

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION,
AND WELFARE APPROPRIATION ACT, 1970

M E S S A G E

FROM

THE PRESIDENT OF THE UNITED STATES

RETURNING

WITHOUT APPROVAL THE ACT (H.R. 13111) MAKING APPROPRIATIONS
FOR THE DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND
WELFARE AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING
JUNE 30, 1970, AND FOR OTHER PURPOSES

JANUARY 27, 1970.—Ordered to be printed

To the House of Representatives:

I return herewith, without my approval, H.R. 13111, an Act, "Making Appropriations for the Departments of Labor, and Health, Education, and Welfare and Related Agencies for the Fiscal Year Ending June 30, 1970, and for Other Purposes."

The issue is not whether some of us are for education and health programs and others against.

There are no goals which I consider more important for this nation than to improve education and to provide better health care for the American people.

The question is how much can the Federal Government afford to spend on those programs this year?

The enrolled bill is \$1.3 billion over my budget request for the Department of Health, Education, and Welfare (HEW).

It is the largest increase over my budget recommendations of any appropriations bill for 1970.

It is the largest excess over a Presidential request ever provided by the Congress for the Department of Health, Education, and Welfare.

I have taken this action for four reasons:

One, these increases are excessive in a period of serious inflationary pressures. We must draw the line and stick to it if we are to stabilize the economy.

Two, nearly nine-tenths of these increases is for *mandatory* programs which leave the Executive Branch no discretion whatever either as to the level or the purpose of the added expenditures. This fact sharply differentiates this appropriation from other inflated measures that I have approved.

Three, the added funds are largely for lower priority programs.

Four, because of the lateness in the fiscal year, increases of this magnitude cannot be used effectively in many cases.

DEFICITS FEED INFLATION

The inflation we have at the start of the Seventies was caused by heavy deficit spending in the Sixties. In the past decade, the Federal Government spent more than it took in—\$57 billion more. These deficits caused prices to rise 25% in a decade.

That is why I ordered Federal spending cut this year.

In April 1969, I reduced the 1970 budget proposed by President Johnson by \$4 billion. In July, I cut another \$3.5 billion. Seventy-five percent of new direct Federal construction projects were deferred.

But Congress increased other spending by three and a half billion dollars.

PRIORITIES HAVE BEEN REASSESSED

Of the \$7.5 billion reduction I proposed for 1970, \$4.1 billion was in defense spending. We are reducing defense spending to the minimum consistent with our national security. Defense spending went *down* from 1969 to 1970. It will go *down again* in 1971.

HEW spending is rising. Outlays for the Department are presently estimated to increase in fiscal 1970 by \$6.1 billion above 1969, a 13% rise. They will increase further in 1971.

For the first time in twenty years, next year's budget will provide more funds for human resources than for defense.

THE FISCAL 1970 BUDGET

For the Congress and the Nation to understand my decision on the HEW appropriations, I must report today on current budget estimates for fiscal year 1970.

There are essentially two kinds of Federal Government spending:—*uncontrollables*, which are already committed either because a program is automatic or because contracts were let before the fiscal year began and now payment is due; and

—*controllables*, where budget decisions can be made to have programs reduced or eliminated to hold spending down.

Although we made deep cuts in "controllables" in 1970, the overruns in "uncontrollables" have fully absorbed these cuts and now *far* exceed them.

The original spending ceiling set by the Congress in July was \$191.9 billion, plus \$2 billion allowance for designated uncontrollables. Actions taken by the Congress since then, and those now anticipated, would increase the ceiling another \$1.8 billion. The result is an automatically revised Congressional ceiling of *\$195.7 billion*.

It is the "uncontrollable" outlays—driven upward by the very inflationary forces we were trying to contain—that have frustrated the efforts of both the Executive and the Congress to hold down spending.

Since I submitted my budget estimates in April, interest on the public debt has increased \$1.5 billion. Spending for health insurance has increased \$.7 billion, in large part because inflation requires us to pay

higher hospital and doctor bills for the senior citizens entitled to care.

Taking into account all the changes which we can presently assess, we now estimate 1970 outlays at close to \$198 billion, more than \$2 billion in excess of the ceiling. All of this overrun is attributable to "uncontrollables."

We faced these difficult budgetary facts of life in preparing the 1971 budget which I will send to the Congress on February 2. I will submit a budget for fiscal 1971 which will sharply reduce "spending momentum," evidence of my determination to restore price stability.

THE DECISION ON H.R. 13111

Confronted with these budget overruns in 1970, I reached my decision in December to veto the HEW appropriation unless it was reduced by the Congress, and publicly stated my position.

Over four-fifths of the increase in H.R. 13111 is for education. Even without this large increase in education funds, the Federal Government in 1970 will spend over \$10 billion for education—the most in our history. We care deeply about the need to improve our Nation's schools. But we must ask two questions:

First, will the \$1.1 billion which the Congress added for education go to those who need it the most?

Second, will it increase the quality of American education? This is the appropriate role of the Federal Government in a system in which Federal aid for public schools is 8% of the \$40 billion total spent by State and local governments.

My answer is that these congressional increases do not target the scarce resource of the Federal Government in ways I can accept in this period of budget stringency. I must veto H.R. 13111.

Schools have as much at stake as anyone in our efforts to curb inflation. As an official of a major school system recently wrote: "the Cost-of-Education Index makes it abundantly clear that inflation itself is far more damaging than any of the attempts to bring it under control."

Another 6% rise in prices this year would add more than \$2¼ billion to the costs of public schools without any improvements in either quality or quantity. Twice as much as the \$1.1 billion in increases for education proposed by the Congress will be swept away if we do not hold firm in our resolve to curb inflation.

IMPACTED AREAS AID

Nearly \$400 million of the HEW increase would be for grants to schools in federally-impacted areas. In 1968, this program paid \$5.8 million to the Nation's richest county (which had a population of 500,000) and a total of \$3.2 million to the 100 poorest counties (with a combined population of over 3 million).

For many school districts, these payments exceed the cost to local schools of educating the children of Federal employees. Often, the program enables wealthy districts to exert a lower tax effort than other districts in the same State.

Four successive Presidents have tried to reduce or reorient this program. Yet the Congress in this bill not only perpetuates this unfair program, it adds money to it. It is wrong to sharply increase the impacted school aid program in the face of the need to make long-overdue reforms in this law. The Administration will make recommendations for reform of this program based on a study requested by the Congress. I will submit these recommendations shortly.

EXCESSIVE INCREASES

The Conference Bill would increase the 1970 budget by \$575 million for vocational education, equipment and other categorical education grants, and for Title I of the Elementary and Secondary Education Act.

This is a 34% increase over the 1969 appropriations for these programs. In 1970, these increases—some for worthy programs—are just too large. Moreover, they come at a critical time in the development of education policy. The present system of Federal aid to education is much too inflexible; it frustrates planning by local officials and the development of creative new programs. Results—in terms of improved student performance—have fallen far short of our expectations.

That is why in my education message which I will shortly be submitting to the Congress I will propose a new and searching look at our American school system.

We are placing new and strong emphasis on experimentation and evaluation to learn about more effective approaches to education. We have undertaken a thorough review of the Title I program for disadvantaged children to repair its deficiencies. I have proposed consolidation of grant authorizations to give States and localities more flexibility and responsibility for action. I will recommend other actions in the coming weeks.

INEFFICIENT USE OF LIMITED FEDERAL RESOURCES

The Conference Bill provides \$100 million in Federal appropriations for college construction grants and capital contributions for National Defense Student Loan funds above my request. For both construction and college student aid, the Congress has already authorized Federal interest subsidies for loans by private lenders. This is a much more efficient method of financing, which takes advantage of the loan placement and collection machinery of private lending institutions, while reserving Federal appropriations for other purposes where loans cannot be used.

FAILURE TO RECOGNIZE PRIORITIES

At the same time that the Congress was adding large amounts to these existing education support programs, it refused to vote the \$25 million I requested for innovation in elementary and secondary education. These funds would have been used to develop and test promising approaches for improving student achievement—such as new ways to teach reading and the use of older children to teach younger children.

The refusal to grant these modest research and development funds comes at a time when the Nation is devoting less than one-half of one percent of its total investment in education to research. We do not know enough about how to get more for our education dollars; we must intensify our efforts to find out.

THE PROBLEMS OF CONGRESSIONAL DELAY

The lateness of congressional action on the appropriations for HEW creates serious problems.

School budgets are prepared in the early months of a calendar year. Teachers are customarily employed in the Spring and early Summer before academic sessions begin in September. Large, unplanned Federal grants coming only a few months before the close of the year will,

if experience is a guide, be used disproportionately to substitute for other school revenues and to make hasty purchases, not essential for school improvement.

The Nation has had bitter experience with the waste of large amounts allocated to education late in the school year. This was particularly true in the first year of funding for Title I. Money to help educate poor children went—not for teachers and well-planned programs—but often for unneeded equipment. A pattern of spending was established that has plagued this program ever since, creating management and operational problems that are still unsolved.

Not only does late funding result in waste when a full year's appropriation is crammed into three or four months, it also creates a spending rate bulge. This is the kind of "on-again, off-again" relationship with States and localities that we are trying to avoid, because it hampers intelligent community planning.

MISDIRECTED HEALTH FUNDS

For HEW in 1970, the Congress also added \$104 million above my request to the Hill-Burton appropriation for grants to build and modernize community hospitals. This increase was voted despite the growing awareness that a more pressing need is to fund ambulatory care facilities which offer an alternative to expensive hospital care. This is what was proposed to the Congress last April. While this point is recognized in the report of the Senate Appropriations Committee, the appropriation bill itself allocates most of the increased funds to grants for lower priority purposes rather than for needed out-patient facilities.

For hospital construction, the Administration has recommended legislation authorizing guaranteed loans, which would create a program much more responsive to today's needs. Combined with the reimbursement formulas for construction under Medicare and Medicaid, this approach is efficient and equitable, and avoids having the Federal Government pay twice for hospital beds.

The amounts added by the Congress for health research represent less than one-half of 1% of the total appropriation. Taken separately, I would not have vetoed these increases. On the contrary, when the budget for 1971 is submitted to the Congress it will make a strongly increased commitment for health research, where advances can be made to serve the health needs of the Nation—cancer, heart disease, population research and environmental health.

FORCED SPENDING

Nearly nine-tenths of this congressional increase—about \$1.1 billion—is for *mandatory* programs. The Executive Branch would have no control over these appropriations once H.R. 13111 was signed into law.

Left without any latitude in these areas, we may be faced with the need to make offsetting and disproportionate reductions in high-priority programs. Because so much of the budget at this time of the year is already committed, the areas remaining where offsetting reductions can be made are limited. To a disturbing degree, they consist of health service programs, scientific research, manpower training, food and nutrition, and other programs that continue to be identified by the Administration and the Congress as vital to the Nation's needs.

OFFICE OF ECONOMIC OPPORTUNITY EARMARKING

One issue remains to be dealt with that has arisen since my decision of last December to veto H.R. 13111. I am very concerned about a provision which was struck from the bill last week. The effect of this action would be to require the Executive to allocate funds for the Office of Economic Opportunity (OEO) according to specific earmarks.

The amount available for OEO programs is *not* at issue. Rather, the issue is the effective use of resources.

To set requirements upon the use of OEO funds with less than 5 months of the fiscal year left will disrupt many of its programs. We will be forced to increase some programs well beyond planned spending levels and to make damaging reductions in others, particularly Head Start, Legal Services, VISTA, JOBS, and programs for migrants and senior citizens.

I ask the Congress to reconsider its action, and restore the flexibility necessary to enable OEO to use its funds to the best advantage of the poor. The Congress will shortly begin its review of my 1971 budget recommendations. This will provide an opportunity for a timely and orderly examination of the objectives of OEO, its performance and program levels.

WHAT NEXT?

I have vetoed this bill because the increases for HEW voted by the Congress are mandatory, and because in the context of present efforts to curb inflation they are misdirected and excessive.

If the veto is sustained, I will immediately seek appropriations which will assure the funds necessary to provide for the needs of the nation in education and health. No school will need to be closed, no child need have his education interrupted or impaired as a result of this veto action.

Another approach to a solution would be for the Congress to remove the requirement in the law that all formula grant funds must be spent, leaving it to the Executive Branch to take the necessary action. (In its actions setting ceilings on obligations and expenditures for fiscal years 1968 and 1969, the Congress provided such flexibility.)

Provision must also be made so that impacted area aid funds are not cut off for hardship-case school districts. Until we come to agreement on a basic reform of this program, I believe we should work out a temporary solution which involves full funding for children whose parents live and work on Federal installations and partial funding for children whose parents do not live on Federal installations. In addition, I favor a specific "No Hardship Clause" which will guarantee that no school district will, as a result of these changes in the impacted school aid program, have a school budget less than 95% of what it had in 1969.

In working together to resolve this appropriations problem, care must be taken to avoid the extreme rhetoric which freezes positions. All Americans are "for schools" and "against inflation." The suggestions which I have made will do much to meet both objectives.

I believe this action is in the long-range interests of better programs for education and health. Above all, it is in the vital interests of all Americans in stopping the rise in the cost of living.

RICHARD NIXON.

THE WHITE HOUSE, *January 26, 1970.*