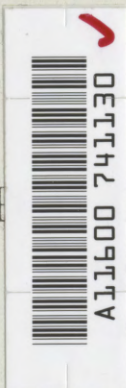


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BEFORE THE

OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

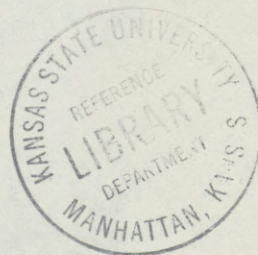
ON

H.R. 7532 and H.R. 7691

BILLS TO AMEND TITLE 39 OF THE UNITED STATES CODE
RELATING TO FUNDS RECEIVED BY THE POST OFFICE
DEPARTMENT FROM PAYMENTS FOR DAMAGE TO PER-
SONAL PROPERTY, AND FOR OTHER PURPOSES

JULY 25, 1961

Printed for the use of the
Committee on Post Office and Civil Service



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REIMBURSEMENT OF POST OFFICE DEPARTMENT APPROPRIATIONS

TUESDAY, JULY 25, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 215, House Office Building, Hon. Kathryn E. Granahan (chairman of the subcommittee) presiding.

Mrs. GRANAHAN. The subcommittee will come to order, please.

This subcommittee was appointed to consider H.R. 7532 and H.R. 7691, identical bills which were introduced by Mr. Murray, chairman of the House Post Office and Civil Service Committee, and Mr. Corbett, ranking minority member, respectively, as a result of an official recommendation by the Post Office Department.

(The bill, H.R. 7532, follows:)

[H.R. 7532, 87th Cong., 1st sess.]

A BILL To amend title 39 of the United States Code relating to funds received by the Post Office Department from payments for damage to personal property, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2203 of title 39 of the United States Code is amended by adding at the end thereof the following new subsection:

"(c) Collections from the following shall be credited by the Postmaster General to current applicable appropriations of the Department and shall be available for expenditure for the purpose of such applicable appropriations—

"(1) Payments for damage to Government owned personal property under custody and control of the Department;

"(2) Rent paid by private concerns for space in buildings acquired by the Department under the provisions of sections 2102 and 2103 of this title;

"(3) Payments made by contractors for services performed for them by postal personnel; and

"(4) Fines, penalties, and refunds resulting from nonperformance or inadequate performance under contracts with the Department."

Mrs. GRANAHAN. The purpose of this legislation is to broaden the authority which now permits certain funds collected by the Post Office Department to be credited to applicable appropriations and to be available for subsequent expenditure. Present law (39 U.S.C. 2203) authorizes collections for damage to Post Office Department vehicles and collections for the sale of leather, metal, canvas cuttings, and old canvas resulting from the manufacture and repair of mailbags and locks, to be used by the Department for the cost of repair of such items. This authorization was first contained in the Treasury-Post Office Appropriation Act, 1956, Public Law 51, 84th Congress.

This legislation proposes that such procedure be broadened to include funds received from four additional classes of collections. The collections would be credited to current applicable appropriations

and would be available for expenditure for the purpose for which the appropriation is available. At the present time, the law requires that the funds collected from these four items be treated as postal revenue and as such, are not available for use by the Department without subsequent appropriation action by the Congress.

The only witnesses we have scheduled for today are representatives of the Post Office Department. We will be pleased to hear from them at this time. I understand Mr. Noble will present the statement.

STATEMENT OF LINDSLEY H. NOBLE, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF FINANCE; ACCOMPANIED BY ADAM WENCHEL, ASSOCIATE GENERAL COUNSEL; RALPH NICHOLSON, ASSISTANT POSTMASTER GENERAL FOR FINANCE; AND JOHN MIELE, EXECUTIVE ASSISTANT TO CONTROLLER

Mr. NOBLE. Madam Chairman and members of the subcommittee, my name is Lindsley Noble, and I am Deputy Assistant Postmaster General and Controller for the Post Office Department.

I should like first, with your permission, to introduce for the record the letter from the Postmaster General of May 24, 1961, to the Speaker of the House, transmitting this legislative proposal, together with the general statement of purpose and need which accompanied the letter.

(The letter follows:)

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., May 24, 1961.

Hon. SAM RAYBURN,
Speaker of the House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith, for consideration by the Congress, a legislative proposal to amend title 39 of the United States Code relating to funds received by the Post Office Department from payments for damage to personal property, and for other purposes, together with a statement of general purpose and need and an analysis of the proposed bill.

The early enactment of this legislation is urged by the Department.

We have been advised by the Bureau of the Budget that from the standpoint of the administration's program there is no objection to the presentation of this legislative proposal to the Congress for consideration.

Sincerely yours,

J. EDWARD DAY, *Postmaster General.*

GENERAL STATEMENT OF PURPOSE AND NEED

The purpose of this proposed legislation is to broaden the reimbursement procedure now available to the Post Office Department. Present law authorizes the Department to use collections resulting from damage to Government-owned vehicles and collections from the sale of leather, metal, canvas cuttings, and old canvas from the manufacture or repair of mail bags for meeting the cost of repair to such items.

It is now proposed that this reimbursement procedure be broadened to include recoveries of funds received from payments on account of damage to Government-owned personal property under the custody and control of the Post Office Department, funds received from payments made by contractors for services performed for them by postal personnel, funds received from private concerns as rent for space in buildings which the Department has rented on long-term leases, and funds received for fines, penalties, and refunds, resulting from nonperformance or inadequate performance of contracts with the Post Office Department. Such reimbursements would be credited by the Postmaster General to current applicable appropriations, and would be available for use as payments of the compensation of postal personnel or for meeting the cost of repair or replacement of damaged items or the cost resulting from other contracts.

At the present time funds collected from these items are treated as revenue and as such are not available for use of this Department.

While no one item is a comparatively large amount, they all represent cost paid from our appropriation and it is believed that any funds devolved in such manner should be a reimbursement to its current applicable appropriation rather than treated as revenue which cannot be used.

For example, corner mailboxes are purchased out of appropriation funds. For damaged boxes and other postal property we collect an estimated total of \$75,000 a year, which is placed into revenue and as such, is not made available to the Department to repair or replace the damaged property. This Department should have the use of such funds to repair or replace the damaged property.

In cases where postal personnel are used to assist contractors in order to keep the mail moving the Department is reimbursed by the contractors for such services and such reimbursement is also placed into revenue which is not available for use by the Department to pay the compensation of postal employees. It is believed that such funds should accrue to the appropriation out of which salaries are paid and made available for salaries of postal personnel. This item is estimated to be \$400,000 a year.

Similarly, in cases where space in buildings which the Department has rented on long-term leases is furnished to private sublessees we collect payment (rent). These facilities are paid for from appropriated funds but the payment received is placed into revenue. These payments should more properly be used to reimburse the appropriation from which such rents are paid. This item is estimated to be \$180,000 a year.

In case of fines, penalties, and refunds on contracts, the applicable appropriation is used to pay the expense necessary to fulfill the contract, although in effect some of the work which was paid for has not been performed. It is believed that such reimbursement should revert to the current applicable appropriation and be available for use by the Department to defray the expense necessary to accomplish the intent of such contracts. For example, in the case of a fine or a penalty, when the mail is delayed for an unreasonable length of time due to nonperformance or inadequate performance on the part of mail transportation contractors, it often results in additional handling and processing costs. The work force in post offices is scheduled in advance for an anticipated workload. When such workload fails to materialize because of such delays on the part of transportation contractors, payment for idle time results. When the delayed mail does arrive and is in such volume that the cost of handling and processing cannot be absorbed by the regular scheduled work force, the Department must incur added costs either in the form of additional personnel or in the form of payment of overtime. It is estimated that the amount of this item is approximately \$400,000 per annum.

ANALYSIS OF PROPOSED LEGISLATION

The attached proposal will amend section 2203 of title 39 United States Code by adding a new subsection which will authorize the Department to credit current applicable appropriations of collections from the following:

- (1) Payments for damage to Government-owned personal property under custody and control of the Department;
- (2) Rent paid by private concerns for space in buildings which the Department has rented on long-term leases;
- (3) Payments made by contractors for services performed for them by postal personnel; and
- (4) Fines, penalties, and refunds resulting from nonperformance under contracts with the Department.

Mr. NOBLE. To appreciate fully the need for the legislation requested by H.R. 7532, it is necessary to be familiar with the financial procedures under which the Post Office Department operates. For the benefit of the committee, I should therefore like first to outline briefly the way in which the Department receives and disburses over \$4 billion annually in the administration of the postal service.

The Post Office Department currently deposits into an account with the U.S. Treasury known as the postal fund the net receipts of post offices, certain reimbursements received from Federal agencies and others, and the annual public services appropriation established

by the Postal Policy Act of 1958. From this fund the Department pays for its day-to-day operating expenses and for the procurement of necessary supplies, equipment, and improvements to postal facilities. These expenditures are limited by the amounts established in the annual Treasury-Post Office Appropriation Act which also provides that to the extent the postal revenues are not sufficient to cover these authorized amounts, the difference may be drawn from the general fund of the Treasury and deposited in the postal fund to cover them.

The Department is also authorized to make two other general types of expenditure out of the postal fund over and above those authorized in the annual appropriation acts. One of these is payable from postal revenues and consists of the amounts required for procurement of embossed stamped envelopes and the amounts required for the payment of indemnities for loss or damage to mail and court judgments.

The other type of expenditure is made out of the annual appropriations but the appropriations are specifically reimbursed therefor so that the amount appropriated by the Congress is not depleted by such expenditures. Included in such reimbursements are amounts received for reimbursable work for other Government agencies, recoveries from sales of assets which may be applied in the purchase of similar assets, and proceeds from the sales of sites to lessors under the commercial leasing program.

For fiscal year 1962 the Department estimates that under existing legislation these reimbursements will amount to about \$54 million consisting principally of the following:

	<i>In millions</i>
Transportation of mail for Department of Defense.....	\$38.9
Other services to Government agencies.....	2.8
Sites resold to lessors and other recoveries from property disposals.....	12.5

The amount of reimbursable work done for other agencies will depend entirely on their requirements. If it proves to be more than was estimated, the Department does not have to seek supplemental appropriations for the expenditures as it would in the case of unexpected increases in its own program.

It is the responsibility of the agencies concerned to provide any additional funds. The advantage to the Department of this kind of financing therefore is that while the expenditures pass through the appropriation accounts, they are in effect self-financing. The same is generally true of reimbursements we receive for damages to Government-owned vehicles, sales of used equipment, and sales of post office sites to lessors.

There are, however, several generally similar areas in which the Department does not have the legislative authority to permit it to apply the recoveries as appropriation reimbursements. Instead the proceeds are treated as postal revenues and the related expenditures are charged against our appropriation limitations. This tends to limit somewhat the Department's flexibility of administration. It is the purpose of the proposed legislation to place these items on the same financial basis as generally similar work already provided for. There are four types of items covered by the bill.

At the present time the Department is authorized to use collections resulting from damage to Government-owned vehicles in the repair of such damage without charge against the appropriation limitation. The bill would extend this provision to payments for damages to all

types of Government-owned property under control of the Department—damage to street letter boxes is one of the principal items that would come under this category. It is estimated that the total amount involved would be in excess of \$75,000.

In cases where temporarily excess space in buildings which the Department has rented on long-term leases is furnished to private sublessees, we collect rent for such space. Rent paid by the Department comes out of appropriated funds and the Department believes that the recoveries from the sublessees should more properly be used to reimburse the appropriation from which the primary rents are paid. In our statement of purpose we indicated that this item would total about \$180,000 a year. Current analysis indicates that the total this year will be somewhat less—possibly about \$50,000.

In cases where postal personnel are used to assist the railroads in loading and unloading cars, the Department is reimbursed for such services since the railroad rates include the terminal handling charges for all mail moved. It is believed that such funds should be credited to the appropriation out of which the salaries are paid and thus be made available for financing the cost involved. The amounts here were estimated in our report to be \$400,000. Current experience shows a much greater use of Department time. The total this year may be substantially more.

In cases of fines, penalties, and refunds of contracts, the applicable appropriation is used to pay the expense necessary to fulfill the contract although in effect some of the work which was paid for has not been performed. It is believed that such reimbursements should likewise be credited to the current applicable appropriation and be available for use by the Department to defray the expense necessary to accomplish the intent of such contract. The estimate for this category of reimbursement amounts to about \$400,000 annually.

Thus the amount of reimbursements to be covered by this bill will probably be between \$1 and \$2 million annually. The advantages of placing these funds under the same fiscal provisions as other reimbursements are consistency of accounting treatment and improved budgetary flexibility.

We will be glad to answer any questions that the committee may have on this.

Mrs. GRANAHAH. Under the existing law, Mr. Noble, you only have at the present time, I believe, the damage to Post Office Department vehicles, and the collection from the sale of letter, metal, canvas cuttings, and old canvas. It is very limited?

Mr. NOBLE. We have that, but we also have, Madam Chairman, under other provisions of law, the ability to treat other work or reimbursements as credits to the appropriation. For instance, the largest single item to which I referred, some \$38 million of reimbursements from the Department of Defense for the movement of military mail overseas, is treated as an appropriation reimbursement. This is a workload over which we have no control and it is financed by reimbursement to us from the Department of Defense.

We also get reimbursement for the sale of migratory bird stamps, for the sale of savings bonds and stamps for the Treasury Department, boat stamps for the Coast Guard, and a variety of similar items.

We sometimes provide vehicle service to other agencies and they reimburse us. And those items are credited to the respective appropriations.

Mr. BROYHILL. When you say "credited to the appropriation," then those funds are treated just as if they were appropriated originally by the Congress?

Mr. NOBLE. That is correct.

Mr. BROYHILL. So you can go ahead and expend them?

Mr. NOBLE. That is correct. They do not come out of the limitation, in other words, established in the congressional appropriation. To the extent that there is work required and the agency gives us the funds, we can spend them.

Mr. BROYHILL. They fall in the same category as these examples Mrs. Granahan spoke of?

Mr. NOBLE. That is correct.

Mrs. GRANAHAN. I have no further questions, Mr. Noble.

Mr. ADDABBO?

Mr. ADDABBO. What effect will this have on the Post Office deficit? Will this increase the deficit?

Mr. NOBLE. No, sir; this will have no net effect on the financial results. It is merely a change in accounting and budgetary procedures. The deficit will not be affected by this.

Mr. ADDABBO. Under the present law, the money that comes in from the four categories you wished changed now, is that treated as postal revenue?

Mr. NOBLE. That is correct.

Mr. ADDABBO. Then it would be considered all as postal revenue and if that is taken away from the revenue, would that not increase the deficit?

Mr. NOBLE. It will be treated as a credit to the appropriation, as a reimbursement. It will have the same effect, eliminate the costs, and hence be eliminated from the deficit in exactly the same manner, as far as the end result is concerned.

Mr. ADDABBO. These particular items of cost of repair or use of manpower in other agencies, is that listed as a cost of the Department now?

Mr. NOBLE. Yes. We list those and it is merely a matter of how we treat the accounting for the recovery, whether we add it to the postal revenues or have it in a separate category of appropriation reimbursements, which is a form of revenue. It is an accounting classification, but as far as the net result is concerned it is nil.

Mr. BROYHILL. On the surface, at first glance, Mr. Noble, this certainly makes sense to me. I think you can streamline your operations a great deal. I have a couple of questions that you possibly could answer for me, in my mind. First of all, whether or not this procedure is in violation of the Constitution, which states in effect that all funds expended will be appropriated by Congress and if it is not in violation of the Constitution, my question is, why couldn't we carry this a little further and streamline the operation a little bit more, so you can take the funds received from the sale of stamps and go ahead with the operations rather than going through this circuit of turning the money over to the Treasury and going to Congress for appropriation? Why do we stop at this point? Why is this the dividing line, beyond which you are not asking further authority?

Mr. NOBLE. I might ask our Associate General Counsel to speak to the legality of this question or the constitutionality.

Mr. WENCHEL. I think in a constitutional sense this would be an action within that clause of the Constitution which requires an appropriation. There is nothing in the Constitution which requires an annual appropriation or limits it, except certain military expenditures, so the congressional action of authorizing this treatment of these funds could be considered an appropriation.

On the other aspect of it, I think there you are getting into a rather major problem, and this particular proposal is only intended to be a very limited one. There has been, from time to time, discussion as to whether the Department should not use its revenues and then have only its so-called deficit appropriated. But I don't believe there has been any firm policy decision made on that in recent years.

Mr. NOBLE. There have been, as Mr. Wenchel says, proposals to set up the Post Office as a true revolving fund, presenting its budget annually to the Congress, showing its projected revenues and its projected expenses and having them approved, and then spending the funds in accordance with the program, but not being subject to budgetary limitations except in the overall total which might have to be withdrawn from the Treasury for the deficit. We have not advocated that at the present time.

If the revenues were adequate to cover the expenses, we think a business-type operation such as this might properly be handled that way, the same as the Panama Canal or TVA, for instance.

Mr. BROYHILL. It could be an indirect way of forcing the Post Office Department or forcing the Congress to force the Post Office Department to balance the budget. The reason I asked the question about the constitutionality of this—I don't question your answer at all, but I had a similar problem over here at the Pentagon, where they have a so-called concessions committee, that leases out the concessions there on the concourse. It does not go through the General Services Administration. They receive several hundreds of thousands of dollars a year from that rent and they apportion to the Treasury whatever they feel like appropriating and keep back several hundred thousand dollars a year for a so-called employees' welfare fund.

I made some inquiries into that, because of my concern about how the funds were being used, and I received a ruling from the Comptroller General that that was in violation of the Constitution, the concessions committee receiving this money and dispersing it themselves or making the allocation themselves, rather than the whole business going back to the Treasury and then the concessions committee receiving an appropriation from Congress. I had that thought in mind when I asked the question about the constitutionality of this, because at first observation I can't see too much difference between what you are proposing to do and what you have been doing and what this concessions committee has been doing, even though I recognize this is a far more efficient way of handling that operation.

Mr. WENCHEL. I am not sure what the Pentagon situation is, but in this instance the funds would be used in accordance with the terms of the appropriation law. These would be used only for those purposes which Congress had itself authorized. That may be the difference.

Mr. BROYHILL. One more question, Madam Chairman.

In your statement you referred to this leasing of extra space in your buildings. Do you now have authority under present law to use those funds, or is that proposed in this new legislation?

Mr. WENCHEL. That is one of the items covered by this legislation.

In further comment on your question about a revolving fund, historically I think it is interesting that when the Post Office Department Financial Control Act of 1950 was being proposed, the Department had attempted to get that type of legislation—

Mr. BROYHILL. You mean for the whole business, stamps and everything?

Mr. WENCHEL. Yes. But the bill came out with language which at first sounds as though we have the authority, but then has the limitation, "within limits of appropriations." That language is now in section 2202 of title 39. Thus we did have an experience of attempting to get that legislation, and the Congress not desiring to give it to us at that time.

Mr. NICHOLSON. I believe it is also correct to generalize and say that the categories of cases that we are concerned with here tend to be unpredictable or accidental or opportunistic. To the extent they are those things, they cannot be anticipated in appropriations requests. Yet the burden, the costs imposed on the Post Office, generally by others, are such that they at present must be paid for within the appropriation limitations set up by Congress.

For example, in the case of mail carried for others, we do not know in advance what amount of money to set aside or request in our appropriation request for that purpose. Or perhaps even more clearly, in the case of terminal handling charges, we do not know when the railroad employees will be adequate or even present to handle that mail.

Mr. BROYHILL. It is possible there might not be any, not probable, but possible?

Mr. NICHOLSON. Correct. So with the mission of moving the mail at some unknown time, we must spend our dollars out of the operation's appropriation, to fulfill a task, which we had already paid for under the terms of the payments to the railroads for doing that same work.

So from our point of view, unless these unpredictable or accidental drains on our appropriation limitation are reimbursed into the same appropriation, we must either ask for excess amounts to cushion us against these unforeseen events, or we need this authority to reimburse the appropriation in which the expense is covered. If they were predictable or if the Congress would allow us certain margins—these are modest amounts to be sure—then perhaps this legislation would not be essential.

However, as Mr. Noble testified, for purposes of internal budgetary simplicity and control, it seems to us to be desirable to set these things up on a self-liquidating or self-controlling basis, to the extent these accidents or unpredictable demands are made on our appropriations, the amount of that drain is replaced directly into the appropriation.

Mr. BROYHILL. Are all of the existing authorities listed in your statement? I don't believe they are, because you have listed some additional ones there.

Mr. NOBLE. I think they are by general reference. On page 2 of my statement I referred to three major types of reimbursements

presently available to the Department. But they cover a great many individual items, particularly that second one, "Other services to Government agencies."

Mr. BROYHILL. You didn't mention in your statement the things Mrs. Granahan mentioned.

Mrs. GRANAHAH. We have an additional sheet here, Mr. Broyhill, as to what they have now and what they are asking for.

Mr. BROYHILL. I wonder if it wouldn't help to clarify this, if we couldn't have a list of the items covered by the existing authority and a list of items that are proposed.

Now this probably does it. But it doesn't cover all the items he listed, Mrs. Granahan.

Mrs. GRANAHAH. It might be well to include in the record the items under the existing law and the additional items which you are asking for.

Mr. NOBLE. We would be very glad to submit an itemized list of existing items and the authority therefor.

Mrs. GRANAHAH. All right.

(The document referred to follows:)

POST OFFICE DEPARTMENT

Estimated reimbursements by source, 1962

[In thousands]

Activity	Authority	1962 estimate
Federal departments and agencies:		
1. Transportation of military mail, Department of Defense: ¹		
Airmail.....	31 U.S.C. 686.....	\$26,021
Nonpriority mail.....		12,879
2. Health unit services, Federal Communications Commission.....	31 U.S.C. 686.....	5
3. Sale of migratory bird stamps, Department of Interior.....	16 U.S.C. 718d.....	118
4. Alien registration, Department of Justice.....	31 U.S.C. 808.....	206
5. Sale of savings bonds and stamps, Treasury Department.....	31 U.S.C. 757c.....	983
6. Sale of Coast Guard boat stamps.....	31 U.S.C. 686.....	105
7. Communication services, agencies occupying Federal buildings operated by the Post Office Department.....	31 U.S.C. 686.....	575
8. Miscellaneous services to Federal sources.....	31 U.S.C. 686.....	212
Total, Federal departments and agencies.....		41,164
Non-Federal sources:		
Proceeds from sale of replaced miscellaneous equipment.....	40 U.S.C. 481(c).....	200
Proceeds from sale of replaced vehicles.....	40 U.S.C. 481(c).....	273
Sales of scrap.....	39 U.S.C. 2203(b).....	55
Collections for damage to vehicles.....	39 U.S.C. 2203(a).....	150
Land acquisition.....	39 U.S.C. 2113.....	12,000
Refund of leave on reemployment.....	5 U.S.C. 61b.....	20
Total non-Federal sources.....		12,698
Total reimbursements, 1962 budget.....		53,862

PROPOSED ADDITIONAL REIMBURSEMENTS

1. Collections for damages to Government-owned property (other than vehicles).....	\$75
2. Rent from private sublessees.....	50
3. Railroad terminal and similar contract work.....	700
4. Fines, penalties, and refunds on contracts.....	400
Total additional proposed reimbursements.....	1,225

¹ The Department of Defense has an agreement with the Post Office Department whereby the latter assumes responsibility for dispatch of Army post office and fleet post office mail, moving by air, at point of embarkation, pays the carrier and is reimbursed by the Department of Defense.

Mrs. GRANAHAN. Mr. Barry?

Mr. BARRY. Thank you, Madam Chairman.

I would like to ask how these were excepted as items, rather than placing these funds in the same fiscal category as other reimbursements.

Mr. NOBLE. I believe, Mr. Barry, that the history has been that originally everything had to be appropriated, or included in an appropriation act and one-by-one provisions were made for the treatment of items as reimbursements.

For instance, the Economy Act, which authorized one agency to do work for another agency—this act was passed during the depression—where another agency could do the work more economically than going outside, it seemed sensible to do that—that provided that one agency could reimburse the other and the performing agency didn't have to take the funds out of its appropriations and go in and ask for more.

As we have taken on the various other missions, such as the sale of migratory bird stamps, the legislation at that time provided we would be reimbursed for that work by the Department of the Interior and those funds would be available to replace the money we spent. The sale of the Coast Guard boat stamps is the same way.

So I think it has been a case of individual exceptions moving out from under the appropriation act. These just never have. I know that is true of damage to motor vehicles. That was given to us by the Appropriations Committee, I believe, in one year as an amendment to an appropriation act, for us to be able to use those funds to repair the vehicle and not charge them against our limitation.

Mr. BARRY. May I ask if there are any other items in the post office beyond the four you are now requesting, that would not be subject to fiscal provisions for reimbursement?

Mr. NOBLE. There are some. I can think, for instance, of the movement of foreign mail, transit mail, across the United States, which traditionally we have treated as revenues and the costs of moving that are in our regular appropriation.

Mr. BROYHILL. Do you receive any revenue for that?

Mr. NOBLE. Yes. We are reimbursed by the foreign country. When, for instance, Mexico forwards its mail to Canada, we pay the railroad companies for its transit across the United States. We get reimbursement from Mexico. But the reimbursement is treated as a revenue item and the cost goes into our cost of mail transportation and comes out of our appropriation for transportation.

We have not sought to clear that one up, because it hasn't presented any problem. But there may be a few items such as that.

Mr. NICHOLSON. This is as distinguished from mail that originates in other countries and is delivered in this country.

Mr. BROYHILL. You are not reimbursed for that?

Mr. NOBLE. No, sir. It is transit mail to which I referred.

Mr. BARRY. Would a general authorization be better than special authority in all these instances?

Mr. NOBLE. I think from our viewpoint it would. I am not sure the Appropriations Committee would be too happy about it. They naturally feel they want to be specific in each instance and be sure they have adequate control. I think as far as we are concerned, the general authority would be fine.

I would think the congressional fear might be, with respect to a general provision, that it would enable some other administration—this

one, of course, wouldn't do it—but some future administration might engage in a variety of activities and be free to finance them themselves. It would sort of open the door and be, I am sure, a policy which the Congress would seriously question in principle.

Mrs. GRANAHAN. Would the gentleman yield?

Mr. BARRY. I have just one further question.

Has the General Accounting Office picked you up on any of the other authorities, by virtue of abuse of the authority on any prior occasion?

Mr. NOBLE. Not in the 6 years I have been with the Department.

Mr. WENCHEL. I know of no case.

Mr. BARRY. All right.

Mrs. GRANAHAN. I was going to say, it is really a matter of book-keeping; is that correct? You are not asking for any additional money?

Mr. NOBLE. It is both bookkeeping and budgetary control. I think there is an element of freedom of control.

Mrs. GRANAHAN. There is no money involved.

Mr. NOBLE. The net result would be the same.

Mr. BARRY. But there would be an immediate effect of being able to spend the money you get for these things, in order to replace it or for some other purpose, would there not?

Mr. NOBLE. We have already spent the money, Congressman, and we are reimbursed.

It would enable us, presumably, to reduce the amount we would have to have in our appropriation act for our own operations, if we were sure these type of things would be financed by the reimbursements we would receive.

Mr. BARRY. Madam Chairman, it would in effect not mean additional money, but less of a fund they would have to draw down which they are now using, say to repair the trucks.

If you take the money from damage to trucks and send it back to the Treasury, and I presume this would be the money they get from insurance companies, and then use money from another fund. They no longer would have to use the money from that other fund, as they could use the money from the insurance company. This would loosen the situation within, so you would have money available to spend for the manner which the Appropriations Committee appropriated it.

Mr. NOBLE. That is correct.

Mr. NICHOLSON. I think you describe it correctly.

At present this increases our gross revenue. Under the proposal it would tend to decrease our net expenditures; thus the total obligatory authority might be less to the same extent that presently revenues are more.

Mr. BARRY. When an appropriation committee appropriates, do they set up a fund for contingencies, for this kind of thing, such as damage to trucks?

Mr. NOBLE. No. In the case of damage to trucks, we do have authority which the Appropriations Committee gave us, to use those funds to finance the cost of repair. But the Appropriations Committee does not recognize contingencies as such. They always feel our estimates are too high and reduce them down to what they think

are necessary. And I don't think they intentionally leave any contingency factor in there.

Mr. BARRY. As a matter of fact, this would bring you from between \$1 million and \$2 million nearer to balancing your budget, wouldn't it?

Mr. NOBLE. It depends on what you mean by "balancing the budget." We have talked here of the postal deficit as being the difference between total revenues and total obligations, and this wouldn't change that net difference, because while it would reduce revenues, as Mr. Nicholson said, it would reduce appropriation expenditures, because those items would be financed from items now in revenue, so the effect on the net would be zero.

Mr. BROYHILL. Would the gentleman yield?

Mr. BARRY. Mr. Noble, why is the transportation of mail for the Department of Defense listed here as a separate item? Don't you provide the same service you provide for other governmental agencies.

Mr. WENCHEL. That arose a little differently, I believe, as a result of the wartime activity of oversea air transportation.

Mr. BROYHILL. Free mail for the troops, you mean?

Mr. WENCHEL. Well, it was outbound mail, primarily, I believe, or in both directions, but the transportation facilities were under the control of the Department of Defense at that time and they bore this expense. Later, when those transportation facilities were freed of Defense Department control, the Department of Defense continued to bear the expense burden of that transportation, although we actually procured it for them.

Mr. BROYHILL. Then it is not because it is a much larger amount?

Mr. WENCHEL. No, there is a historical quirk involved.

Mr. BROYHILL. Now, the services for other agencies are not handled—your statement brings out the point that the transportation of mail for the Department of Defense is covered by existing legislation?

Mr. WENCHEL. That is correct.

Mr. BROYHILL. Now, you are not proposing that that same procedure be used for other agencies, in this legislation, so you are still keeping to the Department of Defense separate in this regard?

Mr. WENCHEL. Services we perform for other agencies are reimbursed but under the authority of the Economy Act or other acts rather than as a result of this outgrowth of World War II.

Mr. BROYHILL. But are they reimbursed the same way?

Mr. WENCHEL. Yes.

Mr. BROYHILL. This existing legislation, I understand you take the funds and reuse them?

Mr. WENCHEL. That is correct, and we can in effect use the funds that they give us to perform the services that we are performing for them. In most cases the money is deposited in advance.

Mr. BROYHILL. I am a little confused. Then if you have the same authority in handling the reimbursed funds for other agencies, then my question would be why is that not listed in your statement, wherein you stated you had the existing authority that permitted reimbursements of funds by the Department of Defense and you could use those funds for paying for those services?

Mr. NOBLE. That is included in page 2 of my statement, under "Other services to Government agencies," where I give a figure of \$2.8 million.

Mr. BROYHILL. Is there that much difference between the Department of Defense and the other agencies?

Mr. NOBLE. Yes.

Mr. BROYHILL. The other agency services only come to \$2.8 million?

Mr. NOBLE. Yes, they are relatively small.

I would like to make clear, however, this does not relate to reimbursement for the handling of mail. These are nonpostal services, this \$2.8 million. The sums we get for all office mail goes in as postal revenue, the same as the sale of stamps to the public, and is not involved here. That is part of our operation.

Mr. BROYHILL. That is what confused me now, and that answered my question.

Mrs. GRANAHAN. Any further questions?

Mr. ADDABBO. One question. Could there be, under this legislation, any excess left over from the receipt of these reimbursements?

Mr. NOBLE. It could be. For instance, in fines and penalties that we assess primarily to common carriers, the amount could actually exceed the costs to the Department.

Mr. ADDABBO. What would happen to the excess?

Mr. NOBLE. The effect would be to increase the availability of funds in the appropriation of the particular appropriation concerned. It would increase the spending authority to that extent.

Mr. BARRY. In that connection, I wondered when I read that, if that might encourage heavier fines on behalf of those assessing, in order to create quite a little kitty in their department.

Mr. NOBLE. I don't think the operating people that assess those fines have much concern in the financial area and I am sure it would have no effect on their judgment as to the amount or nature of the fine involved.

Mr. BARRY. If fines came in at the \$400,000 annual rate suggested in the second to last paragraph of your statement, would that \$400,000 be credited to the activity for which the violation occurred, or is it credited to the department having to do with assessing of the fines?

Mr. NOBLE. It should be credited to the account in which the cost was incurred, which isn't always easy to determine. For instance, if it involved special handling, as a result of the lateness of the mail, the additional cost would be in our operations appropriation, where the clerks and other personnel are paid. If it involved some kind of additional transportation costs, it would come out of the transportation appropriation.

Mr. BARRY. In no sense would the credit be to the particular division of the Post Office Department having to do with the assessing of fines or penalties?

Mr. NOBLE. No, sir.

Mr. BROYHILL. Since you are going to provide us a list of the existing authority that you now have and also what is proposed in the legislation before us, I am wondering if you could break down somewhat the examples of this \$38.9 million Department of Defense reimbursible item, just as two or three examples.

Mr. NOBLE. We will be glad to do that, Mr. Broyhill.

Mr. ADDABBO. Would the Department have any objection that the bill also include any excess be paid over to the Treasury as part of the postal revenue?

Mr. NOBLE. I think that would be difficult to determine and subject us, I think, to probable arguments from time to time with the General Accounting Office. I think in that type of thing, we would just as soon leave the fines and penalties where they are, as revenue, than to try to go into a fine accounting to determine exactly what that particular delay costs. I think that would not be justified.

Mr. BROYHILL. How about where you sold to lessors, and property disposal? Would that go back to the Treasury to be used for purchase of other sites?

Mr. NOBLE. These would be credited to the appropriations from which the rent is paid, which is the facilities appropriation, and would serve to reduce the costs of rents to us, for which we required funds in our appropriation act.

Mr. ADDABBO. At the end of the year, there might conceivably be a considerable surplus there?

Mr. NOBLE. Our rents in the aggregate run \$60 or \$70 million. There certainly wouldn't be more rents taken in than we pay out. In a given case, we might be able to sublease it for a better price than we were paying the original lessor; I don't know. If that is what you mean, on an individual lease basis, we might have a profit.

Mr. ADDABBO. In that case and also at the beginning of the year, you ask for appropriation for the rent for the year and during the year you would be receiving, you would estimate you would be receiving X dollars, but through better deals, you receive X -plus, so at the end of the year there would actually be an excess there over what was appropriated for that purpose.

Mr. NOBLE. That is correct. It would reduce our appropriation requirements, make them less than our original estimate.

Mr. ADDABBO. Would that excess be carried over to the next year's appropriation, or would it provide that be paid to the Treasury as postal revenue?

Mr. NOBLE. No, sir; unobligated appropriations lapse at the end of the year and are not carried forward from year to year. We are strictly on an annual appropriation basis.

Mr. BROYHILL. May I follow that through, Mr. Noble. Using his example there, you receive an appropriation, you estimate what your rents will be for the year and you receive an appropriation for that; is that correct?

Mr. NOBLE. That is correct.

Mr. BROYHILL. During that fiscal year you sell some sites and receive some revenue for that?

Mr. NOBLE. I would like to separate the sale of sites from this, Mr. Broyhill, because the sale of sites is an entirely separate transaction, covered by a different law, which we are applying. We are talking here about where we are leasing a property and we temporarily have some excess space, so we put it to use, we sublet it, rather than have it go idle and therefore recover some of the rent we are paying to the owner of the property.

Mr. BROYHILL. What happens in that event? What do you do with those funds?

Mr. NOBLE. At the present time those funds are accounted for as postal revenue and go to reduce the postal deficit.

Mr. BROYHILL. Goes into the Treasury?

Mr. NOBLE. Yes, into the Treasury, but it is measured against the postal fund. All of the revenues, sales of stamps and all other revenues of the Post Office Department, go into the postal fund which serves to finance these appropriations.

Mr. BROYHILL. Then that was Mr. Addabbo's question. There is in effect then a surplus in this amount that is appropriated, if you are able to sublet any?

Mr. NOBLE. That is correct, if we had obtained from the Congress enough funds to cover the rent for the year, and then we find we don't need it all and we recover some from a sublessee, it would serve to provide additional spending authority.

Mr. BROYHILL. How about the case of the sites resold?

Mr. NOBLE. Now the case of the sites resold, we have a special act known as the Financial Property Act, or we call it the commercial leasing program, under which the Department is empowered to go out and take options on, or acquire sites for future post offices, and then negotiate with a prospective lessor—actually, I am sorry, it is not negotiating—we advertise for bids for the construction of a post office on that site, and leasing it to the Department. Part of the terms of the invitation to bid provide that the lessor will reimburse us for our outlay on that site.

Mr. BROYHILL. I understood that. The funds you receive you can use again?

Mr. NOBLE. That is correct. That money can be turned over. We can buy new sites or use it to pay rents. It is rent money, but that is not true of these incidental leases to which we have reference.

Mr. NICHOLSON. In case of other categories, Mr. Broyhill, it is likely the reimbursement would not be adequate to cover the cost of the damage, let us say, to a mail box or storage box, and the net effect, I believe, of all this seems to sum up in my mind this way. At present there is between \$1 and \$2 million of reimbursement, which is going into revenue. There is the chance that one or two of these items might overrun, for example, the subleasing of space at a higher rate than we are paying the prime lessor. In which case, those overruns might be in the magnitude of—I am only guessing—perhaps 1 or 2 percent. So there is perhaps the possibility that \$1,000 or \$2,000 a year would be recovered more than cost in some categories, offset by underrecoveries in other categories, as opposed to the picture we are now confronted with of having some \$1 to \$2 million, we believe, in the wrong accounting category.

Mr. BROYHILL. Then almost in all cases, if not all cases, you do get full reimbursement for the cost of the sites from the lessors?

Mr. NOBLE. Yes, sir. We put that in the invitation to bid. They will reimburse us so much and they all figure that in their proposals.

Mr. ADDABBO. Wouldn't it go for better and more closer scrutiny to leave the renting of the space and the money on subleasing going back into the Treasury, if the Department was limited to what they could spend to rent out space? In other words, if you go out to rent out two buildings, and one building may be a little more modern and rent a little higher, but you figure we are going to be able to sublease, so we go in and spend this money and you may find a little laxity there on what they can get for the subleasing or leasing one building as against the other and again we have a greater postal deficit, because

we are not receiving the postal revenue as we are receiving now, the amount of money we receive on subleasing.

Mr. NOBLE. If it has an effect on an actual operating decision, such as you have reference to, it might affect the postal deficit.

Mr. ADDABBO. Not this administration; some other one.

Mr. NOBLE. I don't think, at the present time, we ever deliberately acquire a property with the idea of subleasing it. We could conceivably, if we see a need in the next several years for some additional space, and we have an opportunity to get the property now, we might take that into account. But I doubt if that is very often done.

Generally I would think in our subleasing we would not obtain as good a deal as a long-term lease. I mean, we are trying to get someone to occupy it for a short period of time; and, therefore, we probably aren't in a position to get as good a rent from it as the lessor from whom we leased it on a long-term basis. So I would doubt, if in individual cases of subleasing, we are actually making a profit on the deal. It is helping to reduce our expenses during the period that we have excess capacities.

Mr. BROYHILL. I might point out, as a compliment to the Department, you certainly are efficient, prudent, and economical, in making your leases. I know I have had some experience with it, and a constituent would come to me to try to get help on it and you are tough. I would say it is certainly in the interest of the taxpayers. You do drive a close, hard bargain in leasing space.

Mr. NOBLE. It is certainly our intention to.

Mrs. GRANAHAH. The subcommittee will now adjourn. If the members will stay, we will have a short executive session.

(Whereupon, at 11 a.m., the subcommittee was adjourned to executive session.)

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