Ed Kohn

90TH CONGRESS 1st Session } HOUSE OF REPRESENTATIVES { REPORT No. 1011

CONTINUING APPROPRIATIONS, FISCAL YEAR 1968

DECEMBER 7, 1967.—Ordered to be printed

MR. MAHON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.J. Res. 888]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H.J. Res. 888) making continuing appropriations for the fiscal year 1968, and for other purposes, having met, after full and free conference, have been unable to agree.

GEORGE MAHON,
MICHAEL J. KIRWAN,
JAMIE L. WHITTEN,
JOHN J. ROONEY,
EDWARD P. BOLAND,
WILLIAM H. NATCHER,
Managers on the Part of the House.
CARL HAYDEN,
LISTER HILL,
WARREN G. MAGNUSON,
SPESSARD L. HOLLAND,
JOHN O. PASTORE,
MILTON R. YOUNG,
KARL E. MUNDT,
MARGARET CHASE SMITH,
Managers on the Part of the Senate.

85 006

1/3/68

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H.J. Res. 888), making continuing appropriations for the fiscal year 1968, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended as to each of such amendments, namely:

Continuing Resolution Expiration Date

Amendment No. 1: Reported in technical disagreement. The dates mentioned in amendment No. 1 to House Joint Resolution 888 having passed, and Public Law 90–162, of November 28, 1967, having already extended the expiration date to December 2, 1967, the conferees have agreed on the date of December 20, 1967, and the managers on the part of the House will offer a motion to insert that date. It is hoped that Congress will have adjourned sine die before December 20, but the later date would provide a few extra days that could avoid a hiatus in obligating authority for the Government programs and agencies operating under the interim authority.

Title II—Reductions in Obligations and Expenditures

Amendment No. 2: Reported in technical disagreement. The managers on the part of the House will offer a motion incorporating a set of economy reduction provisions agreed upon by the conferees in the form of a substitute for the several economy provisions contained in the House version, all of which were stricken by the Senate. The substitute to be offered would impose limitations on, and thus reduce, fiscal 1968 budgeted *obligations* by not less than $9,000,000,000 which in turn would result in reducing fiscal 1968 budgeted *expenditures* by not less than $4,000,000,000.

These amounts are inclusive of the effect of congressional actions to date in the 13 appropriation bills that have been enacted—actions that have resulted in reductions in appropriation requests of about $4.6 billion with a consequent fiscal 1968 expenditure reduction effect of about $1.5 billion; it now looks like the *total* appropriation bill actions, including the two bills still pending, may come close to $6,000,000,000 in appropriation reductions and close to $2,000,000,000 in fiscal 1968 expenditure reductions.

BACKGROUND OF THE MOTION TO BE OFFERED

While Congress throughout the year has recognized the need to effect economies and reduce Federal spending wherever it seemed reasonably possible to do so in actions on appropriation bills, and while considerable success has been attained as evidenced by the prospective appropriation reductions of close to $6,000,000,000 for fiscal 1968, the fact is that current estimates of the size of the Federal budget deficit, recent upheavals in international monetary circles, continuing inflationary pressures, and increasing pressure on the dollar throughout the world, make it imperative that still further reductions in Federal outlays be made. The fiscal outlook for 1968 is now vastly different than it was when the 1968 budget came last January—a deficit in excess of perhaps $20 billion in contrast to the original projection of $8.1 billion.

It has become increasingly necessary in recent years to enact continuing resolutions in the latter months of each session of Congress to make funds available for departments and agencies for which appropriation bills have not been passed by the beginning of the new fiscal year on July 1. Lack of more timely annual authorization for appropriations for many of these has been a major factor in these delays. Continuing resolutions for October and subsequent periods became the vehicle this year for various reduction proposals and expenditure limitations.

It will be recalled that two continuing resolutions (H.J. Res. 652 and H.J. Res. 804) making interim appropriations for July–August, and for September, for agencies of government for which regular 1968 appropriation bills had not been enacted were processed through Congress without event.

On September 27, however, by a record vote of 202 yeas to 181 nays, the House recommitted (without specific instructions) the October continuing resolution (H.J. Res. 849, H. Rept. 708). This recommittal action was a manifestation of desire in the House for further economies beyond the multi-billion dollar reductions already made—and in prospect—in the 15 appropriation bills.

On October 3, the House adopted House Joint Resolution 853 (H. Rept. 724) which provided for the extension of the continuing resolution expiration date to October 10 in lieu of October 31. *On October 4*, the Senate adopted House Joint Resolution 853, amended to extend the date through October 23, and on the same day the House agreed to the Senate amendment and the resolution was enacted into law.

On October 16, the Committee on Appropriations of the House, after considerable study of possible courses of action in response to the desires manifested by the House in recommitting the earlier resolution on September 27, reported House Joint Resolution 888 (H. Rept. 785) which proposed to extend the date another 30 days—to November 23. It also included language—

> To temporarily curtail (for 30 days) the incurring of obligations for new construction, research, demonstration, training, service, and similar activities not directly related to the military effort in Southeast Asia.
>
> To reduce by 5 percent the funds for civilian personnel, and require that all amounts withheld pursuant to the above requirements be rescinded.
>
> To reduce by 10 percent the funds for research and development, accompanied by rescission language.
>
> To so adjust program obligation schedules as to permit complete absorption of the civilian pay increase that the House had recently voted.

It was estimated to reduce budgeted expenditures by about $1.5 billion, or something in that area, in fiscal 1968, *in addition* to the estimated fiscal 1968 expenditure reduction approaching $2 billion as a result of actions in the 15 appropriation bills enacted or to be enacted for 1968.

On October 18, by record vote of 239 to 164, the House substituted for the committee propositions (except for the date of November 23) an amendment intended to hold *expenditures—by each department and agency*—to the 1967 level (with a number of major exceptions). Appended to the amendment was an overall ceiling of $131.5 billion on net administrative budget expenditures for fiscal 1968 except for those relating to our military effort in Southeast Asia. Also, a temporary obligation rate of not to exceed $2 billion for the foreign assistance program was added, as was a $1.2 billion temporary obligation rate for the antipoverty program.

The best calculations available indicate that under the provisions of the resolution as passed by the House, fiscal 1968 budgeted expenditures would be reduced by roughly $7 billion, gross, against which would be offset the 1968 expenditure value—estimated at close to $2 billion—that would result from appropriation bill reduction actions made or expected to be made. Thus the net additional spending reduction that would have resulted was calculated at approximately $5 billion. This was not a rescission of funds, but rather to some degree a postponement or deferral through limitations on department and agency spending during fiscal 1968.

On October 20, the Senate Committee on Appropriations reported House Joint Resolution 888, trimming the expiration date back to November 15 (amendment No. 1), and striking all of the House provisions relating to reduced expenditures, the expenditure ceiling, and temporary obligation rates. *On October 25*, the Senate passed House Joint Resolution 888 as reported, by record vote 59 to 26, after rejecting various floor amendments.

The conferees on House Joint Resolution 888 have met a total of six times since late October. Due to the extremely complex and controversial nature of broad reduction propositions, and in view of the fact that it is closely related to the administration's pending tax surcharge proposals, the conferees have experienced great difficulty in arriving at a final compromise. The managers on the part of the House were committed to futher expenditure reductions. The Senate conferees were governed somewhat by the rejection of such limitations during Senate consideration. The position of both sets of conferees was fully supported by strong votes by their respective bodies.

THE OBLIGATION AND EXPENDITURE MOTION TO BE OFFERED

The conference agreement to be submitted in a motion to be offered in the House is estimated to result in an expenditure reduction of approximately $4.1 billion below the President's budget request for fiscal 1968 by reducing budgeted obligations in that fiscal year by not less than $9 billion. These are reductions from the budget amounts, and thus include—in the case of the $9 billion—the 1968 obligations that will be reduced by reason of the expected cuts by Congress of close to $6 billion in new appropriation requests. And the $4.1 billion expenditure reduction figure would also thus include the effect of congressional appropriation reductions—of about $1.5 billion to date and perhaps $1.9 to $2.0 billion when the two appropriation bills still pending are cleared. Of course, the expenditure savings not realized in fiscal 1968 from the close to $6 billion cut would be realized in subsequent fiscal years.

For the most part, the specific substitute language agreed upon by the conferees is that language which was submitted by the administration on November 29 as title II of the proposed Tax Surcharge and Expenditure Reduction Act legislation. Certain perfecting amendments were agreed to in conference, but the basic thrust of the administration's proposal has been maintained.

The substitute as agreed upon in conference would establish a mandatory reduction in the obligations of each civilian department and agency of the executive branch in fiscal 1968 by an amount equal to 2 percent of obligations estimated in the budget for personnel compensation and benefits, plus an amount equal to 10 percent of estimated budget obligations for other controllable items. Where Congress has reduced the appropriations of a department or agency by more than the amounts specified in the 2-plus-10-percent formula, the more restrictive congressional action would prevail.

The substitute as agreed upon in conference is specific as to amounts of reductions to be made at the department or agency level. The allocation of the reductions *within* the various departments and agencies would be determined by the officials of the departments and agencies, and would be subject to the approval of the President. Personnel reductions are not absolutely mandatory, although undoubtedly in many cases reductions will be made in civilian compensation costs. Departments and agencies may choose to cut other expenses an amount equal to 2 percent of personal services estimates and maintain personnel levels. Of course, no individual employee's salary will be reduced by the operation of this title.

Under the substitute agreed upon by the conferees, budgeted obligations of the Department of Defense will be reduced by an amount equal to 10 percent of the new obligational authority for non-Vietnam purposes. It is anticipated that funds realized by the resultant defense savings and postponements will be utilized to cover added expenditures expected to be needed during the fiscal year 1968 for the war in Vietnam. Further, the substitute provides that the President may exempt from the operation of this title *any* obligations for national defense which he deems to be essential for the purposes of national defense.

As is generally true in all such broadly based proposals, it is necessary to make some exceptions to the general rule, and to introduce some discretionary administrative flexibility, so as to prevent unintended harmful consequences in some instances. Accordingly, the substitute language agreed upon provides that the reduction provisions shall not apply to—

(1) Permanent appropriations (such as interest);

(2) Trust funds (social security, etc.);

(3) Items included in the budget as "relatively uncontrollable" including, among others—

(*a*) Veterans pensions, compensation, and insurance,

(*b*) Public assistance grants,

(*c*) Farm price supports,

(*d*) Postal public service costs and revenue deficit,

(*e*) Health insurance payments to trust funds,
(*f*) The legislative and judiciary branches,
(*g*) Interest (largely public debt); and

4. Programs, projects or purposes, the sum total of which may not exceed $300 million, which the President may exempt upon his determination that such exemption is vital to the national interest or security, except that no program, project, or purpose shall be funded in excess of amounts approved therefor by Congress.

The substitute language of the resolution agreed upon further provides that, to the maximum extent practical, reductions in obligations for personnel shall be accomplished by not filling vacancies, and that reductions in obligations for construction be accomplished, insofar as practical, by stretching out time schedules of starting new projects and performing on contracts so as not to preclude new construction starts.

It is the sense of the conferees that, insofar as practical, reductions made under this title shall be applied in such manner as to maintain the level of operation of any program in fiscal year 1968 at not less than that maintained in the fiscal year 1967, except where otherwise provided in the 1968 appropriation bills or other acts of Congress.

The conferees fully realize that large reductions in obligations and expenditures cannot be accomplished without denying funds for purposes considered by many to be praiseworthy. Nevertheless, fiscal deficits of the magnitude currently anticipated are recognized to hold some danger for the Nation's economic well-being, and therefore are unacceptable. The executive branch has urged that the Congress join in a program of fiscal restraint.

There are those who would prefer deeper cuts. There are those who would prefer smaller cuts. There may be those who would prefer no further cuts. It is generally believed, however, that the reductions which would be accomplished by the plan worked out by the conferees and proposed herewith is a proper and workable compromise.

TEXT OF SUBSTITUTE MOTION TO BE OFFERED

The full text of the substitute motion agreed upon by the conferees and to be offered in the motion follows:

TITLE II—REDUCTIONS IN OBLIGATIONS AND EXPENDITURES

SEC. 201. In view of developments which constitute a threat to the economy with resulting inflation, the Congress hereby finds and determines that, taking into account action on appropriation bills to date, Federal obligations and expenditures in controllable programs for the fiscal year 1968 should be reduced by no less than $9,000,000,000 and $4,000,000,000, respectively, below the President's budget requests. The limitations hereafter required are necessary for that purpose.

SEC. 202. (a) During the fiscal year 1968 no department or agency of the executive branch of the Government shall incur obligations in excess of the lesser of—

(1) the aggregate amount available to each such department or agency as obligational authority in the fiscal year 1968 through appropriation Acts or other laws, or

(2) an amount determined by reducing the aggregate budget estimate of obligations for such department or agency in the fiscal year 1968 by—

(i) 2 per centum of the amount included in such estimate for personnel compensation and benefits, plus

(ii) 10 per centum of the amount included in such estimate for objects other than personnel compensation and benefits.

(b) As used in this section, the terms "obligational authority" and "budget estimate of obligations" include authority derived from, and estimates of reservations to be made and obligations to be incurred pursuant to, appropriations and authority to enter into contracts in advance of appropriations.

(c) The references in this section to budget estimates of obligations are to such estimates as contained in the Budget Appendix for the fiscal year 1968 (House Document Numbered 16, Ninetieth Congress, first session), as amended during the first session of the Ninetieth Congress.

Sec. 203. (a) This title shall not apply to obligations for (1) permanent appropriations; (2) trust funds; (3) items included under the heading "relatively uncontrollable" in the table appearing on page 14 of the Budget for the fiscal year 1968 (House Document Numbered 15, part 1, Ninetieth Congress, first session), and other items required by law in the fiscal year 1968; or (4) programs, projects, or purposes, not exceeding $300,000,000 in the aggregate, determined by the President to be vital to the national interest or security, except that no program, project, or purpose shall be funded in excess of amounts approved therefor by Congress.

(b) This title shall not be so applied as to require a reduction in obligations for national defense exceeding 10 per centum of the new obligational authority (excluding special Vietnam costs) requested in the Budget for the fiscal year 1968 (House Document Numbered 15, part 1, and House Document Numbered 16), as amended during the first session of the Ninetieth Congress: *Provided,* That the President may exempt from the operation of this title any obligations for national defense which he deems to be essential for the purposes of national defense.

Sec. 204. In the administration of any program as to which (1) the amount of obligations is limited by section 202(a)(2) of this title, and (2) the allocation, grant, apportionment, or other distribution of funds among recipients is required to be determined by application of a formula involving the amount appropriated or otherwise made available for distribution, the amount available for obligation as limited by that section or as determined by the head of the agency concerned pursuant to that section shall be substituted for the amount appropriated or otherwise made available in the application of the formula.

Sec. 205. To the maximum extent practical, reductions in obligations for personnel compensation and benefits under this title shall be accomplished by not filling vacancies. Insofar as practical, reductions in obligations for construction under this title may be made by stretching out the time schedule of starting new projects and performing on contracts so as not to require the elimination of new construction starts.

Sec. 206. The amount of any appropriation or authorization which (1) is unused because of the limitation on obligations imposed by section 202(a)(2) of this title and (2) would not be available for use after June 30, 1968, shall be used only for such purposes and in such manner and amount as may be prescribed by law in the second session of the Ninetieth Congress.

George Mahon,
Michael J. Kirwan,
Jamie L. Whitten,
John J. Rooney,
Edward P. Boland,
William H. Natcher,
Managers on the Part of the House.