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Dear

During the last several months I have tried to keep you informed regarding major issues which affect your activities. All of us have been concerned with the great demands placed on the Federal budget and the concomitant need to restrict expenditures wherever possible. It has become increasingly apparent that RPS would continue to feel the effects of expenditure controls and that we would soon need to make appropriate adjustments in the levels of grant awards. It has now become necessary for us to make selective reductions in allowable expenditures for both FY '71 and FY '72.

Accordingly, as of this date your Program will be reduced for the remainder of the fiscal year by 25 percent. In the following year the reduction will reach a total of approximately 50 percent of the amount currently authorized. These cuts cover both direct and indirect costs to be applied in the manner you deem most advantageous. We fully recognize the problems this will create for you and prefer, therefore, to give you the opportunity to begin now to prepare for the full effect of both years' reductions.

For all of us this is an obviously urgent matter. I have asked the chiefs of RPS' Grants Management and Regional Development Branches to communicate with you in the next several days to provide any assistance you may need.

I am sure you realize my personal disappointment in having to take this action. I remain highly optimistic for the long-term prospects of the Regional Medical Programs but cannot offer hope for immediate financial relief. Your task has never been easy, but I am confident that you will do your best to maintain efforts even in these more demanding circumstances.

Sincerely yours,

Harold Margulies, M.D.
Acting Director