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1976 Budget
Session With The
President
12/11/74

1976 Budget
Session With The
President
12/11/74



MEETING WITH

ROY L. ASH

Wednesday, December 11, 1974

2:00 p. m.

THE WHITE HOUSE

WASHINGTON

December 10, 1974

MEETING WITH ROY L. ASH
Wednesday, December 11, 1974
2:00 p.m. (60 minutes)
Oval Office



From: Roy L. Ash

I. PURPOSE

To make final decisions on the issues raised by the FY 76 budgets for the Department of Justice, the Department of the Treasury and several smaller agencies.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: The FY 76 budget submissions of the Departments of Justice, Treasury, and several smaller agencies have been reviewed by the Office of Management and Budget and members of the White House staff. The results of these reviews have been discussed with the affected departments and agencies. This meeting will focus on the issues raised in the FY 76 budgets of the above departments and agencies that require Presidential consideration and determinations.

B. Participants: Roy L. Ash, Paul O'Neill, Wally Scott, and Dale McOmber

C. Press Plan: David Kennerly photo

III. TALKING POINTS

A. Wally Scott, will you describe the first issue to be considered for the Department of Justice?

B. Wally Scott, what issue should we begin with for the Department of the Treasury?

C. Wally Scott, will you begin our discussion of the issues raised by the budgets of the several smaller agencies we are considering today?

Treasury

THE WHITE HOUSE
WASHINGTON



MEMORANDUM FOR: THE PRESIDENT
FROM: Roy L. Ash
SUBJECT: 1976 Budget decisions: Department of the Treasury

The agency request and my recommendations with respect to 1976 budget amounts for the Department of the Treasury are presented in the tabulation attached (Tab A). A summary of the principal budget decisions reflected in my recommendation is provided as background information (Tab B).

Seven key issues have been identified for your consideration (detail at Tab C).

I. IRS Tax Audit

Treasury proposes strengthening tax compliance by raising the level of audit coverage to 2.6 per cent of tax returns filed, thereby generating additional revenues and contributing to a balanced budget.

OMB recommends maintaining the 1975 level of 2.5 per cent audit coverage which will increase the absolute number of tax audits. Tax compliance will be encouraged by program increases in areas other than audit.

Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

II. IRS Information Returns Processing (document matching)

Treasury proposes annually transcribing, correcting, and matching one-fourth of all information documents and tax returns.

OMB recommends initiating a selective program of document matching to stimulate voluntary taxpayer compliance by concentrating on documents with the highest potential yield or greatest likelihood of reporting inaccuracy.



Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

III. IRS Data Processing

Treasury proposes adding 950 man-years in 1976, representing a 3 per cent growth in personnel, to process an estimated increase of 2 per cent in the number of tax returns filed.

OMB recommends maintaining the 1975 level of manpower, thereby relying on increased productivity aided by additional automatic data processing equipment to process the larger number of returns.

Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

IV. IRS Administration of Pension Reform

Treasury proposes a supplemental appropriation of \$10.0 million in 1975. For 1976 they request a further increase of \$14.1 million. This would provide funds to handle increased responsibilities under the new Employee Retirement Security Act of 1974.

OMB recommends \$6.6 million of the \$10.0 million 1975 request and a further increase of \$4.1 million for the program in 1976. It defers additional increases in 1976 pending receipt of actual workload data. This is the same approach being recommended in the Labor Department request for this program.

Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

V. IRS Tax Fraud Investigation

Treasury proposes adding 8 man-years in 1976 to handle increased case complexity, as part of an overall effort to demonstrate to taxpayers that those who do not meet their tax obligations are identified and prosecuted.

OMB recommends investigating the same number of criminal cases which IRS projects for 1975 and 1976, using an investigation-to-man-year standard similar to the ratio achieved in 1973 and 1974 and budgeted for in 1975, thereby reducing the 1976 budget 329 positions below the 1975 level.



Decision: Approve agency recommendation _____
Approve OMB recommendation _____
See me _____

VI. Taxpayer Service

Treasury proposes adding 63 positions on top of the base of 3,956 man-years provided in the OMB alternative (which reflects an increase of 878 man-years over the 1975 base) to conduct a special assistance program for the elderly and inner city taxpayers.

OMB recommends accomplishing the special emphasis program by redeploying some of the 3,956 man-years already provided in the 1976 budget for taxpayer service.

Decision: Approve agency recommendation _____
Approve OMB recommendation _____
See me _____

VII. U. S. Customs Service

Treasury proposes to add 311 man-years and \$19 million in 1976 to handle additional imports and people entering the United States and to expand enforcement programs to uncover duty fraud and interdict narcotics and other contraband.

OMB recommends handling the additional imports and people through a 2.5% increase in productivity, thereby reducing 323 positions below the 1975 level.

Decision: Approve agency recommendation _____
Approve OMB recommendation _____
See me _____

Attachments



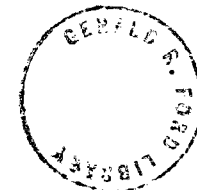
DEPARTMENT OF THE TREASURY

1976 Budget

Summary Data

	(In millions)		<u>Employment, end-of-period</u>	
	<u>Budget authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
1974 actual	36,019	35,888	104,391	113,892
1975 January budget	37,688	37,633	111,431	119,250
enacted	37,683	37,637	xxx	xxx
supplementals recommended for operating				
accounts	26	24	xxx	xxx
outlay reduction	-24	-24	-80	-80
OMB recommendation	40,094*	40,061*	108,976	116,795
1976 planning ceiling	39,294*	39,259*	xxx	xxx
agency request (revised)	40,793*	40,680*	123,221	135,227
OMB recommendation	40,507*	40,391*	111,623	121,123
agency recommendation	40,593*	40,481*	118,522	128,722
Transition period				
agency request (revised)	10,443*	10,423*	123,221	135,227
OMB recommendation	10,365*	10,344*	111,623	121,123
agency recommendation	10,387*	10,365*	118,522	128,722
1977 OMB estimate	41,881*	41,894*	113,855	123,545

*Requests and recommendations do not include estimates of the net cost of the October 1974 pay increase:
 1975: BA, \$54 M; Outlays, \$50 M. 1976: BA, \$93 M; Outlays, \$93 M.



1976 Budget

Distribution of Budget Authority#

	1974	1975		1976		July 1 -		1977	
	Actual	Jan. budget	Agency recom.	OMB recom.	Agency recom.	OMB recom.	Agency recom.	OMB recom.	OMB est.
A. Open-ended programs and fixed costs (relatively uncontrollable under present law)									
1. Interest on the Public Debt	29,319	30,500	33,000	33,000	33,200	33,200	8,500	8,500	34,400
2. General Revenue Sharing	6,055	6,205	6,205	6,205	6,355	6,355	1,664	1,664	6,520*
3. Miscellaneous Permanent and Trust Funds	557	612	814	814	837	837	177	177	822
4. Offsetting receipts	-1,838	-1,930	-2,208	-2,208	-2,286	-2,286	-586	-586	-2,344
Total, open-ended and fixed costs	(34,093)	(35,387)	(37,811)	(37,811)	(38,106)	(38,106)	(9,755)	(9,755)	(39,398)
B. Discretionary programs (relatively controllable)									
1. Office of the Secretary	20	25	26	26	27	27	7	7	29
2. Office of Revenue Sharing	--	--	2	2	3	3	1	1	3
3. Federal Law Enforcement Training Center	2	22	22	22	17	17	1	1	8
4. Government Financial Operations	97	103	122	122	121	121	30	29	126
5. Alcohol, Tobacco and Firearms	81	94	92	92	97	97	26	26	106
6. U. S. Customs Service	241	286	282	282	301	285	76	73	300
7. Bureau of the Mint	25	45	34	34	80	80	10	10	51
8. Bureau of the Public Debt	81	88	96	96	97	97	27	27	102
9. Interest Revenue Service	1,309	1,558	1,530	1,526	1,651	1,581	426	408	1,661
10. U. S. Secret Service	70	80	81	81	93	93	28	28	97
Total, discretionary programs..	(1,926)	(2,301)	(2,287)	(2,283)	(2,487)	(2,401)	(632)	(610)	(2,483)
Total, Budget Authority	36,019	37,688	40,098	40,094	40,593	40,507	10,387	10,365)	41,881

*Assumes enactment of legislation to continue General Revenue Sharing

#Requests and recommendations do not include estimates of the net cost of the October 1974 pay increase: 1975, \$54 M; 1976, \$93 M.



TAB 8

1976 Budget
Department of the Treasury
Background Information



Treasury requests \$40.8 billion in new budget authority for 1976. Of this amount, \$38.1 billion is requested for uncontrollable accounts such as Interest on the Public Debt, Payments from the General Revenue Sharing Trust Fund, and other permanent accounts. The remaining \$2.7 billion is requested for discretionary operating programs, which fund the Department's major activities.

The OMB recommendation provides \$40.5 billion, which grants the Department's full request for uncontrollable programs but reduces the initial request for operating programs by \$217 million. OMB and Treasury have subsequently come into agreement on most 1976 budget recommendations, and the areas of dispute have been reduced to \$86 million. Items still in dispute, which are confined to the Internal Revenue Service and the Customs Service, are discussed in detail at Tab C.

The reductions in the Treasury request recommended by OMB in Treasury's operating programs stem largely from two major concerns:

- very large staff expansion beyond the requirements of reasonable workload increases (a requested 13 percent staffing increase over 1975); and,
- failure by the Department to reflect increased productivity in some of its major programs.

The requested 13 percent increase in staff comes on top of substantial increases provided to the Department over the past few years. In both 1974 and 1975 employment increased by 4 percent over the previous year. These increases were well in excess of population growth (a basic ingredient in several Treasury programs) or workload.

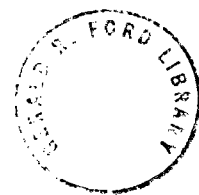
The major staff expansion proposed by the Department comes in the Internal Revenue Service and the Customs Service, which historically have accounted for approximately 80 percent of the total Treasury work force. Over the years, the Department has been accustomed to requesting and receiving sizeable increases for these bureaus because, as revenue producers, they have been considered essentially costless. Treasury has maintained and continues to maintain that rapidly increasing staff in its tax collections and compliance forcing programs are necessary to avoid revenue losses. In several of these programs, staffing increases have exceeded actual workload requirements, resulting in static or declining employee productivity.

In light of the Administration's policy of maximum budget restraint in 1976, OMB has subjected the Treasury budget request to a more critical review than in recent years. While OMB agrees with Treasury on the need to maintain and improve the integrity and capability of the tax collection and enforcement system, we have attempted to more accurately relate staffing and budget needs to projected workload requirements and to assume productivity increases where appropriate. Although the OMB recommendation proposes significant reductions from Treasury's initial budget request for operating programs, it does provide \$118 million and 2,647 additional staff (2.4 percent increase) over 1975 to cope with workload increases and priority program improvements. Given the sizeable work force already in place, we believe this recommendation is adequate to successfully accomplish the 1976 program proposed by the Department and to continue progress toward the overall goal of the tax system: maximum voluntary compliance.



TAB C

Issue Paper
 Department of the Treasury
 1976 Budget
 Issue #1: IRS Tax Audit



Statement of Issue

What proportion of tax returns should IRS audit in 1976?

Background

Reliance on a voluntary system of tax payments requires a level of audit activity which raises the threat that the validity of returns filed will be checked. Overall audit coverage steadily declined from 5.8 percent in 1963 to a low of 1.9 percent in 1971 and 1972, and then began rising from 2.0 percent in 1973 to 2.4 in 1974 and a projected 2.5 in 1975. There is no evidence to support the thesis that voluntary compliance changed significantly as the audit level fluctuated. In fact, voluntary compliance was estimated to be only 93.0 percent during the peak audit year of 1963, as compared to 92.6 percent when audit coverage was only 3.2 percent in 1969. It is projected by IRS to be 94.6 percent in 1976 with audits of 2.6 percent of returns.

Audit of certain income classes expected to generate the greatest potential yield far exceeds the level of overall coverage. For example, during the past four years audit of businesses with over \$30,000 in adjusted gross income has fluctuated from 8.8 to 13.0 percent, the rate projected for 1975. IRS plans comprehensive rates of audit coverage in 1975 for estate returns (24.2 percent), individuals with over \$50,000 adjusted gross income (15 percent), corporate returns (9.5 percent), and reported gifts (4.8 percent).

IRS estimates that the total amount of individual income tax owed to the Federal Government in 1976 will be \$157 billion. \$148.6 billion of this amount will be paid voluntarily, representing a compliance rate of 94.6 percent. Another \$1.3 billion will be collected as a result of audit examinations conducted by personnel requested in the FY 1976 budget. The remaining \$7 billion constitutes the projected tax gap between the estimated individual income tax owed and that actually received.

Alternatives

- #1. Raise the level of audit coverage to 2.6 percent in 1976. (Agency request)
- #2. Continue the 2.5 percent audit coverage budgeted for 1975. (OMB recommendation)

Analysis

<u>Budget Authority/Outlays</u> (\$ Millions)	1974		1975		1976		July 1- Sept 30, 1976		1977	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Agency request	497	482	595	595	635	623	159	156	656	656
OMB recommendation	497	482	595	595	620	610	155	152	640	660



IRS is requesting \$15.0 million and 946 man-years in additional resources to raise the audit level in 1976 to 2.6 percent of tax filings. Treasury supports its case for additional audit resources with the claim that the investment of an additional dollar in audit returns an average of six dollars in net direct tax revenues. However, IRS does not value the importance of this program to be great enough to warrant shifting resources from other IRS activities in order to maximize revenues. An OMB review of this estimate in 1972 concluded that a ratio closer to 2.5:1 more accurately represented the relationship of yield to cost, when taking into account IRS overhead and increased costs to the private sector required by tax audits. There are no data available to measure the effect of additional audit on potential noncompliers.

Arguments over the exact revenue producing ability of tax audits may be strictly academic and subject to an indeterminate margin of error. The real objective of this program is to encourage voluntary compliance, which accounts for over 99 percent of individual income taxes paid. Tax returns are selected for audit either because of characteristics which indicate underpayment of taxes or as part of a strategy to review a minimum number of returns in every income category in order to demonstrate the breadth of IRS audit coverage. The mix of audits expected to generate the greatest yield and audits intended to encourage voluntary compliance is decided by the Commissioner of IRS. There is some suspicion that any suggested reduction in the recommended level of audit coverage is priced from the revenue-producing cases to present the worst-possible direct revenue loss expected from such a decision. It is also difficult to accept the IRS contention that a relatively insignificant fluctuation in audit coverage, for example between 2.6 and 2.5 percent, actually causes individual taxpayers to cheat on their taxes or can really be measured.

Agency Request: Raise the level of audit coverage to 2.6 percent, thereby generating additional revenues which contribute to a balanced Federal budget.

OMB Recommendation: Maintain the 1975 level of audit coverage (2.5 percent) which should continue to assure a satisfactory level of voluntary compliance.



Issue Paper
 Department of the Treasury
 1976 Budget

Issue #2: IRS Information Returns Processing (document matching)

Statement of Issue

To what extent should IRS match information documents in 1976?

Background

In 1976 IRS expects to receive 400 million information documents related to individual income taxes--employer statements of wages earned, reports of interest and dividend payments, and declarations of profits distributed by partnerships. While taxpayers may have initially surmised that these data have been used to verify income reported by filers, the large quantity of information documents prevented IRS from actually doing so in most cases. IRS believes that many taxpayers are aware of this and are thereby encouraged not to report all sources of taxable income.

The 1975 budget provides 1,700 man-years to conduct a limited program to match information documents submitted on machine-readable tape, follow up on the non-filers identified by this tape match over the preceding two tax years, and correct missing or inaccurate spouse social security numbers on 8 million tax returns in preparation for more extensive document matching. All of these resources may be applied to whatever document matching program is approved for IRS in 1976. Of the 2.5 million discrepancies uncovered by the cursory 1975 match, IRS followed up on 250,000 cases in collections and audit. A large number of questions about unreported or under-reported income were therefore unanswered.

Alternatives

- #1. In addition to the 1,700 man-years included in the 1975 budget, provide 1,430 additional man-years in 1976 to conduct an expanded program to correct taxpayer identification numbers and match the information documents and tax returns of one-fourth of the filers, conducting related audit and collection activities in 1977. (Agency request)
- #2. Utilize the 1,700 man-years provided in the 1975 budget to initiate a selective program (covering 5 percent of the returns) of matching documents with high potential yield in 1976, and to expand audit and collection follow-up on discrepancies and non-filers identified. (OMB recommendation)

Analysis

	1974		1975		1976		July 1 - Sept 30, 1976		1977	
	BA	0	BA	0	BA	0	BA	0	BA	0
<u>Budget Authority/Outlays</u> <u>(\$ Millions)</u>										
Agency request	2	2	24	24	43	42	11	11	51	51
OMB recommendation	2	2	24	24	25	25	6	6	26	26



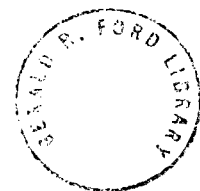
It is important to agree on the objective of document matching and the most cost-effective way of achieving it before launching a massive program of random transcribing and matching millions of documents. As in the audit program, the IRS objective here is to encourage voluntary compliance, in this instance to cause taxpayers to accurately report all taxable income on their filings. Moving in this direction need not require a blanket match of every taxpayer or even every fourth taxpayer, as IRS proposes, but rather can selectively identify potential violators and use these matches as an example to encourage compliance from the general public (again similar to the approach used in tax audit).

The agency request proposes matching tax returns with 100 million information documents related to one-fourth of the population, selected by surname. Matches would be made of 60 million paper documents and 40 million machine-readable documents. The 60 million paper documents would have to be sorted, batched, edited, transcribed, corrected, and entered into the ADP system. Substantial personnel are requested in the collection activity to follow up on unresolved cases where no taxpayer identification number is shown on information documents. Some attention would be given to addressing discrepancies between reported income and income reflected on information documents, but investigation into underreported cases and non-filers would not begin until 1977.

In contrast to the agency request which would compare 100 million documents (25 percent of the total), the OMB recommendation would match 20 million high-potential documents (constituting 5 percent of the total), chosen according to predetermined criteria to maximize potential yield. The candidates for selection would be taken from 172 million documents (43 percent of total documents filed), consisting of the 160 million tape documents and 12 million paper documents entered into the ADP system in an initial step to begin some degree of paper sorting and matching in 1976. Only those documents selected would be corrected to enter valid taxpayer identification numbers. The OMB recommendation also includes resources for expanding and improving use of machine-readable tape input. It provides collection and audit personnel to follow up on a large proportion of cases developed by matching documents, whereas the agency request would use a larger number of collection personnel primarily to correct missing or inaccurate taxpayer identification numbers.

Agency Request: Begin annually transcribing and matching one-fourth of all information and tax returns.

OMB Recommendation: Initiate a selective program of document matching to stimulate voluntary taxpayer compliance, while concentrating on documents with the greatest yield potential, similar to the approach used in tax audit.



Issue Paper
 Department of the Treasury
 1976 Budget
 Issue #3: IRS Data Processing

Statement of Issue

What consideration should be given to productivity in budgeting for data processing in IRS?

Background

The data processing operations activity is responsible for receiving and processing tax returns, issuing refunds and notices, and accounting for revenues. In 1974 this program processed 121.6 million Federal tax returns. IRS estimates it will receive 124.0 million returns in 1975 and 126.5 million returns in 1976.

Alternatives

- #1. Add 950 man-years (\$11.3 million) to handle the increased workload projected for 1976. (Agency request)
- #2. Maintain the same work force provided in 1975 and expect the larger number of returns to be processed through increased productivity. (OMB recommendation)

Analysis

Budget Authority/Outlays (\$ Millions)	1974		1975		1976		July 1 - Sept 30, 1976		1977	
	BA	O	BA	O	BA	O	BA	O	BA	O
Agency request	316	306	370	370	386	379	97	95	398	398
OMB recommendation	316	306	370	370	375	368	94	92	375	375

IRS supports its case for additional staff by citing the growth in returns volume and complexity. Timely processing of returns is said to be important in maintaining public confidence in the efficiency of the tax system.

OMB acknowledges the desirability of prompt returns processing and has provided for procurement of additional automatic data processing equipment in 1976 to facilitate this activity. The OMB alternative allows for purchase of 191 new entry terminals, additional capacity for central processing units, and \$400,000 in miscellaneous auxiliary and accessory equipment. In addition to the workload savings generated by these additions, it is anticipated that the three new service centers opened by IRS in 1975 will operate more efficiently in 1976.

Data processing operations are particularly well-suited to productivity increases because of their industrial nature. The OMB alternative assumes a 2 percent productivity factor, a realistic goal which returns to the output-per-man-year level achieved in 1974. New ADP equipment should offset any increase in return complexity.

	<u>Man-years in Returns Processing</u>	<u>Tax Returns Filed</u>	<u>Returns per Man-year</u>
1974 Actual Experience	24,817	121,600,000	4,899
1975 Budget	26,610	124,000,000	4,659
1976 IRS Request	27,560	126,500,000	4,589
1976 OMB Recommendation	26,610	126,500,000	4,753

Agency Request: Provide additional resources to process larger numbers of tax returns in 1976.

OMB Recommendation: Expect increased productivity aided by additional ADP equipment to offset the projected 2.0 percent increase in tax returns filed in 1976.



Issue Paper
Department of the Treasury
1976 Budget
Issue #4: IRS Administration of Pension Reform

Statement of Issue

What should be the level of resources in 1975 and 1976 to implement IRS responsibilities under the new pension reform law?

Background

The Employee Retirement Income Security Act of 1974 completely changes the tax provisions relating to employee pension plans. Virtually all existing plans will have to be amended to comply with the new qualification requirements. The Act provides a new right of appeal to the Tax Court for a declaratory judgment as to plan qualification. To carry out these provisions the new law specifically requires the establishment of an "Office of Employee Plans and Exempt Organizations" to be headed by an Assistant Commissioner in IRS. The responsibilities of the new organization include issuing determination letters concerning the qualification of employee plans and the tax exempt status of other organizations, providing taxpayer guidance through the publication of rulings and procedures relating to the tax aspects of these plans and organizations, examining required returns and other information documents, providing administrative remedies to allow taxpayers to resolve differences with the IRS in cases involving the qualification of employee plans, and establishing and maintaining employee plans and exempt organizations master files.

Alternatives

- #1. Provide for implementation of the Employee Retirement Income Security Act by adding 389 man-years and \$10.0 million in a 1975 supplemental appropriation and an additional 637 man-years and \$13.4 million in 1976. (Agency request)
- #2. Add 221 man-years (\$6.6 million) in a 1975 supplemental appropriation to begin implementation of the pension reform law but defer additional increases beyond annualization (86 man-years; \$1.8 million) in 1976 until better workload data are available and experience is gained in administering the program; provide 112 man-years (\$2.3 million) in 1976 to strengthen tax review of exempt organizations. (OMB recommendation)



Analysis

<u>Budget Authority/Outlays</u> <u>(\$ Millions)</u>	<u>1974</u>		<u>1975</u>		<u>1975</u> <u>Supp.</u>		<u>1976</u>		<u>July 1 -</u> <u>Sept 30</u> <u>1976</u>		<u>1977</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Agency request	45	44	49	49	+10	+10	73	72	19	19	75	75
OMB recommendation	45	44	49	49	+7	+7	60	59	15	15	62	62

IRS was appropriated \$23.3 million in 1975 for its pension plan program prior to passage of the 1974 Act and \$26.1 million for its ongoing review of exempt organizations. In implementing the new law, IRS has combined these two programs under a single organization. Utilizing the impetus provided by the 1974 Act, IRS seeks to strengthen both facets of the new organization through a supplemental request in 1975 and an additional increase in 1976.

The OMB recommendation is consistent with the approach already approved for the companion program in the Department of Labor to implement its responsibilities under the 1974 law. OMB and Labor agreed that no additional resources beyond a 1975 supplemental would be recommended for Labor until workload estimates become available next spring to demonstrate whether the 1975 program is adequate to carry out the Department's responsibilities. Using a similar approach, the OMB recommendation adds positions in 1975 for pension reform (and annualization in 1976), but defers further expansion in 1976 until experience is gained in administering the new Act. This action will likely result in a request for a spring supplemental. In addition, the OMB recommendation provides resources in 1976 to assist in establishing new regional organizations for reviewing exempt organizations and expanding IRS activities in this area at a slower rate than proposed by IRS.

Agency Request: Provide for implementation of the Employee Retirement Security Act and expand tax review of exempt organizations through a 1975 supplemental of \$10.0 million and new budget authority of \$13.4 million in 1976.

OMB Recommendation: Consistent with the OMB approach to the Department of Labor, submit a 1975 supplemental request of \$6.6 million and approve \$1.8 million in annualization in 1976 for pension reform, recognizing that additional resources may be required in 1976 when workload levels generated by the 1974 Act have been determined; provide \$2.3 million in 1976 for tax review of exempt organizations, but disapprove a 1975 supplemental for this purpose on the grounds that no new circumstances justify program expansion in the current year.



Issue Paper
 Department of the Treasury
 1976 Budget
 Issue #5: IRS Tax Fraud Investigation

Statement of Issue

What is the appropriate level for tax fraud investigation in 1976?

Background

The objective of tax fraud investigations is "to encourage the highest degree of compliance with Internal Revenue laws pertaining to income, estate, gift, employment and certain excise taxes by enforcement of the criminal provisions in such laws." There are two sides to this program, investigation into suspected fraud by taxpayers in general and the special enforcement activity targeted against persons believed to be engaged in organized crime or traffickers in illicit narcotics.

Alternatives

- #1. Add 8 man-years to tax fraud investigations in 1976 to offset increasing case complexity. (Agency request)
- #2. Reduce personnel by 329 man-years, but handle the same number of cases projected by IRS through more productive employment of special agents and support personnel. (OMB recommendation)

Analysis

<u>Budget Authority/Outlays</u> <u>(\$ Millions)</u>	<u>1974</u>		<u>1975</u>		<u>1976</u>		<u>July 1 -</u> <u>Sept 30,</u> <u>1976</u>		<u>1977</u>	
	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>
Agency request	85	82	100	100	100	98	25	25	101	101
OMB recommendation	85	82	100	100	95	93	24	24	96	96

As the following data reflect, the estimate of tax fraud investigations to be conducted in 1975 has declined from 10,100 when the 1975 budget was prepared last fall to a current figure of 7,700. At the same time, man-years devoted to the program have increased in non-professional supporting positions. The resulting trend in declining productivity is projected to continue in 1976.



<u>Workload - investigations</u>	1973 Actual	1974 Actual	1975 Program		1976 Request	Change from 1975 budget	1976 Recom.
			in 1975 Budget	in 1976 Budget			
Taxpayers in general	6,742	5,750	8,200	6,300	6,300	-17%	6,300
Special enforcement	1,859	1,465	1,900	1,400	1,400	-26%	1,400
Total	8,601	7,215	10,100	7,700	7,700	-19%	7,700

Man-years

Special agents	2,342	2,519	2,649	2,645	2,650	+9%	2,587
Other FTP	1,164	1,274	1,312	1,389	1,392	+5%	1,118
Total	3,506	3,793	3,961	4,034	4,042	+8%	3,705

Workload Per Man-year

Special agents	3.7	2.9	3.8	2.9	2.9	-1.0	3.0
Other	7.4	5.7	7.7	5.5	5.5	-1.7	6.9

The IRS request contains a slight increase in personnel in 1976 to handle workload that will decline 19 percent from the level provided for in 1975 budget. IRS explains the decrease in productivity as a result of growing case complexity.

The OMB recommendation budgets for the same number of tax fraud investigations projected by IRS for 1976 but uses a workload standard closer to the investigations-per-man-year ratio budgeted for in 1975 and achieved in 1973 and 1974. IRS has offered no convincing justification to explain increased case complexity, however if this materializes, it would be offset in this alternative by higher productivity.

Agency Request: Add 8 man-years in 1976 to address caseload complexity in 1976.

OMB Recommendation: Reduce 329 man-years but achieve the same results by relying on investigative output comparable to the level budgeted for in 1975.

Issue Paper
 Department of the Treasury
 1976 Budget
 Issue #6: Taxpayer Service



Statement of Issue

What is the appropriate level for taxpayer service in 1976?

Background

The taxpayer service program is responsible for providing taxpayers with the quality and degree of assistance they need to meet their Federal tax filing obligations. In 1975, 3,085 man-years will respond to an estimated 10 million personal inquiries, 25.5 million phone inquiries, and 500,000 letters from taxpayers. IRS projects a total of 43 million taxpayers inquiries will be received in 1976, as contrasted to the 36 million estimated for 1975.

Alternatives

- #1. Add 279 man-years to taxpayer service in 1976. (Agency request)
- #2. Add 216 man-years to taxpayer service in 1976. (OMB recommendation)

Analysis

<u>Budget Authority/Outlays</u> <u>(\$ Millions)</u>	<u>1974</u>		<u>1975</u>		<u>1976</u>		<u>July 1 - Sept 30, 1976</u>		<u>1977</u>	
	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>
Agency request	93	80	101	101	119	119	30	30	121	121
OMB recommendation	83	80	101	101	118	118	30	30	120	120

IRS seeks the addition of 279 man-years and \$9.2 million to taxpayer service in 1976 to handle the anticipated growth in workload and to conduct special assistance programs directed to the elderly and inner city taxpayers. The request is justified as being responsive to congressional interest in expanding taxpayer assistance and as part of a general effort to educate the public on its tax responsibilities.

The OMB alternative allows for an increase of 216 man-years to handle increased workload projected by IRS, despite the unusually large number of taxpayer contacts estimated for 1976. The growth of 7 million in 1976 far exceeds the increase of 1.6 million expected from 1974 to 1975. In the event this workload does not materialize, IRS would be able to apply additional under-utilized resources to its special assistance program for the elderly and inner city residents. Otherwise, IRS would be forced to establish new priorities for employment of its 3,956 man-years in order to accomplish this 63 man-year requirement.

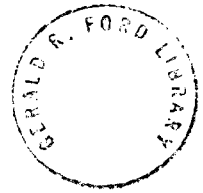
The 1976 budget will reflect an increase of an additional 655 man-years in taxpayer service for 1976 attributable to shifting into the taxpayer service activity accountability for audit and collection personnel actually attached to this program. Consequently, under the OMB alternative a total increase of 878 man-years will be shown for the taxpayer service activity in 1976, representing a 28 percent increase

Agency Request: Add 63 man-years on top of the 216 man-year increase provided in the OMB alternative for taxpayer service.

OMB Recommendation: Provide 216 additional man-years for taxpayer service in 1976 and rely on the 3,956 man-years budgeted for this activity in 1976 to accomplish the expanded special assistance program requested by IRS.



Issue Paper
 Department of the Treasury
 1976 Budget
 Issue #7: U.S. Customs Service



Statement of Issue

What is the appropriate level of resources for the U.S. Customs Service in 1976?

Background

The U.S. Customs Service collects duties and other taxes on imports and enforces customs and related laws. The Customs Service has grown rapidly over the last several years. Since 1969, Customs manpower has increased by 57% to 12,918 man-years in 1975 while the two main indicators of workload, formal entries of imports and the number of persons arriving from foreign countries, have increased by 32% and 18% respectively. Customs manpower increases were achieved even though the drug investigation function and associated resources (735 positions) were transferred from Customs to the Drug Enforcement Administration in the beginning of 1974.

The past increases in manpower occurred because of the emphases placed upon the interdiction and investigation of drugs and increasing workload. Overall productivity has declined over the past few years. In 1974, an absolute decrease in formal entries of imports, the primary work indicator, further aggravated the productivity decline. The requested Customs' budget shows that productivity will continue declining in 1975 and 1976 from the 1974 level.

The Treasury Department is requesting an additional 311 man-years and \$19 M for Customs in 1976 to expand its enforcement program (\$5.8 M), to process additional workload (\$3.4 M), to maintain current staff levels (\$8.5 M) and to expand other programs (\$1.4 M).

Alternatives

- #1. Add manpower (311 man-years and \$19 M) to process imports and passenger arrivals and to increase the enforcement of laws against smuggling and fraud. (Agency request)
- #2. Reduce manpower (-323 man-years) to force a 2.5% productivity increase above the last actual year (1974), but add net increase in funds (+\$3 M) for cost increases and for additional staff for priority items which contribute to increased productivity such as marijuana detector dogs and the computer processing system for cargo. (OMB recommendation)

Analysis

<u>Budget Authority/Outlays</u> (\$ Millions)	1974		1975		1976		July 1- Sept 30, 1976		1977	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Agency Request	241	225	282	297	301	312	76.4	75.8	322	322
OMB Recommendation	241	225	282	297	285	290	72.6	71.8	300	300



From 1969 to 1973 Customs productivity in processing persons entering the U.S. declined by approximately 50% while productivity in processing imports rose by 4%, although it varied from year to year. In 1974, productivity declined by 10% in processing persons and by 3% in processing cargo. The 1976 request would decrease productivity below 1974.

In order to reverse this trend of declining productivity, OMB recommends a reduction of 307 man-years in 1976 which is equivalent to a 2.5% increase in productivity over 1974.

This increase will not recoup the productivity decreases which have occurred over the last five years. However, it will reverse the declining trend and provide a reasonable base for future year budget projections. Further reductions in 1976 are not considered feasible because of potential disruptive effects upon Customs' programs. Productivity increases should allow Customs to achieve its work program as projected.

OMB also recommends a 40 man-year decrease in the law enforcement activity. Productivity in law enforcement is difficult to measure but we believe that the rise in Customs agents from 350 in 1969 to 548 in 1975 is excessive when their major investigative function, drugs, has been transferred to DEA.

The Department of Treasury recommends additional manpower to maintain the current program level and maintain that the workload indicators do not capture the significant amounts of manpower devoted to searching for illegal drugs, preventing and uncovering smuggling and other fraudulent activities. The Department also points out that the OMB recommendation would reduce the expected revenue by "many millions of dollars." The Department emphasizes that these enforcement programs result in greater revenue collected, or value of drugs seized, than the costs of the program.

OMB believes that the marginal benefit of minor decreases or increases in personnel within Customs do not materially affect the availability of heroin or other drugs in the U.S. or the amount of duties collected.

Even though the OMB recommendation reduces the Customs program, it does provide 24 positions for essential increases for the opening of new ports of entry, additional detector dogs and expansion of the computer system to process cargo. These increases should result in long-term productivity gains and more effective enforcement.

Agency Request: Treasury wishes to maintain current programs and expand priority enforcement programs by adding 311 man-years and \$19 million in the Customs Service.

OMB Recommendation: Reducing Customs (-323 man-years and +\$3 million) in order to achieve a 2.5% productivity gain should not significantly affect revenues collected or drug seizures.

Justice

THE WHITE HOUSE
WASHINGTON



MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH
SUBJECT: 1976 Budget decisions: Department of Justice

The agency request and my recommendations with respect to 1976 budget amounts for the Department of Justice are presented in the tabulation attached (Tab A). A summary of the principal budget decisions on which agreement has been reached between OMB and the Justice Department is provided as background information (Tab B).

Three key issues on which disagreement still exists are identified below and discussed in detail at Tab C.

I. Immigration and Naturalization Service

Justice proposes adding 1,435 positions and \$45 million for a major program expansion to detect, apprehend and expel illegal aliens from within this country. 750

OMB recommends 320 positions and \$18 million for additional deportation of aliens and some systems changes which should enhance enforcement effectiveness in the future. Further expansion of the program is deferred until INS analyzes the illegal alien problem and develops an enforcement strategy with demonstrated cost effectiveness.

Decision: Approve agency recommendation _____
Approve OMB recommendation _____
See me _____

II. Federal Bureau of Investigation

The FBI proposes (a) to expand its counterintelligence force by 310 persons (\$5.7 million) to counter the increasing number of communist-bloc officials in this country and (b) to cover increased costs of operations including the purchase of new equipment (\$22.3 million). 250 15

The OMB recommendation assumes that the present workforce devoted to counterintelligence (over 1,800) is sufficient to accommodate present workload requirements in that area and that the OMB allowance of \$12 million is adequate to cover priority needs of on-going programs.



Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

III. Law Enforcement Assistance

The Justice Department and OMB recommendations for 1976 propose a reduction in LEAA's basic grant programs of \$110 million from 1975 program levels. The Justice Department proposed this reduction as a means of staying within its 1976 budget ceiling. Apart from the basic LEAA program, the Justice Department request includes \$17 million (and 25 new positions) to implement the new Juvenile Justice and Delinquency Prevention Act of 1974, which you signed on September 7, 1974. This proposal reflects the Department's concern for avoiding an adverse public or Congressional reaction because of the high degree of support indicated in the passage of the Act.

The OMB recommendation includes no new funding and no additional positions for implementation of the new Juvenile Delinquency Act. The Federal Government currently provides over \$155 million annually to States and local governments for juvenile delinquency, primarily through on-going LEAA and HEW programs. In the signing statement for the new Juvenile Delinquency Act, you stated that the Administration would seek no new appropriations "for the new programs authorized in the bill in excess of amounts included in the 1975 budget until the general need for restricting Federal spending has abated."

Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

Attachments

THE WHITE HOUSE

WASHINGTON



MEMORANDUM FOR: THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: 1976 Budget decisions: Department of Justice

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OMB recommends 320 positions and \$18 million for additional deportation of aliens and some systems changes which should enhance enforcement effectiveness in the future. Further expansion of the program is deferred until INS analyzes the illegal alien problem and develops an enforcement strategy with demonstrated cost effectiveness.

Decision: Approve agency recommendation _____
Approve OMB recommendation _____
See me _____

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Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

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Decision: Approve agency recommendation _____
 Approve OMB recommendation _____
 See me _____

Attachments

TAB A

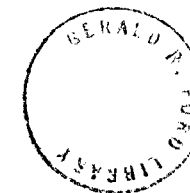
Department of Justice

1976 Budget

Summary Data

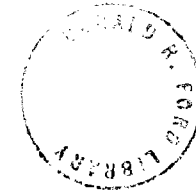
	(\$ in Millions)		Employment		
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Full-time</u>	<u>Permanent</u>	<u>Total</u>
1974 actual	1,920	1,797	48,188		49,892
1975 January budget	2,138	2,106	50,997		52,621
enacted	2,082	2,078	xxx		xxx
outlay reduction	-16	-16	-309		-309
supplemental recommended	xxx	xxx	xxx		xxx
OMB recommendation	2,066*	2,031*	49,718		51,342
1976 planning ceiling	2,031*	2,170*	xxx		xxx
agency recommendation (Appeal)	2,109*	2,202*	51,978		53,524
OMB recommendation	2,048*	2,157*	50,528		52,074
Transition period					
agency recommendation	547*	604*	51,978		53,524
OMB recommendation	535*	592*	50,528		52,074
1977 OMB estimate	2,090*	2,205*	50,528		52,074

*Requests and recommendations do not include estimates of the net costs of the 1974 pay increase: 1975 BA, \$33 M; Outlays \$32 M. 1976: BA, \$48 M; Outlays \$47 M.



DEPARTMENT OF JUSTICE
1976 Budget
Distribution of Budget Authority
(in millions of dollars)

	1974	1975			1976		July 1- Sept. 30, 1976		1977
	Actual	Jan. budget	Agency request	OMB recom.	Agency appeal	OMB recom.	Agency appeal	OMB recom.	OMB est.
<u>Organizations</u>									
General Administration	17	22	22	22	20	20	5	5	20
Legal Activities	161	190	185	185	199	199	54	54	208
Antitrust	15	17	17	17	18	18	5	5	19
Fees and Expenses of Witnesses	13	14	14	14	16	16	4	4	17
Community Relations Service	4	4	4	4	4	4	1	1	4
Federal Bureau of Investigation	395	438	428	428	456	440	124	119	454
Immigration and Naturalization Service	155	180	175	175	221	193	54	47	203
Federal Prison System	180	250	215	215	248	248	61	61	252
Law Enforcement Assistance Administration	871	886	880	880	785	768	198	198	768
Drug Enforcement Administration	112	141	133	133	146	146	42	42	150
Offsetting receipts	-3	-4	-7	-7	-4	-4	-1	-1	-5
TOTAL, Department of Justice	1,920	2,138	2,066	2,066	2,109	2,048	547	535	2,090



TAB B

1976 Budget

Department of Justice

Background Information

OMB and Justice have reached agreement on budget and program recommendations for over 95% of the recommended budget. The major program areas where agreement has been reached are indicated below:

1. General Administration and Legal Activities. The recommendation provides for 852 positions and related support requirements in 1976 for administration and oversight of Departmental programs (the same level as 1975). For legal activities, the recommendation provides 8,670 positions, an increase of 333 over 1975. This recommendation will provide for maintenance of the current caseload-to-attorney ratio and will permit necessary manpower increases to litigate priority cases.
2. Drug Enforcement Administration. The recommendation provides a program level of \$146 million and 4,263 positions for DEA in 1976, an increase of \$12 million and 57 positions over 1975. Emphasis will be given to continuing the attack on illicit drugs entering the U.S. from Mexico and implementation of the new tri-agency El Paso intelligence center. The recommendation defers a decision on the need for new staffing resources to establish controls to avoid diversion of opium from Turkey to the U.S., pending further clarification of the problem and the need for action by the U.S.
3. Federal Prison System. The recommendation provides a program level of \$248 million and 8,135 positions for the Bureau of Prisons in 1976, an increase of \$32 million and 102 positions over 1975. The recommendation includes staff increases for activation of one new prison facility in 1976, operation of seven additional community treatment centers, planning and site acquisition for a Southeast Adult correctional facility and construction of a Northeast Adult facility.

TAB C



Issue Paper
 Department of Justice
 1976 Budget
 Issue #1: Immigration and Naturalization Service

(Dollars in Millions)

	1974 <u>Actual</u>	1975 <u>Current Est.</u>	1976			1977		
			<u>Justice Request</u>	<u>Allow.</u>	<u>Justice Appeal</u>	<u>OMB Recom.</u>	<u>Justice Request</u>	<u>OMB Rec.</u>
BA	155	175	221	193	221	193	243	203
O	149	170	219	192	218	192	243	203

Statement of Issue

What is the appropriate level of resources for the Immigration and Naturalization Service (INS) in 1976?

Background

Feeling overwhelmed by the increasing number of illegal aliens, the INS is again this year requesting an 18% increase in personnel. This year's request is based on essentially the same strategy as last year: apply a larger amount of resources across the board for an expanded enforcement effort. OMB rejected that strategy last year, questioning the payoff achieved by merely adding enforcement personnel to apprehend and expel illegal aliens who often reenter the country and perpetuate the cycle. OMB also believes that a real solution of the alien problem requires reduction in the economic incentive to enter the country illegally; however, the Congress continues to postpone enactment of the Rodino bill which would help accomplish this through prohibitions and sanctions against employment of illegal aliens.

The OMB approach over the past two years has been to grant some small increases to INS to meet immediate and urgent needs but to insist that no substantial resources be added until a comprehensive strategy with a demonstrated cost-effectiveness is developed. To accomplish this, OMB requested studies of the magnitude and characteristics of the illegal alien problem and its impact on the economy as well as studies of the effectiveness of INS various enforcement programs. INS supported a major study of the illegal alien problem but when funds were not provided by the Congress, INS was unwilling to divert other funds to the study.

Alternatives

- #1. Provide 1,435 positions and \$45 million for a major expansion of the enforcement effort against illegal aliens. (Agency Request)
- #2. Provide 320 positions and \$18 million for additional deportation of aliens and system improvements which will enhance the various enforcement programs. Defer additional increases until INS analyzes the illegal alien problem and constructs a strategy with demonstrated cost effectiveness. (OMB Recommendation)

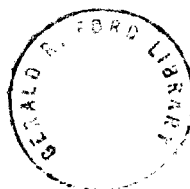
The agency request, (Alternative #1) reflects the Commissioner's strategy to deal with the illegal alien problem as solely one of enforcement: i.e., apprehension and expulsion. This is not, he admits, based on any analyses of the economic or social impact of illegal aliens upon the U. S. or of the best methods of deterrence to discourage illegal entry. The strategy rests on the fact that Mexico's rising population and poor economy is driving increasing numbers of Mexican nationals to the U. S. and something must be done to halt this increasing illegal immigration. The Commissioner's judgment is that a balanced enforcement strategy is needed which emphasizes deterrence at the border. He believes that increasing the likelihood of interdiction at the border will substantially reduce the number of potential illegal immigrants.

OMB does not recommend a major resource increase for this strategy because of the uncertainty of the benefits and the similarities to previous strategies which have had limited impact.

If the Rodino bill passes, OMB anticipates a request from the agency for a major augmentation of resources to implement its provisions. This bill will lead to a change in enforcement tactics and additional resources will be given serious consideration in light of the agency's enforcement strategy at that time.

Agency Request: INS believes 1,435 positions and \$45 million are needed to apprehend and expel illegal aliens.

OMB Recommendation: Provides 320 positions and \$18 million for additional deportation of aliens and system improvements for alien control to meet the immediate needs until an effective approach is developed.



Issue Paper
 Department of Justice
 1976 Budget
 Issue #2: Federal Bureau of Investigation

(Dollars in Millions)

	1974 <u>Actual</u>	1975 <u>Current Est.</u>	1976			1977		
			<u>Justice Request</u>	<u>Allow.</u>	<u>Justice Appeal</u>	<u>OMB Recom.</u>	<u>Justice Request</u>	<u>OMB Rec.</u>
BA	395	428	466	437	456	440	486	454
O	381	420	462	430	447	433	483	456

Statement of Issue

What is the appropriate level of resources for the FBI in 1976?

Alternatives

- #1. Add 310 positions and \$5.7 M for expanded counterintelligence activities and \$22.3 M for increased costs of operations, including the purchase of new equipment. (Agency Request)
- #2. Deny additional resources for counterintelligence and provide \$12 M to meet justified cost increases and essential equipment needs for on-going programs. (OMB Recommendation)

Analysis

Counterintelligence

The request to expand counterintelligence (CI) activities is based on the Department's contention that the increasing number of communist-bloc officials admitted to this country should be countered by a proportionate increase in FBI CI personnel. The FBI maintains that 1/3 of all communist-bloc officials who come to the U.S. are likely to be foreign intelligence officers and, as such, require constant surveillance by the Bureau.

The Bureau's method of projecting manpower needs and determining resource requirement assumes a fixed relationship between the potential number of foreign intelligence operatives in this country and the number of FBI agents required to surveil them. This approach does not assume any significant degree of selectivity in identifying for surveillance foreign officials that do pose a serious threat to the U.S. If the Bureau does not begin to apply selectivity in the determination of workload requirements in this area, we can expect an increasing number of FBI personnel assigned to CI in the future even as detente expands.

OMB recommendation rejects the Department's position that the CI program requires new resources each time the number of foreign officials admitted to the U.S. increases. It assumes that the 1,800 persons already assigned to CI are sufficient to meet new requirements if selectivity is employed. The FBI would be asked to develop better workload indicators and a more refined approach for CI activities.

Increased operational costs

The Department requests \$22.3 M in 1976 to maintain existing programs at the 1975 level and to provide for necessary equipment purchases. The OMB review concluded that some of the requirements are overstated or are not defensible in a tight budget year. Furthermore, the FBI's budget request assumed no productivity increase in 1976.

The OMB recommendation would provide \$12 M to cover the highest priority operating and equipment needs and assumes a 1% productivity increase.

Agency Request: Increase the counterintelligence staff by 310 positions and \$5.7 M to improve the ratio between FBI personnel and known or suspected foreign intelligence officers; moreover, provide \$22.3 M to maintain and improve the capabilities of current program operations.

OMB Recommendation: Maintain current level in the CI area, develop better workload indicators and provide \$12 M to meet essential needs of existing programs.

Issue Paper
 Department of Justice
 1976 Budget



Issue #3: Law Enforcement Assistance Administration - Funding Level

(Dollars in Millions)

	1974 Actual	1975 Current Est.	1976				1977	
			Justice Request	Allow.	Justice Appeal	OMB Recom.	Justice Request	OMB Rec.
BA	871	880	810	768	785	768	785	768
O	770	865	910	886	890	886	850	845

Statement of Issue

Should LEAA be provided funding to implement the Juvenile Justice and Delinquency Prevention Act of 1974?

Background

There are two features of the 1976 LEAA budget request which warrant attention: first, the 1976 base program estimate from the Department is \$110 million lower than the 1975 level, and; second, the recently enacted Juvenile Justice and Delinquency Prevention Act of 1974 authorized a sizeable (up to \$150 million in 1977) increase in funding in LEAA for assistance for juvenile delinquency programs. The Department has requested \$17 million to fund this program in 1976 and OMB recommends no new funding for implementation of the Act.

The Department of Justice submitted a budget request for LEAA for 1976 for \$770 million. This is a reduction of about \$110 million from the 1975 and 1974 budget levels. The Department reduced the LEAA budget because of the need for fiscal constraint in 1976. Although OMB concurs in the Department's reductions, the decrease comes at a time when crime (at the State and local levels) increased by 16% last year. In addition, the LEAA program has been and continues to be popular with the Congress.

The second consideration is the recently enacted Juvenile Justice and Delinquency Prevention Act of 1974. This Act establishes a categorical Federal grant program in LEAA to provide assistance to State and local governments for juvenile delinquency activities. The Congress intends that LEAA expand its current juvenile delinquency program with the addition of this new grant program and the creation of additional organizational entities to conduct research, provide demonstration and action grants, coordinate Federal policy and give training and technical assistance. The Congress authorized appropriations of \$75 million in 1975, \$125 million in 1976 and \$150 million in 1977. The Department is requesting \$17 million to fund this program in 1976 because of the strong sentiment in the Congress that this area receive significant new amounts of Federal assistance. The Act assigns Federal policy leadership for juvenile delinquency to Justice and terminates HEW programs in this area -- except runaway youth -- after 1975.



Alternatives

- #1. Provide the funding requested (\$17 million) for the implementation of the Juvenile Justice and Delinquency Prevention Act. (Agency Request)
- #2. Deny funding for implementation because the current level of assistance for juvenile delinquency is already adequate and a new categorical grant program will not contribute to remedying the juvenile delinquency problem. (OMB Recommendation)

The agency request provides for the establishment of an Office of Juvenile Justice and a National Institute of Juvenile Justice, as required by the statute and asks \$16 million for grant funding and \$1 million for administration. This is in addition to the \$140 million annually which the Act requires LEAA to continue spending from its current program. The Justice Department's principal justification for the requested increase for the new juvenile delinquency program is that it was mandated by the Congress and inaction on the part of LEAA may encourage the Congress to fund the program in excess of the amount the Administration would want to spend.

OMB recommends no funding for implementation of this Act. This is based on the belief that an additional categorical grant program would be redundant and duplicative of the current activities. The new program further limits the ability of State and local governments to establish their own criminal justice priorities by mandating that a significant proportion of the LEAA funds be committed to juvenile justice. Neither OMB nor the Department can identify any additional contribution or improvement to State and local juvenile justice efforts that will result from the incremental funding requested in the Department's appeal. Finally, the OMB recommendation is consistent with the intention reflected in the signing statement that current economic conditions require budgetary restraint.

Agency Request: Provide \$17 million to implement the Juvenile Justice and Delinquency Prevention Act of 1974.

OMB Recommendation: Do not fund the Juvenile Justice Act because it is unnecessarily duplicative of existing LEAA programs, wasteful of budgetary resources and establishes an undesirable new categorical grant program. It may be difficult to resist expansion because of Congressional interest in this program.

Smaller Agencies

ADMINISTRATIVE CONFERENCE OF
THE UNITED STATES



Comments

No change from agency request.

	Budget authority	Outlays	Full-time permanent employment
	(in thousands of dollars)		
1974 actual.....	600	507	13
1975 current estimate.....	750	779	14
1976 agency request.....	790	780	16
1976 OMB recommendation...	790	780	16
Effect of OMB recom- mendation on agency request.....	---	---	---
Transition period.....	198	190	16
1977 estimate.....	790	780	16

COUNCIL OF ECONOMIC ADVISERS



Comments
No change from agency request.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	1,414	1,343	37
1975 current estimate.....	1,600	1,554	46
1976 agency request.....	1,575	1,562	46
1976 OMB recommendation....	1,575	1,562	46
Effect of OMB recom- mendation on agency request.....	---	---	---
Transition period.....	393	413	46
1977 estimate.....	1,575	1,524	46

THE RENEGOTIATION BOARD



Comments

OMB recommendation accepts request to continue the program at essentially the same level as 1975. Agency will not appeal.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	4,805	4,709	183
1975 current estimate.....	5,163	4,995	200
1976 agency request.....	5,395	5,335	200
1976 OMB recommendation...	5,395	5,300	200
Effect of OMB recom- mendation on agency request.....	---	-35	---
Transition period.....	1,346	1,334	200
1977 estimate.....	5,395	5,400	200

COMMISSION ON THE REVIEW OF THE
NATIONAL POLICY TOWARD GAMBLING



Comments

OMB recommendation would deny personnel increases and reduce contract research program and support services. No significant program effect is expected.

	Budget authority (in thousands of dollars)	Outlays	Full-time permanent employment
1974 actual.....	250	248	8
1975 current estimate.....	1,000	951	20
1976 agency request.....	880	892	24
1976 OMB recommendation....	750	762	20
Effect of OMB recom- mendation on agency request.....	-130	-130	-4
Transition period.....	135	175	20
1977 estimate.....	100	69	---

NATIONAL COMMISSION FOR THE REVIEW OF
FEDERAL AND STATE LAWS RELATING TO
WIRETAPPING AND ELECTRONIC SURVEILLANCE

Comments

No change from agency request.

	Budget authority (in thousands of dollars)	Outlays (in thousands of dollars)	Full-time permanent employment
1974 actual.....	332	36	7
1975 current estimate.....	332	513	12
1976 agency request.....	400	450	9
1976 OMB recommendation...	400	450	9
Effect of OMB recom- mendation on agency request.....	---	---	---
Transition period.....	100	90	9
1977 estimate.....	100	110	---