation. I'm telling you, people are getting tired of the regulatory process and they're going to do something about it next fall. They're going to do something about it if we keep on with government employment the way we have been going.

Now, we took a \$500 million cut in fraud, abuse, and waste, in addition to the savings that you have identified. You have targeted these savings to come from medicaid and AFDC. What progress have you made in achieving these additional savings—I'm concerned particularly about AFDC. I know you are too.

Secretary HARRIS. Yes; I'm concerned about it. I would point out again that this is where we share responsibility with the States. We are working with the States to reduce their error rates. And this is an area where we are spending a great deal of time and giving great attention.

I think the story about the Department's activity in reducing fraud and in eliminating program misuse and management inefficiencies has been an excellent one. And since this is a major responsibility of Mr. Bohlen's, I think he would like to tell you about the amount of money that has been saved, that we can document, the goals that we have set and where we stand in reaching them.

Mr. BOHEN. Mr. Chairman, as you know we submit a report to your committee every 6 months. I am pleased to say that for 1979, which we are still reporting on, we set a goal before this committee of \$1.3 billion. We have reported to the committee savings of about \$1.15 billion. We are about \$150 million short. We have additional savings to report and we will make our 1979 goal in our next report to you.

We have set more ambitious goals under Secretary Harris for 1980 and 1981, and we have laid those out. And I would be glad to submit them for the record and the full detail of the program, of \$1.4 billion in 1980 and \$2.1 billion in 1981. And although we are at an early stage, we believe we are on target. And we can submit that data for the record.

The medicaid error rate reduction and AFDC error rate reduction are in those in our initiatives.

[The information follows:]

Management Savings

A summary of HHS Management Savings program in 1980 and 1981 follows. These savings are based upon a combination of actuarial estimates and actual experience.

	<u>Outlays in Millions</u>	
	<u>1980</u>	<u>1981</u>
<u>Medicaid management improvement</u>	\$269	\$318
 <u>Medicaid quality control:</u> Focuses on critical management factors which are tracked in the semi-annual quality control sample. Savings come from implementing the quality control regulations and helping States carry out corrective action plans:		
 <u>Eligibility errors:</u> Assumes implementation of new Michel Amendment regulations. Base period error rate is 6.1%. Target for 1980 is 5.4 percent and 4.7 percent in 1981.....		
	(72)	(95)
 <u>Claims processing:</u> Savings come from technical assistance to States.....		
	(27)	(43)
 <u>Third party liability:</u> Measures improvement in States' correction of reimbursement from other health insurance for which Medicaid beneficiaries are eligible.....		
	(92)	(102)
Subtotal, MQC.....	(191)	(240)
 <u>Medicaid financial management:</u> Savings primarily stem from closer Federal review of States' Medicaid claims, and provision of technical assistance to help States improve their claims submission process.....		
	(78)	(78)
 <u>Malpractice insurance:</u> Regulations promulgated in FY 1979 limit Medicaid/Medicare reimbursement to actual levels of malpractices claims filed by program beneficiaries rather than the ratio of Medicare/Medicaid patients to the total patient population in the hospital..		
	\$310	\$470

Outlays in Millions
1980 1981

<u>Section 223 - Limits for inefficient providers:</u> These regulations will tighten existing Medicare payment limits on hospital routine costs by changing from the 80th percentile to 115 percent of group mean. Under these rules, the Department will reduce Medicare and Medicaid payments to inefficient providers of health care services, including high-cost hospitals, skilled nursing facilities and home health agencies.....	\$64	\$132
<u>Hospital reimbursement reform:</u> Current section 223 regulations will be expanded and revised. This initiative should produce even stronger and more equitable incentives for hospitals to be cost efficient.....	--	\$138
Other health care financing.....	\$141	\$287
<u>PSRO hospital savings:</u> The PSRO program is designed to reduce hospital utilization and the costs of hospital care. Savings are based on a 1.5 percent reduction in the average days of care rendered to each 1,000 Medicare/Medicaid beneficiaries.....	(100)	(173)
<u>Medicare cost report:</u> This initiative will improve the identification of Medicare overpayments resulting from the failure of intermediaries to detect overpayments to providers. This will be accomplished by auditing a selected sample of cost report settlement.....	(16)	(16)
<u>Hospital-based physicians:</u> Regulations in conjunction with proposed legislation will reform Medicare and Medicaid to eliminate existing abuses associated with reimbursement of hospital-based radiologists, ^{1/} anesthesiologists and pathologists.....	(--)	(34)
<u>Collection of Medicare/Medicaid overpayments:</u> Regulations will be issued to improve the ability to collect overpayments to physicians and other providers of health care services and supplies.....	(--)	(6)

^{1/} Legislation will save an additional \$14 million in 1981.

Outlays in Millions
1980 1981

<u>Medicare reimbursement based on level of care:</u> New regulations will authorize Medicare reimbursement to hospitals based on the cost of skilled nursing care rather than acute care when a patient is awaiting placement in a skilled nursing facility.....	(—)	(20)
<u>End stage renal disease:</u> Savings will result from stricter Federal review of provider requests for exceptions to Medicare reimbursement limits for renal dialysis services.....	(13)	(17)
<u>Medicare/Medicaid provider abuse:</u> Identification of erroneous payments to providers due to fraudulent or abusive practices.....	(—)	(6)
<u>Inhalation therapy costs limits:</u> Savings will result from limiting Medicare reimbursement for the cost of inhalation therapy to the costs that would normally be incurred if the hospital had its own staff to render the service.....	(2)	(3)
<u>Medicare Part B quality assurance:</u> This initiative reduces the overpayment (error) rate for selected Medicare carriers which have been identified as having high error rates.....	(10)	(12)
<u>SSA quality control activities:</u> Savings in AFDC and SSI will result from reduction in error rates as measured through their respective quality control systems. Progress in reducing error rates since the inception of the individual quality control systems is shown below:		
AFDC.....	135	190
SSI.....	124	135
Total.....	259	325

<u>Other social security</u>	\$261	\$379
<u>Retirement and Survivors Insurance</u> --		
<u>student benefit recontact:</u> This initiative is designed to identify through verification of student enrollment ineligible students receiving benefits under this program.....	(86)	(134)
<u>Child support enforcement:</u> The State will increase its child support collections from absent parents. A portion of these collections are used to reimburse the Federal Government for AFDC costs.....	(117)	(176)
<u>Widows/widower enforcement:</u> The Social Security Administration will monitor Retirement and Survivors Insurance beneficiaries to determine whether beneficiaries have remarried and therefore, are entitled to reduced payments.....	(15)	(26)
<u>Other SSA initiatives:</u> Other management actions taken by SSA will result in savings of \$43 million in 1980 and 1981. These include increasing recoveries of erroneous SSI payments and technical reviews of States' AFDC claims.....	(43)	(43)
<u>All Other Activities</u>	\$144	\$124
<u>Indirect costs:</u> Savings estimates in 1980 and 1981 to be achieved primarily through the negotiation of lower, more equitable and reasonable rates for indirect costs of HHS grants.....	(90)	(77)
<u>Inspector General:</u> Savings achieved through increased audits of State and local governments, and expanded criminal investigations in Medicare/Medicaid and AFDC and state fraud control units.....	(54)	(47)
TOTAL.....	\$1,448	\$2,173

INSPECTOR GENERAL OVERSIGHT

Senator MAGNUSON. Well, it's awfully difficult to pinpoint those areas. We had a hearing about a month ago with Mr. Statts and with the Department of Justice. They weren't getting much help out of the Department of Justice, I will tell you that, for prosecution.

And of course, the figure that somebody computed—\$25 billion in waste—that is just unreal. There isn't that much, but there is some significant amount.

Is the Inspector General doing his job?

Secretary HARRIS. Yes; we are watching all those areas that were covered by the Inspector General's 1977 report. I spoke to all the U.S. attorneys the night before last and pointed out the fact that we have a special task force, special projects investigating wrongdoing, and the cooperation between the Inspector General and the U.S. attorney in the various districts is very, very good. So my impression the other night, meeting with the U.S. attorneys from around the country, was that they agreed with our priorities in moving to the prosecution of people who violate the law in our program areas.

In fact, I called upon them to take another look at jail sentences for people who violated the law.

Senator MAGNUSON. Well, I may have been mistaken, but I wondered if the Inspector General was working effectively. You haven't appointed the Inspector General yet, have you?

Secretary HARRIS. We have an acting Inspector General.

Senator MAGNUSON. Why don't you appoint a permanent one? I asked you that before, didn't I? And you said you were going to do something about it.

Secretary HARRIS. We are searching for candidates for the position, to be sure that we have when we send over the nomination, the best person that we can find. And in the meantime, the Acting Inspector General is doing a very good job. We have no problem with continuity.

Senator MAGNUSON. Well, why don't you appoint him permanently?

Secretary HARRIS. Well, I'm not saying that that has not occurred to us.

NATIONAL INSTITUTES OF HEALTH

Senator MAGNUSON. Now, on the NIH, your budget still assumes 5,000 new grants for this year. Now, will the training budget remain stable? This is what bothers me. You know, all budget directors skimp on training. But this is an important matter.

Secretary HARRIS. This is not a matter of the imposition of a decision on NIH by either a callous and uncaring Secretary—or, in this instance, the OMB. What we have said to the entire Department, and also to NIH, is "Give us your priorities. If we have to cut, what areas do you think will suffer least if we cut?"

The Director of NIH has made it clear to us that the area that we should move forward on, with no change in policy, as proposed to this body, is in the maintenance of 5,000 new and competing grants as a stable line; and that while we will continue to examine the level of training, that he believes neither the goals of the scientific community

nor the priorities of NIH will suffer from the diminution in amounts for training in this year's budget.

And Dr. Fredrickson is in agreement with us that this is an acceptable risk to take this year in order to make certain that we fund adequately the grant process on which scientific research depends.

Senator MAGNUSON. You have been cutting training for 2 or 3 years now.

Secretary HARRIS. Again, we have discussed this carefully. From last September until the present time, I have examined very carefully this issue with Dr. Fredrickson and NIH. And even though we would wish we had a full budget available, it is his considered judgment, with which I fully concur that at this time, since we have to make these reductions that we can make a small portion of them in the area of training grants.

Senator MAGNUSON. Well, Dr. Fredrickson is wrong. Tell him that. You can cut back on contracts instead.

Secretary HARRIS. We have cut substantially on contracts.

Senator MAGNUSON. And you can cut back on some of the grants. But you should not cut on training. This committee has always led the fight for training. You know, if we have a national health insurance policy, which we're going to have sooner or later unless we have the trained personnel, it's going to fall flat on its face.

Secretary HARRIS. This is research training. It is not directly related to the provision of services. We have not eliminated this training, but reduced it by \$4 million compared to our earlier estimate.

Senator MAGNUSON. You have given it a pretty good cut. I think we are going to agree with the cut, but we don't agree with the priority you've accorded it.

Secretary HARRIS. Well, let me say that we have this year, at the same time we are cutting, increased the stipend to make sure that the training grants are reasonable in attracting the trainees.

SUBMITTED QUESTIONS

Senator MAGNUSON. Well, last year we put money back into training programs and cut some funds in other places. But that's a matter for us to consider.

Now, we do have some questions we will submit to you for the record. There aren't too many.

Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

NATIONAL INSTITUTES OF HEALTH BUDGET

Question: Madame Secretary, when the President first presented his budget for FY 1981, I was somewhat disappointed with the funding levels he proposed for the National Institutes of Health. However, I was aware that the figure represented an increase over the appropriation level Congress agreed to for FY 1980. This is the first increase for funding for the Institutes by an Administration in many years. Now it seems that the progressive attitude of the Administration has been reversed in order to balance the budget. I find this hard to understand when one considers the cost to the nation of these disease annually. Cancer alone is estimated to cost \$30 billion a year.

Would it not be more cost effective to spend adequate sums of money to combat these diseases than to have them take their toll in other federal programs such as disability benefits, Medicare and Medicaid expenses as well as the loss in revenues which consequently result?

Answer: Despite the small spending reductions proposed for the National Institutes of Health of \$43 million in 1980 and \$91 million in 1981 our commitment to this Nation's excellent biomedical research enterprise remains strong. Funding for new investigator initiated research grants, the foundation for all basic research, continue unchanged in order to support 5,000 such grants in 1981. Decreases we have suggested in contract support applied research, cancer control and care support of research centers are not viewed as seriously disrupting the work of research scientists in funding the cause of the preventing diseases.

It should be noted that achieving a balanced budget and reducing inflationary costs, in addition to the efforts of research scientists in preventing disease, will have a significant impact on the future costs of Medicaid and Medicare and disability payments. Unless the high costs of health care are rapidly contained, the ability of the Federal Government in the future to support researchers will be seriously eroded.

Question: The original budget estimate for NIH allocated sufficient funds for 5,000 competing research grants. With the revised cuts the Administration proposed, will this goal still be attained?

Answer: Although the amended 1981 budget represents a reduction of \$91.1 million from the original 1981 President's budget, there will be no reduction in funds for research project grants. Our goal is still to fund 5000 new and competing research grants.

Question: When one looks at the impact of inflation on the NIH budget, it is clear that inflation is winning and our research capability is being hurt. The Administration's proposed budget allows for only a 1.4% increase over the amount Congress appropriated for FY 1980. Yet inflation for 1980 is expected to be around 12.8%. This translates into an 11.4% across-the-board cut for the Institutes. How can you justify such a large cut?

Answer: The primary focus in the FY 1981 amended budget will remain on extramural research project grants, the major instrument for breakthroughs in basic research. Our conviction

regarding the importance of basic research is evidenced by the fact that no reductions have been applied to this area. We believe this approach will provide a critical stabilization of support for the research community and will continue to provide for the infusion of new ideas in biomedical research.

The commitment to stabilize the science base by focusing available resources on research project grants has meant that other support mechanisms must absorb the impact of budgetary cuts and the effects of inflation. These support mechanisms include research and development contracts, training, research centers, and intramural research; it is in the contracts area that the most substantial reductions have been made. Reductions have also been made in direct operations and program management.

However, we must remember that we are faced with a very real need to combat inflation through reduced Federal spending. We believe that, with the careful allocation of resources provided in the revised budget, the high level of research conducted and supported by the NIH will continue.

Question: With the anticipated cuts in the FY 81 budget coupled with the lack of funds for research training grants, I envision a severe setback in our research program. What future do you see for research in the medical field? Is it not true that eventually adequately trained individuals will not be available to undertake the necessary research? If the government continues to show its lack of support for research training as well as continue to cut its grant programs, won't qualified personnel go into other fields.

Answer: The best biomedical and behavioral research is conducted by professionals who must dedicate their careers to this purpose and undergo extensive training to compete successfully. Excellence is sustained by cyclical competition for continued support; an equally important requirement is a predictable market for the ideas and skills subjected to that competition. Otherwise, research will cease to compete for the career attentions of the most gifted.

It is for these reasons that we have taken steps to establish a long-term floor to the capacity for funding investigator-initiated research. The objective is to provide stability in the funding of a major segment of basic research -- the type of inquiry generally accepted as the well from which practical means of promoting health must be drawn. Thus the NIH has placed major emphasis on funding approximately 5,000 competing research project grants each year, with the ultimate goal of achieving a balance between noncompeting and competing awards.

We believe this approach will provide a critical stabilization of support for the research community. Would-be investigators need this assurance about the nature and scope of long-term funding opportunities if more of them are to be attracted to and remain in research careers.

The emphasis on stabilizing the science base by focusing available resources on research project grants has necessarily meant that other support mechanisms, including training, must absorb the impact of budgetary cuts and the effects of inflation.

In the NIH training program, the reductions will affect new and competing awards only; all present commitments will be honored.

Once stabilization of the science base itself has been achieved through reliable, continuing support of investigator-initiated grants, our attentions can return to the important issue of training and, we hope, planning for stabilization in this area as well.

NATIONAL CANCER INSTITUTE

Question: As you know, cancer is the second leading cause of death in the United States as well as the most feared. Last year Congress voted a large increase in the NCI budget, yet the Administration has decided to cut back this budget by \$35 million to a level of \$965 million. How can you possibly justify this cut?

Answer: The 1981 amended budget for the NCI will provide a continued and balanced program in cancer prevention, detection, treatment, and basic research, and will foster the development of a network of community and national resources for cancer research and the care and support of cancer patients.

In 1981, the NCI will be able to fund 734 competing research project grants, only one fewer than in 1980. This emphasis on research project grants reflects the NIH commitment to provide long-term stability to investigator-initiated research.

In other areas, the carcinogenesis testing program, supported through the National Toxicology Program, will remain at the 1980 level; support grants to 62 cancer centers will continue as the primary mechanism to facilitate consolidation and focusing of cancer-related activities into a single administrative and programmatic structure; training support will continue for 1,555 full-time equivalents under the National Research Service Awards program; and the cancer control program will shift the emphasis from treatment projects to applied prevention projects. Nearly all the dollar reduction will be in the area of research and development contracts.

Although the 1981 amended NCI budget is approximately \$18 million less than the revised 1980 budget, and \$35 million less than the 1980 appropriation, we believe that the Institute will meet the challenge through careful allocation of funds, and that the National Cancer Program will continue the vigorous pursuit of its goals with the same creativity shown in the past.

INTERFERON

Question: What is the status of the new report we requested on interferon?

Answer: The original report on the Biological Response Modifiers Program was sent to the Senate Labor-HEW Subcommittee on Appropriations on December 29, 1979. In a letter dated February 4, 1980 the Committee requested a revision of the report. The revised report deals principally with interferon and was transmitted to the Senate Committee with a letter from the Assistant Secretary for Management and Budget dated April 11, 1980.

Question: The possibility of a drug such as interferon offers hope to millions--shouldn't we be placing greater emphasis and funds on this important cancer research--not less?

Answer: The National Cancer Institute expects to spend approximately \$13.9 million on interferon research in fiscal year 1980 and approximately the same level with the 1981 President's Budget. Because this is an area of such high priority, no reduction in funding is planned under the revised 1981 budget. This amount is sufficient to purchase interferon and perform clinical trials on 450 patients, the essential first step in determining the efficiency of interferon as an anti-cancer agent in humans. If the results of these trials are as positive as is hoped, and if interferon is indeed very effective against cancer in clinical trials, increased resources would of course be devoted to research on, and production of, interferon.

Question: Why do you propose to cut interferon research?

Answer: The contracts you refer to regarding the processing of white blood cells amount to \$400 thousand out of a total of some \$20 million committed to interferon research. The American Cancer Society estimates that over \$100 million is spent on Interferon in the private sector. It is our intention, however, that there be no cuts in interferon research. The budget justification is in error in this regard.

CANCER CENTERS

Question: How many of the Cancer Centers will be affected by these budget cuts? Will their funds be cut across the board or will some centers be forced to close?

Answer: The Cancer Centers Program will not be directly affected by the FY 1981 amended budget. The Cancer Centers support grants will remain at the same level as contained in the original President's Budget.

HEART INSTITUTE AND TRAINING GRANTS

Question: After all of the criticism leveled at NIH for cutting training funds, why do you now propose to reduce Heart Institute training by \$3.2 million in FY 80 and \$3.6 million in 81?

Answer: This was a very painful choice, necessitated by the decision to protect research project grants from any further reduction. Training, unfortunately, was the only area in which there were substantial uncommitted funds in 1980 at the time of the rescission proposal. This occurred only because the normal cycle of training support finds almost all awards made in June of each fiscal year. Thus, competing Individual and Institutional NRSA's were reduced by \$3.2 million in 1980, and their continuation costs of \$3.6 million were correspondingly reduced from the 1981 budget.

Question: How many training slots will be lost as a result in each year? How many individual new and competing awards will be made?

Answer: In 1980, 162 fewer trainees will be supported. In 1981, 174 fewer trainees will be supported. NHLBI will support 144 new Individual trainees at the 1980 rescission level, a decrease of 40 from the original 1980 budget. No new Individual or Institutional fellows would be supported at the original or revised 1981 budget levels.

Question: Much progress is being made in our fight against heart attack, stroke and high blood pressure. 188,623 Americans died of stroke in 1976, but this was 71,000 fewer deaths than in 1968. Through education, research, and public health programs we are beginning to turn the tide. However, there is still very much that needs to be done. The Heart, Lung, and Blood Institute studies the diseases that are responsible for four of the 10 leading causes of death in the U.S. Again, how can you justify making cuts in this program?

Answer: It is true that much remains to be done. The revised budgets for 1980 and 1981 provide increases for the NHLBI. The revised 1980 budget is \$14.1 million above the comparable 1979 budget. The revised 1981 budget is an increase of nearly \$12.2 million over the revised 1980 budget. These increases reflect the priority the administration gives to these important areas of research, even during times of economic duress.

Question: In the President's original request for NHLBI, funds were available to fund only 601 grants after funding only 596 in 1980. This equals about 20% of those grants which were approved for funding. With the additional cuts proposed by the Administration, the number of grants funded will fall even further behind. Can you tell me how many grants you expect will be funded in FY 80 as well as in FY 81?

Answer: The administration has proposed no cuts in research project grants in its 1980 rescission and 1981 revision budgets. The preservation of research project grants continues to enjoy top priority in these budgets presented before you, as well as in the previous 1980 and 1981 budgets.

Thus, the numbers quoted would remain the same: 596 competing research project grants, representing 25% of those approved for funding, would be awarded in 1980; 601 competing research project grants, representing 20% of those approved for funding, would be awarded in 1981.

EMERGENCY MEDICAL SERVICES

Question: The Administration has proposed rescinding \$15,900,000 from the budget for Emergency Medical Services. This would leave \$26 million for the remainder of 1980. In FY 1981, the Administration originally requested \$26.5, a cut of approximately \$16 million. Now the revised budget would cut an additional \$5 million. It is clear the Administration is attempting to phase out this program even though Congress has clearly indicated its support. I know that in my own State of Indiana we have two very good programs that have been instrumental in improving the quality of emergency health care services. Why is the Administration attempting to phase out this program?

Answer: The Administration's proposed rescission of \$15.9 million in 1980 would reduce funding for Emergency Medical Services

from \$39.6 million to \$23.7 million. Emergency Medical Services research is funded at the conference level of \$3.0 million, and those funds appear in the budget of the Office of the Assistant Secretary of Health (OASH). In 1981 the Administration's proposed budget reduction of \$5.4 million would reduce funding for Emergency Medical Services to \$21.1 million. Research activities would continue to be funded at \$3.0 million in the OASH budget.

The Emergency Medical Services program is already a highly visible and useful health program. However, efforts to keep health spending within manageable levels and to meet priority health care funding needs with limited resources, require a decrease in the Federal funding may well be balanced by increases in State and local financial support to local which is already significant in this program.

Our current plan emphasizes the completion of funding for the maximum number of those qualified EMS regions that are in the process of developing a basic life support (section 1203) capability. It is fully expected that this level of support for section 1203 will enable the program not to place at risk any regional systems during their basic life support development process. A sufficient number of regional systems (88 out of 304) have received Federal support under Title XII to demonstrate the feasibility and the benefits of building an advanced life support (section 1204) capability. Those systems that have not completed advanced life support should continue their development through State and local government funding.

Question: It is my understanding that it takes 4 years to implement a regional EMS program - yet your Department is attempting to phase out programs in the middle of this cycle. Wouldn't it make more sense to allow the 4 year cycles to be adequately funded so that our original investments would not be in vain?

Answer: Under normal circumstances, eligibility for grants exists for 5 years, not 4. The first year is for planning and feasibility studies (section 1202); the second and third for developing Basic Life Support systems and the fourth and fifth year for developing Advanced Life Support capability.

A major portion of the program has already completed the development of Basic Life Support systems. The 3 year funding plan is designed to continue current grantees to a logical conclusion emphasizing this level of capability.

We feel that those programs that are in the process of developing Advanced Life Support will continue to make progress through funds provided by State and local governments.

Question: How can you reasonably expect a regional EMS to obtain alternative funding on such short notice? If a phaseout becomes reality, wouldn't it have been better to at least let regional programs complete the phase of the program they are in the middle of.

Answer: The 3 year phaseout plan was originally proposed by the Administration and submitted to the Congress in the FY 1980 budget request. The Administration has not altered its intent to phaseout Federal support of Title XII grants in FY 1982. The orderly 3 year phaseout plan that we have proposed which emphasizes completion of

basic life support systems (section 1203), will not leave any of these systems in the middle of their program development.

Question: The President has proposed a rescission in the Emergency Medical Services program of \$15.9 for FY 1980, bringing funding down to \$23.7 million. The President's budget request for fiscal year 1981 would further reduce funding for EMS to \$21 million.

- What will be the effect of this program cut?

- Don't you consider this a priority program anymore?

Answer: The proposed funding for the EMS program would result in an orderly phaseout while emphasizing the completion of funding for the maximum number of those qualified EMS regions that are in the process of developing a basic life support (section 1203) capability. It is fully expected that this level of support for section 1203 will enable the program not to place at risk any regional systems during their basic life support development process. A sufficient number of regional systems (88 out of 304) have received Federal support under Title XII to demonstrate the feasibility and the benefits of building an advanced life support (section 1204) capability. The effect of this program cut is that regional EMS systems will no longer receive direct Federal support for their development of advanced life support activities.

It is our belief that emergency medical services is a highly visible, useful, and high priority health program. However, efforts to keep health spending within manageable levels and to meet priority health care funding needs with limited resources, require a decrease in the Federal support of the program. Since States and localities have already invested heavily in EMS services, this decrease may well be balanced by a noticeable increase in the State and local financial support to local Emergency Medical Services programs. It is probably fair to assume that ultimate EMS implementation throughout the country does not depend on a high level of Federal funding as has been provided heretofore.

BLACK LUNG

Question: What will be the effect of your funding cutbacks for Black Lung Clinics in both fiscal year 1980 and fiscal year 1981? Will this mean that some miners who need services won't get served? If so, how many and in what States?

Answer: The effect of the funding cutback for Black Lung Clinics in fiscal year 1980 is that approximately 30 new clinics (27 rural and 3 urban) with a service capacity of 18,000 miners, will not be funded in 1980. As a result, 10,000 fewer miners will receive services such as the analysis, examination, and treatment of respiratory or pulmonary impairments in fiscal year 1980. The number of centers will be maintained at the 1979 level of 75, and there would be an increase in capacity of 4,200 and in users of 9,500 over the 1979 level.

The effect of the funding cutback for 1981 is that approximately 30 new clinics (27 rural and 3 urban) with a service capacity of 18,000 miners will not be funded in fiscal year 1981 as a result, 10,500 fewer persons will receive services in 1981. Proposed funding will increase capacity by 6,000, users by 14,500,

and clinics by 15 (for a total of 90) over the revised 1980 budget levels.

It has been found that Black Lung Clinics, after their first year of Federal funding, can continue for two subsequent years with reduced levels of Federal funding, and at the same time increase services to additional persons. Specifically, during the second year of clinic operations, approximately 50 percent of the operating costs will be funded by third party reimbursements. During the third year, this rate will improve to 60 percent and full capacity will be reached.

The rapid advance of third party funding can be attributed primarily to disability benefits that are available to miners with Black Lung Clinics providing outreach services that assist miners in obtaining disability benefits.

NATIONAL HEALTH SERVICE CORPS

Question: In your January budget proposal you requested a supplemental for the National Health Service Corps of \$10.8 million for fiscal 1980. In your revised March budget you reduced that supplemental to \$1.1 million -- \$9.7 million less than you originally proposed. What will be the effect of this reduction on placement of all Corps obligees already in the pipeline: In other words, without the supplemental of \$10.8 million, will there be sufficient funds to support these Corps people in their pay-back obligation or will they receive a free education and not owe the government anything?

Answer: The President's revised 1980 budget request of 1,950 assignees and \$71.6 million will allow the placement of both new scholarship and new volunteer assignees. At this level, all scholarship recipients will be placed - none will be released from their pay-back obligations.

MATERNAL AND CHILD HEALTH

Question: In January you proposed \$31 million for Maternal and Child Health research and training for fiscal 1981, slightly less than the amount allocated in fiscal year 1980. Your revised budget would cut the fiscal 1980 appropriation by \$6 million and decrease the proposed fiscal 1981 figure by \$7 million bringing funding for fiscal year 1981 far below that of 1980. How do you expect the programs supported by Maternal and Child Health research and training to absorb such drastic cuts?

Answer: In 1980 the Maternal and Child Health (MCH) Research program will be reduced from \$5.3 million to \$4.3 million. The 1979 funding level was \$5.3 million. This reduction of \$1.0 million means that projects funded will be reduced by 11, from 55 to 44. The proposed rescission of \$2.0 million in 1981 will provide \$3.3 million to support 33 projects.

In 1980 the Training program will be reduced from \$26.5 million to \$21.5 million. The 1979 funding level was \$26.9 million. In 1980 the program will continue to support, at lesser amounts, all

21 University Affiliated Centers, 11 Pediatric Pulmonary Centers, and the 28 Allied Health disciplines that received support in 1979. At the reduced funding level the number of persons trained will decrease by 1,894 below the 1979 level going from 7,888 to 5,994 persons trained. In 1981 support for all University Affiliated and Pediatric Pulmonary Centers will be continued. While there may be a slight decrease in the number of allied health disciplines supported the overall number of persons trained by the program will be maintained at the revised 1980 level of 5,994 persons, which represents an increase of 2,954 persons, or 97 percent, over the 3040 persons trained in the program in 1977.

Question: What effect will these decreases have on the University Affiliated Facilities (UAF) program and the thousands of patients who receive services?

Answer: There is no doubt that the decrease of \$5 million (approximately 20 percent) in the training program will reduce services to multiply-handicapped children. We shall seek to minimize the effect as much as possible. Funding reductions will be made so as to preserve all existing centers, with as many high quality services as possible to the largest number of children. It can be expected, however, that the number of children served will decrease in UAFs from an estimated 59,000 to an estimated 47,200.

Question: Your proposed \$6 million rescission for research and training will, we are told, reduce research from 55 to 44 projects and training from 7,888 persons to 5,994. Which projects are to be cut under your proposal?

Answer: Projects will be reduced or terminated on a selective basis following the general criteria that allow those research proposals which are nearing completion and which show greater promise to continue to completion. Also, projects which are in the Department's high priority area, i.e., regionalized care systems, adolescent health and the effect of handicapping conditions on the family, would be continued. We have now taken these matters under consideration in the future funding of the program.

No UAFs and Pediatric Pulmonary Centers (PPCs) training projects will be eliminated. However, funding for all centers will be reduced. This will result in fewer persons receiving services.

Question: Will they be able to find funding elsewhere?

Answer: We are hopeful, but cannot guarantee that other funds will become available.

Question: On training, how will your proposed reduction affect mothers, children and crippled children?

Answer: There are two effects on mothers and children. In the immediate future, an estimated 20 percent fewer patients will be served and all of these are handicapped children. The long-term effect is that fewer health professionals will be trained to provide services to mothers and children.

Question: Will any of these groups be affected disproportionately?

Answer: Research projects which are considered by the Department to be high priority will be continued. For example, we would continue to give priority to prevention. Conceivably, certain types of research could be terminated.

We intend that no particular group of programs will be disproportionately affected, although the cuts may not be entirely uniform across the board. We shall continue to support UAFs, Pediatric Pulmonary Centers, adolescent projects and interdisciplinary training programs, in an attempt to keep the program in relative balance.

FAMILY PLANNING

Question: The Family Planning Program is a very important alternative to abortion and yet you plan to cut back funding in both 1980 and 1981. What is the reason for this?

Answer: The Family Planning program has made a significant contribution to reducing unwanted pregnancies, and we believe that it will continue to do so. We believe that efforts to improve third party and direct patient billing, combined with controlling administrative costs and improved productivity, will minimize the effects of decreased grant funds.

It must be noted that the 1980 revised budget of \$155,000,000 still represents a \$20,000,000 increase over the 1979 level. An additional \$7,047,000 will be added under the revised 1981 budget, for a total of \$162,047,000. Thus, program funds are being increased even under the revised proposals.

Question: What is your rationale for rescinding fiscal year 1980 funds for 37 community education projects?

Answer: Given available funds, the decision was made not to reduce basic family planning clinic services, but to cancel expansion activities in community education.

Question: What impact will this cut back in funding in 1980 and 1981 have on the effort to hold down pregnancies among low income women and teenage girls?

Answer: The problem of unwanted pregnancies is complex and we attempt to answer that problem by using multiple program resources. We believe that our efforts to improve the quantity and quality of family planning services provided through the Maternal and Child Health program, the Community and Migrant Health Centers programs, and the National Health Service Corps will compensate for the slight reduction in the funds requested under the Title X authority.

Question: What positive results can you show from your projects involving males?

Answer: Research has shown that communication and understanding between sexual partners is more important to the effective use of contraception than the availability of any one method. Men have considerable influence over the effective use of contraception in a relationship. Most of the Family Planning

projects involving males have been operational for more than one year. The data reported by these projects indicate males are very receptive to counseling and educational efforts. This concept also includes efforts to increase male awareness and understanding about their own sexuality. This supportive role in the relationships will result in more effective contraceptors.

Question: What will be the effect of rescinding fiscal year 1980 funds for 15 new male and Job Corps projects?

Answer: The Department's initiative to help prevent initial and repeated unwanted pregnancies among adolescents is in keeping with the philosophy and intent of the Job Corps, which in addition to providing job training and work skills, is committed to helping young people become responsible, productive citizens. As a result of the 1980 rescission, special activities in family planning counseling and educational services will not be provided to certain Job Corps sites. Limited contraceptive services will remain available through the program of medical services covered by the Job Corps. The revised 1980 request will support 32 projects (including 15 new projects).

Question: Why do you get into the infertility and natural childbirth areas?

Answer: Public Law 91-572 (Family Planning Services and Population Research Act of 1970) as amended, requires under section 1001 that projects receiving Title X funds shall offer a broad range of acceptable and effective family planning methods and services (including natural family planning methods, infertility services, and services for adolescents). The program does not provide for services relative to natural childbirth areas.

Question: The January budget request for Family Planning was \$176.9 million. The revised fiscal year 1981 budget request is \$162 million. The appropriation for this program for fiscal 1980 is \$165, of which the President has suggested a reduction of \$10 million. How would the Family Planning projects absorb such cuts?

Answer: The reductions will not affect existing family planning projects. Specifically, the 1980 proposed rescission of \$10 million will mean that auxiliary services such as 5 new infertility projects, 15 new male and Job Corps projects, 37 new community education projects, and 5 new natural family planning projects will not be funded.

The effect of the 1981 Budget reduction is that no expanded efforts in natural family planning, infertility services, and services to males and research will take place. \$12,138,000 of the 1981 budget reduction will mean that 25 new projects to support activities in infertility services and natural family planning will not be funded. In research, 13 new services delivery improvement projects will not be supported; in training, 600 fewer clinic staff will be trained; and 2 new information projects about the benefits of family planning services will not be funded.

Question: We have at least four Family Planning Programs in health

- Maternal and Child Health
- Family Planning
- Adolescent Pregnancy
- Medicaid

Isn't there a lot of duplication in these?

Answer: It is true that these programs all provide family planning services, but focus on different populations. The Maternal and Child Health program provides services to promote and improve the health of mothers and children and provide family planning services, primarily to women at the time of post-partum care. Nationwide, only about 6 percent of Title V funds are earmarked for family planning services.

The Title X Family Planning program provides comprehensive voluntary family planning services to adolescents and women from families with income less than 150 percent of poverty. This program supports services at more than 5,100 clinic sites nationwide, thus providing geographical accessibility to every county.

The Adolescent Pregnancy program provides a range of educational, social, and vocational services geared to the pregnant adolescent and her partner. The goals of the program include assisting the adolescent to care for the child and to allow her to resume educational or career efforts at the earliest time. By offering such a broad range of services, the program expects to reduce future unwanted pregnancies.

The Medicaid program is a fee-for-service program that reimburses providers, including family planning clinics, for medical services rendered to eligible beneficiaries. All Family Planning projects make every effort to collect funds for services provided to Title XIX eligibles. However, since many States do not cover medically needy family planning clients, the Title XIX Program is not a sufficient resource in reimbursing for family planning services. We do not believe that there is a duplication of effort; rather family planning is found as an important component of several health and related activities, as well as a very important program in itself.

COMMUNITY HEALTH CENTERS

Question: In our fiscal 1980 committee report, we directed that existing Community Health Centers receive adequate funding to provide quality medical care prior to the funding of new center grants. Yet, we now find that you are planning to expand your primary health care projects by 240 or better in this fiscal year. What does this tell us about your willingness - or unwillingness - to comply with committee directives on this matter?

Answer: We believe we complied with the Committee's directive in 1980 on the \$67.0 million increase. Our first priority was to provide funds for increased operational grants to centers which were experiencing financial difficulty. \$6.4 million of the increase was allocated to such projects. In addition to this specific amount, increased third party

collections and reductions in administrative costs have enabled us to allocate resources as necessary for projects in need. Also, we have initiated a system of quality assurance based on clinical indicators to insure uniform high quality health care in a community based environment (Community Health Center). These indicators focus primarily on basic preventive services, such as immunization, continuing preventive health care and medical case management, provision of prenatal care services and family planning counseling. We are quite encouraged, thus far, with the performance of projects in achieving compliance with these indicators according to the time frames established. The balance of the 1980 increase, \$60.6 million, was allocated as follows: \$5.9 million to cover the cost of converting to Community Health Centers 41 Health Underserved Rural Areas (HURA) projects which had completed their research and demonstration objectives; \$54.7 million to fund 240 projects that were developed and approved in fiscal year 1979. At the time Congress was considering the fiscal year 1980 budget, it was estimated that there were 132 approved but unfunded projects. However, by the time the fiscal year 1980 budget was passed that number had increased to 240.

Question: How do you plan to use the reduced increase of \$33 million that you are requesting in the revised fiscal year 1981 budget?

Answer: The increase of \$33 million requested in 1981 will allow \$14 million to offset the impact of inflation on some of the on-going centers that are experiencing financial difficulties. In addition, \$8.7 million will be used to provide continued support to 10 Hospital Affiliated Primary Health Care Centers that initiated their planning and developmental phase in 1980 and will become operational in 1981. The remaining \$10.3 million of the increase will provide additional support to projects that were on the approved but unfunded list in 1979 and received reduced levels of first year funding in 1980.

PRIMARY CARE RESEARCH AND DEMONSTRATION

Question: Your January budget proposed to reduce the Health Underserved Rural Areas (HURA) program by \$4.9 million, from the fiscal year 1980 level of \$14 million down to \$9.1 million. Now you propose in the revised budget to wipe out the entire HURA program. If accepted, what effect would this step have on existing and planned research and demonstration projects?

Answer: The initial 1981 President's budget provided \$9.1 million to support 52 continuation projects, as 29 of the 81 projects proposed for funding in 1980 would have completed their research and demonstration efforts and would no longer have required funding in 1981. The initial President's budget provided no funding for new projects. With elimination of the \$9.1 million in the revised 1981 budget the estimated 52 continuation projects would have to seek support through other sources. While the revised budget will eliminate support for existing projects, it will not eliminate any new starts as none were proposed in the initial budget. Services delivery has always been the program priority over expansion of research and demonstration activities.

There are presently 51 Primary Care Research and Demonstration projects funded under Section 340. Plans called for funding approximately 30 more projects with the increase requested in the President's 1980 budget of \$14 million.

Question: How many HURA projects were expecting or assured of continuation money in fiscal year 1981 -- and how would this total cutback affect them?

Answer: We estimate that about 52 projects would have expected continued funding in 1981. Terminated projects would have to seek support through other resources - government; private foundations and the like. The withdrawal of the 1981 request for Primary Care Research and Demonstration was decided upon in the context of our primary health mission, which places highest priority on providing services to the medically underserved and unserved rather than on continuing research projects.

CHRONIC DISEASE PROJECTS

Question: Your revised budget shows a proposed FY 81 cut of \$242,000 in the request for Chronic Diseases. What areas or programs would this cut affect? How much for each?

Answer: The total amount budgeted for these efforts is \$19,526,000. The reductions will impact primarily on the diabetes control program by \$79,000, the nutrition program by \$80,000, the tuberculosis control program by \$73,000, and the end stage renal disease care program by \$10,000. The total reduction for in-house operating expenses is \$242,000.

Question: Your January budget said you proposed to expand the 20 diabetes control projects planned for Fiscal 1980. Is this still your plan? Will any new States be added?

Answer: The diabetes control projects will be expanded to twenty in 1980. The increase of \$380,000 requested for 1981 will fund assistance in the nationwide implementation of CDC guidelines for detecting and managing diabetes in pregnancy, training on the epidemiology and control of diabetes for clinicians and diabetes program managers, and assistance in the development of a national diabetes morbidity and mortality surveillance system.

Question: What are your plans for dealing with Trichloroethylene (TCE) contamination in FY 81? Is this the same plan as envisioned by your January Budget?

Answer: There are no funds specifically targeted for dealing with Trichloroethylene contamination in either the President's January or March revised budget. However, as we have in the last two years, the Center for Disease Control will continue to assist health departments as requests for epidemiology and laboratory assistance are received. In addition, NIOSH is planning a Health Hazard Evaluation and a control technology assessment for the electronics industry. In the process of doing this research, it is expected that some trichloroethylene will be identified.

NIOSH RESEARCH

Question: Your revised budget shows that you plan to reduce your request for NIOSH research by slightly more than \$1 million. Please identify any research efforts from which this cut will come.

Answer: Both the FY 1980 and the President's January FY 1981 budget had proposed \$6.4 million for research grants. In the FY 81 revised budget, the Health Hazard Evaluation program will be reduced by \$400,000 and \$646,000 will be reduced from research grants including the Dermatology area. Six fewer grants would be funded, compared to the January budget.

NATIONAL HEART, LUNG, AND BLOOD INSTITUTE

Question: Your revised budget for FY 80 and 81 gives the Heart Institute the second biggest cuts next to Cancer--a rescission of \$7.1 million in 80 and \$15.6 million in FY 81. What is the basis of these cutbacks and what are their effects on this Institute's work?

Answer: These cutbacks were developed by retaining the same level of support for research project grants as contained in the original 1980 and 1981 budgets while decreasing other activities. Because the NHLBI budget contains a proportionately larger share of activities other than research project grants, such as research centers, training, and research contracts, the Institute received a greater percentage cut in both 1980 and 1981 than the overall NIH average.

In 1980, the effects of the rescission would be: a downward negotiation of some 2% in existing commitments in specialized and comprehensive centers; a reduction of 21% in competing training awards, or an estimated reduction of 162 trainees. It would also reduce or eliminate certain contract programs. Those to be eliminated would be, in the cardiovascular area, a proposed program on non-invasive assessment of cardiovascular diseases. Programs which would be cut back include the development of left ventricular assist devices and testing the index of risk of developing chronic obstructive lung disease.

In 1981, the reduced budget would have the following effects: commitments in the Specialized Centers of Research in the areas of Arteriosclerosis, Hypertension, Ischemic Heart Disease, Chronic Airways Diseases, Pediatric Pulmonary Diseases, Pulmonary Vascular Diseases, Fibrotic and Immunologic Interstitial Lung Diseases, Adult Respiratory Failure, and Thrombosis, and the Institute's 10 Comprehensive Sickle Cell Centers, and National Research and Demonstration Centers in Heart, Lung, and Blood Diseases will be reduced by 4%. Research manpower development activities will be reduced with the awarding of 15 fewer Career Development and Clinical Investigator Awards. Cooperative Clinical Research and Scientific Evaluation grants will be similarly renegotiated. Predicated on the 1980 proposed rescission, research training commitments would be maintained. Full-time equivalent trainees will be reduced 174 positions below the original 1981 request. Contract programs will operate at a level 10 percent below ongoing commitments. Clinical trials, however, will be held to their previously projected levels of commitments in 1981, and all additional inflationary costs will be absorbed. All nonclinical trial contract commitments will be negotiated downward.

Certain contract programs will be reduced or eliminated. In the heart area, these would include a proposed program on non-invasive assessment of arteriosclerosis as well as the development and testing of biomaterials and the clinical evaluation of left-ventricular assist devices. Analyses, like those from the Lipid Research Clinics Program, of the genetic, environmental, and nutritional factors that affect blood lipids will be delayed. In the lung area it would include reduced testing of the index of risk of developing chronic obstructive lung disease. Ongoing programs in Intramural Research, Direct Operations, and Program Management would be cut back, slowing specific programs but necessitating no program eliminations other than two scientific information dissemination activities.

CUTBACKS IN ARTHRITIS/DIABETES INSTITUTE

Question: It is our understanding that contracts and centers will be most directly affected by your proposed cuts in NIAMDD in FY 80 and 81. What can you tell us about this? How many and which type centers will be affected? Will any have to be shut down?

Answer: The revised budget estimates for 1980 and 1981 continue to reflect the priority of investigator initiated research in NIH and departmental planning and this portion of the budgets will remain unchanged.

In contracts and centers, no existing centers will be prematurely terminated but plans for expansion will not be carried through. The current estimate is that two new clinical nutrition research units which would have been awarded in 1980 and continued in 1981 will not be funded at the revised budget levels.

Question: Why do you propose to cut back on research constraints relating to artificial devices?

Answer: Because the proposed cut in 1980 must be taken from the funds which are still available and neither obligated nor committed for continuing projects, our options are limited to areas where new projects had been planned but not yet awarded.

Question: What artificial devices will be hit by your plans?

Answer: It had been planned to expand the current \$1.7 million effort to develop artificial devices to automatically administer insulin to diabetic patients. We estimate that the funds which were cut in this program would have supported two additional new contracts.

NATIONAL TOXICOLOGY PROGRAM

Question: It is our understanding that your revised budget for the Cancer Institute calls for a cut of \$34 million in contracts and that about \$20 million of this would come out of the National Toxicology Program. Why so much out of Toxicology? What effect will

this have on the effort to assess chemical compounds for cancer? How many fewer chemical compounds will be assessed as a result?

Answer: Of the \$34 million reduction to contracts in 1981, \$20 million which was the amount added to the 1981 President's Budget for the National Toxicology Program (NTP) was identified for reduction because this area represented one of the few in the Institute which had received increased funding. Other contractual efforts in the Institute were already being funded at the commitment base level and further reductions in these areas would jeopardize program balance. In earlier plans, the NTP has projected starting 100 new bioassays in 1980 and another 100 bioassays in 1981. Under the amended budget, contracts for new bioassays will be awarded for a total of 80 new

bioassays in the two years. The bioassays will be scheduled to phase in over the two year period in a manner that will assure orderly program expansion. Final determination of the number of bioassays in each year will depend on the funds and personnel available to the program.

PROPOSED REDUCTIONS

Question: What would be the effect of proposed reductions for Cancer Control, Cancer Task Forces and Research Careers Program?

Answer: In the amended 1981 budget the competing level for Task Forces and Research Career Awards will be reduced by 9 awards respectively. This reduction will still permit the awarding of 36 competing awards for Task Forces, however there will be no competing awards for Research Career Awards. For Cancer Control, the reduction of \$3.117 million will result in the reduction of selected ongoing efforts in order to maintain the highest priority projects such as the identification, evaluation, and demonstration of information aimed at the prevention of cancer caused by key carcinogens.

Question: In fiscal 1980, grants to States for drug abuse were funded at \$40 million. The President has requested a rescission amounting to \$2 million for 1980 and has zeroed out the program in fiscal 1981. What sorts of changes in the service program will we see as a result of these reductions?

Answer: It is difficult to predict what changes will appear in the service program as a result of these reductions in formula grant funds because States use these funds in quite different ways. What will happen in any given State will depend on how the State now uses its formula grant funds, the extent and nature of drug abuse problems in the State, the financial condition of the State, and the relative priority of drug abuse services among the various State programs competing for funds. We expect that the States will make every effort to maintain their existing drug abuse treatment services and the reductions, should they be necessary, would probably be made in State prevention programs.

Question: Will the States be able to take over funding for these activities with their own resources?

Answer: The answer to that question will depend largely on the financial condition of the particular State when its formula grant funds run out, which will probably not occur until late fiscal year

1981 or early fiscal year 1982, and the relative priority of drug abuse services among the various State programs competing for funds.

DRUG ABUSE/ALCOHOLISM SERVICES

Question: The alcoholism grants-to-states program has experienced cuts in fiscal 1980 and an elimination in 1981. What types of changes can we expect to see in these programs as a result of the reduced funding?

Answer: The effects of these fiscal actions will vary from State to State. In fiscal year 1980 the \$2 million rescission for formula grant funds will result in reductions ranging from a low of \$92 to a high of \$477,468 for a State allotment. Effects of these reductions on programs will depend upon such facts as other available Federal, State, and local funds and scrutinizing fund usage to eliminate those items which are not absolutely essential. Minor changes, if any, would be expected in those States where the reduction is small. However, large reductions will require the States to make priority decisions concerning use of their available resources as the Federal government has been forced to do. Should these States' resources not be forthcoming it could eliminate programs particularly in such areas as community education, outreach, early intervention and evaluation, since they cannot qualify for third-party reimbursement.

Question: Will the States be able to take over funding for these activities with their own resources?

Answer: As more programs and personnel meet licensure and certification standards for accreditation, income from third-party reimbursement will continue to increase. Of course the degree of success in establishing and maintaining these standards will vary from State to State. This variation is also true for the future of programs funded through the formula grant program. While some programs will survive, some programs may be forced to curtail overall activities, eliminate special services or even close the program if State funding is not available. Whether States' funds will be forthcoming will vary from State to State depending upon the degree of commitment for alcoholism services by State legislatures, local governments, and changes in insurance coverage.

EFFECT OF REDUCTION ON HEALTH PLANNING FUNCTIONS

Question: What will the effect of this reduction be on health planning functions, especially at the local level where the bulk of the cut will be experienced?

Answer: The revised 1981 budget request represents a \$38 million reduction in the funding of Health Systems Agencies as compared to the fiscal 1980 level. Some of this reduction may be made up by increases in state and local funding. If no additional state or local resources are forthcoming, the impact of the reduction is evidenced as follows:

- o The per capita amount for the 111 HSAs above the minimum will decrease from \$.51 to \$.32.

- o 102 HSAs will be funded at the minimum level of \$245,000; 35 HSAs were at this level in 1980.
- o The distribution of discretionary funds to certain HSAs in underserved areas as called for in the statute will be foregone.
- o Agency staffs will be reduced.
- o A reduction in capital project review activities will entail the elimination of review for selective projects or a uniform decrease in the effort provided each individual review.
- o Appropriateness reviews of existing health services as scheduled for full implementation in 1981 will be postponed.
- o Specific projects to improve community health needs in accordance with newly enacted national health priorities will be postponed.

RESCISSION OF NURSE TRAINING FUNDS

Question: The Administration wants to rescind the entire \$24 million Congress approved for Nursing Capitation grants and has no plans for allocating any funds for this in FY 1981. Yet the need for highly skilled nurses is still acute in many areas of the country. Why is the Administration so dedicated to abolishing this worthwhile program? With the advancement of specialized methods of treating patients, isn't it imperative that we have qualified personnel in our hospitals, nursing homes, and other areas where nurses are so urgently needed?

Answer: Federal support will continue to be directed toward many of the high priority areas you have identified through the funding of the Nurse Practitioner program, the Nursing Special Projects program and other health manpower programs targeted to meet primary care objectives. We believe that the provision of nursing capitation funds has only the most indirect relationship to these priorities since there is adequate capacity in nursing education programs.

The acute need for nurses which you mention is primarily a result of the turnover of nursing personnel and the failure of nurses to remain in the profession. Also, since the availability of registered nurses, in terms of numbers and skill levels, is obviously not uniform throughout the country, while on a national basis the aggregate supply might be adequate, distributional problems lead to shortage situations in certain areas. In addition, although there may be an adequate number of personnel in the aggregate to fill positions, there are and may always be vacancies in the least favorable settings, facilities, or shifts. Funding of nursing capitation is the least useful mechanism for addressing these issues.

Question: In this time when many of us, including the President, believe in the idea of expanding the role of nurses

for a more prominent place in the health care delivery system, why is the Administration totally eliminating advanced nursing training?

Answer: In light of current economic constraints, the Administration expects the schools to seek other resources to support their faculty for advanced nurse training. The Administration has not requested funds for this program in fiscal year 1981 as its resources are targeted toward programs that impact more directly on specialty and geographic maldistribution problems.

RESCISSION OF NURSE CAPITATION FUNDS

Question: What will be the result of zeroing out capitation in FY 1981?

Answer: The most likely result is that schools would increase tuition from between \$140 to \$225 per year, which is the average amount paid per student. There is no reason to believe a significant change in the demand for nursing education would occur.

PHYSICIAN EXTENDER AND NURSE PRACTITIONER PROGRAMS

Question: Why have we seen a reduction in the Physician Extender Program and an expansion in the Nurse Practitioner program?

Answer: Given limited resources, we believe that there is more payoff in the Nurse Practitioner Program. It provides resources to train registered nurses to perform expanded functions in key primary care areas such as geriatrics, pediatrics, school nursing, and as family nurse practitioners. Students are trained to work in urban and rural settings where shortages of primary care health professionals exist.

As stated elsewhere, the decision to reduce funding of the physician assistant program is based on fiscal considerations.

Question: Wouldn't the philosophy governing expansion of the latter also cause us to expect a similar increase in the former?

Answer: Not necessarily. With the extraordinary fiscal pressures facing the nation it has become imperative to direct limited Federal funds into the most needed areas and to encourage funding for other worthwhile programs from other sources.

RESUBMISSION OF PREVIOUS RESCISSIONS

Question: The subcommittee is aware that Congress did not approve your rescission of almost \$100 million for capitation grants and health profession student loans. The 45-day period for dealing with rescissions expired on March 18 without the necessary congressional approval. In view of this fact, why are you now resubmitting rescission requests which have not been acted on favorably?

Answer: Resubmitting these rescissions is part of an overall Administration plan to reduce Federal outlays in 1980 and even more so in 1981 in order to balance the 1981 budget. As inflation has worsened since we submitted our original rescission request, it is our fiscal responsibility to resubmit these programs for rescission which we feel are a particularly low priority given the overall level of resources.

Question: What does the Budget Act allow in regard to the resubmission of rescissions?

Answer: The Impoundment Control Act of 1974 is silent on this issue. It does state, however, that the President can propose to rescind programs whenever he "determines that all or part of any budget authority will not be required to carry out the full objectives or scope of programs for which it is provided or that such budget authority should be rescinded for fiscal policy or other reasons...." (Sec. 1012(a)).

Question: Has the General Accounting Office spoken out on this matter, and if so, what is its conclusion?

Answer: It is the opinion of the General Accounting Office as stated in a letter to Congressman LaFalce of New York in 1977 that a program cannot be resubmitted for rescission with the full benefits of the Impoundment Control Act; rather the resubmission is treated as a normal legislative proposal and there is no period of 45 days applicable in which the funds are unavailable for obligation.

Given that the programs in the resubmitted rescission are not normally obligated until the fourth quarter of the fiscal year, no problem arises by requesting congressional reconsideration at this time.

In the absence of congressional action, we fully expect to obligate these funds on our normal schedule.

COMMISSIONED CORPS

Question: As you know, the President has just vetoed H.R. 5235, the Special Pay Bill for physicians of the uniformed services. The health programs are classified as a "uniform service," especially the doctors. Do you think it is a good idea to treat these health doctors differently than military doctors?

Answer: The intent of the veto was not to treat health doctors differently than military doctors. Rather the vetoed bill had many more costly and less desirable features than the President's original proposal. The Administration has agreed to a one year extension of existing legislation to continue physician bonus pay.

Question: The President wants to give more benefits to military doctors. If there is unequal treatment, won't it be hard to keep doctors employed at the NIH and the hospitals?

Answer: Throughout the Federal sector, and indeed even in the private sector, there are still difficulties in recruiting and retaining physicians. This is particularly true of the trained medical specialties.

Question: What is the current strength of the PHS Commissioned Corps?

Answer: The commissioned corps is currently at a strength of 7,034 officers.

Question: Is the PHS Commissioned Corps an effective mechanism for meeting the health care needs of the Department?

Answer: The corps provides a substantial percentage of our overall staffing of health professionals. For instance, the corps medical officers currently represent 72 percent of the number of physicians we have on duty.

Question: What is the current vacancy rate for physicians in the Commissioned Corps according to program and specialty training?

Answer: Overall our vacancy rate in PHS was between 10 and 15 percent during the last year. That figure will vary from month to month because of various recruitment and retention factors. Last year we lost 23 percent of our total physician force. As an example of our current staffing needs, we have 11 percent (66) of the medical officer jobs in the Indian Health Service vacant. In addition, 150-200 vacancies are expected to occur during this coming summer. About two-thirds of these vacancies can be filled by primary care officers, but the remainder are in the specialty areas primarily surgery, anesthesiology, orthopedics, internal medicine, and obstetrics/gynecology.

Question: Will the Presidential veto of H.R. 5235 have an adverse effect on the recruitment and retention of needed health professionals?

Answer: We will have about 700 physicians available, who have obligated service because of the scholarship program. About one-third of these will have specialty training. We will be able to assign about 125 of these to IHS. The remainder, which will be mostly specialist vacancies, will have to be recruited. There has always been difficulty in this type of recruitment. Without variable incentive pay it will be difficult to recruit health professionals. This is why the Administration has supported a one year extension of the legislation.

Question: What would be the additional cost to the Federal government if the PHS were included in the pay provisions for physicians of the Armed Forces in H.R. 5235?

Answer: Had H.R. 5235 been enacted, the costs for 2,700 physicians in the commissioned corps would have increased in the first full year by about \$7.5 million. By the fifth year, when we would be projecting a physician staff of about 3,800 in the commissioned corps, the incremental costs for all special pays would have risen to about \$22 million.

Question: What are the projected needs of the PHS for physicians over the next several years?

Answer: On a year by year basis we project the following physician staffing needs for all PHS programs for both personnel systems:

<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
3900	4600	5600	6500	7200

NATIONAL HEALTH SERVICE CORPS

Question: What is the potential number of sites to be provided health care services through the National Health Service Corps? How many physicians would be required to staff them? How many have obligated service due to scholarship support? What is the distribution between available and required numbers of physicians according to specialty training for such sites?

Answer: We do not have an estimate of the total number of potential sites, but the Department estimates a physician shortfall for 1981 in shortage areas of 14,000 physicians. According to the latest list (December 31, 1979) of designated health manpower shortage areas, a total of 5,161 HMSAs have been designated. Of these, 1,710 are for primary care providers serving a total population of 37 million. Over 11,000 physicians would be needed for such areas.

With the \$87.2 million requested for 1981, the National Health Service Corps will support approximately 2,958 assignees. This will require recruiting and placing 800 physician scholarship recipients and up to 300 physician volunteers. The distribution by specialty of the 1981 scholarship available is 40 percent general practice/family practice, 40 percent internal medicine, 18 percent pediatricians, and 2 percent other.

ADOLESCENT PREGNANCY PREVENTION

Question: We note that you plan to reduce the Adolescent Pregnancy Program by slightly more than half in both FY 1980 and FY 1981 from \$17.5 million down to \$8.7 million.

Since this new program is just getting off the ground, why do you propose to make such deep cuts?

Answer: Because such cuts are possible without impacting on existing federally funded services, an increase from \$1 million in FY 1979 to \$8.7 million in 1980 is still a significant increase from which to project whether further expansion is merited in terms of program success.

Question: How many applications for assistance under this program did you receive in FY 1979 and how many could you actually fund?

Answer: The Department received 212 applications with requests for \$44 million in funding for FY 1979. Four projects were funded

at a total cost of \$740,000 from the FY 1979 supplemental appropriation of \$1.0 million.

Question: How many applications do you expect for Fiscal 1980 funds and would these oversubscribe the funds available in the program as envisioned by your January budget?

Answer: We have received 375 applications for Fiscal 1980 funding, with total requests amounting to just over \$100 million.

Question: The President's fiscal 1981 request would reduce funding for the Adolescent Health Program to \$8.7 million from \$17.5 million.

If this program were to be zeroed out, could not these services be carried out under the Title X or the Maternal and Child Health program administered by HSA?

Answer: No, we do not believe that this program could be adequately carried out by Title X, Family Planning, or Title V, Maternal and Child Health, since these programs don't have the broad statutory authority of the Adolescent Health Program.

Title VI of P.L. 95-626 which is the statutory base for the Adolescent Health program is multidisciplinary in its approach and offers a comprehensive array of educational and social services in addition to health services. Both Title X and Title V are geared to single-purpose providers and serve the general population rather than the special needs of pregnant adolescents and adolescent parents. Additionally, Title V is geared only to medically underserved areas which eliminates a considerable portion of the population in need. Further, for a number of reasons not fully understood, many sexually active adolescents do not use Title X family planning clinics.

Title VI was expressly enacted by Congress to provide communities with seed money to bring together a variety of existing services and, where none existed, create new services to help pregnant teens and teen parents become independent, contributing members of their communities. The idea is not to supplant existing programs such as Title V and Title X but to provide access to these services and add others such as continuing education, job counseling, day care, etc.

Comprehensive programs funded under Title VI offer an alternative. Since no primary prevention program will eliminate all unintended pregnancies, these comprehensive programs are vitally needed to help those adolescents who do become pregnant and choose to carry their pregnancies to term.

In other programmatic areas, Title VI provides for:

- a) Continuance of academic and vocational education.
- b) Day care for infants of adolescents to enable the parent(s) to remain in school.
- c) Counseling for the pregnant adolescent, father of the infant, and their families, with emphasis on continuation of education, job opportunities,

relationships affecting the family, and other interrelated needs.

- d) Programs to teach young mothers consumer and homemaking skills to give them ability to manage a household and become self-sufficient.
- e) Provide parents instruction in child development and infant care to help them to become good parents and avoid child abuse.
- f) Special services to help pregnant adolescents and adolescent parents develop self esteem and coping skills for daily living so that they may become independent, contributing members of the community.

COOPERATIVE HEALTH STATISTICS

Between FY 1980 and FY 1981 funding for this program has been cut by more than half.

Question: What will be the effects of such cuts and how we compensate for our information deficits?

Answer: The reduced request for the Cooperative Health Statistics System in FY 1981 represents a shift of program emphasis toward the development of State Health Statistics Agencies and continued development of the Vital Statistics component. The elimination of program efforts in the health facilities and manpower components of the CHSS will not result in the loss of this information at the National level. The decision was made to transfer responsibility for collection of health facilities statistics to the Health Care Financing Administration (HCFA). HCFA's systems will produce data beginning in 1983, and these data will flow to the Cooperative Health Statistics System. In the interim, plans are underway to reintroduce a national biennial survey to obtain information on facilities which provide medical, nursing, personal, or custodial care to groups of unrelated persons on an inpatient basis.

With respect to the collection of health manpower data, we are working closely with the Bureau of Health Manpower, Health Resources Administration, to explore the collection of needed data through survey mechanisms. Given the large number of health occupations, the size of the potential universe, and the diversity of settings in which these health professions work, two alternate strategies will be undertaken to collect data similar to that collected under the CHSS manpower component. These strategies include surveys of individual occupations and secondary surveys directed to occupational sites. Specifically, working with professional associations, licensure boards and other professional health organizations, lists of providers of health services will be gathered, unduplicated and then surveyed.

We believe that these approaches will result in gathering all necessary statistics at lower cost to the Federal government.

Question: Of the \$17.5 million appropriated in fiscal 1980, we have been told that \$13 million will be used for grants and the remainder \$4.5 million for salaries and expenses. Of \$4.5 million, \$2.5 million will be obligated for contracts. What will the contract money be used for?

Answer: At the time the budget was prepared, the following contract efforts were planned:

- a) \$500,000 would be required to implement the Title VIII evaluation authorized by P.L. 95-626 to study the problem of adolescent pregnancies and evaluate the effectiveness of existing programs in the areas of health, education and public welfare as they relate to this problem.
- b) \$250,000 would be needed to meet Title VII evaluation requirements of the Act for evaluation of the adolescent health grant program.
- c) \$300,000 would be required to develop a Management Information System necessary to fulfill OAPP's responsibility to administer a grant program, coordinate federal policies and programs related to adolescent pregnancy, conduct evaluations, and serve as a National information clearinghouse and resource center on adolescent pregnancy.
- d) Approximately \$1,500,000 was to be used to provide technical assistance to both grantees and prospective grantees.

The contract requirements cited above have recently been reassessed and the following changes have been made:

- a) The study to evaluate program implementation as authorized by Title VIII of the Act will be funded by evaluation funds;
- b) With the reduced level of grant funding now anticipated for FY 1980 and 1981, we are estimating that the level of Technical Assistance to grantees and prospective grantees will also be reduced.

As a result, we are now projecting contract requirements at \$.5 million within the revised budget of \$8.7 million.

HCFA MANAGEMENT BUDGET

Question: Madame Secretary, you are proposing cuts in the Health Care Financing Administration (HCFA) Program Management Budget totaling \$35.3 million. This represents a 3.3% reduction.

- o You have proposed many painful cuts in service delivery programs in other health agencies, yet in this administrative account you merely defer new initiatives. Why were no substantive cuts made in the HCFA Program Management budget?
- o Specifically, HHS reduces the PSRO program by a mere \$2.6 million, and this reduction consists once again of

deferred initiatives. In light of the negative reviews this program has received from the House Ways and Means Oversight Committee, and from CBO, why is there not a more significant reduction in PSRO funding?

Answer: The federal monies spent on the administration of HCFA's programs amounts to only 4% of the total federal dollars spent on Medicaid and Medicare benefits. Given this tight ratio of overhead to benefits we did not feel that further cuts in program management were warranted. We did, however, propose reductions from the January President's Budget totaling \$35.3 million. We believe that further cuts are not programmatically desirable considering HCFA's responsibility for the management of \$52 billion in federal health care expenditures, and are significant efforts to minimize fraud, abuse, and error in these programs.

In regard to the PSRO program, although you cite negative reviews of the House Ways and Means Oversight Committee and CBO, our own studies have shown that the program covers its costs. We did propose a \$2.6 million reduction in administrative costs through reductions in direct costs, special projects funding and funding of Statewide Councils. We have no proposed cuts in the hospital review component because we believe that limitations on program implementation in this area cost the government money, because, where PSRO review has not been implemented, we fund utilization review activities which are at least as costly, but generally less effective in controlling utilization than PSRO review. Limiting the level of PSRO implementation, therefore, is detrimental to our efforts to contain costs and assure quality.

Question: The original HCFA budget requested 190 new positions. In the revised budget, 120 new positions are requested.

- In a tight fiscal year, does HCFA really need an additional 120 staff members?

For the record, please provide a detailed statement explaining the need for this increase. If certain positions are more crucial than others, feel free to name them.

Answer: In making the reductions which were taken in the revised budget, we took a hard look at our initial position request. The position increases that survived this careful review, support critical management and program improvements which should be undertaken even in this period of budget constraint.

A detailed justification for the requested positions is attached.

The 120 additional positions are requested for the following areas:

1. Data Initiative - 36 positions

HCFA is working toward an independent ADP capability. Staff are needed to manage the contract for ADP services in support of this independence. Positions are needed to move toward a unified health data base which would cost effectively serve operational, policy, research and statistical needs in Federal, State/local and private sectors.

2. Beneficiary Awareness Initiative - 8 positions

Positions are needed to help make certain that beneficiaries are aware of the services for which they are eligible and to ensure that HCFA policies promote efficiency and quality in the health delivery system. These positions would help promote a better understanding of beneficiary rights and benefits under HCFA programs; make beneficiaries more informed consumers of health services; and promote better personal health habits.

3. Medicaid Quality Control - 18 positions

These positions are needed to achieve major modifications and improvements in the MQC program -- field testing, training State agency and HCFA regional staff, implementing revisions and monitoring the process. Staff would also conduct assessments of the implementation and operation of the MQC system.

4. EPSDT - 15 positions

These positions are requested to develop and implement an Early Periodic Screening Diagnosis and Treatment nationwide monitoring system.

5. Health Standards and Quality - 10 positions

These positions are requested to increase monitoring of PSRO program performance to determine recommendations for defundings, consolidation of certain PSRO areas, and conversion of other PSRO's from conditional to full operational status. Staff would also provide more indepth review of expenditures and budget proposals to maximize use of PSRO support monies.

6. Research - 19 positions

These positions are needed to research and develop new systems for use of Section 223 limits. Staff are needed to do the research, economic analysis, and data processing necessary to design, develop and test these new systems.

7. Administration Services - 12 positions

These positions are needed to implement the new standard accounting system, to expand procurement cost/price analysis; and to make much needed improvements in contract and grant administration.

8. Provider Appeal Process - 2 positions

These positions are needed to strengthen current staffing of the Provider Reimbursement Review Board to handle increased provider appeals.

REFUGEE ACT APPROPRIATIONS

Question: Madam Secretary, the new Refugee Act became law on March 17. Why are we just receiving your request today?

Answer: The new Refugee Act contains several provisions which were not included in the Administration's bill. The additional time was necessary to examine the new provisions and develop budget estimates based on these new provisions.

Question: When will we receive the President's budget amendment?

Answer: The formal budget amendment will be transmitted to the Committee within the next two weeks. The amended justification materials supporting this budget amendment have already been transmitted to the Committee. The amount we are requesting under new legislative authority is \$95 million above the amount included in the President's January budget. This increase is based on the additional costs of provisions included in the Refugee Act of 1980 which were not anticipated at the time the January budget was developed.

LOW-INCOME ENERGY ASSISTANCE

Question:

The President signed the Crude Oil Windfall Profit Tax Act on April 2 and the President's budget now contains \$2.2 billion for low-income energy assistance.

What are your plans for implementing this program?

Answer:

As part of our 1981 budget revisions, we are seeking your Committee's consideration of \$2.2 billion for a 1981 program of low-income energy assistance. These funds are being requested to implement the program authorized by Title III of the Windfall Profit Tax Act. While the formal budget amendment has not yet been sent up by the President, we expect its transmittal shortly.

The basic elements of the 1981 program, as outlined in the authorizing statute, will be as follows:

- o Households with income less than the Bureau of Labor Statistics' lower-living standard and households receiving food stamps, AFDC, certain income-tested VA pensions, and, with certain exceptions, SSI will be eligible for assistance.
- o Assistance to eligible households will be made available through block grants to the States. Grant funds will be distributed according to a formula which takes into account a State's

residential energy expenditures, climatic conditions, and number of low-income households.

- o In order to receive their block grant payments, States will have to submit a plan to the Secretary of HHS describing their program for furnishing home energy assistance. This assistance may be provided through payments to home energy suppliers, directly to households, and to operators of subsidized housing projects.
- o At the option of the States, the Secretary of HHS may retain a portion of their grant allotments for making direct Federal payments to SSI recipients.
- o Out of the \$2.2 billion total, \$100 million will be transferred to the Community Services Administration for an energy crisis assistance program.

Question:

The new authorization establishes eligibility for this program at the Department of Labor's "lower living standard family budget," which in my State in 1978 was \$12,000 for a family of four. Some sources have heard this level would make eligible nearly one-quarter of the population.

Do you have any recommendations on further targeting for this program?

Answer:

The authorizing legislation gives fairly specific guidance on which households within the total eligible population should receive priority for assistance and we plan to administer the 1981 program in close conformance with these guidelines.

First, the legislation explicitly excludes from eligibility certain categories of SSI recipients who do not have any residential energy costs and, therefore, do not need assistance. The three excluded categories are: 1) recipients who reside in Medicaid institutions; 2) recipients who live in another persons's household and whose SSI payments are reduced because of the support they receive from such persons; and 3) disabled or blind children living in their parent's household.

Second, the State plans submitted to us must give adequate assurance that priority will be given to households with the lowest incomes, and that higher levels of assistance will be provided to households with lower incomes and to households with high energy costs in relation to their income. We will monitor this State plan requirement very closely to insure that assistance is being targeted on those most in need, as required by statute.

Question:

The new law also requires a complex set of regulations to determine individual benefit levels.

Do you have any recommendations on reducing this administrative complexity, such as providing that the States determine benefit levels?

Answer:

The law authorizing the 1981 program provides considerable flexibility to the States in designing energy assistance programs tailored to their own particular circumstances. The law also gives States the responsibility for determining benefit levels within the basic parameters established by the legislation. In implementing the 1981 program, we certainly do not plan to reduce this State flexibility, nor do we plan to impose unnecessarily complex or burdensome administrative requirements.

The authorizing statute does, however, introduce some administrative complexity which is necessary if the program is to achieve its objectives. For example, the Act requires the States to target assistance on the lowest income households and on households which include elderly or handicapped individuals. In reviewing their plans, we would expect the States to take into consideration the following factors in setting benefit levels: 1) data on average home energy expenditures, if available; 2) the burden of home energy costs relative to household income; 3) intrastate variations in climatic conditions; and 4) the extent to which a household is financially responsible for its energy costs. While collecting this information may impose certain administrative burdens on the States, it is necessary to insure that program assistance is properly targeted on households most in need.

Beyond such minimal requirements which are necessary to comply with legislative intent, we will not propose additional regulatory requirements which are unnecessarily burdensome or complex.

AGING

Question: Madame Secretary, in the January budget for the Administration on Aging, the President recommended an increase of \$33 million for Social Services and Centers, much of it to pay for the rising costs of transporting the elderly to sites where meals are served them under a special nutrition program. Now, however, you propose to wipe out this increase, and return to the FY 1980 level of \$247 million.

This creates the possibility that while you will have money available for meals, the resources to transport the

elderly to meal sites will be severely reduced or not available.

How do you justify such a cut?

Along with transportation services, many other services such as Information and Referral, Escort, Outreach and Legal Services to the elderly will be sharply reduced. How do you explain such a cut that would hit the poor and the aged?

Answer: First, I would like to stress that we are not reducing social services to the elderly: the \$247 million revised budget request maintains exactly the FY 1980 appropriation level for aging services. In the face of continued rising costs, we do recognize that \$247 million may not provide the same level of services in 1981 that it provided in 1980. Nonetheless any reduction in services under the revised budget would be minor, and we do not expect they would have a significant impact on the number of aged served.

Secondly, it is important to remember that this Department does not direct the States how to use Aging Social Services funds. Aside from an Older Americans Act provision that requires States to use 50 percent of services funds for legal, access and inhome services, States have broad discretion in using these funds for any social services they choose. Thus, it is the States that decide how to allocate the \$247 million, and we are confident that they will use the funding where it is most needed. We do not anticipate cases where States increase meals at Nutrition sites while cutting back on transportation services to those sites. If States are forced to reduce services, we would expect them to make those reductions in areas other than transportation services to Nutrition sites.

Third, in 1981 the matching rate for this program is 85 percent Federal and 15 percent State, local and private. With core Federal support maintained in 1981, individual States wishing to maintain service levels can increase their contributions.

Finally, in recommending this budget revision we have been mindful of the rapid and sustained growth in Aging Social Services in recent years. Funding for Aging Services has more than tripled over the past four years--from \$80 million in 1976 to \$247 million in 1980. With this rather dramatic increase, States have been able to constantly expand their service programs. The 1981 budget still provides a stable base on which the States can maintain their aging programs.

AGING BACK-UP CENTERS

Question: How much is being spent for bi-regional back-up centers by the Administration on Aging?

What comments have you received from the States on the value of these centers?

What is the justification for creating another level of bureaucracy between the Federal government and the States?

Answer: The Administration on Aging advises that \$2.8 million is committed for the centers in 1980 and another \$2.7 million planned in 1981. These funds support 5 nationwide centers designed to provide training and technical assistance to State ombudsmen programs, which advocate for, investigate and act on complaints of older individuals residing in long-term care facilities.

The centers activity is relatively new. The requirement that States operate long-term care ombudsmen programs was included in the Older Americans Act Amendments of 1978, and center funding began in 1979. Given the newness of the requirement for ombudsmen programs, States have welcomed the assistance provided through the bi-regional centers. Many of the workers associated with the ombudsman activity are volunteers who require training to effectively carry out the legal services and advocacy responsibilities of the ombudsman program. States have generally responded favorably to the training and technical assistance provided by the centers. We certainly do not view these centers as another level of bureaucracy between the Federal and State governments. They are a tool for helping States establish new programs called for under the Older Americans Act. We are not planning that the centers program be permanent, but rather only a three or four year effort to help States establish new programs efficiently and effectively during a difficult start-up period. I trust that these centers will help establish State ombudsman programs that protect the rights and ensure the best living arrangements for older persons residing in long-term care facilities.

AGING RESEARCH, TRAINING, AND SPECIAL PROJECTS

Question: You are requesting a \$7,300,000 cut in aging research, training, and special projects, below your original fiscal 1981 budget request.

Specifically, how is the \$7,300,000 reduction split between research, training, and special projects?

What activities will no longer be carried out that had been planned before the \$7,300,000 cut?

Answer: Of the \$7.3 million reduction, \$3 million is in the Training activity; \$2.5 million is in Special Projects; \$1 million is in Research; and \$.8 million is in Multidisciplinary Centers on Gerontology. These reductions will provide for continuation of all FY 1980 projects plus a small margin for new starts.

Aging Training - National Manpower Policy, State and Regional Training activities are reduced.

Aging Research - New start activities in the areas of Public and Private Issues and Community Based Services will be reduced.

Aging Discretionary Projects (Long-Term Care) - The number of new start projects will be reduced from ten to five while all the 1980 projects will be continued.

Multidisciplinary Centers - Support for Long-Term Care Gerontology Centers and National Aging Policy Study Centers will be reduced by approximately twenty percent.

CUT IN AGING SOCIAL SERVICES AND CENTERS

Question: What is the rationale for cutting your original budget request for Aging Social Services and Senior Centers by \$33 million?

What sense does it make to cut direct services to frail elderly persons, while requesting a doubling of funds for the White House Conference on Aging, which appears primarily for staff professionals and travel?

By asking for an increase in nutrition funds but not social services, isn't there a danger that essential services such as transportation won't be sufficiently available to actually get elderly persons to nutrition sites?

Answer: The reduction in Aging Social Services is a cutback not from the existing program level, but from continued program expansion--expansion that has occurred for each of the last six years. We do not think the cut will have a significant impact on ongoing service programs in the States. In view of sustained program growth in this program--a tripling of funds since 1976 alone--we believe that maintaining the existing \$247 million program level in 1981 will both maintain basic supportive services to the aged and avoid any major disruptions or funding reductions to this important program.

Our request for \$3 million more for the White House Conference for Aging is not, as you suggest, for supporting staff professionals and travel. Rather, the \$3 million would subsidize the costs of about 1,800 poor, aged delegates to the White House Conference. Without this support these aged persons may not be able to participate in the Conference or contribute to its findings and recommendations. Similarly, the \$3 million request would also finance costs of technical and advisory committees to the Conference--costs for volunteers, most of whom are older persons, to research, develop and submit recommendations within a complex range of issue areas affecting the aged to be addressed by the Conference. In addition, these funds will support special regional mini-conferences designed to stimulate participation of minority elderly.

As I noted earlier, the States, and not this Department, decide how to allocate Aging Social Services funds. The same Aging State agency that manages Nutrition funds also manages social services funds. We would not expect those agencies to increase meals in nutrition sites while cutting back transportation and access services to the sites.

OFFICE FOR CIVIL RIGHTS

Question: The Education justification for the Office for Civil Rights indicates that you lapsed \$6,791,000 at the end of fiscal 1979 and your Health and Human Services Office for Civil Rights justification indicates you lapsed another \$3,405,000 in fiscal 1979. That represents over \$10 million in funds that were requested and appropriated but not spent for Civil Rights compliance.

What happened? Did you carry out all the activities planned for less money or does this represent a real reduction in civil rights efforts?

Answer: During fiscal year 1978, the Office for Civil Rights requested a supplemental of 898 positions from Congress. The supplemental budget assumed enactment would occur by mid-year of fiscal year 1978. Enactment actually occurred in September. Congress provided one half, or 449 of the positions in September, and the remaining half was included in the regular fiscal year 1979 appropriation.

The late enactment of the supplemental delayed the phased hiring plan designed by the Office for Civil Rights to insure that qualified individuals were identified to fill the 898 new positions. This plan, begun in September 1978, was not completed until April 1979, when full staffing was achieved. A result of this phased hiring, however, was that some dollars provided in the 1979 appropriation were not spent. This was a one-time circumstance which will not recur.

SUBCOMMITTEE RECESSED

Senator MAGNUSON. The subcommittee will recess until next Tuesday, April 17, at 10:30 a.m., when Secretary Hufstedler from the Department of Education will testify.

[Whereupon, at 3:50 p.m., Thursday, April 17, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN
SERVICES, EDUCATION, AND RELATED AGENCIES
APPROPRIATIONS FOR FISCAL YEAR 1981

TUESDAY, APRIL 22, 1980

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:45 a.m., in room S-128, the Capitol,
Hon. Warren G. Magnuson (chairman) presiding.

DEPARTMENT OF LABOR

STATEMENT OF RAY MARSHALL, SECRETARY OF LABOR

ACCOMPANIED BY:

ALFRED M. ZUCK, ASSISTANT SECRETARY FOR ADMINISTRATION AND
MANAGEMENT

NANCY BARRETT, DEPUTY ASSISTANT SECRETARY FOR POLICY, EVAL-
UATION AND RESEARCH

LAWRENCE E. WEATHERFORD, DEPUTY ASSISTANT SECRETARY FOR
EMPLOYMENT AND TRAINING

MARVIN FOOKS, DIRECTOR, OFFICE OF TRADE ADJUSTMENT ASSIST-
ANCE

WILLIAM R. REISE, COMPTROLLER

MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

DARLA J. WHITE, LEGISLATIVE LIAISON OFFICER

AMENDED BUDGET REQUEST

Senator MAGNUSON. The subcommittee will come to order.

This morning we will hear from the Secretary of Labor, Mr. Mar-
shall, regarding revisions in both the fiscal 1980 and 1981 budgets.

Now, you've separated them?

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. Well, there appears to be two major changes
from the budget submitted in January: First, the fiscal 1981 CETA
budget request is now \$9 billion instead of \$10.4 billion; and second, a
\$1.5 billion supplemental for trade adjustment assistance benefits has
suddenly appeared, primarily for provision of unemployment benefits to
auto workers. It is not yet clear how much of this supplemental will be
financed by offsetting cuts in other programs.

We welcome you, Mr. Secretary. Go ahead with your prepared state-
ment.

Secretary MARSHALL. Thank you, Mr. Chairman. I have a prepared

statement and, with your permission, I would like to summarize it and insert the prepared statement into the record.

[The statement follows:]

STATEMENT OF SECRETARY RAY MARSHALL

I welcome this opportunity to appear before you today to discuss with you the Department of Labor's revised appropriations request for fiscal years 1980 and 1981.

Throughout the Carter administration, the President has emphasized the need for fiscal restraint. In January, the President submitted a budget which reflected not only his policy of restrained spending, but also provided for the lowest deficit in recent years. However, in light of the recent increases in our Nation's rate of inflation, the President has determined that a balanced budget in fiscal year 1981 is imperative. The administration recognizes the sacrifices that these reductions entail, but it considers them necessary if we are to move toward restoring confidence in our Nation's economy. The Department's budget revisions are a part of the President's overall anti-inflation program.

The President's fiscal 1981 request for the new youth initiative remains unchanged. The initiative consolidates three existing youth programs and adds new funding for a comprehensive program of increased education, training, and job opportunities for disadvantaged youth. In total, this revised budget assumes an increase in funding for youth programs, which will result in an additional 208,000 participants being served compared to the fiscal year 1980 service level. The request for funds for programs to improve linkages for the Comprehensive Employment and Training Act (CETA) efforts with the private sector remains at the January 1981 requested level. In addition, the basic training titles of CETA remain unchanged. We have also maintained most increases in those Department programs which enforce labor standards and which protect workers' safety and health. While there will be reductions, no program is totally eliminated or reduced to an ineffective level.

As I will discuss in detail later in this statement, there has been a significant increase in requirements for benefit payments under the trade readjustment assistance program (TRA). In order to fulfill the President's budget goals, there may be further changes required in the Department's programs. Decisions on such further changes will be communicated to you as soon as they are made.

The Department of Labor's revised budget reduces our original fiscal year 1981 request by just over \$1 billion in outlays, and 1980 outlays by \$350 million. Our proposals currently before you reflect these changes by reducing our 1981 appropriation request by \$1.3 billion and making minor reductions in 1980 pay supplementals. Some of the savings require legislation which if adopted may in turn require further appropriation changes.

I would like to discuss the specific details of the proposed program reductions.

We are proposing to reduce the Young Adult Conservation Corps (YACC) program by approximately 40 percent. Although enrollees in the YACC program perform important conservation work, such as forest fire control, reforestation, trail clearing, and campground preparation, the program has been reduced for two reasons: First, the YACC program, unlike all the other youth employment programs administered by the Department, is the only program that is poorly targeted. Only 34 percent of the youth in YACC are from economically disadvantaged families; second, the YACC unit cost, projected to be \$12,652 in fiscal year 1981, is one of the highest unit costs for any CETA program.

Given this administration's goal of targeting our scarce resources on the most needy, the YACC program is not the most efficient or effective means of assisting disadvantaged youth. Because of the poor targeting of this program, we have to spend about \$32,000 to reach one disadvantaged youth with a year of service. Enrollments will be reduced by 8,400 slots from the proposed beginning of year 1981 level of 21,900. The 1980 savings will be achieved as the program phases down this year to its new 1981 level. It would continue to provide work experience in conservation activities on Federal and State public lands for about 13,500 service years or 38,600 participants in 1981.

Title VI of CETA, which provides countercyclical public service jobs, is reduced by approximately 27 percent or 51,000 slots, down to 149,000 slots as compared to the current enrollment level and the original 1981 request of 200,000 slots. This reduction

in enrollments will be achieved by the end of fiscal year 1980, which is reflected in our fiscal year 1980 deferral request of \$203 million. The Department is developing a management plan to insure that this reduction will be achieved. It is anticipated that this reduction can be accomplished through attrition. Although our revised budget requests a sizable reduction in title VI, the administration maintains its support of this program.

We believe that eliminating title VI—as called for by the Senate Budget Committee—would be unwise. The evidence shows that the forecasted recession is at hand. It is therefore important to have programs like countercyclical public service employment (PSE) available to help meet the needs of the unemployed. We should also be prepared for an expanded PSE program if the recession is more serious than we now anticipate.

The specific amendments to the 1981 budget now before you, differ somewhat from the summary the administration submitted in its revised budget in March with respect to welfare reform demonstration projects. Rather than totally eliminate the demonstration projects, the Department will continue them on a scaled-down basis. To finance these projects without changing the Department's total budget reductions, the title II-D program will be slightly reduced in fiscal years 1980 and 1981 to accommodate the projects. In total, the two programs will still create approximately 247,500 slots for the structurally unemployed.

The welfare reform demonstration program, originally slated to operate in 16 sites in 1981, will continue to work in 12 sites, and will provide 7,500 slots, about 12,500 fewer service years in 1981 than originally planned. All remaining sites will be reduced in scale.

These demonstration projects will provide essential information on the best ways to implement the jobs portion of the welfare reform legislation. Moreover, the demonstrations will improve the efficiency, effectiveness, and integration of all employment and training programs at the local level.

In addition to the program reductions, the March revised budget contains two legislative proposals designed to achieve savings in 1981.

One would amend CETA and the Emergency Jobs and Unemployment Assistance Act of 1974, to eliminate the special CETA requirement and the Federal funding of unemployment benefits to public service employment participants based on the time spent in public service jobs. The rationale for the proposed legislation is that PSE jobs are intended to be temporary and transitional. The 18-month limitation on enrollment that was added in the CETA Amendments of 1978 was designed to insure that prime sponsors would pick up these employees as a part of their regular workforce or transition them into other, unsubsidized employment. The availability of federally reimbursed unemployment benefits (UI) to laid-off PSE workers serves as a disincentive to State and local governments to effectively transition these employees to further permanent employment. Further, it is our view that this subsidized, temporary employment is in itself a substantial unemployment benefit and Federal funds should not be used for still further unemployment benefits based on that employment.

The administration is also proposing to rationalize the time frames and the methods by which cost-of-living adjustments are made for the benefits received by Federal workers retired on a disability pension. In recent years, the irregular system of cost-of-living adjustments to benefits paid under the Federal Employee's Compensation Act (FECA) has resulted in as many as three increases in a year's time. The benefits paid by the Department of Labor as part of its responsibilities under the Federal Employees' Compensation Act, will be adjusted only once a year. The same once-a-year adjustment is being proposed for Federal civilian and military retirement systems. Government-wide savings from this proposal are now estimated at \$33 million in 1981.

Since the President's March budget revisions were developed, there has been one further significant change to the Department's budget. The President will be requesting a fiscal year 1980 supplemental because of the higher than estimated trade readjustment benefits.

Recently, auto imports have captured a larger share of the U.S. market, reaching historic highs in the last several months. The severity of the onset of gasoline price increases coupled with the high rate of inflation has also impacted heavily on sales of all U.S. automobiles, particularly larger sized vehicles. The recession and credit controls will also add to the industry's problems. Increased imports together with these other developments have led to a rapid and unexpected increase in caseload and certifications for automobile workers.

It is difficult to accurately forecast trade readjustment assistance (TRA) payments for a number of reasons. Historically, estimates of pending certifications have not tracked closely with the actual level of TRA outlays because estimates of the number of workers who will apply and qualify for TRA can only be very rough and subject to wide variability. Consequently, the administration has been reluctant to revise budgetary estimates upward until there is a demonstrated increase in the level of outlays. Outlays as a result of a certification are greatly influenced by cyclical variation. Further, since covered workers have 2- or 3-year periods in which to apply for benefits, and the benefits periods may be reestablished each time there is a layoff under a valid certification, there is a real and unknown potential for earlier claimants to reapply at any time. It is not feasible to identify in advance how many workers will likely be certified in a given industry based on aggregate import penetration data. Finally, the coming recession is the first since the 1974 amendments to TRA came into effect.

In fiscal year 1979, TRA outlays barely increased over fiscal year 1978. The Department projected more than a 40-percent increase in TRA outlays for the budget for fiscal year 1980. Activity under the Federal unemployment benefits and allowances account (FUBA) through January was generally on target. TRA payments in January actually fell from the December level. A slight upward adjustment to the annual estimate was made in the March update, however, to reflect a slightly higher overall level of TRA payments. While it was generally known that a large number of auto worker petitions and likely certifications were in the pipeline, in accordance with standard practice no estimates were included in the March update due to the uncertainty of actual certifications, the number of workers affected, and the potential benefit liability. February TRA outlay data were first available the week of March 24, and showed a jump of \$60 million over January, probably largely a result of the certification of Chrysler workers in November 1979.

The Department now estimates the number of TRA beneficiaries in fiscal year 1980 will be 593,000 instead of the estimated 213,000 persons and will be 378,000 instead of 218,000 in fiscal year 1981, with most of the increase due to certifications in the auto industry.

In order to meet the unanticipated increased costs in trade readjustment allowances, as well as a few minor upward adjustments in the FUBA account, we estimate that an additional \$1.1 billion of benefit payments will be made in fiscal year 1980. We estimate that an additional \$400 million will be made in fiscal year 1981, over our earlier estimates.

The entire FUBA account, which not only pays for trade adjustment allowances, but also pays the costs of unemployment compensation for Federal employees (UCFE), unemployment compensation for ex-servicemen (UCX), monetary benefits under the Redwoods program, and reimbursements to the States of the costs of benefits paid to former CETA/PSE workers and benefits paid on the basis of transition wage credits to workers newly covered by State laws beginning in 1978, will completely run out of funds by May 23, 1980. This will potentially affect an estimated 700,000 beneficiaries by the end of the fiscal year. If a supplemental is not adopted by May 23, 1980, 600,000 beneficiaries will immediately be affected and will not receive their weekly entitlement checks.

Mr. Chairman, I would be happy to answer any questions you may have on this revised budget request.

Summary of 1980 and 1981 CETA Reductions
(in thousands of dollars)

	Young Adult Conservation Corps	Welfare Reform Projects	Public Service Employment Title II-B	Public Service Employment Title VI	Total
1/ Budget Authority enacted.....	250,254	175,000	1,485,000	1,627,000	3,537,254
Deferral of 1980 funds into 1981 (1980 reductions)...	-41,260 ^{1/}	-121,500 ^{1/}	-28,000 ^{1/}	-203,000 ^{2/}	-393,760
1981 January Budget authority request.....	264,763	281,000	2,554,000	2,044,000	5,143,763
Added funding from 1980 deferral into 1981.....	441,260	+121,500 ^{5/}	+28,000	+203,000	+393,760
Requested amendment to 1981 budget authority.....	-140,891 ^{3/}	-320,336 ^{3/}	5/-118,200 ^{3/}	-751,000 ^{4/}	-1,330,427
Net reduction to 1981 program level.....	-99,631	-198,836	-90,200	-548,000	-936,667
Revised 1981 budget authority request for affected programs.....	123,872	-0-	2,435,800	1,293,000	3,852,672
Balance of CETA request not amended in 1981.....					3,997,263
Revised 1981 CETA request.....					7,849,935

1/ Employment and Training Assistance deferral of \$190,760,000.

2/ Temporary Employment Assistance deferral of \$203,000,000.

3/ Employment and Training Assistance amendment of \$578,427,000.

4/ Temporary Employment Assistance amendment of \$751,000,000.

5/ Includes \$19.336 million of the Welfare Reform Project deferral from 1980 which is being used to reduce Budget Authority for other CETA Title III activity in 1981.

Summary of Changes to the 1961 Budget
(in thousands of dollars)

	1980		1981		Difference
	Supplementals January Budget	Current Request	Request January Budget	Current Request	
Agency Appropriation					
Employment and Training Administration					
Program Administration.....	3,787	3,787	---	88,762	-1,500
Trust Fund Transfer.....	(1,465)	(1,465)	---	(35,215)	(-660)
Employment and Training Assistance.....	---	---	7,136,362	6,256,935	-579,427 ^{1/}
Youth Initiative (later transmittal).....	---	---	1,125,000	1,125,000	---
Community Service Employment for Older Workers.....	---	---	267,100	267,100	---
Temporary Employment Assistance.....	---	---	---	1,293,000	-751,000
Federal Unemployment Benefits and Allowances.....	---	---	2,044,000	1,260,000	---
Grants to State for UI/ES.....	---	---	1,250,000	1,260,000	---
Trust Fund Transfer.....	---	---	24,500	24,500	---
Advances to the Unemployment Trust Fund and	(148,310)	(147,610)	(-300) ^{2/}	(2,128,400)	---
Other Funds.....	455,000	1,953,000	1,498,000 ^{2/}	670,000	---
Total Employment and Training Administration.....	458,787	1,958,787	1,499,000	11,285,297	-1,331,927
Trust Fund Transfer.....	(149,775)	149,075	(-600)	2,163,615	(-600)
Labor-Management Services Administration.....	4,786	4,086	-700	60,699	-865
Employment Standards Administration					
Salaries and Expenses.....	7,899	7,589	-310	179,342	-3030
Trust Fund Transfer.....	(610)	(610)	---	(21,334)	---
Special Benefits.....	---	---	---	384,193	19,953
Black Lung Disability Trust Fund.....	494,656	494,656	---	933,000	---
Occupational Safety and Health Administration.....	3,840	3,530	-310	211,900	-2,320
Mine Safety and Health Administration.....	3,400	3,090	-310	156,720	-2,540
Bureau of Labor Statistics.....	1,637	862	-775	107,399	-1,075
Departmental Management					
Salaries and Expenses.....	5,119	3,889	-1,230	118,455	-2,010
Trust Fund Transfer.....	(-230)	(-230)	---	(12,836)	---
Special Foreign Currency.....	---	---	---	70	---
Total, Budget Authority.....	980,124	2,479,489	1,494,365	14,769,002	-1,323,814
Trust Fund Transfers.....	(150,155)	(147,990)	(-200)	(2,197,785)	(-660)

^{1/} Reflects President's amendments transmitted to date and current status of adjustments to Welfare Reform, Title II-D and Title III.

^{2/} Includes President's amendments transmitted to date and adjustments for the impact of estimates for Trade Adjustment Assistance.

Advances supplemental at this time reflects adjustment for 1980 and 1981 requirements.

^{3/} Excludes legislative program reductions for PSE/UI and ESA Special Benefits for later transmittal.

DOL: 4/17/80

FY 1980 PRESIDENT'S BUDGET
 CETA AND COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS PROGRAMS
 DEPARTMENT OF LABOR

	Budget		Revision		Difference	
	BA	O/L	BA	O/L	BA	O/L
Title II-A,B,C	2,054,000	1,948,000	2,054,000	1,948,000	-----	-----
Title II-D	1,485,000	2,050,750	1,485,000	2,023,586	-----	- 27,164
Youth - Total	2,100,615	2,500,416	2,100,615	2,475,956	-----	- 24,460
Job Corps	415,700	488,687	415,700	488,687	-----	-----
Summer	608,567	793,694	608,567	793,684	-----	-----
YCLIP	134,008	147,148	134,008	147,148	-----	-----
YEM	692,086	720,758	692,086	720,758	-----	-----
YUUP	-----	94,000	-----	94,000	-----	-----
Youth Initiative	-----	-----	-----	-----	-----	-----
VACC	250,254	256,139	250,254	231,269	-----	- 24,460
Title III - Total	528,678	621,861	528,678	500,361	-----	- 121,500
Welfare Demonstration Project	175,000	159,250	175,000	37,750	-----	- 121,500
Other Title III	353,678	462,611	353,678	12,286	-----	-----
PSI	325,000	164,000	325,000	164,000	-----	-----
Undistributed Shortfall	-----	-284,790	-----	-278,829	-----	+5,961
ETA Total	6,493,293	7,000,237	6,493,293	6,833,074	-----	- 167,163
TEA	1,627,000	1,926,000	1,627,000	1,744,000	-----	- 182,000
CETA TOTAL	8,120,293	8,926,237	8,120,293	8,577,074	-----	- 349,163
CSEA	266,900	238,000	266,900	238,000	-----	-----

FY 1981 PRESIDENT'S BUDGET
 CETA AND COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS PROGRAMS
 DEPARTMENT OF LABOR

	Budget		Revision		Difference	
	BA	O/L	BA	O/L	BA	O/L
Title II-A,B,C	2,117,000	2,011,150	2,117,000	2,011,150	-	-
Title II-D	2,554,000	2,437,000	2,435,800	2,349,500	- 118,200	- 87,500
Youth - Total	2,789,454	2,784,493	2,648,563	2,678,647	- 140,891	- 105,846
Job Corps	560,683	579,450	560,683	579,450	-	-
Summer	839,008	872,496	839,008	872,496	-	-
YCCIP	*	*	-	-	-	-
YIEP	*	*	-	-	-	-
YIEPP	*	*	-	-	-	-
Youth Initiative	1,125,000	1,105,519*	1,125,000	1,105,519*	-	-
YACC	264,763	277,028	123,872	171,182	- 140,891	- 105,846
Title III - Total	650,908	685,649	330,572	521,049	- 320,336	- 164,500
Welfare Demonstration Project	281,000	271,000	-	106,500	- 281,000	- 164,500
Other Title III	369,908	414,549	330,572	414,549	- 39,336	-
PSI	150,000	309,000	150,000	309,000	-	-
Undistributed Shortfall	-	-482,730	-	-463,887	-	+ 18,843
ETA Total	8,261,362	7,744,462	7,681,935	7,405,459	- 579,427	- 339,003
TEA	2,044,000	1,978,000	1,293,000	1,478,000	- 751,000	- 500,000
CETA TOTAL	10,305,362	9,722,462	8,974,935	8,883,459	- 1,330,427	- 839,003
CSEEA	267,100	262,700	267,100	262,700	-	-

* For presentation purposes, FY 1981 expenditures for YACC, YEIP, and YIEPP are consolidated with expenditures for the youth initiative.

REVISED LABOR APPROPRIATIONS REQUEST

Secretary MARSHALL. I welcome this opportunity to discuss before you today the Department's revised appropriations request for fiscal years 1980 and 1981.

As you know, President Carter has stressed fiscal restraint throughout the administration, but in light of the economic problems we have, especially with inflation, he has decided to move to a balanced budget as a part of the overall effort of fighting inflation. We try to do that in an equitable way, in a way that will do as little damage to our most important programs as possible.

In this regard, the President's fiscal 1981 request for the new youth initiative remains unchanged. This initiative consolidates existing programs which we think will improve the goals of the youth programs. In total, this revised budget assumes an increase in funding for youth programs which will result in an additional 200,000 participants—

Senator MAGNUSON. Now, you have three large items: CETA programs; a supplemental for trade assistance—

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON [continuing]. And the youth program.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. Those are the three major items we have to zero in on if we're going to balance the budget.

Secretary MARSHALL. That's right. The request includes funds for programs to improve linkages for the CETA system with private sector and also to retain the basic types of private sector initiatives. We also believe now is the time to emphasize training.

As I will discuss in detail later, there has been a significant increase in requirements for benefit payments under the trade adjustment assistance program. In order to fulfill the President's budget goals, there may be further changes required in the Department's program. Decisions on such further changes will be communicated to you as soon as they are made.

REDUCTIONS IN OUTLAYS

The Department of Labor's revised budget reduces our original 1981 request by just over \$1 billion in outlays; and 1980 outlays by \$354 million. Our proposals—

Senator MAGNUSON. Even with these three items, you're suggesting that the 1981 budget still will be \$1 billion?

Secretary MARSHALL. It reduces our original request by that amount.

Senator MAGNUSON. It reduces the budget \$1 billion.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. And in 1980?

Secretary MARSHALL. By \$354 million.

Senator MAGNUSON. Total reduction is \$1.35 billion overall?

Secretary MARSHALL. Reduction; yes.

Senator MAGNUSON. And that includes the increases in the three items?

Secretary MARSHALL. It does not include the trade adjustment assistance, because that decision has not been made yet.

Senator MAGNUSON. What's the use of talking about it until there's a decision?

Secretary MARSHALL. I guess it's important to go ahead and talk about these other things.

Senator MAGNUSON. Yes.

Secretary MARSHALL. Until that decision is made.

Senator MAGNUSON. Well, it's been 3 weeks since the President announced his budget revisions, and yet today you still cannot tell us the final decision with respect to this one item, at least, in the Labor Department.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. When do you expect OMB will make up its mind?

Secretary MARSHALL. I just don't know. I hope they do it soon.

Senator MAGNUSON. All right.

REDUCTION IN THE YOUNG ADULT CONSERVATION CORPS

Secretary MARSHALL. Let me provide a few more details of the proposed adjustment. We are proposing to reduce the young adult conservation program by approximately 40 percent. Although enrollees in the YACC program perform important conservation work, such as forest fire control, reforestation, trail clearing, and campground preparation, the program has been reduced for two reasons: First, the YACC program, unlike all the other youth employment programs administered by the Department, is the only program that is poorly targeted—only 34 percent of the youth in YACC are from economically disadvantaged families; second, the YACC unit cost, projected to be \$12,652 in fiscal 1981 and—

Senator MAGNUSON. \$12,652 per enrollee?

Secretary MARSHALL. Yes, sir; it is one of the highest unit costs for any CETA program.

Senator MAGNUSON. Is that broken down by States? My State, Washington, has one of those programs.

Secretary MARSHALL. Yes, sir, it does.

Senator MAGNUSON. Is that the only one?

Secretary MARSHALL. No.

Senator MAGNUSON. There are others?

Secretary MARSHALL. There are many others; yes.

Senator MAGNUSON. Well, I imagine my State would be just as high as the rest of them. If you could get us a breakdown for the record.

Secretary MARSHALL. All right. We'll do that. We think that the YACC program is a good one, but it may probably not be the most efficient means of assisting disadvantaged youth.

In that respect, we have to spend about \$32,000 to reach one disadvantaged youth with a year of service. Enrollments will be reduced by 8,400 slots from the proposed beginning-of-year-1981 level of 21,900. The 1980 savings will be achieved as the program phases down this year to its 1981 level. It will continue to provide work experience in conservation activities on Federal and State public lands for about 13,500 service years or 38,600 participants in 1981.

REDUCTIONS IN CETA TITLE VI

Title VI of CETA, which provides countercyclical public service jobs, is reduced by approximately 27 percent or 51,000 slots, down to 149,000 slots, as compared to the current enrollment level, and the original 1981 request of 200,000 slots.

Senator MAGNUSON. Now, let's get that straight. The 1981 request provides for 200,000 slots?

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. And that's down how much? In the 1980 budget, we had more than that.

Mr. ZUCK. 200,000 is where we would have been at the end of 1980. We were going to carry that level forward into 1981, now we're reducing it to 149,000.

Senator MAGNUSON. You're reducing it?

Mr. ZUCK. Our revised 1980 end-of-year enrollment is now projected at 149,000 or a 51,000 slot reduction from our original estimate of 200,000, and we are proposing to carry the 149,000 slot level into 1981.

Senator MAGNUSON. And how much was that average down from 1979—quite a bit, wasn't it?

Mr. ZUCK. Yes.

Senator MAGNUSON. In other words, we're trying to phase out CETA, depending upon economic conditions, and we were well on our way toward phasing it out when this other thing hit us.

Mr. ZUCK. Yes, sir; we had gone up to about 750,000 slots altogether, at the peak. We think that the reduction can be achieved by attrition.

Senator MAGNUSON. You think cutting 8,400 slots can be achieved through attrition?

Secretary MARSHALL. Yes, sir; the specific amendments to the 1981 budget now before you differ somewhat from the summary the administration submitted in its revised budget in March with respect to welfare reform demonstration projects. Rather than totally eliminate the demonstration projects—

Senator MAGNUSON. Wait a minute. In the Senate Budget Committee, we reduced it even more.

Secretary MARSHALL. Yes, sir; and we think it would be unwise to reduce it even more, especially since the recession everybody has been looking toward appears to be here now. If we do get rising unemployment—as we all expect—then it would not make sense to eliminate title VI, which is the main countercyclical title of CETA.

Senator MAGNUSON. Well, for every 1 percentage point that unemployment goes up, it costs the Federal budget \$20 million more.

Secretary MARSHALL. They've even raised that. CBO has raised it \$29 million, which means that if we reduce unemployment by 1 percent with this program, we spend \$10 billion and save \$25 million.

Senator MAGNUSON. In theory. Those are assumptions.

Secretary MARSHALL. No; I think in practice. I think we've pretty well demonstrated we could do it.

Senator MAGNUSON. What did the House Budget Committee do on this?

Secretary MARSHALL. They adopted our request.

Senator MAGNUSON. And the Senate cut the request, so that will still have to go to Congress.

Secretary MARSHALL. The Senate is waiting for the House, and the House is supposed to take it up this week, I think tomorrow.

Senator MAGNUSON. Tomorrow or Thursday, so we'll get a pretty good rundown on this item. This is one of the main items in the budget.

Secretary MARSHALL. Yes.

Senator MAGNUSON. All right.

WELFARE REFORM DEMONSTRATION PROJECTS

Secretary MARSHALL. And the other main item, welfare reform demonstration projects, rather than totally eliminate the demonstration projects, the Department will continue them on a scaled-down basis. To finance these projects without changing the Department's total budget reduction, the title II-D program will be slightly reduced in fiscal years 1980 and 1981 to accommodate the projects. In total, the two programs will still create approximately 247,500 slots for the structurally unemployed.

Senator MAGNUSON. What do you mean by "structurally unemployed"?

Secretary MARSHALL. We mean people who would be unemployed even if unemployment dropped 1 percent; people who would have much higher levels of—

Senator MAGNUSON. Absolutely unemployable?

Secretary MARSHALL. They're not employable unless you do something. They're not likely to get into the work force. They're youths who are untrained; if unemployment went down it would be hard to get them into the labor force—minorities, people who are concentrated in places with very high levels of unemployment, people on welfare who would take jobs but lack the training or lack the experience.

The welfare reform demonstration project has found that one of the main reasons that a lot of people do not get jobs that are already available is that they don't really know how to look for a job, or don't have the information that you can give them.

So we found so far in the demonstration projects—

Senator MAGNUSON. I can't understand their not having the information. The purpose of this program was to phase them in some way.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. I always question whether most of the jobs available train people from scratch. There are all kinds of jobs that are available for people who are employed to be a specialist or something. The purpose of this program, I thought, was a very good one.

Secretary MARSHALL. It still is a very good one. That's the reason we want to keep it. What we found so far is we have been able to place 45 percent of the people on welfare who have been involved in a demonstration project in the private sector, which means you reduce the cost of welfare reform.

Senator MAGNUSON. It may be that they can get work at a temporary job until there is an opening for something they are more trained for.

Secretary MARSHALL. So we think it is a very good project, and we want to—

Senator MAGNUSON. You're not cutting it out altogether?

Secretary MARSHALL. No, sir; we're scaling it down to 12 sites.

Senator MAGNUSON. Originally there were 16 sites.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. And for 1981 you're scaling it down to 12.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. All right.

LEGISLATIVE PROPOSALS

Secretary MARSHALL. In addition to the program reduction, the March revised budget contains two legislative proposals designed to achieve savings in 1981.

One would amend CETA and the Emergency Jobs and Unemployment Assistance Act of 1974 to eliminate the special CETA requirement and the Federal funding of unemployment benefits to public service employment participants based on time spent in public service jobs. The rationale for this change is that the jobs are intended to be temporary and not unemployment compensation.

The administration is also proposing to rationalize the time frames and the methods by which cost-of-living adjustments are made for the benefits received by Federal workers retired on a disability pension. In recent years, the irregular system of cost-of-living adjustments to benefits paid under the Federal Employees' Compensation Act has resulted in as many as three increases in a year's time. These benefits paid by the Department of Labor as part of its responsibilities under the FECA will be adjusted only once a year.

The same once-a-year adjustment is being proposed for Federal civilian and military retirement systems. Government-wide savings from this proposal are now estimated at \$33 million in 1981.

Senator MAGNUSON. That's \$33 million for this particular program?

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. Not governmentwide?

Secretary MARSHALL. Well, we pay governmentwide, and we pay the FECA.

Senator MAGNUSON. If we set all programs to a once-a-year CPI adjustment we'd save about \$3 billion.

Secretary MARSHALL. That's right.

Senator MAGNUSON. You're just falling in line with what the Federal Government requires legislation on.

Secretary MARSHALL. Yes, sir.

Senator MAGNUSON. That's a problem here. The legislative committees are not acting, but maybe they will act before we mark up the bill.

TRADE READJUSTMENT ASSISTANCE

Secretary MARSHALL. Yes, sir; recently, auto imports have captured a large share of the U.S. market, reaching historic highs in the last several months. The severity of the onset of gasoline prices, coupled with the

high rate of inflation, has also impacted heavily on sales of all U.S. automobiles, particularly larger sized vehicles. The recession and credit controls will also add to the industry's problems. Increased imports, together with these other developments, have led to a rapid and unexpected increase in caseload and certifications for automobile workers under the trade readjustments program.

It is difficult to forecast accurately trade readjustment payments for a number of reasons. Historically, estimates of pending certifications have not tracked closely with the actual level of TRA outlays, because estimates of the number of workers who will apply and qualify for TRA can only be very rough and subject to wide variability.

Consequently, the administration has been reluctant to revise budgetary estimates upward until there is a demonstrated increase in the level of outlays. Outlays as a result of certification are greatly influenced by cyclical variation. Further, since covered workers have 2- or 3-year periods in which to apply for benefits, and the benefit periods may be reestablished each time there is a layoff under a valid certification, there is a real and unknown potential for earlier claimants to reapply at any time.

It is not feasible to identify in advance how many workers will likely be certified in a given industry, based on aggregate import penetration data.

In fiscal year 1979, the TRA outlays barely increased over fiscal 1978. The Department projected more than a 40-percent increase in trade readjustment outlays for the budget for fiscal 1980. Activity through January 1980 under the Federal unemployment and benefits allowances account was generally on target, although TRA payments in January actually fell from the December level.

Senator MAGNUSON. What is the total of that appropriation?

Mr. WEATHERFORD. \$381 million.

Senator MAGNUSON. And you would add to that—

Secretary MARSHALL. \$1.4 billion.

Senator MAGNUSON. That is one of the larger budget items.

Secretary MARSHALL. Yes, it is very large. It's mainly the trade readjustment benefits.

Senator MAGNUSON. I know.

Secretary MARSHALL. It includes a number of other FUBA account items.

Senator MAGNUSON. Well, I'm afraid this will spread to the steel, and rubber industries. But anyway, you're anticipating the 1980 and 1981 budgetary problem.

Secretary MARSHALL. Yes.

IMPACT OF FOREIGN AUTOMOBILE TRADE

Senator MAGNUSON. A lot of the manufacturers themselves are primarily responsible for this crisis. They wouldn't adjust themselves to producing the smaller cars until it was too late.

Secretary MARSHALL. I agree. But—

Senator MAGNUSON. I see that the head of the autoworkers union is calling for a drastic reduction of imports. The Japanese, for instance,

are anticipating that and they are building plants in the United States which will employ American workers. They're just financing it and they will be the owners. So maybe we will see some relief.

American producers just wouldn't listen. They wanted to sell larger cars so they could make a better profit on them.

Secretary MARSHALL. Which they can't sell now.

Automobile sales are not down as much as American automobile sales are down. Foreign sales are up.

Senator MAGNUSON. General sales aren't as low as American sales?

Secretary MARSHALL. Yes.

Senator MAGNUSON. Just not keeping up with the real facts of life, I think.

We'll take a look at that.

Secretary MARSHALL. We have a real problem here. We'll be out of funds by May 23 if we are unable to get supplemental request approved.

CERTIFICATION FOR TRA BENEFITS

Senator MAGNUSON. How do workers apply for funds? Say I'm a workman and they lay me off. How do I apply? Do I apply as an individual or as part of a group?

Mr. FOOKS. Initially, the workers or the official representing the workers or the company will file a petition alleging that imports are causing unemployment. We do an investigation to determine the extent to which imports are an important factor. If we determine they are an important factor, we certify the group, and any individual in that certification goes to the local unemployment insurance office and applies.

Senator MAGNUSON. But they don't do it as an individual to begin with; it's a group?

Mr. FOOKS. That's correct.

Senator MAGNUSON. That puts you on the eligibility list and then you've got to go and make individual application?

Mr. FOOKS. Yes.

Senator MAGNUSON. Some then do apply and some don't. Some may find other jobs. OK.

DEPLETION OF FUBA ACCOUNT

Secretary MARSHALL. Let me also emphasize, Mr. Chairman, that the entire FUBA account, which not only pays benefits for trade adjustment allowances, but also pays benefits for unemployment compensation for Federal employees, unemployment compensation for exservicemen, Redwoods, reimbursement of the cost of benefits paid to former CETA/PSE workers, and benefits paid on the basis of transition wage credits to workers newly covered by State laws beginning in 1978, will completely run out of funds by May 23, 1980.

This will potentially affect an estimated 700,000 beneficiaries by the end of the year. If a supplemental is not adopted by May 23, 1980, 600,000 beneficiaries will immediately be affected and will not receive their weekly entitlement checks.

Senator MAGNUSON. Weekly? We pay them weekly?

Mr. FOOKS. Yes, sir.

Senator MAGNUSON. Doesn't that add a lot of paperwork?

Mr. FOOKS. It's an add-on to the unemployment insurance.

Senator MAGNUSON. Unemployment insurance is paid weekly, too?

Mr. FOOKS. Yes.

Senator MAGNUSON. Why would it be an add-on?

Mr. FOOKS. That's what the law requires. It supplements unemployment insurance.

Senator MAGNUSON. It supplements the time assistance runs or the total amount of money?

Mr. FOOKS. Both.

Senator MAGNUSON. And will a worker that is out of work for 12 months or something like that, get it regardless? Is there a requirement to look for another job?

Mr. FOOKS. He's required to be available for work.

Senator MAGNUSON. I know. But if there's no other work in the vicinity? He may be a good mechanic and he could work elsewhere, but perhaps he can't do it in the vicinity.

NUMBERS RECEIVING BENEFITS

All right. Now, I have a few questions that I will submit for the record.

Why are you running out of funds for the Federal unemployment benefits? How many people are receiving unemployment benefits? Do you have a figure?

Mr. WEATHERFORD. Yes, sir; we have the most recent week.

Senator MAGNUSON. I know it varies.

Mr. WEATHERFORD. About 3.5 million are receiving some form of unemployment benefit.

Senator MAGNUSON. So when you talk about running out of funds, you mean to indicate that 600,000 will run out?

Mr. WEATHERFORD. That's made up of—

Senator MAGNUSON. In additional funds.

Mr. ZUCK. That's the Federal part.

Senator MAGNUSON. Of the trade adjustment.

Mr. WEATHERFORD. We will also run out of funds to pay the regular unemployment benefits for both Federal employees or exservicemen, postal workers, and for public service employees. All of those are paid out of the general revenue account.

ALTERNATIVES TO CURRENT TRA PAYMENT REQUIREMENTS

Senator MAGNUSON. But you have enough money in the 1980 budget to take care of unemployment insurance?

Mr. WEATHERFORD. Yes, sir; we don't have a problem except for the fact that there's an increase that the Secretary talked about, the TRA benefits.

Senator MAGNUSON. Supposing that the Trade Act didn't exist.

Secretary MARSHALL. Then we wouldn't be here.

Senator MAGNUSON. You still have enough money to pay unemployment benefits in 1980 and in 1981? In your estimate you may have more than you think.

Secretary MARSHALL. If we miscalculate unemployment, then obviously—

Mr. ZUCK. Mr. Chairman, I think the figure—

Senator MAGNUSON. If the law were changed to require import-affected workers to exhaust unemployment insurance benefits before receiving extra Trade Act benefits, how much less of an appropriation would be needed for trade adjustment assistance?

Secretary MARSHALL. About 60 percent less.

Senator MAGNUSON. This then is something the legislators have to make up their minds about. Have you been called on to recommend such a change?

Secretary MARSHALL. I haven't been called on the record. I have been examining the implications of different proposals.

Senator MAGNUSON. Well, it would reduce our obligation or your estimate on the Trade Act approximately 60 percent?

Secretary MARSHALL. Yes.

NEW YOUTH PROGRAMS

Senator MAGNUSON. All right. Now, why do you recommend creating new youth programs and expanding their funding \$300 million, while at the same time proposing a cutback in the well-functioning Young Adult Youth Conservation Corps?

Mr. ZUCK. The YACC is more expensive. We can do a lot more with the money in the other—

Senator MAGNUSON. Couldn't you phase it in some way?

Mr. ZUCK. That's what we're doing. The President has recommended a \$2 billion program which we're starting to phase in. But we also want to keep the Young Adult Conservation Corps.

YOUNG ADULT CONSERVATION CORPS

Senator MAGNUSON. How much is involved in the Young Adult Conservation Corps? What is the total?

Mr. ZUCK. It was \$265 million in the President's January budget submission, and we're now requesting a \$141 million reduction to a level of \$124 million.

Senator MAGNUSON. Some of the rest of the programs ought to take a cut too. The biggest cut is in the YACC program.

Mr. ZUCK. Yes, sir.

Senator MAGNUSON. Now we're willing to take our share of the cuts, but why do you give us the biggest cut?

Secretary MARSHALL. The main reason is the cost per slot.

Senator MAGNUSON. Well, you can get some cost figures on some of the youth unemployment levels too that are pretty high.

Secretary MARSHALL. I don't believe you'll get the amount the YACC has.

Senator MAGNUSON. I know. The value of the YACC is in the caliber of people that come out. They won't give you any more trouble. You're through with them. I have a long history of CCC camps in my section of the country. We find some of the third generation best citizens we

have come out of the CCC camps off the streets in Brooklyn. It was the best program we had and they saved insurance costs alone 22 times the amount of the CCC program cost, just on insurance payments.

The main thing is you don't have any trouble with them. No delinquency records, or crime. The crime record is zero.

REDUCTION IN SALARIES AND PERSONNEL LEVELS

Now, other than that, your revisions for the 1981 budget asks for a reduction of \$20 million in salaries and expenses. Are these through normal staff attrition or will actual program cuts be necessary?

Secretary MARSHALL. Well, we will do it through a variety of ways. No program cuts will be necessary.

Senator MAGNUSON. What about OSHA inspectors?

Secretary MARSHALL. We're actually going to increase OSHA inspectors. We will not reduce OSHA inspectors.

WASHINGTON STATE HARVESTING PROBLEMS

Senator MAGNUSON. All right, that's all I have except one last issue. I'll talk to you about this. Spring is here, which means that Washington State's berry crop will soon be ready for harvesting. What steps has the Labor Department taken to help the farmers with harvest labor?

Secretary MARSHALL. Mr. Elisberg has been out there with them, trying to do everything we can within the limits of the court suit that we have. And we have asked the employment service to make special efforts to help the farmers.

Senator MAGNUSON. Why can't you, as long as this is all tied up with the courts and administrative rulings, allow them to pick berries out in the State of Washington. Why don't you let them go this year and let them pick them?

Secretary MARSHALL. Well, we have a court order here and we have conflicting court suits against us.

Senator MAGNUSON. But in the meantime, let's help them. Nobody is going to put you in jail. And by the time they're fully discussing it, why, the season will be over. [Laughter.]

I was asked for 12 additional temporary staff positions to be used during the next 3 months for recruitment purposes. Are you going to provide them?

Mr. WEATHERFORD. I'm not sure. I'll look into that as soon as I get back down there and find out.

Senator MAGNUSON. Help the farmers with the recruitment.

Secretary MARSHALL. They have told me they're going to do that. They didn't tell me how many positions were involved.

Senator MAGNUSON. Well, I believe 12.

I have some questions to submit for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Soaring Trade Benefits

Question: We learned through recent press reports of a "surprise" \$1-1/2 billion increase in trade adjustment benefits, primarily for auto workers laid off due to foreign import competition. Today, you have confirmed that the existing \$380 million program suddenly has increased \$1.5 billion. Are there any more surprises on the horizon?

Answer: The Department does not anticipate any new certifications of a magnitude comparable to those for the workers of Chrysler, Ford and General Motors. It is true, however, that the program is better known than in the recession of 1974 and 1975 and that petitions for assistance will reflect layoffs nationally in virtually all industry sectors. Depending on the overall performance of the economy and on import competition, certifications covering additional major industrial sectors might occur.

Question: Might payments to auto workers skyrocket even higher?

Answer: It is not only difficult to accurately forecast the extent of the current downturn in the economy but impossible to predict what impact imports will have in the months ahead. While it is normal to expect imports to decrease as the economy slows down, events overseas could lead to a more aggressive marketing and pricing by foreign competitors, thus exacerbating the layoffs already occurring.

Question: Might other industries, such as steel and rubber, suddenly put billion-dollar demands on this mandatory benefit program?

Answer: The Department's best judgment is that this will not occur in the balance of FY 1980 and 1981, but there can be no guarantee in this regard. Whether the judgments with respect to auto worker payments are valid, again depends on the unpredictable actions of car buyers. The estimates on auto worker payments represent reasonable estimates based on what is known now.

Question: What plans do you have for the future of the trade adjustment assistance program if it continues to soar to multi-billion dollar level?

Answer: We do not expect trade adjustment assistance to be a multi-billion dollar payment program past FY 1981. The recent substantial payment increases are due to the unanticipated large-scale layoffs in the auto industry.

The Administration is currently reviewing the program. At this time, no legislative initiatives are contemplated in connection with the supplemental budget request.

Question: Are you requesting the entire two-year cost of \$1.5 billion in a supplemental?

Answer: Yes, we are requesting a supplemental appropriation of \$1,953,000,000 for the Advances to the Unemployment Trust Fund and Other Funds Account, of which \$1,522,000,000 is for an increase

in the amount necessary for non-repayable advances to the Federal Unemployment Benefits and Allowances account. We are requesting that these funds remain available until September 30, 1981.

Because of the uncertainties in the economic situation and the inherent difficulties in estimating the TAA program, it is possible that some of the \$400 million planned for FY 1981 could be needed in FY-1980. In order to avoid the possibility of a second emergency supplemental for TAA, the full \$1.5 billion supplemental is needed.

Error in Budget Estimate for Trade Benefits

Question: We understand that mandatory benefit payments to workers who lose their jobs due to foreign import competition may be a billion dollars higher than your original fiscal 1980 budget request. To what degree are the numbers of workers being certified for trade adjustment assistance exceeding your original budget projections?

Answer: The numbers of workers being certified for trade adjustment assistance are exceeding our original projections by approximately 68 percent so far this year and are expected to exceed our original projections by as much as 230 percent for the fiscal year.

Question: How do you propose financing these higher trade adjustment benefit costs?

Answer: We have requested a supplemental for the Advances to the Unemployment Trust Fund and Other Funds account which provides for \$1.5 billion to remain available until September 30, 1981 for the purpose of providing non-repayable advances to the Federal Unemployment Benefits and Allowances account, from which Trade Act benefits are paid.

Question: Why didn't you have better advance warning about the impact of foreign imports on domestic employment?

Answer: Aggregate measures of employment displacement associated with increased imports are usually based on relatively old data and involve comparisons between different data series that are not necessarily equivalent in terms of industry coverage for purposes of relating changes in employment, production and imports.

Even if such data were more current and internally consistent, it would be difficult to forecast the adjustment assistance caseload. The trade adjustment assistance program caseload depends on imports of specific products like or directly competitive with the products produced by workers seeking adjustment assistance. Data on specific products is rarely available in the detail and currency that would make it useful for predicting caseload. The Trade Act of 1974 provides for a monitoring system which was intended to provide advance warning about the impact of imports on domestic employment and production. Because of technical and other difficulties, the monitoring system has yet to be implemented on a meaningful scale.

Program estimates, therefore, are essentially based on short-term projections of current caseload levels. These projections are less accurate during periods of abrupt economic change or relatively unstable economic conditions. Unfortunately, a relative abrupt change

in consumer preference for automobiles occurred at a time when the domestic industry was less able to adjust its production to meet the automobile demand that developed as compared to foreign producers. The Department was aware of the caseload developing in the auto industry as early as last September. However, because of budgeting procedures, it was necessary to await actual evidence of caseload developing in the field before the budget estimates were revised.

Question: Is your new estimate based solely on increased unemployment in the auto industry, or do you also take into account layoffs of steel and rubber industry workers, hit with a ripple effect from the auto layoffs?

Answer: Yes, we have based our new estimate solely on actual and pending certifications in the auto industry. We do not anticipate that the steel and rubber industries will have a significant effect on outlays in FY 1980 or FY 1981.

Consultant Cut

Question: In his message to Congress on the recent Fiscal Year 1981 budget revisions, the President listed as one of his principal actions, "A 15 percent reduction in the use of consultants throughout the Federal Establishment."

For Fiscal Year 1979, the latest year for which information is available, you reported consultant costs of \$23.6 million.

Are you planning to reduce that amount by 15 percent for fiscal 1981?

Answer: The consulting services amount of \$23.6 million was reported for FY 1979. The total for FY 1981, however, is currently estimated at \$11.9 million. The proposed reduction of 15% would be taken against the FY 1981 estimate and result in an overall cut of almost \$1.8 million.

Question: Specifically, where are you going to make cuts in consultant services? Who loses?

Answer: The Department is just now in the process of formulating the reduction plan in accordance with OMB requirements. The actual impact on individual programs has not yet been determined.

Cost of Travel

Question: Recently, Senator Proxmire put tables in the Congressional record showing travel costs being incurred by the various Departments and Agencies.

For the Department of Labor, the tables show Fiscal 1979 obligations of \$44 million, well behind other Departments and Agencies. However, the tables show that on the basis of average travel expenditure per permanent employee, the Labor Department stands third in the Federal Government, close behind the Department

of State and the military side of the Department of Defense. Labor's cost per permanent employee is \$1,987.

Why is the travel expenditure per permanent employee so high in the Labor Department?

Answer: The Department of Labor's travel budget represents a small percentage of the total budget--less than 0.1 percent of the total operating budget of \$1.0 billion. Nevertheless, it is an essential component of a budget that requires continual travel in many program areas. The Department's inspection and enforcement activities require that Federal employees regularly visit workplaces through the United States, e.g., OSHA and MSHA inspection activities and ESA enforcement activities. In addition, the Bureau of Labor Statistics data collection activities are highly travel intensive. The Employment and Training Administration's technical assistance and program monitoring responsibilities also require extensive travel. The Office of the Inspector General's and LMSA's audit and investigation requirements also reflect a considerable amount of travel in order to carry out their programs.

Question: What can be done to bring this cost down without impairing Departmental effectiveness?

Answer: There is no alternative to Federal employee travel if the Department is to meet Congressionally-established objectives. Very little discretion is available to the Department to reduce or manage these costs if program levels are to remain constant. Most of these costs are related to "in and around" travel of field employees.

At current rates of inflation, there is very little that the Department can do to bring these costs down. Recent CPI trends have shown an annual increase of 15 to 20 percent for travel-related factors. The Department can manage a limited amount of the increase by controlling non-essential travel in some activities, but reductions in this area are not large enough to offset mandatory cost increases in essential, program-related travel. Reductions to the Department's travel budget would necessarily affect nearly all programs and require curtailment of major objectives.

Federal Salaries and Expenses

Question: Your revisions to the fiscal 1981 budget now ask for reductions of \$14 million in Salaries and Expenses of various Labor Department offices.

Will these reductions be made through normal staff attrition or will actual program cuts be necessary?

Answer: Generally the Department will make these reductions by normal staff attrition, that is by allowing jobs to remain unfilled to allow a reduction in staff years. However, in order to accomplish the total \$14 million reduction, \$3.7 million of the reduction will be made in audit and study funds.

Question: Will you be reducing the budgeted level of OSHA and mine safety inspectors?

Answer: MSHA proposes no reduction in mine safety inspectors.

There is no reduction in the number of safety and health inspectors, or other positions, budgeted for OSHA. In fact, the 47 new compliance positions which Congress authorized and funded for a part year in 1980 will be fully funded and staffed in 1981.

The \$446,000 reduction in personnel compensation for OSHA's enforcement activity in 1981 will not decrease the number of inspections made in 1981, since the higher lapse rate affects only the average time to bring on-board replacement personnel for normal staffing turnover. Newly hired compliance officers must ordinarily complete an extended period of classroom and on-the-job training before making independent inspections, and would not be making inspections in 1981 in any event.

Question: What will happen to the increases previously budgeted for two Mine Safety and Health Administration facilities?

Answer: Basically, the increase previously budgeted for consolidation of all Approval and Certification functions at one modern location will be delayed. Initially, in the FY 1981 budget MSHA included \$6,250,000 for consolidating all Approval and Certification activities now housed at four different locations at Triadelphia, West Virginia (Dallas Pike facility). The reduction of \$1,820,000 proposed in the budget amendment will extend the initial phase of construction of the facility. The outer structure of the main building, which will eventually house all Approval and Certification activities, can be constructed. However, the total construction cannot be committed in FY 1981 as previously planned. The relocation of the mine illumination simulator from the National Mine Health and Safety Academy to Dallas Pike will also be delayed, as will the relocation of the two test chambers currently located in Pennsylvania.

The increase previously budgeted for purchase and alteration of the Mine Emergency Operations Facility at Hopewell, Pennsylvania, will delay alterations to the facility. The FY 1981 budget included \$600,000 to purchase the land and structure and \$400,000 for building alterations. The reduction of \$400,000-proposed in the budget amendment will postpone the building alterations. Purchase of the Hopewell site is still requested.

Black Lung Benefits

Question: When do you estimate you will need an enacted Black Lung supplemental to avoid running out of money to pay mandatory benefits?

Answer: When you ask about "mandatory" benefits, I assume that you are specifically referring to ongoing monthly income maintenance benefits, though the Trust Fund is required to pay all monthly and retroactive benefits to which a claimant is found entitled.

The Trust Fund currently has sufficient funds to make monthly payment only through July 15th.

Question: Are Black Lung benefits running even higher than you anticipated in January and, if so, by how much?

Answer: No, our latest available data indicate that cases adjudicated in the last few months will on average receive an estimated \$13,780 in benefits through September 15, 1980. This compares to an earlier estimate of \$15,650 per case. The weekly claim approval rate has also been steadily falling since early March.

Question: What consideration is being given by the Administration to requesting an urgent Black Lung supplemental, instead of including it in the regular government-wide Fiscal 1980 supplemental?

Answer: The Department on several occasions has stressed the urgent need for the Black Lung supplemental to the Congress. It is our understanding that the Office of Management and Budget has also notified Congress as to the urgency of this supplemental.

Impending Cutoff of Unemployment Benefits

Question: We understand you will run out of funds by May 23, 1980 for Federal Unemployment Benefits and Allowances, due to the unexpected high level of Trade Adjustment Assistance benefits. You indicate 600,000 people could have their checks delayed. Of those who would have their benefits cut off, how many are workers adversely affected by foreign import competition, and how many are ex-servicemen and former Federal employees?

Answer: According to our estimates, approximately 334,000 trade-impacted workers, 127,000 ex-servicemen and 63,000 former Federal employees and 76,000 former PSE workers would have their benefits cut off.

Question: How many of the 600,000 beneficiaries facing possible delays in benefits are actually still unemployed?

Answer: Virtually all of the beneficiaries are still unemployed, as the rate of entrance of newly unemployed into the various benefit programs is at least equal to or exceeds the re-employment rate.

Question: Since it is unlikely a Supplemental can be enacted by May 23, what contingency plans are you making to notify beneficiaries and provide other possible assistance?

Answer: Within the next few days, the Employment and Training Administration plans to alert claimants of the possibility of an interruption in payments. This will be done by issuing news releases, displaying posters in Employment Security Agencies and possibly enclosing "flyers" with the claimants' unemployment benefit checks. All Employment and Training Administration Regional Administrators have been informed that present FUBA resources will be exhausted by approximately May 23, 1980. Also, States have been instructed to continue to take and process claims to the point of payment, even though funds may not be available at the time the claim is taken. This will expedite payments when funds are made available.

Estimating Trade Benefits

Question: Explain how you arrived at the estimate that an extra billion dollars will be needed for trade adjustment assistance benefits.

Answer: Based on information gathered by the State Employment Security agencies from the automobile plants pending certification, it is estimated that there are approximately 600,000 people associated with these plants where petitions are pending. This includes current plant employment as well as individuals on permanent or temporary layoff since January 1979.

As of the end of March there were approximately 212,000 workers permanently laid off in the domestic auto industry (a permanent layoff is one of 6 or more months in duration). In addition, it is anticipated that most individuals have or will experience one or more periods of temporary layoff (1-3 weeks each) between January 1979 and September 1981 due to layoffs during model changeover, etc. If these plants are certified, this will result in a large number of compensable short-term layoffs due to the Trade Act provision. The provision states that all workers who are covered under a certification, and who experience a week of unemployment, are potentially entitled to trade adjustment assistance allowances.

Since the investigations which will decide whether these petitions are certified are still in progress, it has been assumed for estimating purposes that petitions covering 450,000 of the 600,000 workers will be certified and they will apply for and be eligible for some amount of trade allowances during 1980 and 1981. Of these it has been assumed that 200,000 will have been permanently laid off and that the remainder, 250,000 have or will experience temporary layoffs during the two year period.

During Fiscal Year 1980, it is anticipated that 290,000 will apply for benefits, of whom 130,000 will have been permanently laid-off and 160,000 will have had temporary layoffs. The remainder, 160,000 will apply during Fiscal Year 1981. This will include 70,000 on permanent layoff and 90,000 on temporary layoff.

Question: How much of this additional amount is for benefit payments for workers that have already been certified?

Answer: At this time, approximately \$350 million of this additional amount is for payments to workers that have already been certified.

Question: How many trade adjustment assistance cases are currently pending approval at the Labor Department, affecting how many workers?

Answer: It is not possible to estimate the number of cases currently under investigation which will be certified. Only after the investigation is completed and the certifying officer has acted can it be known if a certification will be issued. Investigations have been completed on the last cases involved in the mass filings by the UAW covering GM and Ford. As of May 13, 1980, there were about 700 petitions covering about 30,000 workers under investigation plus 360 petitions where the investigation had not yet been instituted.

Question: Provide for the record a list, by industry, of the number of workers currently receiving trade adjustment assistance benefits and the amounts, with national totals. Also provide your projection of additional workers and amounts, by industry, who are expected to receive benefits for the remainder of fiscal 1980, as well as for fiscal 1981.

Answer: In the UI accounting system, from which trade adjustment assistance benefits are paid, the specific industry of each recipient is not a reportable item. Nationally at present, 250,000 workers are receiving trade adjustment assistance benefits which total, through March, \$367,000,000. We anticipate in Fiscal Year 1980 that about 213,000 workers in industries such as footwear, apparel, steel, and electronics will receive trade readjustment allowances. An additional 290,000 auto workers are also expected to receive benefits in this fiscal year. In Fiscal Year 1981 it is anticipated that about 160,000 auto workers and 218,000 workers in other industries will receive trade adjustment assistance.

GAO Report on Trade Adjustment Assistance

Question: The General Accounting Office, in a report issued January 15, 1980, found that almost three-fourths of the workers who received trade adjustment assistance benefits went back to work at their old firms. About 60 percent of those who received benefits were already back to work at the time they applied for trade adjustment assistance. It took an average of 267 days for workers to receive benefits from the time of petition filing.

Do you think the law should be changed to restrict Trade Act benefits to workers who cannot find a job?

Answer: The GAO report accurately reflects program performance for the initial years of the program. Performance over the more current period has improved considerably. Most workers receive benefit payments in approximately 90 days after filing a petition for certification.

The Department is in the process of reviewing the GAO Report and other related data on Trade Adjustment Assistance.

Question: What has been done to shorten the delay between petition filing and receipt of benefits for import-affected workers?

What improvements have been made in the statistics cited previously from the GAO report?

Answer: The Department has undertaken an extensive outreach project which has had the effect of encouraging the early filing of petitions by workers and concurrently has had state agencies to make payments to workers in most cases within three weeks of certification. Also, over the past year most certification investigations are completed within the 60-day period required by the law, and the remainder within 90 days, so that in most instances benefits are delivered to workers approximately 90 days after a petition is filed.

Determining Impact of Trade Competition

Question: What are the criteria used by the Labor Department for determining whether a petition for trade adjustment assistance is certified?

Answer: Following an investigation based on a worker petition, if the Department finds that the firm or subdivision of the firm has experienced a production or sales decline, that a significant number of workers have been wholly or partially separated (or threatened with such separations) and that increased competitive imports have been an important factor in the layoffs and decline, it issues a certification to the petitioning group of workers. The certification establishes an impact date on or after which the layoffs are covered. Certifications are usually valid for two years.

To determine whether increased competitive imports have been an important factor, or in the language of the Trade Act of 1974 have "contributed importantly" to the layoffs and the sales or production decline, the Department typically contacts a representative sample of the firm's customers and inquires as to their recent purchases from the firm and from its domestic and foreign competitors. If changed purchasing patterns towards foreign goods are significant and are associated with worker separations, the Department judges that the Trade Act criteria are met.

The legislative history of the Trade Act of 1974 provides only limited guidance as to the meaning of "contributed importantly". An important factor must be more than "de minimis" but may be less than another important factor. It was Congress' intention to avoid a quantification of various factors contributing to worker separations such as "X" percent increased imports and "Y" percent business cycle and "Z" percent special technological change. Dominant causes such as the flooding of a plant or a fire were recognized as setting limits on a possible certification even where increased imports may be a factor in worker separations.

Question: How do you decide whether an auto worker lost his job due to the impact of foreign import competition, as opposed to other causes, such as decreased sales due to recession and high-interest rates?

Answer: Since automobiles are marketed nationally and directly through dealers to the consumer, the Department has been unable to evaluate automobile petitions in the same way it does other petitions. What the Department does is rely on aggregate import data of "like or directly competitive" vehicles. Based on a number of factors such as fuel mileage, overall size, passenger accommodation and price, the Department assigns both imported and domestically-produced automobiles to car classes. It then evaluates imports and domestic production based on those classes. If the Department finds that there has been an increase on an absolute basis or relative to domestic production of imports in the relevant class lasting over a significant period of time and if that increase is associated with decreased production and significant layoffs at the petitioning plant, it issues a certification of the workers at the plant producing the relevant car. In some cases, the impact of imports from Canadian plants of Chrysler, GM and Ford can be a significant factor in a certification. In these cases, the identical product typically is produced in Canada and brought into this country displacing potential jobs in the same company as well as

posing a competitive threat to domestic workers in other companies producing competitive vehicles.

Over the last three years, the Department has identified five car classes: subcompact, compact, intermediate, standard and luxury special. Over the past year or two, however, there has been a significant downsizing in domestic automobiles and some upgrading of imports which--particularly in the compact and intermediate classes--have resulted in substantial shifting of vehicles from one class to the other. To smooth out the data in the most recent automotive investigations, therefore, the Department has combined the compact and intermediate classes into a mid-size class. This has served to facilitate analysis of domestic production and import changes. Recent escalation in fuel costs, in the Department's view, has somewhat altered and heightened the traditional competitive relationships in the auto market with the result that there has been an increased moving down by American buyers in terms of car classes over the past year. Under the circumstances, the Department in some cases has not confined itself to analyzing the market in the same car class but also in the next lower class.

Import penetration in the last several months by foreign vehicles has reached an historic high. The severity of the onset of gasoline price increases coupled with a high rate of inflation has impacted heavily on sales of all U.S. automobiles but particularly larger-sized vehicles.

While it is true that tight credit conditions have impacted on car sales, these policies are of relatively recent origin and have started to bite only within the past month or two. Notwithstanding tighter credit conditions, during the first quarter of model year 1980, imports increased by 10 percent while domestic production fell by almost 25 percent from model year 1979 levels. Similarly, an economy entering recession has doubtlessly played an important role in declining auto sales.

The auto certifications are based on production, sales, employment and import data that antedate the institution of tight credit policies by the Federal Reserve System by more than six months; there is little evidence--at least through March--that even the tight credit policies have had any noticeable impact on the trend of auto imports which continue to increase in both absolute and relative terms.

Under the circumstances, even if tight credit or recession are important factors discouraging domestic auto sales, it is consistent with the standards set in the Trade Act that cognizance be given to increased imports as an important factor contributing to the problems of the workers in the industry. The evidence of import impact appears conclusive; imports beginning in model year 1979 and continuing into model year 1980 have captured a large and growing share of the domestic market.

CETA Rescission Versus Deferral

Question: What would be the impact of rescinding \$394 million in CETA funds, which you are proposing be deferred in fiscal 1980?

Answer: The availability of funding for CETA programs is for two years. The provisions of Title X of the Congressional Budget and Impoundment Control Act require rescissions only to the extent that a determination is made that the funding will no longer be required. This is not the case in this instance--the 1980 funding currently available can be applied to the 1981 program. Certain practical problems seemed to dictate the deferral of funds which have already been obligated at the Federal level. A rescission would require a complex recall (deobligation) of 1980 funds and a reallocation at revised funding levels. Under the deferral plan, the Employment and Training Administration will be able to manage the system from now through 1981 once Congress acts upon the amended 1981 request. Congressional action on the 1981 request can take into account the application of 1981 funds to the 1981 program. This method seems to provide the least complicated approach without taking away Congressional options.

Reallocating CETA Funds

Question: How much money do you expect to reclaim in Fiscal 1980 from prime sponsors who are underspending CETA funds? Indicate estimated amounts for each of the Title II-D and VI public service jobs programs, as well as the Title VII private sector initiative program.

Answer: Due to the reduction in the Fiscal Year 1981 budget request, there are no plans to reclaim Title VII funds during Fiscal Year 1980. There may be some reallocation of excess Title VII funds carried forward from Fiscal Year 1980 into Fiscal Year 1981.

With respect to Title VI, as a result of the deferral of \$203 million in the Fiscal Year 1980 budget, the Department has now suspended all reallocation activities. Such funds carried forward from Fiscal Year 1980 into Fiscal Year 1981 will be allocated at the start of Fiscal Year 1981.

For Title II-D it is estimated that \$15 to \$20 million will be reclaimed during Fiscal Year 1980. In addition, excess Title II-D funds carried forward from Fiscal Year 1980 into Fiscal Year 1981 will be reallocated at the start of Fiscal Year 1981.

Question: How do you plan to reallocate these reclaimed funds?

Answer: Reclaimed Title II-D funds will be reallocated to other prime sponsors who need and will effectively utilize such funds during Fiscal Year 1980. Such funds will first go to prime sponsors within the same State and then to prime sponsors in other States. Such factors as the reduction in Fiscal Year 1980 funding levels and local employment levels will be considered in determining where to reallocate the funds.

CETA Discretionary Funds

Question: What will be the impact of the CETA cuts you are proposing on the availability of the Secretary's discretionary funds for each title of the law?

Answer: It is anticipated that the discretionary funds under Title II-D will be greater in Fiscal Year 1981 than in Fiscal Year 1980. The total new obligational authority for FY 1980 was \$1,485 million while the amount requested for FY 1981 is \$2,435 million. The amount of the discretionary funding is based on the amount of new obligational authority.

For Title VI it is anticipated that the amount of discretionary funding available will be somewhat less in FY 1981 since the total new obligational authority in FY 1981 under Title VI is now estimated to be \$1,293 million compared to \$1,627 in FY 1980. The total actual decrease in discretionary funds is estimated to be about \$43 million, given the above figures. No other titles are affected by the budget revisions.

Question: What programs and projects are likely to be eliminated or reduced as a result of a decrease in CETA discretionary funds?

Answer: Since we are anticipating an increase in the discretionary funds under Title II-D for FY 1981, there should be no reduction in programs funded by Title II-D discretionary monies.

With respect to Title VI, since most discretionary funds are provided directly to the prime sponsors, the programs and projects eliminated would be based on local decisions. These decisions could vary significantly from locality to locality. The Department has used Title VI funds to support weatherization efforts. No decision has been made at this time as to whether Fiscal Year 1981 discretionary funds will be used to continue to support special weatherization efforts.

Question: What priority will you give to interagency transfer programs utilizing CETA funds?

Answer: The only interagency transfer programs using CETA funds are YACC and Job Corps. The funding of the YACC program is determined by the appropriation amount specified for Title VIII. The Job Corps transfer to Agriculture and Interior for conservation centers is not affected by the proposed FY 1981 reductions.

Welfare Reform Demonstration Projects

Question: Your revised budget proposes to sharply reduce funding for welfare reform demonstration projects. Instead of serving 20,000 persons, we understand these projects will now only serve 7,500.

Which sites do you plan to close entirely and how much would each of the remaining projects be reduced?

Answer: We are still in the process of making a decision regarding the exact distribution of dollars by site and will be meeting with the sites over the course of the next month or two to work out the details of the distribution; however, because we are working with a substantially lower budget than originally proposed, it is now clear that we cannot start up two sites (North Carolina Balance of State and Pittsburgh) which have not yet successfully completed the planning phase. In addition, because we do not have enough money within the Employment Opportunities Pilot Program budget to fund more than 12 sites, we will have to fund some operating programs entirely from II-D discretionary resources and supplement some of the other sites with such monies.

Question: What do you expect to learn from these scaled-down welfare reform demonstration projects?

Answer: We still expect to learn a great deal from this program that will be key to the implementation of any employment and training programs that will attempt to serve welfare recipients. For example, while we have very promising initial results that show that the eight week job assistance program is highly effective in helping recipients find unsubsidized private sector jobs, more evidence needs to be gathered before we can say with precision what the long term success of the program will be for different population groups and under varying economic conditions.

Another example involves supportive services. We expect to learn the extent to which the welfare population needs supportive services to go to work; how much child care services are needed; and how difficult it is to provide such services.

Another example relates to cost. We expect to develop precise cost estimates for an employment and training alternative that takes account of all the welfare related savings and other benefits to society (e.g., services provided to the community through PSE jobs) that such an alternative would generate.

Preliminary information from the demonstrations indicates that the welfare related savings are going to be greater than we had previously estimated, thereby suggesting that the national welfare program can be implemented at lower total costs.

Question: What legislative changes will be necessary to implement these projects under title II-D of CETA, rather than under the more flexible CETA title III authority as originally proposed?

Answer: The Department plans to fund the welfare reform demonstration program in FY 1980 and FY 1981 basically with the title III monies appropriated for the program in FY 1980. One hundred seventy-five million dollars was appropriated under title III for the program in FY 1980, and of that amount, it is estimated that about \$29 million will be expended on the program in FY 1980 and about \$107 million will be expended in FY 1981, with the remaining \$39 million to be made available for Other National Programs in FY 1981. (Making available the \$39 million for Other National Programs makes it possible for the Department to reduce its FY 1981 budget request for Other National Programs by an equal amount without affecting its program level.) In addition to the title III monies, some II-D discretionary monies may also be used to support program operations in FY 1981. The exact amount of

FY 1981 II-D monies that may be used will be determined later after reviewing program operating experience in FY 1980.

Obviously to the extent that we can rely on the title III monies for the primary funding of the projects, no legislative changes are necessary to implement the program. However, we are still investigating the potential problems that might rise in cases where pilot project funding is supplemented with title II-D monies.

The Department plans to explore further with the authorizing Committees of Congress possible solutions to these problems and to any others that may potentially hinder proper operation of the demonstration program.

Young Adult Conservation Corps

You plan to defer \$41 million in Fiscal 1980 appropriations for the Young Adult Conservation Corps (YACC) and cut \$141 million below your original Fiscal 1981 request for this program. The current level of 21,900 slots, we understand, would drop to 13,530.

Question: Will your proposed reductions in the Young Adult Conservation Corps require terminating any enrollees currently in the program?

Answer: The goal of the Department, which is completely shared by the Departments of Agriculture and the Interior, is that no YACC enrollees should be laid off. Because YACC enrollment is limited to one year and the enrollee turnover rate is fairly high, normal attrition should be sufficient to reduce enrollment levels without enrollee layoffs in most cases. However, it is possible that in some State grant programs, especially those which began FY 1980 with little or no carryover funds, some enrollee layoffs may be necessary. Analysis of this situation is continuing and no definitive statement can be made at this time.

Question: Will you scale back all projects across-the-board or eliminate selected YACC camps?

Answer: A number of factors will determine which YACC programs are reduced or eliminated. First, by law 30 percent of all YACC funds are distributed to the States based on the relative youth populations of each State. Thus, each State will take a proportionate cut in its YACC program. Second, within each State program and each of the two Federal programs, a number of judgements will be made to determine which specific projects and camps will be phased down or eliminated. Among these judgements will be: the relative need and amount of work to be performed by each project, the cost of the work, and the past effectiveness of the project. Third, the Department is concerned that a large proportion of Federal projects are located in States with relatively low youth populations, especially in terms of urban and economically disadvantaged youth. One factor which will be examined is the proportion of Federal YACC slots in the various States compared to the youth populations in those States. It is possible, therefore, that some States or projects will take a higher percentage of cuts than others.

Question: Specifically, how will the reduction be applied to each of the State programs and the Interior and Agriculture Department programs?

Answer: By law, 30 percent of YACC funds are provided to States as grants by formula based on the relative youth population of the States. By agreement, the Departments of Agriculture and the Interior each receive one-half of the 70 percent of YACC funds that remain. Therefore, any cuts in the program would occur using the same procedure, i.e., 30 percent would be applied to the State program, 35 percent would be applied to the Agriculture program, and 35 percent would be applied to the Interior program.

Reduction in Public Service Jobs

Question: How quickly do you anticipate reducing the number of public service jobs under Title VI of CETA from the current level of 195,000 down to 149,000?

Answer: At the present time, based on an estimated attrition rate of six percent and the Department's recent decision prohibiting the hiring of new participants or refilling of vacancies under Title VI, we anticipate reaching the 149,000 level no later than September 1980.

Question: Will this reduction in jobs be accomplished entirely through attrition, without layoffs?

Answer: At this time, we expect the entire reduction to be achieved through attrition.

Question: How rapidly would the level of CETA Title VI public service jobs decline by the end of Fiscal 1980 if a total freeze was placed on hiring, assuming normal attrition?

Answer: A total freeze on new Title VI enrollments has been imposed. We estimate that actual enrollment levels should decline because of attrition to a level of about 149,000 by no later than the end of Fiscal Year 1980.

Question: Provide for the record a month-by-month estimate of how CETA Title VI public service jobs would decline through fiscal 1981 if no new hires were allowed to replace vacancies and indicate how much fiscal 1981 appropriations could be reduced if such a strategy were adopted.

Answer: The following are the month-by-month projections rounded to the nearest thousand.

September 30, 1980	149,000
October 31, 1980	140,000
November 30, 1980	132,000
December 31, 1980	124,000
January 31, 1981	116,000
February 28, 1981	109,000
March 31, 1981	103,000
April 30, 1981	97,000
May 31, 1981	91,000
June 30, 1981	85,000
July 31, 1981	80,000
August 31, 1981	75,000
September 30, 1981	71,000
<u>Average</u>	<u>105,000</u>

Since the current plan for Fiscal Year 1981 is for 149,000 service years, the current appropriation request is for \$1,293,000,000. With the reduction indicated by continuing the hiring freeze, enrollment would average only 105,000. This would result in a reduced Fiscal Year 1981 appropriation need of \$794,000,000 or \$499,000,000 less the \$1,293,000,000 currently requested.

It should be noted that with a hiring freeze for the period April 25, 1980, through September 30, 1981, unless the freeze is lifted, only those participants hired during the month of April 1980 will not have exhausted their 18 month maximum period of participation by September 30, 1981. The Department does not feel that it has any legal authority at this time to continue a hiring freeze subsequent to September 30, 1980.

The estimated attrition rate does not include participants who might leave the program as a result of completing the maximum 18 months of participation. Therefore, the rate of decrease could be even greater with a hiring freeze. On the other hand, the current economic situation may result in participants remaining in programs longer than they otherwise would have, thereby reducing the normal attrition rate. At the present time, the Department feels that these two factors will offset each other.

Carryover in Public Service Jobs Funds

Question: Enrollments in the Title II-D public service jobs program currently at about 185,000 continue to lag far below the level of 250,000 jobs for which funds were appropriated. How much excess unspent carryover do you estimate will be available in fiscal 1981 as a result of slow filling of CETA Title II-D public service jobs?

Answer: There should be very little excess funds in the system due to the lower than anticipated Title II-D level because, as we have explained before, due to lower than anticipated carry-in amounts and higher than anticipated unit costs, the FY 1980 appropriations level was only sufficient to fund 203,000 service years, not 223,000. We now plan to provide 200,000 service years, only 3,000 less than originally planned.

Transferring Enrollees Between Public Service Jobs Programs

Question: How many enrollees in the CETA Title VI public service jobs program do you estimate would also be eligible for enrollment in the Title II-D program?

Answer: This type of information is not collected. However, the Department estimates that at least one-fourth of the Title VI enrollees would meet the Title II-D eligibility requirements. Therefore, using the March 31, 1980 enrollment in Title VI of 196,000, it is estimated that there are 49,000 participants in Title VI who meet the Title II-D eligibility requirements. We would caution however, that since no actual data exists, this estimate must be considered soft.

Question: If the Title VI jobs program is cut, would you encourage transferring eligible enrollees to the Title II-D program:

Answer: The Department has always had and will continue a policy of allowing Title VI participants who were eligible for Title II-D, at the time of their enrollment into Title VI, to be transferred to Title II-D. The Department from time to time reminds prime sponsors of this policy.

Unemployment Benefits to Ex-Public Service Jobs Enrollees

Question: You are proposing a legislative change to eliminate Federal unemployment benefits for ex-public service jobs enrollees.

Are you suggesting the appropriations bill eliminate mandatory unemployment benefits before the substantive legislation is changed?

Answer: The Administration plans to propose legislation to eliminate Federal funds for UI benefits to PSE participants. The Department of Labor will not request the elimination of mandatory unemployment benefits through the appropriations process.

Question: Even if authorizing legislation is changed, have you determined which States would still be required to pay unemployment benefits to ex-public service job enrollees?

Answer: At the present time we believe five states (Alabama, Michigan, Minnesota, New York, and Wisconsin) would continue to pay unemployment benefits to ex-PSE enrollees. Other States may continue if they choose to.

Question: Wouldn't you expect many local CETA project sponsors who couldn't afford to pick up the extra cost of UI benefits to simply drop sponsorship of their entire public service jobs programs?

Answer: We do not believe that any prime sponsors will drop out of the CETA program for this reason.

Cost of Unemployment

Question: How much does it cost in mandatory jobless benefits for each one percent rise in unemployment?

Answer: A precise answer to this question would depend on our ability to specify many features of the distribution of unemployed--how many were new or reentrants and hence not UI-eligible; the industries in which the formerly employed had worked, etc. On average, a one percentage point rise in the unemployment rate, up to a total unemployment rate of about 7.5 percent, results in an increase of about \$4.0 to 4.2 billion in annual mandatory jobless benefits. This is the sum of about \$3 billion in increases in regular State benefits, \$150-300 million in increases in Federal Unemployment Benefits and Allowances, and \$800-900 million in extended benefits (EB). When the unemployment rate exceeds about 7.5 percent, the national EB trigger is activated, raising eligibility and costs of the EB program. For each percentage point increase above 7.5 percent, it is estimated that the total jobless benefit costs would increase by about \$4.7 to \$5.1 billion per year.

Question: What is the total additional cost of all government mandatory benefit programs for each one percent rise in unemployment?

Answer: The latest research on the issue of the responsiveness of mandatory benefit programs (other than UI, which is explained in the previous question) to the unemployment rate indicates that there are both immediate and delayed effects. A one percentage point increase in the unemployment rate raises outlays of these programs by about \$1.1 billion (at FY 1981 budgeted price levels) in the first year; if the higher unemployment rate should remain at that level for a year, the second year cost would be \$1.8 billion higher than at the lower unemployment rate. Combining this information with the estimates for UI reported in the previous question, a reasonable estimate for total additional costs for a one percentage point rise in the unemployment rate (to 7.5 percent or less) would be about \$5.1 to \$5.3 billion in the first year; and if the level persisted, \$5.8 to \$6.0 billion in the second year.

Question: By cutting a billion off your original CETA budget request, how much more will have to be spent for such mandatory benefit programs as welfare and unemployment compensation?

Answer: Cutting the Title VI program would result in higher income transfer costs. The CETA reauthorization was intended, through tighter targeting, to increase the participation of welfare recipients. In Fiscal Year 1979, 20 percent of Title VI participants were receiving public assistance and 12 percent were receiving Title VI benefits. CBO estimates that between 15 and 25 percent of the "savings" from cutting PSE would show up as costs in the income transfer parts of the budget. Assuming a 20 percent welfare offset, a \$1 billion cut in Title VI would result in a \$200 million increase in the public assistance programs. This would mean only a net reduction of \$800 million.

Washington State Welfare Reform Project

Question: Is it true that Washington State will no longer be designated as an "official" employment opportunities pilot program site? Please explain what changes are contemplated.

Answer: Because we do not have enough monies within the Employment Opportunities Pilot Project (EOPP) budget, we will have to fund some operating programs such as the Washington State project entirely from Title II-D discretionary resources in FY 1981 rather than from the official EOPP budget. We believe that no changes in the method of operation of the Washington State program are necessary because of the use of this funding mechanism. The State should have sufficient Title III carryover monies from FY 1980 to cover the costs of activities in FY 1981 which cannot be covered under the II-D authority.

Question: How much money will be made available, from which specific authorities, to continue this demonstration site? The EOPP site is in a four-county area whose major industry is lumbering and forestry. Unemployment in those areas is rapidly escalating. Many of the workers in those trades are not covered by unemployment insurance. Their only recourse will be to go on welfare.

Answer: We are still in the process of making a decision regarding the exact distribution of dollars by site and will be meeting with the sites (including Washington State project personnel) over the course of the next month or two to work out the details of the distribution. New funding for the Washington State program in FY 1981 will come from Title II-D discretionary resources.

SUBCOMMITTEE RECESS

Senator MAGNUSON. All right, the committee will stand in recess until 2:30 p.m., when we hear Secretary Hufstedler on the Department of Education.

[Whereupon, at 11:20 a.m., Tuesday, April 22, the subcommittee was recessed, to reconvene at 2:30 p.m. this same day.]

(AFTERNOON SESSION, 3 P.M., TUESDAY, APRIL 22, 1980)

DEPARTMENT OF EDUCATION

STATEMENT OF SHIRLEY M. HUFSTEDLER, SECRETARY OF EDUCATION

ACCOMPANIED BY:

JOHN GABUSI, ASSISTANT SECRETARY FOR MANAGEMENT

THOMAS K. MINTER, ASSISTANT SECRETARY-DESIGNATE FOR ELEMENTARY AND SECONDARY EDUCATION

THOMAS A. BUTTS, ACTING DEPUTY COMMISSIONER, BUREAU OF STUDENT FINANCIAL ASSISTANCE

CORA P. BEEBE, DIRECTOR, DIVISION OF PLANNING AND BUDGETING

REVISED BUDGET OVERVIEW

Senator MAGNUSON. The subcommittee will come to order.

This afternoon we are going to hear from the Secretary of Education, who will explain the revised budget for fiscal 1980 and 1981.

The administration is proposing revisions totaling \$430.1 million, and an increase of \$97 million to finance increasing interest rate costs in the guaranteed student loan program. In addition, the revised fiscal 1980 budget proposes to defer \$140 million in the basic opportunity grants. The revised budget for fiscal 1981 has reductions totaling \$648.2 million. Again, we have a proposed increase of \$268.3 million for the guaranteed student loan program.

Your statement will be inserted in the record at this point. Madam Secretary, will you proceed with your opening remarks?

[The statement follows:]

STATEMENT OF SECRETARY SHIRLEY MOUNT HUFSTEDLER

We appear before you today in an unprecedented, cooperative effort by the Congress and the Executive Branch to reverse the dangerous inflationary trends in our economy.

As you know, an essential element of the President's anti-inflation program is the reduction of Federal expenditures by \$15 billion in 1981. This balancing of the Federal budget, along with other measures, is expected to produce a significant decline in inflation as the year progresses.

As a participant in this process, I can attest, that, while necessary, it is also difficult and painful.

The Department of Education's contribution to the anti-inflation program is to reduce 1981 expenditures by \$427 million--from our previous estimate of \$13.5 billion to a new total of \$13.1 billion. As you know, most of our programs are either forward- or advance-funded. Therefore, it is necessary for us to reduce budget authority in both fiscal years 1980 and 1981 in order to effect the desired outlay savings.

While the proposed reductions in education affect almost all categories of programs, we attempted as much as possible to minimize their adverse impact. For instance, we tried to focus the reductions in those programs where there is lesser evidence of significant benefit, where the primary responsibility rests with State and local governments, and where there is a less clear Federal role. While we have reflected cuts in two programs which target on the disadvantaged, we have designed these in such a way that they will not have a serious effect on recipients.

1980 Reductions

A net decrease of \$333 million in budget authority is proposed for the Department of Education in 1980, resulting in a revised total of \$14.1 billion. This consists of \$430 million in rescissions to appropriations and \$474 thousand in reductions to pending supplementals, offset by an increase of \$97 million for the pending Guaranteed Student Loans supplemental which results from higher cost estimates.

Some \$275 million of this reduction is in the area of elementary and secondary education. Major decreases are \$88 million in Vocational Education funds which States and localities greatly overmatch each year; \$50 million in Support and Innovation grants which will impact new projects funded by the States rather than ongoing efforts; and \$50 million in Title I Concentration Grants, the impact of which will affect less than two percent of the total number of children served under this program and will not result in eliminating services to children already participating.

In the higher education area, a net reduction of \$56 million is recommended. A rescission of \$108 million from Direct Student Loans will result in a total loan volume of almost \$600 million reaching 840,000 students. We anticipate that 162,000 students who will not have access to direct loans will be eligible for guaranteed loans.

In Basic Grants, a deferral of \$140 million from award year 1980-1981, to remain available on a contingency basis for 1981-1982, is recommended. The estimated number of recipients will remain at 2.6 million, although each grant will be reduced by \$50. We do not expect that this will significantly affect students' decisions to pursue a college education.

Other rescissions in higher education totaling \$45 million are included in a variety of small categorical programs where the Federal role is less clear and the impact on beneficiaries is not as significant as in other activities. This is consistent with our 1981 request which would terminate these programs.

We are withdrawing our request to extend the availability through 1981 of \$25 million for Architectural Barrier Removal programs. Higher education institutions are moving on their own to comply with Section 504 of the Rehabilitation Act, and it appears that the capital costs involved are relatively small for most schools.

Also proposed for higher education is an increase of \$97 million to the requested supplemental for Guaranteed Student Loans. This results from revised projections of loan volume as well as an increase in the

special allowance rate to lending institutions due to a change in economic assumptions.

1981 Reductions

Amendments to our 1981 budget, which is currently being considered by your Committee, are also included in the anti-inflation package. These reflect a net downward adjustment of almost \$380 million, for a new total budget authority of \$15.1 billion, or \$1 billion over the revised 1980 level. Decreases of \$648 million in a dozen major programs would be offset by a revised increase of \$268 million in Guaranteed Student Loans.

Basically, the 1981 proposed amendments continue reductions in the revised 1980 budgets in Title I Concentration Grants (-\$150 million), Support and Innovation Grants (-\$96 million), and Vocational Education (-\$54 million), as well as some lesser reductions in such areas as Emergency School Aid, Follow Through, and Guidance and Counseling programs.

In Impact Aid, we would retain the 1981 proposal to make payments to districts which received 1980 payments for their "A" children that represented 2.5 percent or more of their 1980 current operating expenses and/or to districts which received 1980 payments for their "B" children that represented five percent or more of their 1980 current operating expenses. However, instead of making payments at 100 percent of the amount eligible districts received in 1980, each eligible district would receive a prorated share representing approximately 70 percent of its 1980 payment.

In student aid, a reduction of \$150 million is proposed for Basic Grants in 1981. Our original budget had proposed to increase the maximum award from \$1,800 to \$1,900. Instead, the revised estimate will support a maximum award of \$1,800, which is \$50 higher than the 1980 revised maximum award of \$1,750. About 2.47 million students will be eligible.

Also in line with our 1980 revision to Guaranteed Student Loans, we have amended our 1981 request upward by \$268 million, for a total of \$1.4 billion. This reflects increases in outstanding loans and in the special allowance rate due to changes in economic assumptions, as well as a refined method of estimating program costs.

Attached to my statement is a detailed listing of proposed revisions for each year. These recommended reductions represent a sound response to the need to curtail Federal spending.

We will be pleased to respond to any questions you may have.

DEPARTMENT OF EDUCATION

4/14/80

Net Change - 1970 and 1981 Revised Budgets
(Dollars in thousands)

	1972	1980 Original Estimate	1980 Revised Estimate	Net Change	1981 Original Estimate	1981 Revised Estimate	Net Change
ELEMENTARY AND SECONDARY EDUCATION							
Elementary and Secondary Education							
Concentration grants	8150,000	8200,000	8150,000	-50,000	8300,000	8150,000	-150,000
State incentive grants	---	15,000	17,000	2,000	17,000	17,000	---
Improving local educational practices	146,400	146,400	86,400	-60,000	156,400	50,000	-96,400
Strengthening State educational agency management	51,000	51,000	46,000	-5,000	51,000	46,000	-5,000
Guidance, counseling, and testing	18,000	18,000	---	-18,000	18,000	---	-18,000
				-138,000			-289,400
School Assistance in Federally Affected Areas							
Maintenance and operations	786,100	772,000	772,000	---	439,000	334,000	-105,000
Emergency school aids:							
Special programs and projects	69,250	97,769	83,250	-12,519	97,812	83,353	-14,229
Magnet schools, pairing and neutral site schools	25,000	42,504	50,000	7,496	40,000	30,000	-10,000
Grants to nonprofit organizations	17,200	5,000	5,000	---	13,000	10,000	-3,000
Experimental television and radio	2,850	6,450	6,450	---	9,838	6,450	-3,408
Evaluation	2,950	1,000	1,000	---	2,043	2,310	32,770
				-25,133			
Rehabilitation Services and Handicapped Research							
National Institute of Handicapped Research	31,500	31,500	31,500	---	37,000	35,000	-2,000
National Council on the Handicapped	---	200 ^{1/2}	121 ^{1/2}	-79	256	256	---
Vocational and Adult Education							
Vocational education basic grants	474,766	562,266	474,766	-87,500	528,871	474,766	-54,105
Career education incentive	19,500	20,000	10,000	-10,000	20,000	10,000	-10,000
				-97,500			-64,105
School Improvement							
Fellow Through	59,000	59,000	44,250	-14,750	59,000	44,250	-14,750
SUBTOTAL, ELEMENTARY AND SECONDARY EDUCATION				-275,452			-489,225

^{1/}Proposed supplemental request.

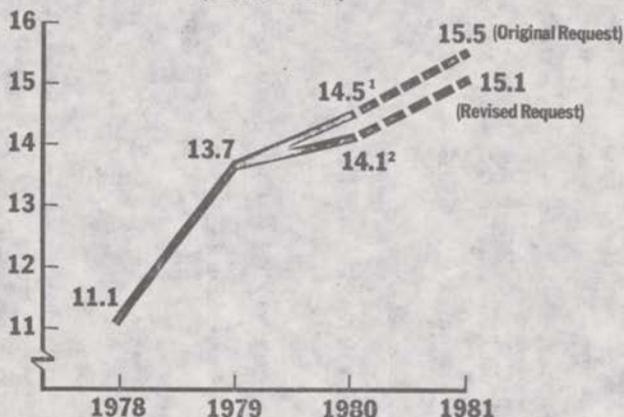
DEPARTMENT OF EDUCATION
1980 AND 1981 BUDGETS
(In Billions of Dollars)

1980				1981		Change 1980-81
Appropriation	Supplementals ¹	Rescissions	Total	Original Request	Revised	
13.8	+ .8	- .4	14.1 ²	15.5	15.1	+1.0

¹ As amended

² Total does not add to exact amount due to rounding.

DEPARTMENT OF EDUCATION
1981 BUDGET
(Billions of Dollars)



¹ Includes proposed supplemental of \$672 million.

² Includes proposed supplemental of \$768 million and proposed rescission of \$430 million.

DEPARTMENT OF EDUCATION
1980 PROPOSED SUPPLEMENTALS
(Millions of Dollars)

Program	1980 Appropriation	Proposed Supplemental ¹	1980 Total
Student Loan Insurance	\$959.6	\$758.7	\$1,718.3
Salaries and Expenses:			
Architectural and Transportation Barriers Compliance Board	1.0	.6	1.6
Commission on Review of Impact Aid Program	---	.6	.6
National Council on the Handicapped	---	.1	.1
Pay Raise:			
Salaries and Expenses		(7.4)	
Office of Civil Rights		(.9)	
TOTAL, PROPOSED SUPPLEMENTALS		\$768.3	

¹ As revised in March submission

1980 PROPOSED RESCISSIONS

(Millions of Dollars)

Program	1979	1980 Appropriation	Proposed Rescission	1980 Total
<u>Elementary and Secondary Education</u>				
Title I: Concentration Grants	150	200	-50	150
Title I: Incentive Grants	---	15	-15	---
Improving Local Practice	146	146	-50	96
Strengthening State Educational Agency Management	51	51	-5	46
Guidance, Counseling, and Testing	18	18	-18	---
Emergency School Aid:				
Special Programs and Projects	69	96	-13	83
Magnet Schools	25	43	-13	30
Vocational Education: Basic State Grants	475	562	-87	475
Career Education	20	20	-10	10
Follow Through	59	59	-15	44
Telecommunications Demonstrations	1	1	-1	---
<u>Higher Education</u>				
Direct Loans	310	288	-108	178
Education Information Centers	3	3	-3	---
University Community Services	16	10	-1	9
State Postsecondary Commissions	3	3	-3	---
Public Service Fellowships	4	4	-4	---
Mining Fellowships	4	4	-4	---
Architectural Barriers Removal	---	25	-25	---
Law School Clinical Experience	2	4	-4	---
Law Related Education	---	1	-1	---
TOTAL, PROPOSED RESCISSIONS			<u>-430</u>	

REVISIONS TO 1981 BUDGET

(Millions of Dollars)

	1980 ¹	1981		Change
		Original Request	Revised Request	
<u>Elementary and Secondary Education</u>				
Title I Concentration	\$150	\$300	\$150	-\$150
Support and Innovation	142	197	98	-101
Impact Aid	772	439	334	-105
Emergency School Aid	290	339	306	-33
Vocational Education	698	784	730	-54
Career Education	10	20	10	-10
Guidance, Counseling, and Testing	--	18	--	-18
Follow Through	44	59	44	-15
<u>Higher Education</u>				
Basic Opportunity Grants	2,262	2,309	2,159	-150
Guaranteed Student Loans	1,718	1,123	1,391	+268
<u>Research and Demonstrations</u>				
Research and Development	77	88	79	-9
National Institute of Handicapped Research	31	37	35	-2
Telecommunications Demonstrations	--	1	--	-1
TOTAL REVISIONS			<u>-380</u>	

¹ As revised

OPENING REMARKS

Secretary HUFSTEDLER. Thank you very much.

Mr. Chairman and members of the committee, we appear before you today in an unprecedented, cooperative effort by the Congress and the executive branch to reverse the dangerous inflationary trends in our economy.

As you know, an essential element of the President's anti-inflation program is the reduction of Federal expenditures by \$15 billion in 1981. This balancing of the Federal budget, along with other measures, is expected to produce a significant decline in inflation as the year progresses.

As a participant in this process, I can attest that, while necessary, it is also a difficult and painful task.

The Department of Education's contribution to the anti-inflation program is to reduce 1981 expenditures by \$427 million, from our previous estimate of \$13.5 billion to a new total of \$13.1 billion. As you know, almost all of our programs are either forward- or advance-funded. Therefore, it is necessary for us to reduce budget authority in both fiscal years 1980 and 1981 in order to produce the outlay savings.

While the proposed reductions in education affect almost all categories of programs, we attempted as much as possible to minimize their adverse impact. For instance, we tried to focus the reductions in those programs where there is lesser evidence of significant benefit, where the primary responsibility rests with State and local governments, and where there is a less clear Federal role.

While we have reflected cuts in two programs which target on the disadvantaged, we have designed these in such a way that they will not have a serious effect on recipients.

The 1980 reductions: A net decrease of \$333 million in budget authority is proposed for the Department of Education in 1980, resulting in a revised total of \$14.1 billion. This consists of \$430 million in rescissions to appropriations and \$474 million in reductions to pending supplementals, offset by an increase of \$97 million for the pending guaranteed student loans supplemental which results from higher cost estimates and from the essentially uncontrollable costs that characterize that program.

1980 SUPPLEMENTAL

Senator MAGNUSON. On the supplementals, they have just been presented before us. We haven't acted.

Secretary HUFSTEDLER. That's right.

Senator MAGNUSON. In effect, you are giving up on receiving certain supplementals, is that right?

Secretary HUFSTEDLER. In some respects. With respect to the uncontrollables, that is, the GSL payments. Those supplementals were presented to you the first time I appeared before you, but we had to revise them because the costs in the interim have risen.

Senator MAGNUSON. In other words, you are not pushing certain supplementals?

Secretary HUFSTEDLER. No; simply because in those areas we have also asked for reductions in budget authority.

Senator MAGNUSON. Yes.

GUARANTEED STUDENT LOANS SUPPLEMENTAL

Senator BURDICK. What composes the \$97 million for the guaranteed student loan supplement? What is in that \$97 million?

Secretary HUFSTEDLER. It is the combination of increased interest costs which have been incurred from the time we originally made our projections to the time we are now presenting our revisions. Second, it also contains an increased number of loans that we could not accurately project at the time we initially presented our budget figures. It also represents certain payments to State agencies which are authorized under the existing legislation, also reflecting changes in estimates.

I might add, also because it's of interest—

Senator BURDICK. You're talking about losses now, by payments to lenders?

Secretary HUFSTEDLER. No; payments to State agencies for administrative costs over and above the interest cost to lenders which is built into the legislation we are talking about.

Senator BURDICK. Does any of this \$97 million take care of defaults on the part of the students, those losses?

Secretary HUFSTEDLER. No; we have not changed the estimate for defaults from the original supplemental.

I simply point out, it may be of interest to you, that the Congressional Budget Office and our budget personnel have been working toward a system upon which there is preliminary agreement on the means by which you estimate these. Now, the CBO figures and our figures are much closer together. There is still fine tuning to be done, but we made progress in that direction.

Senator MAGNUSON. Why do you consult the Congressional Budget Office?

Secretary HUFSTEDLER. It's always nice to find out as a matter of information—

Senator MAGNUSON. But the CBO is supposed to be independent too. Sometimes they are not. It is nice to have the figures agree, but I don't think you should be beholden to the CBO on any matter.

Secretary HUFSTEDLER. I assure you we share your view profoundly. But when it comes to what kind of criteria should be taken into account in which to reach our independent figures, we think it useful to take a look at the methodology by CBO as well as reexamining our own.

Senator MAGNUSON. It may be useful, but don't spend too much time on it. [Laughter.]

With the loan interest rates so high, isn't it cheaper to give the student a grant rather than a loan?

Secretary HUFSTEDLER. It might well be cheaper to do so, but we are not permitted to do so under the present authorizing and enacted legislation.

Senator BURDICK. You mean the interest can be more than the principal of the loan?

Senator MAGNUSON. Given the time needed, with a 20-percent inter-

est rate, yes. If you borrow \$1,000 at 17 percent, in 4 or 5 years you're paying as much on interest as on the loan.

Secretary HUFSTEDLER. I agree with your suggestion, Senator Magnuson, which is, as I understand it, we ought to examine legislatively the foundation of the structure upon which this is build. The administration is firmly in favor of that.

Senator MAGNUSON. All right, go ahead.

BUDGET REVISIONS

Secretary HUFSTEDLER. In the higher education area, a net reduction of \$56 million is—

Senator MAGNUSON. Wait a moment. Some \$257 million of this reduction is in the area of elementary and secondary education.

Secretary HUFSTEDLER. I thought I would go back to that because we were talking about higher education. I will read it the way it's presented, if you wish.

Senator MAGNUSON. All right. Go ahead.

Secretary HUFSTEDLER. I will pick up where you left off. That's pretty hard for me to do because you are ahead of me on these.

REDUCTIONS IN ELEMENTARY AND SECONDARY EDUCATION

Some \$275 million of this reduction is in the area of elementary and secondary education. Major decreases are \$88 million in vocational education funds which States and localities greatly overmatch each year; \$50 million in support and innovation grants which will impact new projects funded by the States, rather than ongoing efforts; and \$50 million in title I concentration grants, the impact of which will affect less than 2 percent of the total number of children served under this program and will not result in eliminating services to children already participating.

TITLE I CONCENTRATION GRANTS

Senator MAGNUSON. Why don't you cut out concentration grants all together?

Secretary HUFSTEDLER. Because we believe they have an opportunity to improve services to disadvantaged children.

Senator MAGNUSON. I know, but title I funds should be awarded across the board and equal for everybody, not delivered as concentrated sums.

Secretary HUFSTEDLER. It was intended—

Senator MAGNUSON. I know. Former HEW Secretary Califano made big speeches. But the purpose of title I was to spread funds and give everybody an equal chance. If you concentrate, why—you're asking them to do what they should have been doing anyway.

However, that's beside the point. I'm in favor of cutting concentration grants out all together; but that's just one man's opinion.

Secretary HUFSTEDLER. I hope before you reach that ultimate conclusion—

Senator MAGNUSON. It doesn't affect title I money at all.

Secretary HUFSTEDLER. Let me put it this way—

Senator MAGNUSON. You're adding to title I money and directing it to certain spots. If you're adding to title I, do it across the board.

Secretary HUFSTEDLER. If we had adequate funding to serve, under basic title I, every single disadvantaged youngster who would qualify, I would surely agree with you. But we don't have, and never have had, enough to fill the need of all eligible children.

The concentration grants and incentive programs were designed to give incentives and to work with the most severely disadvantaged and the most innovative programs that the States could create.

Senator MAGNUSON. There will be disadvantaged people spread across the country. You're putting funds in concentration grants, taking care of certain areas. I would rather put the money in title I across the board.

HIGHER EDUCATION BUDGET

Secretary HUFSTEDLER. In the higher education area, a net reduction of \$56 million is recommended. A rescission of \$108 million from direct student loans will result in a total loan volume of almost \$600 million reaching 840,000 students. We anticipate that 162,000 students who will not have access to direct loans will be eligible for guaranteed loans.

In basic grants, a deferral of \$140 million from award year 1980-81, to remain available on a contingency basis for 1980-82, is recommended. The estimated number of recipients will remain at 2.6 million, although each grant will be reduced by \$50.

Senator MAGNUSON. You're proposing to rescind \$108 million?

Secretary HUFSTEDLER. That's right.

Senator MAGNUSON. The President's rescission request says, "Students not receiving direct loans will be eligible for guaranteed student loans."

Secretary HUFSTEDLER. That's right.

INTEREST RATE COSTS

Senator MAGNUSON. Since the Government is paying 17.7-percent interest rates on guaranteed student loans, won't this rescission, if effected, cost the Federal Government more money?

Secretary HUFSTEDLER. It would appear so, superficially.

Senator MAGNUSON. 17.7-percent interest rates—I hope that's not the permanent interest rate, but it is now.

Secretary HUFSTEDLER. Senator, you have hit exactly on the reason why it does not follow that eligibility for guaranteed student loans—

Senator MAGNUSON. Direct loans cost the Federal Government less because of lower interest rates. I am wondering why—this seems to be a shortsighted approach.

Secretary HUFSTEDLER. Mr. Fischer would like more specifically to respond to your question.

Mr. FISCHER. If the interest rates remain high, Mr. Chairman, as you suggest—we all hope they don't—in the long run it might well be more expensive for these students to seek assistance through the guaranteed student loan program.

We are all faced with the dilemma of trying to take pressure off the economy in the short run in 1981. The difference between the outlay

savings from reducing the direct loan program and the corresponding increase in the costs to the Government from higher participation in the guaranteed loan program is clearly beneficial in the short run, taking pressure off the economy by reducing the direct loans.

In the long run, if the interest rates stay as high as they are now, it could be more expensive. But we are taking that problem with regard to the current structure of the loan program by proposing a major revision in the structure of the guaranteed loan program, by which we intend to reduce the cost to the Government of the guaranteed loan program.

Senator MAGNUSON. Are the banks picking up the loss?

Mr. FISCHER. I'm sure that's mixed. We have no immediate indication—

Senator MAGNUSON. They don't want to handle the loans, because bankers call it "slow paper". They want to be where the financial action is.

Mr. FISCHER. I don't think we have hard evidence now that there is a sharp drop in availability of loan money. At these rates of interest, Mr. Chairman, I don't think we have a slowdown.

Senator MAGNUSON. There shouldn't be. Maybe we ought to have a windfall profits tax on banks. [Laughter.]

Mr. FISCHER. That's a nice idea, Mr. Chairman. [Laughter.]

Senator MAGNUSON. All right. This appears to be a short-term effort. If it were a long-term effort, it would be shortsighted, in my opinion.

Secretary HUFSTEDLER. We agree with you.

CATEGORICAL RESCISSIONS

Other rescissions in higher education totaling \$45 million are included in a variety of small categorical programs where the Federal role is less clear and the impact on beneficiaries is not as significant as in other activities. This is consistent with our 1981 request which would terminate some of these programs.

We are withdrawing our request to extend the availability through 1981 of \$25 million for architectural barrier removal programs. Higher education institutions are moving on their own to comply with section 504 of the Rehabilitation Act, and it appears that the capital costs involved are relatively small for most schools.

IMPACT AID

Senator MAGNUSON. That's good. I think that was pushed too fast.

On the categorical programs, the 1981 request would terminate these programs. Does that include impact aid?

Secretary HUFSTEDLER. No; it reduces impact aid; the eligibility criteria are the same for the reduction in impact aid as that which we earlier presented to you before the revisions, except we would fund at 70 percent instead of the higher rate.

Senator MAGNUSON. The 1981 budget, what did that include for impact aid? Didn't that drop the B students? It just about wiped out B students.

Secretary HUFSTEDLER. That's right.

Senator MAGNUSON. Do you think you will get away with that?

Secretary HUFSTEDLER. Mr. Chairman, I wish I could tell you that I knew. All I can tell you is that we ought to.

Senator MAGNUSON. Well, I have been for some decrease in impact aid, but it's the most difficult aspect of all is to cut out B students. You know, there are 435 Congressmen—433 have impact aid. I don't know what happened to the other two in their districts. [Laughter.]

There has to be some better rationale. We are waiting on the Legislative Committee to change the eligibility, so that we eliminate some horrible examples in certain counties. I think until that's done, you'll be faced with a pretty substantial sum required by B students passed by the Congress itself, which would wipe out all your rescissions.

Secretary HUFSTEDLER. I am hopeful that, when it comes to an appreciation of the reduction of general aid under the heading of impact aid versus the necessity to otherwise cut programs which serve the most seriously disadvantaged youngsters, that the Congressmen who favor impact aid will recognize the necessity for the cuts.

Senator MAGNUSON. We can take some of it out of title I.

Secretary HUFSTEDLER. That would be a very melancholy result. [Laughter.]

I shall, for one, do my level best to fight it, successfully.

Senator MAGNUSON. Well, we are thinking about it.

Secretary HUFSTEDLER. I might add that, for the B youngsters, the impact aid payments to 370 districts are less than \$2,000. It's less than \$1,000 to 121 districts.

Senator MAGNUSON. School districts—there are about 9,000 of them in the United States.

Secretary HUFSTEDLER. Although there are a lot of votes in some of them.

Senator MAGNUSON. I think it's really about 12,000 school districts.

ARCHITECTURAL BARRIER REMOVAL

Senator BURDICK. Mr. Chairman, I want to ask a question about the architectural barrier program before we move on.

When you deduct \$25 million, will there be any money left for the program?

Secretary HUFSTEDLER. No; there will not.

Senator BURDICK. We will have difficulties then. I found in my own State that we mandate these changes but the school district doesn't have any money. There is no money for them.

Secretary HUFSTEDLER. This \$25 million is for higher education only, you understand. This isn't primary and secondary education. It's for the removal of architectural barriers at institutions of higher education.

Senator BURDICK. That helps a bit. But there will be no money in that program?

Secretary HUFSTEDLER. No money this year, fiscal year 1980, for architectural barrier removal at higher education institutions.

Senator MAGNUSON. There is some difficulty in finding out what the exact need is. You need figures on where the need is, particularly in small school districts where there may not be any need at all. There may not be a disabled person involved in the whole district.

Secretary HUFSTEDLER. Senator, we have, I might say, funds in other portions of the budget to assist universities and colleges by providing technical advice on how to comply with the law in a way which does not entail tremendous cost, so that we are trying to help them. This \$25 million would be, if spread across all universities and colleges, a very tiny amount in any event.

Senator MAGNUSON. All right.

BUDGET REVISIONS

Secretary HUFSTEDLER. Also proposed for higher education is an increase of \$97 million to the requested supplemental for guaranteed student loans. This results from revised projections of loan volume as well as an increase in the special allowance rate to lending institutions due to a change in economic assumptions.

Amendments to our 1981 budget, which is currently being considered by your committee, are also included in the anti-inflation package. These reflect a net downward adjustment of almost \$380 million, for a new total budget authority of \$15.1 billion, or \$1 billion over the revised 1980 level. Decreases of \$648 million in a dozen major programs would be offset by a revised increase of \$268 million in guaranteed student loans, again an uncontrollable cost under the present legislation.

Basically the—

Senator MAGNUSON. In the 1980 rescissions we are cutting out some amounts.

Secretary HUFSTEDLER. Direct loans.

Senator MAGNUSON. But you're still asking for an addition for guaranteed student loans, \$268 million?

Secretary HUFSTEDLER. That's right, because we have no choice.

Senator MAGNUSON. For 1981.

Secretary HUFSTEDLER. That's right. We have no choice under the present legislation but to pay that bill.

Senator MAGNUSON. I know that. I think we ought to start thinking about legislation if the interest rates keep rising.

HIGHER EDUCATION REAUTHORIZATION ACT

Secretary HUFSTEDLER. Mr. Chairman, the Higher Education Reauthorization Act is before the Congress at the present time. We have several different versions of that act before the Congress, including the administration's version which the administration believes is significantly less costly and involves a control of the uncontrollable costs in the GSL program.

Senator MAGNUSON. All right.

Secretary HUFSTEDLER. Basically the 1981 proposed amendments continue reductions in the revised 1980 budgets in title I concentration grants, minus \$150 million; support and innovation grants, minus \$96 million; and vocational education, minus \$54 million; as well as some lesser reductions in such areas as emergency school aid, Follow Through, and guidance and counseling programs.

GUIDANCE AND COUNSELING

Senator MAGNUSON. How much have you taken out of guidance and counseling programs?

Secretary HUFSTEDLER. \$18 million; we are taking out \$18 million because those programs, we believe, are being more adequately picked up in other areas. These programs have not been as effective as other programs involving counseling and testing, which we are funding.

FOLLOW THROUGH

Senator MAGNUSON. On Follow Through; how much is taken out?

Secretary HUFSTEDLER. A significant amount—\$14.7 million.

Senator MAGNUSON. Out of a total of what?

Ms. BEEBE. \$59 million; about a 25-percent reduction.

That brings it down to \$44,250,000.

Senator MAGNUSON. Why did you do that?

Secretary HUFSTEDLER. We did it because we believe that it still leaves the most effective portion of the program intact.

What is going on is that these programs were originally funded as a matter of demonstrating what happened to the youngsters who were put through the program.

We still have some innovations that are going on in this area and those innovations are adequately funded after the cut.

We, therefore, believe that we are not injuring that program. We are nicking it a little bit, but not really injuring it by taking out \$14,750,000.

EMERGENCY SCHOOL AID

Senator MAGNUSON. How much is being taken out of the emergency school aid request?

Secretary HUFSTEDLER. We take out a number of different items. We reduce special programs and projects in the rescission budget authority by \$12,519,000 in 1980.

We reduce it by \$14,229,000 in fiscal year 1981. On magnet schools, pairing—

MAGNET SCHOOLS

Senator MAGNUSON. How does this affect magnet schools?

Secretary HUFSTEDLER. We are reducing it, but not seriously damaging the program. There is a decrease of \$12,604,000 in 1980; \$10 million in fiscal year 1981.

I point out here that what we have discovered is that the magnet schools are excellent as long as they are part of an overall plan of integration.

If they are isolated, they don't do that well. But we think that these programs are adequately funded on the basis of the programs that are doing very well. We, of course, want to encourage more innovation, using magnet schools and other devices, but we are going to have to defer funding those new programs until we are not experiencing the kind of severe budgetary constraints that we have during this particular period.

Senator MAGNUSON. Well, it's pretty hard to segregate the use of the magnet school theory from that of desegregation.

If a district is threatened with a court order, like a district in Seattle, Wash., was they will want to voluntarily do something. Instead of getting a court order, they made use of the magnet schools program.

I don't know how they are getting along, but apparently they are progressing all right. How would deferral affect an area that is using magnet schools as part of the desegregation process—the main part?

Secretary HUFSTEDLER. They won't be hurt. In that situation, they are funded out of other titles and, in addition to that, what we are doing is, even after the rescission, we are bringing funding above the 1979 level.

In short, we have got the funds to help the kind of districts that you are describing in two ways. One, by the moneys we still request in the revised budget.

Second, by other kinds of incentive programs which are untouched by this budget cut. We want to fund, and we are going to be able to fund, those magnet and pairing projects which are a part of either an innovative strategy or those in which, as your description, are areas in which it's part of an ongoing first-initiative-level effort for integration.

BASIC GRANTS

Senator MAGNUSON. You propose cuts in the emergency school aid funding, but funding for basic State grants remains untouched. Why?

Ms. BEEBE. The basic program funds every State and provides the foundation for ongoing desegregation activities.

Then the emergency districts or new desegregation districts are funded out of special programs and projects.

As a total, those programs meet the ongoing needs of new desegregation activities or those in the second generation. We feel those foundation programs need to stay in place.

The programs which we propose to cut are those special kinds of initiatives and activities within the broader framework of emergency school assistance.

Senator MAGNUSON. I think it's wise to leave funding for the basic State grants. I wonder whether it's wise, where a school district is making a special effort as part of the desegregation initiative, whether it's court ordered or voluntary, to penalize them for making that effort.

Ms. BEEBE. Mr. Chairman, these proposed changes—

Senator MAGNUSON. That may be for magnet schools or some other innovation, I don't know, but I know that the magnet schools program is very important as part of any desegregation process.

Ms. BEEBE. We fund more magnet schools out of the State-apportioned programs and out of the emergency special projects—it's part of a larger desegregation effort.

The magnet schools line item in the budget is only where you fund a magnet school as a single initiative.

Senator MAGNUSON. I know. But how do you know the States will give them the money to continue? In some States, the school board doesn't speak to the governor and vice versa.

Secretary HUFSTEDLER. Nothing makes me sorrier than losing a nickel from the magnet schools, whether it's just an innovation or whether it's a third-generation continuing effort with respect to integration or whether it's part of an overall plan.

I am very melancholy about that cut. I am simply saying that I don't have a bad program in this budget. To lose anything from the budget really hurts me.

I think we can carry the most critical programs even with this cut, but I can't say it makes me happy, because it doesn't.

[The information follows:]

The State educational agencies exercise no control over these moneys, although they are apportioned by the State. Therefore, the decision to continue funding is made by the Department of Education.

Ms. BEEBE. The cuts in emergency school assistance are all in planned growth. In no case do we cut below the 1979 or the 1980 base.

For example, in emergency special projects, even with our proposed \$12 million rescission, we have a \$14 million increase over 1979.

In magnet schools, we have a \$5 million increase over 1979 even with our proposed revision. What we are doing is reducing the level of growth.

Senator MAGNUSON. Well, it takes it away from a school district that honestly tried and puts it in the hands of the State.

We will take a look at it. There's no use in belaboring the point here.

Secretary HUFSTEDLER. You know how strongly we believe in the program. It's just the necessity to put nicks without developing pernicious anemia.

VOCATIONAL EDUCATION

Senator MAGNUSON. Now, it seems to me you take an undue budget cut whack at vocational education.

Secretary HUFSTEDLER. Mr. Chairman, I don't believe we are taking an undue whack. It's an unhappy whack, but it's not undue in that these vocational education programs are strongly overmatched, Mr. Chairman, by State funds. The Federal role in maintaining funding for these programs is less vital to the maintenance of the overall educational structure than is some of our other programs.

I hate to lose money in vocational education, too, but we have State and local funds now overmatching Federal funds in basic grants by 12 to 1.

Senator MAGNUSON. That is why the program is so good.

Ms. BEEBE. Mr. Chairman, even with our reductions, we have a \$15 million increase in vocational education in 1980 over 1979 and a \$33 million increase in 1981 over 1980. In the last 11 years, State and local funding has grown 455 percent from \$1 billion to over \$6 billion.

Senator MAGNUSON. Why?

Ms. BEEBE. Because the States see it as an important role.

Senator MAGNUSON. Because of the Federal Government. This committee is always helping with that support. We never had help from downtown at all—the Commissioner of Education.

Ms. BEEBE. The Federal growth has been about 200 percent, compared to—

Senator MAGNUSON. I know. If we took the budget figures that you are taking here, we would never have any increase in vocational education.

Mr. FISCHER. Mr. Chairman, if I might. I am second to none in recognition of your enthusiasm in this area, but in all fairness, we propose in the 1981 revised budget about a \$33.5 million increase.

Senator MAGNUSON. And I compliment you for coming along with this. [Laughter.]

If we took the budgetary figures for the past 15 years, we would have had no vocational education programs at all sponsored at the Federal level. It seems to me it's more important now than ever.

Secretary HUFSTEDLER. Mr. Chairman, I commend you on what I know has been unflagging sturdy support for vocational education.

If I were not abjured not to do so, I would mention the impact of the Youth Act of 1980, but I will not mention it. [Laughter.]

Senator MAGNUSON. All right. We will look at it.

Senator BURDICK. I have a comment in this area, Mr. Chairman.

Senator MAGNUSON. Go ahead.

STATE MATCHING FUNDS AND RISING TUITION

Senator BURDICK. I happened to see a little catalog on colleges the other night and the payments for tuition and so forth, compared to my day, are absolutely horrendous.

I have been told in my own State that college applications are falling off because of these costs. I just think it's very foolish to not subsidize it with help in this vocational field.

I can't find the argument. Just because the States match more here than they do in other programs, why should that be counted against them?

Secretary HUFSTEDLER. It doesn't count against them. Our problem is how to devise a defensible strategy for making cuts in educational programs, not 1 penny of which any of us truly want to give up.

We have been trying to save the youngest children from the most serious cuts and the most disadvantaged persons from the most serious cuts. In areas in which we have reasons to believe that the older young people will be picked up effectively, either by other programs or by State-matching funds, what we are doing is unhappily slowing the momentum of growth of the sound vocational educational programs.

We have to admit we are slowing the growth. It's still growing. It just isn't growing at the same momentum.

I am hopeful that when we get through this budgetary crunch and we can see inflation leveling off, that we will be able to renew the momentum which we have slowed.

Senator BURDICK. I am afraid you might lose these people from college and lose them from vocational schools. Soon you haven't got a productive person in the community.

Secretary HUFSTEDLER. I hope that we are not going to do that. As far as I can tell from all the figures I have seen, the reduction in the number of young people who are entering college is not a function of increased college costs as much as it is a function of demography in that fewer young people are in the age group to go to college than there were even 5 years ago.

The second point is that the rising costs of education are nevertheless

met. The difference is that not every youngster can go to quite as expensive a school as he or she might otherwise have been able to enter, but the fact is that our continuing support of the combination of grant and loan programs means that not a single youngster who is really qualified, eligible and wants to go to a college or university is foreclosed from higher education at the present time.

Senator BURDICK. I don't know, I have seen these costs and you have to do some fast footwork to pay them.

Mr. FISCHER. The only other point is that even with the necessity to find places where reductions can be made to meet counterinflationary goals, we still have an increase in this program.

You still have an increase year to year in the State grant programs for vocational education. So we are with you in general objective.

We are trying to apply a terrible result of the economist's dismal science to programs we do believe in and still preserve some increase.

BASIC EDUCATIONAL OPPORTUNITY GRANTS

Senator MAGNUSON. How do you handle basic educational opportunity grants in this revision? Have you taken into consideration dropping from \$1,800 a year to \$1,750—\$1,750, is that the revised figure?

Secretary HUFSTEDLER. Yes; we have had in this downward revision to cut the increase of \$100 per maximum grant down to the 1980 figure.

Senator MAGNUSON. \$1,750 is the maximum grant.

Secretary HUFSTEDLER. That is for 1980.

Senator MAGNUSON. We were \$1,700, weren't we?

Secretary HUFSTEDLER. We were \$1,800 in 1980. We went up in our original presentation to you for fiscal year 1981 to \$1,900.

Now we are going for 1981 back to the \$1,800 and, in addition, we are making a cut of \$50 per grantee in 1980 in order to save the outlays necessary to reach our outlay targets.

Senator MAGNUSON. So the highest amount would be \$1,750.

Secretary HUFSTEDLER. For fiscal year 1980.

YOUTH EDUCATION AND TRAINING

Senator MAGNUSON. Now when you testified on the January education budget, you strongly supported \$900 million for the President's proposed youth education and training program, didn't you?

Secretary HUFSTEDLER. I did indeed.

Senator MAGNUSON. Now it's late April and the proposed legislation was just reported out of the House subcommittee last week. Just out of the subcommittee. We still don't have a public law. We are not going to have one until we mark up this bill. We can't consider funds for this program until fiscal 1982.

Why didn't you cut out the \$900 million for this program if you are going to make some cuts and not make cuts in these other programs?

Secretary HUFSTEDLER. Mr. Chairman, now that you have given me permission to talk about that, I will talk about it. [Laughter.]

Mr. Chairman, the reason is that the youngsters who are going to be

served under the youth initiative are youngsters for whom this program is literally their last chance. These are the youngsters who, by the way, will be beneficiaries—

Senator MAGNUSON. I am not talking about the merits of the program. Don't give me a speech about that. I am for the program. But I am saying we have a legislative procedure to consider here. We will not be able to mark up on the \$900 million program. That would be a proper one for you to defer. I don't like to see it deferred. I want the legislative committees to do something, but they will not be able to do it before we mark up this fiscal year 1980 bill. You can take that \$900 million and defer it, and we could put back in a lot of these little items that are causing us so much trouble. You would still be under the rescission directive.

Secretary HUFSTEDLER. I am afraid it will not work, because the outlays, which are the targets to be saved in fiscal years 1980-81, would not be met. We only have \$50 million in outlays for the Youth Act in fiscal year 1981. We don't reach the \$850 million until 1982. That means in reaching our target reduction in outlays, the departure—the only departure that we could save would be \$50 million, and we would delay the whole program for another full year.

So that wouldn't work to save the big money, because the big money isn't there.

Senator MAGNUSON. But we can't appropriate money that is not authorized. We are not going to appropriate this \$900 million. Therefore, it's a bookkeeping matter. It ought to be set aside.

Secretary HUFSTEDLER. Mr. Chairman, I am hopeful that—

Senator MAGNUSON. You are always hopeful. All the witnesses I hear, thousands of them, they always come up here with a legislative proposal. They base their budget figures on it. But the legislative committees are usually way behind. Just as in this case, they are not going to get the necessary bill passed—I will make you a bet on that—before we mark up this bill.

What will we do about the \$900 million request? Leave it in limbo?

Secretary HUFSTEDLER. I hope I will have an answer which is favorable to my optimism to bring before you before the process on this appropriations bill is complete. I assure you that I am doing my level best to see that that happens.

In the event that we can't make it, you will be the first to know.

Senator MAGNUSON. Well, I would know anyway. [Laughter.]

We watch the legislative process up here. That is my business. [Laughter.]

Secretary HUFSTEDLER. You will know far earlier than I, I suggest.

DEFERRING UNAUTHORIZED REQUESTS

Senator MAGNUSON. We are a money committee. We can't appropriate money unless it's authorized. I am afraid you are going to have trouble. You should not jeopardize your funding for existing programs by waiting for \$900 million that you are not going to get. Unless we are here until after November 6 and you have another supplemental.

Mr. FISCHER. Mr. Chairman, on this particular—I couldn't agree with

you more in general—but on this particular, that particular amount of money, which you can't and will not act upon as an appropriations matter until the legislative committee has acted, does not jeopardize the other programs for fiscal year 1981, sir, because it will not spend the bulk of the money in fiscal year 1981, even if it was legislated, and you did appropriate the money.

The target for taking the pressure off the economy is 1981.

Senator MAGNUSON. That is fine, but it's sitting there, and it's chalked up to us in our attempt to balance the budget—\$900 million we don't need is in there.

Mr. FISCHER. But this particular section of it does not affect the balancing of the budget, because it has such a small outlay in 1981.

Secretary HUFSTEDLER. Mr. Chairman, I recognize the depth of the problem to which you have vividly called my attention. I am hopeful, however, that we will have our authorizing legislation in time to hit the Budget Committee on May 15 and bring us in before the deadline.

Senator MAGNUSON. You are an optimist.

Secretary HUFSTEDLER. Nobody will start a new department of Government without being an optimist. [Laughter.]

Senator MAGNUSON. But you haven't had much experience in legislative matters.

Secretary HUFSTEDLER. I have not had much experience except at the other end, Mr. Chairman, but hope continues to spring eternal.

Senator MAGNUSON. By May 15—you will have this done in 2½ weeks? Come on—2½ weeks? Just out of a House subcommittee—it couldn't get on the House calendar for at least 60 days. [Laughter.]

Particularly legislation adding \$900 million. That is a red flag. [Laughter.]

We will take a look at it. Now what else have you got here? [Laughter.]

OTHER BUDGET REVISIONS

Secretary HUFSTEDLER. We had earlier discussed impact aid, Mr. Chairman. Perhaps, in view of the demands upon your time, we will not go through the impact aid segment again. It's available to you. I think we can discuss—

Senator MAGNUSON. You can put that in the record. We know that story.

Secretary HUFSTEDLER. I thank you.

Senator MAGNUSON. I have a couple more questions I want to ask you now.

Secretary HUFSTEDLER. Very well, sir.

CONSULTANTS

Senator MAGNUSON. Did you take a 15-percent reduction in the use of consultants

Secretary HUFSTEDLER. We have taken a reduction which in percentage is not quite that much, but it has a net impact that amounts to the same. As you will recall, Chairman Magnuson, the fiscal year 1980 bill included language limiting HEW consultant service costs to \$170 mil-

lion, and in line with that limitation, HEW, upon the formation of the Education Department, dealt to us \$28.9 million. The estimated limitation for the non-Education Division components is still \$11.6 million. Therefore, the total limitations for the Department of Education for fiscal year 1980 is estimated at \$40,500,000.

Senator MAGNUSON. Have you reduced—

Secretary HUFSTEDLER. On the revision it's now \$34 million. It amounts to, overall, taking in the revisions, 12½-percent reduction.

USE OF IN-HOUSE RESOURCES

Senator MAGNUSON. In the Office of Education, former Executive Deputy Commissioner James Pickman, resigned his post January 25, 1980. On February 5, Mr. Pickman submitted a proposal to the Office of Education. On February 6 the proposal was approved by the Department of Education Assistant Secretary for Management Designate. Mr. Pickman was awarded a 6-week contract totaling \$9,000. This is at an annual rate of \$78,000. The purpose of the contract was to develop recommendations relating to location of 14 Presidential appointees and their staffs in the current Office of Education space.

The memorandum says he was uniquely qualified to carry out these tasks. With over 5,000 employees in the Office of Education, why is it necessary to hire a consultant to do that work?

Secretary HUFSTEDLER. I can give you the general picture, and then I will turn to Mr. Gabusi and have him give you the details.

The general picture is, of all those persons in the office available to us on transition, there was only one space person and that individual was already involved in projects which totally consumed his time. The one person immediately available, who was thoroughly familiar with the functions of the office and who was supplied with all the information relating to the space needs of the Department, was Mr. Pickman. He was well qualified to undertake that work, including working with persons who made the architectural drawings to produce it, so that \$9,000 is not simply an in-pocket fee on his part.

Moreover, the contract was cleared with General Counsel at HEW. The net product was the whole project and it was done very rapidly. It's completed. The work is over. And that is the end of the contract. Any further details can be supplied by Mr. Gabusi.

Senator MAGNUSON. Well, this happens frequently. It's like a revolving door. Government officials resign and then they create another slot and get paid and start all over again after they quit. That has got to stop.

Secretary HUFSTEDLER. Surely.

HEAD START

Senator MAGNUSON. Now there is no reduction in Head Start.

Secretary HUFSTEDLER. Head Start is not in the Department of Education. It is in the Department of Health and Human Services, formerly HEW.

Senator MAGNUSON. I thought we moved it over to your department.

Secretary HUFSTEDLER. No, Senator.

Senator MAGNUSON. They were going to, but they didn't.

Secretary HUFSTEDLER. That's right.

Senator MAGNUSON. Now Senator Burdick just left. Senator Proxmire has some questions for the record.

And this concludes what I hope to be our last hearing of the year.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

EDUCATION BUDGET REVISIONS

Question: In January, you proposed a budget that would provide a 7 percent increase for education. The revised budget proposed \$430.1 million in 1980, rescissions and reductions of \$648.2 million for fiscal 1981. In addition, the \$900 million proposed for the new youth employment program will not be included because we will have no authorizing legislation. Of course, the totals you show look different because you request an additional \$97 million in 1980 and \$268 million in 1981 to finance the increasing interest costs of the Guaranteed Student Loan program.

Given the fiscal 1981 reductions and the lack of authorization for youth education and training, doesn't this in fact mean that the request for the Department is \$1.5 billion below what you requested in January?

Answer: In total, our revised request for fiscal year 1981 is \$380 million below the amount included in our January budget. The 1981 budget released in January included \$15.485 billion for the Department of Education. Our revised budget includes \$15.105 billion. Both the January and March budgets included the \$900 million for the new youth initiative.

Question: What increase over 1980 appropriations did the original 1981 education budget propose?

Answer: Our original 1981 budget of \$15.5 billion included an increase of \$1 billion, or 7 percent over our original 1980 level of \$14.5 billion. The original 1980 level included existing appropriations of \$13.8 billion and a proposed supplemental totalling almost \$700 million.

Question: How does the revised fiscal 1981 budget compare with fiscal 1979 and 1980 appropriations?

Answer: Our revised 1981 budget of \$15.1 billion represents an increase of \$1 billion over our revised 1980 level of \$14.1 billion, as well as an increase of \$1.4 billion over the comparable 1979 amount of \$13.7 billion. The 1980 level, which I am referring to, reflects our revised March budget and consists of appropriations of \$13.8 billion, supplementals of \$0.8 billion, and rescissions of \$.4 billion.

ELIMINATION OF SMALL PROGRAMS

Question: The revised budget once again proposes to terminate a number of small programs that have traditionally been proposed for elimination by the Administration. These are programs that always get their funds restored by the Congress. Among these programs are Mining Fellowships, Public Service Fellowships, State Postsecondary Education Commissions, and higher education continuing education programs. All of these programs had no budget request in the 1980 budget, but the Congress decided to continue funding them.

Given the fact that the Congress has continued to fund these programs despite zero requests from the Administration, why did you decide to take another run at eliminating them again?

Answer: When the Congress included funds for these programs last year, we were not under the severe economic restraints that exist now. Under current economic conditions, which force the joint Administration and Congressional efforts to balance the budget, we believe that those programs less central to the primary Federal role in education will have to be reduced or eliminated. In our judgment, the programs which you are referring to fall under the category of being less central to accomplishing the Federal role in education.

Question: Why didn't you recommend cuts in some programs where the chance for Congressional approval would be greater--programs such as Strengthening Developing Institutions and NIE?

Answer: In many cases we have recommended cuts which we think have a high chance for Congressional approval. Concerning the particular programs which you mention, our revised 1981 budget contains a reduction of \$9 million from the amount originally proposed for the National Institute of Education. The Developing Institutions program is funded at \$140 million, the same amount as in January budget. This program is critical to the success of many of our Nation's developing colleges and universities, which serve large numbers of disadvantaged and needy students.

PICKMAN CONTRACT

Question: The Office of Education's former Executive Deputy Commissioner, James Pickman, resigned his post on January 25, 1980. On February 5, Mr. Pickman submitted a proposal to the Office of Education. On February 6, the proposal was approved by the Department of Education's Assistant Secretary for Management-Designate. Mr. Pickman was awarded a six-week contract totalling \$9,100. This is an annual rate of \$78,884.

The purpose of the contract is to "develop recommendations relating to the location of 14 Presidential appointees and their staffs in current O.E. (Office of Education) space." A memorandum on this contract says, "Jim is uniquely qualified to carry out these tasks."

Doesn't the Office of Education have an Administrative Services Division which is supposed to carry out jobs like this?

Isn't it probable that this contract was discussed and arranged while Mr. Pickman was still an employee of the Federal Government?

Answer: The Office of Education does have an Administrative Services Division, however this Division only has two full-time employees assigned to the space function. The Department of Health, Education, and Welfare space staff usually does not provide any assistance on this function, and at the time this contract was awarded, they were busy planning the space arrangements for HHS. The two OE employees were busy on routine functions and had picked up much of the space planning for the new Department, but they were unable to undertake all of the tasks. It was our belief that it was important to have the space assignment developed by someone who was familiar with both the Office of Education's current space and the top management's plans for the new Department. Mr. Pickman met both of these criteria and was available to undertake the assignment. This contract neither was discussed nor arranged while Mr. Pickman was still an employee of the Federal Government.

CONTRACTS FACILITATING NEW DEPARTMENT

Question: How many other contracts and consultant contracts have been awarded to help set up the new Department?

For the record, please supply the name of person or organization to which each contract or grant was awarded, the purpose of the contract, the length of time for which it was awarded, and the amount of the contract.

Answer: Six contracts have been awarded to help set up the new Department.

<u>Contractor</u>	<u>Purpose</u>	<u>Amount</u>
Bansi Bharwani	Assist with the design of a payment system to replace the present payment system.	\$ 10,000.00
James Pickman 2/18/80 - 3/31/80	Develop recommendations relating to the location of 14 Presidential Appointees and their staff in current OE space.	9,100.00
Long and Silverstein, P.C.	Analysis of data needed for OCR functions relating to be performed in Dept. of Educ.	9,790.00
Center for National Policy Review	Analysis of background, Congressional intent and requirements of the Dept. Educ. Org. Act.	5,042.00
Long and Silverstein, P.C.	Analysis of the interface between Section 504 and Part B of the Educ. for Handicapped Act.	9,988.41
Group Operations, Inc.	Obligation of funds to perform software maintenance tasks. OEFMIS-Transition HEW-100-79-0100.	125,000.00 <hr/> \$168,920.41

ON-BOARD EMPLOYEES

Question: What was the total number of full time permanent employees on board in the offices now comprising the Department of Education on September 30, 1978? On September 30, 1979? 1980? Projected for September 30, 1980?

Answer: The following chart shows employment data.

Question: What was the total number of all other employees on board in the offices now comprising the Department of Education for those same dates?

Please provide a breakdown within those totals of the numbers by bureau or office comprising the Department of Education?

Answer: The following chart shows employment data.

INCREASES IN FULL-TIME PERMANENT EMPLOYMENT

Question: If there are increases in either the full-time permanent employment numbers or the number of all other employees, please provide an explanation for the increase.

Answer: The increase in full-time permanent employment from 1978 to 1979 results from the fact that Congress approved a substantial increase in positions for the Office of Civil Rights to eliminate its case backlog. The increase in other than full-time permanent employment for this same period resulted from Congressional approval to undertake an increased collections effort on defaulted student loans by hiring part-time term collectors. The increase in full-time permanent from September 30, 1979, to February 29, 1980, was a result of filling vacancies and a slight influx of new employees hired for the Department of Education. The expected increase in full-time permanent employment from February 29, 1980, to September 30, 1980, will be a result of the fact that OMB has approved an increase in our employment ceiling from 93 percent to 95 percent of authorized positions. This was done to allow the Secretary some flexibility in establishing the new Department. However, by September 30, 1981, the Department will lose a total of 500 positions, 88 full-time permanent and 412 full-time equivalent positions from other than full-time permanent positions. The expected increase in other than full-time permanent employment from February 29, 1980, to September 30, 1980, will be the result of filling vacant part-time term collector positions.

Department of Education - Employment

	9/30/78		9/30/79		2/29/80		Estimate 9/30/80	
	FTP	Other	FTP	Other	FTP	Other	FTP	Other
Assistant Secretary of Education	226	38	241	41	227	37		
National Institute of Education	287	131	321	90	331	122		
Office of Education	3,345	622	3,259	1,210	3,341	1,035		
Education Division Total	3,858	791	3,821	1,341	3,899	1,194		
Human Development Services <u>1/</u>	393	15	381	16	382	18		
Office of the Secretary (HEW) <u>1/</u>								
Office for Civil Rights	682	45	1,100	62	1,071	81		
Office of Inspector General	241	11	272	16	275	17		
Departmental Management	320	18	312	17	313	20		
Department of Labor	1	0	1	0	1	0		
Department of Justice	16	29	16	29	16	29		
Department of Housing and Urban Development	34	0	34	0	34	0		
National Science Foundation	6	0	6	0	6	0		
Education Department								
Departmental Management							4,908	1,429
Civil Rights							1,142	26
Indian Education							58	4
Institute of Museum Services							12	2
TOTAL EDUCATION DEPARTMENT	5,551	909	5,943	1,481	5,997	1,359	6,120	1,461

1/ Data for the transferring positions from the Office of Human Development Services and the HEW Office of the Secretary were derived by applying the percentages which represent the number of transferring positions from those organizations. The percentages were applied to the on-board figures contained in the employment reports.

SPECIAL ALLOWANCE RATE

Question: Congress has authorized the Department of Education to pay a Special Allowance in order to attract lenders to the Guaranteed Student Loan program. This special allowance is paid in addition to the 7 percent interest subsidy on loans for students while they are in school. The Special Allowance Rate is calculated at 3.5 percent below Treasury Bill rates.

In your original budget, you estimated the Special Allowance Rate for fiscal year 1980 at 7.63 percent, and for fiscal year 1981 at 5.81 percent. In the recent budget, these figures were reestimated at 10 percent and 6.44 percent respectively.

Do you believe that the Treasury Bill rate will drop by 3.46 percent in fiscal year 1981 and, if so, why?

Answer: We expect Treasury Bill rates to decrease substantially in 1981. The Administration's estimates for Treasury Bill rates reflect efforts to reduce inflation and thereby result in a decreased interest rate during fiscal year 1981. To encourage those reductions the Administration, with Congressional participation, is currently attempting to reduce Federal expenditures and thereby encourage the private and local sectors to do likewise.

Question: If Treasury Bill rates remain roughly where they are now, how much will this increase the cost of the GSL program in fiscal year 1981?

Answer: Assuming a current fiscal year 1980 volume of \$4.2 billion and that the estimated average special allowance rate of 10 percent will continue in fiscal year 1981, and assuming enactment of the Administration's loan proposal, an additional \$356 million would be required to support the phase-out costs of the Guaranteed Student Loan program.

ESAA NONPROFITS

Question: In your January budget the Department requested \$15 million, the full authorization level, for Emergency School Aid Non-profit Organizations. Now this request has been cut to \$10 million. Why?

Answer: The revised request for 1981 seeks to increase funds for the Nonprofit Organization Grants program within existing fiscal constraints. The reduced request level is justified given that the NPO program provides support to organizations to supplement the basic desegregation activities being conducted by local educational agencies, but does not provide direct financial assistance to the districts themselves.

Question: The Department seems to fluctuate in its support for this program. What is your view of it?

Answer: We do not believe that the amended 1981 request reflects fluctuating support for the Nonprofit Organization Grants program. In fiscal year 1980, the Administration requested \$15 million for this program and \$5 million was appropriated. The revised fiscal year 1981 request proposes to double funding for the program over the 1980 level, reflecting our continuing belief in the importance of

NPO activities in facilitating successful desegregation. At this revised request level, approximately 100 grants would be awarded, an increase of 50 over the number anticipated in 1980.

FOLLOW THROUGH

Question: The Follow Through program has been level funded at \$59 million since fiscal year 1976. During this time, the consumer price index has risen roughly 33 percent. Now for fiscal year 1980 and 1981, the Department is proposing to cut the Follow Through program by 25 percent, a \$15 million cut each year.

Why shouldn't we just eliminate funding rather than sharply reduce funding?

Answer: Funding for Follow Through should not be eliminated. Its purposes remain important to the mission of the Department of Education. The reduction we have proposed will not affect the component designed to disseminate the results of years of program development nor the plans for pilot efforts to produce new knowledge about promoting better learning among young disadvantaged children. As for the sites where the various earlier models were developed, their funding in 1980 will be at a level designed to maintain operations since further development of the same models is no longer necessary. In 1981, although there will be a new competition, we expect most of the current service sites to continue.

Question: How can we maintain an effective program and still reduce funding by 25 percent in 1980 and 1981?

Answer: Program effectiveness in the service sites, which is where the funding reductions will occur, should not suffer if steps are taken by the individual project directors to make the necessary adjustments, including identifying other sources of funding or perhaps placing a greater reliance on volunteers. Moreover, since the developmental phase of these Follow Through projects is long passed, any costs associated with experimentation could and should be eliminated outright with no diminution of the effectiveness of service components. To be sure, the proposed rescission will face a close examination of priorities at each operating site. We believe such a reexamination and adjustment is appropriate at this time, and that the average cost per child at Follow Through sites, which presently is as much as \$140 more per child than the average cost in Title I projects, can be scaled back.

Question: Couldn't school districts use Title I and other funds to continue the most successful segments of their Follow Through programs?

Answer: Part of the responsibility of the individual project director will be, in fact, to make decisions about where to target fewer dollars and where to seek additional dollars from other sources if a Follow Through grant award does not cover all components that, in a director's judgment, are essential to the project's success. Frankly, not all project sites are equally successful. For this reason, over the years there has been some attrition. The proposed rescission could well result in other project sites dropping out, although we do not expect a large number to do so.

CONCENTRATION GRANTS

Question: The Administration is proposing to rescind \$50 million from the Concentration grant program in fiscal year 1980 for a new level of \$150 million and it also plans to maintain this level in fiscal year 1981.

The Concentration grants are designed to aid poor urban areas which have high concentrations of disadvantaged youth. Many large cities are hard hit by both a declining tax base and by the escalation of all costs, due to inflation. Furthermore, the overall impact of the President's budget revision is to reduce Federal aid to already hard-pressed cities.

Is this cut based on any negative assessment of the Concentration grant program? If so, please explain.

Answer: The proposed reductions in Concentration grants do not stem from a negative assessment of this funding mechanism. Instead they reflect a decision to delay, in a time of fiscal restraint, full implementation of this initiative. As you know, the Administration's original proposal for Concentration grants included funding at \$400 million. The Department's subsequent budget policy has been to move towards this total over several years. The proposed reductions would, in effect, stretch out this process.

There are also some indications that, because local school districts did not receive fiscal year 1979 Concentration grants until July 1979, they were unable to spend all of these funds during the 1979-80 school year. These unspent funds would mitigate the negative impact of a reduction in fiscal year 1980 Concentration grant funds.

Question: Where do you stand on the view that cities have special needs and particularly difficult educational problems which Concentration grants can help them deal with?

Answer: We know that cities with high concentrations of children from low-income families have special needs since there is a correlation between poverty and educational deprivation. We feel that the additional financial assistance, available from the Concentration grants, will help the cities to cope with these special problems by providing supplementary educational services for a greater number of the children from low-income families.

INCENTIVE GRANTS

Question: Last year, the Congress appropriated \$15 million to start the new Title I State Incentive grant program. The program encourages States to enact their own Title I programs by matching two State dollars with one Federal dollar. You propose to rescind all \$15 million in 1980. Why do you propose to rescind funds for this program?

Answer: The Incentive provision was enacted as part of the Education Amendments of 1978 and has not been funded to date. From the information currently available, it appears that fewer than 10 States would qualify for Incentive grants in fiscal year 1980. Some States have experienced difficulty in compiling the data required to demonstrate eligibility; others have encountered problems meeting all the eligibility requirements. A rescission of the fiscal year 1980 appropriation will provide the Department of Education with sufficient

time to propose changes in the statute to clarify eligibility, and States with additional time to establish or revise programs in order to qualify for Incentive grants.

Question: What language would be required to ensure that States like Washington and Florida would be eligible for funds?

Answer: No legislative changes would be required to make Washington eligible for fiscal year 1981 Incentive grant funds. The statute provides, however, that a State's share of Incentive grant funds be based on the amount of State funds expended on compensatory education in the most recent fiscal year for which data are available. The State of Washington's compensatory education program is in its first year and expenditure data are not yet available. This alone would probably disqualify Washington for fiscal year 1980 Incentive grant funds.

Florida would, most likely, be eligible if the requirement contained in Section 116(a)(2)(B), that each school district must spend 50 percent of its State compensatory education funds in Title I-eligible attendance areas, were changed to require that 50 percent of the compensatory education funds for the State as a whole be expended in Title I-eligible attendance areas. During school year 1978-79, seven districts in Florida did not spend 50 percent of their State compensatory education funds in the appropriate areas.

Question: In fiscal year 1980, you are suggesting a rescission of \$15 million for Title I State Incentive grants, but you are not proposing a reduction in the \$17 million request for fiscal year 1981.

This is a program which would provide Federal dollars to States that run compensatory education programs. No more than 16 States operate compensatory education programs which might qualify for Incentive grants, and to date only two States, Ohio and Utah, have submitted data which establish that they are eligible. The Department of Education estimates that beyond Ohio and Utah only eight more States might qualify for these grants in fiscal year 1981.

At a time when the States are telling the Federal government to balance the budget, why should we provide money to help pay for programs that States are already operating without Federal help?

Answer: The rationale behind Incentive grants is that, by providing additional Title I funds to States which operate compensatory education programs, the Federal government will provide an incentive for States to expand or establish such programs. In fiscal year 1980, it appears that all the States eligible for Incentive grants had compensatory education programs before enactment of the Incentive provision. Since the Education Amendments of 1978 were passed, the State of Washington has established a compensatory education program which will probably qualify for Incentive grants in 1981. Once the Incentive grants are funded, there is every chance that other States will follow Washington's lead and that States with existing programs will enlarge them.

Question: The authorizing legislation that set up the State Incentive grant program has a "hold harmless" provision which would basically insure that the first six, or eight, States that qualify for these grants would be guaranteed the same amount of money year

after year, to the exclusion of any new State that decided at a later date that it wanted to participate in this program. Why should the Federal government set up a grant program which will aid only a few States, and effectively bar all other States from participating in it?

Answer: The "hold harmless" provision for Title I Incentive grants ensures that States which at least maintain their spending on compensatory education will not suffer a reduction in funds simply because additional States become eligible. The States protected by the "hold harmless" provision and their local school districts are thus better able to plan and operate effective programs. It may be that the present 100 percent "hold harmless" is unnecessarily protective and may, under some circumstances, create a disincentive for States to establish new programs. The Department, therefore, has under study proposals to reduce or otherwise amend the "hold harmless" provision.

SUPPORT AND INNOVATION GRANTS

Question: In fiscal year 1980, \$197.5 million was appropriated for Title IV-C, Support and Innovation. No funds were appropriated for Title V-B, Strengthening State Departments of Education. Funds for this activity will come from the IV-C appropriation in fiscal year 1980.

The revised budget proposes to rescind \$55 million from the 1980 appropriation for Support and Innovation. The 1981 request reduces IV-C by \$96.4 million and V-B by \$5 million.

What impact would this reduction have upon the components consolidated under Title IV?

Answer: The Education Amendments of 1978 revised the purposes of Title IV-C of the Elementary and Secondary Education Act so that none of the components originally consolidated under Title IV-C remain as identifiable entities.

The \$96,400,000 remaining for Title IV-C purposes in fiscal year 1980 will support roughly 5,000 local school district projects; the \$50,000,000 remaining for fiscal year 1981 will fund approximately 2,500.

Question: Will changes in authorizing legislation be required to carry out this reduction?

Answer: The Department has proposed appropriation language which would override the "trigger" provision contained in Section 402(b)(2)(A) and which will ensure that the reductions have the intended effect on the funds available for the purposes of Title IV-C and for the purposes of Title V-B.

Question: Why is the Department once again recommending termination of the "hold harmless" provision?

Answer: The Department's proposed deletion of the "hold harmless" funds is based on the belief that sufficient time has elapsed for States to adjust to any reduction in funds caused by the consolidation of several programs under Title IV, Part C. In general, it would be preferable to distribute IV-C funds according to the formula, that is, according to the distribution of children aged 5 to 17, rather than tie any part of this year's distribution to the 1973 distribution.

Question: Which States will suffer the greatest losses under your proposal? Please include a State table in the record.

Answer: From fiscal year 1980 funds, six States (California, Illinois, Michigan, New York, Ohio, Pennsylvania and Texas) will lose at least \$2 million each. California and New York will lose over \$4 million each.

From fiscal year 1981 funds, each of the same six States will lose at least \$4 million. California will lose over \$9 million and New York nearly \$8 million.

Question: Your January budget justification states that \$51 million is the minimum necessary to fund Title V-B under a separate authorization. Does the \$46 million recommended for V-B in your revised budget mean that you plan to fund V-B through IV-C as has been done in the past?

Answer: Despite the proposed reduction to \$46 million, the Department's intention continues to be that Title V-B be funded as a separate appropriation.

Question: If so, how will this mesh with Public Law 96-46 which guarantees to the States an amount equal to what they received in fiscal year 1973?

Answer: The Department's proposed appropriation language, to appropriate only \$46 million for Title V-B, would, if enacted, override the provisions of Section 524(a) as amended in Public Law 96-46.

Question: Is it not likely that the reconsolidation of IV-C and V-B, combined with the hold harmless in P.L. 96-46, will result in the same problems with Title IV-C funding that the smaller States now face in dealing with the rescission for fiscal year 1980, namely; that they end up in the minus column for IV-C funding? If this scenario is correct, do you have any suggestions for avoiding the funding problem for small States in fiscal year 1981.

Answer: Since the Department's proposal for fiscal year 1981 is that Title V-B be funded as a separate appropriation at \$46,000,000, every State will receive an amount for Title IV-C and an amount for Title V-B.

Although, in fiscal year 1980, some States would receive total amounts for Support and Innovation which are smaller than the amount they may spend for the purposes of Title V-B, they are free to spend the funds received for the purposes of either Title IV-C or Title V-B. The statute does not, in fact, require that they spend any money for the purposes of Title V-B; it merely permits them to spend a specified amount.

Elementary and Secondary Education

Title IV, Part C, Support and Innovation Grants

State or Outlying Area	1980 Presently Available	1980 Revised Estimate	Proposed Rescission
TOTAL	\$197,400,000 ^{1/}	\$142,400,000 ^{1/}	\$55,000,000
Alabama	\$ 3,284,339	\$ 2,461,526	\$ 822,813
Alaska	792,756	305,529	487,227
Arizona	2,061,365	1,544,939	516,426
Arkansas	1,842,153	1,380,645	461,508
California	17,986,952	13,480,748	4,506,204
Colorado	2,269,040	1,700,586	568,454
Connecticut	2,648,139	1,936,939	711,200
Delaware	932,954	374,706	558,248
Florida	6,464,842	4,845,229	1,619,613
Georgia	4,538,080	3,401,171	1,136,909
Hawaii	1,081,713	579,352	502,361
Idaho	1,065,588	585,117	480,471
Illinois	9,700,883	7,214,519	2,486,364
Indiana	4,738,064	3,551,054	1,187,010
Iowa	2,517,264	1,856,233	661,031
Kansas	1,992,831	1,409,468	583,363
Kentucky	3,011,285	2,256,880	754,405
Louisiana	3,738,148	2,801,643	936,505
Maine	1,226,210	714,823	511,387
Maryland	3,662,686	2,686,349	976,337
Massachusetts	4,895,815	3,574,113	1,321,702
Michigan	8,318,820	6,188,403	2,130,417
Minnesota	3,578,864	2,634,467	944,397
Mississippi	2,295,961	1,720,762	575,199
Missouri	4,007,766	2,994,761	1,013,005
Montana	1,045,141	513,058	532,083
Nebraska	1,526,437	991,528	534,909
Nevada	905,871	432,352	473,519
New Hampshire	1,051,532	564,941	486,591
New Jersey	6,279,379	4,611,758	1,667,621
New Mexico	1,311,038	858,940	452,098
New York	14,984,495	10,944,279	4,040,216
North Carolina	4,761,138	3,568,348	1,192,790
North Dakota	983,494	426,587	556,907
Ohio	9,347,997	6,949,344	2,398,653
Oklahoma	2,307,498	1,729,409	578,089
Oregon	1,972,911	1,478,645	494,266
Pennsylvania	9,715,480	7,151,108	2,564,372
Rhode Island	1,144,397	579,352	565,045
South Carolina	2,622,857	1,965,762	657,095

State or Outlying Area	1980 Presently Available	1980 Revised Estimate	Proposed Rescission
South Dakota	\$ 1,015,819	\$ 446,764	\$ 569,055
Tennessee	3,657,385	2,741,113	916,272
Texas	11,445,192	8,577,871	2,867,321
Utah	1,341,610	933,881	407,729
Vermont	862,177	322,823	539,354
Virginia	4,349,635	3,259,937	1,089,698
Washington	3,149,735	2,360,644	789,091
West Virginia	1,686,586	1,158,704	527,882
Wisconsin	4,153,273	3,061,054	1,092,219
Wyoming	798,631	270,940	527,691
District of Columbia	1,000,667	389,117	611,550
American Samoa	206,190	100,534	105,656
Guam	400,005	299,793	100,212
Puerto Rico	3,338,181	2,501,878	836,303
Trust Territory	408,086	302,830	105,256
Virgin Islands	376,534	279,920	96,614
Northern Marianas	59,401	44,519	14,892
BIA	538,710	382,305	156,405

1/ Estimated distribution with one percent of the 50 States, D.C. and Puerto Rico amount reserved for the Outlying Areas and BIA, and the balance distributed on the basis of the 5-17 population 7/1/78. Distribution at the \$197,400,000 level included an amount of \$7,400,000 to bring each State up to their prior year level. The \$142,400,000 level has no "hold harmless" provision.

Elementary and Secondary Education
 Title IV, Part C, Improving Local Educational Practice and
 Title V, Part B, Strengthening State Educational Management

State or Outlying Area	Total Revised State Allocation 1980 Advance for 1981	Estimated Revised 1981 Advance for 1982		
		Total	Improving Local Educational Practice IV-C	Strengthening State Educational Management V-B
TOTAL	\$142,400,000 ^{1/}	\$96,000,000 ^{2/}	\$50,000,000 ^{3/}	\$46,000,000 ^{4/}
Alabama	\$ 2,461,526	\$ 1,689,185	\$ 864,300	\$ 824,885
Alaska	305,529	506,552	107,278	399,274
Arizona	1,544,939	1,150,488	542,465	608,023
Arkansas	1,380,645	1,108,012	484,777	623,235
California	13,480,748	7,802,506	4,733,408	3,069,098
Colorado	1,700,586	1,268,844	597,116	671,728
Connecticut	1,936,939	1,426,514	680,105	746,409
Delaware	374,706	562,321	131,568	430,753
Florida	4,845,229	2,908,493	1,701,274	1,207,219
Georgia	3,401,171	2,188,127	1,194,232	993,895
Hawaii	579,352	662,656	203,424	459,232
Idaho	585,117	663,991	205,448	458,543
Illinois	7,214,519	4,293,248	2,533,188	1,760,060
Indiana	3,551,054	2,319,316	1,246,859	1,072,457
Iowa	1,856,233	1,391,759	651,767	739,992
Kansas	1,409,468	1,149,851	494,898	654,953
Kentucky	2,256,880	1,569,787	792,444	777,343
Louisiana	2,801,643	1,831,408	983,723	847,685
Maine	714,823	746,389	250,991	495,398
Maryland	2,686,349	1,833,208	943,241	889,967
Massachusetts	3,574,113	2,310,209	1,254,955	1,055,254
Michigan	6,188,403	3,791,060	2,172,894	1,618,166
Minnesota	2,634,467	1,814,093	925,023	889,070
Mississippi	1,720,762	1,268,766	604,200	664,566
Missouri	2,994,761	2,019,596	1,051,531	968,065
Montana	513,058	635,542	180,147	455,395
Nebraska	991,528	896,349	348,149	548,200
Nevada	432,352	578,549	151,809	426,740
New Hampshire	564,941	646,392	198,364	448,028
New Jersey	4,611,758	2,862,041	1,619,297	1,242,744
New Mexico	858,940	814,949	301,594	513,355
New York	10,944,279	6,318,464	3,842,795	2,475,669
North Carolina	3,568,348	2,303,878	1,252,931	1,050,947
North Dakota	426,587	589,115	149,785	439,330
Ohio	6,949,344	4,220,710	2,440,078	1,780,632
Oklahoma	1,729,409	1,324,579	607,236	717,343
Oregon	1,478,645	1,154,494	519,187	635,307
Pennsylvania	7,151,108	4,289,477	2,510,923	1,778,554
Rhode Island	579,352	670,889	203,424	467,465
South Carolina	1,965,762	1,413,520	690,225	723,295

State or Outlying Area	Total Revised State Allocation 1980 Advance for 1981	Estimated Revised 1981 Advance for 1982		
		Total	Improving Local Educational Practice IV-C	Strengthening State Educational Management V-B
South Dakota	\$ 446,764	\$ 606,601	\$ 156,869	\$ 449,732
Tennessee	2,741,113	1,844,743	962,470	882,273
Texas	8,577,871	5,002,879	3,011,893	1,990,986
Utah	933,881	853,109	327,908	525,201
Vermont	322,823	527,379	113,351	414,028
Virginia	3,259,937	2,130,542	1,144,641	985,901
Washington	2,360,644	1,658,767	828,878	829,889
West Virginia	1,158,704	995,200	406,848	588,352
Wisconsin	3,061,054	2,014,428	1,074,808	939,620
Wyoming	270,940	498,533	95,134	403,399
District of Columbia	389,117	578,971	136,628	442,343
Puerto Rico	2,501,878	1,435,693	878,469	557,224
American Samoa	100,534	118,977	35,300	83,677
Northern Marianas	44,519	26,695	15,632	11,063
Guam	299,793	199,952	105,265	94,687
Virgin Islands	279,920	184,727	98,287	86,440
Trust Territory	302,830	193,241	106,330	86,911
BIA	382,305	134,236	134,236	---

- 1/ Estimated distribution of \$142,400,000 with one percent (\$1,409,901) of the 50 States, D.C. and Puerto Rico amount reserved for the areas and BIA, and the balance distributed on the basis of the 5-17 population, 7/1/78.
- 2/ Sum of distributions for 1981 appropriation of Title IV-C, Improving Local Educational Practice, and Title V-B, Strengthening State Educational Management.
- 3/ Distribution of \$50,000,000 with one percent (\$495,050) of the 50 States, D.C. and Puerto Rico amount reserved for the areas and BIA, and the balance distributed on the basis of the 5-17 population 7/1/78 for 50 States and D.C. 7/1/76 for Puerto Rico, and the total public and nonpublic elementary and secondary enrollment, Fall 1978 for the areas.
- 4/ Distribution according to the provisions of P.L. 89-10, Title V, Part B, as amended by P.L. 96-46. Statutory allotment to States of \$50,850,000 (equal to fiscal year 1973 allocation) ratably reduced to \$46,000,000.

TELECOMMUNICATIONS DEMONSTRATIONS

Question: In the Department of Education budget, under School Improvement, there are many small categorical programs designed to emphasize a particular field of study or approach to learning. Of all of these, you have targeted for elimination the Telecommunications Demonstration program.

Why this program?

Your justification indicates that this program has a low priority because it is "not targeted specifically on the disadvantaged." Do you administer other school improvement programs that also are not targeted on the disadvantaged, but are not proposed for elimination? If so, what are these and how do you rationalize such an inconsistency?

Answer: The original intent of the program--to demonstrate the potential of non-broadcast telecommunications technology in the delivery of human services--for the most part has been fulfilled. Many applications of technology developed through this program have been adopted by agencies and organizations at all levels, including the U.S. Public Health Service and the Federal Communications Commission. As a result of this program and others like it, today we accept full the uses of non-broadcast telecommunications technology in the delivery of health, social, and educational services. While many applications of this technology remain undeveloped, in times of budget austerity we must look at the intent and accomplishments of all programs. Although this program is a worthy one, it is not specifically targeted on the disadvantaged or on education.

Furthermore, there are other sources of support for further development of telecommunications technology. These sources include public and private facilities, programs supported by other Federal funds, and programs supported by the health and medical professions. For these reasons, we have proposed the elimination of the program.

Other school improvement programs are not proposed for elimination because, while they too are not all specifically targeted on the disadvantaged, they are more directly related to education and have more general applicability to the improvement of school curricula and practices than the telecommunications demonstrations program.

VOCATIONAL EDUCATION

Question: As you know, there is a set-aside for services to the disadvantaged under Section 102(a), Subparts 2 and 3, Basic State Grants, and Program Improvement. These Federal monies must be matched dollar for dollar by the State.

I understand, however, that current regulations make it difficult for the States to use these Federal monies and that several million is carried over each year because of this. In 1978-79, for instance, I think roughly one-sixth of the money appropriated for the set-aside was not used.

As I understand it, the regulations say that this set-aside money cannot be used to operate programs for the disadvantaged, but only for costs of programs for the disadvantaged that are over and above the cost of regular programs.

Several States feel they could more effectively utilize this money if they were allowed to use it (and their matching) for the full cost of programs for the disadvantaged rather than for the excess costs only. Since this money is targeted at much the same population as the Youth Training Act which has been discussed, I would appreciate having your comments on this idea.

Answer: Funds distributed to States and Outlying Areas under the Vocational Education Act may be "carried over" and used in the subsequent fiscal year according to the Federal-State operations provision of the "Tydings Amendment." Twenty percent, or one-fifth, of the total Federal Vocational Education funds distributed to States in fiscal year 1978 were carried over into fiscal year 1979. The funds not used under the services for disadvantaged students set-aside 1978-79 were thus carried over to 1979-80 and subsequently are used, or will be used, during this year. Only under rare and special circumstances do any Federal Vocational Education funds distributed to States actually lapse and return to the Treasury unused.

The current regulations which require the use of set-aside funds for costs above the cost of the regular program comply with strict congressional intent in the Vocational Education Act, its legislative history and in a separate message from the chairmen and ranking minority members of the Senate and House authorizing committees.

We have been informed that some States have problems matching these set-aside amounts. Congress responded to these complaints from the States by passing Public Law 96-46, which allows an adjustment to the matching requirement for this set-aside. A Notice of Proposed Rule Making for this provision has recently been issued by the Office of Education. This law and the new regulations should aid those few States now having difficulty expending funds for the disadvantaged.

GUIDANCE, COUNSELING, AND TESTING PROGRAM TERMINATION

Question: The Department of Education proposes eliminating funding for Guidance, Counseling, and Testing. This will save \$18 million in FY 1980 and FY 1981. Your justification provides no clear rationale as to why you recommend the cancellation of this program. Can you give us specific reasons to explain why this program was targeted for elimination?

Answer: Local education agencies rely primarily on their own funds to support guidance, counseling, and testing. In times of budgeting constraint, categorical programs with less well-defined impact must be cut so that activities of higher priority, such as the development of basic skills and aid to the disadvantaged and handicapped, can be maintained.

Question: Is it true that most States and local school districts have their own programs?

Answer: According to data gathered by the National Center for Education Statistics in 1968, which is the latest hard data available, 97 percent of the secondary schools in the United States had guidance counselors either in the schools or available to them. In the case of elementary schools, the figure dropped to 32 percent, but it is presumed that the percentage would be higher now.

Question: How is this money spent by the States?

Answer: A total of \$17,275,000, which excludes \$725,000 for Federal discretionary awards, was to have been awarded as grants to States for guidance, counseling, and testing purposes. From these grants to States, the State education agency may retain up to 5 percent for administration and up to 7.5 percent for leadership and supervisory services before awarding subgrants to local education agencies. Funds at the local level may be used to strengthen and expand programs for guidance and counseling services and for testing of students in elementary and secondary schools. Included within this scope are such things as (a) in-service training for guidance and counseling personnel, (b) supervision and leadership services at the local level, (c) program planning and development, (d) special guidance and counseling programs for the disadvantaged, and (e) evaluation of such programs.

NATIONAL INSTITUTE OF EDUCATION

Question: The revised budget reduces the fiscal 1981 request for the National Institute of Education by \$9 million. The revised request of \$79 million is \$2 million above the 1980 appropriation.

Why did you decide to reduce the request for NIE by only \$9 million in FY 81?

Answer: The proposed reduction of \$9 million for NIE is a significant and serious reduction. This reduction was particularly hard to propose because educational research and development represents a long-term investment in the future of American education.

To me, the investment made by the Congress over the last 8 years to the National Institute of Education has indeed made significant and substantial contributions to our society.

To the Congress, the Institute has provided reports on the status of Compensatory Education in the nation and a report on safety in the schools.

To State and local policymakers, they have provided results of research and practice related to issues such as school finance and testing.

To teachers and parents, they have provided information about reading, mathematics, and better instructional and learning techniques.

The \$9 million reduction represents a decrease of over 10 percent from the President's original request and an 82 percent cut back in planned new activities. This action postpones the Institute's initiatives to increase from 36 to 50 the number of states receiving information about research results, to increase the participation of women and minorities in educational research and development, and to improve literacy skills of reading and writing.

Question: Why didn't you propose any rescissions for FY 1980?

Answer: NIE's long-term research and revitalized dissemination activities have developed considerable momentum. It would require more than one year to regain that momentum if we suffered a further cut in the 1980 budget. With respect to proposed rescissions for NIE in FY 1980, we examined the NIE appropriation from several perspectives:

First, the FY 80 appropriation of \$91.2 million represents a \$7.1 million reduction from the \$98.3 million requested by the Administration and a reduction of \$5 million below the comparable FY 1979 appropriation.

Finally, I consider research, innovation, and experimentation to be an undisputed Federal role and, as such, will be a key role to the Department of Education as a partner to the States and local governments in improving American education.

Question: If we wanted to rescind NIE funds for FY 1980, how much could we cut; that is, how much has not be obligated?

Answer: The Institute has obligated \$49.5 million, or 65%, of its available program funds thru April 22, 1980. \$23.8 million of the remaining \$26.9 million are contractual commitments, which include multi-year awards made in previous years, grant programs and RFP's that have been announced, and proposals that are being processed. The remaining \$3.1 million represents planned awards for several NIE priority projects that have not yet been formally announced in procurement channels.

Second, an examination of the financial status of NIE relative to possible savings revealed very little could be gained monetarily be rescinding FY 1980 funds.

Third, programmatically, Congress has reflected our belief by citing the National Institute of Education as a "unique and solid resource" for educators and policymakers alike; therefore, we all believe there is strong and growing evidence that our nationwide effort to improve American education through research is paying off.

OFFICE FOR CIVIL RIGHTS

Question: The Education justification for the Office for Civil Rights indicates that you lapsed \$6,791,000 at the end of fiscal year 1979 and the Health and Human Services Office for Civil Rights justification indicates that another \$3,405,000 lapsed in fiscal year 1979. That represents over \$10 million in funds that were requested and appropriated but not spent for civil rights compliance.

What happened? Did you carry out all the planned activities with less money or does this represent a real reduction in civil rights efforts.?

Answer: The Office for Civil Rights, in a fiscal year 1978 supplemental, requested \$9,453,000 for 898 new positions to reduce the civil rights complaints backlog as mandated by the 1977 Adams court order and to conduct technical assistance for handicapped recipients. In enacting the supplemental on September 8, 1978, Congress

appropriated \$1,100,000 for 499 of these positions. The remainder of the positions requested and \$32,402,000 to cover the costs associated with them were provided in the fiscal year 1979 appropriation.

The lateness of the supplemental and the inability of the Office for Civil Rights to substantially reduce its vacancies until the third quarter of 1979 resulted in the lapse. The chart below indicates the progress achieved by the Agency in reducing its vacancy rate.

OFFICE FOR CIVIL RIGHTS STAFFING

	Oct-Dec 1978	Jan-March 1979	Apr-June 1979	July-Sept 1979
Vacancies at end of quarter	620	358	192	52
New Hires during quarter	338	294	215	29
On-board staff at end of quarter	1273	1535	1701	*1648

* OCR ceiling reduced from 1983 positions to 1700 positions by HEW for last quarter FY 1979.

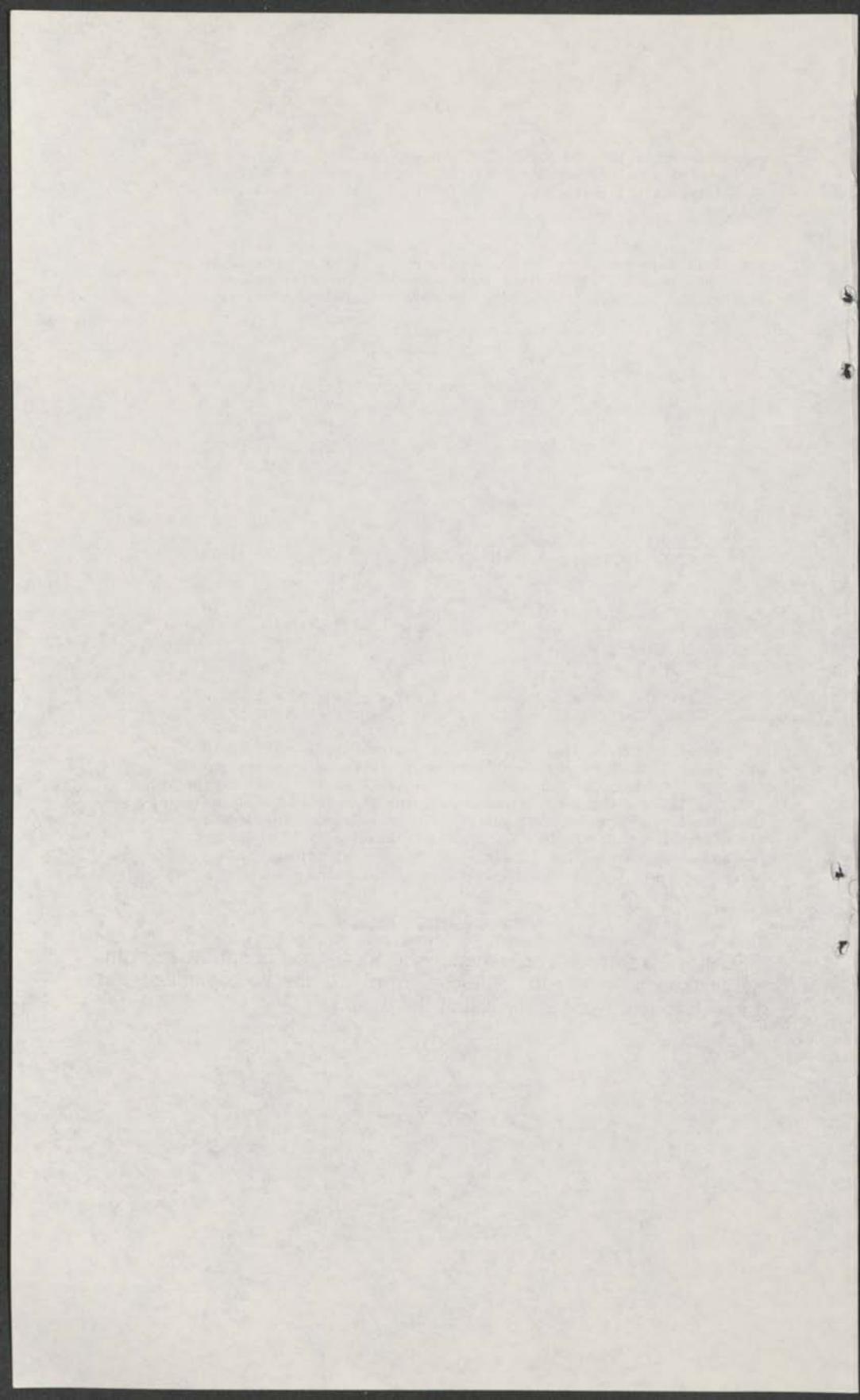
Question: If you lapsed \$10 million, why did you not propose any rescission or reduce the fiscal year 1981 budget request?

Answer: In fiscal year 1980, all positions transferring to the Department of Education from the Office for Civil Rights are encumbered. The request for fiscal year 1981 maintains staff at the 1980 level, requesting an increase only for the purpose of annualizing the cost of the October 1979 pay raise. At this staffing level, the Office for Civil Rights has been able to effectively eliminate the complaint backlog as stipulated by Adams. Maintaining this situation would not be possible with fewer positions.

SUBCOMMITTEE RECESS

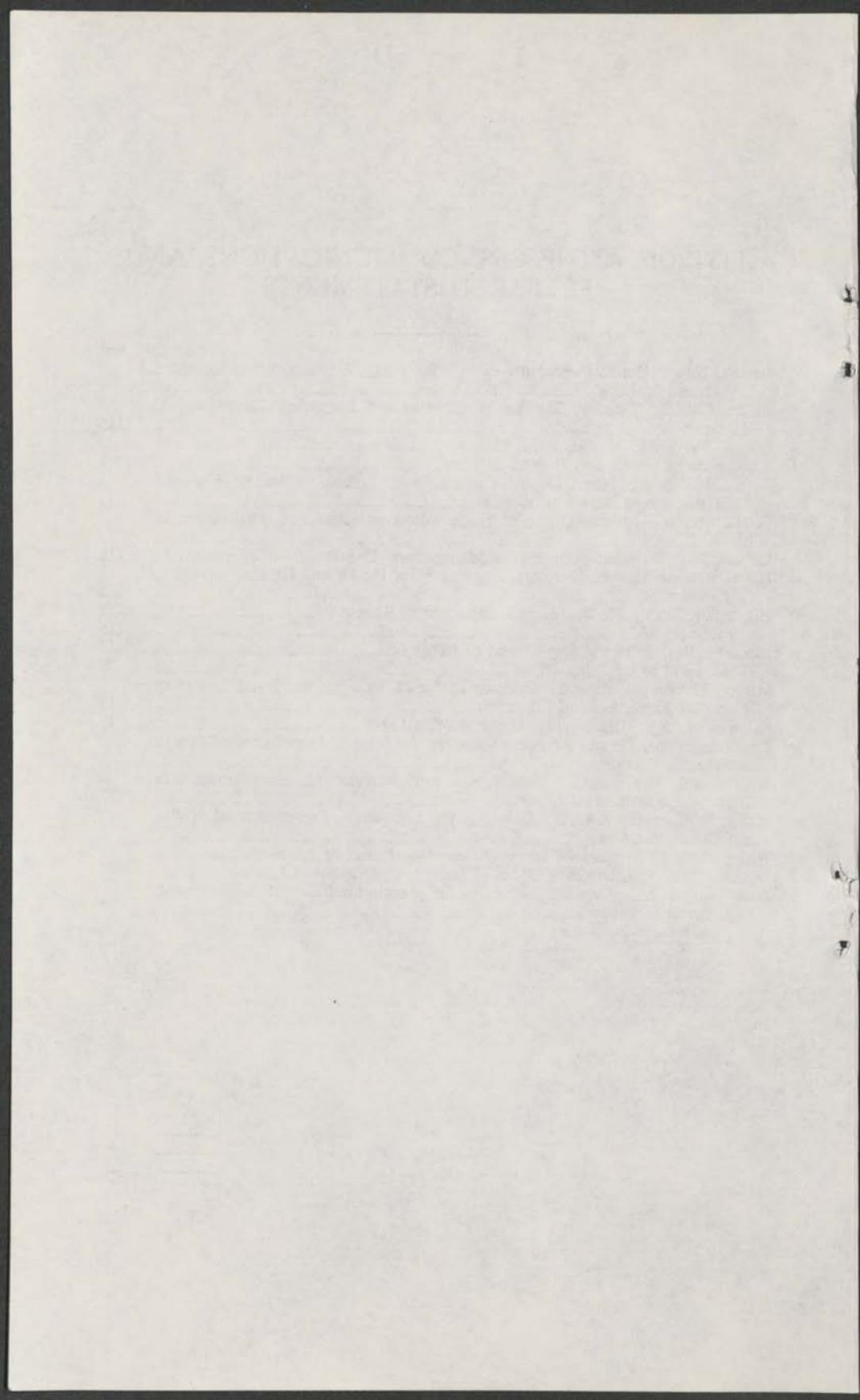
Senator MAGNUSON. The committee stands in recess until the markup. [Whereupon, at 4 p.m., Tuesday, April 22, the subcommittee was recessed, to reconvene at the call of the Chair.]





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