SUPPLEMENTAL APPROPRIATION BILL, 1965

HEARINGS

BEFORE

SUBCOMMITTEES OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

PART 2

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SUPPLEMENTAL APPROPRIATION BILL, 1965

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FRIDAY, AUGUST 14, 1964.

GENERAL SERVICES ADMINISTRATION

WITNESSES

BERNARD L. BOUTIN, ADMINISTRATOR
WILLIAM P. TURPIN, ASSISTANT ADMINISTRATOR FOR FINANCE AND ADMINISTRATION
DR. WAYNE C. GROVER, ARCHIVIST OF THE UNITED STATES
DR. FRANK B. EVANS, ASSISTANT TO THE EXECUTIVE DIRECTOR, NATIONAL HISTORICAL PUBLICATIONS COMMISSION
WILLIAM A. SCHMIDT, DEPUTY COMMISSIONER, PUBLIC BUILDINGS SERVICE

Mr. EVINS. We will hear this afternoon our friends from the General Services Administration. We have three subjects contained in House Document 338.

We are approaching adjournment, and they come here with a supplemental. They are a very smart organization. Immediately following the conference report on the Independent Offices, they are back to see us, and we are delighted to see them.

Mr. Administrator, we would be pleased to have you highlight your request.

Mr. BOUTIN. Very good, Mr. Chairman. Actually, we are here for three items. One is to increase the authorized limit in construction improvement cost for the border station under construction in Nogales, Ariz., in the amount of $282,000. Another is for the construction of the post office courthouse and Federal office building in Bangor, Maine, and an increase in the limit of construction improvement cost of $767,000. These two items are strictly for authorization to increase the appropriation limitation. The funding is available from construction savings that we have on hand. So, we are not requesting funds from the committee at this time.

The third item is the sum of $500,000 for the purpose of implementing the legislation recently approved by the Congress and signed by the President for the national historical publications grants program.

Increases in Limitation on Public Building Projects

Mr. Evins. Mr. Administrator, we shall place in the record at this point the justifications concerning the public buildings projects at Nogales, Ariz., and Bangor, Maine.

(The pages follow:)

SUPPLEMENTAL ESTIMATE, 1965

Construction, Public Buildings Projects

APPROPRIATION LANGUAGE

"The maximum construction improvement cost in the Independent Offices Appropriation Act, 1963, for construction and alteration of the border station at Nogales, Ariz., is hereby increased by $282,000; and the maximum construction improvement cost in the Independent Offices Appropriation Act, 1964, of the post office and courthouse at Bangor, Maine, is hereby increased by $767,000."

GENERAL STATEMENT

"These increases in maximum cost will permit additional work, not covered under the present contract, on the border station at Nogales, Ariz., and the awarding of a contract for construction of a post office and courthouse at Bangor, Maine, which cannot be awarded under the present limitation. The required funds will be derived from savings on other projects in this appropriation" (quoted from H. Doc. 338).

JUSTIFICATION

A revised prospectus for the construction and alteration of the border station at Nogales, Ariz., was approved by the Public Works Committees of the Congress in July 1964 for $2,323,000 and a prospectus for the construction of the post office and courthouse at Bangor, Maine, was approved in April 1962, at a total limit of cost of $4,550,000.

Nogales, Ariz., Border Station

Funds for construction and alteration were included in the Independent Offices Appropriation Act, 1963, and a construction contract was awarded in September 1963. At the time the award for construction was made, it was necessary to accept five deduct alternates in order to conform to the congressional limitations of cost. A revised prospectus increasing the limit of cost was submitted to the Public Works Committees and was approved in July 1964. This increased authorization will permit the completion of the following work which can be accomplished by a separate contract or as a change order under the existing contract, if this increase is approved:

Alternates	Description	Cost
A	For omitting the removal of existing, and the construction of new Garita at Morley Ave.	$24,000
B	For omitting construction of truck scale, scale house. The area to be occupied by truck scale shall be paved to match adjoining surface.	13,000
C	For omitting roof, including column and lighting fixtures over trucking dock, except for the 125 feet over center portion. All column footings as shown shall be provided for future attachment of columns, and install all chain link fence panels as shown.	13,000
D	For omitting roof and columns over secondary inspection area. Provide footings and concrete pedestals and anchors, etc., for future attachment of precast concrete columns.	31,000
H	For omitting all the remodeling and extension work in the existing Customs and Immigration Buildings, as shown on all the extension and remodeling drawings, except all work connected with the switchgear room in the basement.	182,000
	Construction	263,000
	Reservations	5,000
	Contingencies	14,000
	Increase required	282,000

To complete the construction and alteration of the border station, the amount estimated for improvements is as follows:

Basic contract awarded in September 1963	$1,026,006
Reservations and contingencies under existing contract	71,244
Total under existing contract	1,097,250
Increase required	282,000
Total required for improvements	1,379,250
Add: Sites and expenses	943,750
Total approved limit of cost	2,323,000

Bangor, Maine, post office and courthouse

A prospectus for the construction of a post office and courthouse at Bangor, Maine, was approved by the Public Works Committees of the Congress in April 1962 at a total limit of cost of $4,550,000.

Funds for construction were included in the Independent Offices Appropriation Act, 1964, in the amount of $3,298,700. Bids for construction were opened on June 11, 1964, and nine bids were received. A summary of the base bids and alternates proposed for acceptance follows:

Bidder	Base bid	Alternate B	Alternate C
Electronic Engineering and Missile Factory, Valley Stream, Long Island, N.Y.	$3,790,000	+$50,000	+$23,000
Metacoustic, Inc., White Plains, N.Y.	3,829,000	+69,000	+21,500
Franchi Construction Co., Newton, Mass.	3,846,181	+65,000	+25,000
Alberthaw Construction Co., Boston, Mass.	3,957,000	+54,000	+15,000
J. Slotnik Co., Boston, Mass.	3,957,000	+98,500	+29,000
Jefferson Construction Co., Cambridge, Mass.	3,963,198	+70,000	+25,000
Consolidated Constructors and Builders, Inc., Portland, Maine	3,965,980	+70,000	+27,000
Davison Construction Co., Manchester, N.H.	3,976,000	+63,000	+28,000
Wexler Construction Co., Newton Highlands, Mass.	3,990,000	+60,900	+19,500

NOTE.—Alternate B provides for the addition of a parking garage enclosure, including overhead and access doors, heating and sprinkler system and for the omission of a bituminous wearing surface on the concrete pavement. Alternate C provides for the addition of a mailing platform enclosure, including overhead and access doors.

It will be noted from the bidding pattern that good competition was received and that the low bid is considered reasonable in light of the following factors:

(*a*) Site conditions require extra foundation costs and elevated maneuvering area for post office trucks.

(*b*) Remote location.

(*c*) Short construction season resulting in labor inefficiency, additional heating and protection costs.

In order to permit award of the contract, an increase of $767,000 is required as follows:

Low bid plus alternates	$3,863,006
Contingencies and reservations	202,700
Total required	4,065,700
Amount appropriated	−3,298,700
Increase required	767,000

Under authority contained in section 7(b) of the Public Buildings Act of 1959 (73 Stat. 480), the prospectus limit of cost has been increased by $324,415 since it has been determined that construction costs have risen since the submission of the prospectus to the Public Works Committees in March 1962 to June 1964 by 7.13 percent.

Based on the increase requested, the total cost of the project is within the revised prospectus limit of $4,874,415 as follows:

Sites and expenses	$800,400
Improvements	4,065,700
Total cost	4,866,100

An additional appropriation is not requested as it is proposed to use construction savings accrued on other projects placed under contract and included in the Independent Offices Appropriation Act, 1963, under the construction, public buildings projects appropriation.

BANGOR, MAINE PROJECT

Mr. EVINS. You came before the committee earlier for appropriations for these two projects in Nogales, Ariz., and Bangor, Maine, and you now indicate construction cost estimates have gone up. Is this because of labor and materials? Why do you ask these two increases?

Mr. BOUTIN. There are a number of reasons. If I might take Bangor first, I do not know, Mr. Chairman, if you or members of the committee have ever been to Bangor, but Bangor is a city of hills with a very large river running right down through the heart of the community. I know Bangor very well because of my own former place of residence in New Hampshire. I went up personally at the time the site was selected. It was on the site of two municipally owned parking lots with very few buildings on the total site itself, but the topography was such that it required a good deal of ramping. In addition to that, we had about a 7-percent increase in construction costs from the time that the project was authorized and went through the appropriation cycle to the time that bids were called for.

I call to the attention of the committee that we received some excellent bidding on this project. We have asked the low bidder here to extend the time at which we can accept or reject his bid, which he has agreed to do, giving us time to come before this committee and the committee of the Senate to receive authorization to increase our limit of cost so we can proceed with the construction itself.

Mr. EVINS. What was the total amount of authorization for the Bangor, Maine, project?

Mr. BOUTIN. The total amount of the authorization was $4,550,000.

Mr. EVINS. And the lowest bidder was $767,000 above that amount?

Mr. BOUTIN. No; that is not precisely true, because out of this total authorized, Mr. Chairman, you have to take the amount that was expended for acquisition of the site, and also for the design of the building, engineering, and supervision. The site was one of the big problems here. I have already talked to that.

Mr. Schmidt, would you go into the details for Mr. Evins, of exactly the breakdown of the cost here?

Mr. SCHMIDT. The improvement appropriation was $3,298,700. This is the figure against which we have to compare the low bid of $3,790,000. The authorization for improvements is $3,547,000.

Mr. OSTERTAG. I want to be sure it is clear to me. Did you have to obtain a second authorization to get to this total figure, or was the original authorization high enough to cover it?

Mr. BOUTIN. The original authorization by the Public Works Committees of the Congress, with an escalation of 7.13 percent—we are authorized 10 percent—was sufficient. We are before the committee because we had an appropriation for improvements of $3,298,700, and we cannot, even with a 10 percent in addition to that, come within the cost of this project.

This building, by the way, was designed by Alonza Harriman, who, in my judgment, is one of the best in the country. His reputation is for building an austere building at low cost.

Mr. OSTERTAG. Were your estimates off the mark in the first instance?

Mr. BOUTIN. No, our estimates in the first instance were on the mark, Mr. Ostertag, within 10 percent. We had an original estimate of $3,547,000, but our appropriation was less than that amount.

USE OF CONSTRUCTION SAVINGS

Mr. OSTERTAG. You are asking for authority to transfer funds that you already have?

Mr. BOUTIN. That is right, and an authorization to increase the appropriation limit of cost by $767,000.

Mr. OSTERTAG. This is about the third or fourth time that GSA has presented to this committee authority to make such transfers, all of which indicate you have a lot of money under the rug.

Mr. BOUTIN. It indicates two things, if I might be so bold, Mr. Ostertag. It means in a competitive market there isn't anyone in God's world, no matter how tight you want to figure your projects, who can give you a precise figure as to costs. We have told this committee repeatedly in the last 2 years in particular that we come up with the tightest estimates that we know how to prepare. We take all the fat out before we come up.

The committee in its wisdom cut the appropriation we requested. We are asking for authority to increase the limit of cost established by the Congress so we can proceed with construction.

Mr. OSTERTAG. What I am getting at is the fact that on the one hand you claim the estimates are tight and on the mark. Yet from time to time you have found funds within moneys already appropriated that you can use to transfer in order to meet the differences you find develop. Where are you finding those?

Mr. BOUTIN. That is from projects where the results are the other way, where the bidding comes in below what we estimated and what the Congress appropriated.

This is cumulative back to 1959.

Mr. OSTERTAG. In other words, you are taking care of underestimates with overestimates?

Mr. BOUTIN. That is correct.

NOGALES, ARIZ., PROJECT

Mr. EVINS. Will you further explain the Nogales, Ariz., project and the reasons for the increase?

Mr. BOUTIN. The increase in cost at Nogales was largely due to a major site problem we had there, and in addition to that our estimate was way below what it should have been. This is again an isolated area, not a big labor market available, where costs are quite high.

Mr. Schmidt can give you the complete breakdown of that.

Mr. SCHMIDT. Our principal difficulty was the land acquisition. Whereas our original estimate of site cost was $404,000 it is now costing us $732,000.

Mr. BOUTIN. If I might interrupt, to go back to the question asked by Mr. Ostertag, this is one where we had to go back to the authorizing committee as well, to get an increase in the authorization. That has been done.

Mr. OSTERTAG. That was not the case in Maine?

Mr. BOUTIN. That is correct.

Mr. EVINS. You have increased authorizations, funds available, and you are asking for permission to transfer available funds for these increases?

Mr. BOUTIN. Yes, sir.

Mr. EVINS. Further questions on these two projects?

NATIONAL HISTORICAL PUBLICATIONS GRANTS

We shall discuss the national historical publications grants but first we shall insert the Administrator's statement and the entire justification.

(The material referred to follows:)

JUSTIFICATION OF BUDGET ESTIMATE

NATIONAL HISTORICAL PUBLICATIONS GRANTS

APPROPRIATION LANGUAGE

"For allocation to Federal agencies, and for grants to State and local agencies and nonprofit organizations and institutions, for the collecting, describing, preserving and compiling, and publishing of documentary sources significant to the history of the United States, $500,000, to remain available until expended."

GENERAL STATEMENT

"This supplemental estimate is to provide funds to carry out the act of July 28, 1964 (Public Law 88-383), authorizing appropriations of $500,000 for the fiscal year 1965, and for each of the 4 succeeding fiscal years, for grants to State and local agencies and to nonprofit organizations and for allocations to Federal agencies for the purpose of collecting, reproducing, and publishing source materials significant to the history of the United States" (quoted from H. Doc. 338).

This grant program is necessary to achieve the full purposes for which Congress revitalized the National Historical Publications Commission in 1950. It is essentially a program to make available to colleges and universities and other research institutions unique historical source material of importance to an understanding of the history of the United States. It will augment the research materials available to students, teachers, and scholars in our schools and ultimately assure a fuller understanding of American history by all citizens.

The need for the preservation and publication of historical source material is obvious and above controversy. The funds requested in this appropriation are needed first of all, to assist those local and State agencies, historical and educational institutions having custody of documents of national importance who are financially unable to reproduce or publish this material. They are needed also for two important projects at the Federal level where the bulk of the records involved are of Federal origin—the documentary history of the ratification of the Constitution and the first 10 amendments, and the documentary history of the first Federal Congress.

Publication may be on microfilm if the papers to be used are primarily of interest to the historian for scholarly research; or in conventional letterpress form, if the individual or subject involved is of such national importance that a wider audience—jurists, legislators, teachers, and the public at large—may be anticipated. In some instances, a combination of selective letterpress publication supported by comprehensive publication on microfilm may be used. In advising sponsors on the method of publication, the Commission will seek the expert assistance of advisory committees selected for their knowledge of the particular era, subject, or individual involved.

A list of possible projects, a few of which have already been endorsed by the Commission, follows.

LISTS OF PROJECTS

I. Projects already endorsed by the National Historical Publications Commission that are:

(*a*) Underway but in need of immediate financial assistance;
(*b*) Underway and requiring additional assistance;
(*c*) Not yet started because of lack of funds.

1. "The Adams Papers" (a), including the papers of John Adams, John Quincy Adams, and Charles Francis Adams, sponsored by the Massachusetts Historical Society.
2. "Papers of John C. Calhoun" (b), political leader and legislator, Secretary of War, Secretary of State, and Vice President, sponsored jointly by the Archives Department of the State of South Carolina and the University of South Carolina.
3. "The Papers of Henry Clay" (b), political leader and legislator, Secretary of State, sponsored by the University of Kentucky.
4. "The Papers of Benjamin Franklin" (b), author, scientist, diplomat, statesman, sponsored jointly by the American Philosophical Society and Yale University.
5. "The Papers of Alexander Hamilton" (a), Revolutionary leader, statesman, first Secretary of the Treasury, sponsored by Columbia University.
6. "The Papers of Thomas Jefferson" (a), statesman, diplomat, Secretary of State, and President, sponsored by Princeton University.
7. "The Papers of Henry Laurens" (a), merchant, Revolutionary leader, President of the Continental Congress, sponsored by the South Carolina Historical Society.
8. "The Papers of James Madison" (b), statesman, legislator, Secretary of State, and President, sponsored jointly by the University of Chicago and University of Virginia.
9. "Documentary History of the Ratification of the Constitution and First Ten Amendments" (a), sponsored by the National Archives.
10. "Documentary History of the First Federal Congress" (c), sponsored by the National Archives.

II. A sampling of possible additional projects not yet acted upon by the Commission, with their sponsoring institutions or suggested sponsors:

1. Agassiz, Jean Louis Rodolphe, 1807–73. Scientist, professor at Harvard University, leader in developing glacial theory. Harvard University, suggested sponsor.
2. Astor, John Jacob, 1763–1848. Trader and financier, founder American Fur Co. Baker Library, Harvard University Graduate School of Business Administration, suggested sponsor.
3. Backus, Isaac, 1724–1806. Baptist clergyman, leader of movement for religious freedom in New England. Brown University, sponsor.
4. Barton, Clara, 1830–1912. Civil War nurse, founder and first President of the American Red Cross. American Red Cross, suggested sponsor.
5. Bell, Alexander Graham, 1847–1922. Scientist, inventor of the telephone, president of the National Geographic Society, 1896–1904. National Geographic Society, suggested sponsor.
6. Bulfinch, Charles, 1763–1844. Architect. American Institute of Architects, suggested sponsor.
7. Carnegie, Andrew, 1835–1919. Industrialist and philanthropist. United States Steel Corp. and Carnegie Corp., suggested sponsors.
8. Chase, Salmon P., 1808–73. Governor of Ohio, U.S. Senator, Secretary of the Treasury, and Chief Justice of the U.S. Supreme Court. Ohio Historical Society, suggested sponsor.
9. Coxe, Tench, 1755–1824. Political economist, statistician, and public official. Historical Society of Pennsylvania, suggested sponsor.
10. Davis, Jefferson, 1808–89. U.S. Representative and Senator from Mississippi, Secretary of War, President of the Confederacy. Rice Institute, sponsor.
11. Donnelly, Ignatius, 1831–1901. Journalist, novelist, and Populist political leader. Minnesota Historical Society, suggseted sponsor.
12. Edison, Thomas Alva, 1847–1931. Inventor. Thomas Alva Edison Foundation, Inc., suggested sponsor.

13. Gallatin, Albert, 1761–1849. Political leader, Secretary of the Treasury, diplomat, and ethnologist. New York University, sponsor.
14. Gibbons, James, Cardinal, 1834–1921. Religious leader, Archbishop of Baltimore. Catholic University, suggested sponsor.
15. Gompers, Samuel, 1850–1924. Labor leader, founder and first president of the American Federation of Labor. American Federation of Labor, suggested sponsor.
16. Grant, Ulysses Simpson, 1822–85. Commander in Chief of the Union Army in the Civil War and President of the United States. U. S. Grant Association, sponsor.
17. Greeley, Horace, 1811–72. Newspaper editor. Columbia University School of Journalism, suggested sponsor.
18. Henry, Joseph, 1797–1878. Physicist, inventor, first Secretary of the Smithsonian Institution. American Philosophical Society, Smithsonian Institution, and National Academy of Sciences, proposed sponsors.
19. Jackson, Andrew, 1767–1845. U.S. Representative and Senator, military leader, President of the United States. Tennessee Historical Commission, suggested sponsor.
20. Jay, John, 1745–1829. Revolutionary leader, diplomat, jurist. Columbia University, sponsor.
21. Johnson, Andrew, 1808–75. U.S. Representative and Senator, Governor of Tennessee, President of the United States. University of Tennessee and Tennessee Historical Commission, sponsors.
22. La Follette, Robert Marion, 1855–1925. Governor of Wisconsin, U.S. Representative and Senator, leader of the Progressive Party. Wisconsin Historical Society, sponsor.
23. Lee, Richard Henry, 1732–94. Revolutionary patriot and statesman. Virginia Historical Society, suggested sponsor.
24. Lee, Robert Edward, 1807–70. Army officer, commander of the Confederate forces in the Civil War. Washington and Lee University, suggested sponsor.
25. Mayo, William James, 1861–1939, and Charles Horace Mayo, 1865–1939. Surgeons, leaders in clinical medical practice. Mayo Foundation and University of Minnesota, suggested sponsors.
26. Monroe, James, 1758–1831. Revolutionary leader, Governor of Virginia, diplomat, Secretary of State, and President of the United States. George Washington University and Monroe Memorial Foundation, suggested sponsors.
27. Morrill, Justin Smith, 1810–98. U.S. Representative and U.S. Senator, author of the Morrill Act. Vermont Historical Society, sponsor.
28. Penn, William, 1644–1718. Quaker leader, founder and proprietor of Pennsylvania. Friends Historical Society and Swarthmore College, suggested sponsors.
29. Pickering, Timothy, 1745–1829. Quartermaster General of the Revolutionary Army, Postmaster General, Secretary of War, Secretary of State, and Federalist leader in Congress. Massachusetts Historical Society, sponsor.
30. Polk, James Knox, 1795–1849. Speaker of the U.S. House of Representatives, Governor of Tennessee, and President of the United States. Vanderbilt University and Tennessee Historical Commission, sponsors.
31. Powell, John Wesley, 1834–1902. Explorer, geologist, ethnologist. Cosmos Club and Smithsonian Institution, suggested sponsors.
32. Schoolcraft, Henry Rowe, 1793–1864. Explorer, Indian agent, ethnologist. Wayne University, sponsor.
33. Schuyler, Philip John, 1733–1804. Colonial leader in New York, Revolutionary general, U.S. Senator. New York State Education Department, sponsor.
34. Seward, William Henry, 1801–72. U.S. Senator, Secretary of State under Lincoln and Johnson. Purchased Alaska. University of Rochester, sponsor.
35. Sherman, William Tecumseh, 1820–91. Military leader in Civil War and on the frontier. U.S. Military Academy at West Point, suggested sponsor.
36. Stevens, Isaac Ingalls, 1818–62. Military engineer, explorer northern transcontinental railroad route, territorial governor of Washington, Indian administrator, Civil War general. University of Washington, sponsor.
37. Story, Joseph, 1779–1845. Professor of law and Associate Justice of the U.S. Supreme Court. Massachusetts Historical Society, suggested sponsor.

38. Taney, Roger Brooke, 1774–1864. U.S. Attorney General, Secretary of the Treasury, and Chief Justice of the United States, 1836–64. Dickinson College and Maryland Historical Society, suggested sponsors.
39. Van Buren, Martin, 1782–1862. U.S. Senator, Governor of New York, Vice President and President of the United States. Fordham University, sponsor.
40. Washington, Booker Taliaferro, 1856–1915. Negro leader and educator, founder of Tuskegee Institute. Tuskegee Institute and Association for Negro History, suggested sponsors.
41. Webster, Daniel, 1782–1852. Lawyer, U.S. Representative and U.S. Senator, Secretary of State in Cabinets of Harrison, Tyler, and Fillmore. Dartmouth College, sponsor.
42. Welch, William Henry, 1850–1934. Physician, leader in medical education and research. Johns Hopkins University, suggested sponsor.
43. Willard, Emma Hart, 1787–1870. Pioneer in women's education. American Association of University Women, suggested sponsor.
44. Wolcott, Oliver, 1760–1833. Federalist leader, Secretary of the Treasury, Governor of Connecticut, and jurist. Yale University and Connecticut Historical Society, suggested sponsors.
45. Young, Brigham, 1801–77. Leader of the Mormon migration and colonization of the Great Salt Lake Valley, first Governor of Utah Territory, 1801–77. Brigham Young University and Utah Historical Society, suggested sponsor.

Of the $500,000 requested in this appropriation, approximately $200,000 will be used for grants and allocations to projects of sufficient public significance to warrant letterpress publication and $300,000 will be used for projects involving microfilm publication only, or selective letterpress publication backed by complete publication on microfilm. The grants are expected to average no more than $15,000 to $20,000 per project per year, with sponsors sharing the cost. In the case of the two Federal projects, the full cost will have to be covered, averaging $50,000 each per year, if they are to be completed within 5 years.

In addition to the appropriated funds requested, the Commission is negotiating with a large foundation which has given some indication that it will support certain of the large letterpress publications now underway. When this matter has been settled, other foundations will also be approached for funds. This is in accordance with the Commission's recommendations to the President—that the program in its entirety be supported both by the Government and by private philanthropy.

This program of the National Historical Publications Commission has been endorsed by all of the national professional organizations interested in historical research and by public leaders in many walks of life. The program had the strong support of the late President John Fitzgerald Kennedy, and equally strong support has been given to it by President Johnson.

GENERAL STATEMENT

Administrator's Statement on National Historical Publications Grants

Mr. Chairman, we are requesting $500,000 in this supplementary appropriation in order to get underway immediately with the program of grants to State and local agencies, universities and research institutions in support of projects for the collection, preservation, description and publication of documents important to the history of our Nation. The legislation authorizing this appropriation was given full and complete consideration in hearings by the Senate and House Committees on Government Operations. The bill was signed by President Johnson on July 28, as Public Law 88–383.

The legislation authorizes an appropriation of $500,000 for fiscal year 1965 and for each of the succeeding 4 years. Unless an appropriation is made this year the effect will be to shorten the program to 4 years rather than the 5 years intended by the Congress in its authorizing legislation.

Mr. Chairman, let me assure that we are in a position to utilize this year the funds requested in this appropriation. In the first place the program of the National Historical Publications Commission, which these funds will implement, is not new. The program really dates back to 1951 when the National Historical Commission was revitalized by President Truman. He directed the

Commission at that time to develop a program that would make widely available to the American people the important documents of our history.

The Commission in its report of 1954 to President Eisenhower outlined such a program. The President approved the program and for the past 10 years the National Historical Publications Commission has been actively promoting projects (and cooperating with project sponsors) for the publication of the papers of our great national leaders. The papers of Jefferson, Hamilton, Franklin, the Adamses, Madison, and several other projects were initiated in this decade.

These projects were all undertaken with private financing and considerable progress undoubtedly was made, but after a decade of experience the National Historical Publications Commission was forced to the conclusion that more stable financing was necessary if the projects underway were to be carried through to conclusion; and, even more important, if additional projects of equal merit were to be initiated.

This conclusion was expressed in the report of the Commission which was submitted to President Kennedy in January 1963. The report recommended that the Federal Government recognize its obligation and share with private philanthropy the support of the Commission's program. The Commission's report recognized also that the Commission must play a positive role in shaping a well-balanced national program.

From these conclusions of the Commission came the proposal which was enacted into law and signed by President Johnson last month.

In addition to the appropriated funds we are seeking here today, the Commission is negotiating with a large foundation for a portion of the support of its program. These negotiations will be aided if the Congress will make available a share of the Commission's requirements.

At this point the complete support of the program of the National Historical Publications Commission by both President Kennedy and President Johnson, should be noted. President Kennedy wrote the Administrator on January 19, 1963, expressing approval of the Commission's proposals. He concluded his letter by saying:

"If the Commission is to plan a balanced national program of editing and publication for the next 10 years with collecting and microfilming activities to support and supplement letterpress publication, it must have resources on which it can depend. Compared with the funds required for other programs for the national good, those requested by this Commission for this program are modest indeed. I feel confident that our private foundations and the Federal Government will together agree to provide the necessary budget. The amendatory legislation needed to make this cooperative program a reality has my full approval."

President Johnson wrote on February 5, 1964, also giving his full endorsement of the Commission's program. His letter reads as follows:

THE WHITE HOUSE,
Washington, February 5, 1964.

DEAR MR. BOUTIN: I am glad to note that the bill (H.R. 6237) to authorize the National Historical Publications Commission to make small grants to encourage the preservation, compilation, and publication of the original documents of our history is now before the Senate. I agree fully with the letter President Kennedy wrote last year in support of this project.

America has had a proud history, and the American people are entitled to have the documentary record of our past and the papers of our great statesmen and leaders compiled and published in easily available form. Federal participation in the program will help support and stimulate our archival agencies, historical societies, research libraries, and related educational institutions to share their documentary holdings with universities and colleges throughout the land and with the American people. I look forward particularly to the completion of the projects to publish the papers of the Adamses, Franklin, Hamilton, Jefferson, and Madison.

This bill supplements and, in the field of American history, is an essential adjunct to, the major legislation in aid of education enacted by Congress last session.

It is my hope that the Senate will complete action on the bill early in the new session. I would like it to be in time to permit the necessary appropriations for the coming year and to allow the National Historical Publications Commission to make its plans with this in mind.

Sincerely,

LYNDON B. JOHNSON.

You will note that President Johnson expected the National Historical Publications Commission to make its plans based on the expectation that funds as requested in this appropriation would be available this year. This the Commission has done. We are ready to go. The necessary announcements of the program, and the procedure for making the grants have been developed. A meeting of the National Historical Publications Commission has been scheduled for September 11 to give final consideration to the instructions to those who will wish to submit applications for grants. The program itself will be shaped by the National Historical Publications Commission on the basis of applications that appear best calculated to assure proper balance and proportion. Many applications have over the past 10 years already been received by the Commission; many such as that relating to the papers of John Marshall have not been able to get underway for lack of funds. The Commission itself will play a positive role in the stimulation of applications and in consulting with and advising applicants as to program requirements.

In brief it is proposed that project proposals will be submitted by institutions and agencies that have custody of documentary material of national significance. The applications will be handled as follows:

1. The proposals will be reviewed by the staff of the National Historical Publications Commission for conformity with application requirements and the stated objectives of the grant program.

2. Proposals that meet these requirements will then be reviewed by the Executive Director of the Commission in terms of the planned program of the Commission.

3. All proposals, with the recommendations of the Executive Director, will be evaluated by the Commission.

4. The Commission will utilize such advisory committees as it regards as necessary to properly evaluate specific project proposals or proposals in specialized areas of American history.

5. Proposals judged worthy of grant assistance, with the recommended conditions and amount of assistance, will be forwarded to the Administrator of General Services.

6. After review by designated administrative, legal, and fiscal units of the General Services Administration, proposals will be reviewed by the Administrator of General Services who would make the actual allocations and grants. Careful administrative controls will be maintained over the expenditure of all funds:

(*a*) Allocations will be made on a semiannual basis.

(*b*) The Commission staff will review semiannual written reports on the progress of all projects.

(*c*) The Commission staff assisted by designated fiscal units of the General Services Administration will review semiannual and final financial reports submitted by each project.

(*d*) Funds unused at the completion of a project will revert to the General Services Administration.

The following are the more important policy determinations that we have made concerning the grant program. Priority will be given—

(*a*) to projects that have or demonstrate that they can obtain additional resources (that is non-Federal) equal to or greater than the amount requested as a Federal grant. Grants will probably average $15,000 to $20,000 per project annually.

(*b*) to projects that can be completed within 5 years and that will result in the completion of useful segments within 2 to 3 years.

(*c*) to projects that involve documentary materials appropriate for microfilm publication or for selective publication of a limited number of documents by letterpress accompanied by comprehensive microfilm reproduction.

We have had experience in the National Archives in the value of a microfilm publication program. The National Archives for the past 20 years has been publishing its important historical records—records important to historical research—on microfilm. This method of publication makes available at small cost large volumes of historical papers; and the response of the universities and colleges in our Nation to this program of the National Archives indicates how much demand there is for the basic documentation of our history. We earnestly hope through the grant program of the National Historical Publications Commission to make available the important holdings of non-Federal agencies and institutions. No point illustrates more clearly the cooperative nature

of this program than the sharing through microfilm publication of our documentary resources by our educational and research institutions.

Mr. Chairman, the basic purposes of this program are to increase the source material available to scholars and to make available to everyone the important writings and documents of our history. It will augment the research materials available to students, teachers, and scholars in our schools and ultimately assure a fuller understanding of American history by all citizens.

As the report of the Senate Committee on Government Operations concluded, the Commission's program "is not a program to relieve State and local jurisdictions of their responsibility or to invade with Federal funds areas reserved for State and local action. Rather this legislative proposal would make possible the most effective kind of cooperation between Federal and State agencies, our academic institutions, and the private foundations in a program to provide, for the growing number of graduate students in our colleges and universities, access to the source materials needed for a study of our democratic institutions and the problems and progress of our democratic society."

Mr. Chairman, in closing I must mention two projects relating primarily to the Federal Government that would be financed from this appropriation: first, the project to publish by conventional letterpress the papers relating to the ratification of the Constitution and the Bill of Rights. This project was initiated with foundation funds, but its continuance depends upon this appropriation. This project and a second one covering the papers of the First Federal Congress, the Congress that established the working machinery of our Government, have been endorsed by the National Historical Publications Commission, as being of the first importance. Their completion prior to the decade of bicentennial observances that will begin with the Declaration of Independence is important not only properly to commemorate the anniversaries but more importantly so that all of us, students, scholars, writers, Government officials, and private citizens can have available for study the documentation on which all true history rests. I am sure we all agree with James Madison who said in a letter of March 19, 1823, to Edward Everett:

"And if the abundance and authenticity of the materials which still exist in private as well as public repositories among us should descend to hands capable of doing justice to them, then American history may be expected to contain more truth, and lessons certainly not less valuable than that of any country or age whatever."

Mr. EVINS. This is because of a new act and you need $500,000 to make these studies?

Mr. BOUTIN. Actually the bill authorized an annual appropriation of up to $500,000 for a period of 5 years to be used in assisting colleges, universities, States, historical societies, government entities such as our own National Archives on two projects which they have in mind, and to assist these various entities to carry out the mission of this bill, which is to bring together in documented form all of this historical matter now scattered practically all over the world.

Dr. Grover can give you a more accurate picture.

Mr. EVINS. Doctor, you will do some of this yourself but you can make a grant to the University of North Carolina or University of Texas to make a specific project of which you approve?

Dr. GROVER. We will ask for applications and try to shape the applications into a program, what we think are the best proposals for the particular program involved.

Mr. BOUTIN. There will be safeguards in this. No. 1, if the Congress appropriates this money for which we are asking, we will go out with announcements to all of the known organizations that are doing this kind of work, particularly those who have the recognized programs.

There will be a provision in that they must keep their accounting such that GAO and GSA can get a clear picture at any given time on precisely what they are doing to be sure they are fulfilling the law.

Mr. THOMAS. I believe you state in the justification the average grant will be between $15,000 and $20,000.

Mr. BOUTIN. That is right.

MATCHING NATURE OF GRANTS

Mr. THOMAS. What part of this will be Federal funds? This is not a 100-percent grant?

Mr. BOUTIN. Oh, no, sir.

Mr. THOMAS. What is the proportion?

Dr. GROVER. The average grant would be $15,000 to $20,000 with the institution receiving the grant at least matching it and, if possible, exceeding it.

Mr. EVINS. Will you have a standard requirement of 50-percent matching funds?

Dr. GROVER. We wouldn't like to do that. We think we can get more in most instances.

Mr. BOUTIN. We are working with the foundations right now—if I may speak off the record?

(Discussion held off the record.)

PRIVATE PARTICIPATION

Mr. EVINS. You say this has been endorsed for all the professional organizations, all historical organizations?

Mr. BOUTIN. Yes.

Mr. EVINS. I don't see why you want to bring in the Ford and Rockefeller Foundations in the grants program.

Dr. GROVER. The whole point of the program is to make it a joint program supported by the Government and private philanthropy.

FUTURE PROGRAM COSTS

Mr. THOMAS. What will this program cost 5 years from now?

Dr. GROVER. After 5 years it will cost two and a half million dollars. You can look at it——

Mr. EVINS. Will that cover it?

Mr. BOUTIN. To be responsive to the chairman's question, as I remember the discussions at the Commission's meeting, it was estimated that during this 5-year period to carry out these identified top priority programs alone you are talking $10 million. Is that correct?

Dr. GROVER. We are applying to a large foundation for the five projects listed here, Madison, Franklin, Adams, Hamilton, and Jefferson. We are asking for $2 million from the foundation for 10 years, and that will do it.

Mr. BOUTIN. How about the rest of the top priorities?

Dr. GROVER. We have little prospect of obtaining foundation funds unless his Congress will also endorse the program by appropriating a share of the money.

Mr. EVINS. The Ford and Rockefeller Foundations will make you a grant so that you in turn can increase your amount for grants to the various State universities?

Dr. GROVER. As far as the large foundations are concerned, as Mr. Boutin said, we believe they would like to have the Commission act so that the many applicants need not go directly to the foundation for evaluation. They would like the Commission to do it.

Mr. THOMAS. Give us a reasonably firm figure on an annual basis. What do you estimate, $2 million?

Dr. GROVER. The Commission recommended $10 million for 10 years.

Mr. THOMAS. $1 million per year?

Dr. GROVER. $1 million per year.

Mr. THOMAS. $1 million per year for 10 years?

Dr. GROVER. Yes.

Mr. THOMAS. And when you finish that?

Dr. GROVER. Half furnished by the Government and half by the foundations.

Mr. THOMAS. Then only a half million dollars a year will be involved?

Dr. GROVER. Yes.

Mr. THOMAS. Off the record.

(Discussion held off the record.)

Mr. EVINS. Another committee on which I serve is looking into foundation grants, whether they are being used for tax avoidance or other purposes. I would favor this more if it were administered by GSA and the foundations were not brought into the program initially. I don't know why there should be a commingling here so suddenly.

Mr. BOUTIN. We would have to double our request to the Congress at a minimum if we were to do that.

Mr. EVINS. Is this a crash program?

Mr. BOUTIN. No, an orderly program to accomplish it.

ADMINISTRATION OF GRANTS

Mr. THOMAS. I couldn't find administrative costs in there.

Mr. BOUTIN. Not a cent.

Mr. THOMAS. How many people will do that work?

Mr. BOUTIN. No people at all will be charged against this appropriation.

Mr. THOMAS. Where will you charge it?

Dr. GROVER. The National Archives Commission staff.

Mr. THOMAS. You will have to increase the staff and charge it under another account. It will be there somewhere.

Mr. BOUTIN. We will absorb the cost.

What we are really talking about is 3 man-years.

I would like to have Dr. Grover introduce the man who was archivist of the State of Pennsylvania whom he has already attracted to this program.

Dr. GROVER. This is Dr. Frank B. Evans.

Mr. EVINS. Tell us about yourself.

Mr. THOMAS. We are getting close to the University of Pennsylvania.

Mr. EVINS. Tell us about yourself, Doctor.

Dr. EVANS. I am Frank B. Evans. My work has been in history and philosophy and in the field or archives I served as assistant State archivist for Pennsylavnia for 3 years, State archivist for 2 years, and at the invitation of Dr. Grover I joined the staff of the National Archives a year ago.

I have been given a variety of assignments there, most recently helping to develop this grants program in terms of administrative procedures, proposed policies, working closely with representatives of the General Services Administration, Office of Finance and Administration, and the General Counsel's Office, trying to get a program which would most effectively utilize the resources we are hoping will be made available.

Mr. EVINS. Very fine. You have a good background, Doctor.

Dr. EVANS. Thank you.

Mr. BOUTIN. You can see the projects which already have been identified.

Mr. EVINS. They are included in the record?

Mr. BOUTIN. Yes, sir.

MANUSCRIPT DISPOSITION AND AVAILABILITY

Mr. JONAS. When the statement speaks of the University of South Carolina, will the project be maintained at the University of South Carolina or at the National Archives?

Mr. BOUTIN. In the university with only a copy required to be sent to the Archives.

Mr. JONAS. You microfilm the papers?

Mr. BOUTIN. Or any other published copy.

Dr. GROVER. There is a project underway to publish Calhoun's papers.

Mr. BOUTIN. Some printed and some microfilmed.

Mr. JONAS. Is that Clemson?

Dr. GROVER. I think so—some of his papers are at Clemson.

Mr. JONAS. Clemson is his old home.

Dr. GROVER. That is right.

Mr. JONAS. They will be maintained in the field, the institution that does the work?

Dr. GROVER. Yes. To get to the two basic purposes of the full program.

First is to try to make available unique materials, manuscripts, and archival material available now only at one institution, by putting them on microfilm, or getting letterpress copies printed so they can be available in all graduate schools of the United States and not just one.

The second purpose is to publish in letterpress editions, some of the papers of the great leaders during the founding of the Republic, relating to the ratification of the Constitution, the Bill of Rights, to increase interest in American history.

Mr. EVINS. And more knowledge.

Mr. BOUTIN. Some of these will be joint. As an example, on James Polk it is our initial recommendation that this be undertaken jointly by Vanderbilt University and the Tennessee Historical Commission. There are a number like that which would be a joint effort.

Mr. EVINS. Mr. Boland?

Mr. BOLAND. I have no questions.

Mr. OSTERTAG. I commend Dr. Grover on the fine job he is doing.

Mr. BOUTIN. I say "Amen" to that.

MEMBERS OF NATIONAL HISTORICAL PUBLICATION COMMISSION

Mr. BOLAND. Who is on the National Historical Publications Commission?

Mr. BOUTIN. I will submit the list for the record.

(The list referred to follows:)

MEMBERS OF NATIONAL HISTORICAL PUBLICATIONS COMMISSION

Wayne C. Grover, Archivist of the United States, Chairman.
Lyman H. Butterfield, editor in chief, the Adams Papers.
Felix Frankfurter, Associate Justice of the Supreme Court of the United States (retired).
William M. Franklin, Director of the Historical Office, Department of State.
Joe B. Frantz, professor of history and chairman of the department, University of Texas.
David C. Mearns, Chief of the Manuscript Division, Library of Congress.
George P. Miller, Member of the U.S. House of Representatives from California.
Leverett Saltonstall, U.S. Senator from Massachusetts.
Arthur M. Schlesinger, professor emeritus of history, Harvard University.
Boyd C. Shafer, professor of history, Macalester College.
Rudolph A. Winnacker, historian, Office of the Secretary of Defense.

Mr. EVINS. That is all I have, Mr. Chairman.

Mr. THOMAS. Thank you very much, gentlemen.

FRIDAY, AUGUST 14, 1964.

HOUSING AND HOME FINANCE AGENCY

URBAN TRANSPORTATION ACTIVITIES

WITNESSES

ROBERT C. WEAVER, ADMINISTRATOR
MILTON P. SEMER, AGENCY GENERAL COUNSEL
JOHN C. KOHL, ASSISTANT ADMINISTRATOR (TRANSPORTATION)
N. J. EISEMAN, ACTING AGENCY BUDGET OFFICER
DAVID S. BROWN, BUDGET ANALYST

Mr. THOMAS. Gentlemen, we have with us this afternoon our friends from the Housing and Home Finance Agency. They are interested in the urban transportation activities contained in House Document No. 338.

It is nice to have Dr. Weaver with us, the Administrator; Mr. Semer, Agency General Counsel; Mr. Kohl, Assistant Administrator; Mr. Eiseman, the Acting Agency Budget Officer; and Mr. Brown, the Budget Analyst.

You have already been over to the Bureau of the Budget on the new housing bill.

GENERAL STATEMENT

Have you a statement for us, Dr. Weaver?

Mr. WEAVER. Yes, sir.

Mr. THOMAS. Put it in the record and tell us about it.

(Mr. Weaver's statement follows:)

STATEMENT OF THE ADMINISTRATOR, AUGUST 14, 1964

Mr. Chairman and members of the committee, I am extremely pleased and honored to present to you today the administration's request for the appropriations which, when enacted, will launch the programs authorized by the Urban Mass Transportation Act of 1964.

In my opinion, the enactment of this act is a major breakthrough, not only toward a beginning in solving the transportation problems which plague our cities, but also in defining the appropriate role of the Federal Government, and more specifically of the Housing and Home Finance Agency, in coming to grips with these problems.

In its planning provisions as well as in its financing provisions, the new act recognizes the existence of a national concern, but provides appropriate safeguards for the primary responsibility of the local community and local levels of government. It provides effectively for reliance to the maximum extent feasible on private enterprise operations, and successfully avoids creating any new incentive to more widespread public ownership of transportation facilities, or to wasteful competition between private and publicly owned systems. And it

recognizes the vital fact that the planning of mass transportation systems is inseparably related to the planning of orderly growth for an urban area as a whole—a fact that many communities have learned the hard way, at immense economic cost. By assigning the program to the Housing and Home Finance Agency, Congress has immensely facilitated our task of attempting to maintain coordination and singleness of purpose among a variety of programs affecting housing and urban development.

Mr. Chairman, I would not and do not present this program to you as a panacea which will quickly cure the ills that have resulted from half a century of accelerating urbanization. But it is a beginning, and in my judgment a most important and promising beginning.

Our policy in the administration of this new program can be stated very simply: it will be to try to get the maximum effect in the rejuvenation and improvement of urban transportation systems with the minimum investment of Federal funds in each case. This will mean close and careful review of every application made to us, and probably extended negotiations in most cases. But the total capital needs for transportation in this country can be measured in billions, and we have no intention—and the Congress, I am sure, has no intention—of giving anyone the impression that the Federal Government is about to undertake the financing of transportation facilities in any such magnitude. Therefore, it behooves us to make these funds in the truest sense "seed capital"—a Federal contribution which will help to restore a vital industry to economic life and viability.

We have put before your committee a rather complete justification for these estimates, in which, among other things, you will find a summary of the provisions of the Urban Mass Transportation Act and a reprint of the text of the act itself. However, I do not suppose that in these hurried days many of the members of this committee will have had the opportunity to review this submission in detail, and therefore it might be as well for me at this point to recapitulate the highlights of the new programs authorized by the act.

The Urban Mass Transportation Act of 1964 authorizes a long-range program of financial assistance to States and local public bodies or agencies in providing, through both public and private transportation companies, specific types of urban transportation facilities necessary for the orderly growth and development of our urban communities. The new program replaces the temporary program of loans and demonstration grants authorized by the Congress in the Housing Act of 1961.

Under the act, Federal grants are provided for up to two-thirds of that portion of the cost of urban transportation facilities and equipment that cannot reasonably be financed from estimated revenues. This portion of the cost—the part that cannot be financed from revenues—is called net project cost. Local funds would be required for the remaining one-third of net project cost. If there are surplus revenues, part or all of the Federal grant would be required to be repaid, along with the proportionate share of the local grant.

Federal loans, also provided for in the Act, would be authorized only in cases where the total project cost could be financed by this means with reasonable assurance of repayment. Also, such loans would be made by the Government only when the funds could not be obtained in the private market on reasonable terms. Under the act, Federal loans could not be used to supplement grant funds.

Under the long-range program, both grants and loans would be subject to strict planning requirements. The act requires preparation of a program for a unified or officially coordinated urban transportation system. This program must, in turn, be an integral part of a comprehensive development plan for the urban area. Federal grant assistance is available for this planning under our urban planning assistance program authorized by section 701 of the Housing Act of 1954, as amended.

The act authorizes also, for a 3-year initial period, Federal loans and grants on an emergency basis, with somewhat less strict planning requirements and with a one-half rather than a two-thirds Federal grant. The remaining one-sixth Federal grant would become available for these projects if the full planning requirements were met within 3 years from the date of the grant agreement.

Authorization is provided for the appropriation of $375 million to be used for grants over a 3-year period as follows: $75 million available for fiscal year 1965, $150 million available on July 1, 1965, and another $150 million on July 1, 1966. The $50 million loan authority contained in the Housing Act of 1961 is retained, but only $5 million is requested for appropriation at this time.

A demonstration program is authorized to apply to all phases of urban transportation in place of the present demonstration program authorized under the 1961 act. For this purpose, $10 million could be allocated from grant funds in each of the fiscal years 1965, 1966, and 1967.

An adequate relocation program for persons and families displaced by urban mass transportation projects is required. Federal grants are authorized for relocation payments to individuals, business concerns, and nonprofit corporations on the same basis as in the Agency's urban renewal program.

With respect to grants—the major new program authorized by the act—we propose appropriation of the first 2 years' funds; i.e., $75 million for the current year, and $150 million for the fiscal year 1966. While the $150 million would not be available until next July, we think it is very important that it be appropriated now, under the terms of the authorizing legislation which states that such funds can be appropriated "at any time" after the enactment of the authorization.

The reason for this is simple. Projects to be assisted under this new law are complicated business for the local people involved. Apart from their purely technical and financial difficulties, there are important and rather difficult requirements they have to meet with respect to such matters as, for example, demonstrating the relationship of the specific project proposed to what the act refers to as a "unified or officially coordinated urban transportation system * * * necessary for the sound, economic, and desirable development of [such] area." To secure a two-thirds grant, the applicant must show that such a relationship exists now, whereas for a 50 percent grant, it must be shown that planning along these lines is actively under way and that the facilities applied for can reasonably be expected to be required for such a system when the planning is complete.

These are not easy questions, for the local people or for us. It is not likely that many communities will undertake the work and the expense of meeting these tests unless they have some assurance that funds will be available when they have done their end of the job. This was, of course, exactly the concept under which the authorizing law was drafted. The funds for next year could not and would not be committed before next July 1; at the same time, no preliminary work at the local level would be stymied because of uncertainty as to whether the funds authorized would actually be appropriated. Technically, the act would permit appropriation of the full 3-year amount of $375 million now, but we believe that the first 2 years' funds will be sufficient to get the program off to a good start.

With respect to administrative funds, we are fortunate that under the experimental program authorized in 1961 we have been able to organize a small Office of Transportation under the leadership of a very distinguished figure in this field, Mr. John C. Kohl. As a result, we can build on this small group with a request for employment and administrative funds which is much smaller than it would be if we had to start from scratch. As the justification before you sets forth in detail, we would anticipate a yearend employment of 45 additional people. Of this staff, several of the key supervisory people are already on board, and financed from the appropriation in our regular bill for carrying out the remaining functions under the 1961 act. Hence, all we are asking for now is the additional staff needed to take on the new and much greater task under the Urban Mass Transportation Act of 1964.

Mr. Chairman, this legislation has been long needed and long under consideration, and the Congress has passed what I think is a very valuable law in a very difficult field. I hope that your committee and the whole Congress will now act favorably on the necessary appropriations, so that we may get on with the job.

Mr. WEAVER. Primarily this is a new approach to an old problem. As you know, we have been in the area of mass transit since——

Mr. THOMAS. I don't want to interrupt you, but where is that new approach?

Mr. WEAVER. The new approach is in the fact that we now have a program of grants, whereas before we had a loan program and demonstration program. Now we have a program of grants, demonstrations, and loans.

Mr. THOMAS. You still have loan money, about $5 million. Nobody wants to borrow money when they can get it free. People aren't crazy.

Mr. WEAVER. When we didn't have grants, the loan program went slow. In the money market those who can afford to loan get it privately. Often they get it cheaper.

JUSTIFICATION MATERIAL

Mr. THOMAS. Before we go any further, let us insert pages A–1 through A–6 in the record.

(The pages follow:)

URBAN TRANSPORTATION ACTIVITIES

JUSTIFICATION OF SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1965

"URBAN MASS TRANSPORTATION GRANTS

"For grants as authorized by the Urban Mass Transportation Act of 1964 (78 Stat. 302), to remain available until expended, $75,000,000 for the fiscal year 1965, $150,000,000 for the fiscal year 1966.

"URBAN MASS TRANSPORTATION LOANS

"For loans as authorized by section 3 of the Urban Mass Transportation Act of 1964 (78 Stat. 302), $5,000,000.

"ADMINISTRATIVE EXPENSES, URBAN TRANSPORTATION ACTIVITIES

"For necessary expenses to carry out the provisions of the Urban Mass Transportation Act of 1964 (78 Stat. 302), $375,000."

These amounts are proposed to carry out the programs authorized by the new Urban Mass Transportation Act of 1964 (Public Law 88–365) approved July 9, 1964. The grants will assist communities in providing or improving urban transportation facilities by paying up to two-thirds of the portion of the capital cost of projects which cannot be recovered from revenues. In accordance with the terms of the act, $75 million is to be appropriated for grants in fiscal year 1965 and $150 million in fiscal year 1966. Loans are authorized for urban transportation projects which do not require grants but which cannot obtain private financing on reasonable terms.

Summary of budget request

The supplemental budget request for activities in fiscal year 1965 under the Urban Mass Transportation Act of 1964 includes—

(1) An appropriation of $225 million for urban transportation facility grants under section 4b which authorizes $375 million to be appropriated at any time following enactment of the act. Obligations cannot be made against $150 million of the $225 million appropriation until July 1, 1965. The Agency requests $225 million because of the long leadtimes of many of the projects, and so that applicants will have assurance funds will be available when the application is completed.

(2) An appropriation of $5 million for urban transportation facility loans. The act authorizes the use of $50 million of the existing borrowing authorization under section 203 of the Housing Amendments of 1955 as amended by the Housing Act of 1961 for the purpose of making transportation facility loans. However, this is an extension of a program which hitherto has been funded by the Congress through appropriations (Supplemental Appropriation Act of 1962; Independent Offices Appropriation Act, 1963). Accordingly, an appropriation is again requested to carry out the loan program authorized by the new act.

(3) An appropriation of $375,000 for administrative expenses (exclusive of proposed pay act costs) of the first year's operation under the act. This estimate does not include requirements for the operation of the mass transportation demonstrations program authorized under the Housing Act of 1961.

SUMMARY OF THE URBAN MASS TRANSPORTATION ACT OF 1964

Major features

The major features of the Urban Mass Transportation Act of 1964 include—

(1) An authorization of $375 million in Federal grants to assist in the purchase, construction, and modernization of urban transportation facilities. The authorization is for appropriation at any time after enactment of the act of $75 million for fiscal year 1965, $150 million for fiscal year 1966, and $150 million for fiscal year 1967;

(2) A demonstration program financed by $10 million each year out of the $375 million grant authorization; and

(3) An extension of the $50 million urban transportation facility loan authorization for projects which can be entirely financed from revenues but for which private financing is not available on reasonable terms.

Basic requirements for financial assistance

Before Federal assistance may be provided under the act, the Administrator must determine that—

(1) The applicant is a public body which may be a State, a local public body or agency, or an agency established by the action of two or more States.

(2) The applicant has the legal, financial, and technical capacity to carry out the proposed project, and is in a position to provide satisfactory continuing control over the use of the facilities and equipment for the purposes for which assistance is provided.

(3) Facilities for which assistance is sought are needed for carrying out a program, meeting criteria established by the Administrator for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area. The program must provide for the maximum feasible participation of private urban transportation companies.

(4) There will be an adequate relocation program through which persons and families displaced by the project can be relocated in decent, safe, and sanitary dwellings.

(5) All contracts contain the usual provisions relating to the Davis-Bacon Act and other labor standards, and that labor standards set forth in the contract, under criteria specified in the act, are determined by the Secretary of Labor to be fair and equitable safeguards of the interests of employees affected by the project.

(6) All contracts for construction, reconstruction, or improvement of facilities under the act provide that the contractors shall use articles manufactured in the United States.

Facilities eligible for assistance

Facilities eligible for assistance include land, buses, and other rolling stock, and other needed real or personal property. Federal funds may be used for the acquisition, construction, reconstruction, and improvement of facilities, but cannot be used for operating costs or for the payment of ordinary governmental expenses.

Participation of private transportation companies

As noted previously, the Administrator must determine, before any Federal assistance may be provided, that the local transportation program for the urban area provides for the maximum feasible participation of private transportation companies. The act permits the applicant, which must be a public body, to provide for the operation of the transportation facilities by such private companies through lease or other arrangements.

This program is not intended to foster publicly owned transportation systems as opposed to privately owned. Decisions in this area will be made by the local community. However, the public body receiving assistance under the act is responsible for the use of facilities and equipment to protect the public interest, and must assure that the project continues to make a maximum contribution to the transportation program for the urban area.

Grant formula

A Federal grant under the act may be made available for up to two-thirds of "net project cost"—that portion of total project cost which cannot reasonably be financed from revenues. A determination of net project cost involves an analy-

sis of how much of the total project cost can be financed from revenues such as fare collections. Should actual net revenues turn out to be higher than anticipated, the act provides that any repayment of the community's one-third share of net project cost must be accompanied by proportional repayment of the Federal grant.

The applicant must provide one-third of the net project cost in cash, from sources other than Federal funds or anticipated revenues. The applicant's share may be obtained, for example, through the issuance of general obligation bonds based on the taxing powers of the local government, the transit authority, or other local public body, or through a grant program financed and administered by the State government. This requirement is a guarantee of firm local determination of the need for the project and of a continuing local concern for the efficient and economical operation of the transportation system.

Emergency grant program

Emergency grants of one-half of net projects cost may be provided through fiscal year 1967 where—

(1) The unified and coordinated urban transportation program is under active preparation although not yet completed;

(2) The facilities and equipment for which the assistance is sought can reasonably be expected to be required for such a program; and

(3) There is an urgent need for their preservation or provision.

To encourage compliance with the provisions of the act, the applicant will qualify for the full two-thirds grant if the urban transportation program is completed within 3 years after the execution of the grant agreement.

Labor standards

The Secretary of Labor must determine that all contracts contain fair and equitable arrangements to protect the interests of employees affected by any Federal financial assistance under the act. Such protective arrangements shall include such provisions as are necessary for—

(1) the preservation of rights, privileges, and benefits (including pension rights) under existing collective bargaining agreements or otherwise;

(2) the continuation of collective bargaining rights;

(3) the protection of individual employees against a worsening of their positions with respect to their employment;

(4) assurances of employment to employees of acquired transportation systems and priority of reemployment of employees terminated or laid off; and

(5) paid training or retraining programs.

Coordination with other agencies

The act requires coordination of urban transportation planning and highway planning in urban areas by the Administrator and the Secretary of Commerce. In addition, the Administrator is required to take into consideration whether facilities financed under the act are designed and equipped to prevent and control air pollution in accordance with criteria established by the Secretary of Health, Education, and Welfare.

State limitation

No more than 12½ percent of the total grant funds authorized ($375 million) under the act may be expended in any one State.

Mr. THOMAS. You have new authorizations to remain available until expended in the amounts of $75 million for fiscal 1965 and $150 million for the fiscal year 1966. Those are the grants.

Nobody wants to borrow money anywhere when you can get this, but you have $5 million for loans, and then you have the administrative expenses of $375,000.

I looked this up. This is an oldtimer.

Off the record.

(Discussion held off the record.)

Mr. THOMAS. Insert pages B–2, B–3, B–4, and B–5. You state you have about 20 project approvals, $65 million, one-third of the estimated applications.

(The pages follow:)

TRANSPORTATION FACILITY GRANT PROGRAM

The Administrator is authorized to make grants to public bodies to assist in the financing of urban transportation facilities and equipment. The Federal grants may be made for up to two-thirds of the net project cost. Section 4 authorizes for appropriation at any time after enactment of the act $375 million; $75 million for fiscal year 1965 and $150 million additional in each of fiscal years 1966 and 1967.

Budget program

As of June 30, 1964, over 40 urban areas have completed or are undertaking metropolitan or regional planning financed in part through the Agency's urban planning assistance program, and 45 are undertaking or have completed urban transportation plans under this program or under a jointly financed Housing and Home Finance Agency-Bureau of Public Roads planning program.

The budget program projected for fiscal year 1965 is 20 project approvals for $65 million. About one-third of the estimated 100 application receipts in 1965 are expected to be from applicants which are in a position to meet the complete planning requirements of the act. It is estimated that 6 to 10 major urban areas and 40 to 50 other communities will have completed the required planning. While the requirements of the act may initially restrict the number of cities able to qualify under the regular grant program, they will also strongly encourage unified transportation planning for urban areas which is one of the major benefits to be obtained under this program.

It is anticipated that the bulk of the projects approved during 1965 will be for rolling stock and other equipment. This is based on the fact that equipment projects require less time for detailed development, and also, under the emergency program, are more likely to be clearly appropriate to any general plan than a specialized construction project.

While applications are expected for a large variety of projects, general examples can be given of those most likely to be received from various size cities:

Small cities (below 250,000). Buses, terminal building, passenger shelters, equipment improvements such as air conditioning.

Medium cities (250,000 to 1 million). Same as above plus park-and-ride facilities, separated bus lanes.

Large cities (over 1 million). Same as above plus rail improvement, including commuter service, rapid transit system extensions.

Since some applications for major large-scale projects are expected in 1965, the Agency will adopt a policy for relating such project to the available funds. The act provides that not more than 12½ percent of the $375 million authorized shall be expended in any one State. In addition, the Agency will encourage applicants proposing large-scale projects to plan them in such a way that they can be developed in self-sufficient stages. Each stage by itself must make a significant improvement in the community's transportation system, and must be so developed that the Agency will not be obligated in advance to provide additional financial assistance for any subsequent stages in the proposed transportation program.

DEMONSTRATION PROGRAMS

The Urban Mass Transportation Act of 1964 provides for a program of development and demonstration projects designed to assist in the reduction of urban transportation needs, the improvement of mass transportation service, and the contribution of such service toward meeting total urban transportation needs at minimum cost. The Administrator is authorized to conduct such projects independently, or to construct for demonstration projects.

The act further provides that $10 million of the grant authorization shall be available in each year (1965–67) for financing projects under this program. In addition, the unobligated balance of the amount provided for demonstration projects under the Housing Act of 1961 is available solely for financing projects under the new program. While the unobligated balance is $692,000 at the end of fiscal year 1964, the Agency will not use any of this remaining authorization for future demonstration projects.

Budget program

There is a continued need for demonstration projects in the area of urban transportation. In fiscal year 1963, the Agency committed $19.7 million and the fiscal year 1964 program level would have been considerably greater except that less than $5 million in authorization was available for commitment. The Agency now has six applications for $2.4 million which may result in approvable demonstration propects.

In addition to the demonstration projects, the Agency will assist industry groups and research organizations in the development of a coordinated program of studies in the field of urban transportation. In some instances the studies will be carried out through grants under the act.

The budget program assumes $10 million will be committed in fiscal year 1965 for 20 projects in the following general areas:

Application and testing of improved transportation technology in such areas as improved power distribution systems, automatic guidance, computer-operated traffic controls, automated fare collection devices, improved signaling techniques, and new types of transit structures and vehicles.

Demonstrating the use of urban transportation centers as focal points for local buslines in combination with park-and-ride facilities along a major rail commuter line to encourage transportation coordination and achieve the most efficient use of transit facilities.

Introduction of major improvements to commuter railroad, rapid transit, and local bus operations, alone or in combination, in order to demonstrate and evaluate benefits to urban areas served and to provide planning guidelines for local public officials.

Evaluation of the feasibility of developing a use charge system for urban transportation operations which will cover the minimum costs of making available the service whether used or not. In all other public utilities (water, gas, electricity), the use charge determined by meter is supplemented by a monthly minimum charge independent of the amount of use.

Analysis of the factors influencing the choice of various means of urban transportation to determine which has the greater impact on the level of ridership—the fare charged or the quality of service. An answer to this problem will profoundly affect the quality of planning and investment decisions in urban transportation.

TRANSPORTATION FACILITY LOAN PROGRAM

The loan program as authorized in the Housing Act of 1961 expired on June 30, 1963. The Urban Mass Transportation Act of 1964 reactivates the loan program without any termination date. These loans are designed to assist transit operations which are able to finance needed improvements and extensions of their transportation facilities out of revenues, but which cannot borrow the necessary funds on reasonable terms.

Each loan must be of such sound value or so secured as reasonably to assure repayment, and amortization may be over a period up to 40 years. The interest rate is established under a formula based on the cost of Treasury borrowing, which will produce a rate of 4 percent for fiscal year 1965.

The act provides for an emergency loan program, comparable to the emergency grant program, under which loans may be made for facilities and equipment when there is an urgent need for their preservation or provision, provided that the area's transportation program is under active preparation and the facilities and equipment can reasonably be expected to be required for the eventual system.

The act further provides that the unobligated balance of the $50 million borrowing authorization provided under the Housing Act of 1961 shall be available solely for financing urban transportation loans. Congress in fiscal years 1962 and 1963 specified that none of the funds appropriated for the loan program would be available for administrative expenses of making loans to be financed from the borrowing authorization. The loan commitments, of which only one is now outstanding, were made against annual definite appropriations which expired for purposes of obligation at the close of the respective fiscal years.

It is not the intention of the Agency to utilize the Treasury borrowing authorization available for loans under the act. In view of the past appropriation actions by Congress, it is clear that Congress would prefer to provide direct appropriations against which loans may be obligated. Accordingly, an appropriation of $5 million for loans is proposed in this budget.

Budget program

The budget program assumes that five loans for $5 million will be approved in fiscal year 1965. It is likely that most of these loans will be made under the emergency program.

It is anticipated that the loans will be primarily for bus equipment, since—

(1) Planning and development for additional bus runs, or replacement of existing buses, requires much less time than development of plans for major facilities such as subways.

(2) It is often feasible to finance the purchase of rolling stock out of revenues; it is much less likely that major capital improvements can be so financed in their entirety, which would be required by the provision of the act prohibiting a loan to any project for which a grant is made.

GRANT FORMULA

Mr. THOMAS. What is the formula? We had to dig it out of the original justifications. So far as grants are concerned here is the proposition:

It costs $100. They can make about two-thirds of it and you have a loss of one-third.

The Federal Government comes in the picture in the form of a grant and picks up two-thirds of the loss. Is that correct?

Mr. WEAVER. By and large, except this does not involve any of the operating expenses. This can be used only for equipment. Two-thirds of the difference, what they can afford and what it costs——

Mr. THOMAS. The language doesn't say that. It states, "Net operating loss." Is that the formula?

Mr. WEAVER. No; net project cost.

NET PROJECT COST

Mr. THOMAS. What do you mean by net project cost other than loss?

Mr. WEAVER. Net project cost means that part of the project which is the difference between what they can pay from the revenue and the cost.

Mr. EVINS. This is the portion of the project cost which cannot reasonably be financed from revenues.

If you have a public owned facility and they cannot finance this operation, then you can make a grant to it. You have to determine a net project cost which of course is involved in your formula (reading):

A determination of net project cost involves an analysis of how much of the total project cost can be financed from revenues such as fare collections. Should actual net revenues turn out to be higher than anticipated, the act provides that any repayment of the community's one-third share of the net project cost must be accompanied by proportional repayment to the Federal grant.

Do you anticipate there will be such repayments?

Mr. WEAVER. Yes, sir; I think there will be instances where, because of the improved service, there will be improved ridership and this will get you improved revenue.

Mr. EVINS. Do you make the grant based on land, right-of-way, and equipment?

Mr. WEAVER. Yes.

Mr. EVINS. What do you exclude?

Mr. WEAVER. We do not include money for operational expenses.

Mr. EVINS. Salaries?

Mr. WEAVER. Yes.

Mr. EVINS. Taxes?
Mr. WEAVER. Yes; and that kind of thing.
Mr. OSTERTAG. Whose operating expense, yours?
Mr. WEAVER. No; theirs.

GRANTS TO PRIVATE TRANSIT SYSTEMS

If I may go back a minute, this is not only a grant to a public transit system, but a private one. The grant has to go to a public body and the public body then leases the material to them. This helps private transit systems as well as publicly owned.

Mr. OSTERTAG. Suppose there is a private transit system not doing too well and they need financing. They go to a city and say, "Take this over on a lease operating basis. You can therefore apply for a grant from the Federal Government. We cannot apply direct." Is that right?

Mr. WEAVER. Yes; but they wouldn't have to turn it over to them. They can go to a public body and say, "You get a grant from the Federal Government and then you will lease the materials to us and we will continue to operate as private."

This in no way affects the private versus the public ownership.

Mr. OSTERTAG. You cannot make a grant to a private facility, but if there is a paper transaction and a lease arrangement drawn up and it continues to operate with the same management and the same personnel, then the grant can be made to the public body.

Mr. WEAVER. That is right.

PROTECTION OF PRIVATE ENTERPRISE

Mr. OSTERTAG. As I recall it, there was an amendment to the Urban Transportation Act to protect and encourage private enterprise in this whole picture.

Mr. WEAVER. That is right.

Mr. OSTERTAG. Is it not your duty and your responsibility in the allocation to do just that?

Mr. WEAVER. I think the way the act now is written up, the private and the public would have the same treatment as far as participation is concerned. The only thing is with the public we would deal directly with them and with the private we would deal with the public agency who then would lease it. There is no encouragement of one over the other.

Mr. OSTERTAG. But the law says you should encourage the private sector.

Mr. WEAVER. I think the wording in that means encouraging in the sense of treating it fairly and keeping it going. I don't think the law intends we should advocate one over the other. This is a local determination.

Mr. OSTERTAG. I think it is fundamental to encourage private as against public. You say you will not take part in that at all.

Mr. SEMER. Shall I read that portion?

Mr. THOMAS. Let him read into the record.

Mr. SEMER. This is section 3(c) of Public Law 88-365. [Reading:]

No financial assistance shall be provided under this act to any State or local public body or agency thereof for the purpose directly or indirectly of acquiring any interest in, or purchasing any facilities or other property of, a private mass transportation company, or for the purpose of constructing, improving——

Mr. THOMAS. Is that the old law?

Mr. OSTERTAG. It was enacted this year. I am talking about the amendment which states basically "to protect and encourage private enterprise."

How do you encourage private enterprise?

Mr. WEAVER. This is in the amendment—"such project to the maximum extent feasible provides for the participation of private mass transportation companies." That is the new language that was added in that regard this year.

I think the intent was that this not be used as a means of public purchase of what would be private or a means of disadvantaging the private.

Mr. THOMAS. Was it in the original act? It would not be right for the Government to borrow funds and loan them to a private——

Mr. OSTERTAG. It was adopted this July.

Mr. EVINS. After the facilities are in full operation, there would be revenue produced and you anticipate repayments or refunds?

Mr. WEAVER. Yes.

Mr. OSTERTAG. You are adhering to the policy of the law as it was adopted. You said there was no real difference. I wondered where the directive came into the picture.

Mr. WEAVER. I think the intent of the law, as I read it, is that this not be used to put the private companies at a disadvantage; No. 2, that the private companies be used to the maximum degree possible; No. 3, that we would administer it equitably, fairly, and without favoritism—on the basis of need and on the basis of the financial situation, be it public or private. This we intend to do, sir.

Mr. JONAS. The section from which you quoted goes on and gives a way out to do just exactly what the portion of the section you read says should not be done, and that is if the Administrator finds that such assistance is essential to a program, and he finds that the program provides for participation by mass transportation companies, and that just compensation should be given, and that the Secretary certifies that such assistance complies with another section of the law.

Mr. Administrator, is it your position and are you stating to the committee that you would not favor exercising and would not intend to exercise the right given you to make an exception?

Mr. WEAVER. No, but I am not sure what the exception is. I would have to read this again in toto.

Mr. JONAS. It was stated, and only part of the section was read, that no financial assistance shall be provided to any State or public body or agency to acquire or purchase facilities of a private mass transportation company, and then it goes on and states—unless you make these findings the funds can be so used.

What I want the record to show is whether you have any present intention of using those exemptions and exceptions there.

Mr. SEMER. I think the situation that was troubling Congress at the time this was debated and modified this year from the private enterprise amendment which was adopted in 1961 is this: If there is a local dispute, say, for example, that there is a private company that is going under or is in bad shape. You have a local dispute as to whether you should try to help revive the private company or take it over as a public enterprise.

I think that this section at least states that the Federal Administrator should not take sides on that one to the extent that he would favor a public takeover unless he follows these restrictions.

Another way of putting it is this: If there is a local dispute, this is a caution to the Federal Administrator to stay out until they make up their minds and not to tilt the scales locally.

Mr. JONAS. I understand that. However, the Administrator is given the right in this very section to do what the first part of the section says he shall not do unless he makes these findings.

Mr. SEMER. I think the section says, certainly the spirit of the section is, in favor of private enterprise, but there is no question but what under this section——

Mr. OSTERTAG. Section 4?

Mr. SEMER. 3(c).

Also under this section it would be possible, if these criteria were met, for the Administrator to do what you were pointing to; namely, that the Administrator could, if these criteria were met, help a locality develop a public system.

Mr. WEAVER. Perhaps we can illustrate this by giving an example of a case of this type which has come before us.

Mr. OSTERTAG. Before you do that, would the gentleman yield?

Mr. JONAS. Yes.

Mr. OSTERTAG. In section 4 you did not quote the exact language that I thought referred to this.

In section 4 in the middle of the paragraph it states:

> Such program shall encourage to the maximum extent feasible the participation of private enterprise. Where facilities and equipment are to be acquired which are already being used in mass transportation service in the urban area, the program must provide that they shall be so improved, through modernization, extension, addition, or otherwise, that they will better serve the transportation needs of the area.

That is the thing that is right in there and that was my point.

Mr. WEAVER. Certainly where we go in and there are private facilities we will encourage their utilization to the maximum degree. I think we would do this, anyway.

Mr. OSTERTAG. This is not intended to exclude public. It is intended where it is feasible and possible that you should encourage and help private enterprise rather than the other. Is that correct?

Mr. WEAVER. I think this would be the spirit in which we would operate.

Mr. OSTERTAG. That is what we want to know.

Mr. WEAVER. Mr. Jonas, do you want to go back to your point?

Mr. JONAS. You were going to give an example.

ASSISTANCE TO PUBLICLY OWNED SYSTEMS

Mr. KOHL. The kind of example where these public funds would be used to assist in public ownership is Terre Haute, Ind., where we have had several urgent communications from the mayor. The privately owned system has been failing for some years. Finally they received authority from the Indiana Public Service Commission to suspend service tomorrow, the 15th of August.

Their equipment is in bad shape. They have old beat up buses, and so on.

The city has tried for months to find a private group that would be willing to come in and take over and modernize and expand the system, and they have been unable to get any takers.

They are faced with either no transit service whatever or city operation. They are interested now in making use of these resources to gain new buses to expand the system to meet the urban area growth which has taken place and give first-class service.

Mr. THOMAS. Gentlemen, let us get the record straight as to dollars and cents and then go into the theory of it.

LENGTH OF GRANT PROGRAM

So far as grants are concerned you have $75 million for 1965 and the request for $150 million for 1966. This will be a recurring item for how long? We are not talking about administrative expense or loans.

Mr. WEAVER. I couldn't give you a figure, sir. I think so much of it depends upon what happens on the reaction of the people.

Mr. THOMAS. How many grant applications do you have now for how many dollars?

Mr. WEAVER. Some 70 or 80 applications for equipment which would cost $300 million. These are not applications but letters of inquiry and rough figures of total cost.

Mr. THOMAS. $300 million?

Mr. WEAVER. Yes.

Mr. THOMAS. You have $75 million set up this year and $150 million next year.

Mr. WEAVER. That is the program.

Mr. THOMAS. How long would it take you to get around to them on this basis?

Mr. WEAVER. We won't get around to all of them, and many may not qualify.

Mr. THOMAS. How about 10 years? At the end of 10 years the equipment is worn out and you start all over again. You will have it with you from here on out.

Mr. WEAVER. I think we will have it, but I think that the impact of the need will be less as time goes on.

Mr. THOMAS. Why? The population of the country is increasing and it will be more.

Mr. WEAVER. But as you improve your service, you get more riders. We found from our demonstration projects that improving the service

both in the quality of the equipment and the regularity of the schedule is more important than the cost of the fare.

Mr. THOMAS. Off the record.

(Discussion held off the record.)

Mr. OSTERTAG. The chairman pointed out that you are making a request and the authorization provides for 3 years.

Mr. WEAVER. Yes, sir.

Mr. OSTERTAG. But that is not the end of the program. Is that not the sum and substance of it?

Mr. WEAVER. This is up to the Congress. I don't think it is the end of the need certainly.

Mr. OSTERTAG. The authorization for funds is limited for 3 years but the program remains. As the chairman points out, what follows after that?

Mr. WEAVER. After that we will have to look at the experience we have had and then discuss it and present our recommendations to the Congress.

Mr. OSTERTAG. Will this do the job that is present as of today and the immediate future?

Mr. WEAVER. No, sir.

Mr. OSTERTAG. This will not even do the job?

Mr. WEAVER. No. If you mean will this be enough funds to get every transit system that is in any difficulty out of difficulty, the answer is "No."

GRANT APPLICATIONS

Mr. THOMAS. Can you supply for the record the number of applications you have, the location of them, and give us a fair figure as to what it will cost?

Mr. WEAVER. Yes.

Mr. THOMAS. Can you read some into the record? Does anybody have the information?

Mr. KOHL. We haven't the complete list. We were typing it when we came up here today.

We have 14 areas and a total of roughly $300 million.

Mr. THOMAS. If you were to straighten out the headaches in and around Boston how much money would it take? This wouldn't be a drop in the bucket, would it?

Mr. KOHL. Not considering the amount required, but the State of Massachusetts already has taken steps to provide a major share of the local requirements.

Mr. OSTERTAG. You are speaking of grants?

Mr. KOHL. Yes.

Mr. THOMAS. The grant is the big item. Nobody wants to borrow money.

Mr. OSTERTAG. Then you are oversubscribed?

Mr. KOHL. No. These are gross project costs. We have no firm basis for breaking these down to the net project cost to which the Federal grant would be eligible. We have a feel for this based upon some of our experience in bus operations, about 75 percent of the capital need can be supported out of revenue.

Mr. THOMAS. Let us look at the administrative expense and then we will come back and fill in the details. Mr. Ostertag and the other members have some more questions.

Mr. OSTERTAG. I would like to raise some questions about the grants when you are finished.

ADMINISTRATIVE COST

Mr. THOMAS. Let us look at the administrative cost and then come back to the details of the program.

You have $375,000 here for administrative cost. This program has been in existence since September of 1961?

Mr. WEAVER. The Housing Act of 1961.

Mr. THOMAS. That is 4 years. This year you wanted about $200,000 of administrative cost. You have about 17 jobs. How many do you have on board now?

Mr. WEAVER. Seventeen. Eight that we can afford and nine that we cannot.

Mr. THOMAS. Turn to page C–8 and look at the table. You are looking for 55 jobs? You don't need that kind of money now.

Mr. WEAVER. Yes, sir.

(Discussion held off the record.)

Mr. WEAVER. This is a very, very difficult field, a field where it is difficult to come by people.

Mr. THOMAS. Look at the other objects on page C–7.

(The page follows:)

ADMINISTRATIVE EXPENSES

Distribution of estimated obligations by object

		Estimate, fiscal year 1965
June 30 employment		45
Obligations: Personal services		$251,400
Other objects:		
21	Travel and transportation of persons	18,000
22	Transportation of things	4,000
23	Rent, communications, and utilities:	
	First year rental costs	21,300
	Other	8,500
24	Printing and reproduction	5,000
25	Other services:	
	Transportation systems inventory	35,000
	Other	7,800
26	Supplies and materials	3,400
31	Equipment:	
	First year equipment costs	18,700
	Other	1,900
	Total obligations	375,000

Mr. EVINS. You ask for $75 million and $150 million in this supplemental at this time plus administrative expenses of $375,000.

Mr. WEAVER. Plus $5 million for loans.

Mr. EVINS. Loans are authorized for urban transportation projects which do not require grants but which cannot obtain private financing on reasonable terms.

You said they found funds from private sources.

Mr. WEAVER. Yes; because they borrow with tax exempt money and they can go to the private market and get better terms than our loans would be.

GEOGRAPHIC DISTRIBUTION OF APPLICATIONS

Mr. EVINS. How widespread are your application requests at this time?

Mr. WEAVER. Geographically they are fairly well mixed and fairly well mixed by size of community. The smaller communities largely have bus systems, Mr. Evins.

Mr. EVINS. Not more than twelve and a half percent of the funds authorized can be expended in any one State.

Do you think you will be able to take care of wide areas, or just one or two areas, which can consume the total of the appropriations?

Mr. WEAVER. I think there will be widespread participation in all regions of the country and I think there will be fairly widespread participation by the States.

I wouldn't say every one of the 50 States will come in in the first couple years but the majority will in the 3 years.

LOAN ELIGIBILITY

Mr. EVINS. What is the provision under which a loan will be made? There is a provision in the act with respect to relocation similar to urban renewal.

Mr. WEAVER. There are three provisions pertinent here. First is that any project which receives a grant is not eligible for a loan.

Mr. EVINS. If you get a grant you cannot get a loan?

RELOCATION BENEFITS

Mr. WEAVER. Secondly, both for grants and loans, if individuals, families, or businesses are dislocated as a result of any activity in which the grants are used, partially to finance, then the person or the business would get the same relocation benefits as are now provided on urban renewal.

Mr. OSTERTAG. In a grant or loan?

Mr. WEAVER. Both.

Mr. EVINS. You don't mean a grant and loan both may be made where there is a relocation?

Mr. WEAVER. No. The relocation comes as a result of the grant or the loan rather than the other way around.

Mr. EVINS. Yes.

Mr. WEAVER. In other words, suppose we will be involved with extending or widening a bus station or a depot or something of that sort, a physical thing.

In that process we put out a little jewelry store, tear down an apartment house with 10 or 12 families living in it, then the relocation benefits now under urban renewal would go to——

Mr. OSTERTAG. This would have to have something to do with transportation?

Mr. WEAVER. It would have to. This is a depot which would be for transportation.

Mr. EVINS. There is further provision for emergency grants where you can make a smaller amount, one-half of the net project cost. You anticipate you will use this emergency grant?

Mr. OSTERTAG. Would that be condemnation cost?

Mr. WEAVER. There are two things here, and I will get back to your question, Mr. Evins.

There are two problems here. On relocation again—if the land were taken, as perhaps it would be since a public agency has to be involved, by public domain they could negotiate out the price, which would be part of the project price, or if they could not come to an understanding they would go to the courts and have condemnation proceedings.

This involves the relocation of the people or the businesses, not the payment for the building.

For example, a person has to move. We would have to help with the moving expenses. A business has to move. We would help there.

EMERGENCY GRANTS

Mr. EVINS. Where would you use the emergency authority?

Mr. WEAVER. The act, as you know, sets up rather stringent planning requirements. First there has to be a transportation system which covers the whole area and is an integrated system.

Then that system plan has to be related to and coincide with an overall comprehensive plan for the area.

This is a time-consuming process and very few of the cities coming in now or coming in in the next couple years will have completed this.

Where they have not completed this but where they have it in process, we make this emergency grant.

Then we give them only 50 percent rather than 66⅔ percent, holding back the other one-sixth until such time as they meet the planning requirements, if they do that within 3 years.

LABOR STANDARDS

Mr. EVINS. The act also provides that the Secretary of Labor shall have certain authority with respect to labor standards, compliance with the Davis-Bacon Act, coordination with other agencies, and so forth.

Mr. WEAVER. We have coordination with the Department of Commerce and the Bureau of Public Roads. Obviously you have to have the roads system and mass transit related to each other.

The other is with HEW in connection with air pollution.

FUNDING OF TRANSIT PROGRAM

Mr. EVINS. How firm are you in your knowledge of the amount of funds you actually will need for next year until you come back in January?

This is a brandnew act just passed in July. It will take 1 or 2 years to get firm plans drawn up. Do you need all the money you are now requesting?

Mr. WEAVER. Grant money?

Mr. EVINS. Grant money we speak of generally.

Mr. WEAVER. The reason we have asked for this—as you know, under the authorization we could have asked for 1 year, 2 years, or 3 years because the bill says to be appropriated at any time—we have asked for 2 years because this is a long lead program.

For example, a locality which will come in and ask for this money has to get two planning processes underway. First it has to plan its transit system itself because we will not give them a little bit here if we don't know how it will fit into the total.

Then they will have to combine that with a forward looking plan for the entire area.

Mr. EVINS. Because of all the planning and time consumed you will really not need all these funds.

Mr. WEAVER. I think we need to know they are there and the localities need to know they are there or else they will not do these preliminary things that have to be done.

For example, in order to meet their one-third often they have to have a bond issue. This is a time-consuming thing. Politically it is difficult to get a bond issue unless you have some hope you will be able to use this.

Then, finally, because the transit system often cuts across geographic lines of government, there have to be compacts of four, perhaps five or six, local government agencies.

All of this is time consuming, energy consuming, and expensive.

Unless there is some assurance that money will be available to make this worthwhile, there will not be the action taken by the localities to be able to permit them to function under this effectively, and also it will mean we will not get the best application but a marginal application.

PRESENT FUNDING REQUIREMENTS

Mr. OSTERTAG. Right on this point that Mr. Evins raised, and that is one of the things we must consider in light of the authorization, here you request the $225 million in grants for a 2-year period, namely fiscal 1965 and 1966, even though the authorization goes 1 year beyond that; is that correct?

Mr. WEAVER. Yes, sir.

Mr. OSTERTAG. There is a flexible provision there which allows you to provide for these grants on the basis of up to two-thirds of the cost.

Mr. WEAVER. Yes.

Mr. OSTERTAG. Here we are in August of 1964. We are into fiscal 1965. By the time we get underway here with this money, and you spoke about the preliminary things that have to take place, it would seem to me there is some question of how you can use the full authorization even for this fiscal year in view of the fact there is a flexibility and you yourself do not know at this point whether a project will be eligible for two-thirds, one-third, one-half, or what.

Mr. WEAVER. I think I would have no hesitancy in saying, and I think the logic of the situation points up, that we will have no difficulty in having this money obligated. This is no problem.

Mr. THOMAS. Here is a grant. You are giving people money. You are urging them to take it.

You mean to say they will not look you in the eye and say, "Why should I not help myself until you get the money?"

What do you mean by long leadtime if you don't mean that?

Mr. WEAVER. I am saying there are many problems, almost unique——

Mr. THOMAS. Everybody has their problems.

Mr. WEAVER. So far as requirements are concerned.

Mr. THOMAS. How will that cut it down as to whether you will have appropriated funds if you tell them will give it to them?

Mr. WEAVER. If we do not have appropriated funds—as you know this does not mean we will spend these funds any quicker than if you appropriated them year by year——

Mr. THOMAS. You don't have them. So what?

Mr. WEAVER. If we don't have them, there will be a tendency on the part of communities which will take the long shot and will come in because this is the type of thing they can get. We will have communities coming in without having done their planning, without having the best type of projects possible, because these will be the more provident communities. They will not put in their effort.

Mr. THOMAS. How much of these funds will be given for advance planning? You have authority to do it.

Mr. WEAVER. This covers only part of it. This does not cover the part that has to do with the development of the transit system itself, No. 1, and then it does not cover——

Mr. THOMAS. You don't make much of an argument.

Mr. WEAVER. They have to raise it locally.

If I were the mayor of a city, put it this way, and I was going to the city council and say, "Gentlemen, we need a bond issue."

"What for?"

"Incident to this mass transit thing."

"Well, it will take you 6 months to get the bonds issued, voted on, and so forth."

If I go to the voters and say, "I will get this money because there will be at the time this bond is available X amount of Federal money available for this," I have a much better argument for getting that bond, first through the city council and then through the citizens.

Mr. THOMAS. We hear that all the time in the Federal Aviation Agency with respect to the airport program. I have seen nobody turn it down. Have you?

Mr. WEAVER. We don't always get the best ones.

Mr. THOMAS. I don't understand what you mean by the best and second best.

Mr. WEAVER. The best systems will be those systems where you have the best type of management. The best type of management will be the management which wants to be sure the money is there before they take their images——

Mr. THOMAS. And to the devil with the service to the people. If the money is not there they let it go. The only thing they are interested in is the bait?

Mr. WEAVER. There is service to the people. Their job is to get results. This is results.

Mr. THOMAS. You may be right. I don't see it.

SERVICE STANDARDS

Mr. EVINS. You will try to write into these grant provisions, something in the way of protecting public interest so far as service and adequacy of service, frequency of service, the type of equipment, the way it is maintained?

Are you going to set up standards?

Mr. WEAVER. The only standards we can set up will be the standards which will be financial standards. However, these are not unrelated. Unless they give good service they will not have good financial situations.

We will not get into the operation of local transit systems.

Mr. EVINS. Suppose you make a grant to X company and after a couple years they decide they are not doing well. Can they get a second grant?

Mr. WEAVER. No, sir; not unless there are extenuating circumstances, and they would have to be awfully extenuating.

LOCAL PLANNING

Mr. BOLAND. Why wouldn't it work in reverse? Why not give you less money and then the communities will say "There is not as much money as we anticipated. Since there is not we should put our best foot forward, make the best plans and get there first with the best plan."

Why wouldn't it work that way?

Mr. WEAVER. Having worked in city government before, the city governments always are harassed more than any other government by requirements to do millions of things with the least amount. That is why we are in this business, urban renewal, and so on. They have to be provident and use the facilities and things they have that will be most productive. The biggest problem is to get enough funds to do the job they need to do.

Any city that has two choices will take the most certain choice.

PROGRAM SUPERVISION AND ADMINISTRATION

Mr. BOLAND. I can understand the administrative expenses, the necessity of having the type of personnel that you want because this is a very difficult program. It will require people being paid a salary commensurate with the difficult duties they are performing.

I would hope under this program you will be as successful in handling it as you have been in urban renewal. We have been very proud of your administration in urban renewal.

You have had some problems. Everything is not perfect, but by and large in the expenditures of moneys all over the Housing Administration has done a magnificant job and I think you will do it here.

Mr. WEAVER. Thank you.

Mr. BOLAND. We should sound a warning to those who will be applicants for loans and grants under this program, that we will keep a very sharp eye on this program, that the Congress itself will watch it. I know HHFA will watch it.

We intend to backstop you. There could be some windfalls here that have occurred to manufacturers who supply the equipment. They don't get direct grants—do they?

Mr. WEAVER. No; they do not.

Mr. BOLAND. And to the private operators and public operators who come in for grants and loans. I think this is a program that has to be very carefully supervised, and I know that you will do it and I think you have the assurance of this committee that it will oversee this program rather carefully.

Mr. WEAVER. I think it will require all of our talents and all of our dedication. It is a very difficult one. There are engineering problems, financial problems, administrative problems, intergovernmental relations, planning—all of these things.

Mr. BOLAND. To many communities it looks like a bonanza. Those communities might say: "We come and get a transit system working fine. We pick up only one-third of the cost and the Federal Government will pick up two-thirds of the difference between the revenues and the operating costs and, consequently, we are not going to lose too much." They might think this was an easy program to get in on.

That is all.

ADMINISTRATIVE STAFF

Mr. EVINS. Mr. Boland and our chairman, Mr. Thomas, have both spoken of the administrative costs. You had your staff already formed and already organized with the transportation division even before this law was passed.

Mr. WEAVER. We had something of a staff, and I might say that the money we now have in our appropriation for next year would cut that staff in half. So, we have only the skeleton of a staff. Fortunately, we have the top people on the professional side, as you will see from this table of organization, around which we can build.

Mr. EVINS. You can use many of your present personnel from the General Counsel's Office, the Management Office, and Comptroller's Office. You really do not have to staff this office from the beginning.

Mr. WEAVER. No. In practically every one of these boxes you will see, with the exception of two, we have some existing key personnel, and at the top we have the key personnel. The Assistant Administrator, Mr. Kohl, is with me. His deputy is also on board.

Mr. EVINS. Any further questions?

DEMONSTRATION PROGRAM

Mr. OSTERTAG. Dr. Weaver, the demonstration program will be part and parcel of your funding for grants, is that correct?

Mr. WEAVER. Yes, sir. It will be taken out of the grants at the maximum rate of $10 million a year for the 3 fiscal years.

Mr. OSTERTAG. You do have that in being today, and you have had previous appropriations for that purpose. What is your unexpended balance in that field?

Mr. WEAVER. There was an unexpended balance of approximately $600,000, $600-and-some thousand.

Mr. EISEMAN. $691,600.

FUNDING AUTHORIZATION

Mr. OSTERTAG. Returning to the budget, the supplemental request for fiscal 1965 is $75 million for grants and you are authorized to ask for funds for fiscal 1966.

Mr. WEAVER. This is on page D–3 at the top of the page, (b).

Mr. OSTERTAG. That is right. I have it.

Mr. WEAVER. It says they may be appropriated at any time. That is the language of the act as far as the funds are concerned.

Mr. OSTERTAG. But are you limited to the use of that money within the fiscal year?

Mr. WEAVER. I think by the law we would be. It says for the fiscal year.

FISCAL YEAR 1966 FUNDING

Mr. OSTERTAG. Then that brings me right back to the point that I think we ought to be sure on, and that is, even though we appropriated at this time $150 million for fiscal 1966, you cannot use it until fiscal 1966.

Mr. WEAVER. That is correct.

Mr. OSTERTAG. Then why is there any real need to appropriate these funds now. We have another fiscal year coming up and another appropriation will be made this next year which will provide for your 1966 needs and the needs of possibly subsequent years.

Mr. WEAVER. The reason for this is, if the money is there and it is known that it will be there, then the preliminary planning and the other things which have to be done by the localities will be done more expeditiously and more generally, and we will have a wider group to choose from and we will get better projects.

Mr. OSTERTAG. Granted that is a point, you are asking for the full funding for 1966, even though you cannot touch it until 1966. Why would it not be reasonable to provide a lesser amount which provides the protection you need in connection with your preliminary work? Why do you need all of it?

Mr. WEAVER. I think a lesser amount would be more of a handicap than an attribute for us, because if the authorization is for $150 million and you appropriate at this time less than $150 million, there will be a feeling that this is all there will be. I think from our point of view——

Mr. OSTERTAG. That would not foreclose subsequent appropriations to provide for the balance of the $150 million authorized.

Mr. WEAVER. Frankly, from our operational point of view this would do us more harm than good, in my opinion.

LOAN AUTHORIZATION AND BUDGET REQUEST

Mr. OSTERTAG. And $5 million is what your requirements are under your authorization for loans this year?

Mr. WEAVER. Yes. That is our estimate for loans. We have an authorization of $50 million, but we are asking for an appropriation of only $5 million.

Mr. OSTERTAG. That is correct, yes.

Why is it that you are asking for only $5 million when you are authorized $50 million?

Mr. WEAVER. Because that is all we think we can place. We do not think further appropriations would be used in fiscal 1965.

Mr. EVINS. You could use that when you have grant authority.

Mr. WEAVER. We can in some instances. For example, in financing buses, which is usually a short-term loan to very small communities which find it difficult to get into the bond market and they pay a high rate of interest. Here a loan would be very helpful.

Mr. OSTERTAG. On the face of it, it appears that you are going into a grant business rather than a loan business.

Mr. WEAVER. This is what the law directs us to do.

Mr. BOLAND. How many loans have you made?

Mr. WEAVER. One and a half. We were about to make a second loan when it went into the private market.

DEMONSTRATION GRANT PROJECTS

Mr. BOLAND. How much of the $25 million in grants do you have left?

Mr. WEAVER. We have about $600,000.

Mr. BOLAND. How many projects did you complete under that authority?

Mr. KOHL. Twenty-six actual projects. Two have been fully completed.

ADMINISTRATIVE PERSONNEL

Mr. BOLAND. With reference to personnel, what is the situation?

Mr. WEAVER. We requested $200,000, and you gave us $100,000.

Mr. BOLAND. How many people did you have working in the program?

Mr. WEAVER. Seventeen, as I recall.

Mr. EISEMAN. Seventeen.

Mr. WEAVER. Now we can retain about eight of those.

Mr. EISEMAN. Under the conference bill, we can afford only that many.

Mr. BOLAND. You will need 45 under this program?

Mr. EISEMAN. Forty-five additional. Nine that we still have on the payroll will be our first nine recruits.

DISTRICT OF COLUMBIA DEMONSTRATION PROJECT

Mr. JONAS. Dr. Weaver, what was your demonstration grant for the District of Columbia?

Mr. WEAVER. For the minibus.

Mr. JONAS. What is that?

Mr. WEAVER. This is the bus that goes through the downtown area, Lansburgh's, Hecht's, and so forth, and back up to Garfinckel's for 5 cents. This holds about 14 people. They get on it a[illegible] all up and down.

Mr. JONAS. Who runs this?

Mr. WEAVER. D.C. Transit.

Mr. JONAS. Are they in bad financial condition?

Mr. WEAVER. This is a demonstration project.

Mr. JONAS. What has it shown?

Mr. WEAVER. It has shown in the first place that we get more ridership than they had expected. It was a newly designed type of bus which never had been used for that purpose before. It now is going to be continued, I am sure, by the transit company as a permanent thing. It has kept a lot of cars off downtown Washington.

Mr. JONAS. I had not noticed that.

Mr. THOMAS. You and I both.

Mr. WEAVER. This is during shopping hours.

Mr. JONAS. How much money was involved in that? Was it a loan or a grant?

Mr. WEAVER. This was a grant.

Mr. JONAS. To whom?

Mr. WEAVER. The estimated cost was $240,000. The Federal contribution was $160,462. Public and private organizations contributed $80,000. The District of Columbia government, $5,400. WMATC, $2,800. Downtown Progress, $3,000. D.C. Transit Co., $68,945. The grant was made to the Washintgon Metropolitan Area Transit Commission.

Mr. JONAS. The grant was made and the money was put up to buy these buses?

Mr. WEAVER. And operate them at a deficit.

Mr. JONAS. For how long?

Mr. WEAVER. Three years for the entire project.

Mr. JONAS. How long has it been in operation?

Mr. WEAVER. I had better let Mr. Kohl give you the details of it.

Mr. JONAS. How long has the program been in operation?

Mr. KOHL. Service began November 4, 1963.

ACQUISITION OF BUSES, DISTRICT OF COLUMBIA PROJECT

Mr. JONAS. At the end of the 3 years, who will own the buses?

Mr. KOHL. Actually, the buses were purchased by the D.C. Transit Co.

Mr. JONAS. So, at the end of 3 years they will have all our capital absorbed.

Mr. KOHL. None of the Federal grant money actually went for the purchase of the buses. They are being rented for the test period by the project, but the buses were actually purchased by the D.C. Transit Co.

Mr. JONAS. You mean you rented them and let them operate them for a while under rental?

Mr. KOHL. Under the rental.

Mr. JONAS. Then they purchased them?

Mr. KOHL. No, they purchased them outright and are renting them. A rental charge is being made for their use on the project.

Mr. JONAS. You are not getting any return?

Mr. KOHL. No.

Mr. THOMAS. Are you really accurate there? The bus company buys the bus. Say the bus costs $50,000. You are going to put up two-thirds of the operating loss. He will depreciate the bus, and at the end of 3 or 4 years of the contract are you not paying more than your share of the original purchase price of the bus? How are you

going to separate that from the operating loss? That is a part of the investment, is it not?

Mr. WEAVER. This is not that type of grant. This is a demonstration grant.

Mr. THOMAS. That does not make any difference. It is as broad as it is long.

Mr. WEAVER. This comes under different parts of the legislation.

Mr. THOMAS. What is the formula for a demonstration grant?

Mr. WEAVER. The demonstration formula is that we put up two-thirds of the cost of the demonstration. It has nothing to do with the project cost.

Mr. THOMAS. How are you going to separate the costs of the demonstration from the item of capital investment? That is what I am getting at. It is as broad as it is long.

Mr. WEAVER. No, sir.

Mr. THOMAS. It is inescapable.

Mr. WEAVER. The demonstration project is not related at all to the economic condition of the system. This is a particular project to try out a particular approach. Therefore the financing of this is separate and distinct from a grant which would be permitted now under the law to make the thing possible.

Mr. JONAS. You could not make a grant to Capital Transit, could you?

Mr. WEAVER. No, sir, and we did not.

Mr. JONAS. You cannot under the new law, can you?

Mr. WEAVER. No, sir.

Mr. JONAS. I understand this is a demonstration grant, but the way you demonstrated it was to buy some buses.

Mr. WEAVER. No, sir, we do not buy the buses.

Mr. JONAS. Some of your money went into the purchase of the buses.

Mr. WEAVER. Some of our money went into the rental of the buses that were purchased.

Mr. JONAS. That is right, and therefore, when he purchased them, he purchased them at less than original cost, did he not?

Mr. KOHL. No, not purchased them at less than original cost. Actually, he purchased them with the prospect of renting them to the project. They would not have been built and purchased otherwise.

Mr. WEAVER. This is a new type of bus that had never been used before. The D.C. Transit Co. would not have purchased these buses on a commercial basis.

Mr. JONAS. I do not know why they would not if they want to stay in the transportation business.

Mr. WEAVER. Because these had not been tried out. There was no way of knowing whether or not this would go. This is like a demonstration. Nobody knew whether or not people would ride them.

RESULTS OF DEMONSTRATION PROJECTS

Mr. JONAS. The District of Columbia project is just one. What are the other 25 demonstration grants?

Mr. WEAVER. All over the country.

Mr. JONAS. What sort of grants were they for? This is not a new thing. We have been in this business.

Mr. WEAVER. The demonstration side of it; yes, sir.

Mr. JONAS. What has it proved?

BOSTON PROJECT

Mr. WEAVER. By and large, two things. We are just about completing one in the Boston area, which incidentally was very much the basis for the Massachusetts transit legislation. And I would say it has proved the fact that the important thing for the riders is the quality of the service, rather than the fare; that if you improve the service and get them better equipment and make it more regular, you will get ridership coming up much more rapidly than by tampering with the fare. We have tried to do both.

Mr. JONAS. What has been the result?

Mr. WEAVER. The result has been that we now have some idea of how you attempt to get a transit system that is going to have an appeal to the public. You do it primarily by providing more regular service.

Also, we have learned that where you get your increase in ridership is on the off-schedule time, the times in between when people are going to and from work—in other words, the shoppers and other people.

Mr. JONAS. How much did that cost?

Mr. WEAVER. There were a whole lot of other things in that, sir.

Mr. KOHL. Actually, this project's total cost was roughly $5.4 million. We are having a final audit now. It will be somewhat less than that. The Federal share was $3.6 million. The State put up $1.8 million.

This involved a variety of service improvements and fare adjustments on two commuter railroads.

Mr. JONAS. Fare adjustments? What do you mean by that?

Mr. KOHL. They actually tried periods of reduced fares. The first 6 months of the project, for example, on the commuter rail service, the Boston & Maine Railroad, there was an overall reduction of all fares. At the end of that period the peak-hour fares were restored to their former levels. The off-peak or in-between time fares, which Dr. Weaver referred to, were continued at a cutrate basis. It was found that for the people who rode regularly to and from work, morning and evening, the quality of service kept them on the rails. They did not protest the restoration of the higher fare.

GRANT APPLICATIONS

Mr. JONAS. Let us get down to this bill. Read into the record the list of the 14 applications you have.

Mr. WEAVER. We do not have that with us.

Mr. KOHL. We do not have the list. We shall furnish that list.

Mr. JONAS. That will be too late. We will mark this up directly.

Mr. EVINS. Name a few of them.

Mr. JONAS. You must know what they are. I am surprised you do not have that information with you at this hearing.

Mr. WEAVER. We had very little time.

Mr. EVINS. Supply the list for the record, but name a few of them.

Mr. KOHL. Terre Haute, Boston, New York metropolitan area, Philadelphia, Salem, Oreg., Memphis, Tenn., and similar ones.

Mr. JONAS. It may be too late for our purposes, but I am sure you have it and can send it up later this afternoon. Will you provide a

list of the cities that have applied for these grants and loans, and a comparable table showing their Moody ratings on their bonds?

Mr. OSTERTAG. Do you mean grants?

Mr. JONAS. Yes, grants and loans.

Mr. OSTERTAG. For which this appropriation is requested.

Mr. JONAS. For which you are asking this money.

Mr. KOHL. It would be for grants, but we have only one loan. The reason they cannot do it is because the systems will not pay for the revenues.

(The information supplied follows:)

URBAN MASS TRANSPORTATION GRANT PROGRAM

Projects upon which HHFA has received preliminary requests for financial assistance under the Urban Mass Transportation Act of 1964

Location	Type	Total cost [1]	GO bond rating [2]
Philadelphia, Pa	Tunnel connection between Reading terminal and suburban station.	$43,000,000	A
Detroit, Mich	New bus equipment	1,000,000	Baa
Baltimore, Md	200 new buses	7,000,000	Aa
Cleveland, Ohio	Rapid transit extension to airport	7,000,000	Aa
San Francisco, Calif	Rapid transit construction	10,000,000	Aa
Boston, Mass	Rapid transit extensions	103,000,000	Baa
Memphis, Tenn	75 new buses	1,917,000	Aa
	Maintenance facilities	30,000	
Philadelphia, Pa	Subway extension	90,000,000	A
Little Rock, Ark	15 new buses	400,000	A
Seattle, Wash	New bus equipment	1,000,000	A
Salem, Oreg	17 new buses	500,000	Aa
New Jersey, State of	Commuter railroad improvements	26,250,000	Aaa
Long Beach, Calif	New bus equipment	500,000	Aa
	Terminal facilities	20,000,000	
New York	Coordination of rail and rapid transit services	[3]	A [4]
Total (14)		311,597,000	

[1] No information is available as to how much can be financed by revenues. The maximum grant in any case would be ⅔ of the difference between total cost and the amount that can be financed by revenues.

[2] These are general obligation bond ratings for the listed cities, according to the 1964 Moody's Municipal and Governments Manual. They are not therefore necessarily indicative of the market for issues which might be developed in connection with projects under the urban mass transportation program.

[3] Not available.

[4] Port Authority of New York.

FEDERAL INABILITY TO MEET TOTAL NATIONWIDE REQUIREMENTS

Mr. JONAS. There is no reason for me to tell you, because we are not debating the legislation here today, but I have difficulty deciding that it is a wise thing for me to tax my people to pay for a transportation system in Podunk, some individual city in the United States. That leads me to move into the point that the chairman was making earlier. The Government will never be able to avoid making these services available to every municipality in the United States. I live in a small town, but I have a traffic problem, too, not as acute as the ones in Boston and New York. How can you ever avoid making these Government services available to Charlotte, N.C., Nacogdoches, Tex., Greeneville, Tenn., and every municipality in the United States? Once you start it, do you not encourage all of those that would have worked on this problem to quit and wait on Government financing?

Mr. WEAVER. I do not think so.

Mr. JONAS. We cannot get anywhere debating that, of course, and I should not even have brought it up. I just wanted to put this comment on the record because I, for one, believe that once you start this

program with grants such as is contemplated, you will never be able to stop until you take care of all of the cities of the United States that have a similar need, and it would not be fair if you did stop.

Mr. WEAVER. There are many cities that will never be able to develop good systems, which is a requirement. It will take some time before they will be able to do the planning which is necessary. Others will have difficulty——

AUTOMATION AND LABOR PROTECTION

Mr. JONAS. I have just one other comment to make which is in the nature of a question. I notice on page B–1, one of your objects or one of your projects or one of the things you plan to do or will do is to provide automatic equipment, computer-operated traffic controls, automated fare collection devices, et cetera, all taking advantage of the improvements in automation which naturally will result in elimination of employees to save money.

I notice on A–5—and I think it is in the act, too—that one of the things you require is that the plan will provide for "the protection of individual employees against a worsening of their position with respect to employment and assurances of employment to employees of acquired transportation systems."

How are you going to provide assurances that all employees in acquired systems will have jobs with this automated equipment at the same time?

Mr. WEAVER. You will see on B–4, sir, this refers, again, to the demonstration program. This is a part of a research program. The second section that you read, the labor provision, refers to our direct grant programs of assistance. This is the type of thing that we would be doing as anybody else would be doing in a research activity, to find out how these things operate. This does not mean that we necessarily will make grants for assistance to this.

Mr. JONAS. You would, though, would you not, if the plan contemplated fully automated systems as more efficient and economical?

Mr. WEAVER. I would say that here the activities which we go into will usually, in 9 out of 10 cases, more than that, increase the amount of employment rather than decrease the amount of employment. I think this will be because of its very nature.

Secondly, automation is still in its infancy in this particular area. This is not an imminent thing around the corner as far as technology is concerned. That is why it is in demonstration rather than in the other section.

Mr. JONAS. I thought it was a pretty well established fact that automated equipment in transportation systems is very feasible.

Mr. WEAVER. It has been feasible in vertical but has not yet been feasible in the horizontal; in other words, elevators, but not transit.

Mr. KOHL. I might add, sir, that the reference here to automated fare collection is not a laborsaving device in the sense that it displaces labor. It merely, for example, is installed on a bus and enables the operator to give better service to the customers, and not delay the bus while he fumbles around with a lot of hand devices, and so on.

Mr. JONAS. Do you mean you would not encourage a plan and support it if it involved laborsaving devices?

Mr. WEAVER. I mean as far as automation is concerned, we are not yet at a knowledge so far as our technology is concerned, to permit this to be a widespread type of grant. If a system came in which there

was a sound proposal—after all, we do not take on total systems; we take on segments of systems as projects. As a practical matter, I really do not think this will harass us for the next few years.

Mr. JONAS. I disagree with you. I think it will be the main headache. I do not see any reason for your demonstration grant or your demonstration project to find out if automated equipment is more economical and worth while unless you propose to use it. If you establish that it is, then certainly you want to use it in one of your regular programs. Then if you do that, how are you going to take care of keeping all the employees?

Mr. WEAVER. The only thing I am saying is in the immediate future. As to what the technological developments may be in the future, down the road, I do not know.

This is what we will find out. If we find out it is applicable, then we have a program, but we do not have this problem at the present time.

Mr. JONAS. You mean you are not thinking that far ahead. What if it shows it is feasible?

Mr. WEAVER. I think that would be my successor's problem.

Mr. JONAS. You mean you do not think you would be able to demonstrate whether automated equipment is workable and feasible in the foreseeable future?

Mr. WEAVER. In my foreseeable future in this job.

(Discussion off the record.)

Mr. EVINS. You are a very able man and doing an effective job.

Mr. JONAS. Of course, nobody wants to see anybody lose his job, but I think the cost of labor is one of the really serious problems in any transportation system. Is that not true?

Mr. WEAVER. It is much more true on the railroads than it has been in the bus systems and the subway systems.

SELECTION OF GRANTEES

Mr. EVINS. Mr. Administrator, you said that you wanted the full amount in order that you might have a wider choice or wider variety for selection. Does this mean you are going to pick out those that you want to demonstrate to be effective, or the ones that have the greatest need? What do you mean by the widest selection?

Mr. WEAVER. The widest selection from those that give the best indication of being made financially whole by these grants, where they will do the most good.

Mr. EVINS. In other words, if one is on the margin of being successful and another one is almost bankrupt, you would take the almost bankrupt to try to bail it out?

Mr. WEAVER. It all depends upon how "almost bankrupt" it was. If it was almost bankrupt so that no matter what we did was just postponing the bankruptcy, I would not.

Mr. EVINS. If one is on the margin of succeeding, it is not really necessary that you make the grant, but it is, in those cases which are really slipping and going by the board.

Mr. WEAVER. And also where there is some hope.

Mr. JONAS. Do we understand, then, that you would not make a grant or a loan unless, as we say with respect to public works projects, the plan is economically feasible and you think practicable and will be a moneymaking proposition?

Mr. WEAVER. I would not want now, at this early stage of administering a new grant program, to say exactly what we will do. That is why I have a staff and why I want good people to develop what we do.

Mr. JONAS. But there should be some criteria.

Mr. WEAVER. I would say our concern would be to concentrate this activity on those systems which, as a result of this assistance, would be able to stay in business and serve the people over a longer period of time. What that exact formula would be, I would rather not try to spell out at this time.

PURPOSE OF GRANTS

Mr. OSTERTAG. Is this just to keep transportation systems in business, or is it to provide a greater degree of transportation which is so sorely needed in the urban areas?

Mr. WEAVER. The two things are different sides of the same coin. Obviously, our concern is for service, but if it is to be a system, it must be able to have some funds to run it.

Mr. EVINS. You have a difficult assignment, and the Congress has imposed this duty and responsibility upon you.

Unless there are further questions——

PREVIOUS LOANS AND GRANTS

Mr. THOMAS. Let me ask one question.

How many grants have you made since you have been in business in this program?

Mr. KOHL. Twenty-six through June 30, 1964.

Mr. WEAVER. And one loan.

Mr. KOHL. We have had no grant authority.

Mr. THOMAS. The grants were all for demonstration purposes?

Mr. KOHL. Yes.

Mr. THOMAS. You have made 26. How much money is involved?

Mr. EISEMAN. $24,308,000.

Mr. THOMAS. How many loans have you made?

Mr. WEAVER. One.

Mr. THOMAS. How much?

Mr. WEAVER. About $3 million, roughly.

Mr .THOMAS. Are they going to pay it back?

Mr. WEAVER. It is being paid back.

CUMULATIVE ADMINISTRATIVE COSTS

Mr. THOMAS. How much have you spent for your 4 years' administrative expense, salaries and expenses, and operational cost?

Mr. WEAVER. Mr. Eiseman.

Mr. EISEMAN. The administrative expenses in 1962——

Mr. THOMAS. The first year right on up to now, through fiscal year 1965.

Mr. EISEMAN. Approximately $550,000.

Mr. THOMAS. How many demonstration grants have you made now?

Mr. KOHL. Twenty-six.

Mr. THOMAS. You have spent half a million dollars making those 26. What was the total value of the demonstration grants?

Mr. EISEMAN. $25 million.

Mr. THOMAS. That sounds pretty high.

Mr. WEAVER. It has been that high, sir. I do not see any way out of it.

Mr. THOMAS. Have you spent any money in the District of Columbia?

Mr. WEAVER. Except for that one demonstration.

Mr. THOMAS. What is a good horseback opinion of how much D.C. Transit is worth?

Mr. KOHL. I do not know, sir. This has note been our responsibility.

Mr. THOMAS. Their machinery and everything else runs into several hundred million dollars, does it not?

Mr. WEAVER. We have avoided this, sir. We were not involved in it, and it seems to me these are problems of the District.

Mr. THOMAS. We thank you for appearing.

Mr. OSTERTAG. May I add one further point. I believe, Dr. Weaver, that in the basic act there is a provision with regard to contracts which require that all materials and supplies be purchased in the United States. Is that correct?

Mr. WEAVER. Yes. However, there is some language that Mr. Semer has read into the record concerning that. Basically, this is the requirement.

Mr. OSTERTAG. I was wondering what the relationship between a loan and a grant might be. In other words, it would be part and parcel of the terms of the grant or the loan, is that it?

Mr. SEMER. Mr. Ostertag, if you will permit, since this is a technical question, I would like to submit that in writing as soon as we can figure it out.

RATE REGULATION

Mr. OSTERTAG. Another provision in the act, I believe, calls for a prohibition with regard to your relationship in the matter of these loans and grants to rate fixing or regulation of rates. I assume that is no problem, anyhow, is it?

Mr. WEAVER. We would not get into that, anyway. We will consider these when we look at the economic soundness.

Mr. OSTERTAG. If you look at the economic soundness of it, although you may have to have authority to direct a rate which is out of your province, yet if their rates are not proper, what are you going to do?

Mr. WEAVER. Turn down the proposal.

Mr. OSTERTAG. In other words, indirectly you are going to have control over rates.

Mr. WEAVER. No, sir.

Mr. OSTERTAG. I do not see that that does not follow.

Mr. WEAVER. If we turn it down, they have several alternatives. They can finance in a different way or they can change the rates. We are not going to tell them what to do.

Mr. OSTERTAG. But you turn their application down unless they adhere to the rates you stipulate?

Mr. WEAVER. There are other ways they can do it.

Mr. OSTERTAG. What is the spirit and intent of the law?

Mr. WEAVER. Just what we have done, and that is to say we are not going to get into the regulation of the rates.

Mr. EVINS. Thank you, Dr. Weaver, and your staff. You have made a masterful presentation.

MONDAY, AUGUST 17, 1964.

HOUSING ACT OF 1964

WITNESSES

ROBERT C. WEAVER, ADMINISTRATOR
MILTON P. SEMER, AGENCY GENERAL COUNSEL
JOHN M. FRANTZ, AGENCY BUDGET OFFICER
NATHANIEL J. EISMAN, BUDGET ANALYST

URBAN RENEWAL ADMINISTRATION

WILLIAM L. SLAYTON, COMMISSIONER
ROBERT C. GILKISON, BUDGET ANALYST

PUBLIC HOUSING ADMINISTRATION

MARIE C. McGUIRE, COMMISSIONER
JOSEPH BURNSTEIN, GENERAL COUNSEL

FEDERAL NATIONAL MORTGAGE ASSOCIATION

J. STANLEY BAUGHMAN, PRESIDENT
CARL H. BURKE, DIRECTOR, OPERATIONS ANALYSIS

Mr. THOMAS. Gentlemen, will the Committee please come to order? It is nice to have the Housing and Home Finance Agency with us again today. You are requesting a number of items as contained in House Doc. No. 346 and also some items in your regular budget that were not authorized at the time of the hearings.

We have Mr. Weaver, the Administrator; Mr. Semer, General Counsel; Mr. Frantz, Budget Officer, and Mr. Eiseman, Budget Analyst.

For Urban Renewal, we have Mr. Slayton, Commissioner; and Mr. Gilkison, Budget Analyst.

For the Public Housing Administration, we have Mrs. Marie McGuire, Commissioner, and Joseph Burstein, General Counsel.

For the Federal National Mortgage Association, we have an old banker of many years standing, whom we all know and respect, Stanley Baughman, President, and Carl H. Burke, Director.

We have looked over your budget and you have a lot of items in here based on your new Housing Act. The conferees have not even met between the House and the Senate, much less the Act being signed into law.

GENERAL STATEMENT

What suggestions do you have here, Mr. Administrator? If you have a statement, let us insert it in the record at this point.

(The statement follows:)

Mr. Chairman and members of the Committee:

I regret as much as I am sure you do the necessity for presenting to you today these supplemental estimates, based on a bill which has not yet been agreed to in final form.

However, the situation is this: housing bills designated as the Housing Act of 1964 have now passed both houses by very substantial majorities, and the Senate bill with the House amendment in the nature of a substitute is in conference. I believe no one doubts that a bill as agreed to in conference will become law in the very near future.

While there are many things in common between the House and Senate versions of the bill, there are also some important differences. The supplemental estimates which we are now presenting are based upon those provisions in the respective bills which were recommended by the administration, and which we hope and believe will be included in the final bill.

If it wre possible, it would be far more convenient for us and for you if consideration of these estimates could go over until the new Congress meets. However, the Housing Act of 1964 will provide authorization for several important on-going programs which are out of funds or nearly so, and which would come to a halt if appropriations were not made available before the current session ends. Moreover, the new Act will provide authority for several urgently needed new functions and activities. Experience has shown that a supplemental estimate submitted in January or February is frequently not acted on until very late in the year. If that were the case in connection with these new authorizations, these provisions of the 1964 Housing Act would go without effect for a period that might be as long as a year.

SUPPLEMENTAL ITEMS PREVIOUSLY SUBMITTED

There are four items before the committee which were not included in the President's supplemental message, because the requests were in the regular budget, contingent upon authorization increases for continuing existing programs. These four are as follows:

1. For Urban Planning Assistance Grants under section 701 of the Housing Act of 1954, $22,650,000.
2. For Open Space Land Grants, $15,000,000.
3. For Low Income Housing Demonstration Grants, $2,500,000.
4. For Advances for Public Works Planning, $12,000,000.

In each case, these amounts were included in the original budget estimates. In fact, in all cases but one they are the identical amounts. In the case of the Low Income Demonstration program, on further review we are now proposing an appropriation of only $2.5 million, instead of the $5 million included in the original budget.

The Appropriations Committees in both houses acted, naturally, only on the amounts authorized by law at that time. The additional authorizations required are included in both the House and Senate versions of the Housing Act of 1964, and we are therefore proposing the remaining appropriations at this time. I will not enlarge further on these four items now, since the committee is familiar with them and hearings were held on them when they were before you in connection with the regular bill.

Let me now take up briefly the new items which the President has submitted.

NEW AND EXPANDED RELOCATION PROVISIONS—ADMINISTRATIVE EXPENSES

First, we request an increase of $165,000 in our appropriation for "Salaries and expenses" to enable us to handle the very substantial workload which will result from the expanded and liberalized provisions in the Act affecting individuals, families and businesses displaced from urban renewal areas. The most important of these are the following (based, I should note, on the provisions of the Senate Bill, which correspond more closely to the Administration recommendations, and which we hope will be adopted in conference):

First, the bill would extend the existing requirements with respect to the preparation of a feasible relocation plan to individuals. At present, this requirement in the law is restricted to families.

Second, the bill authorizes certain supplementary rent payments to ease the burdens of relocation for low and moderate income families, and of individuals 62 years of age or older. Under the bill, such families and individuals would receive for one year payments which, when added to 20 percent of their income, would equal the average rent required in the community for a decent, safe and sanitary house of modest standards and adequate size.

Third, the bill provides more realistic relocation payments to small businesses displaced from urban renewal areas. These payments would be limited to local

businesses in the area—that is, businesses which are not parts of a larger enterprise with establishments outside the area—and to those whose average annual earnings are less than $10,000.

It is clear from a mere recapitulation of these provisions that they will involve a very heavy new workload, especially in our Regional Offices. For example, we will be required to ascertain what is the "average rent" required in each community for decent, safe, and sanitary housing of modest standards for individuals and for various family sizes. We will also have to make more precise, by regulation, the definition of eligible businesses, and secure a showing with respect to "average annual earnings." We will have to work out with some 400 local public agencies, and for some 590 projects, amended project budgets and amendments to loan and grant contracts covering these matters. These are only examples of the problems, but I think they are sufficient to illustrate the fact that these new responsibilities cannot be absorbed by our present limited staff. Without the additional people we are requesting in this supplemental, this would be a very long and slow job, and that would impose delay and hardship on the very people who are intended to be helped by these new provisions in the bill.

FEDERAL–STATE TRAINING PROGRAMS

Title VI of the House bill authorizes a new program, recommended by the Administration, providing for matching grants to States for programs of training and study in the general areas of urban planning, finance and administration: or, in the language of the bill, "skills needed for economic and efficient community development."

As this Committee knows, it is well established Federal policy that programs of community planning, growth and development are primarily matters for local initiative, local decisions, and local execution. One effective way we can help to advance this policy is to give limited financial assistance to strengthening the local governmental instrumentalities which must take the initiative, make the decisions, and administer the programs. One of the most serious handicaps to stronger local participation in these areas is the acute shortage of trained professional people in all the critical skills—urban planning, municipal finance, and local public administration, to name three of the most important.

The House provisions—which we are urging to be included in the final bill—would authorize matching grants to States for the development and carrying out of programs to train people in essential technical and professional skills, who—and here let me use the language of the bill—"are, or are likely to be, employed by a governmental or public body which has responsibilities for community development".

Grants could also be made for research—not by or for us, but by State and local agencies—in connection with housing programs and needs, public improvement programing, code problems, efficient land use, urban transportation and similar community development problems. We would have the additional responsibility of collecting and publishing the results of such research.

The bill would impose on the Administrator a number of supervisory duties, including the approval of a plan for the use of funds under this program and a statement of the objectives intended to be accomplished, and the administration of various fiscal and other controls to assure that the Federal funds are used to accomplish the statutory purpose.

The bill authorizes appropriations of $10 million, of which we are proposing $5 million to be appropriated now, together with $75,000 for administrative expenses.

Incidentally, after consultation with the Bureau of the Budget, I would like to call the Committee's attention to a technical change which I hope may be made in the appropriation language for this item. The bill authorizes funds to be appropriated for this purpose "without fiscal year limitation". However, the phrase "to remain available until expended" was inadvertently omitted from the language as submitted. I hope, therefore, that it may be inserted at the appropriate place in the language in the appropriation bill.

LOANS FOR ADVANCE ACQUISITION OF LAND

Section 402 of Senate bill 3049 authorizes a new program for loans to States and local public bodies for the acquisition of land or interests in land in order to permit the local agency to secure present control of the land for future use in the development of public facilities. This should make it possible not only to

plan the development of public facility systems more rationally and efficiently, but also to avoid speculative and other increases in land costs, and thus reduce the cost of the facilities in the long run. Since these will be interest-bearing loans reasonably secured as to repayment, there should be no ultimate cost to the Government for the program.

The bill adds no new money authorization for this type of loan, which is to be made from the same revolving fund as our regular public facility loans. However, it is quite a different program from an administrative standpoint, since it does not involve construction of facilities but rather a somewhat novel technique for financing real estate acquisition. The existing staff for the public facility loan program is already stretched about to capacity by the workload in that program and in the Accelerated Public Works program, which it also handles. In addition, this staff does not have all the skills necessary to work out this new type of loan—especially for appraising the value of less than fee simple interests in land, such as easements, rights-of-way, air rights, options, and the like. We expect that these latter will be involved in many cases.

Accordingly, we are requesting authority for 20 additional positions, estimated to cost $100,000 during the remainder of the current fiscal year. As you know, this is not an appropriation, but an increase in the limitation on use of funds from the revolving fund.

RELOCATION EXPENSES—PUBLIC HOUSING ADMINISTRATION

For the Public Housing Administration, we are requesting a supplemental appropriation of $75,000 for the expenses of adding, during the balance of the year, a relocation specialist in each Regional Office and three professional employees at headquarters, with minimum clerical support, for a total of 15.

This increase results from the fact that the Housing Act of 1964 will extend to the public housing program the relocation requirements which up to now have applied to urban renewal projects but not, for some reason, to public housing. This includes not only the provisions of existing law, but the modifications and improvements under the new 1964 provisions. The change makes eminently good sense. Clearly, the rights and relief available to persons and businesses displaced from a public housing site ought to be the same as those of persons and businesses displaced from a urban renewal area, and this would be the effect of the new law.

However, the change does impose a substantial administrative load on both the local housing authorities and the Public Housing Administration which they have not had in the past, and which was not provided for in the regular budget. The immediate impact in the case of PHA will be substantially less than in the case of URA, due to the fact that the requirements will respect to the preparation of a relocation plan for each project are applicable only to projects on which preliminary loan contracts are executed after the effective date of the Housing Act of 1964. PHA will have the immediate problem, however, of instituting systems for making payments of moving expenses and relocation benefits for individuals, families and small businesses, including the supplementary rent payments for low and moderate income families and for individuals 62 years old or older.

FNMA ADMINISTRATIVE EXPENSE LIMITATION

The final item is an increase of $100,000 in the administrative expense limitation of the FNMA for the current fiscal year, to cover the costs of a new plan for the disposition of federally owned mortgage holdings, which is included as section 601 of the Senate bill. The bill would permit private investors to buy participations or beneficial interests in a pool or block of mortgages owned by FNMA, or of VA direct loans and vendee accounts. The earnings of these mortgages would create a return to the private investor, while the receipts from the sale of these participations would return funds to the Treasury.

It is contemplated that FNMA would operate the proposed system, both with regard to the mortgages it holds and with regard to the VA loans and vendee accounts. FNMA would develop the mortgage pools or blocks; prepare and market the participations; and account for the system both to the participation holders and to the Government. For these functions, it is estimated that a staff of 23 will be required, as detailed in the justification submitted.

Mr. Chairman, this concludes my brief summary of the items before the Committee. My associates and I will be glad to answer any questions or supply any additional information which you may need in your consideration of these estimates.

PROGRAMS COVERED BY SUPPLEMENTAL ESTIMATES

Mr. THOMAS. Mr. Administrator, summarize your statement for us. Speak for all of the items and if you want to talk off the record, or on the record, it is all right.

Mr. WEAVER. We have taken the position that for those features of the bill which were recommended by the Administration and which are contained in the bill, either by concurrence by both Houses or in one bill or the other in conference, where it looks as though there is a very good likelihood they will be passed, it would be prudent to ask for an appropriation at this time.

NEW PROGRAMS AND PRIORITY OF SUPPLEMENTAL REQUESTS

Mr. THOMAS. How many new programs? Virtually, you have only one or two new ones in this. You have a little money for all of your other programs that were presented in this year's regular budget, but how important is this supplemental for 1965? Cannot you wait until January or February and your regular bill? You have one or two new programs out of eight or nine items.

RELOCATION BENEFITS IN URBAN RENEWAL AND PUBLIC HOUSING

Mr. WEAVER. I think there are several that do have immediacy. The first one that I put in high priority is the problem of the new relocation benefits in urban renewal and public housing. I gave it high priority because it affects people, and because it becomes effective at once, and because a delay in funds will delay the benefits to the people who, I think, are deserving.

Mr. THOMAS. This is a brandnew program?

Mr. WEAVER. It is an extension of an existing program, but it is a brandnew approach.

Mr. THOMAS. It is brand new as far as application to public housing projects is concerned?

Mr. WEAVER. Yes.

Mr. THOMAS. You have had branches of it heretofore but not public housing. That is new, but then what next is new?

FEDERAL-STATE GRANTS FOR TRAINING

Mr. WEAVER. The next new one is the matter of the Federal-State grant program for the training of people.

Mr. THOMAS. That is really your new one and how important is that right now?

Mr. WEAVER. I think it is long overdue. I think we are going to have to tool up for this. It is a small amount of money.

Mr. THOMAS. How are you going to segregate the light and power employees, for example? Are we not going overboard?

Mr. WEAVER. I think I can answer this by several specifics. The new housing bill in all probability will have much more stringent requirements for code enforcement. There seems to be general agreement in both the House and the Senate that the bill have this in it.

One of the great problems here is the problem of Federal-State and local relationships.

I do not want to get into the running of local codes. On the other hand, I am going to have responsibility to see that a better job is done in this field, and one of the very important ways of doing this, and keeping ourselves out of the actual administration, is getting better code people locally.

This is an area where we have a tremendous lack of qualified and trained people——

Mr. THOMAS. You can get into a lot arguments when you mess around with these codes. A lot of people think the Federal Government has no business telling them how to run their real estate problems.

Mr. WEAVER. We are not going to get into that.

Mr. THOMAS. If you came to my town, we do not have a nickel of this money for this very reason.

Mr. WEAVER. We simply say there have to be some results. That is what the Congress is saying to us. We are not going to run the code business. We are simply going to try, in this particular provision, to get better people to do it.

Mr. OSTERTAG. How do you do that, with a club?

Mr. WEAVER. Get the better people or get results?

Mr. OSTERTAG. Both.

Mr. WEAVER. As far as results are concerned, the law——

Mr. THOMAS. You are setting a precedent here that is going to put the Government into the education business in every city activity. I do not know how you are going to place a priority on housing as against the light and power bill and the utility bill and the public health bill.

What will you do if they come in saying, "This is the most important thing here, the public health angle. We had better train our people here"?

Mr. WEAVER. They would have to get new legislation to do that.

Mr. THOMAS. That is not impossible.

Mr. WEAVER. That is something over which I have no control, Mr. Chairman. There is another new one.

Mr. THOMAS. You had better discuss it with the members around the table. If you have any items that really are going to cramp you unless you get some money for them, you had better discuss it with them.

What other new one?

LOANS FOR ADVANCE ACQUISITION OF LAND

Mr. WEAVER. The other new one is the program of loans for advance acquisition of land, or for advanced control of land—because it may not be by acquisition—for future public usage where there is going to be a school or some other public facility built in the next 5 years.

Mr. THOMAS. This is not open space?

Mr. WEAVER. No; this is for public use—a school or fire department, or something of that sort.

Mr. THOMAS. Are you not going a little far afield? My goodness, here we are going to go in and tell a city what to do.

Mr. WEAVER. No, sir; we do not tell them anything. We simply provide them assistance so that if they decide they want it, they can

option this land or acquire it in advance of the time they will use it. The classic example is the matter of 5 or 10 acres for a school complex. If it is done now, the land is open and it has not yet had an increment in value due to development. But if they wait 5 years, they have houses or other structures on it, and the value has gone up. Maybe they can get it now for $2,000 an acre, but later on it will be $40,000 an acre.

Mr. THOMAS. Is the Federal Government going to pay the cost of the educational bill and the cost of constructing that building and the teachers' salaries? Are we getting right in the middle of it through the back door? Is that what it leads up to?

Mr. WEAVER. This program will not cost anything. It is a loan program.

Mr. JONAS. Mr. Chairman?

Mr. THOMAS. That is an answer for the book. "It will not cost anything". Just start off with $25 or $30 million. Put in section H on that program.

(The material referred to follows:)

LOANS FOR ADVANCE ACQUISITION OF LAND FOR PUBLIC IMPROVEMENT PURPOSES

Authorization language

Limitation on administrative expenses, Office of the Administrator, public facility loans

In addition to the amount otherwise available for administrative expenses in connection with loans from the revolving fund established pursuant to title II of the Housing Amendments of 1955, as amended, $100,000 shall be available for such expenses during the current fiscal year: *Provided*, That this paragraph shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

Summary

Available, Independent Offices Appropriation Act, 1965, for public facility loans	$1,220,000
Supplemental, H. Doc. No. 346, for new program of loans for advance acquisition of land for public improvement purposes (S. 3049—88th Congress)	100,000
Total authorization	1,320,000

Justification

Section 402 of S. 3049, as passed by the Senate, would authorize the Housing and Home Finance Administrator to extend financial assistance to communities to finance the acquisition of open or predominantly undeveloped land planned to be utilized in connection with the future construction of public works and facilities.

Loans could be provided to purchase the land outright or to acquire some lesser interest, such as an easement, right-of-way, air rights, development rights, or options. The loan could cover the total cost of acquiring the interest in land including necessary expenditures incidental to the acquisition of the interest acquired in the land. The maximum maturity of a loan made under this section would be 15 years. The Administrator would be authorized to postpone the payment of principal and interest on a loan, but the entire principal and interest would have to be repaid within the maximum 15-year period. It is expected that the majority of loans would be for a shorter period than 15 years. Every loan would be required to be repaid no later than the time that construction is begun on the public work or facility for which the land is acquired. Generally,

the land for which the loan is made would be needed for a public work or facility already slated to be constructed and provided for in a community's capital improvement program or budget covering the next 5 or 6 years.

These loans would have to be reasonably secured and bear interest at the rate now prescribed by the statutory formula in the public facility loans program (currently 4 percent). Any interest deferred would accrue and be compounded semiannually.

No loan could be made to finance the acquisition of such land unless the public work or facility for which the land is to be utilized is planned to be constructed within a reasonable period of time and construction of the public work or facility will contribute to economy, efficiency, and the comprehensively planned development of the area. The existing population limits in the public facility loan program would not be applicable to loans for advance acquisition of land.

To qualify for a loan a community will have to be engaged in comprehensive planning appropriate to its size and location. Larger urban areas and communities experiencing rapid growth would have to be actively engaged in comprehensive planning for the development of the entire urban area. The public work or facility for which the advance acquisition of land is to be made would have to be consistent with a communitywide and areawide system of such facilities.

In smaller isolated communities it will not be necessary that the entire urban planning process be underway. For such places, it would be enough to have a clear indication that the community had examined its probable future size, public facility needs, and financial capacity and that the proposed facility would be an efficient element in its efforts to meet its future needs. In addition, to the extent that there is an overall plan for the development of the community, the public work or facility for which advance acquisition of land is to be made will have to be consistent with the existing overall plan.

Federal loans for advance acquisition of land would serve as a supplementary source of funds for communities which are growing and want to undertake advance acquisition of land, but do not yet have sufficient borrowing capacity and established credit ratings. The postponement of principal and interest payments, where appropriate, will enhance the utility of this program to communities that are in growth stages.

The cost of land acquisition for a water supply or sewage disposal system generally runs about 5 to 10 percent of project development cost. Thus, for an addition to a water system costing $3 million, the land acquisition cost might range between $150,000 and $300,000. For public buildings such as libraries or public office buildings, the land cost generally amounts to around 10 percent of the total development cost. Thus, for a building with a prospective aggregate cost of $1 million the land acquisition cost might amount to $100,000.

Considering that advance land acquisition loans may be made to any size city without regard to population limits, it is conceivable that Federal loan assistance might be needed for these larger size projects. On the other hand, smaller size communities having less accessibility to the capital market on reasonable terms might find greater need for the Federal loan assistance, particularly where the advance land acquisition loan is to be secured by other than a general obligation pledge. All told, the total volume of land acquisition loans might be expected to amount to $25 million for fiscal year 1965 and may involve about 200 loans.

To process these loans, it will be necessary to increase the HHFA staff, especially in the regional offices, by at least 20 persons, which would require an increase in the Agency's administrative budget for the public facility loan program by $100,000.

These people would be needed to develop necessary rules, regulations, contract forms and similar documents; meet with applicants and potential applicants to explain the program and the requirements for participating in it; and review preliminary and final applications for loans, together with their supporting documents. The latter will involve many new and difficult legal problems, as well as financial analysis of the loan from the standpoint of its security, review of appraisals to establish approvable loan values, and verification of the relationship between the project proposed and the planning requirements of the statute.

Details of the positions and of estimated costs by objects of expense are set forth in the tables on the following pages.

Administrative expenses

		Estimate Fiscal Year 1965
	June 30 employment	20
	Obligations: Personal services	$86,500
	Other objects:	
21	Travel and transportation of persons	4,000
22	Transportation of things	500
23	Rent, communications and utilities	4,000
24	Printing and reproduction	1,000
25	Other services	1,000
26	Supplies and materials	1,000
31	Equipment	2,000
	Total obligations	100,000

Proposed Staffing by Grade and Title

Grade	Title	Number	Total annual salary
	Departmental:		
14	Advance acquisition program officer	1	$13,615
13	Attorney	1	11,725
5	Secretary	1	4,690
	Subtotal, departmental	3	30,030
	Regional offices:		
12	Real estate specialists	6	59,880
11	Attorneys	6	50,460
4	Secretary-stenographers	5	21,075
	Subtotal, regional offices	17	131,415
	Total	20	161,445
	Net personal services		86,500

FEDERAL CONTROL OF LOCAL DECISIONS

Mr. JONAS. The Administrator said he did not tell any community what it had to do. I think that is correct, but what he does is lay down some conditions and say, "If you meet these conditions, you get the money; if you do not, you do not get any."

Mr. WEAVER. That is right.

Mr. JONAS. You are, in effect, pretty well dictating what they do if they qualify?

Mr. WEAVER. Yes; but we do not tell them they have to qualify, or come in.

Mr. JONAS. They can stay out and get no part of the money that their taxes help provide?

Mr. WEAVER. Absolutely. I think that is true in practically every program.

Mr. THOMAS. Summarize for us, right quick, the programs you put top priority on.

SALARIES AND EXPENSES, OFFICE OF THE ADMINISTRATOR

Mr. EVINS. Mr. Chairman, I was going to ask the Administrator a question.

You want $165,000 for salaries and expenses. Can you not absorb this with your large staff?

Mr. WEAVER. No, sir; we cannot. We have this year, for example, increases in the urban renewal program workload averaging 30 percent. Next year it will average around 20 percent or more on top of that. We have no more people this year or next year than we had before. We just cannot absorb this.

Mr. EVINS. Your next item is urban planning——.

Mr. WEAVER. In addition to that, these are different types of people as well as different bodies.

URBAN PLANNING ASSISTANCE GRANTS

Mr. EVINS. The next item is urban planning grants, for which you are requesting a supplemental of $22,650,000. Why do you need this specific amount?

Mr. WEAVER. This is the amount in our budget submission—our original budget submission—but it was not then authorized by law. This simply is authorizing an appropriation for an amount which we came in for before.

Mr. EVINS. You are coming back a second time and saying the committee and the Congress was wrong?

Mr. FRANTZ. No, no. The committee in the regular bill appropriated all of the unused authorization. That was only $2,350,000.

ITEMS PREVIOUSLY CONSIDERED WITHOUT AUTHORIZATION

Mr. WEAVER. I might say there are four items that fall in that same category. One is for open space land grants——

Mr. EVINS. $15 million?

Mr. WEAVER. Yes; that is the same situation. For the low-income demonstration grants we asked originally for $5 million, and we will have an authorization for $5 million, but we are reducing that to $2.5 million.

In the same category, I might add, is the item for advanced public works planning.

In each instance, this was a matter of authorization having run out.

Mr. FRANTZ. I might say, too, that all of these authorizations are included in both the House and Senate versions of the bill.

Mr. JONAS. Mr. Evins, will you yield?

Mr. EVINS. Yes.

ITEMS IN SUPPLEMENTAL BUDGET MESSAGE

Mr. JONAS. That explains why these items were not included in the supplemental request?

Mr. WEAVER. Right. They were in the original request.

Mr. OSTERTAG. The new ones in the supplemental include the Federal-State training program and the advance acquisition of land?

Mr. THOMAS. They are brand new.

Mr. WEAVER. They are shown in the budget message.

JUSTIFICATION MATERIAL

Mr. EVINS. Mr. Reporter, we will place in the secord A-1 through A-4, which delineates the items mentioned, and also B–1 through B–5, on "salaries and expenses". On the justification for the urban planning grants, let us put in page C–1 and C–2 and the justification for the open-space grants, D–1 to D–4. Low income housing, E–1, –2 and –3, and the supplemental for the public works planning, F–1 and 2.

(The material referred to follows.)

HOUSING AND HOME FINANCE AGENCY

JUSTIFICATION OF SUPPLEMENTAL ESTIMATES FOR FISCAL YEAR 1965

APPROPRIATION LANGUAGE

HOUSING AND HOME FINANCE AGENCY, OFFICE OF THE ADMINISTRATOR

"Salaries and Expenses

"For an additional amount for 'Salaries and expenses,' $165,000: Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"Urban Planning Grants

"For an additional amount for 'Urban planning grants,' $22,650,000: Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"Open Space Land Grants

"For an additional amount for 'Open space land grants' $15,000,000: Provided, That not to exceed $138,000 may be used for administrative expenses and technical assistance, and no part of this appropriation shall be used for administrative expenses in connection with grants requiring payments in excess of the amount herein appropriated therefor: Provided further, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"Low Income Housing Demonstration Programs

"For low income housing demonstration programs pursuant to section 207 of the Housing Act of 1961, as amended, $2,500,000: Provided, That not to exceed $50,000 may be available for administrative expenses, but no part of this appropriation shall be available for administrative expenses in connection with contracts to make grants in excess of the amount herein appropriated therefor: Provided further, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"Public Works Planning Fund

"For an additional amount for 'Public works planning fund,' $12,000,000: Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"Federal-State Training Programs

"For matching grants to States for authorized training and related activities, and for expenses of providing technical assistance to State and local governmental or public bodies (including studies and publication of information), $5,075,000: Provided, That not to exceed $75,000 of this appropriation may be used for administrative expenses and technical assistance: Provided further, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"Limitation on Administrative Expenses
Office of the Administrator
Public Facility Loans

"In addition to the amount otherwise available for administrative expenses in connection with loans from the revolving fund established pursuant to title II of the Housing Amendments of 1955, as amended, $100,000 shall be available for such expenses during the current fiscal year: Provided, That this paragraph shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"PUBLIC HOUSING ADMINISTRATION
"Administrative Expenses

"For an additional amount for 'Administrative expenses,' $75,000: Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

"FEDERAL NATIONAL MORTGAGE ASSOCIATION
"Limitation on Administrative Expenses, Federal National Mortgage Association

"In addition to the amount otherwise available for administrative expenses of the Federal National Mortgage Association for the current fiscal year, not to exceed $100,000 shall be available for such expenses: Provided, That this paragraph shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress."

Summary of estimates

The several supplemental estimates of appropriations and authorizations presented and discussed in the succeeding sections of this Justification stem from the imminent enactment of the Housing Act of 1964, S. 3049, Eighty-eighth Congress.

The table on the following page summarizes the supplemental estimates, showing amounts presently available, the total estimate and the net increases requested.

SUMMARY OF SUPPLEMENTAL ESTIMATES

FISCAL YEAR 1965

Appropriations	Presently available	Total estimate	Net increase
Office of the Administrator:			
Salaries and expenses	$15,725,000	$15,890,000	$165,000
Federal-State training programs		5,075,000	5,075,000
Urban planning grants	2,350,000	[1] 25,000,000	22,650,000
Open space land grants	15,000,000	[1] 30,000,000	15,000,000
Low-income housing demonstration programs	25,000	[1] 2,525,000	2,500,000
Public works planning fund	[2] 1,000,000	[1] 13,000,000	12,000,000
Public Housing Administration:			
Administrative expenses	15,784,000	15,859,000	75,000
Total appropriations	49,884,000	107,349,000	57,465,000
Limitations			
Office of the Administrator:			
Federal-State training programs [3]		(75,000)	(75,000)
Open space land program [3]	(262,000)	[1] (400,000)	(138,000)
Public facility loans	(1,220,000)	(1,320,000)	(100,000)
Federal National Mortgage Association:			
Administrative expenses	(8,500,000)	(8,600,000)	(100,000)
Total limitations	(9,982,000)	(10,395,000)	(413,000)

[1] Included in budget for fiscal year 1965.
[2] Plus up to $3 million contingent upon forgiveness of advances in accordance with section 5 of the Public Works Acceleration Act.
[3] Included in appropriation amounts in upper portion of table.

OFFICE OF THE ADMINISTRATOR

Salaries and Expenses

APPROPRIATION LANGUAGE

For an additional amount for "Salaries and expenses," $165,000: *Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.*

Summary

Available, Independent Offices Appropriation Act 1965, for 5 programs and activities under existing law	$15,725,000
Supplemental H. Doc. No. for implementing the new provisions of the urban renewal statute relating to the relocation of families, individuals and business (S. 3049–88th Congress)	165,000
Total estimate	15,890,000

JUSTIFICATION

This budget estimate is for additional staff necessary to put into effect the provisions in the Housing Act of 1964 for additional relocation services and payments to families, individuals and businesses. While the provisions in the House and Senate versions of the bill differ in detail, and in approach to the problem, the objectives which prompted the provisions appear to be compatible.

In broad terms, the main provisions covered are as follows:

1. Extension of relocation assistance services to individuals and businesses displaced from urban renewal areas as a result of clearance, rehabilitation or other governmental action. As amended through 1961, the Housing Act required only that such services be provided for families so displaced.

2. Relocation payments in addition to those provided in the Housing Act of 1949 (as amended through 1961) for families, individuals and businesses displaced after January 27, 1964:

a. Small businesses (those with average net annual earnings under $10,000) would receive payments of $1,000 beyond moving expenses, and those businesses which had not or could not reestablish in another location within one year would receive a further payment of $1,500.

b. Monthly payments beyond moving expenses to families and individuals who were not able to relocate into public housing and whose incomes were not large enough that 20 percent of such incomes would cover their rent or mortgage payments after relocation in decent, safe and sanitary housing of modest standards and adequate size.

3. Business moving expenses of the type provided before the Housing Act of 1964 would be available for removal of the outdoor advertising displays of a business from an urban renewal area even though the business itself is not being removed or is not located in the area.

There are other provisions not similar in the House and Senate versions of the legislation which have not been considered in making staffing estimates but which, if enacted, would generate additional staff work.

Staffing and related needs

The law provides that these relocation payments are to be borne 100 percent by the Federal Government, and this cost is borne by reimbursement to the LPA after the payments have been made to the relocatees.

The actual services to relocatees and the direct payments to them will be provided by the local public agencies. Before this can begin, however, there are many legal and policy determinations which must be made. These, in turn, will form the basis for procedures which must be developed and distributed and for direct training assistance in the localities by regional office staff where necessary because of special problems or large backlogs.

Of the projects active in relocation during the current fiscal year, it is estimated that well over 500 will require contract amendments to participate in the relocation provisions. The emphasis in the legislation on assistance in relocating small

businesses makes it mandatory that each regional office have the specialized staff competence necessary to help the localities provide this service. A strengthening of the relocation staff dealing with families and individuals will be necessary, and legal determinations and reviews, even after the interpretations and policies have been formed, will make it necessary to add to the legal staffs of the Regional Offices.

Of the 30 people requested, only 4 are planned for the Washington staff. Two professionals and one clerical will be assigned to the Office of the Assistant Commissioner for Relocation and Rehabilitation and one will be added to the staff of the URA Counsel. Of the 26 for regional offices, 19 will be professionals at Grades 11 through 13 and 7 are for clerical and typing support.

The bulk of the $165,000 requested is for personal services and employee benefits costs. However, $16,000 has been provided to permit necessary travel of both the new and existing relocation staffs in the regions since much of the work they will have to do will be in the localities. It is expected that this will permit 400 additional travel days at the average cost of field travel of $40 per day.

The tables on the two following pages show the detail of positions requested and the estimated costs in fiscal year 1965 by object of expense.

DETAIL OF NEW POSITIONS REQUESTED

SALARIES AND EXPENSES, OA

Departmental	GS grade	Year end employment	Annual salary
Business relocation adviser	GS–14	1	$13,615
Relocation adviser	GS–13	1	11,725
Attorney	GS–13	1	11,725
Secretary	GS–5	1	4,690
Subtotal—departmental staff		4	41,755
Regional offices			
Business relocation adviser	GS–13	6	70,350
Relocation adviser	GS–12	3	29,940
Relocation adviser	GS–11	3	25,230
Attorney	GS–12	3	29,940
Reports analyst	GS–11	4	33,640
Clerical and typing	GS–3 and 4	7	28,165
Subtotal—regional staff		26	217,265
Total		30	259,020
Personal services cost in year including personnel benefits			139,000

		Supplemental estimate fiscal year 1965
June 30 employment		30
Obligations: personal services		$139,000
Other Objects:		
21	Travel and transportation of persons	16,000
22	Transportation of things	1,000
23	Rent, communications, and utilities	4,000
24	Printing and reproduction	500
25	Other services	1,000
26	Supplies and materials	1,500
31	Equipment	2,000
	Total obligations	$165,000

URBAN PLANNING GRANTS

APPROPRIATION LANGUAGE

"Urban Planning Grants

"For an additional amount for 'Urban planning grants,' $22,650,000: Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress."

Summary

Available, Independent Offices Appripriation Act, 1965	$2,350,000
Supplemental, pursuant to the authorization in the Housing Act of 1964 (S. 3049—Eighty-eighth Congress)	22,650,000
Total estimate	25,000,000

JUSTIFICATION

A detailed justification statement for the Urban Planning Grant program will be found in section P of part 1 of the Agency justifications for the fiscal 1965 budget estimates.

The fiscal 1965 budget recommends a total appropriation of $25 million for Urban Planning Grants, of which $2,350,000 was pursuant to existing statutory authorization for appropriations and $22,650,000 was dependent upon the enactment of further authorizing legislation.

The Independent Officers Appropriation Act for 1965 contains an appropriation of $2,350,000.

S. 3049, the Housing Act of 1964, as passed by both the House and the Senate contains an additional authorization for appropriations amounting to $30 million.

The current supplemental estimate is for $22,650,000 which will permit a grant approval level of $25 million as recommended in the 1965 budget.

The table on the following page presents an historical summary of the statutory authorization and appropriations for this program.

URBAN PLANNING ASSISTANCE

	Statutory authorization	*Appropriations*
Housing Act of 1954	$5,000,000	
Housing Act of 1956	5,000,000	
Housing Act of 1959	10,000,000	
Housing Act of 1961	55,000,000	
Housing Act of 1964	30,000,000	
Enacted authorization	105,000,000	
Supplemental Appropriations Act, 1955		$1,000,000
Independent Offices Appropriations Act, 1956		2,000,000
Independent Offices Appropriations Act, 1957		1,500,000
Independent Offices Appropriations Act, 1958		1,275,000
Independent Office Appropriations Act, 1959		3,250,000
Independent Offices Appropriations Act, 1960		975,000
Mutual Security Appropriations Act, 1960		750,000
Second Supplemental Appropriations Act, 1960		1,650,000
Independent Offices Appropriations Act, 1961		4,000,000
Independent Offices Appropriations Act, 1962		3,600,000
Supplemental Appropriations Act, 1962		13,500,000
Independent Offices Appropriations Act, 1963		18,000,000
Independent Offices Appropriations Act, 1964		21,150,000
Independent Offices Appropriations Act, 1965		2,350,000
Subtotal, enacted appropriations		75,000,000
Proposed Supplemental Appropriations Act, 1965		22,650,000
Estimated unused balance, June 30, 1965		7,350,000
Totals	105,000,000	105,000,000

OPEN SPACE LAND GRANTS

APPROPRIATION LANGUAGE

"OPEN SPACE LAND GRANTS

"For an additional amount for "Open space land grants," $15,000,000: Provided, That not to exceed $138,000 may be used for administrative expenses and technical assistance, and no part of this appropriation shall be used for administrative expenses in connection with grants requiring payments in excess

of the amount herein appropriated therefor: Provided further, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eigth Congress."

Summary

	Total appropriation	Limitation on administrative expenses
Available, Independent Offices Appropriation Act, 1965	$15,000,000	($262,000)
Supplemental, pursuant to the authorization in the Housing Act of 1964 (S. 3049-88th Congress)	15,000,000	(138,000)
Total estimate	30,000,000	(400,000)

JUSTIFICATION

A detailed justification statement for the Open Space Land Grant program will be found in section Q of part 1 of the agency justifications for the fiscal 1965 budget estimates.

The fiscal 1965 Budget recommended a total appropriation of $30 million, of which $29.6 million was for grant commitments and $400,000 for administrative expenses. Approximately half of the recommended appropriation was dependent upon the enactment of new authorizing legislation. An additional authorization of $25 million is contained in S. 3049 as passed by both the House and the Senate.

The table on the following page presents an historical summary of the sources of the Open Space Land Grant authorization, the usage of the authority, and the actual and estimated usage of the appropriations provided.

Sources of Authorization	*Authorization*	*Usage of authority*
	(in thousands)	
Contract authority pursuant to Housing Act of 1961	$50,000	
Contract authority pursuant to Housing Act of 1964	25,000	
Contract commitments:		
Fiscal year 1962		$3,229
Fiscal year 1963		14,727
Fiscal year 1964		14,712
Fiscal year 1965 (estimate)		29,600
Subtotal		62,268
Estimate unused balance available 6/30/65		12,732
Totals	75,000	75,000

Usage of Appropriations

Supplemental Appropriation Act, 1962	*Appropriations*
Contract commitments	$3,229
Administrative expenses	110
Appropriations lapsing	31,661
Total	35,000
Independent Offices Appropriation Act, 1963	
Contract commitments	14,727
Administrative expenses	250
Appropriations lapsing	23
Total	15,000
Contract commitments	14,712
Administrative expenses	262
Appropriations lapsing	26
Total	15,000

Usage of Appropriations

	Appropriation
Independent Offices AA, 1965:	
Contract commitments	$14,738
Administrative expenses	262
Total	15,000
Proposed Supplemental Appropriation Act, 1965:	
Contract commitments against prior authority	2,594
Contract commitments against new authority	12,268
Administrative expenses	138
Total	15,000

Recapitulation of Usage of Authorization

Contract authority pursuant to Housing Act of 1961	$50,000
Contract commitments:	
Fiscal year 1962	3,229
Fiscal year 1963	14,727
Fiscal year 1964	14,712
Total utilized June 30, 1964	32,668
Balance available	17,332
Independent Offices AA, 1965	14,738
Proposed Supplemental Appropriations Act, 1965	2,594
	17,332
Contract authority pursuant to Housing Act of 1964	25,000
Proposed Supplemental Appropriations Act, 1965	12,268
Estimated unused balance available, June 30, 1965	12,732
	25,000

LOW INCOME HOUSING DEMONSTRATION

APPROPRIATION LANGUAGE

"Low income housing demonstration programs

"For low income housing demonstration programs pursuant to section 207 of the Housing Act of 1961, as amended, $2,500,000: Provided, That not to exceed $50,000 may be available for administrative expenses, but no part of this appropriation shall be available for administrative expenses in connection with contracts to make grants in excess of the amount herein appropriated therefor: Provided further, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress."

Summary

	Total appropriation	Limitation administrative expenses
Available, Independent Offices Appropriation Act, 1965	$25,000	($25,000)
Supplemental, pursuant to the authorization in the Housing Act of 1964, (S. 3049—Eighty-eighth Congress)	2,500,000	(50,000)
Total estimate	2,525,000	(75,000)

JUSTIFICATION

A detailed justification statement for the Low Income Housing Demonstration Grant program will be found in section G of part I of the Agency justifications for the fiscal 1965 budget estimates.

The fiscal 1965 budget recommended a total appropriation of $5,075,000, of which $5 million was for grant commitments and $75,000 for administrative expenses. The grant appropriation was dependent upon the enactment of new authorization which is contained in the amount of $5 million in S. 3049, the Housing Act of 1964, as passed by both the House and Senate.

The current supplemental estimate is for $2.5 million.

The table on the following page presents an historical summary of the sources of the Low Income Housing Demonstration grant authorization, the usage of the authority, and the actual and estimated usage of the apropriations provided.

LOW INCOME HOUSING DEMONSTRATION GRANTS

	Statutory authorization	*Authority utilized (contract commitments)*
Housing Act of 1961	$5,000,000	
Housing Act of 1964	5,000,000	
Fiscal Year:		
1962		$846,445
1963		2,953,540
1964		1,157,000
Authority utilized		4,956,985
Estimate 1965		2,450,000
Estimate unused balance available, June 30, 1965		2,593,015
Totals	10,000,000	10,000,000

Use of liquidating appropriations

	Total appropriations
Supplemental Appropriations Act, 1962:	
Contract commitments	$846,445
Administrative expenses	20,000
Appropriation lapsing	1,133,555
Total	2,000,000
Independent Offices Appropriations Act, 1963:	
Contract commitments	2,953,540
Administrative expenses	40,000
Appropriations lapsing	6,460
Total	3,000,000
Independent Offices Appropriations Act, 1964:	
Contract commitments (estimate)	1,157,000
Administrative expenses (estimate)	43,000
Total	1,200,000
Independent Offices Appropriations Act, 1965: Administrative expenses	25,000
Proposed Supplemental Appropriations Act, 1965:	
Contract commitments	2,450,000
Administrative expenses	50,000
Total	2,500,000

COMMUNITY FACILITIES ADMINISTRATION

APPROPRIATION LANGUAGE

PUBLIC WORKS PLANNING FUND

For an additional amount for "Public works planning fund," $12,000,000: *Provided*, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress.

Summary

Available, Independent Offices Appropriation Act, 1965	[1] $1,000,000
Supplement, pursuant to the authorization in the Housing Act of 1964 (S. 3049, 88th Congress)	12,000,000
Total estimate	[1] 13,000,000

[1] Plus up to $3,000,000 contingent upon forgiveness of advances in accordance with section 6 of the Public Works Acceleration Act.

Justification

A detailed justification statement for the program of public works planning advances will be found in section J of part 1 of the Agency justifications for the fiscal year 1965.

The fiscal 1965 budget recommended an appropriation of $12 million contingent upon the enactment of additional authorizing legislation. Such authorization is contained in the amount of $20 million in S. 3049, the Housing Act of 1964, as passed by both the House and the Senate.

With the requested $12 million appropriation, the budgeted program level of $24 million will be reached through the use of the $1 million appropriated in the Independent Offices Appropriation Act, 1965, plus up to $3 million which may become available upon forgiveness of planning advances in accordance with section 6 of the Public Works Acceleration Act, plus estimated repayments of between $8 and $9 million.

The table on the following page presents an historical summary of the statutory authorization and appropriations to the public works planning fund.

Public works planning fund

	Statutory Authorization	Appropriations
Housing Act of 1954	$10,000,000	
Housing Amendments of 1955:		
July 1, 1956	12,000,000	
July 1, 1957	12,000,000	
July 1, 1958	14,000,000	
Housing Act of 1961	10,000,000	
Housing Act of 1964	20,000,000	
Supplemental Appropriations Act, 1955		$1,500,000
Independent Offices Appropriations Act, 1956		3,000,000
Independent Offices Appropriations Act, 1957		7,500,000
Independent Offices Appropriations Act, 1958		5,000,000
Independent Offices Appropriations Act, 1959		7,000,000
Independent Offices Appropriations Act, 1960		6,000,000
Independent Offices Appropriations Act, 1961		6,000,000
Independent Offices Appropriations Act, 1962		7,000,000
Second Supplemental Appropriations Act, 1962		1,000,000
Independent Offices Appropriations Act, 1963		12,000,000
Independent Offices Appropriations Act, 1964		2,000,000
Independent Offices Appropriations Act, 1965		[1] (1,000,000)
Subtotal, enacted appropriations		58,000,000
Proposed Supplemental Appropriations Act, 1965		12,000,000
Estimated unused balance available, June 30, 1965		8,000,000
Totals	78,000,000	78,000,000

[1] Plus up to $3,000,000 contingent upon forgiveness of advances in accordance with section 6 of the Public Works Acceleration Act.

NOTE.—Parentheses indicate non-add subtotals.

FEDERAL-STATE MATCHING GRANTS FOR TRAINING

Mr. EVINS. The Federal-State training program is new. Tell us what you propose to do in this, Mr. Administrator.

Mr. WEAVER. What we will do is to have the States come in with a program, which will provide for the training of persons who are in short supply who are needed in carrying out the programs that are pertinent to our activities. These programs would also come in with certain studies that would be made by the local people and on the basis of their local program. This would be a 50–50 matching proposal. We would be concerned with reviewing the State programs, setting up the criteria for this activity and, of course, the usual administrative reviews and fiscal controls.

Mr. OSTERTAG. It is not authorized by law yet.

Mr. WEAVER. That is correct. But it is a part of the administration bill and——

Mr. OSTERTAG. Is there not apt to be some change, as between what you are planning here and what the law might ultimately be?

Mr. WEAVER. The Senate bill now contains this proposal—no, it is the House bill, I am sorry—as the administration sent it up. We hope it will be enacted in this form.

Mr. EVINS. Where is this training to be conducted?

Mr. WEAVER. It will be conducted in the State institutions or nonprofit educational institutions in the State, determined by the State as a result of their planned program.

Mr. EVINS. You need $75,000 for personnel, travel and other objects, in this program?

Mr. WEAVER. Yes, sir.

Mr. EVINS. Let us put in the justification on that item—section G.

(The material referred to follows:)

FEDERAL-STATE TRAINING PROGRAMS

APPROPRIATION LANGUAGE

"Federal-State Training Programs

"For matching grants to States for authorized training and related activities, and for expenses of providing technical assistance to State and local governmental or public bodies (including studies and publication of information), $5,075,000: Provided, That not to exceed $75,000 of this appropriation may be used for administrative expenses and technical assistance: Provided further, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress."

Summary

Available	0
Supplemental, House Doc. No. 346, to inaugurate new program contained in Housing Act of 1964 (S. 3049, 88th Congress):	
For grants	$5,000,000
For administrative expenses	75,000
Total estimate	5,075,000

JUSTIFICATION

Title VI of S. 3049 as passed by the House includes an administration proposal designed to meet the growing needs for trained personnel to administer increasingly complex urban programs with greater efficiency.

It would authorize the Housing and Home Finance Administrator to make matching grants to States to assist them in developing special training programs for technical and professional people who are, or are likely to be, employed by a governmental or public body which has responsibilities for community development. These matching grants could also be used to support State and local research on housing, public improvement programs, code problems, efficient land use, urban transportation, and similar community development problems. It is intended that the training and research would be carried on by the States in cooperation with public or private universities and colleges and urban centers.

In order to be eligible to receive a matching grant, a State would be required to adopt a plan for the use of the grant funds. A State plan would (1) set forth the proposed use of the funds and the objectives to be accomplished; (2) explain the method by which the matching local funds will be provided; (3) provide adequate fiscal control and fund accounting procedures; (4) designate a State officer or agency to administer the program; and (5) provide for reports to the Administrator containing such information as he may reasonably require.

There is no doubt that a lack of sufficient knowledge and trained personnel is proving to be costly in provision of local public improvements and housing which are supported by large investments of Federal funds or insured risks under Federal programs. Annual expenditures in the form of matching grants to States for training and research, and for technical assistance in connection with such a program, would amount to only a fraction of 1 percent of annual Federal outlays to assist in local capital improvement and housing programs. The gains to be realized through resultant greater efficiency would far outweigh the cost of the proposed grant program.

There is an urgent need to increase the available number of professional and technical people employed by governmental or public bodies with responsibilities for community development and to improve the quality of their training.

There is a need for trained people with new skills which have grown out of some of the emerging problem areas of community development; transportation, urban planning, public improvement programing, etc. There is also a need to update the trainng and skills of municipal employees performing conventional functions that have become increasingly complex and technical; building inspectors, tax assessors, etc.

A specific example is the shortage of traffic engineers. Over the next 5 years, it is estimated that at least 1,000 new traffic engineers will be needed by the Nation's cities. At present only about 50 qualified traffic engineers enter the field each year.

Less than one-third of local government carry on any specialized training in urban development problems for professional and technical people they employ. Only a few State governments conduct such training. Nor are local universities presently providing the necessary training on anything like the scale needed. Only a few universities are effectively contributing to the training of such personnel in their regions.

The State programs that would receive support under Title VI would link training with urban affairs research activities, especially applied research related to on-going programs. Technical and professional training for the operating official, as well as for the ones entering professional and sub-professional positions, is not simply a matter of classroom instruction. For example, the urban planner's retraining should take place with "live" data, not simply abstract materials. The institution providing this training should logically be a repository for economic land use, transportation, demographic, and other urban data. The employee training in such a laboratory deals with realistic problems and with materials which he will later encounter on the job.

The States desiring to participate will each formulate a coordinated State-wide program to meet their individual needs, designating the agencies and institutions

to carry out the program. The pattern of implementation of this program would vary from State to State. States differ in their needs for training and research as well as in their research facilities. A State with several relatively small urban centers may well establish a different format from a State with one or two very large metropolitan complexes.

Tite VI would be administered upon a program rather than a project basis. A State would submit a program plan containing (a) a description of training and research projects to be undertaken; (b) a justification of the proposed program to meet expected future shortages of specified types of personnel to be trained; (c) the facilities of designated institutions or agencies and their capability to perform the planned training and research; (d) evidence that the training programs and research activities are of an applied nature and relevant to existing community development problems; (e) an explanation of methods and sources of non-Federal funds; (f) provide for necessary fiscal control and fund accounting procedures; (g) designate an officer or agency of the state who has responsibility for the proposed program; (h) make provision for reports to the Administrator in such form as required by the Administrator.

The proposed plans received from states would be reviewed with respect to all of the above elements. An analysis also would be made to see whether the designated state agencies are eligible to receive and spend the Federal funds. To carry out these functions and administer the program in accordance with the statutory requirements, a staff of 10 persons would be required. A director would supervisor the entire program.

Staff people would review the proposed program, not only in accordance with the above elements but also to ascertain that the training and research to be undertaken would meet the objectives of the program and could be carried out adequately with the resources that would be made available with a Federal grant and the matching State grant. This would require specialists in training programs, in urban research problems—technological and financial—and a knowledge of fiscal and budgetary controls.

In accordance with the provisions for technical assistance under the program, there would also be staff members to help the States in development of their programs and related studies. There would also be a review and publication of the research results produced under the program. Of the 10 staff people, a director, 6 other professionals and 3 secretarial-clerical persons would be needed.

An advisory committee of experts from state and local government and from universities would be established to advise the HHFA on training programs. Travel and per diem would have to be provided for members of the committee when attending meetings.

Although $10 million would be authorized to be appropriated for this program, only $5 million is being requested for fiscal 1965 in recognition of the need for states to designate agencies to administer their programs, to formulate their programs and authorize their share of the matching grants. A staff to administer the program within HHFA would have to be recruited and would have to establish criteria for and review annual state programs that are submitted, in order to recommend approval or rejection by the Administrator. There are, however, a goodly number of states that have operating urban studies centers and institutions that carry on training activities, and it is estimated that about 20 States would submit plans in the first year and an additional 15 would request assistance in developing programs.

The next page describes the proposed additional staffing required for the program, including grades and position titles of the persons whose activities are described above. The page following summarizes the estimated obligations for personal services, travel and other objects of expenditure anticipated under the new program. The salaries shown do not reflect the higher salary rates which become effective on enactment of the Federal Employees Salary Act of 1964.

HOUSING AND HOME FINANCE AGENCY

FEDERAL STATE TRAINING PROGRAMS

Proposed Staffing by Grade and Title

Grade	Title	Number	Total annual salary
15	Director, Federal State training programs division	1	$15,665
14	Director of training and State program review	1	13,615
12	Training program specialist	1	9,980
12	Studies program evaluator	1	9,980
11	Technical programs specialist	1	8,410
11	Financial and economics programs specialist	1	8,410
11	Studies review and publication editor	1	8,410
5	Clerical assistant	1	4,690
5	Secretary	1	4,690
3	Stenographer	1	3,880
	Total positions and annual salary	10	87,730
	Net personal services		46,800

ADMINISTRATIVE EXPENSES

		Estimate fiscal year 1965
	June 30 Employment	10
	Obligations: Personal services	$46,800
	Other Objects:	
21	Travel and transportation of persons	7,300
22	Transportation of things	1,000
23	Rent, communications and utilities	7,800
24	Printing and reproduction	4,100
25	Other services	2,000
26	Supplies and materials	500
31	Equipment	5,500
	Total obligations	75,000

Mr. EVINS. That is all, except for the limitations?

PUBLIC HOUSING RELOCATION PROVISIONS

Mr. WEAVER. There is another item, relating to the first one, and that is on the new program for relocation benefits. That is an increase in the appropriation for the Public Housing Administration, because this is a new activity for them, and they would have to have a small staff. It is a small increase. That is in section "I".

Mr. EVINS. Let us insert that section.

ADMINISTRATIVE EXPENSES, PUBLIC HOUSING ADMINISTRATION

APPROPRIATION LANGUAGE

"For an additional amount for 'Administrative expenses', $75,000: Provided, That this appropriation shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress."

Summary

Available, Independent Offices Appropriation Act, 1965	$15,784,000
Supplemental, House Doc. No. 346, to initiate administration of relocation provisions contained in the Housing Act of 1964 (S. 3049—Eighty-eighth Congress)	75,000
Total Estimate	15,859,000

JUSTIFICATION

Both the Senate and House bills contain provisions which impose the same requirements as to a plan for the relocation of persons and families from sites of public housing projects as are required for families displaced by urban projects. Such plans must demonstrate that persons and families can be relocated in decent, safe and sanitary dwellings at rents within their means. Heretofere, there have been no statutory requirements as to families displaced by public housing, and the administrative requirement of the PHA has been only that housing be available to displaced families which is no worse than that in which the families were living on site. While the public housing itself will often take care ofthe permanent relocation needs of those eligible for public housing there are usually a substantial proportion of families and persons not so eligible. For such families the PHA must now be satisfied that decent, safe and sanitary housing within their means is made available to them. This is a much more rigorous and difficult requirement, than merely that housing of no forse condition be made aavilable. Also, because the relocation requirement is now imposed by statute, and because of increasing public concern. PHA will have to pay increasing attention to the adequacy of relocation plans and the effectiveness with which such plans are carried out.

At the present time the PHA has no staff assigned specifically to relocation and it is believed that it is essential that there be at least one person specializing in this function in each regional office together with stenographic assistance. One specialist on the staff of the central office is needed.

Relocation plans will be required, of course, for any project which will displace any persons or families, although the degree of difficulty in reviewing and insuring compliance with a plan will vary according to the number of persons and families to be displaced. Substantial problems will probably be involved for any slum site and roughly one-third of the projects undertaken in recent years have been on slum sites. While the PHA has no nationwide record of actual displacements in the past, it is estimated that somewhere in the nature of 10,000 families and persons will be displaced each year, assuming a construction rate of 35,000 units.

Both the Senate and House bills also contain authorization for relocation payments to families, persons, and businesses, for rent supplementation for families and elderly individuals, and for additional subsidy for displaced individuals and families living in public housing. These additional requirements not only indicate the need for the relocation staff, referred to above, but also will have a substantial impact on audit, accounting and legal functions. To that end two additional field auditors, one additional accountant, and one addition to the legal staff are requested. The provisions referred to in this paragraph are new to the public housing program.

Central office relocation staff will be responsible for the preparation of material for the implementation of the regulations, analysis and publication of statistical data and fiscal, legal and audit staff in central office for the administrative and legal review and evaluation of regional office sections.

With respect to these provisions, regional relocation staffs would be required to provide technical assistance to local authorities, as necessary or as requested, in the development of feasible relocation plans, review local authority relocation plans for feasibility; assist local authorities as desired in developing and carrying out implementing procedures; and in the review of local authority operations for compliance with requirements.

In carrying out these functions, it would be necessary for regional office staffs to make site inspections, consult with local public agencies as requested, review pertinent local authority reports, and take steps to assure proper intra- and inter-agency coordination.

Staffing

Fifteen additional positions are requested to carry out the increased responsibilities. The total annual salaries for these positions is $122,000 but they are requested for only 0.5 percent of the year for a net salary of $66,000.

Three positions are requested for the central office; one each in legal, management, and fiscal.

Ten positions are requested for the regional offices and two positions for the field audit staff.

A breakdown follows:

Central office	1965 estimate net cost	Positions June 30, 1964
Legal Division: Office of General Counsel	$5,400	1
Management Division: Office of Assistant Commissioner	5,400	1
Administration Division: Fiscal Branch	3,800	1
Total Central Office	14,600	3
Regional Offices	43,800	10
Field Audit Staff	7,600	2
Total Employment	$66,000	15

The table below provides an object distribution of obligations contained in the supplemental request.

Administrative Expense Requirements

	Supplemental estimate fiscal year 1965
June 30 employment	15
Obligations: Personal Services	$66,000
Other objects:	
21 Travel and transportation of persons	5,000
23 Rent, communications, and utilities	1,200
24 Printing and reproduction	600
25 Other services	300
26 Supplies and materials	300
31 Equipment	1,600
Total obligations	75,000

ADMINISTRATIVE EXPENSE, PUBLIC HOUSING

Mr. EVINS. You have available $15,784,000?

Mr. WEAVER. Yes, sir. Here, again, it is the same difficulty we presented before, and that is that the Public Housing Administration hasn't had any increase in personnel over many years. Its workload has constantly gone up. In addition, these are new types of people, and it is a new function. If it is going to be done effectively in the field, it will have to be done with some personnel. It is a very small skeleton staff, but I think it is absolutely necessary if we are going to do the job.

PRIORITY FOR SMALL TOWN PROJECTS

Mr. EVINS. What priority do you give on applications for these small town housing projects? How long does it take to get a 30-unit housing project approved, processed and completed?

Mr. WEAVER. We give a great deal of priority to them.

Mrs. McGUIRE. This has been the greatest increase in our program. It will differ in terms of the length of time it takes the local community to find a site——

Mr. EVINS. I know of some specific cases which are awful slow. I think you break the world's record for creeping slowness. They write letters, they appoint committees, they make phone calls, they go to Washington, they go to Atlanta, they come back, they want another review, and they buy the site, they have the plans drawn, they have the architects approval and still can't get a simple little project through which should be a standard form. It looks like it is deliberate.

Mrs. McGUIRE. Not at all.

With our limited staff we have to look at each of these sites and sometimes it will be a month before we can get any staff at all into a given local community. On field trips we try to have a man look at a number of these small ones on one trip, but there isn't the staff to immediately service the small communities.

Mr. EVINS. You can service the big cities mighty fast, but the small towns you just hold off as long as you can.

Mr. WEAVER. I think we have more to do with the small towns.

Mr. EVINS. The big towns are more sophisticated and the little towns need more assistance?

Mrs. McGUIRE. It is much more difficult.

Mr. EVINS. I am very much disappointed in some of your administrative procedures with regard to slowness. I have been trying to help a little town in my district get approval and there has been considerable delay.

Mrs. McGUIRE. I will be glad to look into it, if you will tell me which town.

Mr. EVINS. You told me that before. You have looked into it. Telephone calls make no difference.

Mr. OSTERTAG. I have found that out, too.

Mr. EVINS. That is all, Mr. Chairman.

FNMA MORTGAGE PARTICIPATION PLAN

Mr. THOMAS. We will include in the record J–1, –2, and –3.

(The pages follow.)

FEDERAL NATIONAL MORTGAGE ASSOCIATION

"LIMITATION ON ADMINISTRATIVE EXPENSE, FEDERAL NATIONAL MORTGAGE ASSOCIATION

"In addition to the amount otherwise available for administrative expenses of the Federal National Mortgage Association for the current fiscal year, not to exceed $100,000 shall be available for such expenses: Provided, That this paragraph shall be effective only upon the enactment into law of S. 3049, Eighty-eighth Congress."

Summary

Available, Independent Offices Appropriation Act, 1965	$8,500,000
Supplemental, H. Doc. 346, to carry out new program authorized by sec. 601 (proposed) of the Housing Act of 1964 (S. 3049, 88th Cong.)	100,000
Revised authorization	8,600,000

JUSTIFICATION

The only activity to date has been that concerned with planning for the program. It is contemplated that the program operations will begin in September 1964.

Legislative Background

Section 601 (proposed) of the Housing Act of 1964 (S. 3049, 88th Cong.) will vest fiduciary powers in the Federal National Mortgage Association in order to facilitate the financing of its own and other mortgages through the sale to private investors of beneficial interests, or "participations," in such mortgages. These powers are to be exercised under the "management and liquidating functions" of the Association.

Purpose of program

The purpose of the program for sale or participation in mortgages is to permit the substitution of funds of private investors for Federal Treasury financing of the "Special Assistance Functions and Management and Liquidating Functions" of FNMA. This program is expected to encourage new sources of private funds to invest in interests in Government-held mortgages and avoids the necessity for selling those mortgages at a loss to attract private capital. Such a program will have a less adverse effect on the mortgage market than the sale of an equal amount of mortgages.

The program contemplates that, under trust indenture, an amount of FNMA-Government-owned mortgages and VA direct loans and vendee accounts would be pooled. FNMA, as trustee with fiduciary powers, through its established facilities and contacts in the private money market, would sell to private investors participations in the interest and principal payments to be derived from the pooled mortgages.

Budgetary effect

Proceeds from sales of participations will constitute budgetary receipts. It is estimated that sales of participations in fiscal year 1965 will amount to $300 million, of which $200 million will be applicable to FNMA mortgages and will be used to repay borrowings from the Treasury. The remaining $100 million will be applicable to VA loans and vendee accounts, and will be paid into the appropriate revolving funds.

Administrative expenses

Staff required for sale of participation certificates against pools of mortgages owned by FNMA and VA.

	GS grade	Number	Annual salary
Special assistant for program	14	1	$17,215
Administrative assistant for program	13	1	14,035
Attorney advisers	13	2	24,220
Accounting technicians	7	12	77,340
Secretaries	5	3	15,030
Clerk-typist	4	4	18,260
Total personnel		23	166,100
Average number and cost of employees		15.6	119,000

The increased employment would be in the Controller's Division of the FNMA agency offices in the field and the three principal operating divisions in the Washington office—the Loan Division, the Controller's Division, and the Secretary-Treasurer's Division. The functions of this staff would be as follows:

To administer the program; to establish systems and procedures; to conduct legal work and research designed to initiate the trust indenture and facilitate the acceptance of the participation certificates as legal investment of financial institutions in the various jurisdictions.

To maintain records and control accounts for mortgage pools and participation certificates. Summarize and report mortgage pool activity; analyze reports of

VA mortgage activity and participation certificates. Analyze collections, income, expenses; develop accruals, prepare for certificate maturities. Prepare accounting and reports for mortgages and participation certificate holders.

The following table compares, by object, the amount currently requested with that which would be provided under the proposed supplemental authorization.

	Supplemental estimate fiscal year 1965
June 30 employment	23
Obligations: Personal services	$119,000
Other objects:	
21 Travel and transportation of persons	10,000
23 Rent, communication, and utilities	18,000
24 Printing and reproduction	1,500
26 Supplies and materials	1,500
Less reimbursement by Veterans' Administration	−50,000
Total obligations	100,000

METHOD OF OPERATION UNDER PROPOSED PLAN

Mr. THOMAS. What about this new program? What do you plan to do with this little extra money, here?

Mr. BAUGHMAN. We will have to act as the trustee under this new legislation——

Mr. THOMAS. It is refinancing in one sense of the word, and you are trying to get more private capital into your market; is that it?

Mr. BAUGHMAN. That is right—

Mr. THOMAS. Spell it out in detail.

Mr. BAUGHMAN. We act as trustee. We propose to set up a pool of mortgages against which we will sell these certificates of beneficial interest, or participations, to the public. These certificates of beneficial interest will mature at various periods in the next 10 years——

Mr. THOMAS. It will change the basic law under which you operate now?

Mr. BAUGHMAN. Well, it will add a new function to our basic law.

Mr. THOMAS. How does it change your existing law?

Mr. BAUGHMAN. This particular operation comes under what we call "management and liquidating," which is completely financed by the Government, and is only one portion of FNMA's existing law. This is a liquidating program, and this is a form of liquidation—these certificates of beneficial interest. By substituting the private money, at the present time——

Mr. THOMAS. As the matter stands now, during good times, do you acquire more mortgages or sell more mortgages?

Mr. BAUGHMAN. In good times we are selling.

Mr. THOMAS. In hard times, you acquire them and don't sell them. How is this new function going to change that pattern?

Mr. BAUGHMAN. I don't think this function is going to change that at all. As I say, it is wrapped up in this liquidating part of FNMA, and all we are doing is having this form of liquidating over a period of years through these participating——

Mr. THOMAS. It is bound to speed up your liquidation, it seems to me, if it has any value at all. It is bound to speed it up.

You don't sell any mortgages during hard times. If you go to the public, maybe, you can sell some mortgages, and not rely upon the financial houses. It looks like it is bound to speed up your liquidation.

Mr. BAUGHMAN. It is true; we are selling participations in mortgages. In other words, we are selling a portion of the mortgage. We are getting the money now, and the public will be paid off over a period of 10 years. That is, the Government gets the money immediately, but the public is paid off over a period of years.

Mr. THOMAS. Under the new provision, would you sell a mortgage, or a half-dozen mortgages to "X"?

Mr. BAUGHMAN. No. We will put in a substantial sum of mortgages. We are committed to sell approximately $300 million worth of these participations. We will put in a substantial number of mortgages in order to make the pools secure insofar as the equity, or assets, are concerned. Against this pool of mortgages, we will sell these participations. They will be in various denominations, running from $5,000 up. Those will be sold to the public.

Mr. FRANTZ. Another change in the law is that it will permit FNMA to do this for VA direct loans and vendee accounts, which now FNMA doesn't handle.

Mr. THOMAS. Does the new law do anything to slow down these foreclosures by FHA and VA? If we can find some way to slow down these foreclosures, maybe that would be the answer.

RELOCATION WORKLOAD IN PUBLIC HOUSING

Mrs. McGuire, how many pieces of your property are you figuring on having removed, destroyed, by virtue of your urban renewal? I notice you have some money, here. Do you have any property in mind that will be removed, or destroyed?

Mrs. MCGUIRE. No. About one-third of the sites we use for public housing are slum sites.

Mr. THOMAS. This only applies to existing public housing units?

Mrs. MCGUIRE. Do you mean the relocation projects?

Mr. THOMAS. Yes.

Mrs. MCGUIRE. No. The relocation payments are retroactive back to January 27, as I understand it, and all those in the pipeline now will be subject to them.

Mr. THOMAS. It is retroactive until when?

Mrs. MCGUIRE. January 27.

Mr. THOMAS. What year?

Mrs. MCGUIRE. 1964.

STRUCTURES CLEARED FROM PUBLIC HOUSING SITES

Mr. THOMAS. How many properties have been destroyed in this last 8 months?

Mrs. MCGUIRE. I don't have those. We can get them for you.

Mr. THOMAS. How did you come up with a definite budget figure if you didn't know how many people or how many properties you were doing to have to take care of?

Mrs. MCGUIRE. We used approximate figures in terms of the number of slum sites that we have used.

Mr. THOMAS. How many of your properties have been torn down or partially torn down since you have had this program, say in the last 10 years? I don't have any personal knowledge of any of them being disturbed.

Mrs. MCGUIRE. Oh, yes. We have destroyed a great many structures.

Mr. THOMAS. Where?

Mrs. MCGUIRE. All over the country, in public housing slum sites.

Mr. THOMAS. And renewal?

Mrs. MCGUIRE. Not renewal.

Mr. THOMAS. Highway programs, or what?

Mrs. MCGUIRE. No——

Mr. WEAVER. Mr. Charman, I think there is confusion, here. What this relates to are those public housing projects which are now slum sites, where people would be dislocated, as contrasted to those instances where public housing might build on a vacant site. It is not the destruction of a public housing project.

Mr. THOMAS. Now we are getting back to the second phase of the slum clearance program. Are you admitting that we have built, in the past 25 years, properties that have become slums, that you originally built, to do away with slums?

Mr. WEAVER. No, sir. These are not properties that we have built. These are sites which we have selected, on which we did build or will build—the local authorities will—which were occupied prior to the public housing program.

RELOCATION BENEFITS UNDER PUBLIC HOUSING AND URBAN RENEWAL

Mr. THOMAS. When you build a new housing project, you will take care of the people who have been displaced?

Mr. WEAVER. That is right.

Mr. THOMAS. Have they been taken care of, theretofore?

Mr. WEAVER. Yes, but not with the same benefits the urban renewal program gives them.

Mr. THOMAS. What benefits did they have, heretofore?

Mr. WEAVER. They were required to be put in housing no worse than the housing they were living in before.

Mr. THOMAS. Who bore that expense?

Mr. WEAVER. The local public housing agency. But these will raise the standards and also extend the new benefits which are in the law.

Mr. THOMAS. What is the variation between the two programs?

Mr. WEAVER. In urban renewal it is required that people be relocated in safe, sanitary, and decent housing, within reasonable access to their employment. Under the public housing program, the standard has been that they will be relocated in no worse housing than they were already in—so they could be relocated in substandard housing if they were in substandard housing before. Under this provision now, they cannot be relocated in substandard housing. In addition, there are benefits which this bill would propose for additional payments to persons who are dislocated. Also, the provisions are extended to single individuals and——

Mr. THOMAS. So it has nothing to do with relocation of people who are now living in public housing?

Mr. WEAVER. No, sir.

TYPES OF STRUCTURES ELIMINATED IN PUBLIC HOUSING

Mr. EVINS. On the housing you are destroying, is this temporary, barracks-type housing, the original housing that is now substandard or inadequate?

Mr. WEAVER. We go into a slum area, and here is housing which no public agency has anything to do with. It has just gone into slums, just like in urban renewal. We decide—or the local people decide—this is an area where we are going to put a public housing project——

Mr. EVINS. We understand that, but have you destroyed any public housing projects which we have built, other than the temporary barracks type?

Mr. WEAVER. No, sir.

FNMA ADMINISTRATIVE EXPENSE LIMITATIONS

Mr. EVINS. Mr. Baughman, has this committee limited you in any way, in your operations?

Mr. BAUGHMAN. No, sir.

Mr. EVINS. In no way impaired your efficiency?

Mr. BAUGHMAN. No, sir.

Mr. EVINS. We wouldn't want to do so.

RELOCATION COSTS IN PUBLIC HOUSING

Mr. THOMAS. In the old program suppose you have a man and his wife and four children and you decide you will relocate them. How much would it cost the local housing authority to relocate him? What was the limitation in cost? What is the limitation on that same-size family under this new legislation?

Mrs. MCGUIRE. We have had no statutory requirement for the relocation payments. What we did as a rule was, if it would cost more, or if it would save the Government money to help pay some of the relocation expenses of a given family, we would do so. This happened, very, very seldom. As a rule, the families relocated themselves, the housing authority assisted in finding the house, but we paid no expenses. It is rare that we even paid moving expenses. We paid nothing for the removal of businesses. We encouraged the housing authorities to do a conscientious job of helping the families that were going to be displaced, but since we had no real statutory requirement, we limited the payments to the least possible. Generally it was 1 month's rent and moving expenses at most.

Mr. THOMAS. Did you have a limitation of $200 on this?

Mr. WEAVER. In urban renewal, sir?

Mr. THOMAS. Who paid that, the Public Housing Administration, or the local housing authority?

Mr. WEAVER. We didn't have that—the $200 limit was not in the Public Housing Act. It was in the urban renewal program.

Mr. THOMAS. How much did you spend under the Public Housing Authority Act? Mrs. McGuire says it is very seldom we spent anything.

Mrs. MCGUIRE. As a rule, very few of our families——

RELOCATION PAYMENTS UNDER NEW LAW

Mr. THOMAS. How much are you going to spend on a family consisting of a man and his wife and four children now under the new act?

Mrs. MCGUIRE. The same as the urban renewal payments.

Mr. THOMAS. How much is that?

Mr. WEAVER. This, in fact, will vary according to need.

Mr. THOMAS. It will be based upon need, and not a flat limitation of 1 month's rent and moving expenses?

Mr. WEAVER. Yes. That is what this is based upon. This is the administration's position. It should be based upon the need of the family so the family will not suffer financial difficulty.

Mr. THOMAS. What do you think that figure will be?

Mr. SLAYTON. On the rent supplementation it would come to about $22 per month, average—that is on middle and lower income. That is the rent supplementation program. The payments would be for 1 year.

Mr. THOMAS. What would the new moving cost be?

Mr. SLAYTON. There is no change there—maximum of $200. Moving expenses not to exceed $200.

Mr. THOMAS. You have a wrapup figure of about $500 per family, then?

Mr. SLAYTON. Yes; for those families who are eligible to receive rent supplementation because their incomes are below middle income.

ELIGIBILITY FOR RENT SUPPLEMENTATION

Mr. THOMAS. What is the limitation on that? Who is going to be eligible? Is every occupant of one of the units eligible?

Mr. SLAYTON. No; the limitation would be based on the median income figures FHA has established for the middle-income housing program. Families who move into private housing, below that income would be eligible.

Mr. WEAVER. Let me say, sir, the way this would work—there would be established the average rental for standard housing in the community, for one bedroom, two bedroom, three bedroom, four bedroom, whatever it may be. The family would be looked at in terms of what size accommodation it needs.

Then 20 percent of its income, monthly income, would be figured, and the difference between 20 percent of its monthly income and the average cost of standard housing would be the amount of rent supplementation. Some families would get none, some families would get some.

I would assume from our experience to date—what percentage of families do you estimate would qualify, Mr. Slayton?

Mr. SLAYTON. About 60 percent.

Mr. WEAVER. And the same thing would be true, about, in public housing, as far as qualifications are concerned.

HARDSHIP CASES IN RELOCATION

Mr. EVINS. Have you had any instances of real suffering or great damage done by people who have been removed, which necessitated this supplemental payment?

Mr. WEAVER. Yes, sir; we have had a few. We have had some horror cases, and these are the ones that always come to light, as you know. The vast number of families have been able to relocate into—and this is from urban renewal; we have figures on that—into standard housing. We do have, however, evidence that some percentage—15 or 20 percent, I would say—have suffered some financial problems, and I would say maybe 5 or 10 percent have suffered really basic financial problems. This has been primarily large families, on the one hand, and single-person families, where the income is so low. The elderly and the large families are primarily those affected.

Mr. EVINS. You have been taking care of these horror cases under the urban renewal program?

Mr. WEAVER. It has been hit and miss. In a place like New York City, where people have become very vocal about this, the local authorities have done it, more or less, but in other places, there has been a tendency to sort of sweep this under the rug and not pay too much attention to it, and this is what we want to avoid, because we feel where people have to take the physical problem and the physical cost and the psychological cost of being displaced for the good of the community, they should not have to pay through the teeth for this. There is also the problem of the small businesses, which are also covered in this.

Mr. THOMAS. Thank you, gentlemen. Come back and see us, again.

MONDAY, AUGUST 17, 1964.

NATIONAL COMMISSION ON TECHNOLOGY, AUTOMATION, AND ECONOMIC PROGRESS

WITNESSES

STANLEY H. RUTTENBERG, SPECIAL ASSISTANT TO THE SECRETARY OF LABOR
V. S. HUDSON, DEPUTY ASSISTANT SECRETARY
JOHN G. KLEIN, JR., BUDGET ANALYST

Mr. THOMAS. We have with us this morning three very distinguished gentlemen from the Department of Labor. They want some money to establish a new commission, the National Commission on Technology, Automation, and Economic Progress. This request is contained in House Document 340.

I read the justifications and they were most interesting.

GENERAL STATEMENT

We will insert Mr. Ruttenberg's statement in the record at this point.

(The statement follows:)

STATEMENT OF STANLEY H. RUTTENBERG, SPECIAL ASSISTANT TO THE SECRETARY OF LABOR FOR ECONOMIC AFFAIRS FOR THE NATIONAL COMMISSION ON TECHNOLOGY, AUTOMATION, AND ECONOMIC PROGRESS

Mr. Chairman, I appreciate the opportunity to present what we think are the budgetary needs of this Commission and to discuss some of the activities which it might perform.

The law authorizes a maximum appropriation of $1 million to cover the life span of the Commission which for budget purposes we assume will be from September 1, 1964, to January 31, 1966. Because this is a fixed period of time and spans a part of 2 fiscal years, we are asking for an appropriation to cover the entire period rather than ask for two appropriations—one for 9 months and one for 7 months. This should provide the Commission with needed operating flexibility.

The hearings and debates in both the House and the Senate clearly pointed up the need for such a Commission. As Secretary Wirtz testified, the central objectives are:

First, to identify technological trends over the next 10 years and appraise their economic, employment, and social effects.

Second, to assess how technological advances can be channeled in directions where they will promote both economic and social progress and aid in fulfilling unmet community and human needs.

Third, to recommend the governmental and private action which should be taken to (*a*) promote technological change, (*b*) facilitate occupational adjustment and geographic mobility, and (*c*) prevent and alleviate the adverse effects of change on displaced workers.

The law itself provides the Commission with a broad framework, but leaves it free to develop its own program and plan of action. It requires that the Commission submit a final report of its findings and recommendations by January 1, 1966, and that it go out of existence 1 month later.

There are a number of specific questions on which the Commission might help pull together and evaluate the data:

1. How much of the change which is occurring in our industrial society is due to automation and how much to other causes?
2. Has the rate of change been accelerating and what are the prospects for the decade 1965–75?
3. What effect has automation had on the skill requirements in our society? What are prospects for the next decade?
4. What are the necessary features of an early warning system which would provide us with advance notice of impending change?
5. How can technological innovation be accelerated? How can the technological advances made in the defense industries be economically carried over into nonmilitary industries?
6. What industries are most vulnerable to massive technological change in the next decade and what kinds of dislocations can be expected in each?

There are also some more general problems which the Commission might focus the attention of knowledgeable people throughout the Nation:

1. What institutional changes are needed in our systems of education, training, counseling, and placement so that individuals might more fully share the fruits of economic and technological progress?
2. Where does the responsibility lie for assisting those individuals, firms, and communities which are severely affected by technological or economic change? What are feasible alternative programs for such assistance?
3. What actions can public and private groups take to promote desirable technological change and minimize adverse effects?
4. What are the unmet social needs which might profit from the application of new technology?
5. What impact will technological change have upon our way of life, values, social institutions, and communities?

The Government has a long term and continuing interest in technological and economic change. Within the resources previously authorized by Congress, the various Government agencies have undertaken research and data collection on many problems on which the Commission will focus its attention. Every bit of this material will be brought to the attention of the Commission as soon as it begins its work. All the agencies of Government, through the Federal Interagency Committee, I am sure will be happy to cooperate fully with the Commission, its staff, and its consultants on all matters.

The appropriation of the full authorization will enable the Commission to focus national attention at the highest level on economic and technological change.

I will be glad to answer any questions you may have.

RESOURCE NEEDS OF THE COMMISSION

Mr. THOMAS. You are asking for $1 million.

Summarize it for us, Mr. Secretary. It will cover the remainder of this fiscal year and up until January 31, 1966. That is about 17 months.

Mr. HUDSON. Sixteen months plus 1 month for liquidation of the program.

Mr. THOMAS. He wants about 10 regular employees. You have to have some consultants. You are not going to pay your 14-man committee anything. You are going to give them a little travel money and per diem.

How will you get these people?

Mr. HUDSON. Mostly from other agencies or from outside the government.

Mr. THOMAS. How many regular employees—10?

Mr. HUDSON. Ten for the Commission.

Mr. THOMAS. How many consultants?

Mr. HUDSON. Five.

Mr. THOMAS. For who?

Mr. HUDSON. The regular Commission.

Mr. THOMAS. How are you going to keep these 14 people going?

Mr. HUDSON. Much of this estimate is based on experience we have had over the years with Commissions. This is a very short life span for this Commission. We have a lot of work to do.

Mr. THOMAS. I do not know how much good it is going to do, but certainly I think you ought to come up with some good helpful information as to the results of automation, and what you can look forward to in the way of further advances.

Let's start off slow. We have learned from experience that about the most permanent thing in Government is a new commission. How much money do you have to have to carry you to the end of this fiscal year and get you started?

Mr. HUDSON. The break of the $1 million in 1965 is $717,500 for 1965, the balance of $282,500 is for 1966.

Mr. THOMAS. What page is that breakdown on?

Mr. HUDSON. It is on attachment 2.

Mr. THOMAS. We will insert pages 1, 2, and 3 in the record.

(The pages follow:)

National Commission on Technology, Automation, and Economic Progress

Item	Number positions	GS grade	Annual salary	Fiscal year 1965 cost	Fiscal year 1966 cost	Total 16-month cost
Full-time staff:						
Executive secretary	1	GS-18	$20,000	$16,600	$10,000	$26,600
Staff assistant	2	15	31,330	26,004	15,665	41,669
Attorney	1	14	13,615	11,300	6,808	18,108
Staff assistant	2	13	23,450	19,464	11,725	31,189
Administrative assistant	1	12	9,980	8,283	4,990	13,273
Secretary	1	9	7,030	5,835	3,515	9,350
Secretary	2	6	10,470	8,690	5,235	13,925
Total permanent	10		115,875	96,176	57,938	154,114
Benefits			xxx	7,224	4,362	11,586
Overtime pay			xxx	3,000	2,000	5,000
Consultants when actually employed			xxx	16,000	9,000	25,000
Benefits O/T				250	150	400
Benefits when actually employed				550	250	800
Pay raise costs				4,700	2,800	7,500
Total staff compensation				127,900	76,500	204,400
Travel				8,000	2,000	10,000
Rent, communication				10,000	5,000	15,000
Printing and reproduction				3,000	52,000	55,000
Other services				3,000	2,000	5,000
Supplies				2,000	500	2,600
Equipment				8,000		8,000
Total				162,000	138,000	300,000

This is pt. 1 of activity I. The estimate is based upon Sept. 1, 1964, activation, or 10 months in fiscal year 1965 and 6 months in 1966. Current (July 1, 1964) salary rates are used adjusted to new rates, less 10 percent mandatory absorption. The consultant compensation ($25,000) will permit the equivalent of about 1¼ man-years of employment (5 when actually employed at ¼ time) at $75 per diem and the full-time staff compensation and benefits will allow 13.3 man-years of employment (8.3 man-years in 1965 and 5.0 man-years in 1966). The nonlabor estimates are discussed under "Explanation of estimate by object."

Item	Number positions	GS grade	Annual salary	Fiscal year 1965 cost	Fiscal year 1966 cost	Total 16-month cost
National Commission costs:						
Compensation				$45,000	$25,000	$70,000
Benefits				1,500	500	2,000
Travel, Commissioners				16,000	4,000	20,000
Hearing space				3,500	1,500	5,000
Reporting services				7,000	3,000	10,000
Subcommittee travel				7,000	3,000	10,000
Commission space				8,000	5,000	13,000
Total				88,000	42,000	130,000

This is pt. 2 of activity I. The estimate will provide $100 per diem compensation for 14 Commissioners, or $5,000 per Commissioner for about 50 days each of employment while engaged in Commission work. The nonlabor estimates are outlined under "Explanation of estimate by object."

Item	Number positions	GS grade	Annual salary	Fiscal year 1965 cost	Fiscal year 1966 cost	Total 16-month cost
Department of Labor administrative support:						
Personnel compensation				$43,000	$27,000	$70,000
Personnel benefits				3,150	2,100	5,250
Rent, communication				3,000	2,300	5,300
Printing and reproduction				8,000	5,000	13,000
Other services				5,000	3,000	8,000
Supplies				5,350	3,100	8,450
Liquidation costs					10,000	10,000
Total				67,500	52,500	120,000

This is pt. 3 of activity I. The estimate will provide reimbursement to the Department of Labor for performing administrative service functions for the Commission during the 16 months' lifespan. The compensation and benefits will permit the equivalent of about 6 man-years of employment (about 12 employees at ½ time). The nonlabor estimates relate entirely to services and functions financed, on an assessment basis, through the working capital fund operation for the Commission. Included is a $10,000 estimate relating to liquidation costs of the Commission upon its deactivation Jan. 31, 1966.

National Commission on Technology, Automation, and Economic Progress

Item	Number positions	GS grade	Annual salary	Fiscal year 1965 cost	Fiscal year 1966 cost	Total 16-month cost
Contract research				$400,000	$50,000	$450,000
Total				717,500	282,500	1,000,000

This is activity II.

Item	Number positions	GS grade	Annual salary	Fiscal year 1965 cost	Fiscal year 1966 cost	Total 16-month cost
Personnel compensation				$164,876	$96,738	$261,614
Personnel benefits				9,524	5,262	14,786
Travel				31,000	9,000	40,000
Rent, communication				21,500	11,500	33,000
Printing and reproduction				3,000	52,000	55,000
Other services				10,000	5,000	15,000
Services of other agencies				467,500	102,500	570,000
Supplies				2,100	500	2,600
Equipment				8,000		8,000
Total				717,500	282,500	1,000,000

This identifies the overall estimate between estimated costs for fiscal year 1965 and fiscal year 1966 by object.

Activity

Item	Number positions	GS grade	Annual salary	Fiscal year 1965 cost	Fiscal year 1966 cost	Total 16-month cost
No. 1				$317,500	$232,500	$550,000
No. 2				400,000	50,000	450,000
Total				717,500	282,500	1,000,000

This identifies the activities between estimated costs for fiscal year 1965 and fiscal year 1966.

Mr. THOMAS. You have $130,000 for Commission costs. Compensation, $70,000. You do not give us any green sheets on personnel. Is that for the 10 people?

Then you have your benefits and the travel of the Commissioners, $20,000. Hearing space and reporting service, $10,000; subcommittee travel, $10,000; Commission space is $13,000.

FISCAL YEARS 1965 AND 1966 REQUIREMENTS

Mr. OSTERTAG. I would like to clear up this question of what you require in fiscal year 1965 which will end less than a year from now. This Commission is to be in existence until January 31, 1966.

Mr. HUDSON. The law gives it to January 1, 1966, to make a report and recommendations, then it liquidates as of January 31, 1966. Part of this budget falls in fiscal year 1966 and part falls in this year's budget.

Mr. OSTERTAG. That would be about a year and a half.

Mr. HUDSON. We figure about 16 months, plus a month for liquidation.

Mr. OSTERTAG. You require, according to your own statement, approximately $700,000 for 1 year and only about $300,000 the other half of the year.

Mr. HUDSON. Yes, sir.

Mr. OSTERTAG. There seems to be a difference between what you are going to require in the first year as compared with the other half.

Mr. HUDSON. There are a number of nonrecurring items in fiscal year 1966.

For example, we have money in here for research contracts. The bulk of this will take place in the first fiscal year rather than the second fiscal year. We would buy some equipment in the first fiscal year that would not recur in the second fiscal year.

Mr. OSTERTAG. Why could you not get along with $700,000 for the first year and obtain your funds by regular appropriations for fiscal year 1966.

Mr. HUDSON. We could, sir. All we are saying is, this is a temporary Commission. It would take new legislation to extend it. It would provide more flexibility for the Commission if they had all their money at one time. There is nothing to stop us from coming back to the next session of Congress for fiscal year 1966 financing.

Mr. THOMAS. Insert pages NAC 3, 4, and 5 in the report at this point.

(The pages referred to follow:)

Amounts available for obligation

	1964	*1965/1966*
Appropriation or estimate	----------	$1,000,000

Obligations by activity

Description	1964 estimate		1965–66 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
1. Commission and administrative costs	----------	----------	10	$550,000	+10	+$550,000
2. Contract research	----------	----------	----------	450,000	----------	+450,000
Total obligations	----------	----------	10	1,000,000	10	+1,000,000

Activity I is composed of three cost factors as follows:

1. *National Commission* (14 Commissioners, their compensation, travel, and related nonlabor requirements):

1965, $88,000 1966, $42,000 Total, $130,000

2. *Federal Staff Assistance* (10 full-time positions and 5 Consultants, their compensation, travel and related nonlabor requirements):

1965, $162,000 1966, $138,000 Total, $300,000

3. *Department of Labor Administrative Support* (the equivalent of six man-years of employment, working capital fund service functions, and liquidation costs for the entire Commission):

1965, $67,500 1966, $52,500 Total, $120,000

Obligations by object

	1964	1965-66	Changes
Total number of permanent positions		10	10
Average number of all employees		15	15
11 Personnel compensation		$261,614	+$261,614
12 Personnel benefits		14,786	+14,786
21 Travel and transportation of persons		40,000	+40,000
23 Rent, communications, and utilities		33,000	+33,000
24 Printing and reproduction		55,000	+55,000
25 Other services		15,000	+15,000
Services of other agencies		570,000	+570,000
26 Supplies and materials		2,600	+2,600
31 Equipment		8,000	+8,000
Total obligations		1,000,000	+1,000,000
Working capital fund items included above		(34,750)	(+34,750)

STATUS OF THE COMMISSION

Mr. EVINS. When was this act passed on?

Mr. HUDSON. At this session. I do not know the exact date.

Mr. EVINS. You are here for funds before the act has been signed into law?

Mr. HUDSON. Yes sir.

Mr. EVINS. Have all the members of the Commission been named?

Mr. HUDSON. None that I know of.

Mr. RUTTENBERG. The Committee has not been named.

PREVIOUS STUDIES OF AUTOMATION

Mr. EVINS. The Labor Department has been studying this problem of automation for a long time. You know the answers. You know how much change has taken place in industry, and how many people are being displaced. Are you attributing all the displacements of personnel to automation?

Mr. RUTTENBERG. There are many causes.

Mr. EVINS. You have been studying this problem for a number of years.

Mr. RUTTENBERG. This problem has certainly been studied in various Government agencies for a half-dozen years.

Mr. EVINS. Has the rate of change been accelerating?

Mr. RUTTENBERG. The rate of advance in productivity, efficiency, ability of industry to turn out more products with fewer workers, has been increasing. I can give you specific figures.

Mr. EVINS. It would be interesting. What industries is automation affecting to the greatest degree, to your knowledge at the present time?

Mr. RUTTENBERG. At the present time the heavy goods industries have been effected by automation all during the 1950's and early 1960's. What is happening now is that automation is beginning to hit areas like retail and wholesale distribution, banking and insurance. The whole concept of how you handle a bank account and checks coming in and out of a bank is now changing. The automation is tremendous. Another area is the control inventories in department stores.

Mr. EVINS The banks are handling their problems all right. They are buying the equipment. You do not have to have a Commission to study the problem in banks.

Mr. RUTTENBERG. The real problem concerns the people that are displaced and are not getting jobs and this creates a problem for the economy as a whole.

Mr. THOMAS. There is a whole lot in what you say.

In government, particularly in the field of electronic equipment, we are puzzled here. We take a look at practically all of government. We buy more electronic equipment and more fine machines and so help me, the employment goes up in spite of it.

Mr. OSTERTAG. How do you account for that?

Mr. RUTTENBERG. I think if one looks at the statistics of Federal Government employment, figures show a rather steady slight decline in the last 8 or 9 months. As a matter of fact, total Federal Government employment has not increased, month by month. On the contrary, it has gone down slightly—ever so slightly, but it has not increased.

Mr. THOMAS. Let's take computer equipment. That field beats anything I have ever seen. We cannot account for it and no one else can.

FUNCTION OF THE COMMISSION

Mr. OSTERTAG. Mr. Secretary, what is the objective of this Commission. Recognizing that automation is the primary problem, or question, is it to determine the effect of automation on employment and labor, or is it to put roadblocks in the way of automation in view of employment, or what?

Mr. RUTTENBERG. No, sir. I would like to respond to that very quickly.

The purpose of this Commission is to have 14 individuals, nongovernment, private individuals with no connection with government, sit back for a period of 16 months and take a look at what the Government has been doing in the way of studying the problem of automation and its impact on job and industry; to take a look at what is happening in the private electronic computer data processing industry; to take a look at what is happening in the white-collar occupations where automation for the first time is beginning to hit; take a look at what is happening in private industry in the heavy goods, automobile, steel industry, and try to have 14 private individuals who are not going to devote full time—they are going to meet every month for a day or two for a course of 6 months, and during the latter period of 16 months they will meet more frequently——

Mr. OSTERTAG. What can you do about it? Private enterprise in this country is moving ahead with new techniques and new automation. Once you find out what is happening, or what the possibilities are, then the question arises—what, if anything, can come of it?

Mr. RUTTENBERG. The legislation that has been passed awaiting the President's signature at the present moment, provides for the Commission to make a report to Congress on what it proposes to recommend, both in the way of governmental as well as private actions; to take into account ways on the one hand of promoting technological advances because there is much being done in the way of research and technological advance in the military and in the space agencies that could be applicable to private industry that would extend America's ability to compete effectively and improve our balance-of-payments position and reduce costs if we could transfer technological knowledge which is developed by the military over to the civilian economy. That is one aspect on which they would make, I would hope, positive recommendations.

Secondly, in the whole area, once you install a piece of automatic equipment, you displace persons. How do you work out programs to more properly adjust to the displacement that takes place because of the equipment installed?

These are two areas of action where the Commission would be required to make positive recommendations to the Congress on how this might be handled. Certainly there are many recommendations that have been made by many people, and this problem has been studied by all kinds of individuals, inside and outside government. It never really has had the concentrated direct attention of one public body that could sit back and reflect upon whatever one is doing.

This is what we lack at this point. A lot of work is being done in private industry, a lot of work is being done in various parts of government, a lot of work is being done in universities, but no one has really sat back to reflect and pull together what everybody is doing. If there is one purpose this Commission would serve, it would be that.

TERMINATION OF COMMISSION

Mr. EVINS. The chairman has indicated the Commission may be a continuing one.

Do you contemplate once you have had an overall objective view of the composite picture of industry and government, your report then would be final and your work terminated?

Mr. RUTTENBERG. The bill specifically provides for the Commission terminating its work, making its report to Congress, by January 1, 1966, and being given the first month in 1966 to complete its work and go out of business.

INDUSTRIES SUBJECT TO TECHNOLOGICAL CHANGE

Mr. EVINS. What industries do you think are the most vulnerable to technological changes?

Mr. RUTTENBERG. I think we are beginning to witness tremendous advances in the steel industry with oxygenization of the blast furnace operation, which is accelerating the speed at which you can produce a ton of steel. The continuous casting operation in steel is developing, so instead of taking molten steel and hardening it and taking it back and melting it again and rolling it on a mill, it will all be done in one process. This is down the road another 5 years or so, but what needs to be done is, someone has to sit back and see what impact that has on the American economy.

In the electronics industry, our data-processing industry is having a tremendous impact.

Mr. EVINS. I was at the White House when the President gave the National Small Business Achievement Award. It was given to a man in Iowa, Berkley Bedell, who is in the fishing tackle business. He and his family starting out tying a few baits, and they are now in a $1 million business with a solid export trade around the world. The point was made that America used to be the land of work and labor, and now it is a land of recreation, and some major industries are devoted to providing things for recreation.

I think that is right in line with this study that needs to be made.

Most of your funds will be for your National Commission and for Federal staff assistants, and then there are your other objects, personnel compensation, travel, communications, et cetera.

Are you going to buy some electronic data-processing equipment?

Mr. RUTTENBERG. No, sir; not at all. You will see in attachment No. 1, about the fifth page from the end of my statement, an explanation of some contract research work that——

NATURE OF CONTRACT RESEARCH

Mr. EVINS. Tell us the nature of the contract research work you contemplate.

Mr. RUTTENBERG. This is outlined on attachment 1 for a total of $450,000. This would explain the difference between the moneys that Mr. Hudson pointed out would be spent in fiscal year 1965 and fiscal year 1966.

Actually, the Commission, as I would visualize it, to do its work the research has to be contracted for and provided within the first 6 months.

Mr. EVINS. $30,000 to improve techniques for early warning of impending major changes.

Mr. RUTTENBERG. Mr. Evins, I think this is probably one of the most important areas we need to do. It is just amazing how little we really know about when and at what points in time new pieces of technological equipment will hit a particular industry. For example, take the problem of the newly developed product Corfam, which is artificial leather made by Du Pont which is now being put into men's shoes. We do not really know how fast that product is going to hit industry. If they develop Corfam, which is artificial leather, more cheaply and it comes into the shoe industry, we will be able to produce

shoes more cheaply. We will be able to produce them in a greater mass market.

SOURCE OF RESEARCH PERSONNEL

Mr. THOMAS. What is the source of your knowledgeable people in this field? It is a big field and an important field, and will industry be able to furnish you a lot of knowledgeable people? Do you have to go to the universities for them? If you go to the universities, where do you get them, from the economics department? Do you get them from the history department?

What is the source of your knowledge in this particular field?

Mr. RUTTENBERG. There are a lot of very, very competent research people employed by private industry today who are doing all kinds of technological work in the development of new products.

It seems to me their knowledge and talent could be—and I would hope—utilized by this Commission in terms of some of this contract work.

Mr. THOMAS. Forget the new products. Just assume they are going to be invented. Assume they are going to come on the market; but let us get to the meat in the coconut. What is going to be the end result of these new products? Where are you going to get those brains and those special talents, the people who are knowledgeable in the field? You are going to have to go to the universities?

Mr. RUTTENBERG. In part, universities, and in part, industry.

Mr. THOMAS. Will not industry be able to furnish you a whole lot of good information?

Mr. RUTTENBERG. Industry can; yes. I think we need not only the university people—I have great confidence in the university people who have done a lot of work and need to do a lot more—but I am also convinced there is a lot of knowledge in industry and amongst the competent research scientific and engineering technicians that we do not know enough about in terms of government.

Mr. THOMAS. There are any number of good corporations in industry that have knowledgeable people and can make a good contribution and they will walk 9 miles to help you for free. However, I do not know about the universities. Most of them are broke and we may have to pay some expense money for them. They are not going to make a profit on you, but industry would do it for nothing. You may have to pay some expenses to the universities because they are vitally concerned in this, too.

NATURE OF RESEARCH CONTRACTS

Mr. EVINS. Mr. Chairman, we will place in the record this attachment No. 1 listing certain of the contracts and research projects they have in mind, as well as the costs.

(The document follows:)

Explanation of contract research costs

Among the specific subjects which probably would be handled through contractual research assignments to university, academician, public and private research agencies are the following (the cost estimates are based on our best judgments):

Measuring technological change: How can we measure the extent, pace and effects of technological change?	$25,000
Fields of change: In what significant sectors of the economy have there been little technological change—and in which of these is continued slow change likely as against those in which substantial change is imminent?	55,000
Extending change: What factors determine how rapidly new technology is extending within sectors in which it is already used?	35,000
Estimating future impact: To meet the specific requests set forth in the Act, what will be the impact of change upon production, job content, employment, etc., "likely to occur in the next 10 years," by industry, occupation, and geographic areas?	75,000
Preparing for change: How can we improve techniques for "early warning" of impending major changes?	30,000
Potential for growth: What major new opportunities for economic and employment expansion are possible from new technological advances or breakthroughs in the near horizon—and what policies are necessary to realize such opportunities?	70,000
Stimulating technological advance: How do you develop and accelerate technological innovations?	50,000
Meeting adverse effects: How shall we shoulder responsibility (public as against private roles) in meeting social and economic dislocations stemming from technological change?	25,000
Revising educational programs: How shall we adapt educational and training institutions to assist our people in adjusting to an increasingly automated society?	45,000
Adapting worktime practices: Is advancing technology likely in the near future to stimulate major changes in workhour patterns, such as increasing of operations on continuous schedules and greater departure from customary daytime work hours?	40,000
	450,000

BASIS OF ESTIMATE

Mr. EVINS. What is the significant sector of the economy which has had little technical change and which has been slow, and in which sector do you expect there will be substantial changes? Do you feel you need the full $1 million through January 1966? Do you need $500,000 perhaps?

Mr. HUDSON. $1 million is our best estimate and is based solely on our past experience with these kinds of commissions. It is not a precise figure.

COMPILING AND DOCUMENTING INFORMATION

Mr. EVINS. Could you not get most of this information from the chemical companies, the shoe industry, the steel companies, and from the banking fraternity? Do you not have all of this information and is it a question of compiling it and documenting it?

Mr. RUTTENBERG. Compiling it and documenting it, as you know, is not an easy job. In many instances, private industry people are busy doing their own work, and if a company is going to release them to do any research, it seems to me that for the Commission, if they do this, they are not going to release them on a dollar-a-year basis.

PRACTICAL USE OF THE REPORT AND RECOMMENDATIONS

Mr. EVINS. There is a consensus of Congress that we need this information. I think we need the information, but who is it going to help? Is it going to help the big industry or the working man?

Mr. RUTTENBERG. I think, sir, it is going to help three areas. It is going to help the workingman; it is going to help industry, and it is going to help the U.S. economy as a whole to face up to the problems that it is really going to be confronted with as we go down the road.

I think that the latter is probably more important than how it might help industry or how it might help the workers.

Mr. EVINS. You made a good statement.

Any questions?

AUTOMATION AND THE WORKINGMAN

Mr. OSTERTAG. How could the Commission come up with the answer as to how automation is going to help the workingman?

Mr. RUTTENBERG. Sir, I do not want to prejudge what the Commission might decide, but I could give you a specific example.

Mr. OSTERTAG. I mean generally speaking.

Mr. RUTTENBERG. Generally speaking, I think the workingman in America can be helped considerably if, through automation, we develop an ability to produce products more cheaply. Therefore, prices will come down. This has been the whole history.

Take the case of color television. It came on the market at $450 or $500 for a set and with more technological advance——

Mr. OSTERTAG. That has to do with the cost of living, but it is not something that overcomes the problem of unemployment where workers are displaced by virtue of automation. That is what I am driving at.

How is it going to help the workingman in that way?

Mr. RUTTENBERG. The extent to which those products are sold more cheaply is the extent to which more people buy them, and as more people buy them, more people have to be put to work to produce them, even in an automated industry.

That is the whole history of American industrial development.

Mr. OSTERTAG. There is also the question of market when they reach the saturation point.

You spoke a moment ago about this question of international trade.

I think you were referring to shoe production. Of course, by the same token we are liberalizing our program for international trade, or it is working in the opposite way. We cannot go in two directions at the same time, I do not believe.

Mr. RUTTENBERG. You might say, Mr. Ostertag, the whole notion of promoting technological advance and liberalizing our trade is consistent, one with the other, because as we develop our technology, we improve our ability to produce products more cheaply and thereby our American business and our American workers are better able to com-

pete with the imported products. Therefore, more is produced in the United States than is brought in.

If one wants to look at this in terms of competitive advantage—

FUNCTION OF THE COMMISSION

Mr. OSTERTAG. I do not believe anyone would quarrel with the objective of the Commission or this law. It is a problem that is here, but now your Commission is primarily going to sit as a group perhaps to evaluate the results of the researchers and others who bring these reports and findings in; is that it?

Mr. RUTTENBERG. To evaluate and to review. This, I think, will be done through what they would recommend as ways of solving the problem.

In addition, the law provides for the Commission holding public hearings if it so decides, so that some of the money that is provided in this budget is contingent upon the assumption that the Commission will decide to hold public heairngs, which is is authorized to do by law.

REPRESENTATION ON THE COMMISSION

Mr. OSTERTAG. Will labor be represented? Will industry be represented as well as various other fields of endeavor on this Commission?

Mr. RUTTENBERG. The bill as passed by the Congress provides for a broadly representative group of Americans on the Commission, with not less than four from labor and management. The Senate committee in this report interpreted that to mean there should be 2 labor people, 2 business people, and the other 10 to be selected from the fields of science, engineering, industrial relations, economics, sociology, and generally the university areas.

CONTRACT RESEARCH

Mr. OSTERTAG. You say you will require $550,000 for the Commission's administrative expenses, and $450,000 for contract research. Is the contract research going to be primarily through educational institutions or will it be contracts with outside private interests, such as industry itself?

Mr. RUTTENBERG. It could be. This is, of course, for the Commission to decide.

Mr. OSTERTAG. I understand that.

Mr. RUTTENBERG. We do not anticipate at this point that possibility.

On contracts with universities and the private research agencies like the Stanford Research Institute or the Denver Research Institute, or the Mellon Laboratories at Pittsburgh, these are all private research organizations. Or, this could be done with the Battelle Institute or any of these agencies now doing extensive research in the field.

POSSIBILITY OF DUPLICATION OF EFFORT

Mr. OSTERTAG. The point I was getting at, Mr. Secretary, is that already there is considerable research being undertaken and applied today in this general field, and private enterprise and other interests

are moving in this direction. Is this not apt to be a duplication of effort?

Mr. RUTTENBERG. Mr. Congressman, I would like to respond to that very clearly by indicating my strong feeling. Having spent a great many years in the field of economic research, my strong feeling is that a lot of people are doing a lot of research but nobody seems to be sitting back in kind of a reflective mood to decide on an overall basis what the various people are doing in the various fields and trying to put it together.

One of the difficulties is that the various pieces of research that are being done or has been done in the Department of Labor is good and excellent research in the field of automation, but we are not able to relate it to what is being done by the private research laboratories, or by corporations.

We are able to do that. We are not able to decide what the total overall impact of this is, because nobody seems to have that overall broad view.

This is one of the reasons for the establishment of the Commission, I think, was expressed by President Johnson and has been expressed by Secretary of Commerce Hodges, and Secretary of Labor Wirtz, and has also been expressed by the chamber of commerce and other representatives that have come before the committees of the House and Senate.

That is that we need to have a body that will sort of sit back in a sort of reflective mood and look at what is being done across the board and try to come up with a coordinated, concrete, specific set of recommendations that one individual, whether it is private research, corporation research, or whether Government itself, cannot do.

FUNCTION OF COMMISSION

Mr. OSTERTAG. I have one more question.

If the primary function is review and evaluation on the part of the Commissioners themselves, taking into account the contracts for research, why is it necessary to have a sizable, full-time staff of workers. What will they do?

Mr. RUTTENBERG. The budget provides for 10 full-time individuals to serve the Commission.

Mr. OSTERTAG. I understand; but basically it is research and that is the result of contracts. What would these staff assistants or consultants and full-time positions be involved in? Is there enough work for them? What would it entail? Do you get my point?

Mr. RUTTENBERG. I certainly do. It is a very good point.

Of the 10 people, 3 are secretaries, and there are 7 professional people. If you are going to administer a group of contracts in research in the amount of some $450,000, you have these reports that come in and they need to be analyzed. They need to be briefed and they need to be presented in a coordinated fashion to the members of the Commission. The Commission will then decide that it wants to write a report. Obviously, you have served on Commissions and

I have served on Commissions and you know that the members on the Commission are not going to write the report. They are going to have a lot to do with what it says and they are going to go over it word for word, but the writing of it and the preparation of it and the preparation of an outline and the preparation of the material that goes into the report has to be done by a staff based upon the Commission's review of the research work which has been done for the Commission by these outside groups.

SIGNING OF THE AUTHORIZATION BILL

Mr. OSTERTAG. You anticipate that this bill will be signed into law before this appropriation gets very far?

Mr. RUTTENBERG. Sir, I think the President is scheduled to sign it into law within the next 2 or 3 days. He has to do that within the time limit provided.

Mr. OSTERTAG. Thank you.

Mr. EVINS. Mr. Jonas?

RENTAL OF SPACE

Mr. JONAS. As to this $33,000 item for rent, communications, and utilities, how much of that is for rent? Where are you going to house the committee?

Mr. KLEIN. $28,000 is for rental.

Mr. JONAS. What are you going to do, rent an office?

Mr. HUDSON. Probably several offices here in the District of Columbia.

Mr. JONAS. Do you not have enough room in the Department of Labor Building?

Mr. HUDSON. No, sir.

Mr. JONAS. You are in about 15 buildings?

Mr. HUDSON. Right now we are in about 15 different buildings and 2 out in Silver Spring.

Mr. JONAS. I thought you could find enough room in 1 of those 15 buildings.

Mr. HUDSON. This Commission is going to need a lot of space. They are going to need conference rooms and hearing space.

Mr. JONAS. What are you going to do, rent space through GSA?

Mr. HUDSON. Yes, sir.

Mr. JONAS. Commercial space?

Mr. HUDSON. Commercial space. As to whether they have unused space, I doubt.

Mr. JONAS. That is all.

Mr. EVINS. Thank you, gentlemen.

Mr. RUTTENBERG. Thank you, Mr. Chairman.

MONDAY, AUGUST 17, 1964.

SELECTIVE SERVICE SYSTEM

WITNESSES

LT. GEN. LEWIS B. HERSHEY, DIRECTOR OF SELECTIVE SERVICE
COL. WILLIAM S. ILIFF, Jr., ASSISTANT TO THE DIRECTOR OF SELECTIVE SERVICE
LT. COL. MAXWELL O. JENSEN, ASSISTANT CHIEF LEGISLATIVE AND LIAISON OFFICER

SALARIES AND EXPENSES

Object classification
[In thousands of dollars]

	1965 presently available estimate	1965 revised estimate	1965 increase
11 Personnel compensation:			
Permanent positions:			
Civilian	28,153	32,531	4,378
Military	3,342	3,789	447
Positions other than permanent	3,897	4,768	871
Other personnel compensation	162	340	178
Total personnel compensation	35,554	41,428	5,874
12 Personnel benefits:			
Civil service retirement contributions	1,882	2,194	312
Group life insurance contributions	93	107	14
Federal Insurance Contribution Act taxes	78	92	14
Health benefits contributions	217	248	31
21 Travel and transportation of persons:			
Administrative travel	707	874	167
Travel of selectees	1,945	5,915	3,970
Payment to interagency motor pool	63	82	19
22 Transportation of things:			
Freight, express, and drayage	55	80	25
Rental of trucks	4	6	2
Parcel post	49	60	11
23 Rent, communications, and utilities:			
Communication services	654	806	152
Rents and utilities	275	317	42
Penalty mail	772	1,015	243
24 Printing and reproduction	192	252	60
25 Other services	118	245	127
26 Supplies and materials	237	385	148
31 Equipment	135	300	165
Total costs	43,030	54,406	11,376
Change in selected resources	−10	−10	
Total obligations	43,020	54,396	11,376

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	5,448	5,511	7,586
Full-time equivalent of other positions	915	1,001	1,108
Average number of all employees	6,251	6,528	9,579
Employees in permanent positions, end of year:			
Civilian employees	5,130	5,078	7,064
Military employees	249	249	299
Employees in other positions, end of year	1,786	1,948	2,216
Average GS grade	5.5	5.6	5.5
Average GS salary	$5,833	$6,156	$6,137
Average salary of ungraded positions	$4,239	$4,317	$4,334

Program and financing

[In thousands of dollars]

	1965 presently available estimate	1965 revised estimate	1965 increase
Program by activities:			
1. National administration, planning, training, and records management	2,045	2,387	+342
2. State administration, planning, training, and records servicing	7,425	8,143	+718
3. Registration, classification, and induction	33,460	43,776	+10,316
4. National advisory committee on the selection of doctors, dentists, and allied specialists	38	38	
5. National Selective Service Appeal Board	62	62	
Total program costs, funded [1]	43,030	54,406	+11,376
Change in selected resources [2]	−10	−10	
Total obligations	43,020	54,396	+11,376
Financing: New obligational authority	43,020	54,396	+11,376
New obligational authority: Appropriation	43,020	54,396	+11,376

[1] Includes capital outlay as shown: 1965 presently available estimate, $150,000; 1965 revised estimate, $500,000; 1965 increase, +$165,000.

[2] Selected resources as of June 30:

	1964 and 1965	
Stores	109	190
Unpaid undelivered orders	128	120
Advances	2	-----
Total	239	229

Mr. EVINS. The committee will come to order.

We have with us General Hershey, Director of the Selective Service System, Colonel Illff, Assistant to the Director, and Lt. Col. Maxwell Jensen, Assistant Chief Legislative and Liaison Officer.

You are requesting a supplemental for $11,375,000 as contained in House Document No. 343.

Apparently, according to your view, we were too tight with you when you came before us originally. You need $11,375,000 for additional salaries and expenses.

GENERAL STATEMENT

Tell us, General, why you need this amount.

General HERSHEY. Mr. Chairman and members of the committee, I don't believe I am here because I didn't get as much as I thought I would, before. I have got another reason. In the first place, we had no—we asked for nothing that had to do with the 18-year-olds when we were here, before.

I would like to chop off the $375,000. I am asking for it, but I want to make a statement about that in the beginning.

Mr. EVINS. You are reducing it to $11 million?

General HERSHEY. No, I am not. What I am trying to say is that that is for something quite different than the other purposes. That is to try to carry out a 1-percent study we have been running over the years, and the main reason for it is to furnish information to the Department of Defense to be used in this study. The Department of Defense is making a study on how to procure men for the Armed Forces. I think somebody erroneously has been interpreted as having something to do with the life of the Selective Service System, but that

is beside the point. This $375,000 is for a study that we are going to do for the Department of Defense.

Mr. JONAS. Don't you think they got enough out of the $47 billion to reimburse you for this?

General HERSHEY. Apparently not. That is what they say. The Defense lawyers object to my giving this evidence, because all I have is hearsay. They want us to do it, and the Bureau of the Budget said we had to get out and seek the money for it.

Now, the $11 million is for three purposes. For none of them did we ask for money when we were here before. We have been ordered to process the 18-year-olds.

Mr. OSTERTAG. What do you mean, General, by "process" them?

General HERSHEY. I will get to that.

In the first place, going back to our law, we were told in our law—our law provides as rapidly as possible everybody is classified, so that he knows where he is.

I must confess that over a great many years we didn't do much on that, because it was a question of saving money.

But as we built up the fact that men are going to 22 and 23 years old before they knew what their status was, more and more we were driven to attempt to carry out the law as originally written on classifying people as soon as they were available for registration, and of course, the registration age is 18. We were directed by the President some time since to examine all of the 18-year-olds. Now, we came to you before and asked for money to register them, and we didn't think we got it, but we are not back here asking for any money to register them, because that has already been adjudicated.

But we do have not only the question of registering——

Mr. EVINS. Do you mean they are registered?

General HERSHEY. Well, no. You see, it has only been running a month, and so, therefore, I don't know where we will be, sir.

Mr. EVINS. You are going to get them registered, in other words?

General HERSHEY. We will, and if we spend the money, we have always got a chance to come back next spring.

Mr. OSTERTAG. Isn't every man 18 years of age required to be registered?

General HERSHEY. Yes.

Mr. OSTERTAG. That has been the law, has it not?

General HERSHEY. That has been the law, and we have registered all of them.

Mr. OSTERTAG. So there is nothing new about that?

General HERSHEY. Well, 600,000 more 18-year-olds are with us this year than there ever were before.

Mr. OSTERTAG. There may be more, but the point is, there is nothing new about it.

General HERSHEY. That is right. That is on the registration.

Now, when we get into classification and physical examination, we get into some of the most expensive areas that we are in, because, next to paying for the people that we have working in Selective Service, our problem money is always our biggest.

COMPONENTS OF SUPPLEMENTAL REQUEST

I am going to confine everything I have to say to the $11 million. The $11 million is on the 18-year-olds, and it is divided into three parts.

First of all, the transportation of them, to get them physically examined, about $4 million.

About $6 million is for additional people to handle about 2 million who will register, although we will examine about half of them, so the second is the personnel that we have got to have to carry this additional load of processing these people to the examining stations for physical examination. The last million is made up of miscellaneous items, of possibly logistic things that you have to have in order to employ the people that are necessary to carry this out.

That is about the outline of my story. The details I think we will reserve, if you want to ask questions. There is no use of my shooting with details maybe you don't want to hear to the exclusion of things you do.

Mr. THOMAS. If Mr. Evins will yield, what this boils down to is simply this: About $6 million increased personnel costs, about $4 million travel, and your other objects, $1,250.000.

General HERSHEY. That is it.

REASON FOR SUPPLEMENTAL REQUEST

Mr. EVINS. Why did we miss this estimate so much, General, during your regular appearance before the committee? We missed it by $11 million.

General HERSHEY. Quite simple. In the first place, we set up the budget when we came to you, a year ago this summer when there wasn't any thought of doing anything except registering the 18-year-olds. We did ask for extra money for that. There wasn't any talk at that time of processing, physically examining, or classifying them.

Mr. OSTERTAG. Is this for the balance of the fiscal year?

General HERSHEY. Yes; the present fiscal year.

Mr. JONAS. Since you were here before and since the bill was marked up, then enacted, the President has directed you to examine these 18-year-olds who normally would not have been examined for 3 or 4 years hence. Is that not correct?

General HERSHEY. That is about true, except I do not believe we have our timing quite correct. The facts you bring out are all right. I think I knew when I was over here before and I think I told you if we go back to the record that I was not asking you for money that I was going to have to ask you for but I did not at that time. I did not get permission to go back and revise the budget. Remember, our 1966 budget is now getting about where this present budget was a year ago and yet at the time I came up to defend it, so many things have happened it makes it bad, but still I am not authorized to do anything about it, so I knew when I was here we were involved in this but the budget was not set to do anything about the 18-year-olds.

Mr. THOMAS. How many more examinations and classifications will you have to make? How many more will you have to transport under the new legislation?

General HERSHEY. About a million. We have to register. That I won't talk about. We have to register 2 million. We will have to classify 2 million. Then we will have to deliver at the induction stations just under a million. That is about the size of it.

Colonel ILIFF. 932,000 is the figure.

Mr. EVINS. In other words, to register 2 million, to transport a million, process a million, handling about 2 million 18-year-olds will cost about $11 million?

Colonel ILIFF. All but the registration.

Mr. JONAS. Why does it cost you any more for registration?

General HERSHEY. It doesn't.

Mr. JONAS. Why does it cost you any more than it did to classify? The only thing that costs you money is the travel; is it not?

General HERSHEY. Travel; but on the other hand, heretofore we have been working on our classifications but in about the 22- or 23-year-olds and the volume of it was scattered over a long period of time. Now we are hit this year, if we are going to start——

Mr. JONAS. Pardon me. It does not cost you anything to classify these people. That is done by uncompensated people.

General HERSHEY. Yes, with the use of the local board, trying to keep them straight, their clerk.

Mr. JONAS. You have the clerk there anyway. How many more clerks do you plan to put on?

Colonel ILIFF. 960.

General HERSHEY. One of the things we are up against, and I know this committee is fully aware of this as I am, I do not think you can find an agency of Government who has asked its people to work outside of hours and not get paid for it.

Mr. THOMAS. You do not have any more workload under the new legislation than you had before. The big item of expense and the only one is the transportation; isn't that the truth of the matter?

General HERSHEY. No; I do not think so.

Mr. EVINS. You had to go through the same routine you go through now.

General HERSHEY. But if you add 2 million people that you have to handle some year, it is all very well to say to the clerk she can do it when she isn't handling anything else, but we have had our clerks working over hours all along because we have not been able to get the money. There comes a time when you just keep loading on and they are unable to move anymore. That is just about where we are.

JUSTIFICATION OF SUPPLEMENTAL ESTIMATE

Mr. EVINS. At this point let us insert the general statement in the justification as well as the material under Projects 10, 20, and 30.

(The material follows:)

REQUEST FOR SUPPLEMENTAL APPROPRIATION

There is presented herewith justification for the supplemental request of $11,375,000 for the Selective Service System for the fiscal year 1965. This request for additional funds is occasioned by the implementation of the President's manpower conservation program. The amount requested is intended to cover the cost of the Selective Service System's participation in this human salvage program, the expenditures for which could not be foreseen at the time of preparing the annual budget estimate and, therefore, no provision was included.

The manpower conservation program is to be designed to meet the needs of young men who fail to pass the physical or mental tests given to the registrants of the Selective Service System by the Armed Forces examining stations or who are rejected for further examination by the local boards of the Selective Service System due to obvious deficiencies. Other Federal agencies have been assigned the responsibility of designing the program.

The Selective Service System's function is to select and forward registrants to the Armed Forces examining stations for examination, and until September 30, to notify the registrant that a program to help him is available giving him the address of the office of referral where he may secure further information. The referral office is furnished a list of names of those registrants who have been referred to it for an interview. Starting October 1, the agencies of referral will have counselors stationed at the examining stations and the only referrals by Selective Service will be those rejected for obvious defects by local boards without the Armed Forces examination.

The following workload factors are those used in preparation of this request:

Number of rejectees by group and cause

	Cause of rejection			
	Mental	*Physical*	*Both*	*Total*
18-year-olds (reaching age 18 in fiscal year 1965)	200,000	200,000	100,000	500,000
Reaching age 18 (2d half fiscal year 1964) [1]	48,000	48,000	24,000	120,000
Subtotal	248,000	248,000	124,000	620,000
Regular rejectees:				
Examined fiscal year 1965	122,000	122,000	61,000	305,000
Examined 2d half fiscal year 1964 [2]	98,000	98,000	49,000	245,000
Examined Jan. 1, 1963, through Jan. 31, 1964	213,043	213,043	47,342	473,428
Subtotal	433,043	433,043	157,342	1,023,428
Total rejectees	681,043	681,043	281,342	1,643,428

[1] Relections for 4 months only.
[2] Relections for last 5 months only.

Derivation of 18-year-old rejectees

	1965	2d half 1964 [1]
Number 18-year-olds registered	2,000,000	500,000
Less number not available for service	1,140,000	285,000
Number to be considered for examination	860,000	215,000
Less number rejected at local boards	115,000	28,000
Number forwarded to AFES for examination	745,000	187,000
Number passing examination	360,000	95,000
Number rejected at AFES	385,000	92,000
Plus number rejected at local boards	115,000	28,000
Total number rejected	500,000	120,000

[1] Rejections for 4 months only.

It has been estimated that 50 percent of those rejectees referred or interviewed will wish to participate in the conservation program.

The travel of registrants for purposes of this estimate has been limited to one round trip to the Armed Forces examining station. Travel, if required, to the place of participation in the program has not been provided for.

This estimate also includes $375,000 for the purpose of bringing our sample inventory up to date to furnish the committee in the Department of Defense data they have requested for the study of manpower procurement and Selective Service. This is a crash program and will be conducted without additional personnel, but does involve overtime for present employees.

There is no change in Project 40 and Project 50.

Summary detail of personnel compensation

	Presently available, 1965 estimate		Revised 1965 estimate		Increase 1965 estimate	
	Number	Total salary	Number	Total salary	Number	Total salary
Assistant planning officer	1	$14,965	1	$14,965		
Deputy State director	16	239,440	16	239,440		
Executive secretary	1	14,965	1	14,965		
Field auditors	2	29,930	2	29,930		
Historian	1	14,515	1	14,515		
Manpower officer	2	29,930	2	29,930		
Regional field officer	6	89,790	6	89,790		
State director	19	289,915	19	289,915		
GS-13, $11,725 to $14,805	111	1,435,840	137	1,780,730	26	+$344,890
GS-12, $9,980 to $12,620	76	835,370	99	1,095,270	23	+259,900
GS-11, $8,410 to $10,650	32	306,080	32	306,080		
GS-10, $7,690 to $9,985	13	115,525	13	115,525		
GS-9, $7,030 to $9,100	38	303,710	39	310,740	1	+7,030
GS-8, $6,390 to $8,280	40	300,540	40	300,540		
GS-7, $5,795 to $7,550	144	1,000,450	145	1,006,245	1	+5,795
GS-6, $5,235 to $6,810	109	687,685	109	687,685		
GS-5, $4,690 to $6,130	168	942,080	196	1,073,400	28	+131,320
GS-4, $4,215 to $5,475	165	832,125	196	962,790	31	+130,665
GS-3, $3,880 to $4,900	184	822,305	188	837,825	4	+15,520
GS-2, $3,620 to $4,565	61	244,495	61	244,495		
GS-1, $3,305 to $4,250	4	15,425	4	15,425		
Ungraded positions at annual rates: Less than $13,615	5,841	25,316,470	6,201	26,876,710	360	+1,560,240
Ungraded positions at hourly rates equivalent to less than $13,615	19	92,841	19	92,841		
Total permanent	7,112	34,951,966	7,586	37,407,326	474	+2,455,360
Deduct:						
Lapses	795	−3,514,912	223	−1,139,000	572	+2,375,912
Excess civilian rates over military		+57,870		+51,184		−6,686
Net permanent (average number, net salary)	6,317	31,494,924	7,363	36,319,510	1,046	+4,824,586
Positions other than permanent		3,896,905		4,768,162		+871,257
Other personnel compensation:						
Regular pay above 52-week base		120,226		121,601		+1,375
Overtime and holiday pay		9,000		184,000		+175,000
Cost differentials and cost-of-living allowance		33,072		34,751		+1,679
Total personnel compensation		35,554,127		41,428,024		+5,873,987

National administration, planning, training, and records management—Project 10

The national headquarters being charged with the overall administration of the Selective Service System is affected by the additional responsibility placed upon it by the President's manpower conservation program. There will be much to do in the way of coordination with the several agencies and sponsors involved, not only at the national headquarters, but through the six regional field offices which are maintained in the six regions. Their expense is included in this project. There will be increased workload in personnel recordkeeping, gathering statistical operating data, fiscal work in payment of the thousands of Government transportation requests to be issued and in the general supervision of the manpower program. In order to meet this additional workload, 25 additional positions are required.

The sample inventory study accounts for the increase in "Other Personnel Compensation" for overtime, the addition in "Freight, Express, and Drayage" and for most of the addition requested for "Printing and Reproduction" and "Other Services".

Summary of objective classification—Project 10

		1965 presently available estimate	1965 revised estimate	1965 increased estimate
11	Personnel compensation:			
	Permanent positions:			
	Civilian	$962,897	$1,030,088	$+67,191
	Military	803,160	850,574	+47,414
	Positions other than permanent	2,143	2,143	
	Other personnel compensation	9,800	39,195	+29,395
	Total personnel compensation	1,778,000	1,922,000	+144,000
12	Personnel benefits:			
	Civil service retirement contributions	62,770	69,945	+7,175
	Group life insurance contributions	3,230	3,555	+325
	Federal Insurance Contributions Act taxes	100	100	
	Health benefits contributions	6,300	7,000	+700
21	Travel and transportation of persons:			
	Administrative travel	83,000	100,000	+17,000
	Rental of passenger vehicles	3,000	4,000	+1,000
22	Transportation of things:			
	Freight, express, and drayage	500	9,800	+9,300
	Rental of trucks	600	600	
	Parcel post (penalty indicia)	1,000	1,000	
23	Rent, communications, and utilities:			
	Communication services	30,000	50,000	+20,000
	Rent and utilities	4,000	4,000	
	Penalty mail	35,000	38,000	+3,000
24	Printing and reproduction	4,000	11,250	+7,250
25	Other services	5,000	124,385	+119,385
26	Supplies and materials	21,500	29,365	+7,865
31	Equipment	5,000	10,000	+5,000
	Total obligations	2,043,000	2,385,000	342,000

State administration, planning, training, and records servicing—Project 20

The function of the State headquarters being to administer the Selective Service System's mission within the respective States, will be directly affected by the addition of the conservation program. In addition to the coordination of the program as between the several agencies and sponsors involved within a particular State, it will also be the responsibility of the State headquarters to secure additional help for the local boards, process personnel records, maintain the augmented payroll, secure additional equipment and supplies as required, and instruct and supervise the manpower program in general.

It is estimated that little, if any, of this additional workload can be absorbed by the present limited staffs of the several State headquarters. Funds for the employment of additional personnel are included. Administrative travel, penalty mail, and communication services, among the other objects of expenditure, show the greater increases as it is estimated that these three objects of expenditure will need to be utilized to a much greater extent to properly install and supervise the program.

To meet the additional workload, an additional 89 positions are requested for the needs of our 56 State headquarters.

Most of the additional "Other Personnel Compensation" is for the sample inventory to pay overtime to presently employed personnel.

Summary of objective classification—Project 20

	1965 presently available estimate	1965 revised estimate	1965 increased estimate
11 Personnel compensation:			
Permanent positions:			
Civilian	$3,972,056	$4,121,904	+$149,848
Military	2,538,620	2,938,113	+399,493
Positions other than permanent	85,000	85,000	
Other personnel compensation	42,324	62,983	+20,659
Total personnel compensation	6,638,000	7,208,000	+570,000
12 Personnel benefits:			
Civil service retirement contributions	256,800	265,200	+8,400
Group life insurance contributions	13,500	14,500	+1,000
Federal Insurance Contribution Act taxes	2,200	2,200	
Health benefits contributions	28,000	29,600	+1,600
21 Travel and transportation of persons:			
Administrative travel	125,000	175,000	+50,000
Rental of passenger vehicles	27,000	35,000	+8,000
22 Transportation of things:			
Freight, express, and drayage	4,000	5,000	+1,000
Rental of trucks	1,500	2,000	+500
Parcel post (penalty indicia)	3,000	3,500	+500
23 Rent, communications, and utilities:			
Communication services	98,000	130,000	+32,000
Rents and utilities	13,000	13,000	
Penalty mail	105,000	125,000	+20,000
24 Printing and reproduction	12,000	15,000	+3,000
25 Other services	38,000	45,000	+7,000
26 Supplies and materials	30,000	35,000	+5,000
31 Equipment	30,000	40,000	+10,000
Total obligations	7,425,000	8,143,000	718,000

Registration, classification, and induction—Project 30

The basic work in connection with the conservation program will be performed at the local board level of this Agency's organization. There are over 4,000 local boards which are presently taxed to the limit to keep up with the ordinary functions of the Agency. To assume an additional function, such as one with the magnitude of the manpower conservation program, will require major increases in most every object of expenditure as shown by the preceding schedule.

There follows a breakdown by function of the man-years of additional employment required. Unit costs and average salary rates are the same as used in the 1965 original budget estimate.

Function	Work units	Unit cost	Cost	Man-years
Classification actions	1,250,000	$1.187	$1,483,750	342.35
Appeals	1,000	21.476	21,476	4.96
Physical examination at local boards	143,000	1.829	261,247	60.35
Physical examination at examining stations	932,000	2.113	1,969,048	454.25
Referrals to various programs	235,000	449	105,515	24.34
Furnishing copies of records	94,000	449	42,206	9.73
Inquiries	727,225	353	256,710	59.23
Administrative time			827,945	191.03
Total			4,967,897	1,146.24
Personnel benefits			347,753	
			5,315,650	

Personnel costs for the sample inventory study are included to the extent of $192,000. This will be used by increasing hours of part-time employees and overtime for full-time employees.

Additional travel is required to the extent of $100,000 to take care of the travel of supervisory clerks in setting up the manpower conservation program.

The 932,000 18-year-old registrants to be forwarded to the Armed Forces examining stations will require round-trip transportation at $4.26 per registrant. This accounts for the $3,970,320 additional selectee travel requested.

Summary of objective classification—Project 30

		1965 presently available estimate	1965 revised estimate	1965 increased estimate
11	Personnel compensation:			
	Permanent positions	$23,158,771	$27,319,411	+$4,160,640
	Positions other than permanent	3,789,912	4,661,169	+871,257
	Other personnel compensation	110,044	238,044	+128,000
	Total personnel compensation	27,058,727	32,218,624	+5,159,897
12	Personnel benefits:			
	Civil service retirement contributions	1,560,450	1,857,258	+296,808
	Group life insurance contributions	76,251	88,593	+12,342
	Federal Insurance Contributions Act taxes	75,000	88,658	+13,658
	Health benefits contributions	182,000	210,945	+28,945
21	Travel and transportation of persons:			
	Administrative travel	485,000	585,000	+100,000
	Travel of selectees	1,945,000	5,915,320	+3,970,320
	Rental of passenger vehicles	33,000	43,000	+10,000
22	Transportation of things:			
	Freight, express, and drayage	50,000	.65,000	+15,000
	Rental of trucks	2,000	3,000	+1,000
	Parcel post (penalty indicia)	45,000	55,000	+10,000
23	Rent, communications, and utilities:			
	Communication services	525,000	625,000	+100,000
	Rents and utilities	258,322	299,980	+41,658
	Penalty mail	631,250	851,622	+220,372
24	Printing and reproduction	175,000	225,000	+50,000
25	Other services	75,000	75,000	
26	Supplies and materials	175,000	311,000	+136,000
31	Equipment	100,000	250,000	+150,000
	Total obligations	33,452,000	43,768,000	10,316,000

REJECTEES

Mr. EVINS. I think it would be worthwhile to have on the record the statement on the rejectees. This table on page 2 shows that 200,000 are rejected annually for mental reasons, 200,000 for physical reasons and 100,000 for both, a total of 500,000 annually?

General HERSHEY. Yes.

Mr. EVINS. You talk about the regular rejectees. What is the difference between the regular rejectees and the 18-year-old rejectees?

General HERSHEY. The regular rejectees are the ones examined currently, up to the age we are inducting them.

Mr. EVINS. Do they include some 18-year-olds?

General HERSHEY. No, not unless they volunteer for induction.

Mr. EVINS. But they might.

General HERSHEY. Yes.

Mr. EVINS. It is ordinarily in the 21, 22, and other categories?

General HERSHEY. Yes.

Mr. EVINS. Your rejectees for mental reasons is 122,000 for fiscal year 1965, and 122,000 for physical reasons?

General HERSHEY. That sounds about right.

Mr. EVINS. The way the figures work out they are even. You have 61,000 for both, or a total of 305,000 regular rejectees annually for medical and physical deficiencies.

General HERSHEY. This is true. Of course, you gentlemen I know that it seems like we are transporting a lot of people to be examined but while we are talking about it, there are 135,000 people went into the regular forces in the last four months of this past fiscal year, April, May June—March, April, May, and June, and of that 135,000, 93,000 of them were either inducted or enlisted after they had passed the

induction examination so you see here we are caught there with over 40,000 of the ones that were enlisted, were men who had already been examined. They did not make up their mind to volunteer until they had been examined and accepted and so if you leave the month of June out, we terminate all these school deferments and their enlistments are pretty good, but every other month, in each of the services, they are divided into three parts. One of them had not taken our examination, probably just the 1–A. The other two-thirds were all examined and accepted. That is what all these people got for 4 months. That is expensive to us because you have 90,000 and we inducted about 40,000 of them and they enlisted pretty nearly 60,000—50 some thousand—and yet we spent as much money on those fellows. The only thing we had left to spend was one trip to the induction station, so this induction travel business runs high. We do not get very much credit for the fact that we fed the recruiters. That is our business. I am not kicking about it.

Mr. OSTERTAG. What is your quota for this year?

General HERSHEY. I do not know. Last year it was about 165,000. The last call we got was September, I think. I only know——

Mr. OSTERTAG. ——from month to month.

General HERSHEY. I am supposed to be 60 days ahead. I am lucky if I am 45.

Mr. EVINS. Are you telling the committee that 200,000 18-year-olds were rejected for mental reasons and 433,000 were rejected for mental reasons, regular rejectees, or a total of 681,043 annually? Was that last year?

Colonel ILIFF. This is the estimate for 1965.

Mr. EVINS. For mental reasons there will be 681,000 rejected next year?

General HERSHEY. Yes, we examine so many more.

Mr. EVINS. For other reasons you reject them. There will be estimated 681,000 rejected.

General HERSHEY. We have only 1 month of 18-year-olds to go on. We have lost over 45 percent of those.

Mr. EVINS. 281,000 for both and for the total for the year you estimate at 1,643,000 for both mental and physical reasons will be rejected.

General HERSHEY. Yes. That is because we are examining this load of 900,000 some 18-year-olds. That is on top of other years.

Mr. THOMAS. The purpose of this activity is not to get manpower for the armed services. That is beside the point. The real purpose is to classify and find out who are physically disabled and mentally unsuitable that you can turn over to some other agency of Government to improve their condition. That is the purpose of the whole thing, is it not?

General HERSHEY. I will go one-third on that. There are three reasons for this as I see it. We have been criticized a great deal because we kept people in doubt. This settles the doubt temporarily. It does not settle it permanently because the fellow who fails today may pass tomorrow but at least we tell him what we have done now. Secondly, by finding out there is something wrong with him they make him available to an agency who will rehabilitate him and third the armed forces believe what is true and others do not know, that

telling a boy 18 he will pass makes him more likely to enlist. I stated that as briefly and honestly as I could tell you. Those are the three reasons. We went into the 18-year-olds. Each person in Government had a different approach. My approach might have been I wanted to get the criticism off me, to keep people 22 without telling them anything. The armed forces would be willing to do the physical so they could get recruits. Some other agencies of Government would like to rehabilitate.

ADDITIONAL REQUIREMENTS

Mr. JONAS. Will you yield?

Would you take a minute to reflect and then state for the record such a statement, and you can do it, indicating exactly what additional requirements have been placed on the system since you were here before, in explanation of your need for this money, without going through all these tables.

General HERSHEY. In the first place, as I pointed out, on the 18 year olds, you have about three things involved. One of the biggest criticisms we have gotten is because we did not let people know until they were 25 what they have to do.

Mr. JONAS. We know that. You said that before.

General HERSHEY. The next thing is the law does say that everybody ought to be able to do something and I think for some time—ever since we have had this bill, we have talked a great deal about what a terrible thing it was that so many were not able to do what they were supposed to do.

Mr. JONAS. General, pardon me for interrupting. We know that. What I am asking you to do is tell the committee what additional requirements have been placed on you to justify your request for $11 million additional.

General HERSHEY. Principally the examination, the classification, examination, and determination of acceptability of the 18-year-olds.

Mr. JONAS. How many people?

General HERSHEY. This next year it will run, we estimate, 2 million. We believe we will have to register 2,100,000 but we figure that at least——

Mr. JONAS. No; you were going to register them anyway. I want you to tell us what you will have to do in addition to what you would do before.

General HERSHEY. We were going to do nothing but register them until we got the new commitments and then we were going to classify them.

Mr. JONAS. First you will classify 2 million?

General HERSHEY. That is right.

Mr. JONAS. Then what are you going to do?

General HERSHEY. Then we are going to physically examine them. We are going to send them to the examining stations, to physically examine them, and notify them whether they passed or whether they did not.

Mr. JONAS. Now, the money you received in the regular bill did not include any of the cost of classifying and examining 2 million additional people; is that correct?

General HERSHEY. That is correct.

Mr. OSTERTAG. That is where this comes in.

Mr. JONAS. And this table on page 4 sets out your detailed projection of the additional cost; is that correct?

Colonel ILIFF. That is the detail for the whole thing.

Mr. JONAS. The biggest item is travel, $3.9 million?

Mr. THOMAS. Personnel cost.

General HERSHEY. Personnel cost.

Mr. JONAS. $5.8 million personnel cost. That involves how many new employees, 900?

Colonel ILIFF. 960 at local boards.

General HERSHEY. A little over a thousand.

Mr. JONAS. Are they all to be in local boards?

General HERSHEY. No, 960 in local boards, 89 in State headquarters and 25, I believe nationally.

Mr. JONAS. Why do you need any additional people in national headquarters for this?

General HERSHEY. In the first place, I think that might be a good question. You are old enough in the Selective Service System to remember that I used to say that if we did not have a national headquarters probably nobody would notice that we disappeared.

Mr. JONAS. That does not answer the question. Please tell the committee why you need 25 new people in national headquarters.

General HERSHEY. Unfortunately headquarters is involved in trying to operate people in the field and the more people you have in the field, your mail goes up, your communications go up, your writing goes up, everything goes up. The amount of correspondence that we are going to catch at national headquarters during this next year I do not believe is beginning to be measured by this 2 million as comparison with our others because on the 18-year-olds I think you will get a lot more communications inevitably because in the first place the number of people who write and ask you why you are going to induct the 18-year-olds, when you aren't going to, but still people think so, and you have to answer them.

Mr. JONAS. This is just an estimate.

General HERSHEY. It is. I will grant that.

Mr. JONAS. Why do you need the additional people in the various State headquarters, for the same reason?

General HERSHEY. For the same reason. You have 50 some State headquarters. It will average only 1.8 persons in each headquarters.

Mr. JONAS. Are you going to slow down on your examination of the older men?

General HERSHEY. We have already slowed down in the last year because we got caught in a pretty bad twist.

Mr. JONAS. Are you taking into consideration the reduced costs that will result from slowing down your processing of the older people? That is where you get most of your headache, is it not?

General HERSHEY. On that, one of the things that will happen if history bears it out, if we slow down on our reductions, recruiting is going to be down and then the calls are going to be up. It always goes that way.

Mr. OSTERTAG. Will the gentleman yield?
Mr. JONAS. I yield.

CONTINUATION OF PROGRAM

Mr. OSTERTAG. General, is this a one-shot proposition or is this a continuing operation that is going to be on the back of Selective Service over the years?

General HERSHEY. I think we are probably going to pick up a lot heavier load this year than we have had any other year, but I have always hesitated to start out trying to sell something by saying, "This is once and we are all through" because as time goes on, you always get into more rather than less and then somebody accuses you of trying to sell them by saying, "This is only going to happen once. It is not going to hurt. We are going to have to take it back." The only difficulty we are going to get into is that if we have experience by these 18 year olds that something is done to solve some of the problems they have got, and you generally look for extension rather than the contrary. I would like to say——

Mr. OSTERTAG. This is part of the implementation of the Manpower Conservation program.

General HERSHEY. That is right.

Mr. OSTERTAG. That is associated with the Youth Corps and the Conservation Corps and all this business.

General HERSHEY. That is right.

Mr. OSTERTAG. We are getting everything all tied together here as I see it, but insofar as your budget is concerned—and I can see where your require additional funds—but here you are, for all practical purposes, a quarter of the year has gone by the time you get this thing under way. What would be your requirments if you had a full year to operate?

General HERSHEY. Remember, we have been examining all during the month of July and therefore——

Mr. OSTERTAG. You did not have the money, did you?

General HERSHEY. We had money because the money was not restricted on a 4-month period.

Mr. OSTERTAG. In other words, you have used up more money?

General HERSHEY. Undoubtedly because we have been examining. Another think that is happening—I do not know anything about this except for what I read in the paper, but the Armed Forces now are about taking in 60,000 over 3 years of people that have not been able to pass and they are going to have them as volunteers. I know what that means. That means we have to go out and find the ones that have not passed in order to identify them in order to give them the chance to volunteer for this new business. We are always a little behind. We always have more work than we have people to do it.

Mrs. THOMAS. Thank you very much, gentlemen.

MONDAY, AUGUST 17, 1964.

SECURITIES AND EXCHANGE COMMISSION

WITNESSES

WILLIAM L. CARY, CHAIRMAN
MANUEL F. COHEN, COMMISSIONER
BYRON D. WOODSIDE, COMMISSIONER
HUGH F. OWENS, COMMISSIONER
HAMER H. BUDGE, COMMISSIONER
RALPH S. SAUL, DIRECTOR, DIVISION OF TRADING AND MARKETS
EDMUND H. WORTHY, DIRECTOR, DIVISION OF CORPORATION FINANCE
MORGAN E. SHIPMAN, SPECIAL COUNSEL
FRANK J. DONATY, COMPTROLLER

SALARIES AND EXPENSES

Object classification

[In thousands of dollars]

	Presently available	Revised estimate	Increase
11. Personnel compensation:			
Permanent positions	$12,170	$12,457	$287
Positions other than permanent	65	65	
Other personnel compensation	83	83	
Total personnel compensation	12,318	12,605	287
12. Personnel benefits	875	895	20
21. Travel and transportation of persons	570	586	16
22. Transportation of things	12	12	
23. Rent, communications, and utilities	425	454	29
24. Printing and reproduction	64	67	3
25. Other services	255	272	17
26. Supplies and materials	128	130	2
31. Equipment	33	49	16
Total costs	14,680	15,070	390
Change in selected resources			
Total obligations	14,680	15,070	390

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	1,481	1,468	1,533
Full-time equivalent of other positions	19	10	13
Average number of all employees	1,378	1,387	1,424
Employees in permanent positions, end of year	1,343	1,450	1,518
Employees in other positions, end of year	45	18	18
Average GS grade	9.0	9.2	9.2
Average GS salary	$8,078	$8,695	$8,848

Program and financing

[In thousands of dollars]

	Presently available	Revised estimate	Increase
Program by activities:			
1. Full disclosure provisions	$3,622	$3,914	$292
2. Prevention and suppression of fraud	5,802	5,887	85
3. Supervision and regulation of securities markets	425	425	
4. Regulation of investment and public utility holding companies	1,335	1,335	
5. Corporate reorganizations	454	454	
6. Operational and business statistics	420	420	
7. Executive and staff functions	1,520	1,520	
8. Administrative services	1,102	1,115	13
Total program costs [1]	14,680	15,070	390
Change in selected resources			
Total obligations	14,680	15,070	390
Financing: Unobligated balance lapsing			
New obligational authority	14,680	15,070	390
New obligational authority:			
Appropriation	14,680	14,680	
Proposed supplemental		390	390

[1] Includes capital outlay as follows: 1965, $49,000.

Mr. THOMAS. Gentlemen, we have the pleasure of welcoming some of our valued and old friends with the Securities and Exchange Commission. It is good to see again Mr. William L. Cary, the Chairman. I might note with a whole lot of interest and some sadness that he will leave us. This will be his last appearance before the committee. In our humble judgment he has made one of the alltime greats of the Securities and Exchange Commission.

We also have with us our distinguished friend, Manuel F. Cohen, Commissioner. It is to our great pleasure and satisfaction that we will have Manny, as we affectionately call him, the new Chairman of the Commission. This is a good example of showing you what hard work and intelligence and tending to business will do.

We will expect great things of you, Mr. Cohen. We know you will deliver.

It is nice to have with us our distinguished friend and Commissioner Byron Woodside, and Commissioner Hugh F. Owens.

I think we will have to confirm Mr. Owens a little later on.

I imagine we will unanimously confirm Manny Cohen right now. There will be no need to go to the Senate.

And we have one of our old and valued colleagues and friend, Hamer H. Budge. Hamer, we welcome you aboard. We are delighted and pleased to have you back. We know you will do well as a Commissioner.

We have with us Mr. Saul, Director, Division of Trading and Markets; Mr. Worthy, Director, Division of Corporation Finance; Mr. Shipman; and Mr. Donaty, the Comptroller.

Mr. OSTERTAG. Will the Chairman yield to me?

Mr. THOMAS. Mr. Ostertag?

Mr. OSTERTAG. Mr. Chairman, I merely wanted to take this opportunity to pay tribute to Chairman Cary as Chairman of the Securities

and Exchange Commission. I think the Government of the United States is losing a great public servant and one who has rendered outstanding service and leadership in this all-important field.

At the same time I commend the nomination and appointment of Mr. Cohen as Chairman of the Commission. I think his knowledge and his leadership and ability will continue in the same trend that Mr. Cary has demonstrated over the years.

While I am leaving this field of government and public service, it is good to know we have men like you to carry on.

Mr. COHEN. Thank you very much.

Mr. THOMAS. Mr. Evins?

Mr. EVINS. I want to endorse all that has been said, Mr. Chairman.

Mr. THOMAS. That is very nice and to the point.

SUPPLEMENTAL BUDGET ESTIMATE

Gentlemen, the budget request is contained in House Document 349. The Securities and Exchange Commission summarized their justification. We have a letter to the committee. Let us insert this in the record verbatim.

(The letter referred to follows:)

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., August 15, 1964.

Honorable ALBERT THOMAS,
Chairman, Subcommittee on Independent Offices Appropriations, House of Representatives, Washington, D.C.

DEAR MR. THOMAS: It is anticipated that within the next few days the President will sign S. 1642. In its broadest terms, the provisions of the bill have two major purposes: (1) to extend to investors in certain over-the-counter securities the same protections now afforded to those in listed securities; namely, annual and periodic company reporting; regulation of proxy solicitation; and restrictions upon "insider" trading; and (2) to strengthen qualification standards and disciplinary controls with respect to securities industry personnel, particularly those engaged in the over-the-counter market.

The legislation is a significant consequence of the Report of the Special Study of Securities Markets which was authorized and directed by the Congress in Public Law 87–196. The amendments contained in the bill are in substantial part based upon and supported by that report.

Accordingly, attached is a supplemental budget estimate for fiscal 1965 in the amount of $390,000 which provides for 65 additional positions to implement the provisions of the bill. Of the amount requested, approximately $90,000 will be recovered by assessment of fees, which will be deposited to the general fund of the Treasury.

EXTENSION OF DISCLOSURE REQUIREMENTS TO OVER-THE-COUNTER COMPANIES

The first major aspect of the bill would be its extension to investors in over-the-counter securities of the fundamental protections now generally afforded by the Securities Exchange Act of 1934 only to investors in securities listed on an exchange. These protections of present law may be briefly described as follows:

1. Pursuant to sections 12 and 13 of the Exchange Act, a company which lists its securities on an exchange must file a registration statement containing material financial and business information concerning its operations. This information has to be kept current by periodic and annual reports. With the exception of investment companies and public utilities, no over-the-counter company is presently subject to the reporting requirements unless it has registered a public offering of its securities with the Commission and the value of the class of securities offered and outstanding is over $2 million.

2. Pursuant to section 14 of the Exchange Act, shareholders whose votes are solicited by corporate management, or its opposition, must be furnished with a proxy statement. This statement must contain adequate and accurate information so that the corporate franchise may be intelligently exercised.

3. Under section 16 of the Exchange Act, corporate insiders are restrained from using inside information for personal profit. These insiders must report their securities transactions; the corporation may recover their trading profits made with a 6-month period; and they are not allowed to sell short.

S. 1642 will make the three above-mentioned requirements applicable to the over-the-counter market. Initially, companies having $1 million in assets and a class of equity securities held of record by 750 or more persons would be required to register with the Commission and assume the obligation of listed companies. This standard will result in an estimated coverage of 2,400 added companies (excluding banks and insurance companies).

The examination of additional registration statements and preliminary proxy statements, the review of additional annual reports, and conducting investigations and other administrative actions will require 56 additional positions for the Division of Corporation Finance. However, 13 positions under the Division's present personnel allocation will be utilized for the additional workload. Thus, an additional 43 positions are requested for the Division effective January 1, 1965. An additional six positions are required for the field offices effective January 1, 1965 to assist the Division in investigations and other administrative actions.

After 2 years, or a longer period if the Commission so determines, the stockholder requirement would drop to 500 shareholder level. This standard would result in an estimated total coverage of 2,900 companies (excluding banks and insurance companies)—an increase of approximately 500 companies in the 500 to 749 shareholder category.

The bill provides that the administration and enforcement of the disclosure, proxy, and insider trading provisions of the Securities Exchange Act, shall, with respect to bank securities, be vested in the appropriate Federal bank supervisory agencies. Also, the bill exempts stock insurance companies under certain conditions.

REGULATION OF BROKERS AND DEALERS

The second major aspect of S. 1642 relates to qualification standards and controls over those in the securities business. The vast growth in the securities markets has been accompanied by a rapid increase of brokers and dealers and their employees. For example, the membership of the National Association of Securities Dealers (NASD), the self-regulatory agency for the over-the-counter market, has more than doubled since 1945; over the same period its registered representatives have increased from about 25,000 to 95,000 and branch offices of members from 790 to 4,713. This expansion—accompanied by a comparable growth in securities traded and in the number of investors—has strained the regulatory pattern of the securities acts and emphasized the dramatic need for stronger and more refined controls.

S. 1642 is designed also to raise the standards for entry into the securities business; to enlarge the scope of self-regulation; to refine Commission disciplinary controls over brokers, dealers, and their employees; to clarify and improve existing provisions dealing with related matters; and to permit the assessment of fees by the Commission for expenses incurred for the regulation of registered brokers and dealers who are not members of the NASD. The controls provided would have their primary impact upon those who deal in over-the-counter securities and would complement the protections recommended with respect to companies whose securities are traded in that market.

Under existing law, control over over-the-counter brokers and dealers begins with the requirement that they register with the Commission. Section 15 of the Exchange Act provides for revocation or denial of registration if a firm, or any person associated with it, (1) has been convicted of a crime involving securities transactions or the securities business; (2) is enjoined from engaging in any act or practice in connection with securities transactions; or (3) has willfully violated the Securities Act or the Exchange Act.

Section 15A of the Exchange Act authorizes registration with the Commission of national securities associations. These organizations of over-the-counter brokers and dealers were intended to provide a medium for self-regulation for the over-the-counter market comparable to the securities exchanges in the listed market. Section 15A contains rather detailed provisions concerning the rules, organization and disciplinary proceedings of such associations and gives the Commission a certain amount of regulatory power over them. Only one association, the NASD, has registered and the great majority of brokers and dealers are members.

The principal changes to the existing law are listed below:

1. Brokers and dealers who are registered with the Commission but who are not members of the NASD would pay such reasonable fees as may be necessary to defray the costs of the Commission in performing those additional regulatory duties which are required to be performed because such broker or dealer is not a member of such an association.

2. Any broker and dealer who is registered under section 15 but who is not a member of the NASD would be prohibited from using the mails or means of instrumentalities of interstate commerce to effect any transaction in, or to induce the purchase or sale of, any securities except on a national exchange unless the broker or dealer and all natural persons associated (includes sales personnel) with it meet certain qualifications prescribed by the Commission. These qualifications would relate to training, experience, and such other qualifications as the Commission finds necessary or desirable.

3. In a disciplinary action, the Commission could proceed directly against an employee of a broker or dealer in lieu of proceeding against the entire firm, and the authority of a national securities association to do the same would be clarified. The Commission could also impose sanctions short of revoking registration, such as a temporary suspension, censure or bar a person directly.

4. In addition to other technical changes, certain provisions would broaden the Commission's powers to alter or supplement association rules relating to organization, discipline, and eligibility for membership; eliminate in the case of registered brokers and dealers the necessity for proving that the mails and instrumentalities of interstate or foreign commerce were used in a particular prohibited transaction; authorize a registered association to adopt rules under which it might exclude from membership persons who had been suspended or expelled from a national securities exchange; shorten the period for appeals to the Commission from action taken by a registered securities association from 60 to 30 days.

It is anticipated that the major expenses involved in this part of the bill will relate to the Commission's new responsibilities over brokers and dealers who are not members of the NASD. The aim of the bill will be, through Commission regulation, to have non-NASD brokers and dealers in the same position, and subject to equivalent fees, as NASD brokers and dealers. Here the Commission will in effect be taking the place of the NASD in establishing qualification standards, supervising selling practices, and developing and enforcing rules embodying just and equitable principles of trade. However, since certain data regarding brokers and dealers is not available, the Commission cannot estimate at this time the full impact of the bill for the remainder of fiscal 1965. In order to determine the workload involved, manpower required and accompanying costs (which will be recoverable) for fiscal 1966 to implement the various provisions of the bill relating to brokers and dealers, a group composed of six positions (three attorneys, two stenographers, and one clerk) will be required on or about October 1, 1964. It will be the responsibility of this group to develop rules and regulations, forms and internal procedures and fee schedules. It will be necessary to obtain a more detailed picture of the non-NASD brokers and dealers.

On January 1, 1965, it is anticipated that this group will be augmented by an additional six positions (one attorney, two investigators, two examiners, and one stenographer) for the following purposes: (1) establish the nucleus of a registration unit for nonmembers of a registered securities association; (2) develop inspection procedures regarding such nonmembers; and (3) perform a number of pilot inspections.

The initial cost of establishing this group in 1965 as well as the cost of administering the fully integrated regulatory program in 1966 and thereafter will be recovered annually from those regulated, by the imposition of appropriate fees in accordance with a schedule to be established. For 1965, the estimated cost is $90,000. The bill provides that fees are to be prescribed to defray such costs. Any fees so collected will be deposited to the general fund of the Treasury.

I have indicated generally the programs for which we are requesting 43 additional positions for the Division of Corporation Finance, 6 positions for our regional offices and 12 positions for the Division of Trading and Markets—a total of 61 positions. The remaining four positions are for administrative services.

The amount requested in this supplemental estimate for 1965 is required to enable it to conduct its operations in an efficient and adequate manner and in accordance with the expressed intent of the new legislation.

Since I will be leaving at the end of next week and as this budget relates to important operating matters of the Commission for the coming year, I thought it appropriate and advisable to request Commissioner Cohen, who has been designated as my successor by the President, to make the Commission's presentation before your committee. I shall, of course, accompany Commissioner Cohen to the hearing.

Sincerely yours,

WILLIAM L. CARY,
Chairman.

ADDITIONAL POSITIONS

Mr. THOMAS. You indicate you want $390,000 but that $90,000 will be recovered through fees.

You want 65 new jobs. As well as I remember only 10 percent will be in the field.

Mr. COHEN. That is right.

Mr. THOMAS. You break down your allocation on page 5. Let us insert table on page 5 in the record.

(The table referred to follows:)

Program costs for 1964, estimate for 1965, supplemental requirements for 1965, and revised estimate for 1965

Division/Office	Page No.	Program costs for 1964		Estimate for 1965		Supplemental requirements for 1965		Revised estimate for 1965	
		Positions	Aggregate of annual salaries [1]	Positions	Aggregate of annual salaries [1]	Positions	Aggregate of annual salaries [1]	Positions	Aggregate of annual salaries [1]
Executive offices		26	$306,565	26	$309,654			26	$309,654
Office of Program Planning		19	204,023	19	212,730			19	212,730
Office of the Secretary		9	72,612	9	72,205			9	72,205
Office of Hearing Examiners		12	161,490	12	163,195			12	163,195
Office of Opinion Writing		15	162,155	15	162,205			15	162,205
Office of General Counsel		32	314,557	32	318,955			32	318,955
Office of Chief Accountant		11	130,207	11	133,375			11	133,375
Division of Corporation Finance:	6								
Office of the Director		8	87,319	8	90,087			8	90,087
Branches of Corporate Analysis and Examination (15)		192	1,838,823	192	1,906,560	28	$274,517	220	2,181,077
Branch of Administrative Proceedings and Investigations		11	122,261	11	127,067	2	20,155	13	147,222
Branch of Filings and Reports		30	176,865	30	182,954	5	26,125	35	209,079
Office of Chief Accountant		9	113,589	9	118,169	4	39,894	13	158,063
Office of Chief Counsel		14	132,038	14	137,633	4	29,973	18	167,606
Branch of Small Issues		12	85,842	12	88,697			12	88,697
Office of Engineering		11	124,756	11	129,291			11	129,291
Subtotal		287	2,681,493	287	2,780,458	43	390,664	330	3,171,122
Division of Trading and Markets:	15								
Office of the Director		11	111,074	11	111,550			11	111,550
Office of Chief Counsel		8	82,347	8	83,242			8	83,242
Offices of Enforcement, Criminal Reference and Special Proceedings		86	738,353	86	739,871			86	739,871
Branch of B/D and I/A Registration		20	117,087	20	117,645			20	117,645
Office of Regulation		27	232,044	27	232,254	12	93,205	39	325,459
Office of Statistical Studies		39	302,970	39	303,557			39	303,557
Subtotal		191	1,583,875	191	1,588,119	12	93,205	203	1,681,324
Division of Corporate Regulation:									
Office of the Director		11	125,194	11	125,942			11	125,294
Branches of Investment Company Regulation (3) and Branch of Inspection		60	566,088	60	568,915			60	568,915
Branch of Public Utility Regulation		13	157,124	13	157,376			13	157,376
Office of Chief Counsel		17	184,808	17	184,364			17	184,364
Office of Research and Service Company Regulation		5	47,549	5	47,906			5	47,906
Subtotal		106	1,080,763	106	1,083,855			106	1,083,855

Office of Comptroller	21	28	180,503	28	180,998	2	8,591	30	189,589
Office of Personnel		14	112,506	14	118,245			14	118,245
Office of Records and Service	23	109	594,819	109	602,161	2	8,112	111	610,273
Subtotal, departmental		859	7,585,568	859	7,726,155	59	500,572	918	8,226,727
Regional offices:	25								
New York		224	1,819,918	224	1,847,515	2	16,848	226	1,864,363
Boston		27	245,086	27	249,165			27	249,165
Atlanta		35	333,117	35	337,270			35	337,270
Chicago		95	813,107	95	832,070	1	8,424	96	840,494
Fort Worth		34	282,090	34	283,890			34	283,890
Denver		50	434,307	50	452,650	1	8,424	51	461,074
San Francisco		58	521,412	58	533,315	1	8,424	59	541,739
Seattle		39	345,302	39	347,160			39	347,160
Washington, D.C		47	396,115	47	411,835	1	8,424	48	420,259
Subtotal, field		609	5,190,454	609	5,294,870	6	50,544	615	5,345,414
Personal services		1,468	12,776,022	1,468	13,021,025	65	551,116	1,533	13,572,141
Less: Adjustment for lapses		91	901,522	91	851,025	31	263,916	122	1,114,941
Net personal services		1,377	11,874,500	1,377	12,170,000	34	287,200	1,411	12,457,200
Adjustment for pay increase			(290,000)						
Positions other than permanent		10	50,000	13	65,000			13	65,000
Regular pay in excess of 52 weeks			90,000		45,000				45,000
Overtime and holiday pay			38,000		38,000				38,000
Cost of personal services		1,387	11,762,500	1,390	12,318,000	34	287,200	1,424	12,605,200
Other expenses:	29								
Personnel benefits	30		800,000		875,000		19,600		894,600
Travel and transportation of persons	31		570,000		570,000		15,700		585,700
Transportation of things			12,000		12,000				12,000
Communications and rentals	32		390,000		424,500		29,400		453,900
Printing and reproduction	33		51,000		64,000		3,000		67,000
Other services	34		205,000		255,000		17,000		272,000
Supplies and materials	35		125,400		128,500		2,300		130,800
Equipment	36		21,600		33,000		15,800		48,800
Subtotal, other expenses			2,175,000		2,362,000		102,800		2,464,800
Total expenses			13,937,500		14,680,000		390,000		15,070,000
Actual savings									
Total appropriation or estimate			13,937,500		[2] 14,680,000		390,000		15,070,000

[1] Based on new rates of pay effective Jan. 5, 1964.
[2] As passed by the Congress.

Mr. THOMAS. It shows the distribution of your people in the Division of Corporate Finance, 43 people; 12 in the Division of Trading and Markets; and then you have 6 in the field, in the other objects, and so on.

PURPOSES OF THE NEW LEGISLATION

The purposes can be summarized here (reading):

The first major aspect of the bill extends to investors in certain over-the-counter securities the same protections now afforded to investors in listed securities: namely, annual and periodic reporting; regulation of proxy solicitation; and restrictions upon "insider" trading. Initially, companies having total assets exceeding $1 million and a class of equity securities held of record by 750 or more persons would be required to register with the Commission and assume these obligations.

S. 1642 is designed also to raise the standards for entry into the securities business; to enlarge the scope of self-regulation; to refine Commission disciplinary controls over brokers, dealers, and their employees; to clarify and improve existing provisions dealing with related matters; and to permit the assessment of fees by the Commission for expenses incurred for the regulation of registered brokers and dealers who are not members of the NASD. The controls provided would have their primary impact upon those who deal in over-the-counter securities and would complement the protections recommended with respect to companies whose securities are traded in that market.

Are there any exceptions to the registration of over-the-counter companies? Are there two?

Mr. COHEN. Yes.

Mr. THOMAS. The bill exempts stock insurance companies under certain conditions.

What else?

Mr. COHEN. The administration of the statute so far as the banks are concerned will be in the hands of the Federal bank regulatory authorities, that is to say, the Federal Reserve System in the case of State member banks; Comptroller of the Currency for national banks and District of Columbia banks; and the FDIC for State nonmember banks whose deposit are insured by that corporation.

Mr. THOMAS. How badly do you need these 65 people? Don't you have about 1,465 there now?

Mr. COHEN. That is our maximum.

SUMMARY OF SUPPLEMENTAL ESTIMATE

Mr. THOMAS. Let us insert page 4 in the record at this point. (The page follows:)

Summary of additional funds requested for fiscal 1965, as revised

	Positions	Funds
Fiscal 1965: Estimate for fiscal 1965	1,468	$14,680,000
Increases, fiscal 1965:		
A. Personal services: Additional positions	65	[1] 287,200
B. Other expenses:		
Personnel benefits		19,600
Other costs		83,200
Subtotal, other expenses		102,800
Total additional amount requested		[2] 390,000
Total requested appropriation for fiscal 1965, as revised	1,533	15,070,000

[1] Covers the cost of 65 positions for an approximate period of 6 months.
[2] Approximately $90,000 will be recovered by assessment of fees, which will be deposited to the general fund of the Treasury.

LEGISLATIVE PROVISIONS REGARDING INSURANCE COMPANIES

Mr. EVINS. What do you anticipate doing with respect to the issuance of stock certificates by insurance companies which you have not had jurisdiction of before?

Mr. COHEN. The bill excludes the insurance companies from registration thereunder if the State authorities undertake regulation of a comparable character as now would be required with respect to noninsurance companies.

Mr. EVINS. Do the States have any regulation at the present time?

Mr. COHEN. Most States have reporting requirements that are roughly comparable. Furthermore, I understand that New York State has adopted legislation which is somewhat comparable in the area of insider trading, and legislation now is pending in California.

We are assured that a number of the other States will face up to this problem. I cannot give any assurance to this committee that all of the States will do it in the same measure, and I must agree that to the extent they do not, the Commission will face a problem over and beyond that which we now contemplate in this supplemental request.

Mr. EVINS. Out of the 50 States, about 2 States have some insurance regulation laws which have some teeth?

Mr. COHEN. At the present time. I understand that the head of the National Association of Insurance Commissioners has assured Mr. Harris, of the House Interstate and Foreign Commerce Com-

mittee, that the association would use its best efforts to persuade authorities in the various States to adopt comparable legislation.

Mr. EVINS. Do you propose to wait to see whether they act, or will you move in with the enforcement of the statute?

Mr. COHEN. The bill provides a period within which the States may act in the area of insider trading. If they do not, then we certainly will be required to move in.

Mr. EVINS. How long is that period?

Mr. COHEN. Approximately 2 years.

Mr. EVINS. You don't really need this money for a 2-year period.

Mr. COHEN. The money we are asking for is to deal with companies other than insurance companies and other than banks.

OTHER JURISDICTIONS

Mr. EVINS. The banks will be regulated and you will wait 2 years on the insurance companies. What other type companies will come within your jurisdiction?

Mr. COHEN. Industrial companies, other types of financial companies. We anticipate that under the provisions of the bill, approximately 2,900 companies will come within the jurisdiction of the Commission under these provisions.

Initially there will be some 2,400 companies.

REASON FOR THE ADDITIONAL POSITIONS REQUESTED

Mr. EVINS. Don't you already have most of your forms drafted and regulations already issued? All you have to do is to adapt them and change them a little here and there.

Mr. COHEN. We hope that that work will not be a major one. However, we already know there is a considerable amount of rulemaking we have to go through. Most of this morning's meeting of the Commission was devoted to this very subject. I suspect we will have many more meetings before the end of the year.

However, the money for which we are asking is not really for that purpose. We are using our present staff to develop the rules and the forms, and we are not asking for any additional funds in that regard.

We are asking for funds so that we have a sufficient number of people to review these filings when they are filed with the Commission, to examine them for compliance with the statute and the rules, and to determine what other action is required by the Commission.

Mr. EVINS. How soon do you anticipate these filings and reports will be received by the Commission?

Mr. COHEN. We anticipate that the largest group of registration statements will be filed in the spring of next year.

Mr. EVINS. My impression of the chart of the SEC is that the staff is rising in numbers, and this committee has been generous because we felt it was required. Why can't you absorb these new responsibilities?

Mr. COHEN. We plan to absorb a portion of the work. You will note, Mr. Evins, we anticipate that the number of people required to do this work is at least 13 more than the number for which we are asking funds. We are taking 13 people from our regular staff and assigning them to this job almost immediately. However, we no not see how we can do more than that without creating backlogs in our current work and perhaps leading to a situation of a kind we experienced in 1961 and 1962.

We still have not cleaned that up entirely.

DISPOSITION OF PERSONNEL UNDER THE SPECIAL STUDY

Mr. EVINS. How many personnel did you put on with respect to this special study on the stock market situation a couple years ago?

Mr. COHEN. There was a gross number of 65 persons.

Mr. EVINS. Have those persons been released or are they continuing with the Commission?

Mr. COHEN. A fair number have gone. Other have continued with the Commission in various positions and are presently engaged in implementing other recommendations of the study and in other areas of the Commission's work.

None of them is in any way engaged in this area of the Commission's work.

ADDITIONAL WORKLOAD UNDER THE NEW LEGISLATION

Mr. EVINS. Does your legal staff draft your rules and your operating staff examine the reports?

Mr. COHEN. That is right.

Mr. EVINS. Then you will be able to work them in?

Mr. COHEN. We will have to make allocations within the present staff. We are using people now assigned to other jobs in developing these forms, rules, regulations, and exemptions.

The bill as passed by the House provides a substantial increase in the jurisdiction of the Commission and also a substantial increase in the authority of the Commission to grant exemptions to covered issuers and to prescribe information.

As I say, I emphasize that point. We are using our present people to do this initial work. We are not asking any funds for that purpose.

Mr. THOMAS. Mr. Ostertag?

DATE OF ENACTMENT OF THE NEW LEGISLATION

Mr. OSTERTAG. The general purpose has been pretty well covered and described. This supplemental request is primarily geared to this new legislation which recently passed the Congress?

Mr. COHEN. Entirely geared to it.

Mr. OSTERTAG. However, the legislation has not yet been signed by the President; is that correct?

Mr. COHEN. That is right. I understand he may sign the bill on Wednesday or Thursday of this week.

Mr. OSTERTAG. So it is reasonable to assume that prior to the congressional action on this appropriation, it will be enacted into law?

Mr. COHEN. Yes, sir.

Mr. OSTERTAG. Otherwise it would be subject to a point of order.

Mr. COHEN. Unquestionably.

Mr. OSTERTAG. I made a personal reference to the distinguished Chairman of the Commission and look forward to the leadership of the new Chairman, Mr. Cohen.

I would like to add to that statement. It is my great pleasure to welcome as our new Commissioner one who is not only highly qualified for this position but one who has been closely associated with us in Congress. I refer to Commissioner Budge. I applaud his appointment to this Commission and I know he will render outstanding service as an able Commissioner.

I might point out that he at one time served as a member of this committee. We know his capablities and I am sure you will enjoy having him with you.

Mr. COHEN. I can agree with that, sir.

Mr. EVINS. Off the record.

(Discussion held off the record.)

Mr. THOMAS. Gentlemen, we thank you very much. It was nice of you to come over.

We will expect great things from you, Mr. Chairman.

Mr. Budge, we know what you can do and we will likewise expect great things from you.

To our departing Chairman, in my judgment you have been the greatest Chairman that the Commission has ever had. Good luck to you.

Come back to see us.

SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATIONS

JAMIE L. WHITTEN, Mississipi, Chairman

WILLIAM H. NATCHER, Kentucky	WALT HORAN, Washington
JOSEPH P. ADDABBO, New York	ROBERT H. MICHEL, Illinois

FRIDAY, SEPTEMBER 4, 1964.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

FOOD STAMP PROGRAM

WITNESSES

S. R. SMITH, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE
HOWARD P. DAVIS, DIRECTOR, FOOD DISTRIBUTION DIVISION AGRICULTURAL MARKETING SERVICE
S. C. VANNEMAN, DEPUTY DIRECTOR, FOOD DISTRIBUTION DIVISION, AGRICULTURAL MARKETING SERVICE
JOHN M. BUHL, DEPUTY DIRECTOR, BUDGET AND FINANCE DIVISION, AGRICULTURAL MARKETING SERVICE
HARRY B. WIRIN, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. We have with us today Mr. S. R. Smith, Administrator, Agricultural Marketing Service, and his associates in support of a supplemental request in House Document 344 for the food stamp program.

At this point we should like to have the pertinent portion of the document and the justifications accompanying it included in the record.

(The documents referred to follow:)

[H. Doc. 344, 88th Cong., 2d sess.]

PROPOSED APPROPRIATION FOR DEPARTMENT OF AGRICULTURE

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 14, 1964.

The PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration a proposed appropriation in the amount of $15 million for the Department of Agriculture for the fiscal year 1965 as follows:

"DEPARTMENT OF AGRICULTURE

"AGRICULTURAL MARKETING SERVICE

"FOOD STAMP PROGRAM

"For necessary expenses of the food stamp programs pursuant to the Food Stamp Act of 1964 (—Stat. —), $15,000,000, and in addition $45,000,000 to be transferred from funds made available for the purposes of section 32 of the Act of August 14, 1935 (7 U.S.C. 612c): Provided, That the amount made available herein shall be in lieu of the amount provided in the item numbered '(4)' under the heading 'Removal of surplus agricultural commodities (section 32)' in the Department of Agriculture and Related Agencies Appropriation Act, 1965."

This proposed appropriation, authorized by the Food Stamp Act of 1964, would augment funds for this purpose included in the Department of Agriculture and Related Agencies Appropriation Act, 1965. The total funds so provided would finance from July 1, 1964, areas now in operation and provide for expansion to reach additional needy persons. The expanded program will not exceed an annual rate of $100 million by June 30, 1965, the authorized level for 1966.

The amount requested herein when added to amounts previously requested will not increase the totals proposed in the 1965 budget.

I recommend that the foregoing be transmitted to the Congress.

Respectfully yours,

KERMIT GORDON,
Director of the Bureau of the Budget.

AGRICULTURAL MARKETING SERVICE

Food Stamp Program, 1965

[H. Doc. 344]

Appropriation to date	0
Request:	
Direct appropriation	$15,000,000
Transfer from sec. 32 (for 12 months from July 1, 1964)	$45,000,000
Employment:	
Average number current appropriation	0
Average number involved this estimate	190
Estimated employment July 1, 1964	0

PROPOSED LANGUAGE

"FOOD STAMP PROGRAM

"For necessary expenses of the food stamp programs pursuant to the Food Stamp Act of 1964 (— Stat. —), $15,000,000, and, in addition, $45,000,000 to be transferred from funds made available for the purposes of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c): Provided, That the amount made available herein shall be in lieu of the amount provided in the item numbered '(4)' under the heading 'Removal of Surplus Agricultural Commodities (section 32)' in the Department of Agriculture and Related Agencies Appropriation Act, 1965."

EXPLANATION OF LANGUAGE

The proposed language would provide funds to carry out the Food Stamp Act of 1964 and would substitute for the funds included in the 1965 Agricultural Appropriation Act for the pilot program. Approval of this language replaces the $35 million provided under section 32 funds for the pilot program in the regular appropriation act (H.R. 11202). The total of $60 million recommended would finance from July 1, 1964, the total costs in the fiscal year 1965 of pilot areas now under operation and permit expansion of the program under the Food Stamp Act of 1964 (Public Law ———) to reach additional needy persons.

The expanded program will not exceed the annual rate of $100 million by June 30, 1965, the authorized level for fiscal year 1966.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The food stamp program was begun late in fiscal year 1961 on a pilot basis to test the effectiveness of this approach to improving the diets of low-income families and at the same time increasing the flow of foods from the Nation's farms through regular commercial trade channels. Currently, 43 pilot programs are in operation in 22 States with financing from section 32 funds. The 1965 appropriation bill includes a limitation under section 32 funds for this program.

The Food Stamp Act of 1964 was approved by the Congress on August 11, 1964. This act authorizes the program on a permanent basis with financing through a direct appropriation. It provides for a gradual expansion beginning in 1965 to additional needy persons. The administration has repeatedly stressed the need for an expanded food stamp program to make it more widely available to needy people. Further, expansion of the food stamp program is an important part of the administration's program to improve the nutrition of low-income families. Action to provide the necessary funds early in fiscal year 1965 is imperative so the Department and the States can initiate an orderly expansion. Early action will also permit the States time to make the necessary financial and other arrangements to carry out the operating responsibilities assigned to them under the legislation.

Justification for supplemental estimate, fiscal year 1965, for food stamp program

Project	Appropriation to date, 1965	Supplemental estimate, 1965	Revised total, 1965
Program expenses	0	+$58,140,000	$58,140,000
Federal administrative expenses	0	+1,860,000	1,860,000
Total estimate	0	+60,000,000	60,000,000

This supplemental provides funds through a direct appropriation and transfer from section 32 funds for operating present programs and expanding, as contemplated in the Food Stamp Act, the program to additional needy persons.

In the President's economic message to the Congress on February 2, 1961, the Department was requested to establish immediately a pilot food stamp program to test out the effectiveness of such an approach to providing additional nutrition to those in need and in making more effective use of our food abundance. The first pilot project opened in McDowell County, W. Va., on May 29, 1961; by mid-July of that year the program had been extended to seven other areas of chronic employment.

Following the initial year of operation a further limited expansion of the pilot program was undertaken. The new localities were designated to evaluate the program in a wider range of operating conditions than was possible during the first year. Further, both the States and the Department needed experience in carrying out their respective responsibilities when more than one county or other political subdivision of a State was involved. As of June 30, 1964, pilot programs were in operation in 40 counties and 3 large cities in 22 States. Participation reached a seasonal peak of 392,000 persons in March 1964.

The pilot programs have been operated under the authority of clause 2 of section 32 of the act of August 24, 1935, as amended. This clause authorizes "expenditures which encourage the domestic consumption of agricultural commodities through benefits, indemnities, donations or by other means for persons in low-income groups as determined by the Secretary of Agriculture." These authorities and funds were previously used by the Department to operate a similar food stamp plan between 1939 and 1943.

Special evaluation studies have been conducted by the Department to determine the effectiveness of the pilot program in expanding farm markets and improving the nutrition of low-income households. From these studies, it has been concluded that the food stamp program is an effective means for accomplishing both expanded farm markets and improved food consumption and nutrition of low-income households. The pilot program operation has demonstrated that such a program is practicable in terms of its administrative and operating aspects.

Based on the success of this pilot operation, legislation was requested to place the program on a continuing basis so as to permit its progressive expansion to those areas of the country where the need for such a program warrants it. The Food Stamp Act of 1964 which provides this continuing authority and authorizes direct appropriation financing was approved by the Congress, August 11, 1964.

During consideration of the legislation by the Congress, the administration indicated it would be possible within a 5-year period to gradually extend the program to the estimated maximum participation of 4 million needy people. The act provides authority for appropriation of funds only through fiscal year 1967. The following table reflects the estimated Agricultural Marketing Service costs and employment for this period:

	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
Estimated costs:			
Program expenses	$58,140,000	$97,000,000	$194,000,000
Federal administrative expenses	1,860,000	3,000,000	6,000,000
Total Federal costs	60,000,000	100,000,000	200,000,000
Estimated Federal employment:			
Average annual employment	190	300	600
Yearend employment	225	375	650

Under the legislation, designation of new specific locations will be based on recommendations from States cooperating in the program. Therefore, the number and location of additional areas to be covered cannot be determined at this time. It is estimated that over 1 million needy persons would be participating in the program by June 30, 1965, if this request is approved.

Mr. WHITTEN. Do you have a general statement, Mr. Smith?

Mr. SMITH. Yes, Mr. Chairman. I have a short prepared statement.

Mr. WHITTEN. We shall be glad to have you present it.

PREPARED STATEMENT

Mr. SMITH. Thank you for the opportunity to appear before this committee to discuss the supplemental budget request for 1965 for the food stamp program. The Food Stamp Act of 1964, signed by the President August 31, authorizes continuation and expansion of

the program. The additional funds requested in this supplemental are needed now to initiate the gradual expansion contemplated for this year under the new legislation.

The regular 1965 Appropriation Act contains a limitation of $35 million on the amount of section 32 funds to be used for the pilot food stamp program. This limitation was established by the conferees in the knowledge that a supplemental request for the food stamp program, containing both appropriated and section 32 funds, was pending congressional consideration.

Rereading that last night the thought struck me that I would not want the members of the committee to draw the conclusion that I was intending any criticism by that statement. It is an observation and the situation as we understood it to exist.

This supplemental estimate requests that $15 million be made available from direct appropriation and $45 million from section 32 funds for a total of $60 million to finance operations under the new legislation as well as the pilot operations from July 1, 1964.

As of June 30, 1964, the program was in operation in 43 areas. Participation, which varies seasonally, reached a peak last year of 392,000 needy persons in March 1964. The new legislation contemplates a gradual expansion over the next few years, beginning in 1965. An expenditure of $60 million for the current fiscal year will permit this expansion of the program to a level of approximately 1 million needy persons by June 30, 1965. The costs on an annual basis for this rate of participation will be within the authorization of $100 million in the Food Stamp Act for the following fiscal year. This expansion is feasible since programs are already in operation in 22 States and a number of other States have indicated a strong interest to participate. The number and location of the specific additional areas to be covered cannot be determined at this time. This is because the Food Stamp Act specifies that designation of all new locations will be based on recommendations from States desiring to participate in the program.

The problems of transition can be eased significantly by financing during this fiscal year from a single account. Therefore, we are recommeding that the moneys from the two sources be merged and made available for all expenses of these programs.

We will be glad to answer any questions which the committee may have in connection with this supplemental request.

Mr. WHITTEN. Thank you, Mr. Smith.

BACKGROUND OF PROGRAM

May we have at this point in the record the pertinent parts of the Food Stamp Act together with a brief description of the program. Also, can you provide us with information as to what areas are now included and what your experience has been under the pilot program? Tell us how they were selected and how you plan to go about using the funds already appropriated this year. How will you make determinations as to which applications will be approved and which will not be?

(The information supplied follows:)

GENERAL BACKGROUND STATEMENT

The pilot program

The Department of Agriculture was requested, in the President's economic message to the Congress of February 2, 1961, to establish a pilot food stamp program. The purpose was to test out the effectiveness of such an approach in providing additional nutrition to those now in need and in making more effective use of our abundance of food.

A similar program—called the food stamp plan—was operated by the Department of Agriculture between 1939 and 1943. That plan was highly popular and it proved to be an effective method for increasing food consumption among participating households. It was discontinued in 1943, when wartime conditions had greatly reduced unemployment and substantially increased demands upon U.S. food supplies.

Legislation providing for the operation of a food stamp program had been introduced in every session of the Congress following the discontinuance of the 1939–1943 plan. In September 1959, permissive authority was provided to the Secretary of Agriculture to place a food stamp program into operation in Public Law 86–341, an act to extend the Agricultural Trade Development and Assistance Act of 1954. This authorization expired on January 31, 1962.

To insure that the pilot program could be operated for at least a year, it was placed into operation under the authority of clause (2) of section 32 of the act of August 24, 1935, as amended. Clause 2 authorizes expenditures to encourage the domestic consumption of agricultural commodities through "benefits, indemnities, donations, or by other means, among persons in low-income groups as determined by the Secretary of Agriculture." These same authorities and funds were previously used by the Department to operate a similar food stamp plan between 1939 and 1943.

On March 7, 1961, the Department of Agriculture announced the eight areas that had been tentatively selected for pilot programs. These eight areas were: Franklin County, Ill.; Floyd County, Ky.; Virginia-Hibbing-Nashwauk complex in northern Minnesota; city of Detroit, Mich.; Silver Bow County, Mont.; San Miguel County, N. Mex.; Fayette County, Pa.; and McDowell County, W. Va.

Appropriate State and local officials in the designated pilot areas agreed to cooperate and the terms of these agreements were incorporated into a Federal-State plan of operation.

On April 14, 1961, the Department announced the detailed provisions of the pilot food stamp program. The first pilot project was opened in McDowell County, W. Va., on May 29, 1961, and the remaining seven areas were in operation by mid-July of that year.

Following the initial year of operation, a further limited expansion of the pilot program was undertaken. The new localities were designated to evaluate the program under a wider range of operating conditions than was possible during the first year. Also, both States and the Department of Agriculture wanted experience in carrying out their respective responsibilities when more than one county or other political subdivision of a State was involved.

Special studies by the research agencies of the Department were undertaken to evaluate the effectiveness of the pilot food stamp program in expanding farm markets and in improving the nutrition of low-income households. The results of these studies are summarized in the following sections of this report.

Pilot programs are now operating in 40 counties and 3 large cities in 22 States. Experience under the program shows that program participation follows a seasonal pattern—increasing in the winter months when unemployment increases seasonally and then declining in the late spring and summer months. Also, the level of participation has been very responsive to other changes which have affected employment opportunities in the 43 pilot areas.

During this fiscal year, participation reached its seasonal peak in March when 392,000 persons were participating. May participation in each of the 43 areas is shown in the following table:

Food stamp program—Summary of participation—Comparison of participation and percent change, May 1964

State and county	Total participation			Current participation	
	May	April	Percent increase	Public assistance	Nonpublic assistance
Alabama:					
Jefferson	15,881	16,921	−6	5,075	10,806
Walker	6,155	6,425	−4	3,504	2,651
Arkansas: Independence	1,188	1,184		557	631
California: Humboldt	796	862	−8	670	126
Illinois: Franklin	2,421	2,477	−2	1,846	575
Indiana: Vanderburgh	4,730	4,673	1	2,288	2,442
Kansas: Rice	57	57		51	6
Kentucky:					
Floyd	6,260	6,614	−5	2,706	3,554
Knott	5,096	5,505	−7	2,620	2,476
Perry	6,826	6,593	4	2,811	4,015
Louisiana:					
Avoyelles (parish)	7,105	7,138		492	6,613
Evangeline (parish)	10,397	10,597	−2	1,550	8,847
Michigan: Detroit (city)	58,452	59,001	−1	46,467	11,985
Minnesota:					
Carlton	913	933	−2	443	470
Itasca	1,811	2,063	−12	614	1,197
St. Louis	9,291	10,032	−7	5,486	3,805
Missouri: St. Louis (city)	12,681	12,800	−1	5,667	7,014
Montana: Silver Bow	1,217	1,220		649	568
New Mexico:					
Mora	842	885	−5	406	436
San Miguel	3,254	3,522	−8	1,681	1,573
Santa Fe	2,057	2,060		996	1,061
North Carolina: Nash	2,165	4,920	−56	1,705	460
Ohio:					
Cuyahoga	53,924	53,030	2	48,102	5,822
Lucas	14,605	14,246	3	12,699	1,906
Oregon: Multnomah	9,903	10,938	−9	8,130	1,773
Pennsylvania:					
Cambria	9,985	10,298	−3	7,160	2,825
Fayette	19,562	20,287	−4	16,386	3,176
Luzerne	10,819	11,556	−6	7,277	3,542
Pittsburgh (city)	38,927	39,528	−2	33,078	5,849
Tennessee:					
Grundy	1,601	1,603		378	1,223
Hamilton	6,079	5,957	2	3,338	2,741
Marion	2,797	2,906	−4	643	2,154
Sequatchie	477	406	17	180	297
Virginia:					
Dickenson	2,759	2,881	−4	337	2,422
Lee	3,056	3,016	1	430	2,626
Wise	3,421	3,936	−13	449	2,972
Washington: Grays Harbor	1,252	1,237	1	916	336
West Virginia:					
Logan	8,297	8,455	−2	7,362	935
McDowell	9,419	9,609	−2	8,271	1,148
Mingo	8,042	7,966	1	7,072	970
Wayne	5,444	5,516	−1	4,932	512
Wisconsin:					
Douglas	1,584	1,732	−9	774	810
Iron	326	362	−10	102	224
Total	371,874	381,947	−3	256,300	115,574

Provisions of the pilot program

There has been a high degree of Federal, State, and local cooperation in the operation of the pilot food stamp program. Within each State, the State agency responsible for administering the federally aided public assistance program has assumed responsibility for the certification of applicant families and for the sale and issuance of the food coupons. At the election of these State agencies, however, responsibility for the issuance of coupons could be delegated to another agency of the State government or to the local governmental unit in the designated area.

Individual families are certified to participate in the program by local offices of the State welfare agency on the basis of their financial need. Households receiving public assistance, as well as other low-income households not receiving any form of public assistance, are eligible under standards developed cooperatively with the States.

Participating households buy the food coupons at issuance offices established by the State agency or the local governmental unit. The price for such coupons approximates the amount they would spend for food out of whatever income is available to the household. When the households have little or no income, they make only "token" payments or they may receive some coupons free of charge. In return, they receive an allotment of food coupons of higher monetary value. In January 1964, for example, the average participant was paying $6 for every $10 worth of coupons received.

Participating households may then use the coupons to purchase food in any retail store approved to accept and redeem food stamps. Generally, except for those store owners who may not wish to participate, all retail stores in the designated areas are approved to accept food coupons. Under the pilot program, participants have been able to use their coupons to purchase any food for human consumption except alcoholic beverages, tobacco, and certain designated imported foods.

The retail store, in turn, redeems the food coupons through the commercial banking system—depositing coupons in the bank just as other cash receipts and commercial paper. The banks then redeem the coupons through the Federal Reserve System. The Federal Reserve banks are reimbursed out of a special account maintained in the U.S. Treasury. The moneys collected from participants for the coupons they purchase are deposited into this account through the commercial banking system and the Department of Agriculture transfers sufficient section 32 funds to this account to cover the cost of the free coupons.

Program results

The pilot food stamp program has proved to be an effective means of expanding farm markets and of improving the food consumption and nutrition of low-income households.

Highlights of the results of the special evaluation studies undertaken by the research agencies of the Department are:

1. Participating households made significant increases in their food consumption under the stamp program even though they had formerly been receiving federally donated commodities.
2. Over 80 percent of this increase was accounted for by livestock products and fruits and vegetables alone.
3. The nutritional value of the diets of participating households was substantially improved. Almost twice as many households were able to achieve nutritionally adequate diets after the program was inaugurated.
4. Retail food store sales increased an average of 8 percent in the pilot areas after the pilot food stamp program was inaugurated. All sizes of stores—from the very small to the largest—shared in this increase.
5. A special analysis of household food consumption among participating households in Detroit showed that grain utilization increased by 24 percent under the program. While the coupons were not earmarked specifically for surplus foods, a larger indirect use of grains through higher consumption of livestock products, together with a slight increase in use of cereal and bakery products, accounted for this increase.
6. Favorable reactions to the program were reported in a study of attitudes toward the program. These favorable reactions were obtained from moderate- and high-income families as well as from those that were eligible for the program. Welfare workers indicated that they felt the program was an effective way to increase the food purchases of low-income households.

The impact of the food stamp program on food purchases and consumption

The following table shows that the food stamp program has brought about an overall increase of 24 percent in the use of grains directly and indirectly among participating families above their preprogram level of consumption when the direct distribution program was in operation. This conclusion is based on a special analysis of changes in household food consumption made in Detroit, Mich., as part of the initial evaluation of the pilot food stamp program. Participation in the Detroit pilot program represented over half of the total participation in the original eight pilot areas.

On a per capita basis, participating families increased their direct consumption of grains or grain products from 4.8 to 5.2 pounds per week. In addition, the indirect use of grains through the consumption of animal products increased from 39.1 to 48.4 pounds per person per week. This substantial increase in consumption of animal products resulted when families used their additional purchasing power to purchase more of these products.

Grain consumption under the commodity donation and food stamp programs, Detroit, Mich.

[In pounds]

Food categories	Pounds of grain consumed per person in 1 week	
	Under commodity donations (April-May)	Under food stamp program (September-October)
Foods consumed as grains or grain products:		
Wheat:		
Flour and cereal products	2.1	2.2
Commercial bakery products	1.4	1.8
Total	3.5	4.0
Corn and products (total)	1.0	1.0
Rice (total)	.3	.2
Total grains and products	4.8	5.2
Grain feeds required for animal products consumed:		
Meats and products	24.0	32.2
Poultry and eggs	7.9	9.0
Dairy products	7.2	7.2
Total grain feeds	39.1	48.4
Total food and feed grains	43.9	53.6

Approximately 80 percent of the increased food purchasing power provided under the stamp program was directed toward increased consumption of animal products and fruits and vegetables. Other foods, as indicated in the following table, such as fats and oils and sugar experienced smaller increases:

Quantities of specified foods consumed in a week per member of participating families, before and after initiation of Federal food stamp program, Detroit, Mich., 1961 [1]

	Under commodity program, April–May	Under food stamp program, September–October	Difference
	Pounds	*Pounds*	*Percent*
Meat	2.753	3.782	37.4
Poultry	1.014	1.348	32.9
Fish	.364	.471	29.4
Milk, cream, ice cream, and cheese [2]	7.372	7.438	.9
Shell eggs	.470	.550	17.0
Fats and oils	.863	1.027	19.0
Flour and other cereal products including bakery items	4.083	5.336	30.7
Sugars, sweets	1.143	1.230	7.6
Fresh vegetables	1.806	4.062	124.9
Potatoes, sweetpotatoes	1.875	1.973	5.2
Fresh fruits	1.564	2.618	67.4
Commercially frozen fruits and vegetables	.049	.096	95.9
Commercially canned fruits and vegetables	.824	1.085	31.7
Fruit and vegetable juices, fresh, frozen, canned, powdered	.307	.539	75.6
Dried fruits and vegetables	.354	.337	−4.8

[1] Before adjustment for seasonal changes in price and foods consumed. Includes home produced, gift and federally donated as well as purchased foods.
[2] Fluid milk equivalent.

The impact of the food stamp program on farm income

A special analysis being made of the impact upon farm income of the direct donation and food stamp programs in Detroit, Mich., one of the original eight pilot food stamp areas, has shown the following preliminary results:

During April and May 1961, the Department of Agriculture's research people undertook a detailed study of household food consumption among a representative sample of Detroit households which were participating in the direct dona-

tion program. This same sample of households was resurveyed in September and October 1961 to determine what changes had taken place in their food consumption as a result of the inauguration of the pilot food stamp program. Not all of the households which formerly received donated foods had elected to participate in the stamp program. However, such households were included in the second survey, so that the data are representative of the total changes in food consumption which took place when the stamp program replaced the direct donation program in Detroit.

During April and May 1961, the Federal cost of the foods donated to Detroit households averaged $692,000 a month. During September and October 1961, the Federal cost of the free additional coupons issued to Detroit households under the stamp program averaged $616,500 a month. Therefore, although Federal costs under the stamp program are somewhat less than under direct donation, differences in the impact of the two programs is an indicator of their relative effectiveness in increasing retail food expenditures and farm income.

The preliminary results of this analysis indicates that the stamp program is more effective. The retail and farm value of foods consumed by the Detroit households included in the survey was higher under the stamp program, even though some of the households which received donated foods did not participate in the stamp program. This, we feel, is a reflection of the fact that, under the stamp program, greater assurance can be provided that the Federal assistance is used to supplement, rather than partially replace, the normal food expenditures of the participating households.

Second, there was some net shift to foods which return a higher proportion of the retail food dollar to farmers. With respect to cereal products alone, there was a shift away from flour—which was available under the donation program—to more highly processed commercial bakery products. However, that shift was more than offset by increases in the use of such items as meat, poultry, and fluid milk.

The following table shows that, under the stamp program, the average retail value of food consumed by these Detroit households (including the former recipients of donated foods who did not participate in the stamp program), was 60 cents per person per week higher than when the donation program was in effect. The farm value of such consumption increased by 26 cents per person per week, or approximately 15 percent, after the inauguration of the stamp program. These increases do not appear to be the result of outside factors—such as seasonal changes in food supplies or prices—because similar data obtained from a sample of Detroit households with slightly higher incomes showed that the retail and farm value of the food they were consuming was essentially the same in April and May and September and October.

While the results of this single city survey cannot necessarily be projected on a nationwide basis, this analysis does tend to measure the relative economy of the two programs.

The retail and farm value of foods consumed by a sample of low-income families in Detroit, Mich., when they were participating in the direct donation program in April and May 1961 and in September and October 1961 after the food stamp program replaced direct donations; and the Federal cost of the two programs are:

Program	Federal cost per month	Food consumption per person per week	
		Retail value	Farm value
Direct donations, April and May 1961	$692,000	$4.91	$1.75
Food stamp, September and October 1961 [1]	616,500	5.51	2.01
Net change	−75,500	+.60	+.26

[1] Data for September and October covers the low-income households surveyed in April and May, including those which received donated foods in April and May but did not elect to participate in the food stamp program in September and October.

H.R. 10222

EIGHTY-EIGHTH CONGRESS OF THE UNITED STATES OF AMERICA

AT THE SECOND SESSION

Begun and held at the City of Washington on Tuesday, the seventh day of January, one thousand nine hundred and sixty-four

AN ACT To strengthen the agricultural economy; to help to achieve a fuller and more effective use of food abundances; to provide for improved levels of nutrition among low-income households through a cooperative Federal-State program of food assistance to be operated through normal channels of trade; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "The Food Stamp Act of 1964".

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of Congress, in order to promote the general welfare, that the Nation's abundance of food should be utilized cooperatively by the States, the Federal Government, and local governmental units to the maximum extent practicable to safeguard the health and well-being of the Nation's population and raise levels of nutrition among low-income households. The Congress hereby finds that increased utilization of foods in establishing and maintaining adequate national levels of nutrition will tend to cause the distribution in a beneficial manner of our agricultural abundances and will strengthen our agricultural economy, as well as result in more orderly marketing and distribution of food. To effectuate the policy of Congress and the purposes of this Act, a food stamp program, which will permit those households with low incomes to receive a greater share of the Nation's food abundance, is herein authorized.

DEFINITIONS

SEC. 3. As used in this Act—

(a) The term "Secretary" means the Secretary of Agriculture.

(b) The term "food" means any food or food product for human consumption except alcoholic beverages, tobacco, those foods which are identified on the package as being imported, and meat and meat products which are imported.

(c) The term "coupon" means any coupon, stamp, or type of certificate issued pursuant to the provisions of this Act.

(d) The term "coupon allotment" means the total value of coupons to be issued to a household during each month or other time period.

(e) The term "household" shall mean a group of related or nonrelated individuals, who are not residents of an institution or boarding house, but are living as one economic unit sharing common cooking facilities and for whom food is customarily purchased in common. The term "household" shall also mean a single individual living alone who has cooking facilities and who purchases and prepares food for home consumption.

(f) The term "retail food store" means an establishment, including a recognized department thereof, or a house-to-house trade route which sells food to households for home consumption.

(g) The term "wholesale food concern" means an establishment which sells food to retail food stores for resale to households.

(h) The term "State agency" means the agency of the State government which has responsibility for the administration of the federally aided public assistance programs.

(i) The term "bank" means member or nonmember banks of the Federal Reserve System.

(j) The term "State" means the fifty States and the District of Columbia.

(k) The term "food stamp program" means any program promulgated pursuant to the provisions of this Act.

ESTABLISHMENT OF THE FOOD STAMP PROGRAM

SEC. 4. (a) The Secretary is authorized to formulate and administer a food stamp program under which, at the request of an appropriate State agency, eligible households within the State shall be provided with an opportunity more nearly to obtain a nutritionally adequate diet through the issuance to them

of a coupon allotment which shall have a greater monetary value than their normal expenditures for food. The coupons so received by such households shall be used only to purchase food from retail food stores which have been approved for participation in the food stamp program. Coupons issued and used as provided in this Act shall be redeemable at face value by the Secretary through the facilities of the Treasury of the United States.

(b) In areas where a food stamp program is in effect, there shall be no distribution of federally owned foods to households under the authority of any other law except during emergency situations caused by a national or other disaster as determined by the Secretary.

(c) The Secretary shall issue such regulations, not inconsistent with this Act, as he deems necessary or appropriate for the effective and efficient administration of the food stamp program.

ELIGIBLE HOUSEHOLDS

SEC. 5. (a) Participation in the food stamp program shall be limited to those households whose income is determined to be a substantial limiting factor in the attainment of a nutritionally adequate diet.

(b) In complying with the limitation on participation set forth in subsection (a) above, each State agency shall establish standards to determine the eligibility of applicant households. Such standards shall include maximum income limitations consistent with the income standards used by the State agency in administration of its federally aided public assistance programs. Such standards also shall place a limitation on the resources to be allowed eligible households. The standards of eligibility to be used by each State for the food stamp program shall be subject to the approval of the Secretary.

ISSUANCE AND USE OF COUPONS

SEC. 6. (a) Coupons shall be printed in such denominations as may be determined to be necessary, and shall be issued only to households which have been duly certified as eligible to participate in the food stamp program.

(b) Coupons issued to eligible households shall be used by them only to purchase food in retail food stores which have been approved for participation in the food stamp program at prices prevailing in such stores: *Provided*, That nothing in this Act shall be construed as authorizing the Secretary to specify the prices at which food may be sold by wholesale food concerns or retail food stores.

(c) Coupons issued to eligible households shall be simple in design and shall include only such words or illustrations as are required to explain their purpose and define their denomination. The name of any public official shall not appear on such coupons.

VALUE OF THE COUPON ALLOTMENT AND SUCH CHARGES TO BE MADE

SEC. 7. (a) The face value of the coupon allotment which State agencies shall be authorized to issue to households certified as eligible to participate in the food stamp program shall be in such amount as will provide such households with an opportunity more nearly to obtain a low-cost nutritionally adequate diet.

(b) Households shall be charged such portion of the face value of the coupon allotment issued to them as is determined to be equivalent to their normal expenditures for food.

(c) The value of the coupon allotment provided to any eligible household which is in excess of the amount charged such households for such allotment shall not be considered to be income or resources for any purpose under any Federal or State laws including, but not limited to, laws relating to taxation, welfare, and public assistance programs.

(d) Funds derived from the charges made for the coupon allotment shall be promptly deposited in a manner prescribed in the regulations issued pursuant to this Act, in a separate account maintained in the Treasury of the United States for such purpose. Such deposits shall be available, without limitation to fiscal years, for the redemption of coupons.

APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 8. (a) Regulations issued pursuant to this Act shall provide for the submission of applications for approval by retail food stores and wholesale food concerns which desire to be authorized to accept and redeem coupons under the food stamp program and for the approval of those applicants whose participation will effectuate the purposes of the food stamp program. In determining the qualifications of applicants there shall be considered among such other factors as may be appropriate, the following: (1) the nature and extent of the retail or wholesale food business conducted by the applicant; (2) the volume of coupon business which may reasonably be expected to be conducted by the applicant retail food store or wholesale food concern; and (3) the business integrity and reputation of the applicant. Approval of an applicant shall be evidenced by the issuance to such applicant of a nontransferable certificate of approval.

(b) Regulations issued pursuant to this Act shall require an applicant retail food store or wholesale food concern to submit information which will permit a determination to be made as to whether such applicant qualifies, or continues to qualify, for approval under the provisions of this Act or the regulations issued pursuant to this Act. Regulations issued pursuant to this Act shall provide for safeguards which restrict the use or disclosure of information obtained under the authority granted by this subsection to purposes directly connected with administration and enforcement of the provisions of this Act or the regulations issued pursuant to this Act.

(c) Any retail food store or wholesale food concern which has failed upon application to receive approval to participate in the food stamp program may obtain a hearing on such refusal as provided in section 13 of this Act.

REDEMPTION OF COUPONS

SEC. 9. Regulations issued pursuant to this Act shall provide for the redemption of coupons accepted by retail food stores through approved wholesale food concerns or through banks, with the cooperation of the Treasury Department.

ADMINISTRATION

SEC. 10. (a) All practicable efforts shall be made in the administration of the food stamp program to insure that participants use their increased food purchasing power to obtain those staple foods most needed in their diets, and particularly to encourage the continued use of those in abundant or surplus supply so as not to reduce the total consumption of surplus commodities which have been made available through direct distribution. In addition to such steps as may be taken administratively, the voluntary cooperation of existing Federal, State, local, or private agencies which carry out informational and educational programs for consumers shall be enlisted.

(b) The State agency of each participating State shall assume responsibility for the certification of applicant households and for the issuance of coupons: *Provided*, That the State agency may, subject to State law, delegate its responsibility in connection with the issuance of coupons to another agency of the State government. There shall be kept such records as may be necessary to ascertain whether the program is being conducted in compliance with the provisions of this Act and the regulations issued pursuant to this Act. Such records shall be available for inspection and audit at any reasonable time and shall be preserved for such period of time, not in excess of three years, as may be specified in the regulations.

(c) In the certification of applicant households for the food stamp program there shall be no discrimination against any household by reason of race, religious creed, national origin, or political beliefs.

(d) Participating States or participating political subdivisions thereof shall not decrease welfare grants or other similar aid extended to any person or persons as a consequence of such person's or persons' participation in benefits made available under the provisions of this Act or the regulations issued pursuant to this Act.

(e) The State agency of each State desiring to participate in the food stamp program shall submit for approval a plan of operation specifying the manner in which such program will be conducted within the State, the political subdivisions

within the State in which the State desires to conduct the program, and the effective dates of participation by each such political subdivision. In addition, such plan of operation shall provide, among such other provisions as may by regulation be required, the following: (1) the specific standards to be used in determining the eligibility of applicant households; (2) that the State agency shall undertake the certification of applicant households in accordance with the general procedures and personnel standards used by them in the certification of applicants for benefits under the federally aided public assistance programs; (3) safeguards which restrict the use of disclosure of information obtained from applicant households to persons directly connected with the administration or enforcement of the provisions of this Act or the regulations issued pursuant to this Act; and (4) for the submission of such reports and other information as may from time to time be required. In approving the participation of the subdivisions requested by each State in its plan of operation, the Secretary shall provide for an equitable and orderly expansion among the several States in accordance with their relative need and readiness to meet their requested effective dates of participation.

(f) If the Secretary determines that in the administration of the program there is a failure by a State agency to comply substantially with the provisions of this Act, or with the regulations issued pursuant to this Act, or with the State plan of operation, he shall inform such State agency of such failure and shall allow the State agency a reasonable period of time for the correction of such failure. Upon the expiration of such period, the Secretary shall direct that there be no further issuance of coupons in the political subdivisions where such failure has occurred until such time as satisfactory corrective action has been taken.

(g) If the Secretary determines that there has been gross negligence or fraud on the part of the State agency in the certification of applicant households, the State shall upon request of the Secretary deposit into the separate account authorized by section 7 of this Act, a sum equal to the amount by which the value of any coupons issued as a result of such negligence or fraud exceeds the amount that was charged for such coupons under section 7(b) of this Act.

DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 11. Any approved retail food store or wholesale food concern may be disqualified from further participation in the food stamp program on a finding, made as specified in the regulations, that such store or concern has violated any of the provisions of this Act, or of the regulations issued pursuant to this Act. Such disqualification shall be for such period of time as may be determined in accordance with regulations issued pursuant to this Act. The action of disqualification shall be subject to review as provided in section 13 of this Act.

DETERMINATION AND DISPOSITION OF CLAIMS

SEC. 12. The Secretary shall have the power to determine the amount of and settle and adjust any claim and to compromise or deny all or part of any such claim or claims arising under the provisions of this Act or the regulations issued pursuant to this Act.

ADMINISTRATIVE AND JUDICIAL REVIEW

SEC. 13. Whenever—

(a) an application of a retail food store or wholesale food concern to participate in the food stamp program is denied,

(b) a retail food store or a wholesale food concern is disqualified under the provisions of section 11 of this Act, or

(c) all or part of any claim of a retail food store or wholesale food concern is denied under the provisions of section 12 of this Act, notice of such administrative action shall be issued to the retail food store or wholesale food concern involved. Such notice shall be delivered by certified mail or personal service. If such store or concern is aggrieved by such action, it may, in accordance with regulations promulgated under this Act, within ten days of the date of delivery of such notice, file a written request for an opportunity to submit information in support of its position to such person or persons as the regulations may designate. If such a request is not made or if such store or concern fails to submit information in support of its

position after filing a request, the administrative determination shall be final. If such a request is made by such store or concern, such information as may be submitted by the store or concern, as well as such other information as may be available, shall be reviewed by the person or persons designated, who shall, subject to the right of judicial review hereinafter provided, make a determination which shall be final and which shall take effect fifteen days after the date of the delivery or service of such final notice of determination. If the store or concern feels aggrieved by such final determination he may obtain judicial review thereof by filing a complaint against the United States in the United States district court for the district in which he resides or is engaged in business, or in any court of record of the State having competent jurisdiction, within thirty days after the date of delivery or service of the final notice of determination upon him, requesting the court to set aside such determination. The copy of the summons and complaint required to be delivered to the official or agency whose order is being attacked shall be sent to the Secretary or such person or persons as he may designate to receive service of process. The suit in the United States district court or State court shall be a trial de novo by the court in which the court shall determine the validity of the questioned administrative action in issue. If the court determines that such administrative action is invalid it shall enter such judgment or order as it determines is in accordance with the law and the evidence. During the pendency of such judicial review, or any appeal therefrom, the administrative action under review shall be and remain in full force and effect, unless an application to the court on not less than ten days' notice, and after hearing thereon and a showing of irreparable injury, the court temporarily stays such administrative action pending disposition of such trial or appeal.

VIOLATIONS AND ENFORCEMENT

SEC. 14. (a) Notwithstanding any other provisions of this Act, the Secretary may provide for the issuance or presentment for redemption of coupons to such person or persons, and at such times and in such manner, as he deems necessary or appropriate to protect the interests of the United States or to insure enforcement of the provisions of this Act or the regulations issued pursuant to this Act.

(b) Whoever knowingly uses, transfers, acquires, or possesses coupons in any manner not authorized by this Act or the regulations issued pursuant to this Act shall, if such coupons are of the value of $100 or more, be guilty of a felony and shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than five years, or both, or, if such coupons are of of value of less than $100, shall be guilty of a misdemeanor and shall, upon conviction thereof, be fined not more than $5,000 or imprisoned for not more than one year, or both.

(c) Whoever presents, or causes to be presented, coupons for payment or redemption of the value of $100 or more, knowing the same to have been received, transferred, or used in any manner in violation of the provisions of this Act, or the regulations issued pursuant to this Act shall be guilty of a felony and shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than five years, or both, or, if such coupons are of a value of less than $100, shall be guilty of a misdemeanor and shall, upon conviction thereof, we fined not more than $5,000 or imprisoned for not more than one year, or both.

(d) Coupons issued pursuant to this Act shall be deemed to be obligations of the United States within the meaning of title 18, United States Code, section 8.

COOPERATION WITH STATE AGENCIES

SEC. 15. (a) Each State shall be responsible for financing, from funds available to the State or political subdivision thereof, the costs of carrying out the administrative responsibilities assigned to it under the provisions of this Act. Except as provided for in subsection (b) of this section, such costs shall include, but shall not be limited to, the certification of households; the acceptance, storage, and protection of coupons after their delivery to receiving points within the States; and the issuance of such coupons to eligible households and the control and accounting therefor.

(b) The Secretary is authorized to cooperate with State agencies in the certification of households which are not receiving any type of public assistance

so as to insure the effective certification of such households in accordance with the eligibility standards approved under the provisions of section 10 of this Act. Such cooperation shall include payments to State agencies for part of the cost they incur in the certification of such households. The amount of such payment to any one State agency shall be 50 per centum of the sum of: (1) the direct salary costs (including the cost of such fringe benefits as are normally paid to its personnel by the State agency) of the personnel used to make such interviews and such postinterview field investigations as are necessary to certify the eligibility of such households, and of the immediate supervisor of such personnel, for such periods of time as they are employed in certifying the eligibility of such households; (2) travel and related costs incurred by such personnel in postinterview field investigations of such households; and (3) an amount not to exceed 25 per centum of the costs computed under (1) and (2) above.

APPROPRIATIONS

SEC. 16. (a) To carry out the provisions of this Act, there is hereby authorized to be appropriated not in excess of $75,000,000 for the fiscal year ending June 30, 1965; not in excess of $100,000,000 for the fiscal year ending June 30, 1966; and not in excess of $200,000,000 for the fiscal year ending June 30, 1967; and not in excess of such sum as may hereafter be authorized by Congress for any subsequent fiscal year. Such portion of any such appropriation as may be required to pay for the value of the coupon allotments issued to eligible households which is in excess of the charges paid by such households for such allotments shall be transferred to and made a part of the separate account created under section 7(d) of this Act.

(b) In any fiscal year, the Secretary shall limit the value of those coupons issued which is in excess of the value of coupons for which households are charged, to an amount which is not in excess of the portion of the appropriation for such fiscal year which is transferred to the separate account under the provisions of subsection (a) of this section. If in any fiscal year the Secretary finds that the requirements of participating States will exceed the limitation set forth herein, the Secretary shall direct State agencies to reduce the amount of such coupons to be issued to participating households to the extent necessary to comply with the provisions of this subsection.

(c) If the Secretary determines that any of the funds in the separate account created under section 7(d) of this Act are no longer required to carry out the provisions of this Act, such portion of such funds shall be paid into the miscellaneous receipts of the Treasury.

(d) Amounts expended under the authority of this Act shall not be considered amounts expended for the purpose of carrying out the agricultural price-support program and appropriations for the purposes of this Act shall be considered, for the purpose of budget presentations, to relate to the functions of the Government concerned with welfare.

_____ _____,

Speaker of the House of Representatives.

_____ _____,

President pro tempore of the Senate.

SELECTION OF PILOT AREAS

1. There was no formal application procedure during the pilot phase of the food stamp program because of its intended limited scope and, as indicated below, the need to select areas that would result in a valid test of the program.

2. This valid test was accomplished by selecting areas that would be representative of the wide range of operating conditions that would be encountered if a decision were made to place the program on a continuing basis. Within this basic objective, priority was given to those areas experiencing relatively high levels of unemployment.

3. Six of the original eight pilot areas in which the pilot program was inaugurated in the summer of 1961 were located in mining areas which had been experiencing long-term unemployment problems—Pennsylvania, Kentucky, West Virginia, southern Illinois, the Mesabi Iron Range in Minnesota, and the copper-mining area in Montana. Detroit, Mich., was selected as representa-

tive of a large metropolitan area with substantial unemployment. San Miguel County, N. Mex., was selected to gain experience in a county with a small population (24,000), about evenly divided between urban and rural communities.

4. The additional areas designated for the pilot program in the summer of 1962 were selected to round out the original sample in order to give a broader test of the effectiveness of the program.

Additional areas were included from the Southern and Western States to provide better geographic coverage. Areas were added to provide operating experience in localities where farming was the principal economic activity. A more representative sample was obtained by adding areas with medium-size populations and with some cities.

Program Support

ALABAMA

From an editorial in the Daily Mountain Eagle, Jasper, Ala., May 7, 1963, headed:

"Our opinion—The food stamp program: There is much to be said for a program such as this. It is already noticeable that the program can accomplish a human objective in a businesslike manner—helping low-income families help themselves and doing this through regular retail channels. It is equally noticeable that this increased purchasing power in the hands of needy families is bound eventually to be reflected in a greater flow of foods from our Nation's farms."

From the Birmingham, Ala., News, May 19, 1963, quoting the county director of public welfare:

"The program is enabling the less fortunate portion of the county's population to better provide families with better food than has been possible before. This program also enables the participant to maintain more pride because he knows that he has paid a portion of the bill himself."

ILLINOIS

The State welfare director has said: "It is our belief that a real boost and encouragement to our (welfare) recipients 'to help themselves' through education and training programs would result from the 'food bonus' that would come to them if we could have the food stamp program. * * *"

LOUISIANA

From the Daily World, Opelousas, La., March 22, 1964:

"Mayor Raymond LaBorde of Marksville, the seat of government of Avoyelles, called the stamp program 'a tremendous help.'

" 'It is providing adequate diets for people who weren't getting them before. I hope it continues.' "

From the Bunkie Record, Thursday, February 20, 1964:

"The program has not only stimulated business in Avoyelles, but it has challenged welfare recipients to put up their own money and do things for themselves."

MICHIGAN

Excerpt from Detroit Department of Public Welfare Annual Report, June 30, 1962:

"The pilot food stamp program has been an outstanding success in the city of Detroit. Its continuation, to assist the community in meeting the problem of chronic unemployment, is vital."

MINNESOTA

The director of the Carlton County Welfare Department states in a letter to the Washington County Welfare Department: "* * * it is my opinion that it (the food stamp program) is preferable to bulk distribution of surplus foods. I might add, that this is also the opinion of the Carlton County Welfare Board. The program has positive aspects both for the clients we serve and for the agency * * *. It has advantages, from public support to a purely economic factor."

MONTANA

From "Agricultural Marketing," May 1964:

"Tom Powers, an East Side grocer, agrees that (economic) conditions aren't the best (in Butte), but he believes the food stamp program is taking care of many problems that would otherwise be insurmountable. 'Anybody in Butte will tell you the program's wonderful,' he says."

"S. I. (Ivan) Briggs runs and owns a small supermarket on the flat. Ivan probably has less food stamp trade than any other grocer in Butte, because his market is located in a largely professional class area. But he finds that stamps are a boon to the town."

NEW MEXICO

The State director of public welfare has said: "The stamp program appears to have met increasing acceptance and approval since starting here in June. It has put the surplus food distribution problem back in the channels of free enterprise, and it has injected an added element of self-help in the problem of aiding needy families."

NORTH CAROLINA

From the Raleigh News and Observer, October 31, 1963:

"County Welfare Director J. A. Glover believes the food stamp program is meeting a definite need * * *. 'To me it is the best plan yet devised to help fill a serious gap in our economy and help meet a need in our democratic society'."

"Frederick B. Cooper, Jr., vice president of Peoples Bank & Trust Co. at Nashville and a member of the board of county commissioners, says: 'The food stamp program has certainly served a good purpose in this county'."

OHIO (CLEVELAND)

The assistant director, Cuyahoga County Welfare Department, in a letter to the Chicago Welfare Council, stated: "* * * The stamp plan is very good. We and the community are enthusiastic about it * * *. Basically, the program is sound * * *. It is good for those persons who participate and good for the retail outlets in town * * *."

OREGON (PORTLAND)

In a letter of October 22, 1963, to the State welfare commission, the Multnomah County Board of Commissioners stated they wanted to continue the stamp program because (*a*) recipients favored the stamp program and felt it better adapted to meeting their food needs; (*b*) the additional money moving into the county in the form of free coupons was beneficial to the economy of the county and would be lost by returning to direct distribution; (*c*) costs of operating the stamp program were less than those for the direct distribution program.

PENNSYLVANIA

The executive director of the Cambria County Department of Public Assistance has said: "* * * we who are responsible for administering the plan in Cambria County favor it tremendously over the direct distribution plan; the beneficiaries of the program almost unanimously favor it, and, the business community likes it very much."

From the U.S. News & World Report, October 1961:

"The food stamp plan is going over big with just about everybody here in Fayette County * * *. The 24,000 needy people in Fayette County's food stamp plan say it's working fine * * *. Fayette County grocers in whose stores the stamps are as good as cash, are equally enthusiastic * * *. Businessmen like the shot in the arm the food stamp plan has given the county's ailing economy."

TENNESSEE

From the Chattanooga Times, Chattanooga, Tenn., February 6, 1964:

"Those working closely with the Federal food stamp program in this area have found it to be an improvement over former assistance approaches in the most important test—helping to provide adequate, balanced diets for the less fortunate in the community."

The American National Bank & Trust Co., Chattanooga, Tenn.:

"* * * The bank is pleased to be part of your (food stamp) program by providing vault storage space for coupons * * *. This program seems to be the most realistic approach thus far to the problem of farm surpluses and helping the indigent."

Altamont (Grundy Co.), Tenn., County Judges Malcolm A. Fults:

"I just wanted you to know that we are highly pleased with the administration of the pilot food stamp program in Grundy County. We feel that this program has produced the desired effect in this area of chronic unemployment by:

"(1) Increasing the buying power of the needy.

"(2) Stimulating local business by increases in food purchases.

"(3) Elevating the standard of living of many of our people by providing a wide variety of foods than was possible under the previous surplus commodities program.

"It is to be hoped that this program may be continued as it is, in our opinion, a distinct factor in our community."

VIRGINIA

The Wise County judge stated that he liked the food stamp program very much and that he thought it was the best program of its kind inaugurated in this area.

WEST VIRGINIA

The Governor has said: "* * * This [food stamp] program has been of material benefit to the people of West Virginia and is in the opinion of all concerned, one of the most beneficial programs authorized to assist needy persons in the poverty pockets of our Nation * * *."

IMPACT ON LOCAL COMMUNITIES

1. Under the food stamp program, the overall economy of the local communities benefit from the new money that comes into the area in the form of free additional coupons.

2. Retail food store sales are increased; jobs are created; and other business enterprises in the area benefit.

Franklin County, Ill.

"Businessmen here estimate the plan, designed to improve the nutrition of economically depressed families, pumped nearly $500,000 in extra food buying power for the unemployed of Franklin County. 'It is a good thing,' said Lewis Flanders, president of the Benton Community Bank. 'Most of the food stores have had to hire one additional person.'" (UPI dispatch, Aug. 8, 1962.)

Perry County, Ky.

In commenting on the operation of the food stamp program, the county judge said: "* * * Many of the smaller food stores in the county would have been obligated to go out of business had it not been for the food stamp program which would have resulted in further economic depression in an already acknowledged economically depressed area." (Hazard (Ky.) Herald, Jan. 6, 1964.)

Detroit, Mich.

"Many small grocers have remained in business because of the stamp plan * * *. (Grocer's Spotlight, Oct. 7, 1963.)

Portland, Oreg.

"* * * During the first 10 months of this program, $431,536 in new money was injected into the economy of our county through this program. This additional benefit is available only through the stamp program, and would be lost to our area by returning to direct distribution." (Board of County Commissioners, Multnomah County, Oreg.)

Fayette County, Pa.

"Businessmen like the shot in the arm the food stamp plan has given the county's ailing economy." (U.S. News & World Report, Oct. 9, 1961.)

Grundy County, Tenn.

"As we approach the first anniversary of the pilot food stamp program in Grundy County, I would like to express appreciation for the group of our citizens who have received large nutritional benefits from it.

"The program has also been helpful in stimulating our economy by supplementing our lower income families' food budgets." (Mayor, town of Tracy City, Tenn.)

McDowell County, W. Va.

"It's taking more people to handle the increased volume of food in these [food stamp] areas. A West Virginia wholesaler said: 'I've hired three more men to work in my warehouse since last year, and it takes the equivalent of 1½ more officeworkers.'" (Progressive Grocer, September 1963.)

Cleveland, Ohio

"The [food stamp] program has been very well planned and administered. In addition to its beneficial effect on the diet and health of people and families of low income in the area, its operation and stimulus to the banking and commercial economy of the community is most helpful." (Assistant vice president of Society National Bank.)

On the first anniversary of the pilot program, the president of the Cuyahoga County Board of Commissioners stated: "This [food stamp] program has contributed greatly to the economic growth of the entire community * * *." He pointed out that the value of the bonus or free coupons is equal to the annual payroll of a large industry employing several hundred workers. (The Cleveland Citizen, May 1963.)

IMPACT ON DIETS

1. Families made substantial increases in their food purchases when they shifted from direct distribution to the food stamp program.
2. Although they were free to make their own food selection, more than 80 percent of these consumption gains were accounted for by livestock products and fruits and vegetables.
3. As a result, nearly twice the number of stamp families were able to achieve nutritionally adequate diets after the stamp program replaced direct distribution.
4. Typical reactions of participating families are:

Arkansas

"I am sure I speak for many families in Independence County when I say how much my family appreciates the food coupon program * * *. For since we have had the food coupons, the children can get up in the mornings, have a breakfast of meat, milk, eggs, toast, orange juice, and a good cereal of their choice and go to school and do a good day's work." (Batesville Guard, Nov. 4, 1963.)

Kansas

"Another woman who lives with her mother, an old-age assistance recipient, stated that whereas before the two lived on pancakes and cereal the last of every month, now they are able to eat the same foods during the fourth week." (High Plains Journal, Dodge City, July 20, 1963.)

Kentucky

"Part of the credit for wise buying [on the part of food stamp recipients] goes to county agents, home demonstration agents and State and Federal food stamp officials. In Perry County, Ky., for example, Paul Waddell, food stamp worker, says, 'On days people come to pick up their stamps, we conduct meetings on grocery shopping. The home demonstration agent gives information on the best buys and she gives tips on shopping for a balanced diet.'" (Progressive Farmer, Sept. 1963.)

North Carolina

"It has been a blessing for my family. With seven children and a small amount of money, even when I learned to stretch my food dollar, I could not give them all the different kinds of food that they needed."

Tennessee

"This is the first winter the children in our family have had enough food to eat. The children are healthier and haven't had near as many colds due to the fact that we have been able to keep fresh fruits for them to eat.

"I get $30 in stamps each month and I use $10 for basic provisions at the first of each month and $5 each week for fresh foods.

"We kept the kids in school this year while I was out of work. We couldn't have done it without stamps."

West Virginia

"A group of West Virginia school principals report that the * * * experimental food stamp program has improved the health and morale of their pupils. They reported that the pupils were dressed better, appeared better fed, and missed fewer schooldays since their families began receiving stamps." (UPI dispatch, Dec. 26, 1963.)

Wisconsin

"We are disabled and cannot get out to pick up our stamps and get groceries, so our son is able to get them for us * * *. I am on a special diet and am able to purchase what I need for the diet." (Evening Telegram, Superior, Nov. 4, 1963.)

Information on the Food Stamp Act of 1964

THE PROGRAM

The purpose of the food stamp program is to assist low-income households to increase their expenditures for food and to upgrade the quality of their diets. Under it, eligible households exchange the amount of money they have been spending for food for an allotment of food coupons of higher monetary value. (The difference between the amount the household pays for the coupons and the value of the coupon allotment—the free coupons—represents the Federal contribution to the household's increased food purchasing power.) The household then uses the coupons to purchase any food—except for certain imported items—in regular retail stores at the retail price prevailing in such stores. Retailers redeem the coupons through the commercial banking system.

Participation in the food stamp program is voluntary on the part of the States. In the meantime, the direct distribution of abundant foods will continue to be available to those communities not desiring to participate in the food stamp program or until such time as the stamp program can be extended to all communities which desire to participate.

PROGRAM ELIGIBILITY

Participation in the food stamp program shall be limited to those households whose income is determined to be a substantial limiting factor in the attainment of a nutritionally adequate diet.

A household is defined as a group of related or nonrelated individuals, who are not residents of an institution or boarding house, but are living as one economic unit sharing common cooking facilities and for whom food is customarily purchased in common.

In addition to households which can be classified as (welfare) "assistance" households, other low-income households—"nonassistance" households—will be eligible. However, each State shall establish standards of eligibility for nonassistance households which shall include maximum income limitations consistent with the income standards used by the State in the administration of its federally aided public assistance programs.

FEDERAL-STATE ADMINISTRATION OF THE PROGRAM

The State agency responsible for the administration of the federally aided public assistance programs, hereinafter referred to as "the State agency," shall accept responsibility for the intrastate administration of the food stamp program.

The following administrative responsibilities are assigned to States under the provisions of the act: (1) The certification of applicant households, including nonassistance households; (2) the acceptance, storage and protection of coupons after their delivery to receiving points within the States; and (3) the issuance of such coupons to eligible households and the control and accounting therefor.

The State agency may, subject to State law, delegate statewide supervisory responsibility for the issuance of coupons to another agency of the State governmen. In either event, it will be possible for the State to make arrangements with local governmental agencies (or with banks) for the actual sale and issuance of the food coupons.

In addition to its responsibilities as the Federal supervisory agency, the U.S. Department of Agriculture will have direct responsibility for the approval and supervision of cooperating retail stores.

CERTIFICATION PROCEDURES

The State agency must certify applicant households under the same general procedures and merit-system personnel standards used by it in the certification of applicants for benefits under the federally aided public assistance programs.

Federal funds are available to finance a limited share of the costs incurred by the State agency in the certification of nonassistance households.

If there is gross negligence or fraud on the part of the State agency in the certification of applicant households, the act provides that the State shall be liable for the value of any federally financed (free) coupons issued as a result of such negligence or fraud.

STATE PLAN OF OPERATION

The State agency of each State desiring to participate in the program shall submit a plan of operation for approval by the Department of Agriculture.

Among other things, the plan of operation shall specify the manner in which the program will be conducted within the State, the political subdivision in which the State desires to conduct the program, and the effective dates of participation by each such political subdivision.

THE APPLICATION PROCEDURE

The Food Stamp Act provides for the progressive expansion of the program, over a period of years, to those political subdivisions which desire to participate. It further provides that the Department of Agriculture shall give due consideration to the need for equitable treatment among the several States, in accordance with their relative need for the program. The Department is also directed to take into account the demonstrated ability of the several States to assume the administrative responsibilities which are assigned to them under the act.

Applications submitted by the State agency requesting the program for each political subdivision within the State should be accompanied by the following information:

1. The political subdivision should be specifically identified by its geographic boundaries—city, county, township, etc.
2. The proposed effective date should be indicated, i.e., the date by which the State agency believes it would be feasible to complete the certification of applicant households and to undertake the actual sale of coupons to certified households.
3. Need for the program:
   A. (The Department will obtain from the Department of Health, Education, and Welfare available information on the number of public and general assistance recipients in the political subdivision.) Submit additional data if deemed necessary to explain unusual conditions or special circumstances in the State or local welfare programs. (Indicate if the AFDC–U program is in operation.)
   B. (The Department will obtain from the Department of Labor available information on unemployment conditions and trends as a measure of the political subdivision's economic need for the program.) Include other pertinent data, if necessary, on the economic need for the program in the political subdivision.
4. Local interest:
   A. If available, a copy of a request for the program submitted to your agency by the governing officials of the applicant political subdivisions.
   B. Submit other pertinent information concerning the desire and willingness of local governmental agencies, retailers, and banks to cooperate in the program.
5. State readiness: Include all pertinent information concerning the readiness of the State welfare agency—and its counterpart local offices—to assume its responsibilities under the provisions of the Food Stamp Act of 1964.

CLOSING DATE FOR INITIAL APPLICATIONS

Applications from State agencies shall be postmarked not later than September 30, 1964, and shall be sent to: Director, Food Distribution Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250.

AREAS IN WHICH PROGRAM IS OPERATING

Mr. WHITTEN. Tell us about how the program is working and what you plan to do with the additional money, the number of new areas and how you will go about selecting them.

Mr. SMITH. All right, sir. As I mentioned earlier, Mr. Chairman, the program now is operating in 43 different areas. That consists of 40 counties and 3 metropolitan areas.

Do you want me to read the list?

Mr. WHITTEN. Yes; read it.

Mr. SMITH. In Alabama, Jefferson and Walker Counties.

Arkansas, Independence County.

California, Humboldt County.

Illinois, Franklin County.

Indiana, Vanderburgh County.

Kansas, Rice County.

Kentucky, Floyd, Knott and Perry Counties.

Louisiana, Avoyelles and Evangeline Parishes.

Michigan, Detroit.

Minnesota, Carlton, Itasca and St. Louis Counties.

Missouri, St. Louis.

Montana, Silver Bow.

New Mexico, Mora, San Miguel, and Santa Fe Counties.

North Carolina, Nash County.

Ohio, Cuyahoga and Lucas Counties.

Oregon, Multnomah County.

Pennsylvania, Cambria, Fayette, and Luzerne Counties and city of Pittsburgh.

Tennessee, Grundy, Hamilton, Marion, and Sequatchie Counties.

Virginia, Dickenson, Lee, and Wise Counties.

Washington, Grays Harbor.

West Virginia, Logan, McDowell, Mingo, and Wayne Counties.

Wisconsin, Douglas and Iron Counties.

This list, Mr. Chairman, of 43 different areas, consists of the original 8 pilot areas and the balance which were added subsequent to the first year's trial for the 8 pilot areas.

SELECTION OF AREAS

The basis which was employed in designating the original pilot areas, and the additional pilot areas added subsequently, was predicated on the criteria of need as evidenced by such indexes as unemployment in the area, the interest expressed in the local areas and their willingness to participate. We were also interested in getting a geographical dispersion of the experimental projects to learn whether we would run into different problems in different parts of the country and under——

Mr. WHITTEN. Let me interrupt you for the purpose of the record. As I understand it, under the existing program on a pilot plan basis, this took the place of the distribution of free commodities.

Mr. SMITH. The food stamp plan, where it was inaugurated in an area which had direct distribution when the stamp plan was inaugurated direct distribution was discontinued.

Mr. WHITTEN. How will you select the additional areas?

Mr. SMITH. Under the Stamp Plan Act, the law itself prescribes procedures that we are to follow, namely, that the appropriate State agency, which will usually be the State welfare agency, will determine the areas in the State that are interested in instituting a stamp plan. They will be under obligation to submit a proposed plan for their State, the reasons for selecting or recommending the areas that they incorporate in their submission to us, and in addition the nature of the need for this type of assistance in those areas.

Then, after all of those are received in the Department, depending on the number that we receive, and how many prospective participants would be involved, we have to relate that to the amount of funds that would be available to finance the program for the current fiscal year.

The actual number of areas will then need to be tailored in keeping with the funds available. In other words, it will be a responsibility of the Secretary to make the final determination of the number of areas in which the program will be instituted for the new operation.

Mr. WHITTEN. That being true would you feel you would be able in the coming year, with funds requested, to meet the counties as rapidly as you should? Or will you be in the position of having to favor a few? This will be a tremendously expensive program through the years.

PROGRAM EXPANSION TO NEW AREAS

How many new counties will you be able to provide for from the funds you request? Is that protected from any favoritism by the fact that the State must request the program? I am making no charge but I am asking you for the record to show how it would be handled.

Mr. SMITH. No. 1, with the funds that are requested, we estimate that an additional 600,000 participants could be covered under the program during the balance of the current fiscal year, meaning that we would get up to approximately 1 million participant level by the end of the current fiscal year.

As to the number of areas, if the average participation in the new areas was approximately the same as the areas we now have we could go into approximately 60 additional counties.

If we go into some metropolitan areas where the direct distribution load at the present time is relatively heavy, that would cut down on the number of areas into which we would go, so I am not in a position to state definitively other than in terms of numbers of participants what the additional funds would provide for.

COSTS OF STAMP PROGRAM VERSUS DIRECT DISTRIBUTION

Mr. WHITTEN. How is the cost of your food stamp program where it has been substituted for direct distribution in the present areas? How has the cost run as compared with the preceding costs when you distributed the commodities directly?

Mr. SMITH. We have some illustrations on that. Take, for example, the city of Detroit where there was direct distribution. The total cost to the Federal Government of the stamp plan about equals that of the direct distribution program.

Mr. WHITTEN. All of us on this committee, and most others in Congress, I am sure, have had wholesale grocery houses and retail grocery people urge them to act favorably on the food stamp program. That means these commodities go through the normal channels of trade, and they are all for that.

What has been the general public acceptance in the areas where you cut out direct distribution and went to the food stamp plan? Do they all want to keep it? Have you had any of them urge you to go back to the former system of direct distribution?

Mr. SMITH. I am not aware we have had any area urge reversion to direct distribution, Mr. Chairman. One of the bases for the success of local operations is determined by the attitude and support on the part of both the wholesale and retail trade as well as the banking fraternity.

Mr. WHITTEN. I have had criticism from some sections in my own district and in my State where the local authorities have not provided the administrative costs of direct distribution. Accusations which are unfounded have been made. Other factors entered into it.

The facts, I believe, have been against the direct distribution program. At certain seasons in the year, when there was a real need for workers, as long as you had your direct distribution of commodities you could not hire anybody to do the work. That is the claim they made to me. I have reasons to believe them.

Under the food stamp program what local contribution costs are met by the local authorities, and others?

Mr. SMITH. Yes; they assume the cost for certification with the exception of certifying nonpublic assistance cases where under the plan it is proposed that we partially meet the cost of certifying those. Under the act it is required that the regular State welfare setup be involved and be responsible for the certification of eligibles.

Mr. WHITTEN. We on this committee have had experience with a wide variety of agricultural and other programs. We have heard of cases where they would give certificates for one purpose and use them for another.

We had a wave of cases some years ago. The Federal Government was helping in drought and disaster areas by providing part of the cost of feed or seed. There were cases where they gave a man—by way of illustration—50 percent of the cost of feed, and it looked as though he got four sacks of feed and paid for two. But checking with the store records, he got two sacks of feed and paid out nothing

CONTROL ON USE OF FOOD STAMPS

Under your program what protection is there to keep a person from trading his stamps for beer, tobacco, cigarettes, or various and sundry other things that might not be deemed essential? What protection do you have? If you issue stamps to needy families have you any way to keep the man from trading them to his neighbor for something other than the purpose for which he was given the stamps, that is, to help him with his grocery bill?

Mr. SMITH. I will ask Mr. Davis to help me there.

Mr. DAVIS. In the first place, depending on the amount of income the family has, they pay a fairly large proportion of the cost of food coupons themselves.

Mr. WHITTEN. What is the average?

Mr. DAVIS. It averages out on a national basis to about $6 for every $10 worth of coupons they get. Coming into the program, they have to make a decision that they want to come into the program and they have to put their own money into it before they get the coupons.

We feel, and experience over the last 3 years has borne this out, that the families participating are those families that really need and want more food. So you have a certain screening before families even come into the program.

Then, of course, as you mentioned earlier, this program has proven to be a very big boost for the retail food industry, and then behind that the farmer himself. The retailers also have a large stake in this program, and we have found that they have done a very good job of self-policing. They refuse to sell ineligible items because, after all, they make their profit out of selling the food. There is really not too much incentive for them to do this.

We have had some that have violated.

Mr. WHITTEN. Do you have the right and power to cut a retailer off from participation in the program in the event of violations or willful continued violation?

Mr. DAVIS. Yes, sir. Under the pilot operation in the last 3 years we have had the authority to remove them from the program and, in poor areas of these communities, this is a real sanction against the grocer. We have used it very carefully but it has been quite effective.

Under the act there are very heavy and very specific penalties and specific legal procedures provided to take action against the grocers.

We feel on the other side of the coin that the act does give the grocers ample due process, and ample opportunity, to take care of themselves and prevent us from any arbitrary action.

AMOUNT OF SUPPLEMENTAL APPROPRIATION

Mr. WHITTEN. I notice that this request is in lieu of the amounts that were in the regular bill. For that reason, since I understand the agricultural bill was signed yesterday, it would leave it where $35 million would be credited against the $60 million which was in the regular bill. So it would require an additional $25 million, which with the $35 million would be the amount your plans are built around; is that correct?

Mr. SMITH. We need $25 million in addition to the $35 million provided in the regular appropriation act for 1965.

Mr. WHITTEN. While this estimate is for $60 million, it would have the $35 million credited. So the committee would be going along with the recommendation of the Department if we provide $25 million on this supplemental request?

Mr. SMITH. Yes.

Mr. WHITTEN. Mr. Natcher?

PROJECTED PROGRAM EXPANSION

Mr. NATCHER. In your statement to the committee you informed us there were 43 areas in operation at the present time. What is your total number of counties?

Mr. SMITH. Forty.

Mr. NATCHER. Under the legislation that has been enacted you anticipate a gradual expansion over the next few years. What total expansion do you look forward to, Mr. Smith? Do you have any idea as to the approximate number of counties and areas?

Mr. DAVIS. In submitting the legislation to the Congress and also in submitting our various budget estimates we have projected the program over a 5-year period on the theory that we could gradually expand to the maximum that the program would be required to meet over a period of 5 years.

We feel at the end of that time we could make the program available to about all of the counties in the country which are now receiving direct distribution, which is around 1,600 out of the 3,000 counties. On this basis the total annual program cost would run around $360 million. The bill itself, as you are well aware, provides $75 million the first year, $100 million the second year, and $200 million the third year.

At the end of that time we must come back to Congress for approval to continue the program or for subsequent appropriations.

We would visualize the maximum at $360 million.

PROGRAM ADJUSTMENT TO MEET LOCAL NEEDS

Mr. WHITTEN. In connection with your pilot plan operation, do you have authority to adjust to unusual conditions which may exist from an employment standpoint? If so, please describe it.

Mr. DAVIS. In the operation of the pilot programs we have followed the cardinal principle of trying to work with the local welfare people to tailor the program as closely as possible to their needs. In this particular connection, both in Nash County, N.C., and in the two counties in Louisiana the local officials, with ourselves, have worked out arrangements whereby during the season of ample employment, ample farm employment during the crop season, they have removed from the food stamp rolls those people for whom there are jobs.

In Nash County, for example, during the winter months, when employment is not available, the participation has been somewhere on the magnitude of a little better than 8,000. Beginning along in March this drops off to about 1,400, and then on down. At the present time during the summer months it is down to a little over 1,000.

That will move up again next winter when the need is there. The program will then be there to meet that need. I think it can be perhaps adjusted even better to reflect local needs than the direct distribution program.

Mr. WHITTEN. Thank you, Mr. Davis.

Mr. Horan?

Mr. HORAN. I am reminded of one of the richest people in our home town caught walking down the street with Red Cross flour some years ago. I guess that is part of your problem.

DIRECT DISTRIBUTION OF SURPLUS FOODS

Briefly, what is involved in the mechanics of direct distribution of surplus foods?

Mr. SMITH. Let me see if I can outline it for you. If I skip anything I will ask Mr. Davis to supplement what I say.

We in the Department acquire the commodities. These commodities then are allocated to the State agency that is assuming the responsibility for the program in the State.

The State agency has the job of receiving the shipments when they arrive, and upon arrival at the State distributing warehouse the title passes to the State.

Mr. HORAN. Does the responsibility for further distribution at that point pass to the State?

Mr. SMITH. Yes. In other words, there are participating counties or cities in the State. They enter their requirements depending upon——

Mr. HORAN. First they have to state they want to participate; is that right?

Mr. SMITH. Yes. What we send to a State in the way of quantity of each commodity reflects their request of their needs for their total caseload in the State.

Mr. HORAN. That is done through the State department of public welfare?

Mr. DAVIS. In many places——

Mr. HORAN. State department of public assistance, as in the State of Washington?

Mr. SMITH. It varies.

Mr. DAVIS. Varies by States.

Mr. HORAN. It is usually a State department particularly in the field of public assistance?

Mr. DAVIS. That is right.

OPERATION OF FOOD STAMP PLAN

Mr. HORAN. Under the stamp plan what will be the mechanics there?

Mr. SMITH. Briefly there again we will enter into an agreement with the appropriate State agency, which will be the State welfare agency. The terms and conditions for operation of the program in that State will be incorporated in the agreement. They will have the responsibility for supervision of the program down through the local level. They will be responsible, also, for the certification of the eligibles under the program.

Mr. HORAN. Who polices that program from the standpoint of the Federal Government? Do you leave it entirely to the States or will you have personnel in each county where you may expect the food stamp plan to be utilized?

Mr. SMITH. The Agricultural Marketing Service uses the facilities of the Office of the Inspector General in the Department to help police and conduct surveillance under this food stamp program.

Mr. DAVIS. I might just add that we have followed during the past 3 years the practice of having a local AMS office in the project area. This is for two purposes—one, to help police the activities of the Welfare Department, and two, to carry out our responsibility for working with the grocery stores.

This the Department of Agriculture will retain. We do not pass that on to the State. We work directly in authorizing grocery stores and inspecting them. We take the action to remove a grocery store which has been violating. The State has no responsibility for that.

Mr. HORAN. How do you police the issuance of stamps? I understand they are purchased at the bank?

Mr. DAVIS. In some States the States themselves have elected to hire the banks as agents to do this job of selling the coupons to the participants.

In most States, however, the State or local government authorities actually sell the coupons and we have a fairly tight set of regulations for the handling of the money and the handling of the coupons. We audit their accounts in this respect.

I must say of all phases of the program this phase has been relatively trouble free. We have had no problem with the State doing an honest job and accounting for the money and selling coupons strictly according to the regulations.

Mr. HORAN. A general conclusion has been arrived at that the food stamp plan works splendidly in communities such as Uniontown, Pa., where apparently everyone who had a job to do did it and did it well. We have had some difficulty in the State of Washington.

By and large, though, would you say that of the 1,600 counties, which is a little better than half of the number of counties in the United States, I believe there are 3,099 counties, would you say that all of those are potential food stamp users?

Mr. DAVIS. Generally speaking these counties have come into the direct distribution program because they have had substantial need in the community for more food for a number of their residents. We would expect that a large majority of those counties, over a period of, say, 5 years, might well elect to come into the food stamp program as representing a better way of getting food to the needy people in their communities.

I believe we should stress very strongly that this program is entirely voluntary, and that if a county does not want to come into the food stamp program we will still stand ready, willing, and able to offer them the direct distribution program as long as they want it.

Similarly, any of the 43 areas that are now participating are completely free to discontinue the food stamp program if they desire and go back to direct distribution.

Specifically our 5-year projection is based on the feeling that most of these 1,600 counties will come into the food stamp program eventually.

FOOD STAMP PROGRAM IN WASHINGTON

Mr. HORAN. Mr. Chairman, I understand that this is the law and that we have the responsibility of implementing it financially. I suppose part of that responsibility is to see what might happen.

Based upon the experience in the State of Washington, Mr. L. L. Heglund, who is the head of the Department of Public Assistance for the State of Washington, arrives at this conclusion in a letter to my colleague, Catherine May, dated February 18, 1964.

His conclusion on the basis of the survey and the fact that approximately only one-third of the eligible people in Grays Harbor County are using the stamp program as of February, regarding Grays Harbor which was the first pilot operation in our State, is spelled out in this document. I might add here that Mr. Heglund is not a member of the minority party in our State or in the Nation. I think he is an honest operator.

Basically he goes on to say:

* * * the surplus commodity distribution program was designed to do two things: use up surplus foods and supply a more adequate diet to persons of low income.

He then continues with a very interesting conclusion:

* * * It appears that the food stamp program accomplishes only a part of this and the direct food distribution program does a much more adequate job both on using up surplus commodities and of being available to a larger number of low-income people.

Mr. DAVIS. Mr. Horan, you mentioned it was your understanding we had some problems with the food stamp program in your State. I will say first that those problems have not been in the manner in which the program has been administered by the State people. They have done a very conscientious and careful job.

Mr. HORAN. I want to add I am not criticizing our State administrator of public assistance. I think he has done a good job and it is a big job, too.

Mr. DAVIS. Yes, sir. We have had very few complaints as far as violations are concerned. Actually, the program is a very good program there and from our point of view it is working successfully. There are several factors that you must remember.

In the first place—and I do not have the figures—but the unemployment situation in Grays Harbor, Wash., has improved materially in the last 3 years over the period they are using as a comparison for the number receiving direct distribution.

The second factor is that, by the admission of a number of local people, they had not been doing too careful a job of certifying these people for direct distribution previously and the certification procedures under the food stamp program are fairly rigid. Another factor that enters into it is that when you have the food stamp program in operation, as I mentioned earlier, the participation must come in and pay for those food coupons and they must pay about what they previously had been spending for food. So the program does not save

them any money on their total budget; it just gives them more food to eat.

On the other hand, in direct distribution, there is no way of freezing the family's previous food purchases so that many times there is a fair degree of substitution of the food we give them for food they might normally buy. This frees some of their money to buy shoes, to pay rent, and so on.

From that standpoint, you had a certain number of people in any community that were getting direct distribution, who did not necessarily feel enough need, or want more food enough, to come in and spend some of their own money on food stamps to get it. This eliminated a number of families that previously participated in the direct distribution.

On moving surpluses, I think we have inserted in the record a number of times, and this came up in debate on the floor, that our research has shown that we do move as much cereal and grain products. As a matter of fact, we move more under the food stamp program than under direct distribution in any given community. In addition, the food stamp program moves additional food that actually represents a greater return to the farmer than the food that was consumed under direct distribution.

In a study in Detroit, the total number of people who were getting direct distribution were consuming food each week per person that returned $1.75 to the farmer. After the food stamp program came in, even though there were many fewer participants, but taking this whole total group as the base, the total group was consuming food that returned $2.01 to the farmer, per person, per week; from $1.75 to $2.01. We feel, on the surplus side, the program is meeting that objective.

Mr. MICHEL. Would that not be reflected by the fact they are purchasing different things, such as meat products or things of that nature?

ELIGIBILITY STANDARDS

Mr. HORAN. I think it is a broader diet they are supplying.

Here is another item I want to go into and I do not think we have seen the last of this. I do not want you to spend all of your time on the Hill, Mr. Smith, but there are two programs that differ slightly in the amount of resources that are exempt. For the direct food distribution program, a single person is allowed $200 cash savings. I am now talking about a memorandum from Mary Lou Everson to L. L. Heglund:

* * * While households of two or more persons are allowed $400 in the food stamp program, a single person is allowed $323 and multiple-person households are allowed $300 plus the maximum allowable monthly income, which depends on household size in exempt resources.

Mr. DAVIS. Mr. Horan, this is a strictly technical matter. We follow the policy of trying to adjust these requirements to the States' own practices in administering their regular public assistance programs. In most of these areas, we have tried to work out the same income eligibility standards and the same liquid resource requirements for both programs, direct distribution and the food stamp program.

If I recall correctly, we are now negotiating with the State of Wash-

ington to readjust these figures for both programs. We do not want to have any difference in the resource requirements or the income requirements for the two programs. This is not contemplated but it just happened because——

Mr. HORAN. They have gone into it and I think they are trying to do a job out there, but apparently they had to send out a lot of questionnaires in the State of Washington and there is a lot of bookwork connected with it.

I want to raise this question as we consider what may be in front of us:

Mr. Chairman, here are some of the reasons people gave in answer to the questionnaire. As to the reason for not getting food stamps, (a) making too much money to get them now.

Apparently 40 people responded that way and apparently 33 of those who would be getting direct food distribution now under the direct distribution of food.

Mr. DAVIS. I do not believe that is correct, Mr. Horan, because, with this exception you noted, the requirements are the same under both programs. If I recall those figures correctly, these 40 people had had an increase in income since the time when they either first applied for food stamps or the time when they were getting direct distribution, and they would no longer be eligible for either program. As I mentioned earlier, the economic situation in that county did improve from 3 years ago.

Mr. HORAN. The second one: (b) Do not have enough money at any one time to buy food stamps. Ninety-two responded and seventy-nine of them would be getting surplus foods and eight would not.

Mr. DAVIS. Would you like me to answer that as you go through it?

Mr. HORAN. Yes.

Mr. DAVIS. This is a real problem for these people to get together enough money at any one time to purchase their food coupons. We urged the States to sell the coupons on as close to the same basis as the people get their money as they can. In other words, the direct distribution is normally made once a month in all counties and under the food stamp program many of the counties try to sell the coupons just once a month. A family of four, let us say with an income of $125 or $130 a month, would maybe have to pay $60 for their coupons. If they get their money on the basis of weekly pay checks, it presents a real problem for them to save enough money, just as they have a real problem in saving enough money to pay their rent. So, we have urged they sell the coupons at more frequent dates.

I believe that Washington, in the early days of the program, was selling only once a month and this is a real problem. You come to the point where it may be too expensive to sell them coupons once a week, but we would urge every 2 weeks or semimonthly. This is a problem we are aware of. With the help of the State, if they are willing to go to the extra expense, we think that it can be overcome.

Mr. HORAN. They need more money. This is (c). They need more money for paying bills; 87 answered and 68 would still be getting direct food distribution and 14 would not. That is pretty well answered by you already.

(d) Need money to buy other things; 72 answered and 60 would still be getting direct food and 9 would not.

Then there were 118 that answered in a combination of all of those we have gone over. Some of the interesting ones here are covered in this compilation but I will just list them.

(e) Cannot prove how much I make.

(f) Too hard to use food stamps.

(g) Do not know how to get stamps.

(h) Do not use as much food as I would have to buy.

Maybe you better answer that one.

Mr. DAVIS. Essentially this was what I was saying earlier, that there were people who were getting direct distribution who, when it came to the food stamp program, did not really need or want as much food as they would get under the food stamp program so they did not participate. We think this is good. I think this recognizes the fact that the State is doing a careful job of screening these people and that these particular families do not want that much food, so they should not participate.

If we were giving it to them under direct distribution, they would be substituting that food for what they normally buy, and using the money they save for other purposes. We do feel that when they do participate, it is because they really need and want more food and, therefore, you are getting a real net increase in food consumption for the Federal dollar that is being spent.

Mr. HORAN. (i) The reason for not getting food stamps is that they buy at a commissary. That was just one.

(j) No longer live in Grays Harbor County.

Mr. Chairman, I have asked these questions because of what we may find walking down the road as we attempt to supply funds for the administration of this program. It is my hope that we can arrive at some conclusion as to just how much we will have to appropriate and how much the States will have to appropriate and how much the counties will have to appropriate in order to make this food stamp program operate.

1965 APPROPRIATION REQUEST

What is the total you are asking for in the regular budget in this request? This is for the food stamp plan?

Mr. SMITH. To continue financing the Pilot Food Stamp Program we asked for $45 million. The Appropriation Act provided $35 million and we are now asking for a total of $60 million.

Mr. HORAN. For?

Mr. SMITH. Fiscal year 1965.

Mr. HORAN. For how many projects?

Mr. SMITH. This $60 million, we calculate, would finance, by the end of the current fiscal year, a participation of approximately 1 million people.

Mr. HORAN. How many projects?

Mr. SMITH. As I stated earlier, Congressman Horan, if we assume that the participation in each new area equals the average of the areas that are now under the program, it would involve approximately 60 additional areas.

COST PER PROJECT

Mr. HORAN. The experience we have had under the stamp plan indicates you have spent in the neighborhood of approximately $1 million on the average per project, and you have 43 of them. Your expenditures were $51.5 million.

Mr. SMITH. It does not work out quite that way.

Mr. HORAN. It is closer to that——

Mr. SMITH. Our actual expenditures in fiscal year 1964, Congressman Horan, were $30,500,000 for the 43 projects. We estimated earlier that those 43 projects would entail an expenditure during fiscal 1964 of around $45 million.

I think the basis for a little over $1 million per project was predicated upon dividing the 45 by the 43.

Our actual experience at the close of fiscal 1964 is that we spent, as I stated, a little over $30.5 million in those 43 areas.

Mr. HORAN. To what do you attribute the expenditure of a little over $30 million? I assume that was appropriated money?

Mr. SMITH. No; that was from section 32, sir.

FEDERAL ADMINISTRATIVE COSTS

Mr. HORAN. How much of that was for administration at the Federal level? It is not possible, I suppose, to separate that by projects?

Mr. SMITH. $1.1 million.

Mr. HORAN. Administration at the Federal level?

Mr. SMITH. That is right.

Mr. HORAN. That takes into consideration——

Mr. SMITH. Washington and the field.

Mr. HORAN. None of the costs apply to State administration?

Mr. SMITH. No.

Mr. HORAN. I suppose it does embrace a commission, if you want to call it that, that the banks get for issuing stamps?

Mr. SMITH. No; payment to the Federal Reserve banks, our contribution to certification at the State and local levels for fiscal 1964 was $757,000, it also includes the cost of printing and delivering the stamps.

Mr. HORAN. The banks did deduct from that a certain amount for a commission, did they not?

Mr. SMITH. No, sir; except in those States where the State hired the banks to do the job of selling the coupons for them, such as in Illinois and in Pennsylvania, and in several other places.

Mr. HORAN. How much did they get? How much did the banks get in those States for handling this item?

Mr. SMITH. In Pennsylvania I believe they charged 35 cents a transaction. In other words, each time a person came in and purchased coupons there was a 35-cent charge paid by the State out of State funds to the bank.

In Illinois I think the State was paying the banks $1.50 or $1.

Mr. HORAN. Per transaction?

Mr. SMITH. Per transaction.

Mr. HORAN. What would that amount to? That would amount to how many transactions per family per month?

Mr. SMITH. Some families only one, and others, two. I really do not have the figures.

Mr. HORAN. That has to be added to the cost of the program?

Mr. SMITH. This is the State's share of the cost; yes, sir.

Mr. HORAN. Most taxpayers pay their State taxes out of the same pocket they pay their Federal taxes.

That does not include any remuneration the grocer may be getting, or does he get any?

Mr. SMITH. He does not get any. He accepts the coupons just as he does money, and he must sell the food under the same conditions and for the same price to the food stamp customer as he would to the dollar bill customer.

Mr. HORAN. I understand in the case of Uniontown, at least, where this plan was a success or has been a success, that the cooperation of everybody in that program was splendid. That is what I understand.

Mr. DAVIS. Yes, sir.

APPLICANTS FOR FOOD STAMP PLAN

Mr. HORAN. You have at least 240 applicants as of late this spring. I assume it is greater than that now for the food stamp project.

How many applicants do you have today for the food stamp project?

Mr. DAVIS. We have gone back and rechecked that previous list of 240 to make sure they were current, that they were really bona fide requests. We find that this number is probably lower now, but, as Mr. Smith pointed out earlier, we are now in the process of going to the States and asking them to tell us, as of right now, what areas they would like to put the program into in their States. We have not received the States' replies, so it is hard to tell at this point how many real, valid requests we will get, remembering that the requests we get now will be based on the States' ability to finance their part of it and to hire the necessary people and to assume the total responsibility for administering the program.

This, we feel, may postpone a number of areas coming into the program if for no other reason than the States may have to get appropriations before they can actually start the program.

Mr. HORAN. The potential is there, however?

Mr. DAVIS. Yes, sir.

Mr. HORAN. Even using Administrator Smith's optimistic figure, which amounts to $700,000 per project, and if you have 283 projects, which is the figure we have before us. We have to superimpose 1,600 counties now participating in direct food program, and you are asking now, in this request, and in the budgeted bill we have before us for about one-fourth enough money, are you not? That is, assuming you are going to have additional projects?

Mr. DAVIS. As the bill states, and as we contemplate, we would expect that the expansion of the program would be on a gradual basis. We would certainly not hope to take in 1,600 counties which we estimate might cost $360 million with a $60 million appropriation for the first year.

We do feel that in many communities and many States, they will not be ready to come in or want to come into the program the first year. They will wait and see and they will need to provide the neces-

sary funds and personnel so that we would expect we could meet most of the requests from those areas that are ready, willing, and able right now to come into the program during this first year.

If we do have more requests than we can take care of, the act provides that we will provide for an equitable and orderly expansion among the several States in accordance with their relative needs and readiness to meet their requested effective dates of participation. This will mean we may have to pick and choose on the basis of need and on the basis of equitable treatment among States.

BASIS FOR SUPPLEMENTAL APPROPRIATION

Mr. HORAN. As I read your statement, you say—

* * * Our Appropriation Act put a limitation of $35 million on section 32 funds.

This is to be used for the pilot food stamp program. Does that include administration to be paid out of that?

Mr. SMITH. That would include administrative funds. The thought we are trying to convey, Congressman Horan, is we are now asking for $60 million; $15 million by direct appropriation and $45 million transfer from section 32, in lieu of the $35 million already appropriated.

Mr. HORAN. That would be a total of $60 million to finance operations under the new legislation as well as the pilot operations from July 1, 1964?

Mr. DAVIS. Right.

Mr. HORAN. For a total of about $95 million?

Mr. DAVIS. No; $60 million.

Mr. HORAN. You will have only $60 million to serve as a program with a potential of 1,600 counties and presently with 43 valid pilot projects and at least 240 that are today being screened in order to put them on a priority list to participate in the $60 million you are asking for?

Mr. SMITH. I cannot answer your question just offhand yes, Congressman Horan. It is our best judgment that for the balance of this current fiscal year we will be able to implement the program in areas which will involve an additional 600,000 participants, and if we prove successful in that, which we think we can, then the total cost for the current fiscal year would not exceed $60 million.

I should also add, sir, that the act itself places a limitation on the funds that can be appropriated for fiscal 1965; namely, $75 million.

In view of the lapse of time, it was our best judgment and calculation that $60 million would get us up to a $100 million rate of expenditure by the end of fiscal 1965, and going into fiscal 1966.

Mr. HORAN. But you have no actual control over that?

Mr. SMITH. What do you mean? Yes, we have control over it. What do you mean that we "do not have control"?

Mr. HORAN. Every once in a while I get somebody down in one of the departments who says, "Yes, we think you are eligible but Congress has not allowed us the money."

Who is going to take the rap on the ones you investigate and turn down?

The effect of this stamp plan, plus the direct distribution program we have had, it is a safe statement to make, is it not, that we can expect a great expansion in the distribution of foods through this program and through this distribution of surplus agricultural commodities? This adds to that? It opens the door wider.

I am not saying whether that is right or wrong and I want that in the record; but is that not true?

Mr. DAVIS. Generally, we would expect in this 5-year projection that we have been talking about, that the cost of the food stamp program would be largely offset by the reduction in the amount of money or the value of the commodities that are currently being distributed to these families.

The total out-of-pocket cost to the Federal Government would not be an entire addition. In other words, you would not just be adding this on top of the other program but it would be largely offset by the reduction in the direct distribution.

At the same time we feel it would be increasing the consumption of those commodities for which we have not only price support and surplus removal concern, but many other commodities that also have been selling at substantially low prices and return to the farmer.

EFFECT OF STAMP PLAN ON BUTTER CONSUMPTION

Mr. HORAN. The charge is made that the food stamp plan has been a blow to butter and that oleo is cheaper and it has almost created a bias against including the purchase of butter with food stamps.

Mr. DAVIS. In several communities where we conducted intensive research, we did find, as you point out, that the consumption of butter dropped off materially from the period when we were donating 1 pound per person a month as against the inauguration of the food stamp program where participants were free to purchase whatever spread they wanted to. Surprisingly, however, there remained a better than average purchase of butter by these families. They were still purchasing butter at a higher rate than other families who were not in the program. This, you must remember though, is very much offset by the fact that the consumption of fluid milk by these families under the food stamp program increased tremendously and, of course, the farmer gets a little better price for his milk sold for fluid use than he does for manufacturing use.

Our research shows that the total poundage of milk products that were consumed remained about the same, with consumption, however, shifting from manufactured products to whole fluid milk.

DIET EDUCATIONAL PROGRAMS

Mr. HORAN. I assume that in this program there is an attempt made to require administration at the local level be done in such a way as to provide a balanced diet for the household and to take into consideration practical things. Who does that?

Mr. DAVIS. We have, as a very integral part of the program, encouraged the local people, local welfare people, and the local health officials, to develop committees and programs of education for these families.

We have had an activity of this sort in each one of the project areas. Some of these committees have done very outstanding work in conducting educational efforts. This includes small meetings with participating housewives, getting out pamphlets, putting up posters in issuing offices, getting cooperation of the retail grocers, and putting up posters and educational material in the stores in an effort to help these families use this increased purchasing power as wisely as is possible.

You must realize that even with the addition of the Federal subsidy, this increased food purchasing power, most of these families still have a very limited total amount of money to spend for food.

Mr. HORAN. It is estimated that about one person out of every six is more or less directly affected by the direct distribution of surplus foods, or the food stamp program; is that right?

Mr. DAVIS. Plus the children benefiting from the school lunch program and from the special milk program.

Our total food programs, we estimate, are reaching about one person out of six, including all of these programs.

Mr. HORAN. In this committee, we are dealing, or we will have to deal, with an appeal from some 32 million people out of our present population in passing judgment on these programs.

Mr. DAVIS. This certainly is the theoretical potential, but from a practical operating standpoint, we know that there are many, many communities across the country whose relative level of income is quite high, quite adequate, and who have a comparatively small percentage of their population that would fall into this needy category and be eligible.

Mr. MICHEL. For example, are not these children in school buying their lunch in school and, in effect, covered in this program? It is ridiculous when you use these figures because it just does not make sense at all. Our kids do not need it, but the only place to buy their lunch is at school and the school participates, so it is subsidizing our kids' lunches.

With milk, it is the same way; and to say we "need it" is for the birds. We do not. When you get involved in these big numbers, it is a silly game.

VOLUNTARY PARTICIPATION IN PROGRAM

Mr. DAVIS. I think from the standpoint of just the potential of the food stamp program that by any kind of statistical standards, you could find a very susbtantial number of people across the country who fall in the needy category who would need more food, and would be eligible for the food stamp program. Many of those people are those very, very small numbers in a relatively well-off community. That community will not feel that they have enough of a problem to go to the expense and extra work of putting in this program. So that you will not reach a lot of these people who are in very small numbers in relatively well-off communities. Generally speaking, in that kind of community they can take care of their own people and they do not probably need this program.

You have to convert the statistical figures into a practical figure. We think that the practical figure might be a little nearer a potential

of 4 to 5 million people who will ultimately participate in the food stamp program.

Mr. HORAN. Mr. Davis, you are close to this program. Do you have resistance on the part of local communities and counties to stay out of the direct distribution program and the food stamp program?

Mr. DAVIS. We most certainly do. Speaking to the direct distribution program first, we have had a standing offer to accept any county in the United States for a number of years, clear back as far as 1935. But, as we discussed earlier, only 1,600, about half of the counties, have ever seen fit to come into the program. We are quite concerned about the fact that there are many counties in many States that do need help that have never come into the direct distribution program for many reasons. Perhaps the biggest reason is the cost of administering these programs.

As far as the food stamp program is concerned, we have had several counties to which we have offered the pilot program that have decided they did not want the program and have not come in even though it has been offered to them. They have felt that in some instances they would prefer direct distribution and in others they just did not want the program. We have had three or four.

Mr. HORAN. You leave this strictly up to the States to handle the participation end of it?

Mr. DAVIS. Yes, sir; we certainly make suggestions to them on how those that are already participating can increase the number of families that benefit by the program. But as far as electing to take part in the food stamp program, we contemplate now, as I said before, that it will be strictly voluntary. If a local community does not want it, that is up to them and up to the State.

Mr. HORAN. I am trying to find out just what the potential is we are having here. I want to say this for the record. I know the amount of money that is indicated here, but right now we are dealing with a supplemental. Can you swear by the book that you will not be back in here next March for another supplemental?

Mr. SMITH. I think if we had the inclination, that there would be some administrative restraints placed upon us, sir.

Mr. HORAN. I am glad to get that for the record, Mr. Smith. The reason I called my chairman a warrior was that he was on the floor defending the integrity of our own committee, I think he did a good job. I cannot say that we won particularly, but I think we did not lose too much. I do think that the Appropriations Committee has some feeling about proper administration, which I am very anxious to recognize at any time, Mr. Davis. I find it in many of the agencies in the Department of Agriculture.

However, I do want to review briefly—I may call for comment, I may not—the opening paragraph of the minority views when this bill was presented to the Congress, signed by all of the minority members of the Agriculture Legislative Committee. They were opposed to the enactment of H.R. 10222 because the establishment of a nationwide food stamp plan is not needed. The bill passed, however.

BENEFITS OF FOOD STAMP PROGRAM TO EFFICIENT MARKETING

Can you say that the food stamp plan is doing a better job than the direct distribution of food? First of all, I want to read again Mr. Heglund's statement:

> It appears that the food distribution program does a much more adequate job both on using up surplus commodities and of being available to a larger number of low-income people.

Mr. DAVIS. Our experience during the very extensive testing of the program over wide areas of the country in 22 States and over a period of 3 years convinced us that in those communities that accepted and took part in the food stamp program it did, in fact, do a better job of meeting the surplus problem and the return to the farmers, as well as improving the nutrition of the people in the community. It was for this reason that the President did recommend the enactment of permanent legislation in order to expand the program to additional communities.

Mr. HORAN. You would say that the food stamp plan does allow for more flexibility in the market value of commodities handled than does the distribution of surplus commodities which are purchased at a below market price or certainly not an enhanced value?

Mr. SMITH. I would add, Congressman Horan, that the stamp program uses entirely the normal channels of trade and you avoid the problems, to which reference has been made in connection with direct distribution, of our interfering with local trading as far as the recipients of the surplus commodities are concerned.

Mr. HORAN. I would like to read into the record the rest of this paragraph so that it will be here. I am not going to ask any question on it except one general question. This is reading now from the minority views:

> It would be extremely expensive and inefficient. It would destroy the rights and usurp the responsibilities of local and State governments. It would aggravate the problems of commodities now held in surplus stock by the Government. It would add hundreds of new employees in the Department of Agriculture. It would give the Secretary of Agriculture new, broad, and sweeping powers. It would be adverse to the needy people it is designed to help. It would be of little benefit to U.S. farmers.

I wanted that in the record here now because we have gone over some of these. We have had colloquy concerning them. A reading of this does bring up additional questions, but we will have this program with us for quite a while, I suspect.

I do want to ask this of Mr. Smith, who has been a diligent member of the Department of Agriculture for so many years that I expect he does not like to say. He has been in marketing. He has seen the effect of legislation that may or may not assist in moving commodities, whether surplus or unsupported commodities.

I believe we established the fact that probably the food stamp program was more in step with orderly marketing and the price at the marketplace than is the removal of surplus commodities which are predicated upon foods now owned by Commodity Credit because of price support and an attempt to affect the market by the forced removal of produced supplies from the marketplace.

Mr. SMITH. I would agree with that.

Mr. HORAN. Do you feel that the food stamp plan is worth the cost of administration in the light of what effect it might have on the law of supply and demand of agricultural commodities?

Mr. SMITH. Sir, I personally believe that as it expands it will play a real force in moving added agricultural commodities through regular trade channels. Also the cost that would be involved in administering it will be more than repaid in the benefits that accrue not only to the farmer but to those who are in need of additional food and the additional food they get will give them more adequate and a more nutritious diet.

Mr. HORAN. That goes for the future, no matter what your budget requests may be?

Mr. SMITH. I would answer that question this way, Congressman Horan. As the program expands, its impact on the agricultural front will become more meaningful than it has been on a pilot basis.

Mr. HORAN. Day before yesterday the Commission To Study Agricultural Marketing met for the first time. They met largely to accept the resignation of a former colleague of ours, Marvin Jones, who decided that probably for health reasons at his age he should not take on such a responsibility.

They are going into a lot of these things. I personally hope they go into a complete dissection of the effect of Commodity Credit on our marketing facilities. I hope they will also analyze and pass their judgment on the food stamp plan.

I do want to keep these things before them and in their purview so that perhaps if they do a job, the Nation and agriculture will have benefited from it. I am happy to have your statement. I hope we can either find that you have been vindicated, that you have a good crystal ball, or I trust that we can have you up here in the future to make you eat those words, perhaps.

Mr. SMITH. May I interrupt? If we fall on our face, I will be the first one up here to tell you we have.

Mr. HORAN. I believe that. That is all.

Mr. SMITH. I would like to also add that I personally, and my organization, the Agricultural Marketing Service, have taken a very keen interest in the Commission to which you refer. We look forward to its getting underway because we realize that so many things have changed and are changing that they need a thorough and objective assessment.

Mr. HORAN. Even a poor law, if properly administered, can look fairly good. The best law in the world, if it is sloppily administered, without any purpose in view, will fall by the wayside. We have evidence here that where proper integrity is exemplified at every step in this thing, there has been a certain amount of success and a certain amount of commendation for those activities at the local level.

Mr. SMITH. In that regard, Congressman Horan, one of the real reasons why we have always proposed a gradual expansion is that we have found through experience that haste makes waste in endeavors such as this. You have to lay the groundwork solidly and thoroughly in order to forestall operating problems once the program actually gets underway.

Mr. WHITTEN. Mr. Michel.

LEVEL OF DIRECT DISTRIBUTION

Mr. MICHEL. Prior to the initiation of the food stamp pilot project, what was the level, either in dollars or volume of commodities, that were distributed under the direct distribution program? Let us put it in dollars and cents.

Mr. DAVIS. We will have to supply that for the record.

I am sure, however, that the value of commodities distributed under "Direct distribution" has very likely increased in the last 3 years while we were operating the pilot food stamp program because of a very definite effort on the part of President Kennedy to make more food available to more needy persons through direct distribution. While we were operating these 43 pilot areas, we were still expanding the direct distribution program, both in numbers of people served and in the value of commodities distributed per person.

(The information supplied follows:)

Quantity and value of commodities distributed to domestic outlets,[1] fiscal years 1960–64

[In millions]

Fiscal year	Schools		Institutions		Needy persons		Total	
	Pounds	Dollars	Pounds	Dollars	Pounds	Dollars	Pounds	Dollars
1960	264.4	70.9	127.9	15.8	525.9	59.4	918.2	146.1
1961	284.7	71.6	155.4	34.0	855.6	140.0	1,295.7	245.6
1962	462.8	113.0	179.9	25.9	1,377.0	226.9	2,019.7	365.8
1963	488.1	121.0	165.2	29.0	1,246.0	204.4	1,899.3	354.4
1964	528.1	135.7	181.9	37.5	1,140.4	197.1	1,850.4	370.3

[1] Represents commodities acquired and distributed under "Price support and surplus removal" activities of the Department.

Mr. MICHEL. In other words, starting out before the initiation of this program, then following through each year through this year, would there definitely be reflected a gradual incline?

Mr. DAVIS. Over the past 3 years there was a peak year, I believe, in 1962. I believe 1963 might well have been somewhat less. But looking ahead we would expect that this total amount for the direct distribution value of commodities would decrease as the food stamp program is extended to significantly more people and to more areas.

QUESTION OF PROGRAM REACHING LOWER INCOME GROUP

Mr. MICHEL. I appreciate the fact that with the expansion of the food stamp program, there would be an increased volume. But I am wondering whether or not this whole program is taking much more of a form of outright subsidy to additional numbers of people in varying categories of income rather than really helping out and concentrating on the destitute with outright grants of surplus commodities.

Mr. DAVIS. I do not believe this is borne out, Congressman. We have, if anything, I believe, tightened up at least the administration if not the actual requirements of need themselves. But we have not extended the program to higher levels of income. We have attempted to extend direct distribution, for example, into additional communities where more people of this same very low-income group could

benefit by it. I think this has been the increase rather than our loosening up on eligibility requirements to take in higher income groups.

GEOGRAPHIC AREAS OF PROJECTS

Mr. MICHEL. From these 43 pilot projects you have, I believe, 3 large cities and 40 counties. Take Detroit, for example. Is that just limited to the city of Detroit or does it embrace Wayne County?

Mr. DAVIS. It is just the corporate limits of the city itself at this time.

Mr. MICHEL. Can you make any kind of determination as to whether or not it is more practical to have the program end at the city limits or that it ought to in every case embrace a full county, from the standpoint of more efficiency in administration?

Mr. DAVIS. We feel generally that taking in a complete governmental unit is probably a more effective way of administering the program. It so happens that in Detroit and certain other large cities they have a rather peculiar public assistance setup that has grown up on the basis of the city's programs. So that you have an administrative unit for administering public assistance in the city.

This goes to the nonassistance categories, so-called general assistance, that sort of thing. Moving from here forward, we would definitely feel that, except in very unusual cases, it would best go perhaps to at least a county area.

Mr. MICHEL. Division of government.

Mr. SMITH. This is one thing I think we learned during the pilot stage.

Mr. MICHEL. In these 40 pilot counties, what is the smallest population as against the largest populated county in the pilot project?

Mr. DAVIS. I think that Rice County, Kans., might well be the smallest.

Mr. MICHEL. What population would that be?

Mr. VANNEMAN. 14,000 persons.

Mr. MICHEL. Again, what is your biggest one?

Mr. DAVIS. City of Detroit.

Mr. MICHEL. What is the disparity, 14,000 versus several million?

Mr. DAVIS. I suppose Detroit must have close to 2 million.

Mr. MICHEL. What varying difference would there be, No. 1, in the per capita subsidy, if we might call it that, or the per capita amount that the Federal Government would be applying toward salaries to administer the program? Do we get more for our money when you have the bigger mass of population concentrated in a small area and does the administrative cost or problems grow with the sparsely populated areas? Is there any kind of finding there that would be significant?

Mr. DAVIS. Generally speaking in the pilot stage we have had an office in each one of these areas. We have found, for example, that in Kentucky where we have three counties that we can very well handle with one office, there is no problem. Going to the other end of the spectrum, in a large area like Cleveland we have an office, but we have almost as many people relatively speaking as we have in a number of other areas. In other words, the number of man-years of Federal supervision required varies pretty much with the number of participants in the program and the size of the area.

As to the complexity of administering it, I don't know as we have found any relative difference there. There are some factors that make small communities easier from an administrative standpoint. On the other hand the amount of travel time and cost of going from here to here, and so on, is offset in a large city by proximity of your problem and how close you can stay to it. I don't know as we could draw any conclusion on that.

AMOUNT OF AVERAGE SUBSIDY

Mr. MICHEL. You spoke of the average subsidy that these people get as being a payment of $6 for $10 of stamps. Is that right?

Mr. DAVIS. That is right.

Mr. MICHEL. What are the extremes? Do you ever have a fellow paying 90 cents and getting 10 cents in stamps or 10 cents in money and 90 cents in stamps? What are those extremes?

Mr. DAVIS. The program is designed to charge a relatively higher amount for the coupons of those families that have relatively higher incomes. In other words, they pay more and get less than the very poor people would. I would say that the upper limit is about $8.50 for $10 worth of coupons and that the lower limit might be nothing but a token payment of perhaps $4 or $6 a month for a family of four to six people, which would mean that it would be more in the neighborhood of perhaps 5 cents to get $1 worth of coupons.

Mr. MICHEL. Would that same variable figure be in evidence in all of the pilot projects or would it be concentrated in one or more areas? Is that pretty uniform?

Mr. DAVIS. No. In the very poor communities, such as some of the mining counties and in some of the rural counties of the South, there would be an average payment of, say, as low as 45 cents or 50 cents for $1 worth of coupons; whereas in a community that is relatively better off and which has higher relief standards it might run as high as 75 cents for every dollar's worth of coupons on the average in that community.

Mr. MICHEL. In the Federal legislation we didn't set any prescribed standards. We just left this pretty much up to the States, didn't we, to accept figures they would use in making local determinations as to whether or not family X got a subsidy of $8.50 for $10, or vice versa?

Mr. DAVIS. No, we do not leave it up to the local community. We confer with them when we set up these tables for the community as to what a given family in that community with a given income and given family size would have to pay for their coupons. There are some geographic differences in the amount of money people spend for food. There is a difference in cost of food, for one thing, in a city like Cleveland as against a small rural community.

Mr. MICHEL. Do you use as a variable factor the cost of living tables?

Mr. DAVIS. We consult that sort of information. Basically we have worked out tables on the basis of food purchase studies made by the Department which show by income levels and family sizes about what you can expect a family to spend for food. If a family of four in a small rural county has an income of $60 a month they might very well spend $40 of that for food, or $35. It is on that basis that we

work out tables, using all the data that we can obtain, including differences in costs in various parts of the country. Every community is treated alike in that the individual family's purchase requirement is based on their income and the economic situation in that community.

STEPS IN DEVELOPING AND ADMINISTERING PROGRAMS

Mr. MICHEL. Take me through the steps of setting up a county. Let us take Franklin County, Ill., where there is a program, although the situation will be slightly different because it was predetermined, I guess, that this will be a pilot county. As we go beyond this point to expand it, county X says, "We want to get into this program."

Does that automatically force you to set up an office in that county? If you have two or three counties perhaps you say, "You can get by with one office," but what kind of individual does the Federal Government dispatch to this area to set up this operation? That is No. 1.

Then, No. 2, what determines the number of people he has working under him? No. 3, how do the individuals themselves, the families we are talking about, get to participate? Can you take me through those steps briefly?

Mr. DAVIS. First of all, the decision is made that a county can be accepted, they have the need, and the State wants them to participate. We have five area offices around the country—New York, Atlanta, Dallas, Chicago, and San Francisco—each of which has a staff of from two to four professional people who have had experience in developing and administering the pilot programs. The staff from the appropriate area office would go to this area and assist in working out the plan of operation and other details with the State.

In many cases staff members from Washington may visit the area in the initial stages to help work out details.

Once the plan of operation and the mechanics are set up, a further determinant insofar as Federal people are concerned is the number of grocery stores in that area, that county, or that city. It is necessary for us to hold meetings with the grocers. We send out letters to all the grocers and have them come into meetings. In many cases we visit a great number of the grocery stores to explain the program to them and sign them up. This takes considerable manpower, particularly in the beginning. After the program is operating the number of grocers to be periodically visited, the size of the program, and the amount of work involved in working with the welfare department on various details and problems are the factors that determine the number of people required.

Mr. MICHEL. On the number of grocery stores in a particular given area, what have you found is the number of grocery store operators who want to participate in it in a county, for example? Does that vary?

Mr. DAVIS. The percentage varies considerably. Going again to these counties in Kentucky, probably 99 percent of the grocers will sign up. The same is true in Nash County, N.C. In Franklin County, Ill., it is probably 95 percent or 99 percent, almost all of them. In Detroit or Cleveland, obviously in the better neighborhoods where they do no business with food stamp participants they do not sign up. However, in the low-income areas where the participants live, almost 100 percent of the grocers will sign up.

Mr. MICHEL. A poor destitute individual is out somewhere and I want him to participate in this program. I suppose he goes to the local public county assistance office and then he is checked out as to whether or not his situation is as bad as he professes it to be and he qualifies. The amount of subsidy that he will get for his food depends in measure on the tables that you have pretty well prescribed for that area?

Mr. DAVIS. And the amount of income which he has and the number of people in his family has been verified.

Mr. MICHEL. Take me to the next step, then. What happens? This individual wants to participate as soon as he can.

Mr. DAVIS. All right, sir. This individual is given an identification card. They have different forms and they vary the procedures somewhat in these various communities. The welfare people will give you an identification or an authorization card. The card will show that you are authorized to purchase food coupons, the amount you are to pay, and the amount of food coupons you get in return.

You take that then to the stamp issuing office, or in the case of Franklin County, Ill., or some of the other places, you take it to the bank which has agreed to sell the coupons. This authorization card calls for, let us say, a payment of $60, and you are supposed to get $100 worth of coupons. You lay down $60 in hard cash and they give you $100 worth of coupons.

You take those then to any of the grocery stores which have been authorized and spend them just like money. The grocer, in turn, takes the coupons to his bank and deposits them like his other paper. The bank channels the coupons through the Federal Reserve System where we pay off.

Mr. MICHEL. Going back to the fact that in Illinois this is funneled through the banks—what other different systems are used?

Mr. DAVIS. The more common system is for the local governmental units to actually set up an office with a cashier's cage and all the accoutrements and sell the coupons themselves, using State or local government employees; in other words, a complete local government operation.

Mr. MICHEL. Is there Federal money involved?

Mr. DAVIS. No matching payment for that service. There is the cost to the State and local community. Just as in the case of the banks they may pay the bank $1 for each transaction to do it for them.

Mr. MICHEL. I think we alluded earlier to other places where these transactions varied. Someone mentioned 35 cents or something like that per transaction rather than $1. Is there any rule of thumb later on which may be followed? Why should it be $1 in Illinois and 35 cents someplace else?

Mr. DAVIS. This we regard as strictly a State and local matter. We do not enter into the negotiations in any way. The only thing we do is to prescribe the method by which the coupons will be sold by the bank, the reports and records they must keep, and the reports they make to us to account for the money and coupons. So far as setting up the arrangement and negotiating for the amount of the payment we have nothing to do with it.

Mr. MICHEL. In some of these areas you say there is a definite problem when someone can accumulate sufficient money to go get their coupons on a specific day and once a month. What is the variable here by project?

For example, if I were out in Franklin County, Ill., could I go any day that suited me to the bank to make that transaction or would there be specific days?

Mr. DAVIS. Generally you have a time period in which to make the purchase. Some places actually have specific days, particularly where it is a small community. Instead of extending over a long period of time and running up the costs they will say, "We will sell just on certain days." Generally speaking there is a choice of periods.

On accumulating the amount of money, for those eligible families that get monthly checks such as they get on aid to dependent children, or a monthly private pension check, we do not feel this imposes too much of a problem. They get a whole month's income at one time and they can go to the issuing office and buy the coupons.

As a matter of fact, on this score the professional welfare people feel this has been a boon because it means these people put an adequate amount of money into food when they have the money. When they are spending their own money they may feast during the first week or two and be short the last week of the month.

Mr. MICHEL. Are all those stamps printed here in Washington?

Mr. DAVIS. The Bureau of Printing and Engraving prints the stamps. They have been designed with the help of all the experts in the Bureau of Printing and Engraving plus the Collections Committee of the Federal Reserve System, plus a committee of the American Bankers Association. All helped with the actual mechanics of the program.

Mr. MICHEL. Then after I have made my transaction with the bank or whatever mechanism there is set up for me and I take my stamps back home, I go into any grocery store and buy anything except alcoholic beverages, tobacco, and so forth.

Mr. DAVIS. And any imported food, food labeled as being imported. Then, as you will recall, the Senate amended that definition to include any imported meat or meat products.

Mr. MICHEL. In a supermarket where they are selling things other than food, washcloths and all kinds of items, are any of these excluded or can you buy anything you want to?

Mr. DAVIS. It has to be food for human consumption. An aside on that, and one problem we have had in some of the poor sections—they wanted to buy dog food with the coupons because they had been eating dog food as hamburger previously. However, no pet foods, no soaps, no pots and pans, nothing like that are included.

Mr. MICHEL. In going through the checkout line do I have to show my identification card or just the fact that I have the stamps?

Mr. DAVIS. We work very closely with all the food industry in trying to point out to them what would be helpful to make the program work smoothly at the checkout counter, and they in turn have pointed out to us what we can do to help in that respect.

We do encourage educational materials be provided to these people to tell them how to use their coupons when they get to the checkout counter. They are supposed to let the cashier know that they will

spend food coupons and unless the grocer knows the family personally and knows that they have been getting food coupons, he is required to look at their identification card. The participants also must sign each of the coupon books.

EFFECT OF EMPLOYMENT ON PEAKS IN PROGRAM

Mr. MICHEL. Regarding that seasonal peak, you explained it quite well. Is it because of seasonal employment that you have a seasonal peak in this thing?

Mr. DAVIS. We have found, through very careful certification and then continuing to check on these families every 3 months, that the program has been quite responsive to changes in employment. When we first started out in Detroit there were some 80,000 persons participating. As employment improved and unemployment went down the caseload dropped to about 60,000. This past spring in March there were 392,000 persons participating. In July there were 355,000 persons participating. There is a seasonal as well as long term. We found it follows very responsibly the differences in employment.

ADMINISTRATIVE EXPENSES

Mr. MICHEL. I see that administrative expenses for the fiscal year 1965 are $1,860,000 and that covers the employment of the individuals?

Mr. DAVIS. All Federal employment, travel, and so on.

Mr. MICHEL. Are there, in your pilot projects so far, any significant differences in the proportionate Federal share of responsibility in this thing, a difference between States? In other words, do you find some States which shirk their responsibilities as against what some other State might be doing?

Mr. DAVIS. I would be less than honest if I didn't say some States do a better administrative job than others, but I would say this: Our experience to date is that all of them have been doing a very satisfactory job. There is some difference in the cost among States.

I think quite likely there is a tendency in some areas and in some places to be looking for employment, public employment, where they tend to be a little more liberal with the number of people they hire than others, but this is within a fairly small range, I believe. Generally speaking they are all doing a very good job and there is not too wide a variation in their cost.

I think there is a wide variation in the cost of issuing coupons. There are many ways corners can be cut on that which some areas have not taken advantage of. We attempt to point this out but essentially it is up to local communities.

Mr. MICHEL. In some areas does the Federal Government bear that expense?

Mr. DAVIS. No.

Mr. MICHEL. In all cases it has to be the State or local community?

Mr. DAVIS. The only Federal expense is part of the cost of certifying the nonpublic assistance recipients with low incomes who are not getting any form of public assistance. I think this may average out to about 30 percent of the total cost in certifying those payments borne by the Federal Government.

Mr. MICHEL. Will that cost of administration as against the total expenditure for the program hold about constant or will there be a variation in that? Now we are talking about Federal costs, $60 million, administrative expense, $1,860,000.

Mr. DAVIS. As the program goes into the third, fourth and fifth years we project a general reduction in the percentage of Federal administrative costs. We think there will be a number of savings because of size, more instances where we can run perhaps five or six counties out of one office. During an organizational expansion phase, the educational work, instructing new welfare departments, and so on requires a higher percentage of Federal activity.

PROGRAM COSTS

Mr. MICHEL. This program expense is next. What is involved there? Is that the actual cost of commodities? There would not be cost of commodity here.

Mr. SMITH. This is the cost of difference between what the participant pays and the total value of the coupons.

Mr. MICHEL. That is all.

Mr. WHITTEN. Thank you, gentlemen. We appreciate your appearance here today. I think we have a rather full record.

FRIDAY, SEPTEMBER 4, 1964.

FEDERAL CROP INSURANCE PROGRAM

WITNESSES

JOHN N. LUFT, MANAGER, FEDERAL CROP INSURANCE CORPORATION
EARLL H. NIKKEL, CHIEF, PROGRAM DEVELOPMENT AND RESEARCH DIVISION, FCIC
JOHN P. SKEFFINGTON, CHIEF, BUDGET AND FINANCE DIVISION, FCIC
NEAL H. BOLIN, BUDGET OFFICER, FCIC
HARRY B. WIRIN, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. We are glad to have you here, Mr. Luft, along with your associates. We have requested you to come before the committee because we have had a series of requests to provide some additional funds for the expansion of your crop insurance program.

You can provide for the record, if you will, the pertinent provisions of the law.

(The information requested follows:)

The Federal Crop Insurance Act, as amended, provides in section 508(a):

"* * * Beginning with crops planted for harvest in 1954, crop insurance may be offered each year in not to exceed 100 counties in addition to the number of counties in which such insurance was offered in the preceding year. In determining the new counties in which such insurance is to be offered and the commodities to be insured, the Corporation shall take into consideration the demand of farmers for such insurance, the extent to which such insurance is available

to commercial producers of insured commodities, and the anticipated risk of loss to the Corporation. * * *"

S. 277 would change the above authorization from 100 to 150 counties.

EXPANSION OF PROGRAM

Mr. WHITTEN. However, it is my recollection that several years ago, when the Congress determined that we had carried this long enough as a pilot program, it then provided that we expand it so that all areas of the Nation have the same privileges where conditions were such as to justify it.

This year the regular bill provides for no increase. At the time it seemed fairly reasonable to take a shakedown period to look at it. But it has developed, according to the members of the legislative committee and my own correspondence, that a number of counties have been standing in line and are most anxious to be included in the program. It was my own feeling that we should give some consideration to providing a little leeway to meet the most urgent cases. We don't want you to go out and try to sell the program in more counties. But we should enable you to go along with perhaps some additional counties where they are ready and have a real need.

The Agriculture Committee has urged this Appropriations Committee to give some attention to this. In that connection, I include in the record here a letter from the chairman of the legislative committee, Mr. Cooley, to Secretary Freeman, which was written in the last day or two.

(The letter referred to follows:)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C., September 2, 1964.

Hon. ORVILLE L. FREEMAN,
The Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: Yesterday, September 1, the House overwhelmingly—I did not hear a single negative vote—passed and sent to the White House for the President's signature the bill, S. 277, to permit expansion of Federal crop insurance to 150 new counties per year instead of the 100 new counties to which the program previously has been limited.

On August 21, I wrote to you stating that "it will be a ridiculous situation if we complete action on expansion of this program in this session, but no new county can enter the program for a year or more." I told you that I was informed by Mr. John N. Luft, Manager of the Federal Crop Insurance Corporation, that no funds are available, and none requested by the administration, to increase the number of counties in this program. I suggested that you initiate an effort to obtain Budget Bureau approval of an item in the next supplemental appropriations bill to provide funds for extending this insurance to the counties which are now petitioning for immediate coverage.

This morning I received a letter from you saying:

"The budget for the Federal Crop Insurance Corporation as approved by the President for the fiscal year 1965 did not include any funds for expansion of the program to additional counties under the present law. In view of this determination, it does not appear there is a basis for submitting a supplemental estimate at this time."

How can the administration rationalize its approval of the expansion of this program from 100 to 150 new counties a year; yet, in effect, disapprove of adding a single county in 1965, by denying funds necessary for such expansion?

This simply does not make sense to me.

I am advised by Mr. Luft that some 25 counties are pressing to enter this program, and that approximately $10,000 is needed for the actuarial and administrative work necessary to qualify each county.

If the Budget Bureau cannot approve appropriations to carry forward the intent of the Congress, supported by the administration, as expressed in S. 277, then I renew my suggestion that you initiate an effort to obtain immediately Budget Bureau approval of a $250,000 item to bring in during the current fiscal year those 25 counties which are seeking immediate crop insurance coverage.

In view of the great strides made by the crop insurance program, in its benefits to farmers and in achieving a self-supporting operation except for certain administrative cost, I cannot understand why it would be necessary to make such an appeal as this for Budget Bureau support, especially after the Congress has so overwhelmingly approved an expansion of this program.

In this connection I must cite to you that in my own State of North Carolina, 60 of our 100 counties are in this program, and in the 19 years since this program was initiated, premiums collected total $15,139,639, while indemnity payments to farmers for crop losses amount to $8,840,508. The surplus on hand at the end of 1963 was $6,299,130, enough to pay the administrative costs of the program in North Carolina from its beginning to the present time.

I respectfully urge your immediate attention to administration approval of funds to carry forward the crop insurance program in fiscal 1965.

Sincerely yours,

——— ———, *Chairman.*

ADDITIONAL FUNDS NEEDED FOR EXPANSION

Mr. WHITTEN. If the committee were to see fit from section 32 funds to give you some degree of relief, approximately what would it take to set up a new county? I am talking about the administrative funds.

Mr. LUFT. To set up a new county, it would take approximately $10,000 per county.

Mr. WHITTEN. I believe the law provided for expansion to a hundred counties each year, prior to the new law just adopted. We were not even asked to provide funds for such expansion and did not. Is it a hundred a year?

Mr. LUFT. Yes.

Mr. WHITTEN. That is what you have been doing in recent years?

Mr. LUFT. Yes.

Mr. WHITTEN. If the committee could find funds through section 32 or otherwise to do what the law contemplates and go along with as much as 25 counties, would that enable you to relieve the most pressing cases?

Mr. LUFT. Mr. Chairman, we certainly would make an attempt to go into 25 additional counties. You asked the question of whether that would relieve the pressure. There are about 25 counties that have petitioned the Corporation to provide protection to these counties. At this late date there is some question whether we have the capability in our Corporation and the time, especially for certain crops, to go into 25 more counties.

LEVEL OF PROGRAM

Mr. WHITTEN. As you know, this committee has been proud of the fine record that you and your predecessors have of making this program work. Any action we take will not be for the purpose of pushing you to go ahead on anything except a sound basis.

I am trying to determine what level we would have to go to let you meet those most pressing cases, always considering the fact that you would not expand unless you could go into a county on the right kind of basis. But 25 would be ample, in your opinion, in view of the lateness in the year?

Mr. LUFT. Yes, sir. Mr. Nikkel, our Program Division Chief, is here. I am sure that 25 would relieve the most urgent ones.

Mr. NIKKEL. Twenty-five would be ample to take care of the most urgent situations. It also would be pretty well within the capacity that we would have to do any kind of a reasonable job.

Mr. WHITTEN. I realize I have done most of the testifying here. But, I have become convinced from my own correspondence, from the members of the legislative committee, and others that this subcommittee has an obligation to look into this. The law clearly contemplates that this insurance program be made available to people in all areas on the same basis and no provision was made at the instance of the Budget.

I realize that you, Mr. Luft, and your staff were not free to come here voluntarily or to instigate or promote this request. You are here at our request, and the information we asked you for you are privileged to give. You came as a result of our own request.

I thank you gentlemen. Mr. Natcher, will you take over, please?

Mr. NATCHER. Mr. Horan?

Mr. HORAN. I assume that your appearance here is largely one of getting ready for next year's crop year. Is that not true?

Mr. LUFT. We were requested to come here before the committee and answer whatever questions were asked. I am sorry to say I do not know just how to answer your question.

CROPS ELIGIBLE FOR INSURANCE

Mr. HORAN. What crops would be eligible for insurance between now and when frost comes?

Mr. LUFT. You are speaking of 1965?

Mr. HORAN. I am speaking of 1964 crop year.

Mr. LUFT. This crop year. Sales have closed on all crops. It is past the closing sales date for 1964.

Mr. HORAN. What you are really asking for is a supplemental to get ready for next year?

Mr. LUFT. Yes, this would be a supplemental for 1965. We are already selling 1965 crops in old counties.

ADDITIONAL COUNTIES

Mr. HORAN. You have petitions from 25 counties to be included?

Mr. LUFT. Approximately.

Mr. NIKKEL. More.

Mr. HORAN. The door is open to at least a hundred.

Mr. NIKKEL. We have requests actually from more than 25 counties; 25 counties would be the ones that are most pressing. Actually, as of August 31, our winter wheat sales for 1965 and winter barley closed in most of the country. Some counties sell as late as October 31. The preparation we could make now would be for insurance of 1965 spring crops.

Mr. HORAN. You do not have money in the till to do the preliminary work to set up those?

Mr. LUFT. Not in the additional counties.

Mr. WIRIN. Mr. Horan, these witnesses are appearing at the request of the committee. There has not been a supplemental estimate submitted to the Congress.

Mr. MICHEL. What is the total number of requests you have on hand now of additional counties?

Mr. NIKKEL. We have requests that would exceed 50 counties. I might explain we have for quite a period of time now told our State people that we were not able to make any expansion to any counties in 1965 so they have been relaying this information to the groups in the counties that were interested in their State, telling them that perhaps consideration could be given for 1966. The request for the insurance normally first comes through our people in the State. They know the spots out there where the pressures are greatest.

Mr. MICHEL. Where are the 25 that are most urgent?

Mr. NIKKEL. There are two in Illinois and one or two in North Carolina. Then the most pressing requests probably would include 1 county in about 15 different States, on the basis of our records.

CROPS TO BE INSURED

Mr. MICHEL. The most urgent ones are for insuring of what crop; tobacco, wheat, corn?

Mr. NIKKEL. Not wheat. Winter wheat would be too late and we have most of the major Spring wheat counties in the program. It would be the Spring crops in the Midwest—corn, soybeans. In the South it would be tobacco and cotton.

CRITERIA FOR SELECTING COUNTIES

Mr. MICHEL. What have been the criteria for qualifying the county to participate in the program so far as numbers of farmers in the county? Is there a standard or norm or minimum requirement of participating farmers in a county before it can be acceptable as eligible?

Mr. NIKKEL. There is not presently. In this legislation in the past there was such a requirement. At one time it was 50 farmers. Later it was changed to 200 applications or a third of the farmers in the county, whichever was smaller. That was removed on the basis that we would go into counties where there was interest and we could have situations where administratively, from the standpoint of service and economy, it was practical to handle fewer than the 200 contracts.

FARMER CONTRACTS

Mr. MICHEL. Who does the initiating of this back at the county level? Do you actually have salesmen out pushing the Federal crop insurance?

Mr. NIKKEL. Yes; we have salesmen who contact farmers and explain the insurance to them and take their applications.

Mr. MICHEL. I understand out in my home State several farmers were rather disturbed by the fact that Federal employees were out soliciting business and so doggone insistent that they do participate. Is that supposed to be a pressurized sales job on their part? Or is it supposed to be voluntary among the farmers?

Mr. NIKKEL. No, sir, none of our salesmen are supposed to pressure.

Mr. MICHEL. I think that has actually been the case in several instances.

Mr. LUFT. I would defend our salesmen, our employees working in the field. I have traveled in the field. I have investigated personally many of these cases. There have not been too many. When the premium comes due, a few people try to find an excuse not to pay their premium. They say that the salesmen misrepresented the program, that there was high pressure. This is a voluntary program. We are obligated under the act to inform the farmer of our program.

Mr. MICHEL. To inform the farmer of what is available but not a Federal agent saying, "This is what you are going to do." There has been that kind of pressure brought to bear. I know it as a matter of fact. The basic program is good, I support it, we all do. That does not mean we have to pressurize people into participating in a program. It is like jamming a program down their throats when they voted against it in a public referendum and we in Washington legislate and say you have to buy it.

I just wanted to put that on the record because I recall some instances of that coming to my attention in the past year. I think I even had to write a couple letters on it to make sure it was not happening again.

Thank you.

Mr. NATCHER. At this point in the record we will place a copy of the bill, S. 277.

(S. 277 follows:)

[S. 277, 88th Cong., 2d sess.]

AN ACT To amend the Federal Crop Insurance Act, as amended, in order to increase the number of new counties in which crop insurance may be offered each year

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the fourth sentence of section 508(a) of the Federal Crop Insurance Act, as amended (7 U.S.C. 1508(a)), is amended by striking out "in not to exceed 100 counties", and inserting in lieu thereof "in not to exceed 150 counties".

Passed the Senate August 28, 1963.

Attest:

FELTON M. JOHNSTON, *Secretary.*

Mr. NATCHER. Mr. Horan, further questions?

Mr. HORAN. I want to say that we on this subcommittee are very anxious that this program, which is the outgrowth of a failure at one time, it was reinstated as a sort of experimental job, with the expansion limited perhaps to the place where it affected the actuarial security. However, the bill passed, there was no opposition to it. I was not opposed to it. I hope that you will use caution and prudence in these expansions.

You may recall that one time we had to remove some of these benefits from 14 counties in the Great Plains area, which is a rather arbitrary way to achieve that. The experience was there, I guess. That is all.

Mr. NATCHER. Mr. Luft, we want to thank you and the members of your staff for appearing before our committee at this time.

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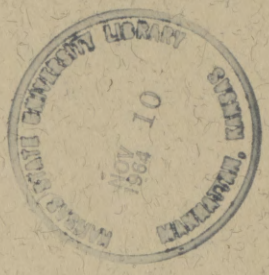
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