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URBAN DEVELOPMENT

History.

The Urban Renewal Program was established in 1949 as the first major federal program intended to arrest urban decay. In the 1960s, the Model Cities, Neighborhood Facilities, Water and Sewer and Open Space Land programs were established. Then, in 1974, these programs were combined into the Community Development Block Grant.

In 1978, the Urban Development Action Grant Program was established as a program for leveraging private investments for urban development projects.

Today, CDBG and UDAG are the two major federal urban development programs. They are administered by the Department of Housing and Urban Development.

o Programs.

-- Community Development Block Grants (CDBG).

- * Awards annual grants to "entitlement" communities -- generally cities with more than 50,000 population, central cities, and urban counties with population exceeding 200,000 -- to carry out a wide range of activities, including:
 - The acquisition of real property for commercial, industrial or residential development, for public facilities such as day care centers or senior citizens homes, or for streets or water and sewer projects.
 - Rehabilitation of residential and nonresidential structures.
 - Provisions of or improvements in public facilities, such as water and sewer facilities, streets and neighborhood centers.
- * Entitlement communities develop their own programs and funding priorities. However, they are obligated to give maximum feasible priority to activities that do at least one of the following:
 - Benefit low- and moderate-income persons.
 - Aid in the prevention or elimination of slums.
 - Correct urgent problems that pose health or safety threats to the community.

* Nonentitlement communities can receive awards in either of two ways:

- In states that administer nonentitlement funds from HUD, these cities and counties can receive grants from their state governments.
- In other states, nonentitlement communities compete for awards under HUD's Small Cities Program. The cities and counties with the greatest likelihood of receiving awards in the grant competition are those with the highest percentage of absolute poverty, those whose programs would have the greatest positive impact on distressed communities, those with the greatest community development needs, and those that have demonstrated commitment to fair housing and equal opportunity.

-- Urban Development Action Grants (UDAG).

- * Makes grants available to distressed cities and urban counties to help them stimulate private sector economic development activities.
- * Cities typically loan grant money to developers for the construction of public or private buildings, infrastructure improvements, or other economic development activities.
- * Awards are given only when private sector commitments are firmly in place.
 - The minimum private sector contribution to a project is \$2.50 for each UDAG dollar.
 - The average private sector contribution is \$6.00 for each UDAG dollar.

o Coverage.

-- CDBG.

* Entitlement awards.

- In FY 1975, the first full year of the CDBG program, 583 cities and urban counties received funds.
- By FY 1981, this number had increased to 643.

* Nonentitlement awards (Small Cities Program).

- In FY 1975, 1,825 awards were made.
- In FY 1981, the number was 1,822.

-- UDAG.

* In FY 1978, the first year of the program, UDAG supported 124 projects in 111 cities.

* Since 1978, the program has supported 1,550 projects in 750 cities.

o Costs.

-- CDBG.

* In FY 1975, the first full year of funding for the CDBG program, the budget was \$2.6 million.

* In FY 1981, the CDBG budget was \$3.7 billion, a more than 1,300-fold increase.

-- UDAG

* In FY 1979, the UDAG budget was \$400 million.

* In FY 1981, the UDAG budget was \$675 million.

o Administration action to date.

-- CDBG.

* For FY 1982:

- President Carter requested \$4.0 billion.
- President Reagan requested \$3.2 billion.
- Congress approved \$3.5 billion.

* For FY 1983:

- President Reagan requested \$3.5 billion.
- Congress approved \$3.5 billion.

-- UDAG.

* For FY 1982:

- President Carter requested \$675 million.
- President Reagan requested \$439 million.
- Congress approved \$458 million, with a provision that as much as 5% of that amount could be cut by the Administration. With the Administration's cut of that amount, the budget was \$435 million.

* For FY 1983:

- President Reagan requested \$440 million.
- Congress approved \$440 million.

The President's Proposals for FY 1984.

o CDBG.

- Maintain budget in FY 1984 at the FY 1983 level.
- Include new housing construction as an activity eligible for financing under the grant program.
- Mandate that all states administer the non-entitlement portion of the CDBG program. Presently, states can opt to administer the program themselves or can leave administration activities with the federal government.

o UDAG

- Requested \$196 million for the program in 1984; when combined with proposed deferral of \$244 million of excess 1983 funds, this would maintain \$440 million program level.

Justification.

o CDBG.

- Since the budget for this program is sufficient at the 1983 level, the Administration is requesting the same amount for 1984.
 - * The dramatic slowing of inflation, plus expected program efficiencies, means that approximately the same amount of real dollars will be available this year as last.
- By allowing CDBG funds to be used for the construction of new housing units, the Administration's proposal gives recipient cities and counties more flexibility in meeting their communities' individual needs.
- By requiring states to administer the program, money for staffing and administrative activities would be saved.

o UDAG.

- The Administration's request anticipated a deferral of \$244 million from 1983 to 1984 to maintain UDAG program levels at \$440 million.
- The recent "jobs" bill disapproved the deferral to provide money for jobs creation as soon as possible.
- The funding made available for 1983 and 1984 will still average \$440 million per year, and is sufficient at this level.

Questions and Answers.

- o UDAG budget request. Isn't the President's actual budget request for UDAG really a lot less for 1984 than the level for 1983?
 - The President's request for new budget authority is for \$196 million.
 - Under the President's proposed 1984 budget, the requested \$196 million in new budget authority for 1984, combined with the proposed deferral of \$244 million, would have maintained the \$440 million program level in 1984.
 - Although the Congress directed tht the \$244 million be used in 1983 in the recently enacted "Jobs" Bill, the total UDAG resources available in 1983 and 1984 will be nearly \$1 billion.
- o Number of projects. How will the President's request affect the number of projects which can be supported?
 - The CDBG request, which is for the same level of funding in 1984 as in 1983, will be sufficient to maintain the same level of activity.

AID TO THE ARTS

History.

Since 1913, the federal government has encouraged private support for the arts by offering tax incentives for individual and corporate taxpayers to contribute to arts endeavors. But the establishment of the National Foundation for the Arts and Humanities in 1965 marked the first time the federal government committed direct public support.

The Foundation is not an administrative body, but a statutory umbrella designation for three independent agencies.

o Programs.

- The National Endowment for the Arts, charged to assist projects that enhance artistic excellence and to increase access to that excellence, provides financial support in three key areas:
 - * Grants to educational institutions, performing companies and other entities for the presentation of dance recitals, musical concerts, theatrical performances, art exhibits and other arts projects.
 - * Challenge grants -- most of which are matched by \$3 in private contributions for each \$1 provided by the Endowment -- for the support and stability of concert halls, museums, performing companies and other arts institutions.
 - * Financial support for state arts agencies.
- The National Endowment for the Humanities supports the dissemination of knowledge regarding the arts in two key ways:
 - * Award of grants and contracts to humanities scholars, arts historians, and various humanities institutions for work to enhance appreciation of the arts and to improve the teaching of the arts.
 - * Collection of information regarding humanities resources and institutions, and dissemination of this information to interested parties upon request.
- The Institute for Museum Services, charged to assist museums of all kinds in increasing and improving their services to the public, awards grants to museums for general operating support and some special projects.

o Coverage.

- In FY 1982, NEA funds supported approximately 5,000 projects.
- In FY 1982, NEH funds supported 2,143 projects.
- In FY 1982, IMS funds awarded some 440 grants to museums.

o Costs.

- In FY 1966, NEA and NEH each had budgets of \$2.4 million.
- In FY 1970, each had budgets of \$8 million, more than three times the initial appropriation level.
- In FY 1978, IMS' first full year of operation, the Institute received an appropriation of \$4 million.
- In FY 1981, appropriations for each of the three agencies peaked, with NEA receiving \$158.8 million, NEH receiving \$151.3 million, and IMS receiving \$12.9 million -- for the former two, an increase of nearly 200 times in a decade; and for the latter, a more than tripling in just three years.

o Administration Action to Date:

-- For FY 1982:

* President Carter proposed a total of \$361 million for the three agencies:

- \$175 million for NEA.
- \$169.5 million for NEH.
- \$17 million for IMS.

* President Reagan proposed a total of \$173 million for the three agencies:

- \$88 million for NEA.
- \$85 million for NEH.
- No funding for IMS.

* Congress approved a total of \$286 million for the three agencies:

- \$143 million for NEA.
- \$130.6 million for NEH.
- \$11.5 million for IMS.

-- For FY 1983:

* President Reagan requested a total of \$197 million, including:

- \$101 million for NEA.
- \$96 million for NEH.
- No funding for IMS.

* Congress approved a total of \$285 million, including:

- \$144 million for NEA.
- \$130 million for NEH.
- \$10.8 million for IMS.

The President's Proposals for FY 1984.

o Continue support for arts activities at slightly reduced levels.

-- For NEA, the President is requesting \$125 million, about \$19 million less than the 1983 level.

-- For NEH, the President is requesting \$112.2 million, \$18 million less than for 1983.

-- For IMS, the President is requesting \$11.5 million, \$700,000 more than for 1983.

o Focus funding strategies to further increase private sector support.

-- NEA initiatives.

* Through the Challenge and Advancement programs, emphasize longer-term institutional support to strengthen the financial base of arts organizations.

- Funding for the Advancement program will increase from \$1.5 million in 1983 to \$1.9 million in 1984.

- Challenge grants will account for almost 14% of NEA's total budget in 1984.

- * Begin development of an arts information system, accessible to anyone concerned with the arts, including information about activities supported by NEA, state arts organizations, and arts service organizations.

- * Institute the Locals Test program to determine how best to increase arts support at the local level.

-- NEH Initiatives.

- * Initiate a new round of Challenge grants, making about 85 new awards in 1983 and 65 new awards in 1984.

- * Continue sufficient level of funding for the Treasury Fund program, which provides funds for specific arts and humanities programs recommended by the National Council for the Humanities.

Justification (General).

- o Enhancement of the arts and humanities is not a critical national need.

- o Their funding should be reduced in any case, and especially so when the need to reduce federal spending growth is so great.

- o Steps should be taken to encourage greater private support of the arts and humanities.

- The vitality of the nation's arts depends on a substantial level of private sector support.

- The President's Committee on the Arts and Humanities will continue to seek ways of increasing private support.

- Also, NEA will use its grants to leverage increased private contributions.

Justification (Specific).

- o NEA:

- Challenge and Advancement Program.

- * By strengthening the financial base of arts institutions that participate in these programs, the Administration will encourage them to maintain diversity in their repertoires and enable better planning.

-- Arts Information System.

- * Telecommunications will link state and other arts organizations to the central NEA data base, increasing access to information about the arts and improving the efficiency of arts program development.

-- Locals Test.

- * For arts agencies and programs to flourish, it is necessary for those who enjoy the presentations and performances to participate more actively in their support. This test program provides \$2 million in seed money to determine how best to increase local backing.

o NEH.

-- Challenge Grants

- * Expanding participation in this program by making new awards will encourage long-term financial planning and fundraising.
- * This program will encourage private sector participation because it requires a \$3-to-\$1 match, with the private sector contributions coming from new donors or increased contributions from previous donors.

-- Treasury Fund.

- * This program will stimulate private sector support on behalf of specific humanities projects because it requires a \$1-to-\$1 private sector match of federal contributions.

o IMS.

- The President's proposal for a \$700,000 increase in budget authority in 1984 is necessary to keep the operating budget even with the 1983 level of \$11.5 million.
- * The 1983 level of \$11.5 million consisted of an appropriation of \$10.8 million supplemented by \$700,000 in unused grant funds that were carried over from 1982.
- * All appropriated funds are expected to be used in FY 1983.
- This level of funding will permit IMS to continue providing the same level of services to museums throughout the country.

Questions and Answers.

- o Total cuts. How much less will the 1984 federal commitment to the arts and humanities be than in the previous year?
 - Overall federal funding for the arts and humanities will be reduced by about \$36 million in 1984.
 - This level represents a 13% decrease from the 1983 appropriation.
- o Effects of the proposed changes. Won't the President's proposals adversely affect the level of arts activity across the country?
 - Because of increased efforts by arts agencies to guarantee more private sector support, the modest reductions proposed by the President should be offset substantially by private sector giving.
- o Level of non-federal support. How can the Administration expect the private sector and state and local governments to help out in these difficult times?
 - Studies show that private giving and non-federal public support are increasing. .
 - * In 1981, total corporate giving was up 11.1%, and private support was up nearly \$400 million over the previous year.
 - * In 1982, 9 of 10 corporations surveyed for the National Council on Foundations said they would increase giving generally or hold the level equal.
 - * In 1983, state appropriations for state arts agencies is up by 4.8%. Local government contributions are also up.

ADMINISTRATION OF JUSTICE

History.

The equitable administration of justice is one of the most basic functions of any legitimate government. The steadily increasing role of the federal government in our national life during this century has brought a corresponding increase in the federal government's responsibility for the administration of justice.

The government's chief law enforcement arm, the FBI, was enlarged over the years to cope with a succession of new threats: the emergence of organized crime syndicates during the 1920s, espionage in two world wars and thereafter, a resurgent Ku Klux Klan, the rise of new terrorist groups, and other criminal activity. The passage of the Clayton Antitrust Act in 1914 brought the government into the area of investigating and prosecuting "white-collar crime." Enforcement of civil rights laws has placed new demands on the federal machinery of justice. More recently, illegal immigration has emerged as a major problem.

o Programs.

-- Federal law enforcement activities.

- * More than half the federal resources for the administration of justice are devoted to law enforcement activities.

- * General investigation (FBI).

- The Federal Bureau of Investigation (FBI) was established as part of the Department of Justice in 1908 by order of the Attorney General.

- The FBI enforces a broad range of federal criminal statutes, and works with state and local authorities both to support FBI missions and to assist them in performing their activities through training, dissemination of information, and other assistance.

- Federal law enforcement funds are used primarily for investigating those cases that are purely federal, multi-jurisdictional, or too complex for state and local authorities to handle.

- * Narcotics violation investigation (DEA).

- The Drug Enforcement Administration (DEA) was created as part of a reorganization of the Department of Justice in 1973.

- DEA consolidated four previously separate drug enforcement agencies, and was designed to provide leadership in the national and international suppression of dangerous drugs.

* Alcohol, tobacco, and firearms investigation (ATF).

- The Bureau of Alcohol, Tobacco, and Firearms (ATF) was established by Treasury Department order in 1972.
- The order transferred the functions, powers, and duties arising under laws relating to alcohol, tobacco, firearms, and explosives from the Internal Revenue Service to the new bureau.

* Border enforcement activities (Customs and INS).

- The United States Customs Service (originally the Bureau of Customs) was established as a separate agency in the Treasury Department by act of Congress in 1927 to collect revenue from imports and enforce customs and related laws.
- The Immigration and Naturalization Service (INS) was created within the Department of Justice by act of Congress in 1891. It is responsible for administering the immigration and naturalization laws relating to the admission, exclusion, deportation, and naturalization of aliens.

* Protection and other activities (Secret Service).

- The Secret Service was established by Congress in 1865 as an arm of the Treasury.
- Originally charged with the detection and arrest of counterfeiters, the service was made responsible for the safety of U.S. presidents in 1901.

-- Federal litigative and judicial activities.

- * Approximately one-third of all resources for the administration of justice are for federal civil and criminal prosecutions and for maintaining our federal court system.
- * The Department of Justice litigates all of the federal government's criminal cases and most of its civil cases.

-- Federal correctional activities.

- * The federal government is responsible for the care and custody of prisoners charged with or convicted of violating federal laws.
- * This responsibility is discharged by the Bureau of Prisons, which is a branch of the Department of Justice.

-- Criminal justice assistance.

- * The National Institute of Justice and the Bureau of Justice Statistics are independent bureaus within the Department of Justice that conduct research and gather and disseminate statistics on criminal and civil matters.
- * The National Institute of Corrections (also within the DOJ), provides technical assistance and small grants to states, localities, and non-profit organizations for applied research and development related to criminal justice.

o Costs.

-- Total costs (outlays).

- * In FY 1970, the government spent \$972 million on the administration of justice.
- * In FY 1981, the government spent \$4.4 billion on the administration of justice.

-- Law enforcement activities.

- * In FY 1970, the government spent \$587 million.
- * In FY 1981, the government spent \$2.0 billion.

-- Federal litigative and judicial activities.

- * In FY 1970, the government spent \$232 million.
- * In FY 1981, the government spent \$1.2 billion.

-- Federal correctional activities.

- * In FY 1970, the government spent \$88 million.
- * In FY 1981, the government spent \$342 million.

-- Criminal justice assistance.

* In FY 1970, the government spent \$65 million.

* In FY 1981, the government spent \$656 million.

o Administration Action to Date.

-- For FY 1982:

* President Carter proposed total outlays of \$4.5 billion, including:

- Law enforcement activities, \$2.5 billion.

- Litigative and judicial activities,
\$1.3 billion.

- Correctional activities, \$380 million.

- Criminal justice assistance, \$360 million.

* President Reagan proposed total outlays of \$4.2 billion, including:

- Law enforcement activities, \$2.4 billion.

- Litigative and judicial activities, \$1.2 billion.

- Correctional activities, \$350 million.

- Criminal justice assistance, \$290 million.

* Congress approved total outlays of \$4.4 billion, including:

- Law enforcement activities, \$2.5 billion.

- Litigative and judicial activities, \$1.3 billion.

- Correctional activities, \$360 million.

- Criminal justice assistance, \$290 million.

-- For FY 1983:

* The Reagan Administration proposed total outlays of \$4.8 billion, including:

- Law enforcement activities, \$2.8 billion.

- Litigative and judicial activities, \$1.4

billion.

- Correctional activities, \$400 million.
- Criminal justice and assistance, \$160 million.
- The Administration also proposed, as part of its request for law enforcement funds, \$107 million for a network of 12 regional task forces to focus on organized crime drug enforcement.
- * Congress approved \$5.0 billion, including:
 - Law enforcement activities, \$3.0 billion.
 - Litigative and judicial activities, \$1.4 billion.
 - Correctional activities, \$420 million.
 - Criminal justice and assistance, \$190 million.
 - Congress approved \$104 million for the task forces.

The President's Proposals for FY 1984.

- o Raise total spending for administration of justice to \$5.5 billion, an increase of nearly 10%.
- o Increase funding for federal law enforcement activities by 11% to \$3.3 billion.
 - The FBI's budget would be increased by 24% to pay for major capital equipment acquisition and additional manpower.
- o Increase funding for federal litigative and judicial activities by 14% to \$1.6 billion.
- o Provide \$520 million -- an increase of \$100 million -- for prisons and other federal correctional activities.
 - These funds would be used for the construction of one new federal prison, planning and site acquisition for a second, construction of a new jail for pre-trial detainees, and other modernization and rehabilitation projects.
- o Provide \$170 million for criminal justice assistance to the states and localities.
 - This includes a new \$92 billion criminal justice assistance program.

- Of this amount, \$72 million will be in the form of grants to the states to support programs that have proved effective in reducing crime.

Justification.

o Crime is a serious national problem.

- Violent crime in 1980 was 60% greater than in 1971, and 33% greater than in 1976.
- Crimes against property in 1980 were 54% greater than in 1971, and 16% greater than in 1976.
- The most frequent victims of crime are the elderly, the poor, and minority group members.
- Recent declines in crime are encouraging, but we cannot let up on our efforts until crime rates are permanently reduced.

o While recognizing that crime control is primarily a state responsibility (the states handle 97% of all criminal cases), the Administration also recognizes that the federal government must play a leadership role, not only in terms of federal investigations and prosecutions, but also in terms of direct assistance to state and local governments.

- Federal law enforcement efforts must be equal to the demands placed on the federal government in this area.
- Federal assistance to anti-crime efforts at other levels helps increase the effectiveness of these efforts, yet leaves the implementation and ultimate success of these programs where they belong -- at the state and local level.

Questions and Answers.

- o Jails or Jobs? Why is the federal government spending more money on law enforcement and correctional institutions instead of addressing joblessness, poverty, ignorance, hunger, and other causes of crime?
 - The federal government is spending more than 350 times on these particular problems than it is on law enforcement.
 - Federal spending on these problems has increased 11% since 1980 -- after adjusting for inflation.
 - But crime rates cannot be ascribed simply to economic deprivation, discrimination, and related causes.
 - * The causes of crime are complex, but result in large part because of the slim chance of punishment.
 - * The crime problem in this country has worsened despite the great efforts being made to eliminate poverty and promote racial justice.
 - Therefore, the key to reducing crime lies in improving law enforcement, which the President's program does.
- o Civil rights. Why is the Administration giving up on civil rights enforcement?
 - The Administration is doing no such thing.
 - Since President Reagan assumed office, the Justice Department has prosecuted more criminal violations of civil rights than any previous administration.
 - Funding levels for the principal civil rights enforcement agencies are 17.4% greater in the proposed 1984 budget than they were in 1980.
- o White-collar crime. With all its professed concern about "crime in the streets," why is the Administration so soft on antitrust violations and kindred offenses?
 - The Administration is requesting more than \$1 million in additional funding to send white collar criminals who gouge the consumer to jail.
- o Illegal Aliens. Will the Administration be spending more to enforce the immigration laws as well?
 - Yes. The Administration is requesting more than \$40 million in additional funding for the Immigration and Naturalization Service.

ENERGY

History.

The federal government's major involvement with energy policy is a relatively recent development, dating from the 1970s. Prior to that time, ample energy supplies and stable energy prices created little demand for federal intervention. Thus, federal energy activities were largely limited to the regulatory programs of the Federal Power Commission, the Department of the Interior, the National Science Foundation, and the nuclear-related programs of the Atomic Energy Commission.

The oil embargo and other turbulence of the 1970s, accompanied by the shock of rapid price increases and energy supply disruptions, led to significantly increased federal regulation of energy markets, subsidies for large-scale demonstration and commercialization projects for alternative energy technologies that were thought to offer long-term benefit.

In 1974, the Federal Energy Administration was created primarily to carry out greatly expanded oil regulation. In the following year, energy research and development activities of the Interior Department and the National Science Foundation were combined with non-regulatory activities of the Atomic Energy Commission under a new agency, the Energy Research and Development Administration. These activities were further consolidated in 1977 with the establishment of the Department of Energy (DOE).

o Programs.

-- General research programs.

- * Fossil energy program supports research to enhance the efficient use and delivery of coal, oil and natural gas.
- * Conservation program supports long-term basic research toward creation of the technology base for private sector development of energy-efficient processes.
- * Renewable energy program supports research and development to help provide a generic technology base for the private sector to use in developing advanced energy systems.

- * Energy supporting research program fosters the development of basic scientific and technical knowledge in the physical sciences, the training of future energy professionals, and the analysis and assessment of related energy research and technical activities.
- * General sciences program conducts basic research in high energy physics, nuclear physics, the life sciences and nuclear medicine.

-- Nuclear energy research programs.

- * Nuclear program works to develop and demonstrate nuclear technology and conducts and supports research to enhance the safety of commercial reactors.
- * Magnetic fusion program supports research toward scientific validation and development of the unlimited potential of nuclear fusion.

-- Energy production and power marketing produces domestic crude oil at the Naval Petroleum Reserves (NPR) and sells electric power through five power marketing administrations. Also provides uranium enrichment services primarily for commercial customers.

-- Regulation and information.

- * Federal Energy Regulatory Commission (FERC) oversees the interstate operation of electric utilities, hydroelectric powerplants, and interstate natural gas and petroleum pipelines with the intended goal of ensuring adequate supplies at reasonable prices.
- * Economic Regulatory Administration (ERA), because of decontrol of oil, no longer has oil pricing and allocation responsibilities, but continues to administer compliance program for violations that occurred before controls were ended.
- * Energy Information Administration (EIA) provides central comprehensive energy data collection and analysis.

-- Energy emergency preparedness.

- * Helps reduce problems associated with major disruptions of oil supplies by such means as storage in the Strategic Petroleum Reserve.
 - By the end of FY 1980, the Strategic Petroleum Reserve contained 98.2 million barrels. By the end of FY 1982, the cumulative fill for the reserve was 277.9 million barrels, or nearly three times as great.

-- Synthetic Fuels Corporation.

- * Functions as an investment bank providing "financial incentives," but not direct funding, to the private sector for the construction and operation of commercial-scale plants to produce synthetic substitutes for imported fuel.
- * The Corporation was established in June 1980, and has a total of \$14.9 billion in resources available for financial incentives.

o Costs.

- In FY 1978, the budget for DOE -- excluding defense programs -- was \$9.2 billion.
- In FY 1981, budget authority for energy programs was \$7.6 billion.
- And in FY 1983, the level is \$5.1 billion, plus \$14.9 billion for the Synthetic Fuels Corporation.

o Administration Action to Date.

-- For FY 1982:

- * President Carter requested \$9.9 billion.
- * President Reagan requested \$6.9 billion.
- * Congress approved \$7.2 billion.

-- For FY 1983:

- * President Reagan requested \$5.0 billion.
- * Congress approved \$5.5 billion.

The President's Proposals for FY 1984.

o General research programs.

- Reduce budget authority for fossil fuels research and development to \$94 million in 1984, from the 1983 level of \$217.5 million.
- Reduce budget authority for conservation research programs in 1984 to \$74.4 million, from the the previous year's level of \$410.2 million, with the biggest savings resulting from the elimination of the state and local grants program.
- Reduce budget authority for renewable energy research programs in 1984 to \$102.3 million, from the preveious year's level of \$252.6 million.

- Increase budget authority for energy supporting research in 1984 to \$402.5 from the 1983 level of \$341.3 million.
- Increase budget authority for high energy and nuclear physics in 1984 to \$645.2 million from the 1983 level of \$554.1 million.

o Nuclear energy research programs.

- Increase budget authority for nuclear fission in 1984 to \$848.2 million in 1984 from the 1983 level of \$815.8 million.

* The major factor in this spending rise is the increase in the breeder reactor systems program to \$602.5 million in 1984 from the 1983 level of \$549.9 million.

* The Clinch River Breeder Reactor project would receive an increase in funding to \$270 million in 1984 from \$193.9 million in 1983.

- Increase budget authority for magnetic fusion to \$467 million in 1984 from \$447.1 million in 1983.

o Energy production and power marketing.

- Increases budget authority to \$870.8 million in 1984 from \$85 million in 1983.

o Regulation and information programs.

- Reduce budget authority for the Federal Energy Regulatory Commission to \$34.6 million in 1984 from \$79.8 million in 1983. Though the request for new budget authority will be sharply reduced, an estimated \$60 million in revenues will make actual 1984 budget authority more than \$10 million higher than the 1983 level.

- Reduce budget authority for the Economic Regulatory Administration (ERA) to \$11.9 million in 1984 from \$27.5 million in 1983.

o Strategic Petroleum Reserve.

- Reduce budget authority to \$742 million in 1984 from \$2.3 billion in 1984.

- o The Synthetic Fuels Corporation is expected to commit \$6 billion in 1983 and \$7.2 billion in 1984.

Justification (General).

o Budget savings.

- The President's request of \$2.8 billion in 1984 for all energy programs except atomic energy defense activities is about \$2 billion dollars less than the 1983 level.

o Continue promoting free market energy policies.

- In accordance with oil price decontrol and other deregulatory actions, regulation budgets are being reduced.
- The FY 1984 budget request limits the federal government to research and development where the costs and risks are high and the benefits too uncertain to justify private sector investment.
 - * DOE is discontinuing or phasing out energy demonstration projects that are at an appropriate stage of development for market decisions.
 - * This removes the government from making decisions more appropriately made in the marketplace.

o Elimination of unnecessary programs.

- The 1984 budget proposes the elimination of R&D programs that have developed technologies to the point where the private sector can make appropriate investment decisions, which can in turn make new energy sources available to U. S. consumers at reasonable prices.
- These include: active and passive solar heating and cooling, alcohol fuels, ocean thermal energy conversion, and hydropower.

o Adequate financing for critical programs.

- In programs where there is clear national need for federal involvement, the President has requested increased budget authority.
- These areas include: high energy and nuclear physics programs and remedial action to treat or stabilize radioactive wastes and to decontaminate and decommission some DOE facilities and sites.

Justification (Specific).

o Research programs.

-- Fossil Energy.

- * Reductions are accomplished by continuing to concentrate only on high priority, long-term, high risk R&D which industry cannot be expected to undertake on its own, while leaving the demonstration and commercial introduction of new technologies to the private sector.

-- Conservation.

- * Grants to state and local governments are proposed for elimination because the activities supported by the grants duplicate activities currently undertaken in other federal agencies or at the state level.

- * For example:

- Weatherization programs are provided sufficiently by HHS and HUD.
- Grants to encourage schools and hospitals to seek fuel efficiency are unnecessary, since previously high energy prices have provided ample incentive to use energy efficiently.
- The Energy Extension Service and State Energy Conservation Plan programs duplicate information and efforts already ongoing at the state level. These grants were intended only as seed money to get these efforts started.

-- Renewable energy.

- * Basic research and longer term development activities have been retained and strengthened.
- * Near-term development and demonstration activities that the private sector can pursue more effectively have been reduced.

-- Energy supporting research.

- * The proposed increase in budget authority for these activities will help expand the scientific and engineering knowledge base on which the nation's future energy options depend.

-- General science.

- * The proposed increase in budget authority for research in high energy and nuclear physics will enhance knowledge of the basic properties and interactions of atomic nuclei, the constituents of sub-nuclear matter, and the fundamental forces of nature.
- * Federal funding is necessary because the benefits are mainly of a long-term nature.

o Nuclear energy research programs.

-- Nuclear fission.

- * The \$76.1 million increase in budget authority for nuclear fission research programs is requested to provide sufficient funding for two critical areas:
 - The general breeder reactor systems program, which are intended to create nuclear technologies that produce more fuel than they consume, would continue to be sufficiently funded because the long-term financial benefits remain insufficiently defined to induce industry to finance these activities.
 - Since they are critical for the protection of citizens safety, remedial programs to treat or stabilize radioactive wastes will continue to be sufficiently funded in 1984.
- * Clinch River breeder reactor project.
 - The increase in funding for the Clinch River breeder reactor project will facilitate scheduled construction activities. Since the 1983 continuing appropriation was insufficient to finance these construction activities, more funds are requested for 1984.

-- Magnetic fusion.

- * The \$20 million increase would finance the start of operations for new fusion facilities, including the Large Coil Project, the Tritium Test Assembly, and the Tokamak Fusion Test Reactor.
- * These facilities are essential to the successful development of fusion energy, which could ultimately provide access to an essentially inexhaustible domestic energy resource base.

o Energy production and power marketing.

- A major portion of the requested \$312.9 million budget increase is for continued construction of the Portsmouth (Ohio) Gas Centrifuge Enrichment Plant.
- * Federal support is intended to aid in the development of a process to enrich uranium for commercial use at much lower cost and far less risk.
- * Lowering production costs is essential for the U.S. to remain competitive in the world market.

o Regulation and information programs.

- Federal Energy Regulatory Commission (FERC).
 - * FERC charges regulated parties filing fees and license charges, with these receipts going into the Treasury as "miscellaneous collections."
 - * The Administration is proposing legislation to allow these collections as offsetting receipts for the agency.
 - * This would bring \$60 million to FERC in 1984 and reduce its need for new budget authority accordingly.
- Economic Regulatory Administration (ERA).
 - * The 1984 request is primarily for completion of the litigation of alleged pricing violations occurring before the President's decontrol order of January 1981.
 - * Since relatively few cases should remain unresolved in 1984, the President's proposal to reduce budget authority from \$27.5 million in 1983 to \$11.9 million in 1984 is justified as this program draws to a conclusion.

o Energy emergency preparedness.

-- Strategic Petroleum Reserve.

- * The proposed budget reduction reflects the increasingly favorable world oil markets and significant improvement in our ability to protect ourselves should a disruption occur. In particular, there is more oil in storage and excess production capacity in the world oil market, and self-defeating price controls on oil have been dismantled.
- * Still, acquisition activities will result in a total of 410 million barrels in storage by the end of 1984, assuming a fill rate of 145,000 barrels per day, more than sufficient to protect the U. S. in the event of another oil shortage.

o Synthetic Fuels Corporation.

-- The budget for the Corporation is outside the Administration's control. All of the funds for administration and programs have been made available by the Supplemental Appropriations Act of 1980. These funds have been delivered in three lump sums, which total \$14.9 billion.

* The Act made \$6 billion available immediately upon passage in July 1980.

* The Act made \$6.2 billion available on June 30, 1982.

* \$2.7 billion in unused funds made available for DOE by the Act was transferred to the Corporation after it was declared operational in February 1982.

Questions and Answers.

o Federal responsibility. By further cutting Federal energy programs, isn't the Administration putting U. S. energy policy in the hands of the oil companies?

-- Largely because of this Administration's decontrol and deregulation activities, oil companies have been given much greater ability to find and produce oil. These efforts, along with conservation and worldwide production increases, have had the following results:

* Domestic oil production increased in 1982, reversing a previous downward trend.

* Gasoline prices are down at least 10¢ per gallon below their levels immediately before decontrol.

* Residential heating oil prices have begun to fall after rapid run-ups in the late 1970s.

* Profits for the 27 largest U.S. oil and gas companies for the first 9 months of 1982 were 26% lower than during the first 9 months of 1981. In 1981, profits were down 3% from 1980.

-- Moreover, the Administration's continued support for basic and applied research will facilitate the provision of even more efficient and cost-competitive energy sources and technologies. These will further diversify the nation's energy base.

o Alternative energy R&D. By sharply cutting back on research, isn't the Administration abandoning essential efforts to develop alternative fuels?

-- Quite the contrary. By limiting funding to long-term, high-risk research activities, the government has enhanced the country's ability to respond to its energy needs with a broader technical base that will support private sector efforts to develop and demonstrate a greater diversity of more economical technologies than those previously supported by the government.

-- The Administration's proposed reductions are in the demonstration of the commercial viability of technologies, which is more appropriately the role of the private sector.

- o Protection against disruptions. By reducing regulatory budgets, isn't the Administration increasing the likelihood of chaotic energy markets in the event of another energy disruption.
 - Regulations designed to minimize anticipated or actual emergencies, such as the 1973 oil disruption, the 1977 natural gas shortage, and the 1979 oil shortfall, have in fact made these problems far worse by holding prices artificially low, discouraging domestic production, and misallocating limited supplies.
 - With the deregulation of oil, the proposed deregulation of natural gas and the availability of the Strategic Petroleum Reserve, the U.S. is now far more prepared to respond to disruptions in foreign oil supplies because the marketplace is better equipped to provide the needed resources.
- o Strategic Petroleum Reserve. How can the Administration justify reducing budget authority for the SPR from \$2.3 billion in 1983 to only \$742 million in 1984?
 - The world oil market has changed dramatically for the better since the SPR was first established.
 - * When the original plans were published in 1977, the government forecast U.S. dependence on foreign oil at 11 million barrels per day by 1985. DOE currently projects imports of only about 6 million barrels per day, or 45% less.
 - * The most recent data provided by the Central Intelligence Agency show that oil producing countries in the free world have capacity to produce at least an additional 10 million barrels per day. This greatly reduces the prospect of a shortage from a disruption involving one or two Middle East producers.
 - Current SPR stocks are three times larger than two years ago. They total 300 million barrels, or more than 5 months' worth of protection should half of U.S. imports be interrupted, 11 months' worth of protection against cut-off of current levels of Arab OPEC imports.
 - Counterproductive controls on U.S. oil markets have been eliminated. As experience in other countries clearly demonstrates, elimination of controls should make any subsequent disruption less difficult to deal with.

- o Dismantlement of DOE. Has the President given up on his plans to dismantle the Department of Energy?
 - Early in 1982, the Administration proposed legislation to the Congress to eliminate the Department of Energy as a separate Cabinet Department.
 - Through administrative action and less extensive legislation, this Administration has effectively eliminated many of the portions of DOE that were not appropriate for federal activity, such as:
 - * Price and allocation regulation of the oil market.
 - * Financing of commercialization activities.
 - The President continues to support elimination of the Department of Energy as a separate Cabinet Department.
- o Natural gas deregulation. Won't deregulating natural gas prices hurt the consumer?
 - No. Deregulating prices as the Administration proposes to do, is the best way to protect consumers from higher prices.
 - Current law is defective. . It encourages production of high-cost gas and discourages production of low-cost gas. As a result, prices rise and consumers are worse off.
 - The Administration proposal would restore market incentives and encourage efficient production.
 - When the President decontrolled oil prices in 1981, some said prices would go up to \$2 per gallon. They were wrong. We are confident that market forces will also work to protect consumers of natural gas.

ENVIRONMENT

History.

The federal role in protecting the environment, extending to the previous century, intensified in the World War II era. The General Land Office, created in 1912, and the Grazing Service, created in 1934, were combined into the Interior Department's Bureau of Land Management in 1946. The Commerce Department's Bureau of Fisheries (1871) and Agriculture's Bureau of Biological Survey (1885) were combined into Interior's Fish and Wildlife Service in 1939.

Various other environmental agencies have been established over the last fifteen years. But today, the Environmental Protection Agency (EPA) serves as the lead federal agency for protecting the environment. Since its creation in 1970, EPA has worked to control and abate air, water, hazardous waste, radiation, pesticides and toxic substances pollution.

Other agencies with an interest in environmental protection include the National Oceanic and Atmospheric Administration (NOAA), established by the Department of Commerce in 1970, the National Weather Service, and Interior's Bureau of Commercial Fisheries.

o Programs.

-- Pollution control and abatement.

- * Includes federal efforts, and assistance to state and local governments, to control and reduce air, water and land pollution through several means, including:

- Regulatory, enforcement and research programs.
- Planning grants to states.
- Training programs.
- Hazardous substance response fund.
- Oil spill pollution fund.
- Sewage treatment plant construction grants.

- * In FY 1973, \$1.1 billion was devoted to these programs. In FY 1981, the level had grown to \$5.2 billion. In FY 1983, the level is \$4.3 billion.

-- Water resources.

- * Involves funding of the Army Corps of Engineers, Interior's Bureau of Reclamation, and Agriculture's Soil Conservation Service to continue construction, operation and maintenance of water resources facilities.

- * In FY 1973, \$2.2 billion was spent on water resources activities. In FY 1981, the amount was \$4.2 billion. In FY 1983, the level is \$3.9 billion.

-- Conservation and land management.

- * The Department of Interior's Bureau of Land Management administers approximately 325 million surface acres of land. The National Oceanic and Atmospheric Administration provides grants to states for coastal zone management. The Department of Agriculture assists private land owners in providing for the conservation of farm lands. It is also responsible for management of the 191 million acre national forest system.
- * In FY 1973, conservation and management programs cost \$725 million. By FY 1981, the cost had jumped to \$2.6 billion. And in FY 1983, the cost is \$2.7 billion.

-- Recreational resources.

- * Includes operation and preservation of national parks, recreation areas, historic sites, wild and scenic rivers, fish hatcheries, and wildlife refuges.
- * The budget for these programs was \$566 million in FY 1973. By FY 1981, the level was \$1.6 billion. And in FY 1983, the level is \$1.7 billion.

-- Other natural resources.

- * Involves research, development and information programs administered primarily by the U. S. Geological Survey, the Bureau of Mines and the National Oceanic and Atmospheric Administration.
- * In FY 1973, the budget for these activities totalled \$570 million. In FY 1981, the level was \$1.5 billion. And in FY 1983, the level is \$1.6 billion.

o Costs.

-- Total.

- * In FY 1973, budget outlays for environment and natural resources activities totalled \$4.7 billion.
- * In FY 1981, the level was \$13.5 billion.

-- EPA.

- * In FY 1973, outlays for EPA totalled \$1.1 billion.
- * In FY 1981, the level was \$5.2 billion.

o Administration Action to Date.

-- For FY 1982:

- * President Carter requested \$13.7 billion in budget authority, including \$5.3 billion for EPA.
- * President Reagan requested \$10.3 billion, including \$1.4 billion for EPA.
- * Congress approved \$11.2 billion, including \$3.7 billion for EPA.

-- For FY 1983:

- * President Reagan requested \$8.4 billion for environmental programs, including \$3.6 billion for EPA.
- * Congress approved \$11.2 billion for environmental programs, including \$3.7 billion for EPA.

The President's Proposals for FY 1984.

- o The Administration requests a reduction in budget authority from the 1983 level of \$11.2 billion to \$8.9 billion in 1984. The request for EPA is for a reduction in budget authority from the 1983 level of \$3.7 billion to \$3.6 billion in 1984.

-- Pollution control and abatement.

- * Reduce outlays from the 1983 level of \$4.3 billion to \$4.1 billion in 1984.

-- Conservation and land management.

- * Reduce outlays from the 1983 level of \$2.7 billion to \$2.1 billion in 1984.

-- Recreation resources.

- * Reduce outlays from the 1983 level of \$1.7 billion to \$1.5 billion in 1984.

-- Other natural resources.

- * Reduce outlays from the 1983 level of \$1.6 billion to \$1.4 billion in 1984.

Justification (General).

- o Proper focus of federal funds. The 1984 budget supports two principal objectives:
 - The protection of the American people from harm by air and water pollution or toxic substances. The only activities that are proposed for increased funding are those which deal with the protection of American health and safety, including:
 - * The Hazardous Substances Response Fund, or "Superfund", which is proposed for a 43% increase in budget authority, enabling the effective operation of its toxic wastes clean-up program.
 - * Mining reclamation and regulatory grants, which will be increased to allow all coal mining states to fully implement surface mining reclamation and regulatory programs.
 - More appropriate method of financing federal activities.
 - * A proposed charging of user fees is intended to require the users of federal lands and facilities to pay a greater share for their upkeep and maintenance since they receive the major benefit from these lands and facilities. The budget proposals establish fees, for example, for the use of recreation resources such as national parks, forests, wildlife refuges, and Corps of Engineers recreation facilities.
 - * The reduction of funds for certain activities, such as forestry research, is designed to eliminate the burden on taxpayers to provide for projects which benefit, and should be financed by, industry.

Justification (Specific).

- o Pollution control and abatement.
 - The proposed reduction in outlays for EPA's regulatory, enforcement and research programs reflects:
 - * EPA's continued emphasis on increasing efficiency and accelerating the delegation of environmental programs to the states.
 - * A proposed user fee for ocean dumping, which will be initiated in 1984.
 - The proposed \$300 million decrease in outlays for sewage treatment plant grants reflects:
 - * The completion of expenditures of grants awarded before 1982.

o Water resources.

- Most of the funds for water resources are for continued construction of projects started in previous years.
- The \$650 million decrease in outlays reflects:
 - * The fact that many of these projects are nearing completion.
 - * Increased receipts from three user fee proposals.
The Administration proposes to recover capital and operating expenses of deep draft and inland waterway projects, and to permit the charging of fees at Corps of Engineers recreation facilities.

o Conservation and land management.

- Generally, changes in these programs reflect the following Administration efforts:
 - * To improve the management and productivity of the national forests and public lands.
 - * To streamline mineral leasing programs.
 - * To place maximum responsibility with the states for coal surface mining regulatory and reclamation programs.
- The \$283 million reduction in outlays for the management of national forests, cooperative forestry and forestry research reflects:
 - * Changes in financing due to initiation of the reforestation trust fund in 1983.
 - * Administrative proposals to produce timber, recreation and other outputs at the lowest possible costs.
 - * A reduction of federal funding for forestry research projects that directly support industry, and for other low-priority projects.
 - * The elimination of grants to the states for fire protection and technical assistance in forest management, which states can now adequately fund on their own.
 - * Inclusion of a \$59 million forest fire supplemental in FY 1983; a supplemental for FY 1984 will be transmitted with the FY 1985 budget.
- The \$38 million decrease in outlays for the management of public lands reflects:

- * Vastly simplified procedures for the administration of the Outer Continental Shelf oil and gas leasing program.

- * Sales of unneeded public lands.

- o Recreational resources.

- The \$218 million reduction in outlays for recreation resources programs reflects:

- * Zero funding in 1984 for grants to states for the acquisition of local recreation lands and facilities and for historic preservation, justified by two key factors:

- The low level of necessity for recreation expenditures in a stringent budget year.

- The tax incentives now applicable for historic preservation.

- * A proposed increase in fees for recreational use of national parks, forests, and related facilities, so that those who use them will pay more for their upkeep and maintenance than the general taxpayer who does not use them.

- o Other natural resources.

- The \$130 million reduction in outlays for these activities reflects:

- * A reduction in funding at the U.S. Geological Survey and the Bureau of Mines for applied research and development, which should be the responsibility of the mining industry.

- * Savings in the budget for NOAA through increasing the share of costs borne by users of aviaional marine maps and charts and through shifting funding responsibilities for other activities to direct beneficiaries and state and local governments. In addition, lower priority activities are being phased out and the polar orbiting satellite system would be reduced to one satellite in orbit instead of two.

Questions and Answers.

o Hazardous wastes. Won't the reduction in outlays for environmental programs hamper the EPA's ability to protect the American people from danger from hazardous wastes?

-- No. Budget cuts will not affect this area. In fact, the outlays for the Hazardous Substance Response Fund, which provides money for cleaning up abandoned hazardous waste sites and for responding to hazardous chemical spills, will continue to increase under the President's proposal.

* In 1982, the Fund had outlays of \$77 million.

* In 1983, the Fund's outlays were more than doubled to the level of \$168 million.

* And in 1984, the President's proposal is for \$246 million, a nearly 50% increase.

o Air and water pollution enforcement. Don't the cuts in budget authority and personnel for air and water pollution enforcement hamper EPA's ability in these areas?

-- No. In fact, cuts are not being proposed in EPA's budget for enforcement.

* Air pollution enforcement.

- The Administration's proposal is to increase budget authority for air pollution enforcement from the 1983 level of \$20.5 million to \$20.7 million in 1984.

- Staffing for enforcement activities will decrease only marginally from the 1983 level of 370 people to 366 people in 1984.

* Water pollution enforcement.

- The Administration proposes an increase in budget authority for water pollution enforcement from the 1983 level of \$24.6 million to \$27 million in 1984.

- Staffing will decrease only slightly from the 1983 level of 608 people to 586 people in 1984. Since the Administration's proposal is to delegate more responsibility for water pollution enforcement to the states, this marginal decrease of 22 employees is more than justified.

o Sale of federal lands. Isn't the Administration's proposal to sell federal lands sacrificing our nation's precious natural heritage?

-- Through the years, the federal government has been justifiably accused of mismanaging the lands it owns. The biggest area of mismanagement has been the blanket retention of such lands.

-- The Property Review Board, established by President Reagan last year, has the mission of identifying unused or underutilized real property owned by the federal government and disposing of this property by sale or transfer.

-- The President is not proposing a massive sale of federal lands. Of the 714 million acres managed by the Interior and Agriculture Departments, only about 12.5 million acres -- a mere 1.8% -- would even be considered for sale.

* National treasures, such as parks and wilderness lands, will not be considered for sale.

-- The benefits that can accrue from such sales are great. They include:

* Local control of land use decisions.

* Increased local property tax receipts.

* The return of the property to productive economic use. For instance:

- In the last 20 years, 94 military installations were closed and transferred to state and local governments and to private parties.

- The redevelopment of these facilities created 123,777 civilian jobs, 68 industrial parks, 40 municipal airports, and facilities for 48,000 college students.

* Increased federal revenues which can be applied to retire part of the national debt.

- Sales are estimated to yield about \$500 million in 1984.

* A reduction in cost to the taxpayers to maintain and protect the property.

- A reduction in outlays of \$121 million is requested for property management in 1984, primarily due to the sale of some property.