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EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON, D.C. 20503

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OFFICE OF  
THE DIRECTOR

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MEMORANDUM FOR THE PRESIDENT

Joe Califano told me that you wanted an analysis of what programs we would have had to cut to take another \$2 billion of expenditures out of the budget.

That analysis is attached. Since we have so many fixed commitments, and since the Government is faced with growing workloads in a number of regular old-line activities, much of the cut would have to come out of the newer, high priority programs.

*Charles L. Schultze*

Charles L. Schultze  
Director

Attachment

Impact of an Additional \$2 billion  
Budget Expenditure Reduction

A very large part of Federal Government expenditures in 1967 are already determined by fixed commitments:

- interest on the public debt
- Veterans' compensation and pensions
- price supports
- public assistance grants
- outlays on contracts already let
- loan agreements signed previously
- new general revenue contribution to Medicare

Consequently a further expenditure reduction of \$2 billion in the budget would have to fall very heavily on a number of important programs which happen to be susceptible to budget adjustments.

The following programs are the ones which, most likely, would have to be reduced or eliminated to make a \$2 billion expenditure reduction possible:

1) Cut back the Poverty program \$100 million

Would require reducing the number of jobs for young men and women by 70 thousand, cutting 50,000 youngsters from the Head-start program, etc.

2) Cut back continuing construction in the \$100 million Corps of Engineers, Bureau of Reclamation, TVA, and Bonneville. Examples of the effects of this decision:

- postponing a number of flood control projects past another flood season
- postponing the Cross-Florida barge canal another year
- reducing the Westlands project sharply
- cutting \$16 million out of the Arkansas project and delaying it a year

3) Resurrecting the discredited "no new starts" construction policy of a previous administration, eliminating among other projects:

- Garrison
- Auburn Folsom
- Third powerhouse at Grand Coulee

(see attached table for list of new starts)

4) Instead of increasing the National Institutes of Health by \$58 million, reduce it by \$30 million. Some consequences:

- cut back the new heart, cancer and stroke program
- eliminate increased funds for new regional medical program
- cut new research grants and fellowships in half

5) Cancel work on the supersonic transport. \$150 million This decision would:

- waste the \$200 million already invested
- relegate the U.S. to second class status in civilian aviation during the 1970's--the British-French Concorde would go forward unchallenged.

6) Hold Food Stamp program to the 1966 level. \$ 33 million

7) Cut Labor Department's manpower training program. Would eliminate 15,000 trainees. \$ 25 million

8) Hold Law Enforcement Assistance program to 1966 level. \$ 6 million

9) In the Post Office, eliminate Saturday window service and six-day parcel post delivery. \$ 16 million

10) In the new Department of Housing and Urban Development, cut out grants for basic water and sewer facilities. \$ 50 million

11) Eliminate the new initiatives in international health, education and food which AID has incorporated into its budget (the appropriation cut would be much larger, but expenditures lag behind). \$ 60 million

12) In space, defer the manned lunar landing into the 1970's and eliminate follow-on programs. \$300 million

13) Abandon the historic effort we have begun to upgrade the education of our children. This would involve:

- Cutting by 2/3rds the entitlement of school districts under the new Elementary and Secondary Education Act of 1965 \$600 million
- Abandoning the Higher Education Act of 1965 \$228 million
- Stopping immediately loans for college facilities and public library construction \$126 million