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DEPARTMENTS OF TREASURY AND POST
OFFICE AND EXECUTIVE OFFICE
APPROPRIATIONS FOR 1969

GOVERNMENT

Storage

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

PART 3

RELATED AGENCIES

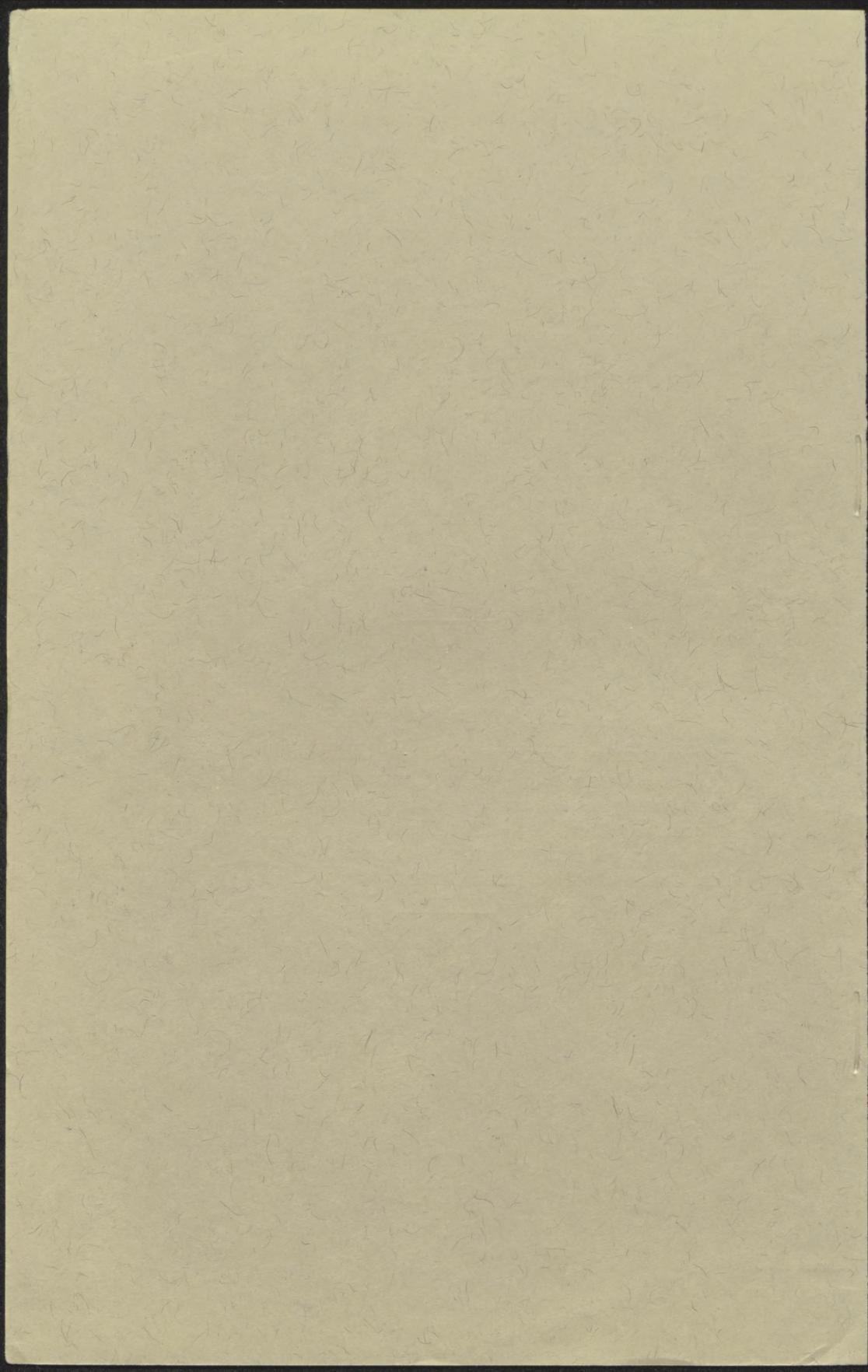
- Administrative Conference of the United States
- Advisory Commission on Intergovernmental Relations
- Commission on Obscenity and Pornography
- Executive Office of the President
- Funds Appropriated to the President
- Tax Court of the United States

Printed for the use of the Committee on Appropriations



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DEPARTMENTS OF TREASURY AND POST OFFICE AND EXECUTIVE OFFICE APPROPRIATIONS FOR 1969

MONDAY, MARCH 18, 1968.

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WITNESSES

CHARLES J. ZWICK, DIRECTOR
PHILLIP S. HUGHES, DEPUTY DIRECTOR
SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW
**VELMA N. BALDWIN, ACTING ADMINISTRATIVE ASSISTANT TO
THE DIRECTOR**

SALARIES AND EXPENSES

OBJECT CLASSIFICATION

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....	6,600	7,147	7,798
11.3 Positions other than permanent.....	477	470	478
11.5 Other personnel compensation.....	69	71	89
11.8 Special personal service payments.....	22	35	37
Total personnel compensation.....	7,168	7,723	8,402
12.0 Personnel benefits.....	503	557	605
21.0 Travel and transportation of persons.....	210	199	269
22.0 Transportation of things.....	6	7	9
23.0 Rent, communications, and utilities.....	185	230	268
24.0 Printing and reproduction.....	319	326	346
25.1 Other services.....	81	34	64
25.2 Services of other agencies.....	106	159	177
26.0 Supplies and materials.....	66	63	82
31.0 Equipment.....	169	77	88
Total costs, funded.....	8,813	9,375	10,310
92.0 Change in selected resources.....	82	-----	-----
99.0 Total obligations.....	8,895	9,375	10,310

PERSONNEL SUMMARY

Total number of permanent positions.....	503	544	553
Full-time equivalent of other positions.....	58	54	58
Average number of all employees.....	551	561	598
Average GS grade.....	11.2	11.6	11.6
Average GS salary.....	\$13,109	\$14,241	\$14,350
Average salary of ungraded positions.....	\$6,256	\$6,279	\$6,279

PROGRAM AND FINANCING

[In thousands of dollars]

Program by activities:			
1. Office of budget review.....	1,149	1,293	1,359
2. Office of executive management.....	926	1,128	1,263
3. Office of legislative reference.....	310	319	328
4. Office of statistical standards.....	649	632	693
5. Program divisions:			
(a) Economics, science, and technology.....	490	519	583
(b) General government management.....	697	779	844
(c) Human resources.....	909	962	1,049
(d) International.....	584	588	643
(e) National security.....	757	754	813
(f) Natural resources.....	731	726	795
6. Executive direction and administration.....	1,610	1,675	1,940
Total program costs, funded.....	8,813	9,375	10,310
Change in selected resources ¹	82	-----	-----
10. Total obligations.....	8,895	9,375	10,310

FINANCING AND EXPENDITURES

[In thousands of dollars]

10 Total obligations (from program schedule).....	8,895	9,375	10,310
Financing:			
25 Unobligated balance lapsing.....	18	125	
New obligational authority.....	8,913	9,500	10,310
New obligational authority:			
40 Appropriation.....	8,913	9,500	10,310
44 Proposed supplemental for civilian pay increases.....			
Relation of obligations to expenditures:			
71 Obligations affecting expenditures.....	8,895	9,375	10,310
72 Obligated balance, start of year.....	485	654	677
74 Obligated balance, end of year (-).....	-654	-677	-690
77 Adjustment in expired accounts.....	-5		
90 Expenditures excluding pay increase supplementals.....	8,721	9,352	10,297
Expenditures are distributed as follows:			
01 Out of current authorizations.....	8,241	8,698	9,620
02 Out of prior authorizations.....	480	654	677

¹ Selected resources as of June 30 are as follows:

	1966	1967	1968	1969
Unpaid undelivered orders.....	115	196	196	196
Advances.....	9	10	10	10
Total, selected resources.....	124	206	206	206

Mr. STEED. The committee will be in order. The committee is in session today to take up the budget request for the Executive Office of the President.

The first item will be the budget request for the Bureau of the Budget.

The appropriation for 1968 was \$9,500,000. The budget request for 1969 is \$10,310,000, an increase of \$810,000 over 1968.

JUSTIFICATION OF THE ESTIMATES

The justifications will be inserted at this point in the record.
(The justifications follow:)

1969 BUDGET SUBMISSION, SUMMARY OF PERSONNEL COMPENSATION BY OFFICE AND DIVISION

	Estimated, 1968		Estimated, 1969		Increase or decrease, 1969 over 1968	
	Total number	Total salary	Total number	Total salary	Total number	Total salary
Budget review.....	60	\$865,878	60	\$867,399	-----	\$1,521
Executive management.....	65	1,068,125	65	1,075,925	-----	7,800
Legislative reference.....	20	274,510	20	277,539	-----	3,029
Statistical standards.....	35	536,475	35	540,894	-----	4,419
Economics, science, and technology programs.....	33	476,135	33	485,976	-----	9,841
General government management.....	45	706,264	45	713,650	-----	7,386
Human resources programs.....	57	834,175	57	840,842	-----	6,667
International programs.....	35	507,545	35	513,966	-----	6,421
National security programs.....	47	680,892	47	689,447	-----	8,555
Natural resources programs.....	48	655,440	48	666,098	-----	10,658
Office of the Director.....	101	1,195,488	110	1,316,573	9	121,085
Total permanent.....	546	7,800,927	555	7,988,309	9	187,382
Pay above the stated annual rate.....				31,000		31,000
Deduct lapses.....	-37	-530,569	-13	-202,589	24	327,980
Net savings due to lower pay scales for part of the year.....		-103,958				103,958
Net permanent (average number, net salary)...	509	7,166,400	542	7,816,720	33	650,320
Positions other than permanent:						
Temporary employment.....		271,000		250,000		-21,000
Part-time employment.....		89,000		83,000		-6,000
Intermittent employment.....		110,000		145,000		35,000
Special personal service payments: Payments to other agencies for reimbursable details.....		35,000		37,000		2,000
Other personnel compensation:						
Overtime and holiday pay.....		70,950		88,950		18,000
Nightwork differential.....		50		50		
Total personnel compensation.....		7,742,400		8,420,720		678,320

SUMMARY OF OBLIGATIONS BY OBJECTS

	1968 estimate	1969 estimate	Increase
11 Personnel compensation.....	7,742,400	8,420,720	678,320
12 Personnel benefits.....	557,600	606,480	48,880
21 Travel and transportation of persons.....	193,000	262,000	69,000
Payments to GSA motor pool.....	6,000	7,000	1,000
22 Transportation of things.....	7,000	9,000	2,000
23 Rents, communications, and utilities.....	230,000	268,000	38,000
24 Printing and reproduction.....	326,000	346,000	20,000
25 Other services.....	193,000	241,000	48,000
26 Supplies and materials.....	63,000	82,000	19,000
31 Equipment.....	77,000	87,800	10,800
Total obligations.....	9,395,000	10,330,000	935,000
Deduct estimated reimbursements.....	-20,000	-20,000	-----
Appropriation or estimate.....	19,375,000	10,310,000	935,000

¹ Enacted appropriation of \$9,500,000 was reduced by a net of \$125,000. Under Public Law 90-218 directed reserves of \$277,000 were established but restoration of \$152,000 of these reserves has been requested to meet part of 1968 costs of 1967 pay legislation.

REIMBURSEMENTS AND ADVANCES RECEIVED, EXECUTIVE OFFICE OF THE PRESIDENT, BUREAU OF THE BUDGET
SALARIES AND EXPENSES

Purpose	(1)	(2)	(3)	(4)	Amount		(5)	(6)	(7)	(8)	(9)
					Statutory authority (if other than 31 U.S.C. 686)	Fiscal year 1967 actual					
I. FEDERAL SOURCES											
A. For work performed: 1. Administrative services performed for the Council of Economic Advisers.		CEA (11 1900)		16,000	4,250	12,750	17,000	17,000	17,000	17,000	No.
B. For purchasing or contracting.				28,298	3,000		3,000	3,000	3,000	3,000	
C. Other: Personnel details.				44,298	7,250	12,750	20,000	20,000	20,000	20,000	
Total Federal sources				88,596	14,500	25,500	40,000	40,000	40,000	40,000	

JUSTIFICATION OF ESTIMATES FOR 1969, BUREAU OF THE BUDGET

GENERAL STATEMENT

The Bureau of the Budget requests an appropriation of \$10,310,000 for fiscal year 1969. This is an increase of \$810,000 over the amount originally appropriated for fiscal year 1968. It is, however, an increase of \$935,000 over the amount estimated to be available for fiscal year 1968 after effecting reductions required under Public Law 90-218 and allowing for restoration of funds needed to meet part of increased pay costs under Public Law 90-206.

In order to increase the effectiveness of the Bureau's role in promoting and encouraging greater efficiency and economy in the varied Federal programs, we have concluded that attention should be given now to the adoption and utilization of a system of longer range resources planning as an added technique of program and budgetary analysis, and the establishment of a management information system, which will provide the President and the Executive Office as well as the Bureau of the Budget with current information on the status and progress of Federal programs. This should lead to more effective results in determining priority of projects and potential gains of alternate courses of action. Basically, these new techniques complement and supplement the planning-programing-budgeting system.

Under the proposed budget, a staff of six professional and three secretarial staff would be added in 1969, at a cost of \$141,000, to start under existing senior direction, the working basis for such concepts.

Next, we are requesting funds for fiscal 1969 to provide adequate financing to support the staffing plan of 546 positions and 533 full years of employment as originally approved by the Congress for fiscal 1968. Due to reduction in available appropriated funds (Public Law 90-218), absorption of 44 percent of the total 1968 cost of the 1967 pay legislation (Public Law 90-206), and other required readjustments, it has been necessary to reduce the full years of employment which could be supported by available funds in fiscal 1968 from the planned level of 533 down to 509.

To support the full staffing authorization—that is, to provide for the restoration of these 24 full years of employment—\$372,500 has been included in the 1969 budget request.

In addition to restoring the full years of employment to the authorized level of 533, certain adjustments to meet workload and nondiscretionary increases in fiscal 1969 must be made, such as for the cost in 1969 of the 70 days not covered in fiscal 1968 by the pay act, cost of the 1 extra workday, 1969 over 1968, 1969 costs of grade promotions effected in fiscal 1968, additional travel costs, increased payments to the Government Printing Office, and added service charges for agency services.

To meet these nondiscretionary costs, an allowance of \$421,500 has been provided in the proposed budget.

In summary, the Bureau's 1969 budget request provides:

- \$141,000 to support a staffing increase of 6 professionals and 3 secretaries to initiate resources planning and management information programs.
- \$372,500 to support the full staffing originally authorized for 1968.
- \$421,500 to meet specific workload and nondiscretionary increases.

Summary of increases requested in 1969 budget

1968 appropriation—support 546 positions and 533 full years of employment	\$9,500,000
Apply 2- and 10-percent reductions directed by Public Law 90-218	-277,000
	<hr/>
	9,223,000
Take action on 1968 cost of 1967 Salary Act:	
Determine 1968 costs	271,000
Restrict employment to effect absorption of \$119,000 or 44 percent of pay increase costs	-119,000
	<hr/>
Request restoration of \$152,000 (or only 56 percent of total cost) to meet part of pay increase costs resulting from Public Law 90-206	152,000
	<hr/>
Revised estimated total 1968 funds—509 full years of employment	9,375,000
Make provision for adjustments required to meet added 1969 workload and nondiscretionary costs (\$421,500) and to provide adequate funds to support already authorized staffing pattern of 546 positions and 533 full years of employment (\$372,500)	794,000
	<hr/>
Base for 1969	10,169,000
	<hr/>
	141,000
Add cost of 9 additional positions:	
Total for 1969 (555 positions and 542 full years of employment)	10,310,000
	<hr/>
Increase, 1969 over 1968:	
Over original 1968 appropriation (\$9,500,000)	810,000
Over revised estimated total 1968 funds (\$9,375,000)	935,000
The 1969 budget increase of \$935,000 includes:	
\$141,000 to support the 9 additional positions in total. Personnel compensation and personnel benefits would require \$108,200. Communications, travel, other services, supplies, and equipment would require \$32,800.	
\$421,500 to meet workload and nondiscretionary increases. This increase is broken down into a net of \$246,500 for personnel compensation and personnel benefits and \$175,000 to meet required costs of supporting activities.	
These workload and nondiscretionary increases include:	
\$31,000 to meet costs of 1 extra workday, 1969 over 1968.	
\$71,000 to meet part of 1969 cost of annualizing 1968 grade promotions.	
\$99,700 to meet cost of 70 days not covered in 1968 under higher pay rates for 509 full years of employment.	
\$28,000 to cover increased costs for other personnel charges including intermittent consultants and overtime payments.	
\$16,800 to cover costs of higher personnel benefits payments resulting from above increases.	
\$60,000 to bring allowance for travel to minimum working level required to get necessary field review and coordination accomplished.	
\$35,000 to meet increased costs of communication operations.	
\$19,000 to cover estimated increased charges by the Government Printing Office for printing the budget document and related materials.	
\$44,000 to meet increased costs of payments for other services including security investigations, training, and computer services and machine tabulations.	
\$17,000 to provide adequate funds to meet costs of supplies and congressional publications.	
\$372,500 to meet cost of restoration of 24 man-years of employment to bring staffing level back to pattern approved originally for fiscal year 1968. The approved staffing pattern for 1968 provided for 546 positions and 533 full years of employment.	

The breakdown of the \$935,000 additional funds (over what is estimated to be available for 1968) requested for 1969 arranged by each object of expenditure is recorded below. It should be pointed out that major shifts among objects may be necessary so as to meet unanticipated higher charges as in printing, travel, and services provided by other agencies.

Personnel compensation, \$678,300.—This is required to permit the Bureau to support 542 full years of employment in 1968 (555 positions). It includes specifically \$100,900 to cover net cost of 9 additional positions, \$229,700 to cover nondiscretionary increases, 1969 over 1968, and \$347,700 to restore man-years to level originally approved for 1968, as detailed above.

Personnel benefits, \$48,900.—This is for required additional agency payments for Civil Service retirement, life insurance, and health benefits, resulting from increase in personnel compensation payments.

Travel, \$70,000.—Actually, only \$36,000 above what was originally provided for travel for 1968 is being requested for 1969. To meet required reductions and to operate within available funds, it has been necessary to sharply reduce travel allowances. More field examination of programs and operations is essential if the Bureau is to do its job.

Transportation of things, \$2,000.—This increase will restore level to what will be required to cover transportation of household goods for employees transferred to the Bureau from Federal field locations and for employees on extensive tours of training.

Rents and communications, \$38,000.—This increase is to cover added costs of rentals of equipment and increased charges for communications, including any special temporary field arrangements.

Printing and reproduction, \$20,000.—This covers increased payments to the Government Printing Office.

Other services, \$48,000.—This increase is earmarked for added payments for computer services and machine tabulations, security investigations for new employees, payments to the Employee Compensation Fund of Labor, and increased training and health unit costs.

Supplies, \$19,000.—This increase is necessary to meet the current costs of office and duplicating unit supplies, materials, and congressional publications.

Equipment, \$10,800.—This is to cover costs of providing necessary furnishings and equipment for nine new positions.

See following double page chart showing detailed budget plan for 1969 for the Bureau of the Budget, including breakdown of the \$935,000 net increase requested over 1968.

WORKLOAD OF THE BUREAU OF THE BUDGET

In considering the budget request for fiscal 1969, it is advisable at this point to review selected highlights of the workload of the Bureau of the Budget. In setting forth illustrations of the magnitude, variety, and complexity of the continuing work responsibilities of the Bureau, attention will be given to the rapidly increasing number and variety of Federal programs and legislative proposals. The scope, complexity, and diversity of such programs provide some understanding of the need for concentrated attention to these areas of activity.

Planning-programing-budgeting system

The planning-programing-budgeting system (PPBS) of the Federal Government represents a major advance in the application of economic analysis to decisions on resource allocation. It serves to help find both the most desirable combination of goods and services to be provided, and the most efficient way of providing them.

1. *General.*—PPBS has helped place the process of preparing and reviewing the budget for 1969 on a stronger foundation. New tabulations of program costs and results in program budget categories provided means for reviewing programs in a new context. New background information and carefully documented studies produced by the system have been of value in the assessment of the effectiveness of various programs. Although agency managers have come to recognize the need for systematic evaluation of the programs they administer, there remains much to be done before the system is fully operational.

Planning-programing-budgeting involves the development and annual refinement and updating of long-range program projections for each agency. These projections are based on systematic analysis of the costs and benefits of the proposed programs. PPBS is designed to help measure program effectiveness and evaluate alternative means of attaining objectives. The system can be used to define objectives more clearly—as a proposed plan of work to accomplish the objective, an outline of alternative plans, an analysis of the full costs and probable effectiveness of the proposed plan as against the alternatives, and some indication of the certainty or uncertainty with which these costs and benefits are estimated. The system provides both a basis for decisions between competing program proposals, and a standard for the later measurement of actual performance. PPBS becomes increasingly important as Federal programs expand in comprehensiveness and complexity.

2. *The role of the Bureau.*—The degree to which the planning-programing-budgeting system achieves its full potential will depend, in large part, on the Bureau of the Budget. The Bureau is responsible to the President for putting this system into operation. This work comprises mainly three responsibilities.

First, the Bureau is responsible for reviewing the multiyear program plans of the various agencies and for assessing critically the analysis on which those plans are based. Second, the Bureau is required to conduct analyses of the many programs which cut across agency lines. No other organization is in a position to make such multiagency comparisons objectively. Third, the Bureau is responsible for insuring that each of the agencies translates the plans on which budgetary requests are based into properly funded, time-phased sets of specific operations.

The first of these functions—that of the review of agency submissions—currently involves the greatest Bureau workload. To a large degree this work represents an evolution of the traditional work of the Bureau in evaluating agency budget requests. Now, however, the Bureau is reviewing plans which are increasingly more comprehensive in scope and in time-scale and more dependent on modern analytic techniques to compare cost and effectiveness.

The second of the Bureau's tasks—that of analyzing Federal programs in education, health, transportation, poverty, manpower, and other areas where major Federal efforts cross agency boundaries—will fall primarily in the small program evaluation and resources planning units in the Director's office. These staffs have the responsibility of working with agency PPB staffs in extending and improving PPB analysis and of developing procedures and analyses which place the total range of Federal activities and operations in perspective.

The third task of the Bureau—that of insuring that the programing and budgeting machinery of the various agencies is capable of translating agency plans into properly timed and funded agency activities—remains primarily the responsibility of the several divisions of the Bureau working with the Office of Budget Review.

In fiscal 1969 our efforts to improve the PPB system will continue in two main directions: The preparation by the various Federal agencies of a greater number of cost-effectiveness studies, utilizing improved techniques and drawing upon the experience of the last several years; and the development of procedures and analytical techniques which help bring together the results of PPB analysis so that decisions on resource allocation for competing proposals can consider relative needs and relative benefit as well as costs.

Program and budget review

The most fundamental decisions with respect to the budget are those that relate to the programs to be carried out to meet the national needs—the choice of objectives, the determination of the level, and the quality of effort to be sought in a particular fiscal year. The budget, including the legislative program, reflects the President's proposals with regard to all the programs of the Government for each succeeding year.

Budget review also requires the evaluation of the input—the application of resources—necessary to achieve the desired program output. This necessitates the examination of budgetary requirements for personnel, space, travel, material, contractual services, and the other pertinent elements. Surveillance of budget execution must be maintained in order to see that money, men, and materials are not wasted, and that their utilization produces planned results.

The Government's programs must be considered within the framework of economic and fiscal policy as well as national needs, with attention to the impact of the Federal activities and taxation upon the Nation as a whole and upon differing regions and industrial groups. While the budget is basically a set of proposals, and not merely a collection of forecasts, its development in the overall economic setting requires the use of the best available techniques of forecasting and projection. The relation of Government programs to monetary and credit policy has become a matter of growing importance with the increase in Federal lending and loan guarantee activities, as well as in the light of international monetary developments.

The workload continues to increase. The number of appropriation and fund accounts has increased 20 percent in recent years; for the most part these are the fundamental building blocks around which the budget process is organized. There are two more Cabinet agencies than there were 2 years ago, and several new independent agencies. All Federal funds, trust funds, and loan and expenditure activities must be examined by the Bureau of the Budget. The 89th Congress, in its 2 years in session, enacted more than 40 new pieces of grant-in-aid legislation alone, each of which added to the workload of the Bureau of the Budget.

Some special analyses of the budget have been remodeled to further the public's understanding of the new budget concept and of all Federal activities. Additional tables and other data are contained in the volume of special analyses this year; other unprinted analyses have been made as a necessary part of the task of program and budget review.

Program and budget review engage a large portion of the time of the six divisions and nearly the whole time of the Office of Budget Review.

Workload problems requiring special attention in 1969 include:

1. *Evaluation of programs and program issues.*—Efforts to institute a combined planning-programing-budgeting system in the 22 larger agencies of the Government have continued. PPB, which has now completed its second year of operation, provides information and analysis to relate the programs undertaken to the ends they are to achieve and the means of attaining those ends. This year the program budgets developed under the system have been employed as the framework within which program costs and accomplishments were reviewed. As a result, the different programs now stand in a clearer relationship to each other and to their objectives, but analytical techniques must be further sharpened and extended.

2. *Data management.*—The planning-programing-budgeting system is based upon a program structure which identifies the basic missions of the various departments and agencies and establishes program categories and appropriate sub-categories in each. In most cases this structure is unrelated to the basic data system utilized for budget presentation and budget execution. In order to achieve a suitable integration of the processes concerned, it is necessary that the data structures be synchronized with each other, looking toward a common system for the development of both financial data and output measures that can be utilized throughout the budget process. The possibility of using the Treasury Department's

data banks for actual year data must be explored. The entire computer program system used in the Bureau must be revamped to incorporate the changes recommended by the Budget Concepts Commission.

3. *Federal-State-local fiscal relations.*—The substantial increase in the number of grant-in-aid programs, the emphasis upon creative federalism, and a growing interest in the impact of Government expenditures upon urban areas—all of these make it necessary to devote additional effort to economic and fiscal analysis pertaining to the level and types of Government spending in relation to States, cities, and metropolitan areas. The economic effects of program decisions upon inter-governmental relations need careful assessment. The refinement of both administrative and funding techniques for making grant programs more effective at the point of impact will continue to require increased attention.

4. *Establishment of the new budget concept.*—The Bureau has assumed the difficult task of putting as many of the recommendations of the President's Commission on Budget Concepts as possible into the 1969 budget. An additional 2 to 4 man-years will be required to accomplish the necessary cleanup work and to implement two recommendations—accrual accounting and identification of loan subsidies—that were impossible to incorporate in this last budget. Computer programs must be revised and tested; accounting systems must be changed and recoded; historical tables must be thoroughly adjusted; and methods of specifically disclosing loan subsidies must be devised.

5. *Coordination of credit activities.*—During the past year staff have provided substantial assistance in the development of programs to broaden private financing of credit programs, including substitution of guaranteed loans for direct loans and increasing sales of financial assets to private lenders. Further attention needs to be given to the mechanics for coordinating lending programs, to the supervision provided by Federal agencies over private credit institutions, and to the continued coordination of monetary and credit policy with fiscal policy. In addition, methods must be developed to identify and measure the subsidy elements in loan programs in accordance with the recommendations of the Commission on Budget Concepts.

Legislative clearance

The following table furnishes recent data on the volume of the workload involved in the Bureau's legislative clearance function:

	88th Cong.	89th Cong.	90th Cong., 1st sess.
Congressional requests for Bureau views.....	2,358	2,853	1,856
Agency reports for clearance.....	8,124	9,294	5,858
Agency draft bills.....	1,042	1,072	752
Private bills.....	886	1,006	572
Total.....	12,410	14,225	9,038

This large volume of work affects all organizational units of the Bureau since the specialists in each program or functional area are called upon to assist in the review, analysis and clearance of agency legislative proposals and reports and in the preparation of replies to committee requests for views on pending legislation.

It should be noted that the table does not include all legislative coordination and clearance functions of the Bureau, such as responding to requests for information, coordinating agency testimony, and handling enrolled bills. Also, Bureau officials and staff members spend a substantial amount of time in testifying before congressional committees, attending committee hearings relating to their work, and working informally with committee staff on pending legislation.

Statistical coordination and improvement

The Bureau of the Budget is responsible for the coordination and improvement of the statistical activities of Federal agencies. The Bureau will continue its emphasis in fiscal year 1969 on avoiding duplication, improving statistical standards, and achieving a better balanced Government-wide statistical program which will provide comprehensive, accurate, and timely information to appraise the functioning of the economy, the welfare of the people, and the status of individual Federal programs.

Work will continue on interagency projects to review the concepts and principles incorporated in the standard classifications developed by the Bureau (standard industrial classification, standard enterprise classification, and standard metropolitan statistical areas) to reflect the current structure and organization of industry and the growth of metropolitan centers. These standard classifications are used by Federal agencies and many private organizations in presenting statistical data on a uniform and comparable basis. The last major review of the concepts underlying the standard industrial classification was made in 1957-59, and the last review of the criteria used in establishing standard metropolitan statistical areas was made in 1958. Further development of the system, based on the standard industrial classification, for classifying commodities in production, export, import, and domestic transportation statistics will be undertaken. The Bureau's Office of Statistical Standards is also spearheading a review of the occupational classifications in use in the Federal Government, with a view toward establishing a standard classification of occupations, if feasible.

At the same time, under the provisions of the Federal Reports Act, attention must be given to the burdens placed on business enterprises and on individuals by the demands from the Federal agencies for information. Through improved planning and coordination, more effective measures must be adopted to bring about elimination, consolidation, or simplification of reporting and record-retention requirements imposed on enterprises and individuals.

The Bureau, through its Office of Statistical Standards, reviewed over 2,600 individual questionnaires or report forms issued by Federal agencies in fiscal 1967. In conducting these reviews, several hundred business respondent representatives were consulted through the auspices of the Bureau's Advisory Council on Federal Reports to insure that the data needed would be obtained at a minimum cost and burden. Increasing reliance on the use of statistics in reaching policy decisions and in evaluating the performance of newly initiated programs calls for strengthening of existing series and the development of new sources and types of information. Thus, the review load in fiscal 1969 is expected to continue at, or increase above, present levels.

In fiscal 1969, special programs to eliminate informational gaps and to strengthen existing statistical series within the Government will be required in the following areas to meet the needs of Congress, the executive agencies, and private economy.

1. *Labor statistics.*—Attention will be focused on two major needs during 1969. The first is the further development of a statistical program which will indicate the nature, extent, and causes of barriers to full labor force participation at adequate remuneration. This program will be developed in part by supplementing the current population survey with additional questions, in part by devising intensive surveys in selected poverty areas of large cities. The Bureau will stress the development of concepts, the conduct of experimental work on data measurement problems, and coordination of the interests of the several agencies working in this field. The second major need is for the development of a coordinated set of operating statistics for manpower development and training programs which will permit analysis of the effectiveness of manpower program operations across agency lines. The Bureau has already arranged for the appropriate agencies to work together in developing this program under Labor Department leadership. The Bureau will participate in this continuing effort, which involves decisions on the data needed for program planning, operation, and evaluation; development of standard forms, questionnaires, and reporting procedures; and analysis and evaluation of the resulting informational system.

2. *Demographic and social statistics.*—The Bureau-sponsored Federal Council on the 1970 Census will concentrate in 1969 upon the development, with the Census Bureau, of tabulation plans for the decennial census. Although special tabulations can be made of data collected in the census, it is important that the regular planned tabulations provide information of comprehensive scope which is both promptly and widely available to general data users. Other work to be undertaken in this area involve: determination of criteria for bounding "poverty areas"; further development of procedures and methodology for making population estimates for local areas; extension of work on developing data required for evaluation of social programs; development of new measures of housing quality; and intensive analysis of the results of the recent health examination survey of children.

3. *Production and distribution statistics.*—More accurate and frequent reports on movements of significant economic indicators continue to be a recognized need for carrying out public policy. Identification of the areas in which existing reports can be eliminated or simplified and those in which new reports should be initiated, determination of the content of these reports and provision for processing of the data—all represent a substantial portion of the Bureau's immediate coordinating responsibilities. In fiscal 1968, a program is being initiated in the Bureau of the Census to provide monthly national indexes of retail inventories and to improve estimates of inventories at the wholesale level. In addition, retail sales data for more standard metropolitan statistical areas will be provided. In 1969, efforts will be directed to improvement of manufacturing inventories and to expand survey coverage of the services trades.

Despite substantial increases in the resources devoted to collection of data for crop and livestock estimates in recent years, demands persist for further improvements in accuracy, timing, and content of these statistics. During 1969, the Bureau will collaborate with the Statistical Reporting Services of the Department of Agriculture in making a comprehensive review and appraisal of this statistical program and related data. Recommendations will be made which will provide a guide for further development of the crop and livestock statistics program along the most effective and economical lines.

4. *Price statistics.*—The Bureau's objective in this area is to develop a Government-wide program to carry out proposals to improve the Government's collection of prices and formulation of price indexes, based on recommendations of an advisory group. At the request of Senator Proxmire, chairman of the Subcommittee on Economic Statistics of the Joint Economic Committee, progress made and problems encountered in carrying out these recommendations are reported to the Congress. In 1968, research will continue to be directed to technical problems involved in obtaining prices and constructing price indexes. An annual construction price index for single-family homes is being initiated in 1968, and developmental work will be undertaken in the next year to provide indexes for one or more additional types of construction. In 1969, the Bureau will be increasingly involved in evaluating the results of work carried on by the Bureau of Labor Statistics in measuring the effect of quality changes on prices, in improving measures of wholesale price changes in both domestic and foreign trade, and in developing and testing plans for consumer expenditure surveys incident to revision of the Consumer Price Index early in the next decade.

5. *Construction and housing statistics.*—Substantial improvements in the construction value-in-place series produced by the Bureau of the Census are planned for 1969. Actual monthly progress reporting will be initiated for residential construction in place of the present reliance upon estimating from generalized construction patterns. The nonresidential sample will be reviewed and expanded to reduce overall sampling error and to provide significant data for additional construction types. State and local public construction will be placed on a monthly reporting basis instead of the present quarterly survey which places dependence upon interpolation for individual months during the quarter.

Surveys will also be undertaken to determine the rates at which new rental units are absorbed by the market and the effect of new housing on the existing supply. A quarterly survey of residential mortgage lending activity will be initiated covering savings and loan associations, commercial and mutual savings banks, insurance and mortgage companies. This will permit, for the first time, a comprehensive compilation of the gross flows of mortgage funds and the volume of loan commitments.

6. *National economic accounts.*—The 1969 program dealing with the national economic accounts calls for development of quarterly estimates of real GNP produced in each industry. The Bureau will participate in the expansion of the existing plant and equipment survey to include industries not now covered and to provide separate information on expenditures for plant and expenditures for equipment. In addition, the quarterly econometric model used by the Department of Commerce will be further developed to improve its ability to forecast economic activity as well as to test the economic impact of alternative policies.

7. *Periodic censuses.*—Primary work in this area will be concentrated upon the 1969 Census of Agriculture and the 1970 Census of Population, Housing, and Unemployment. With respect to the latter, a substantial effort will be required to appraise the results of the so-called dress rehearsal census, and to develop methods for obtaining adequate response in hard to enumerate areas in which experience has shown that significant segments of the population have been missed in past censuses.

Plans being developed for the 1969 Census of Agriculture contemplate use of a mail questionnaire in a manner similar to that followed in the economic censuses, instead of personal interviews. Other changes being considered involve a series of follow-on surveys designed to obtain important information for specific major types of farms, such as grain, cotton, dairy, etc. During the coming year the Bureau will participate in evaluation of the results of developmental and testing work carried on before final census procedures and questionnaires are adopted.

Coordinated program of executive management

In the past 4 years the President has proposed and the Congress has enacted a whole range of major new programs dealing with education, health, poverty, manpower training, urban development, and pollution control. The interagency and intergovernmental nature of these programs has brought with it unprecedented problems in the organization and management of the executive branch.

The Nation's domestic problems do not spring from a single cause and do not yield to a single standard solution. The problems are nationwide but the program mix required to solve them will vary in the thousands of cities and neighborhoods throughout the United States. We must achieve the proper amalgam of education, housing, skills improvement, and social services required in the particular locality. Each program must be related to the others as part of the overall attack on the local social ills. Unless these Federal programs are coordinated at the local level into an integrated Federal response to the specific needs of the locality, we will fail in solving the social problems these programs address.

The management problem is one of coordinating in effective joint action not only the programs of many separate Federal agencies, but also those of the States, cities, counties, other local jurisdictions, and even private organizations. The many Federal agencies cooperating on a single project in a given community must be joined by an equal or larger number of units of State and local government. Coordination and cooperation must be vertical, among many levels of government, as well as horizontal, among the many agencies of each level of government. The primary reason for the establishment of the Office of Executive Management was to better equip the Bureau to work on solutions to this perhaps most important problem of public administration confronting us today.

The operational coordination staff of the Office of Executive Management, through contacts with national organizations of State and local officials and directly with Federal, State and local officials and private organizations in individual geographical locations, will identify deficiencies in interagency and intergovernmental programs at the State and local level. It will evaluate the responsiveness of Federal programs to varying State and local needs and the efficiency and effectiveness of cooperatively administered and financed programs. It helps achieve ad hoc solutions to immediate problems and identifies the need for work by other units of the Office on basic revisions of the interagency and intergovernmental systems for administering these programs, or for realignment of the structure or responsibilities of Federal agencies with respect to those programs.

The management systems staff of the Office is responsible for developing processes or systems for the most effective conduct of programs requiring interagency and intergovernmental coordination. Some of the problems needing thorough systems attention will be identified by the operational coordination staff in its fieldwork. Others will be identified by work with the departments and agencies at the headquarters level. There will be a concentration on systems employed to manage projects, programs or program areas that are of particular concern to the President or that are experiencing critical difficulties. The systems development and improvement work will require cooperation and participation by the various agencies engaged in the interrelated Federal programs involving State, local and private participation.

The Government organization staff is responsible for developing the organizational arrangements for new or revised Federal programs. This staff, also, is concentrating attention on interagency and especially intergovernmental problems, rather than on organizational problems of individual agencies. It draws upon the work of the operational coordination staff and the management systems staff, and works closely with those staffs in developing and evaluating formal organization and coordination arrangements at headquarters and field levels.

The financial management staff develops uniform financial policies and principles for application in Federal programs. It is responsible for, among other things, the development of cost principles for grants and contracts with educational institutions and State and local governments. This staff will be giving

increased attention to matters of interagency, Federal-State-local, Federal-university, and Federal-industry financial management, accounting and auditing.

The Bureau and other Federal agencies are making progress on a number of actions designed to improve administration of grant-in-aid programs and Federal-State-local relations:

Grant-in-aid simplification.—Legislation has been developed to facilitate the combination of related categorical grants into single packages by applicants without disturbing the substantive requirements of each program. State and local government associations were specifically consulted at several steps during the preparation of this legislation inasmuch as their clients will benefit most directly. The legislation has now been introduced as the "Joint Funding Simplification Act of 1967" in the House of Representatives (H.R. 12631).

Consolidation of grants-in-aid.—Efforts are underway to achieve basic consolidations of similar and related grant programs into broader program grants. Bureau staff is working with a Department of Health, Education, and Welfare study group which is exploring alternative proposals for the consolidation of HEW grants in a similar manner to the example set by the Comprehensive Health Planning Act of 1966. The Bureau also intends to study other grant program fields, such as urban physical development grant programs. Legislative proposals for consolidation of categorical grants will be developed when the studies are completed.

Federal field structure and use.—The Bureau has undertaken a comprehensive review of the Federal field office structure with a view to developing a plan to assure the most effective use and location of those offices. The review is aimed initially at the major grant-in-aid agencies, and concentrates on steps needed to have all of them operating under consistent principles with respect to delegations of authority and with adequate representation in major metropolitan areas to permit effective cooperation with other Federal agencies and area governments.

Shortening grant application processing time.—A Joint Administrative Task Force of HUD, HEW, Labor, and OEO reviewed the procedures of those agencies for the development and processing of grant-in-aid applications. The task force achieved estimated reductions of 50 percent in processing time. This effort is now being extended to other grant programs in these and other departments.

Problems caused by delays in funding grant programs.—A Bureau team studied the difficulties States experience because Federal funds for grant-in-aid programs are delayed by late congressional authorizations and appropriations and application-processing delays. The study identified the costs the States incur because of these delays, existing Federal grant program legislation which may help alleviate the problem, and recommendations for further action to ease the problem. The study was carried out by intensive survey of existing grant fund timing in Washington, field visits to eight selected States in order to develop specific cases, and use of case materials previously collected by the Council of State Governments through the National Association of State Budget Officers.

Bureau staff have also participated in a study of the problem caused by delayed funding of Federal grants for education programs which is being carried out by the Department of Health, Education, and Welfare. Bureau field visits to the States were coordinated with HEW data collection needs, and a joint HEW-Bureau team visited New York State and Colorado. The HEW survey report and recommendations were submitted to Secretary Gardner September 14, as "A Model Authorization and Funding System for Elementary and Secondary Education." The major proposals involve alleviating problems caused by delayed appropriations by (1) requesting Congress to appropriate funds 1 year in advance, and (2) seeking longer term authorizations.

Grant-in-aid catalogs.—In 1966, four agencies were distributing four different catalogs which contained information on their own grant programs as well as information on programs of other agencies. Several agencies were preparing to print similar catalogs in 1967. The Director of the Bureau of the Budget requested the Secretaries of Commerce, Labor, Interior, Agriculture, Housing and Urban Development, and Health, Education, and Welfare, and the Directors of the Office of Economic Opportunity and the Office of Emergency Planning to avoid unnecessary duplication in the production of general catalogs of Federal grants-in-aid. As a result, a single revised catalog listing all Federal programs of the agencies which bear on individual and community development has been published under the leadership of the Office of Economic Opportunity. The new OEO Catalog of Federal Assistance Programs, which became generally available in July, contains information on 458 Federal aid programs. The Director has also established an interagency task force to further improve this general

catalog of Federal grants-in-aid to meet effectively the needs of both State and local governments and the Federal agencies concerned.

Improvements in financial practices relative to the Federal grant program.—The Bureau of the Budget is developing a circular to set uniform standards for determination of allowable costs for administrative and other program-related expenses under all Federal grant-in-aid programs. One major thrust of the circular would be to eliminate the separate negotiation between Federal and State and local government staff as to costs which will be allowed under each grant program. The objective is to achieve greater uniformity and to eliminate so far as possible present differences in agency practices.

A circular is being developed which would provide for a single agency to negotiate the overhead rate and to conduct the audit of Federal grants and contracts at a single educational institution. The objective is to eliminate multiple-agency negotiations with the same institution.

A study is underway directed toward resolution of problems related to time and effort reporting requirements under grants and contracts with educational institutions.

Planning coordination.—On January 31, 1967, the Bureau of the Budget issued Circular A-80 on the coordination of development planning for programs based on multijurisdictional areas. The circular implements the President's memorandum of September 2, 1966, on the coordination of Federal development planning. Agency procedures for carrying out the instructions have been reviewed to assure maximum consistency among the many Federal agencies and programs concerned. Under the circular, Federal agencies are required to consult with Governors before designating planning and development districts or regions in their States. Where the State has established such districts, the boundaries of new districts designated by Federal agencies will conform to them unless there is a clear justification for not doing so.

Bureau staff are participating in a Planning Coordinating Committee established by the Department of Housing and Urban Development and representing the several Federal agencies which have grant programs which aid or require development planning.

Coordination of Federal aids in metropolitan areas.—In accordance with the provisions of section 204 of the Demonstration Cities Act of 1966, the Bureau of the Budget has issued Circular A-82 providing procedures for review of local and State applications for Federal construction loans and grants by metropolitan or regional planning agencies. Section 204 required that an operative program for the review of the major physical development grant program applications by metropolitan or regional planning agencies must be established by July 1, 1967. Review agencies have now been designated in all 231 standard metropolitan statistical areas of the United States. In 15 instances, a review agency covers two or more SMSA's. Where a viable review agency could not be identified by HUD before July 1, the Governors of the affected States were asked to make interim designations.

Neighborhood centers demonstration projects.—Under the leadership of the Department of Housing and Urban Development, Federal interagency field teams are working with 14 municipalities to develop pilot neighborhood centers. A key aspect of the effort is the inventorying and integration into the center of existing programs and activities now being carried on in the neighborhood—or being carried on in the city and susceptible to being decentralized into the neighborhood. Bureau staff have been active team members in Washington on the Interagency Review Committee (WIRC) and in the field in each of the 14 municipalities. Initial planning grants were made to seven cities, and combined grants for planning and early "core services" organizations were made to the remaining seven cities. Attempts have been made in every case to link the neighborhood centers with target areas of proposed model cities projects, the concentrated employment programs, and the comprehensive area manpower planning system. The municipalities then submitted second-phase applications (neighborhood services program—II) for construction and operation of the centers which indicate the programming of all Federal, State, and local resources for the pilot projects. These applications were reviewed and, to date, 11 have been approved by WIRC.

Information systems and statistics.—The Bureau is moving ahead in several areas to seek improvements in intergovernmental information systems. We have organized and worked closely with a task force representing State and local government associations and the ACIR to identify the problem clearly, prepare a work program, and suggest priorities with respect to (1) comparability of data which the governments collect and use, (2) coordinated development of common

information systems, and (3) joint utilization of automatic data processing facilities. The task force has reported its recommendations and will discuss them with the council of State government's committee on information systems.

Increased consultation with State and local governments.—In 1966, the President directed agencies to consult with State and local chief executives in the development and execution of programs directly affecting State and local affairs. The Bureau of the Budget, after a series of meetings with State and local associations and Federal agencies, issued Circular A-85 on June 28, 1967, to implement the President's directive with respect to one major area of Federal activity—the issuance of regulations and other administrative instructions. The circular establishes a procedure under which instructions affecting State and local governments will be transmitted in draft by the agencies to the Advisory Commission on Intergovernmental Relations. The Commission staff, acting as a general secretariat, distributes those drafts or summaries thereof to the major State and local government associations which, in turn, secure and present the views of their clients on the drafts.

Intergovernmental meetings.—Under the leadership of the Director of the Office of Emergency Planning, a series of direct consultations with Governors and their staffs has been held in a program of visits to State capitals. Top-level representatives from the Federal grant program agencies and the Bureau of the Budget accompanied Director Bryant on the trips in order to discuss State problems in administering grant programs. A number of the trips also included meetings with State legislative leaders. More than 40 State capitals have been visited. The new Director of the Office of Emergency Planning has also instituted a program of State visits to Washington.

Review and evaluation of field activities.—Several mechanisms have been developed to achieve coordination of Federal programs at the local level into an integrated Federal response to the specific needs of the locality. These have included the critical urban problems committees of Federal executive boards, the city teams, and Washington interagency review committee for neighborhood centers, model cities working groups, the concentrated employment program, and the cooperative area manpower planning system (CAMPS). These efforts are intended to facilitate the meshing of Federal agency programs, the flow of information to State and local governments, and the development of coordinated comprehensive plans by State and local officials.

During fiscal year 1968 the Bureau has devoted additional resources to the review of Federal operations, new coordinating mechanisms, and intergovernmental relations in the field. It has established a new operational coordination staff which concentrates on appraising the effectiveness of Federal program coordination and intergovernmental cooperation at the local level. By the end of the coming year this staff will have met with local, State, and Federal field officials in about 100 cities and counties to learn firsthand the existing and developing problems in administering Federal assistance programs. Where required and appropriate, action will be initiated immediately to establish ad hoc coordinating arrangements among appropriate Federal, State and local officials. Information and evaluations supplied by the operational coordination staff will be provided also to other Bureau staff and agency officials in Washington for use in connection with longer term studies to improve Federal systems for administering these programs. The operational coordination staff will participate in such studies and projects, as appropriate.

Analysis of natural and water resource programs

Increasing emphasis continues to be placed on effective development and economical use of the Nation's water and other natural resources, the comprehensive development of large river basins including water pollution abatement, and the expansion of outdoor recreation programs. In addition, the legislative proposals referred for review and recommendation in this area are becoming increasingly complex and controversial.

The following are some of the workload items which confront the Bureau—particularly the Natural Resources Programs Division:

1. *Water Resources Council.*—The Director represents the Bureau of the Budget at Council meetings. Staff of the Natural Resources Programs Division works closely with the Council's staff—and its several committees and task forces—because of common interests in coordination and resolution of complex problems concerning Federal water resources activities. Among other things the Council has responsibility for comprehensive river basin planning, improvement of project formulation and evaluation standards, and assessment of the national water requirements and supply.

Examples of work initiated by the Bureau and being undertaken by the Council are cost sharing on flood protection projects as part of a unified approach to flood plain management, and criteria to determine when flow augmentation for water quality should be a purpose of water projects, improvement in the method of estimating water quality benefits, and cost sharing for water quality.

2. *Water resources project reports.*—Under Executive Order No. 9384, the Bureau reviews reports on projects proposed by the Corps of Engineers and the Bureau of Reclamation before they are transmitted to the Congress. Executive Order No. 10654 requires a similar review of the Agriculture watershed reports.

The workload is affected not only by the number of project reports but also by the growing complexity of water projects serving many purposes, conflicting uses of water, and increasing public interest in scenic preservation as against development. In addition, the distant time horizon—up to 100 years—used in the planning of water projects and the permanence of concrete structures makes essential the weighing of all potential alternative sources of water supply—a task made difficult by our inability to forecast with accuracy further possibilities that may be developed through research, such as desalting and weather modification.

The following table summarizes the action taken on project reports during the calendar year 1967:

REPORTS RECEIVED AND CLEARED FROM JAN. 1 TO DEC. 31, 1967

	Corps of Engineers	Bureau of Reclamation	Department of Agriculture	Total
Received.....	60	3	53	116
Cleared.....	67	3	53	123

3. *Water pollution control.*—With the continued and growing activities related to water pollution, control and abatement have expanded greatly in recent years. This has caused an increase in the Bureau's role and workload. The Bureau works with the Department of the Interior on implementation of major water pollution control legislation enacted in 1965 and 1966, improvement and reorientation of pollution control programs to make them more effective, review of a large number of special studies made for the Congress, such as economic impact of pollution control expenditures, manpower needs, and industrial incentives, and review of a continuing succession of proposed legislation on various aspects of the problem, such as oil spills, acid mine drainage, and vessel pollution. The Bureau has primary responsibility under Executive Order No. 11288 to review progress of water pollution abatement at Federal facilities.

4. *Outdoor recreation and natural beauty.*—The programs and activities of the Federal agencies affecting outdoor recreation and natural beauty continue as an active area both with respect to legislation and financial matters. The emphasis on such programs is an outgrowth of the proposals and recommendations made by the Outdoor Recreation Resources Review Commission in its report of January 1962, and more recent concern with natural beauty. The Natural Resources Programs Division represents the Bureau in the staff meetings of the Council on Recreation and Natural Beauty (formerly the Recreation Advisory Council) and also handles Bureau liaison with the Citizens' Advisory Committee, both of which were established under their present titles by Executive Order No. 11278 in May 1966.

Examples of problems being studied by the Council include progress in resolving issues affecting natural beauty, the potentials for use of surplus Federal lands for recreation, and the analysis of a proposed program for scenic roads and parkways.

5. *Management of Federal lands.*—The management of Federal lands raises special problems which are often complicated and unique, and require substantial work largely unrelated to budget outlays on those lands. The Interior Department, together with the Forest Service of the Department of Agriculture, administers large areas of land; i.e., the so-called public domain lands, the national forests, and the Outer Continental Shelf. These lands have substantial values, including sizable minerals and timber values. Because the lands involve assets of substantial value and Federal income of significant amounts, the Bureau puts substantial staff time into proposals, problems, and studies on

them. Examples are: studies of timber sales by Forest Service and the Bureau of Land Management; legislation of geothermal steam and related materials; oil and gas leasing on the Outer Continental Shelf; disposal of minerals on the public lands; study of oil shale leasing and development; and numerous legislative proposals about specific categories or groups of public lands and the mineral values thereof.

6. *Agricultural commodity programs.*—As our agricultural situation has changed from one of surplus stocks, the role of Federal commodity programs has changed from the relatively simple task of “reducing production” to that of assuring adequate supplies at market prices that are fair to both the producer and consumer.

The laws relating to the agricultural commodity programs provide the executive branch with considerable latitude in establishing support prices, payment rates, and acreage allotments. Decisions regarding the many commodities must be made each year and sufficiently early to permit farmers to plan their operations in an orderly manner. The Bureau of the Budget is responsible for assessing the long- and short-range budgetary impact of USDA proposals and alternatives and making recommendations to the President. Although we rely heavily on the Department of Agriculture for much of the relevant data, it is essential that we utilize other independent sources of data and judgment. This, of course, necessitates working closely with other agencies such as the Council of Economic Advisers State/AID, and Commerce.

7. *Rural areas development.*—The Department of Agriculture has assumed an increasingly active Federal role in promoting the economic and social development in rural areas (which include 29 percent of the U.S. population). The President's message on agriculture of February 1965 gave the Director of the Bureau of the Budget and the Secretary of Agriculture a continuing responsibility to review various Federal agency programs and make recommendations to assure that these programs adequately reach rural people.

Division staff represent the Director in carrying out the above responsibility and in the operation of interagency committees concerned with related programs involving other Federal agencies. Actions resulting from recommendations of the President's Committee on Rural Poverty and the National Advisory Commission on Rural Poverty will require added Bureau staff work in this subject area.

Analysis of science and technology programs

Another area of increasing workload for the Bureau of the Budget is found in Federal research and development programs. This segment of Federal activity must be accorded greater staff attention because of—

1. The growing number of agencies initiating or expanding research and development to support their missions; e.g., HUD, DOT, Justice, and the Office of Education, and the OEO.
2. The increasing interrelation and interdependence of the research and development programs of individual agencies, including programs for the marine sciences, atmospheric sciences, educational research, research on social problems, and overall Federal support of academic research.
3. The increasing need to look at how the research and development programs of individual agencies relate to meeting national needs—to assist in improving the civilian economy and welfare.

Increased Bureau attention must be given not only to the financial requirements of the agencies and of the Federal Government as a whole for various areas of science, but also to the organization of the Government for science and technology as well as the management of research and development from an overall Federal standpoint.

As an example, the Bureau must consider the recommendations of the Commission on Marine Science on executive branch organization for the marine sciences, not only from the standpoint of the field involved, but also from the standpoint of the overall organization of Federal scientific and technological activities.

Under the 1969 budget, Federal obligations for research and development will increase from \$17 billion in 1968 to \$17.7 billion in 1969. But more indicative of the need for greater attention to research and development by the Bureau than the simple increase in dollar level is the expansion of support in non-Department of Defense, Atomic Energy Commission, and National Aeronautics and Space Administration programs. Since 1966, the research and development programs of these agencies have together grown by only 3 percent—in part due to a decrease in NASA. All other agencies have grown over 40 percent.

Analysis of human resources programs

The scope of the Federal efforts directed toward education, health, economic opportunity, labor, manpower, welfare, housing and urban development, and veterans' services, will comprise more than 60 percent of the nondefense budget in 1969, and will total \$75.5 billion.

The interrelationship among these human resources programs is becoming increasingly specific, and it is to these interrelationships that much concentrated effort will be directed. A few examples are indicative:

1. *Neighborhood centers.*—The Human Resources Programs Division carries a large part of the Bureau's responsibility in connection with the 14-city neighborhood center demonstration program, a joint effort by HUD, OEO, HEW, and Labor to coordinate their efforts in making comprehensive services available to the poor. Division staff represent the Bureau on the Washington Interagency Review Committee and provide 10 of the 14 "city watchers" who assist in the evaluation of the plans and programs of the centers. The Bureau efforts in evaluation will increase as the centers develop, and various categorical programs sponsored by public and private agencies are integrated into a single service system.

2. *Model cities.*—This program, established in HUD, requires the concerted action of all the principal Federal agencies making grants which contribute to strengthening community effort. The Bureau is represented on the model cities interagency policy group, which consists of Assistant Secretaries of the Federal agencies involved, and also on the central office interagency working group, which develops the interagency procedures for the review and monitoring of model cities programs. It is essential that the cities and agencies involved be assisted in order to achieve the maximum value from the available Federal resources which must be coordinated in this effort.

3. *Manpower programs.*—The Federal effort to make a \$2.1 billion impact on the hard-core unemployed in 1969 is focused in the Department of Labor, but the Department's efforts depend on services and integration of funds and programs authorized in OEO and HEW. The Bureau has been instrumental in working with Labor and the other agencies on the development of an integrated program and a realignment of its administrative structure to cope with these responsibilities.

4. *Work and training for welfare recipients.*—The Social Security Amendments of 1967 require States to offer work and training opportunities to suitable welfare recipients. A task which lies ahead is the development of appropriate relations between the provision of welfare aid, social services, child-care programs, and training resources funded through HEW and the administrative responsibility of Labor in delivering the training and work opportunities to this group of disadvantaged. Bureau staff will be significantly involved with these arrangements.

5. *Government-wide summer programs.*—The Human Resources Programs Division provides the focal point of Bureau participation on the President's Council on Youth Opportunities and provides liaison with the White House and the office of the Vice President in coordinating, developing, and financing agency programs to meet problems faced by disadvantaged youth particularly during the summer months. These months offer an opportunity for Federal and other public and private agencies to provide work and work-training, educational, cultural and recreational activities to the large numbers of youth released from school or otherwise unemployed. These programs may mitigate unrest but more importantly, if well planned and comprehensive, they offer stimulation and motivation for young people to self-advancement. Continuing attention will be given to the programs of OEO, HUD, HEW, Labor and the Youth Opportunity Campaign of the Civil Service Commission with a view to intensifying their emphasis on summer activities. Efforts will also be made to develop appropriate Federal support for private sector activities under the program headed by the Under Secretary of Commerce.

Some examples of program growth in other areas of responsibility and the resultant demands on Bureau resources are illustrated below:

1. Education: The table below shows the sharp growth in the Office of Education:

	1961	1965	Budget, 1969
Total new*obligational authority (billions).....	0.5	1.5	3.8
Employment.....	1,006	1,321	3,592

The Bureau is continuing to assist in the orderly implementation of new programs and the evaluation of their effectiveness in meeting recognized national problems. Programs in education which are directed to the disadvantaged must be coordinated with and complement similar efforts of the Office of Economic Opportunity and the Department of Labor in order to obtain the maximum benefit from Federal expenditures. Activities in support of higher education must necessarily be viewed in the context of not only national needs but also the impact of demands placed upon institutions and manpower by the economy generally and particularly by other Federal programs which support research and development both in the physical sciences and social sciences.

These activities require Bureau staff to participate extensively in interagency activities and in field visits to communities and to institutions. Maintaining a balance of Federal effort in this area is essential, and carefully analysis of information is required to determine the effect of Federal programs in education.

2. *Antipoverty programs.*—The creation of the Office of Economic Opportunity was in part a recognition of the need to concert existing Federal activities in the attack on poverty and to provide, especially through community action, the planning and the gap-filling programs to maximize Federal and local efforts. Over 1,000 communities, urban and rural, are now involved in these community action programs. In addition, there are rural housing loans, aid to migrant workers, and health and welfare activities.

The programs are new, some still experimental; all require a high degree of cooperative effort among the various levels of government as well as the many agencies of Government. As in the two previous items listed, Bureau staff will participate in program coordination and in the evaluation of program effectiveness. This requires adequate staff and substantial travel to communities to observe the adequacy of planning, program progress, and to anticipate the need for further coordination of effort.

3. *Federal health programs.*—Among the most rapidly expanding Federal activities are those in Federal medical and health-related programs. This expansion has been characterized not only by greatly increased expenditures but by significant changes in the health role of the Federal Government.

	1961	1965	Budget, 1969
Total expenditures (billions).....	0.9	1.9	10.6
Employment—Public Health Service only.....	28,900	36,760	51,450

The major involvement of the Federal Government in health programs has shifted from one of providing direct hospital and medical care to beneficiaries and administering traditional programs designed to contain public health problems to one of large-scale grant support for facilities, medical research, health manpower, and a large-scale attack on certain problems, such as air pollution.

A further change in the Federal role has been to assist in the organization, delivery, and financing of private health care as indicated by the \$7.8 billion included in the 1969 budget for outlays under medicare and medicaid. The impact of this increasingly complicated workload has been felt primarily in the Human Resources Programs Division, but has also had its effect upon other divisions and offices in the bureau responsible for legislation, budgeting, and organization.

a. *Health program analysis*

The new governmentwide planning-programing-budgeting system has been initiated in the Department of Health, Education, and Welfare, as in other agencies. Among other efforts, analytical studies of child health, kidney disease, and other disease-prevention or treatment programs have been completed. The impact on existing programs will be reviewed in light of the cost-effectiveness findings set forth in the program memorandum. In addition, Bureau staff is continuing to work with the Department to improve the health program structure and analytic tools to sharpen and facilitate decisionmaking for both the Secretary and the

executive office of the President. These undertakings involve indepth studies of the entire spectrum of present programs and shifting of examining staff to non-traditional budget review assignments.

b. Air pollution

Both the Congress and the President are giving increasing attention to the development of action programs to eliminate the health hazards and other effects of air pollution. Major legislation has been passed with authorizations to achieve this objective. A significant element of the President's program against air pollution has been to put the Federal house in order. Under Executive Order No. 11282, issued a year ago, all agencies must budget for air pollution control measures at new Federal installations, and prepare long-range programs for abatement of air pollution at existing installations. Review of these programs is assigned by the order to the Budget Bureau. In view of the stringency of the 1969 budget, the first-year components of the plan were reviewed from the point of view of including only projects which were essential to remedying a health hazard, abating a violation of a local ordinance, or were located in interstate areas in which Federal enforcement actions have been undertaken. Based on these criteria, \$21.6 million for 89 projects have been included in the budget.

c. Research on health services

The rapid increase in medical care prices, coupled with the expansion of the Federal programs for financing medical care for our Nation's citizens, necessitates increased research on the organization and delivery of health services. Bureau staff are working with the Department of Health, Education, and Welfare on consolidating and expanding its research programs in this field and encouraging joint efforts with the Veterans' Administration and Defense to make full utilization of Federal hospitals in the total research effort.

d. Health insurance

The Medicare program is bringing about significant Federal/State and Federal/private relationships. Following development of social security plans, the administration of both of these programs is continuing to require extensive staff time in regard to administrative arrangements within the Department of Health, Education, and Welfare, as well as relations with the States. In addition, staff competence must be developed to deal with financial and costing questions in the hospital and health insurance field, including the development of incentives which will encourage practices leading to a containment of the continuing increase in the cost of medical care.

4. Housing and community development programs: In the past few years, the Federal Government has exhibited an increasing concern in the problems of central city decay, uncontrolled urban growth, and housing for low and moderate income families. This concern has resulted in the creation of the Department of Housing and Urban Development and the institution of many new programs designed to overcome urban blight, encourage orderly planning for urban growth and to increase the supply of housing for low- and moderate-income families. The coordination of many different Government efforts affecting these problems, both inside and outside the new department, has required the close working relationship between staff of the Human Resources Programs Division and the new department.

PLANNED USE OF ADDITIONAL STAFF

The nine additional positions (six professional and three secretarial) being requested for 1969 over 1968 will be used to provide working staff for the application of new techniques being introduced into the Bureau to improve program and budget evaluation. Particular emphasis is being placed on resources planning and management information systemization. Of the nine additional positions, five will be assigned to the management information systems staff and four will be assigned to the resources planning staff.

The management information program should assist in making the Bureau a more responsive force in helping the President in central planning and review, whether it be in program and budget analysis, improvement of organization and management, review of legislation, or coordination of statistical activities.

The resources planning staff is extending the application of the planning-programming-budgeting system into the fields of longer-range resource allocation and interprogram priorities. The existing program evaluation staff is engaged in working with particular agencies on specific cost/effectiveness and other special studies and on program memorandums. The resources planning staff will concen-

trate on the aggregate longer-range picture and on applying PPBS techniques to interprogram and interagency analyses.

More specifically, the newly created resources planning staff in the Office of the Director, is charged with developing procedures and information to improve the allocation of resources among different programs and major categories of the budget. It is concentrating on two functions of the PPB system stressed by the President in August 1965:

Analysis of longer-range budgetary commitments.

Improvement in the basis for priority determinations.

Prior to the establishment of the PPB system, there was no solid basis for programing among the various agencies beyond the budget year. Under the 1967 PPB instructions, agencies are required to give out their program commitments for 5 years ahead. This new staff will gather and analyze their projections so the Budget Director and the President have a total picture of the budget in future years and will know the extent of mandatory or built-in commitments versus discretionary programs.

Inadequate explicit attention also has been given in the past to priorities among different programs and by categories of the budget. This staff is developing procedures to focus more attention on interprogram analysis. It will also gather comparative information on needs, program coverage, and rate of return to enable better appraisal of program goals and relative priorities in any add-ons to the budget under existing law or new legislation.

The second need to the development and operation of a management information system. The Bureau of the Budget, after exhaustive study and reinforced by the findings of our recent self-evaluation, has determined that it requires an information system, employing advanced technology, if it is to perform its functions economically and efficiently. Staff work for the President, including the presentation and analysis of program alternatives and program progress, requires the highest order of information acquisition, processing, and presentation. The budget process is the most important single vehicle for management decision-making in the executive branch; its preparation is becoming increasingly complex and time consuming.

The planning, programing, and budgeting integrated system means the analytical probing and careful evaluation of agency budget submissions in greater detail and with greater precision than was ever contemplated under the traditional functionally oriented pre-PPBS budget system. Not only is more information needed, but it must also be collected and assembled in many new configurations and crosscuts in order to achieve maximum benefits from the integrated PPBS.

Moreover, acceptance of the recommendations made by the President's Commission on Budget Concepts will mean that some the basic underpinnings of the system must be modified, thus placing an added burden on information systems design and development.

But the application of such a management information system extends far beyond budgeting or PPBS. For example, evaluating the hundreds of legislative proposals, including reports requested by the Congress, and following their course from introduction to enactment or rejection, can significantly profit by using modern information concepts and systems.

Specifically the management information system would be designed to meet such objectives as the following:

1. To automate data assembly and processing, to the maximum extent feasible and economical, at all stages of the budget process and to simplify and expedite preparation of the budget;
2. To relate legislation to the budget in terms of authorizations and appropriations and to systematize current reporting on the status of clearance and progress of legislation;
3. To have a current reporting system that will provide information on the status and progress of Federal programs, with the minimum number of sensitive and accurate indicators required to interpret trends for selected programs;
4. To provide, on the basis of current availability, the data required for planning, programing, and budgeting (PPB), and to provide capability in the system for expansion when additional information is available;
5. To have a comprehensive and consistent classification system so that data can be assembled meaningfully for identified current purposes and with sufficient flexibility so that they can meet probable new purposes in the future; and

6. To rely to the maximum extent possible upon access to data stored in information systems of other agencies in order to avoid duplication and to hold the size of the Executive Office systems to a minimum.

It is essential that a small, technically qualified staff be established in the Bureau of the Budget to plan, manage, and coordinate the design and development of the management information system.

FUNCTIONS AND ORGANIZATIONS

The Bureau has five general functions: (1) preparation and administration of the budget; (2) improvement of executive management; (3) improvement of budgeting, accounting, and other phases of financial management; (4) analysis and review of legislation; and (5) coordination and improvement of Federal statistics.

The current organization of the Bureau is shown in the attached chart. As a means of dealing with Government-wide problems and furnishing guidance and assistance in the five functional areas, the Bureau has four Offices: Budget Review, Executive Management, Legislative Reference, and Statistical Standards. In addition, the program evaluation and resources planning staffs in the Office of the Director provide leadership and support in the development of the Government-wide planning-programing-budgeting system. The nature of its functions makes it essential for the Bureau to maintain close working relationships with all agencies of the Federal Government. The normal channels in which these working relationships are maintained and through which much of the Bureau's workload is effected are provided by the six programs Divisions: Economics, Science, and Technology; General Government Management; Human Resources; International; National Security; and Natural Resources.

The present Bureau of the Budget organization results from the Bureau evaluation of 1967 which was formally promulgated in August 1967. Before reviewing the current organization and function of each Office and Division, it is advisable to consider the summary on the bureau evaluation of 1967 (p. 54). In this way, an understanding of the reasons for, and the objectives of, the 1967 evaluation and reorganization can be fully grasped.

THE BUREAU EVALUATION OF 1967, SUMMARY OF CONCEPTS AND OBJECTIVES

Why an evaluation

During calendar year 1967, the Director of the Bureau initiated an evaluation of the Bureau's organization and management. This evaluation was undertaken by the Bureau's top management, assisted by knowledgeable individuals from outside the Bureau.

The reasons for the evaluation at this particular time were—

To consider the effect on the Bureau of the passage of a substantial amount of new legislation which posed major program, funding, and management problems.

To evaluate the progress and problems confronting the Bureau in implementing the planning-programing-budgeting system initiated by the President in August 1965.

To bring the Bureau's internal operations and management more in line with the ever-increasing demands, both in volume and complexity, of the Presidency.

To resolve a number of specific internal staffing, operating, and organization problems that had been identified by top management, Bureau staff, and outside groups, such as CED over the recent past.

Basic concepts that emerged

Several overriding concepts emerged during the Bureau evaluation and condition, in a major way, the results of the evaluation, the implementing actions that have been taken and those underway. Principal among these concepts are:

The need to view the Bureau's effectiveness continually in terms of: (a) the demands being placed on the Presidency; (b) major changes taking place in Federal Government programs and operations; and (c) the more complex and evolving intergovernmental problems and relationships.

The increasing demands being placed on the Bureau's limited top management at the same time internal management problems are demanding increased attention.

The general need to bring the Bureau's internal administrative processes in such areas as personnel administration in line with these other changing demands cited above.

Principal areas covered by evaluation

The principal areas covered by the evaluation were:

The Bureau's basic roles and missions—with the conclusion that the Bureau's basic responsibilities were sound but needed to be performed more effectively—and that the Bureau should be most cautious in taking on new responsibilities in light of its limited resources.

The budgetary process, with the conclusion that major efforts were required to simplify the present processes and to integrate traditional and PPBS processes more effectively.

The Bureau's responsibilities for Government-wide organization and management, with the conclusion that major reorientation and restaffing was required.

Management information system and processes, with the conclusion that the Bureau was "behind the times" and that an extensive, long-term effort to modernize and automate the Bureau's management information system was required.

The Bureau's internal organization structure, with the major conclusion that some restructuring of the Bureau's Divisions was in order to improve internal coordination and integration of closely related programs short of the Director/Deputy Director.

The Bureau's personnel management processes, with the major conclusions that more attention must be given to personnel inventory, performance appraisal, and staff development processes.

DETAILED STATEMENT OF FUNCTIONS
OFFICES

Office of Budget Review (estimated position requirements: 1968—60, 1969—60)

This Office assists the Director in the exercise of his responsibilities for the Federal budget. Its activities include participation in the determination of appropriate levels of funding for the Government's various programs, preparation of the budget and supplemental estimates, and presentation of the budget to

congressional committees. It also coordinates the review of program and financial plans, the operation of the apportionment system, the use of financial reports, and the development of the structure, classifications and methods for budget control and review. It prepares fiscal and economic analyses and develops budget, tax, and credit policies. The Office has central responsibility for improvement of the Federal budget system, and coordinates the development of the planning-programing-budgeting system as an integral part of the budget process.

In the spring and summer of 1967, the respective divisions, under the guidance of this Office, worked with the Director in the in-depth analyses of the programs of all executive departments and 11 other large agencies, utilizing new categories worked out under the planning-programing-budgeting system. Longer range perspectives, usually 5 years, were examined. In the fall examination of the budget, the program reviews were brought into focus. They enabled the Director and the President to have more useful information on the possible consequences of various budget decisions. Considerable time was given to the analysis and determination of possible program cutbacks, deferrals, and reforms.

Economic and fiscal analyses are a vital part of the budget task. The Government sector is reviewed in the light of the total economic situation, at almost monthly interval, by this Office in cooperation with the Treasury Department, the Council of Economic Advisers, and frequently with staff of the Federal Reserve Board. The Office prepares projections and reviews, develops proposed economic assumptions and fiscal policies for budgetary use, assists in the clearance of tax legislation, reviews the estimates of receipts, and analyzes Federal receipts and expenditures on the basis of the national income accounts.

Monetary and credit analyses are also of major concern. The Gold Budget procedures for examining and limiting Federal expenditures (and increasing receipts) which affect the international balance of payments was continued, and curtailing actions were initiated with several agencies. These activities will be intensified in the light of the President's proposals in his balance-of-payments message. Assistance was given on the credit policy aspects of budgetary requests and legislative programs and on the implications of those recommendations of the President's Commission on Budget Concepts that related to credit, interest, and the Federal debt.

The Office develops techniques for analyzing resource requirements for use of Bureau of the Budget and agency staff; promotes the use of cost analysis throughout the executive branch; and performs cost analysis in selected areas as part of the year-round budgetary review process. The Office is a focal point for Bureau concern with user charges; performs a central review of various types of allowances and manpower use restraints; prepares reports and analyses on Federal employment; and monitors the execution of cost reduction policies.

The Office plans, schedules, controls, compiles, and edits the Budget, the Budget in Brief, the Special Analyses of the Budget, and supplemental estimates. Scorekeeping on the budget is kept up throughout the year.

Using automatic data processing systems, significant budget information has been compiled and is available in master data tapes for 4 completed fiscal years and 2 estimated years, and the data are made available for research in Federal finances.

Numerous financial analyses and special compilations are made. For example, during the past year, special work has been done on grants-in-aid, revenue-sharing, and advanced funding of education programs. Progress was made in studying the equalization effect of Federal grants, the determinants of State and local spending, and the validity of long-range budget projections. Research was conducted to improve NIA estimates and corporate and personal tax estimates.

Attention is given to the surveillance of the budget system and plans for its improvement. The major improvement effort this past year has been the implementation of most recommendations of the President's Commission on Budget Concepts. From March 1967 when the Commission was appointed to thoroughly review the budget and its presentation, Bureau staff was involved in editing, staff assistance, and table preparation for the Commission. When its recommendations were presented to the President on October 10 and subsequently accepted, the task of putting as many of them as possible into the 1969 budget was begun. Implementation of the Commission's major recommendations—a unified, comprehensive budget; separation of spending and lending activities; netting of proprietary receipts—added substantially to the already heavy budget season workload. Two further recommendations, use of accrued expenditure and receipt figures and identification of the subsidy element in Federal loans, will require additional study and preparation before they can be carried out. The

considerable work on agency financial systems that adoption of these recommendations implies is now underway, and the recommendations will be applied in the budget as soon as practicable.

Office of Executive Management (estimated position requirements: 1968—65, 1969—65)

Following the top-to-bottom review of the Bureau's structure and performance, one of the major elements of the August 1967 reorganization was the establishment of a new Office of Executive Management. It is responsible for some of the functions previously performed by the Office of Management and Organization and by the Office of Financial Management, both of which were abolished. The focus of the new Office is on the identification, appraisal, and solution of inter-agency and intergovernmental problems which can be solved by improved coordination, organization, or management of our increasingly complex and interrelated programs. A primary objective of the reorganization is to give the President and the Director improved resources for the formulation and coordination of programs and activities for improving the operation of the executive branch, with particular emphasis on interagency and intergovernmental (Federal-State-local) management problems.

The Office includes an operational coordination staff which provides leadership in identifying and initiating action to solve significant interagency and intergovernmental domestic field operating problems. It makes field evaluations of the responsiveness of Federal programs to varying State and local needs and of the efficiency and effectiveness of Federal programs that are cooperatively administered and financed. This staff establishes and maintains communication with State and local officials, Federal field office staffs, private institutions and individuals to obtain and analyze management information to be used in the continuing program and budget review activities of the executive branch.

The Government organization staff of the Office conducts studies and develops recommendations for the solution of Federal and intergovernmental organization and central coordination problems, including the organization of new or extensively revised Federal programs and the formal means of coordinating them with other existing programs. It does the staff work in connection with the creation of new departments and agencies and the reorganization, consolidation, and improved formal coordination of existing departments, agencies, programs, and functions. This staff is responsible for the development and evaluation of new and improved organization and coordination concepts affecting programs at headquarters and field levels.

The financial management staff promotes the development and use of effective financial management systems throughout the Government and develops financial policies and principles for uniform application on interagency, intergovernmental, and industry problems in various areas. It participates in the joint financial management improvement program which is conducted by the Bureau of the Budget, the General Accounting Office, and the Treasury Department in cooperation with the executive agencies. This staff develops cost principles for grants and contracts with educational institutions and State and local governments. It develops policies and requirements for acquiring commercial or industrial products and services for Government use and oversees implementation of those policies in the executive branch. It also reviews General Accounting Office audit reports on executive branch operations and coordinates efforts to insure appropriate executive branch action on audit findings.

The management systems staff is responsible for developing and improving the management techniques and systems for the administration of large multiagency Federal programs. It analyzes cross-agency and intergovernmental program decisionmaking and administrative processes and develops mechanisms to insure the effectiveness of relationships between Federal agencies and between the Federal agencies and participating units at State and local levels in carrying out these programs. The staff's initial efforts will focus on the management of urban, community, and social development programs.

Office of Legislative Reference (estimated position requirements: 1968—20, 1969—20)

This Office coordinates the review by the Bureau of agency legislative proposals, agency reports on pending legislation, and enrolled bills; participates in the development of the President's legislative program; informs congressional committees and the agencies of the relationship of proposed or pending legislation to the program of the President; makes recommendations to the President on

legislative proposals and enrolled bills; and maintains liaison with the Congress and the White House on legislation pending before substantive committees.

By requesting from each agency a proposed legislative program in connection with the annual budget submission, the Bureau makes it possible for the Director and the President to consider with the budget the financial and other relevant data for all Presidentially approved proposals.

At the President's direction, individual proposals for new legislation are sent by the agencies to the Bureau prior to submission to the Congress so that (1) they may be analyzed for their budgetary implications, (2) they may be referred to other interested agencies to prevent conflicting recommendations, and (3) their relationships to the President's general program may be determined. The Bureau undertakes to eliminate inconsistencies and conflicts between particular proposals by such means as interagency conferences or by referral to the White House staff or the President.

By similar delegation of authority from the President, the Bureau reviews and coordinates agency reports on pending legislation and furnishes advice on their relationship to the program of the President. This advice relates to the bills and in no way controls or prevents the expression of whatever views the agencies deem appropriate; the only requirement is that the agencies' reports include the advice received from the Bureau. When the time schedule of a congressional committee does not make this review possible, an agency is authorized to present its reports without prior submission to the Bureau.

Again at the direction of the President, enrolled bills are handled in a similar fashion. The Bureau supplies the President with the views of interested agencies, together with analyses of the bills and any draft documents that may be required.

During the 88th Congress, approximately 12,410 drafts of proposed legislation, congressional requests for Bureau views, and agency reports on pending legislation were received by the Bureau and 1,035 enrolled bills were presented to the President for his action. During the 89th Congress approximately 14,225 drafts of proposed legislation, congressional requests for Bureau views, and agency reports on pending legislation were received by the Bureau, and 1,297 enrolled bills were presented to the President for his action. In the first session of the 90th Congress, about 9,038 draft bills, congressional requests for Bureau views, and agency reports were received by the Bureau, and 457 enrolled bills were presented to the President.

Office of Statistical Standards (estimated position requirements: 1968—35, 1969—35)

This Office exercises the Bureau's functions with respect to coordination and improvement of the Government's statistical activities. It is the Office responsible, in a decentralized statistical system, for efforts to insure that the governmental resources devoted to statistical programs are wisely spent to achieve a balanced Federal program, that significant statistical gaps are filled or weaknesses remedied, and that the costs and the burdens upon the public imposed by statistical and reporting programs are kept to a minimum.

One important instrument in the continuing review by the Office of agency statistical and reporting programs is the Federal Reports Act of 1942. This act provides that every agency (with a few specified exemptions) must obtain the approval of the Bureau of the Budget for any questionnaire or other request for information to be sent to 10 or more respondents. The purposes of review by the Bureau of the Budget are to see if the information is needed, to prevent unnecessary duplication, to reduce costs and reporting burdens, and to improve the quality and general usefulness of the information obtained. The number of review actions required under the Federal Reports Act is at present about 2,600 a year.

Attention is being focused on the need to eliminate unnecessary paperwork burdens imposed by Government reports and to adapt approved data requests to the kind of records kept by business so as to insure accurate and responsive replies at a minimum cost. Particular emphasis is given to the burden on industry resulting from agency requests for data. Special attention is given to minimizing the reporting burden for small businesses. The President has emphasized the need for a continuing review of all current reporting requirements in order to minimize costs to the Government and the public. The House Committee on the Post Office and Civil Service which in 1965 issued a comprehensive report, based on public hearings, on the paperwork burden imposed by Government on the general public followed up with public hearings in April and May 1966. The com-

mittee's findings call for continuation of an accelerated effort to reduce the reporting burden. Intensive effort directed to the review of both newly proposed and existing data requests is necessary to carry out effectively the executive and congressional emphasis given to this problem. The Bureau's advisory council on Federal reports, an advisory group representing leading business organizations, has also called on the Bureau to intensify its efforts to reduce the reporting burden.

The Office has spearheaded efforts to develop a plan for the improved use (through more efficient storage and retrieval) of data already collected and available within the Federal Government. This plan for the more effective use of data through improvements made possible by a national data center will be further developed in 1968 and 1969.

This Office works closely with the principal statistical agencies to achieve a better integrated Federal statistical program and to meet recognized needs for improvements in basic statistical series. Primary emphasis is currently being placed on strengthening the statistical series on which Government, business, and labor rely in appraising economic and social trends. This work includes improvement and expansion of the estimates of national income and gross national product; improvement of crop and livestock estimates, construction estimates, manufacturing and trade statistics, and manpower statistics; expansion and improvement of price statistics; and improvements in social statistics covering such areas as health, education and vital statistics, and dependency and delinquency statistics. The Office cooperates closely with the staffs of the Council of Economic Advisers and the Joint Economic Committee, in recognition of the special needs of these two bodies for adequate data as a basis for evaluating economic trends.

DIVISIONS

Each of the six divisions deals with a broad segment of the Government's activities, bringing the Bureau's budgetary, legislative review, and management responsibilities to bear upon the agencies that fall within that segment. The divisions review agency programs and budget requests; develop recommendations on the budget; help to control and review the execution of the budget; analyze proposed legislation and Executive orders; assist the agencies in the improvement of management and organization; work on special projects, generally in cooperation with one of the offices; and propose improvements in the coordination of agency programs.

The Divisions are so staffed that each represents a balanced unit in specializations and knowledge, to do an effective job in terms of the tasks assigned. Thus the Divisions consist of specialists, not only in the field of budgetary analysis, but also in many other fields. Division staff, moreover, must know about the plans, programs, and problems of the agencies included in the Division's jurisdiction, and about their operating record as well. In this way, the Divisions serve as the Bureau's chief repository of specialized knowledge with respect to each of the agencies of the Government. Such detailed knowledge is constantly being used, not only for budgetary purposes, but also for strengthening the administrative performance of the executive branch and in the study of legislative proposals.

The six Divisions and the agencies with which they deal are as follows:

(a) *Economics, science, and technology programs division (estimated position requirements: 1968, 33; 1969, 33)*

The Economics, Science, and Technology Programs Division has three primary substantive areas of activity: research and development; transportation, including the related regulatory agencies; and economic development programs of Department of Commerce, the Regional Commissions, Small Business Administration, and the related business regulatory agencies.

The Division is responsible for reviewing and analyzing budgets, programs, legislation, and management problems for six major departments and agencies: Department of Commerce, Department of Transportation, Atomic Energy Commission, National Aeronautics and Space Administration, National Science Foundation, and Small Business Administration; six regulatory agencies: Civil Aeronautics Board, Federal Communications Commission, Federal Maritime Commission, Federal Trade Commission, Interstate Commerce Commission, Securities and Exchange Commission; six regional development and planning commissions; and 11 independent agencies, including the Smithsonian Institution, Office of Emergency Planning, Renegotiation Board, and others.

Significant workload items confronting the Division during fiscal year 1968-69 include:

Establishment of the new Department of Transportation, including major questions of organization, staffing, development of internal budgets and budgetary processes, including PPBS studies and program structures.

Work with the Council and Commission on Marine Sciences, including a multiplicity of program, budgetary, organizational, and intraagency issues.

Policy, program, and budgetary balance problems related to university science. These problems have involved extensive work with the Office of Science and Technology, National Science Foundation, and the mission-oriented agencies such as the Department of Defense, National Aeronautics and Space Administration, and Atomic Energy Commission.

Regional development and planning problems, both of a budgetary and management nature. Extensive effort of an interagency nature involving the Regional Development Commissions, Commerce Department, and the Small Business Administration have been required and will be required in the months ahead.

Export promotion and foreign investment problems related to the U.S. balance of payments. This work has been, and will be, primarily with the Department of Commerce.

Examples of new legislation passed during the first session of the 90th Congress affecting the Division workload include: Appalachia (Public Law 90-103); Federal Committees for development planning in Alaska (Public Law 90-69); Small Business Act Amendments of 1967 (Public Law 90-104); Flammable Fabrics (Public Law 90-189); Coast Guard Authorization (Public Law 90-37); Ship Mortgages (Reorganization Plan No. 1); Transportation (Public Law 90-112); MARAD Authorization (Public Law 90-81); Deposition Proceedings before Federal Maritime Commission (Public Law 90-177); and Transfer of Highway Safety Committee (Public Law 90-150).

(b) *General Government Management Division* (estimated position requirements: 1968, 45; 1969, 45)

This Division is responsible for the review and examination of budget requests, programs, management, and operations, and legislative proposals of three Departments, Treasury, Post Office, and Justice; the General Services Administration; and some 20 independent agencies and presidential staff offices. It is responsible for the review of Federal interest in the programs and activities of the District of Columbia government. The Division also gives attention to broader functional fields including civil rights, law enforcement and the administration of justice, internal security, and the construction of public buildings. Specialized staff provide assistance and guidance to all Government agencies in management of automatic data processing, personnel, and property and supply functions.

(c) *Human Resources Programs Division* (estimated position requirements: 1968, 57; 1969, 57)

This Division is responsible for examination of budget requests, programs, operating methods, and legislative proposals of the Departments of Health, Education, and Welfare; Labor; and Housing and Urban Development; Office of Economic Opportunity; and the Veterans' Administration. In addition, the programs of numerous smaller agencies with related functions are also the responsibility of the Division.

The programs and agencies reviewed by this Division have seen rapid expansion in recent years. Existing Federal manpower, education, medical research, health protection and service programs, urban development, and welfare activities have grown rapidly and many new programs in these areas have been initiated. The 89th Congress and the first session of the 90th Congress enacted legislation of unprecedented volume and scope affecting the health, education, and social and economic welfare of the American people. The Department of Health, Education, and Welfare alone now has responsibility for more than 150 different programs.

The 89th Congress produced 21 new health programs, 17 new education programs, 15 new economic development programs, 12 new programs to meet the problems of cities, and four new manpower programs. All these involve the Division in one way or another.

In the field of housing and urban development, major legislative changes in the 89th and 90th Congresses included the authorization of the rent supplement program; the expansion of the low-rest public housing program into the use of private accommodations; the provision of the Federal Housing Administration

mortgage insurance for land development; new community development, and group practice medical facilities; the extension of the urban renewal program into code enforcement; the initiation of new programs for grants for basic water and sewers, neighborhood facilities, and advance acquisition of land; the expansion of open-space land programs into the creation of parks on developed land and urban beautification programs; a significant expansion of the authority of the Federal National Mortgage Association to sell participations in pools of loans of several Government agencies; the authorization of the model cities program; the new program of grants to assist in planning metropolitan development; the addition of authority under various programs to provide grants for historic preservation; the authorization of grants to States for urban information and technical assistance services; and the provision of authority for an expanded research and development program into the problems of housing and urban development.

(d) *International Programs Division* (estimated position requirements: 1968, 35; 1969, 35)

This Division is responsible for review and examination of budget requests, programs, operating methods, and management, and legislative proposals of the Department of State, including the Peace Corps and Agency for International Development, as well as the military assistance program, Export-Import Bank, Tariff Commission, Foreign Claims Settlement Commission, U.S. Information Agency, U.S. Arms Control and Disarmament Agency, Central Intelligence Agency, Defense Intelligence Agency, National Security Agency, and other related agencies. The Division is also responsible for review of budgetary proposals for U.S. contributions to the United Nations and its specialized agencies, and to multilateral financial institutions. It also advises on the proposed uses of foreign currencies, especially those accruing under Public Law 480.

On a continuing basis, the Division gives attention to policies, programs, operations, and budgetary issues in regard to matters of national security, including intelligence, information, and foreign military and economic aid activities; U.S. participation in international agencies, including the United Nations and its specialized agencies; the international aspects of the food-for-peace program; U.S. governmental transactions entering into the balance of payments; international trade and economics; and U.S. procurement abroad. The Division participates in the analysis of such matters with the National Security Council, the National Advisory Council on International Monetary and Financial Problems, and other interagency bodies to advise on important budgetary and managerial implications.

During 1968 the Division is giving particular attention to the programing systems of the foreign affairs agencies as part of the Government-wide development of integrated planning, programing, and budgeting systems and to first steps toward the development and test of an overall foreign affairs programing system to strengthen the Secretary of States' coordination of the \$5 billion devoted to foreign affairs. The Division is also giving major attention to: country reviews of U.S. assistance activities, emphasizing improved coordination of food and economic aid; balance of payments and procurement policies, including review of U. S. personnel overseas; improvement in programing and requirements determination for intelligence activities involving several agencies; and increased use of multilateral organizations and consultations in economic assistance.

During 1969 the Division will continue to emphasize these activities, with increasing attention given to overall foreign affairs programing; the programing of food aid; and refinement of agency programing systems to better serve top-level decisionmakers. In addition, we will undertake a more systematic review of the effectiveness of our current economic and military assistance programs and an in-depth analysis of intelligence requirements.

(e) *National Security Programs Division* (estimated position requirements: 1968—47, 1969—47)

This Division is responsible for examination of budget requests, programs, operating methods, and legislative proposals of the Department of Defense, including the Office of the Secretary, Defense Agencies such as the Defense Supply Agency and the Defense Communications Agency, and the Departments of the Army, Navy, and Air Force.

The Division also reviews long-range programs for these agencies, participates in the development of a long-range programing process, and prepares fiscal

projections based on these programs. The Division also conducts special studies and surveys relating to specific problem areas of the client agencies, with particular attention to areas of common interest among them, with a view toward improvements in coordination, program effectiveness, economy of operation, and utilization of resources.

To cope successfully with the workload of the Division, staff members are assigned, to parallel the management structure of the agencies. For example, this requires assignments to 48 major appropriation accounts, 10 programs and four military services.

(f) *Natural Resources Programs Division (estimated position requirements: 1968—48, 1969—48)*

This Division is responsible for examination of budget requests, programs, operating methods, and legislative proposals of the Department of Agriculture, the Department of the Interior, the civil functions of the Corps of Engineers, the Federal Power Commission, the Tennessee Valley Authority, and other related agencies. The Division also undertakes a financial review of public works project reports in the water resources area, submitted by the Federal agencies prior to the transmittal of these reports to the Congress for authorization. The Division further gives attention to the planning and analysis of special problems affecting electric energy, minerals, and other natural resources.

AGENCY AND PROGRAM RESPONSIBILITIES ASSIGNED TO:
ECONOMICS, SCIENCE, AND TECHNOLOGY PROGRAMS DIVISION

Administrative Conference of the United States.
Appalachia Regional Commission.
Atomic Energy Commission.
Civil Aeronautics Board.
Commerce Department.
Communications Satellite Corporation.
Coastal Plains Regional Commission.
Commission on Marine Science, Engineering, and Resources.
Executive Office of the President:
 Council of Economic Advisers.
 Office of Science and Technology.
 Office of Emergency Planning.
Federal Communications Commission.
Federal Field Committee for Development Planning in Alaska.
Federal Maritime Commission.
Federal Trade Commission.
Four Corners Regional Commission.
Interstate Commerce Commission.
National Council on Marine Resources and Engineering Development.
National Aeronautics and Space Council.
National Aeronautics and Space Administration.
National Science Foundation.
New England Regional Commission.
Office of Coordinator for Meteorology.
Office of Telecommunications Management (OEP).
Ozarks Regional Commission.
Renegotiation Board.
Securities and Exchange Commission.
Small Business Administration.
Smithsonian Institution.
Southeast Hurricane Disaster (FAP).
Transportation Department.
Upper Great Lakes Regional Commission.
Antarctic program.
General scientific and basic research programs.

GENERAL GOVERNMENT MANAGEMENT DIVISION

Civil Rights, Commission on
Civil Service Commission.
Defense Production Act.
District of Columbia.

Executive Office of the President :

Bureau of the Budget.
 White House.
 Federal Deposit Insurance Corporation.
 Fine Arts, Commission of
 General Accounting Office.
 General Services Administration.
 Interagency Committee on Mexican-American Affairs.
 Judiciary, The
 Justice Department.
 Legislative Branch.
 National Capital Housing Authority.
 National Capital Planning Commission.
 Obscenity and Pornography, Commission on
 Oliver Wendell Holmes Devise Fund, Permanent Committee for the
 Parcel Distribution, Advisory Commission on
 Political Activity of Government Personnel, Commission on
 Post Office Department.
 Potomac River Basin, Interstate Commission on the
 Reform of Federal Criminal Laws, National Commission on
 Select Commission on Western Hemisphere Immigration.
 Subversive Activities Control Board.
 Tax Court of the United States.
 Treasury Department.
 United States-Mexico Commission on Border Development and Friendship.
 Washington Metropolitan Area Transit Authority.
 Automatic data processing management.
 Personnel management.
 Property and supply management.
 Public buildings construction.

HUMAN RESOURCES PROGRAMS DIVISION

Advisory Commission on Intergovernmental Relations.
 Consumer Interest, Presidents Committee on
 Corregidor-Bataan Memorial Commission.
 Economic Opportunity, Office of Employment of the Handicapped, President's
 Committee on
 Equal Employment Opportunity Commission.
 Equal Opportunity, Council on.
 Federal Home Loan Bank Board.
 Federal Mediation and Conciliation Service.
 Federal Radiation Council.
 Health, Education, and Welfare Department.
 Housing and Urban Development Department.
 Labor Department.
 Labor-Management Policy, President's Advisory Committee on Manpower.
 President's Committee on Missile Sites Labor Commission.
 National Commission on Product Safety.
 National Foundation on the Arts and Humanities.
 National Labor Relations Board.
 National Mediation Board.
 National Railroad Adjustment Board.
 Railroad Retirement Board.
 Selective Service System.
 Veterans' Administration.
 Youth Opportunity, President's Council on Consumer protection.
 Environmental health.
 Hospital affairs.
 Poverty programs.

INTERNATIONAL PROGRAMS DIVISION

Agency for International Development.
 Arms Control and Disarmament Agency.
 Export-Import Bank.
 Foreign Claims Settlement Commission.
 Peace Corps.

Special Representative for Trade Negotiations, Office of
 State Department.
 Tariff Commission.
 U.S. Information Agency.
 Intelligence Community:
 Central Intelligence Agency
 Defense Department
 State Department
 Food aid (Public Law 480).
 International organizations, including international financial institutions.
 International trade and finance.
 Military assistance program.

NATIONAL SECURITY PROGRAMS DIVISION

American Battle Monuments Commission.
 Department of Defense.
 Military Functions—All.
 Civil functions:
 Cemeterial Expenses
 Ryukyu Islands
 Wildlife Conservation
 Soldiers' Home, U.S.
 National Security Council.

NATURAL RESOURCES PROGRAMS DIVISION

Agriculture Department.
 Atlantic-Pacific Interoceanic Canal Study Commission.
 Canal Zone Government.
 Corps of Engineers (civil functions).
 Delaware River Basin Commission.
 Farm Credit Administration.
 Federal Coal Mine Safety Board of Review.
 Federal Power Commission.
 Indian Claims Commission.
 Interior Department.
 International Boundary and Water Commission.
 Panama Canal Company.
 Passamaquoddy Tidal Power Survey.
 Public Land Law Review Commission.
 Rural Poverty, National Advisory Commission on
 Tennessee Valley Authority.
 United States-Puerto Rico Commission on Status of Puerto Rico.
 Virgin Islands Corporation.
 Water Resources Council.
 Historical and memorial commissions.
 Interstate compact commissions on water.
 Natural resources.
 Water resources.

OFFICE OF THE DIRECTOR

(Estimated position requirements: 1968—101; 1969—110)

Leadership, direction, and coordination of the work of the Bureau of the Budget are provided by the Director, assisted by the Deputy Director, three Assistant Directors, a Special Assistant to the Director, and the Assistants to the Director.

The Office of the Director includes the Office of the General Counsel. This office provides legal advice to the Director, his immediate associates, and other parts of the Bureau. It further performs the same kind of clearance function with respect to proposed Executive orders and proclamations that is performed by the Office of Legislative Reference with respect to legislation. Under instruction by the President, Executive orders and proclamations are submitted to him through the Bureau for coordination within the executive branch.

Also located in the Director's Office, under the guidance of an Assistant Director, are two small staffs concerned with improving the analytic basis for program decisions. The program evaluation staff provides executive branch policy and technical leadership and direction for the planning-programing-

budgeting system. The resources planning staff will guide the development and maintenance of a 5-year projection of the cost implications of past decisions and the development of a summary presentation of the costs and benefits for groups of proposed programs to assist decisionmakers in the establishment of priority determinations.

A small management information systems staff is also being established. The objective is to develop a current reporting system that will provide information on the status and progress of Federal programs, with the minimum number of sensitive and accurate indicators required to interpret trends for selected programs.

In addition, the common management and service activities required for the effective operation of the Bureau of the Budget are centered in the Office of the Director. These activities, under the general direction of the special assistant to the Director, consist of support operations for the Bureau's top management and the conduct of general administrative services.

The principal internal management functions are personnel administration and position management, budget planning and control, personnel and documentary security, clearance of Bureau issuances, and analysis of particular operations in the Bureau to assure efficiency and economy in the performance of the Bureau's work. The general administrative services furnished centrally include payroll and fiscal services; the provision of office equipment, supplies, duplicating, and graphics services; the maintenance of messenger and mail services; the distribution of reports and other materials needed by the offices and divisions, as work copies; the administration of the Bureau's records; and the management of the Bureau's specialized library as a reference source in the professional work of the Bureau's staff.

The personnel of the Office of the Director breaks down into functional units as follows:

Immediate Office of the Director

Director
Deputy Director
Assistant Directors
Special Assistant to the Director
General Counsel
Assistants to the Director

Program evaluation staff

Resources planning staff

Management information systems staff

Office of the Special Assistant

Budget and management
Fiscal services
Personnel
Security
Administrative services
Services
Duplicating
Graphics
Records
Library

OBLIGATIONS BY OBJECTS (INCLUDING REIMBURSEMENTS)

	Summary of funds available	1968 estimate	1969 estimate	Increase
11 Personnel compensation.....		\$7,742,400	\$8,420,700	\$678,300
12 Personnel benefits.....		557,600	606,500	48,900
21 Travel and transportation of persons.....		193,000	262,000	69,000
Payments to GSA motor pool.....		6,000	7,000	1,000
22 Transportation of things.....		7,000	9,000	2,000
23 Rent, communications, and utilities.....		230,000	268,000	38,000
24 Printing and reproduction.....		326,000	346,000	20,000
25 Other services.....		193,000	241,000	48,000
26 Supplies and materials.....		63,000	82,000	19,000
31 Equipment.....		77,000	87,800	10,800
Total obligations.....		9,395,000	10,330,000	935,000
Deduct estimated reimbursements.....		-20,000	-20,000	
Total appropriated funds required.....		9,375,000	10,310,000	935,000

Personnel compensation (11), \$8,420,700

Together with estimated reimbursements, the funds requested by the Bureau for fiscal year 1969 will be sufficient to support 555 permanent positions which includes nine new positions requested for 1969. Man-years of employment are estimated at 542 for 1969 and 509 for 1968. Details on personnel assignments are set forth in attachments B through M.

Personnel benefits (12), \$606,500

This estimate is for the Bureau's agency contributions to the Civil Service Retirement System, the social security program, the Federal group life insurance program, and the Federal employees health benefits program.

Travel and transportation of persons (21), \$262,000

This estimate is to provide travel funds for the study of executive branch activities outside Washington by budget and management examiners responsible for review of agency budget proposals, operations, and management procedures.

Payments to GSA motor pool, \$7,000.—This estimate is for the cost of automobiles furnished from the General Services Administration interagency motor pool.

Transportation of things (22), \$9,000

This estimate covers cost of shipments of supplies and materials and costs of moving household goods as provided by law. The estimate includes the transportation of household goods for employees on extended training.

Rent, communications, and utilities (23), \$268,000

This estimate includes reimbursement to the General Services Administration for the Bureau's share of the cost of operating the new Executive Office joint telephone switchboard, including salaries of telephone operators, for use of telephone equipment and for local telephone service.

Printing and reproduction (24), \$346,000

This estimate covers work done for the Bureau by the Government Printing Office, principally the printing of the budget document and related materials, printing forms and binding, and other printing and duplicating work which cannot be handled by the Bureau's small duplicating unit.

Other services (25), \$241,000

This estimate includes charges for personnel security investigations conducted by the Civil Service Commission, automatic data processing tabulations performed by other Government agencies particularly on the expanded Government-wide budget formulation program, the planning-programing-budgeting system, the clearance of statistical forms and reports, and payroll preparation for the Bureau; reimbursements to the General Services Administration for furnishing miscellaneous services; reimbursements to the Public Health Service for the Bureau's share of maintaining an expanded employee health program for employees of the Executive Office Building; repairs to equipment and payments to the Department of Labor.

Supplies and materials (26), \$82,000

This estimate is for the purchase of office supplies for the Bureau, and additional work materials such as legislative bills, reports, enacted legislation, and periodicals.

Equipment (31), \$87,800

This estimate covers purchase of office equipment, including adding machines, calculators, and typewriters, and books for the library. Included in the estimate is an amount to cover basic furniture costs of new positions.

BUREAU OF THE BUDGET
SUMMARY OF PERSONNEL COMPENSATION BY OFFICE AND DIVISION

	1967		1968		1969		Increase or Decrease 1969 over 1968	
	Total number	Total salary	Total number	Total salary	Total number	Total salary	Number	Salary
Budget Review.....	60.0	\$769,671	60.0	\$865,878	60.0	\$867,399	---	\$1,521
Executive Management.....	45.0	694,645	65.0	1,068,125	65.0	1,075,925	---	7,800
Legislative Reference.....	20.0	255,701	20.0	274,510	20.0	277,539	---	3,029
Statistical Standards.....	36.0	492,288	35.0	536,475	35.0	540,894	---	4,419
Economics, Science, and Technology Programs.....	32.0	438,612	33.0	476,135	33.0	485,976	---	9,841
General Government Management.....	45.0	678,307	45.0	706,264	45.0	713,650	---	7,386
Human Resources Programs.....	53.0	716,008	57.0	834,175	57.0	840,842	---	6,667
International Programs.....	36.0	494,045	35.0	507,545	35.0	513,966	---	6,421
National Security Programs.....	47.0	608,537	47.0	680,892	47.0	689,447	---	8,555
Natural Resources Programs.....	47.0	618,077	48.0	655,440	48.0	666,098	---	10,658
Office of the Director.....	104.0	1,135,907	101.0	1,195,488	110.0	1,316,573	9.0	121,085
Total permanent.....	525.0	6,901,798	546.0	7,800,927	555.0	7,988,309	9.0	187,382
Pay above the stated annual rate.....	---	25,445	---	---	---	31,000	---	31,000
Deduct lapses.....	-30.3	-285,036	-37.0	-530,569	-13.0	-202,589	24.0	327,980
Net savings due to lower pay scales for part of the year.....	---	-720	---	-103,958	---	---	---	103,958
Net permanent (average number, net salary).....	494.7	6,641,487	509.0	7,166,400	542.0	7,816,720	33.0	650,320
Positions other than permanent:								
Temporary employment.....	---	270,619	---	271,000	---	250,000	---	-21,000
Part-time employment.....	---	76,125	---	89,000	---	83,000	---	-6,000
Intermittent employment.....	---	130,324	---	110,000	---	145,000	---	35,000
Special personal service payments: Payments to other agencies for reimbursable details.....	---	21,889	---	35,000	---	37,000	---	2,000
Other personnel compensation: Overtime and holiday pay.....	---	68,764	---	70,950	---	88,950	---	18,000
Nightwork differential.....	---	85	---	50	---	50	---	---
Total, personnel compensation.....	---	7,209,293	---	7,742,400	---	8,420,720	---	678,320

BUDGET REVIEW

Grade	1967		1968		1969		Increase or decrease, 1969 over 1968
	Total number	Total salary	Total number	Total salary	Total number	Total salary	
Assistant Director for Budget Review	1.0	\$25,880	1.0	\$27,055	1.0	\$27,055	
Deputy Director for Office	2.0	50,840	1.0	26,960	1.0	26,960	
Director, cost analysis and reduction staff	1.0	23,425	1.0	26,167	1.0	26,960	
Chief, budget methods	1.0	23,425	1.0	25,176	1.0	25,176	
Special adviser on budgetary development	1.0	21,415	1.0	23,079	1.0	23,079	
Chief, budget preparation	1.0	20,745	1.0	22,380	1.0	23,079	
Assistant Chief, fiscal analysis	1.0	24,095	1.0	25,176	1.0	25,176	
Director for office staff	9.0	171,911	10.0	190,365	10.0	193,233	
Assistant Chief, monetary and credit analysis	6.0	67,435	8.0	136,232	8.0	133,736	
Director for office staff	4.0	57,836	8.0	111,656	8.0	104,356	
Assistant Chief, fiscal analysis	8.0	86,932	7.0	84,423	7.0	83,957	
Director for office staff	1.0	8,536	2.0	19,314	2.0	19,958	
Assistant Chief, fiscal analysis	10.0	79,300	10.0	87,444	10.0	89,958	
Director for office staff	3.0	23,789	3.0	25,450	4.0	33,231	
Assistant Chief, monetary and credit analysis	7.0	43,739	6.0	43,450	6.0	43,596	
Director for office staff	4.0	36,052	6.0	43,579	6.0	45,234	
Assistant Chief, monetary and credit analysis	1.0	3,683	4.0	26,393	4.0	27,008	
Director for office staff	1.0	6,123	1.0	6,123	1.0	6,123	
Total permanent	60.0	769,671	60.0	865,878	60.0	867,399	\$1,521
Pay above the stated annual rate		2,660		2,660		3,336	3,336
Lapses							55,900
Net savings due to lower pay scales for part of the year	-4.8	-78,102	-5.0	-71,700	-1.0	-13,800	11,543
Net permanent (average number, net salary)	55.2	694,147	55.0	782,635	59.0	854,935	72,300
Positions other than permanent:							
Temporary employment		24,575		20,000		17,000	-3,000
Part-time employment		15,203		17,000		16,000	-1,000
Intermittent employment		108		3,000		4,000	1,000
Special personal service payments: Payments to other agencies for reimbursable details		2,678		2,000		2,000	
Other personnel compensation:							
Overtime and holiday pay		1,793		3,500		4,500	1,000
Nightwork differential		31					
Total personnel compensation		738,555		828,135		898,435	70,300

LEGISLATIVE REFERENCE

	1967		1968		1969		Increase or decrease, 1969 over 1968
	Total number	Total salary	Total number	Total salary	Total number	Total salary	
Assistant director for Legislative Reference.....	1.0	\$25,890	1.0	\$27,055	1.0	\$27,055	
Deputy Director, Office of Legislative Reference.....	1.0	23,520	1.0	25,374	1.0	26,167	
Assistant office chief.....	2.0	44,170					
Director for office staff.....			2.0	47,556	2.0	47,556	
GS-18.....	1.0	21,799	1.0	23,308	1.0	23,308	
GS-17.....	3.0	38,619	3.0	41,871	3.0	41,871	
GS-16.....	2.0	21,854	2.0	23,686	2.0	24,450	
GS-15.....	1.0	10,796	1.0	11,267	1.0	11,589	
GS-14.....	1.0	9,523	2.0	18,260	2.0	18,529	
GS-13.....	2.0	16,486	2.0	17,720	2.0	17,720	
GS-12.....	3.0	21,483	3.0	15,943	2.0	16,168	
GS-11.....	3.0	21,561	3.0	22,716	3.0	23,126	
Total permanent.....	20.0	255,701	20.0	274,510	20.0	277,539	\$3,029
Pay above the stated annual rate.....		1,995		1,067		1,067	1,067
Lapses.....	-9	3,114	-0	-340	0	-3,000	-2,660
Net savings due to lower pay scales for part of the year.....		-28		-646			646
Net permanent (average number, net salary).....	19.1	259,782	20.0	273,524	20.0	275,606	2,082
Positions other than permanent:							
Temporary employment.....		5,690		4,500		4,500	
Part-time employment.....							
Intermittent employment.....							
Special personal service payments: Payments to other agencies for reimbursable details.....		3,474		3,000		4,000	1,000
Other personnel compensation:							
Overtime and holiday pay.....							
Nightwork differential.....							
Total personnel compensation.....		268,946		281,024		284,106	3,082

STATISTICAL STANDARDS

Assistant Director for Statistical Standards.....	1.0	\$25,890	1.0	\$27,055
Deputy Director, Office of Statistical Standards.....	1.0	55,800	1.0	26,960
Assistant office chief.....	4.0	59,680		
Assistant director for office staff.....				
GS-18.....	6.0	118,654	4.0	96,510
GS-17.....	5.0	95,990	7.0	145,379
GS-16.....	1.0	10,927	6.0	105,966
GS-15.....	1.0	11,461	1.0	11,843
GS-14.....	2.0	18,442	2.0	20,602
GS-13.....	4.0	32,350	2.0	18,250
GS-12.....	2.0	16,016	3.0	24,366
GS-11.....	2.0	46,374	6.0	49,629
GS-10.....	2.0	13,120	2.0	14,324
GS-9.....	1.0	4,776		
GS-8.....	1.0	4,269		
GS-7.....				
GS-6.....				
GS-5.....				
GS-4.....				
GS-3.....				
Total permanent.....	36.0	492,288	35.0	540,894
Pay above the stated annual rate.....		0,000		2,080
Lapses.....	-2.2	9,299		1,380
Net savings due to lower pay scale for part of the year.....		-33		-14,300
				7,081
Net permanent (average number, net salary).....	33.8	503,462	33.0	528,674
Positions other than permanent:				
Temporary employment.....		11,578		13,000
Part-time employment.....		6,841		10,000
Intermittent employment.....		6,496		7,000
Special personal service payments: Payments to other agencies for reimbursable details.....				4,000
Other personnel compensation:				
Overtime and holiday pay.....		1,087		2,220
Nightwork differential.....				
Total personnel compensation.....		529,464		564,894
				29,960

ECONOMICS, SCIENCE, AND TECHNOLOGY PROGRAMS

	1967		1968		1969		Increase or decrease, 1969 over 1968
	Total number	Total salary	Total number	Total salary	Total number	Total salary	
Chief of Division.....	1.0	\$25,890	1.0	\$27,055	1.0	\$27,055	
Director for Division.....							
Assistant Division Chief.....	5.0	109,755	5.0	116,890	5.0	118,890	
Assistant Director for Division.....							
GS-18.....	6.0	110,196	4.0	79,746	4.0	80,359	
GS-16.....	1.0	16,152	3.0	49,635	3.0	50,961	
GS-15.....	2.0	66,157	6.0	85,092	6.0	87,792	
GS-14.....	2.0	21,854	2.0	24,067	2.0	24,832	
GS-13.....	1.0	9,221	1.0	9,979	1.0	10,301	
GS-12.....	4.0	32,872	3.0	26,852	3.0	27,390	
GS-11.....	3.0	23,400	5.0	39,520	5.0	39,745	
GS-9.....	2.0	14,110	1.0	7,162	1.0	7,367	
GS-7.....	1.0	4,776	1.0	5,937	1.0	6,123	
GS-6.....	1.0	4,269	1.0	4,995	1.0	5,161	
GS-4.....							
GS-3.....							
Total permanent.....	32.0	438,612	33.0	476,135	33.0	485,976	\$9,841
Pay above the stated annual rate.....		1,577		1,000		1,869	1,869
Lapses.....	-4.9	-53,645	-3.0	-43,020	-1.0	-15,840	27,180
Net savings due to lower pay scales for part of the year.....		-40		-6,420		-6,420	6,420
Net permanent (average number, net salary).....	27.1	386,504	30.0	426,695	32.0	472,005	45,310
Positions other than permanent:							
Temporary employment.....		7,206		10,000		10,000	
Part-time employment.....		4,359		1,000		1,000	
Intermittent employment.....		5,178		3,000		4,000	1,000
Special personal service payments: Payments to other agencies for reimbursable details.....							
Other personnel compensation:							
Overtime and holiday pay.....		1,809		2,220		3,220	1,000
Nightwork differential.....							
Total personnel compensation.....		405,056		442,915		490,225	47,310

GENERAL GOVERNMENT MANAGEMENT

Director for Division.....	GS-18			1.0	\$27,055	1.0	\$27,055
Deputy Division Chief.....	GS-17	2.0	\$50,080				
Deputy Office Chief.....	GS-17	1.0	25,800				
Deputy Director for Division.....	GS-17	2.0	41,490	2.0	53,127	2.0	53,920
Assistant Division Chief.....	GS-16	2.0	43,500				
Assistant Director for Division.....	GS-16			4.0	93,714	4.0	90,219
	GS-15	16.0	308,115	13.0	288,676	13.0	272,354
	GS-14	3.0	48,498	3.0	82,901	3.0	85,013
	GS-13	4.0	55,076	3.0	43,671	3.0	45,021
	GS-12	1.0	10,927	3.0	34,765	3.0	35,529
	GS-9	1.0	7,698	2.0	16,982	2.0	16,915
	GS-8	2.0	16,016	2.0	17,228	2.0	17,228
	GS-7	6.0	42,327	3.0	37,945	3.0	38,395
	GS-6	3.0	19,779	3.0	20,871	3.0	21,486
	GS-5			1.0	5,365	1.0	5,751
	GS-4	1.0	4,776				
	GS-3	1.0	4,269	1.0	4,615	1.0	4,764
Total permanent.....		45.0	678,307	45.0	706,264	45.0	713,650
Pay above the stated annual rate.....			2,171				2,744
Lapses.....		-6.5	-113,715	-3.0	-43,020	-1.0	-17,000
Net savings due to lower pay scales for part of the year.....			-58		-9,097		9,097
Net permanent (average number, net salary).....		38.5	586,705	42.0	684,147	44.0	699,394
Positions other than permanent:							
Temporary employment.....			9,363		12,000		12,000
Part-time employment.....			218		1,000		1,000
Intermittent employment.....			12,311		7,000		8,000
Special personal service payments: Payments to other agencies for re-imbursable details.....							
Other personnel compensation:							
Overtime and holiday pay.....			589		2,000		3,000
Nightwork differential.....							
Total, personnel compensation.....			589,186		676,147		723,394
							47,247

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HUMAN RESOURCES PROGRAMS

Grade	1967		1968		1969		Increase or decrease, 1969 over 1968
	Total number	Total salary	Total number	Total salary	Total number	Total salary	
Chief of division	1.0	\$25,890	1.0	\$27,055	1.0	\$27,055	
Deputy director for division	2.0	50,080	2.0	53,127	2.0	53,127	
Associate division chief	5.0	106,405	5.0	113,997	5.0	111,900	
Assistant division chief	9.0	172,518	10.0	204,269	10.0	205,495	
Assistant director for division	5.0	76,576	8.0	130,424	8.0	134,120	
GS-18	7.0	94,591	4.0	57,628	4.0	58,078	
GS-17	3.0	32,781	7.0	81,755	7.0	84,811	
GS-16	2.0	18,442	4.0	39,272	4.0	40,238	
GS-15	3.0	26,481	2.0	19,336	2.0	19,605	
GS-14	3.0	24,024	3.0	25,104	3.0	25,350	
GS-13	7.0	51,334	8.0	61,747	8.0	60,397	
GS-12	4.0	26,438	3.0	20,461	3.0	20,666	
GS-11	1.0	6,035	1.0	4,413	1.0	4,413	
GS-10	1.0	4,413	1.0	4,413	1.0	4,413	
GS-9	53.0	716,008	57.0	834,175	57.0	840,842	\$6,667
GS-8	2.807	2,807	3.234	3,234	3.234	3,234	3,234
GS-7	-3.0	-38,206	-3.0	-43,020	-1.0	-15,000	28,020
GS-6	-63	-63	-11,241	-11,241			11,241
GS-5	50.0	680,546	54.0	779,914	56.0	829,076	49,162
GS-4							
GS-3							
Total permanent	53.0	716,008	57.0	834,175	57.0	840,842	\$6,667
Pay above the stated annual rate	2.807	2,807	3.234	3,234	3.234	3,234	3,234
Positions other than permanent:							
Temporary employment	-3.0	-38,206	-3.0	-43,020	-1.0	-15,000	28,020
Part-time employment							
Intermittent employment							
Special personal service payments: Payments to other agencies for reimbursable details							
Other personnel compensation:							
Overtime and holiday pay							
Nightwork differential							
Total personnel compensation	50.0	680,546	54.0	779,914	56.0	829,076	49,162
Net permanent (average number, net salary)							
Temporary employment		17,727		15,000		15,000	
Part-time employment		2,038		4,500		4,500	
Intermittent employment		16,616		15,000		16,000	
Special personal service payments: Payments to other agencies for reimbursable details		2,147					
Other personnel compensation:							
Overtime and holiday pay		9,096		8,000		9,000	1,000
Nightwork differential							
Total personnel compensation		728,170		822,414		873,576	51,162

INTERNATIONAL PROGRAMS

Division Chief	GS-18	1.0	\$25,890	1.0	\$27,055	1.0	\$27,055
Director for Division	GS-18	1.0	23,520	1.0	25,374	1.0	26,167
Deputy Director for Division	GS-17	4.0	84,320	4.0	90,219	4.0	91,617
Assistant Director for Division	GS-16	6.0	118,047	5.0	105,506	5.0	107,345
	GS-15	4.0	60,947	4.0	66,004	4.0	67,060
	GS-14	3.0	39,067	4.0	54,928	4.0	55,828
	GS-13	3.0	33,539	2.0	24,832	2.0	24,832
	GS-12	2.0	18,442	2.0	20,280	2.0	20,280
	GS-11	4.0	32,872	2.0	18,539	2.0	18,798
	GS-9	2.0	16,486	2.0	17,474	2.0	17,474
	GS-8	3.0	23,613	5.0	38,845	5.0	38,845
	GS-7	2.0	12,526	2.0	13,504	2.0	13,504
	GS-6	1.0	4,776	1.0	4,995	1.0	5,161
	GS-4	36.0	494,045	35.0	507,545	35.0	513,966
Total permanent		-1.4	-10,215	-2.0	-28,680	-1.0	-14,977
Pay above the stated annual rate			-48		-6,789		-14,000
Leaves							6,789
Net savings due to lower pay scales for part of the year							
Net permanent (average number, net salary)		34.6	485,643	33.0	472,076	34.0	501,943
Positions other than permanent:							
Temporary employment			16,947		12,000		12,000
Part-time employment			2,688		4,500		4,500
Intermittent employment			487		1,000		2,000
Special personal service payments: Payments to other agencies for reimbursable details							1,000
Other personnel compensation:							
Overtime and holiday pay			4,941		5,300		6,300
Nightwork differential							
Total personnel compensation			510,706		494,876		526,743
							31,867

NATIONAL SECURITY PROGRAMS

	Grade	1967		1968		1969		Increase or decrease, 1969 over 1968
		Total number	Total salary	Total number	Total salary	Total number	Total salary	
Chief of Division.....	GS-18	1.0	\$25,590	1.0	\$27,055	1.0	\$27,055	
Dir. for Division.....	GS-18							
Deputy Division Chief.....	GS-17	1.0	25,800					
Deputy Director for Division.....	GS-17			1.0	26,960	1.0	26,960	
Assistant Division Chief.....	GS-16	4.0	87,670					
Assistant Director for Division.....	GS-16			4.0	93,714	4.0	95,112	
Special personal services administrator (paid on a special assignment to the Department of Defense).....	GS-15	6.0	115,012	6.0	122,071	6.0	124,526	
Special personal services administrator.....	GS-14	5.0	79,714	7.0	119,963	7.0	127,335	
Special personal services administrator.....	GS-13	7.0	92,351	7.0	99,899	7.0	102,649	
Special personal services administrator.....	GS-12	3.0	32,781	7.0	82,519	7.0	85,193	
Special personal services administrator.....	GS-11	3.0	37,199	2.0	19,533	2.0	20,260	
Special personal services administrator.....	GS-11	2.0	17,392	1.0	8,323	1.0	9,572	
Special personal services administrator.....	GS-9	2.0	13,426	3.0	27,373	3.0	27,318	
Special personal services administrator.....	GS-7	7.0	52,612	2.0	17,293	2.0	17,288	
Special personal services administrator.....	GS-6	1.0	6,635	3.0	20,238	3.0	20,296	
Special personal services administrator.....	GS-4	2.0	10,972	1.0	5,595	1.0	5,751	
Special personal services administrator.....	GS-3	1.0	4,989	2.0	10,820	2.0	11,152	
Total.....		47.0	609,537	47.0	680,892	47.0	699,447	\$3,555
Pay above the stated annual rate.....			2,301				2,651	2,651
Lauses.....		3	13,301	3.0	43,020	1.0	18,000	23,020
Net savings due to lower pay scales for part of the year.....			73		290		290	9,290
Net permanent (average number, net salary).....		46.7	624,156	44.0	623,532	46.0	674,093	45,516
Positions other than permanent.....								
Temporary employment.....								
Part-time employment.....			7,188		7,000		6,000	-1,000
Intermittent employment.....					1,000		1,000	
Special personal service payments: Payments to other agencies for reimbursable details.....								
Other personnel compensation:.....			979		1,500		2,500	1,000
Overtime and holiday pay.....								
Nightwork differential.....								
Total, personnel compensation.....			632,323		638,082		683,598	45,516

NATURAL RESOURCES PROGRAMS

Chief of Division.....	1.0	\$25,890	1.0	\$27,055	1.0	\$27,055
GS-18.....						
Director for Division.....	1.0	25,800	1.0	26,960	1.0	26,960
GS-17.....						
Deputy Director for Division.....	5.0	109,755	5.0	117,492	5.0	118,890
GS-16.....						
Assistant Director for Division.....	4.0	70,807	4.0	75,435	4.0	77,294
GS-15.....						
GS-14.....	7.0	112,018	6.0	102,438	6.0	101,910
GS-13.....	7.0	93,695	8.0	113,006	8.0	116,606
GS-12.....	4.0	44,087	2.0	24,450	2.0	24,450
GS-11.....	3.0	27,663	4.0	38,950	4.0	40,238
GS-10.....	4.0	32,350	5.0	44,305	5.0	45,986
GS-9.....	3.0	24,259	3.0	25,842	3.0	26,038
GS-8.....	2.0	15,671	3.0	23,127	3.0	23,577
GS-7.....	2.0	15,671	3.0	20,461	3.0	20,666
GS-6.....	4.0	25,250	3.0	7,053	1.0	7,053
GS-5.....	1.0	6,563	1.0	4,995	1.0	5,161
GS-4.....	1.0	4,269	1.0	4,615	1.0	4,764
GS-3.....						
Total permanent.....	47.0	618,077	48.0	655,440	48.0	666,098
Pay above the stated annual rate.....		2,297				2,562
Lapses.....	-1.4	-20,675	-3.0	-43,020	-1.0	-17,000
Net savings due to lower pay scales for part of the year.....		-69		-8,882		8,882
Net permanent (coverage number, net salary).....	45.6	599,630	45.0	603,538	47.0	651,660
Positions other than permanent:						
Temporary employment.....		5,867		8,000		7,000
Part-time employment.....		4,794		1,000		1,000
Intermittent employment.....		1,939		2,000		3,000
Special personal service payments: Payments to other agencies for reimbursable details.....						
Other personnel compensation:		638		6,600		7,600
Overtime and holiday pay.....		4				
Nightwork differential.....						
Total personnel compensation.....		612,872		621,138		670,260
Total.....						49,122

UNITED STATES GOVERNMENT
 OFFICE OF PERSONNEL MANAGEMENT
 PERSONNEL REPORT
 1964

OFFICE OF THE DIRECTOR

Grade	1967		1968		1969		Increase or decrease, 1969 over 1968
	Total number	Total salary	Total number	Total salary	Total number	Total salary	
Director	1.0	\$30,000	1.0	\$30,000	1.0	\$30,000	
Deputy Director	1.0	28,500	1.0	28,500	1.0	29,500	
Assistant Director	3.0	81,000	3.0	81,000	3.0	86,250	
Special assistant to the Director	1.0	25,890	1.0	25,890	1.0	27,055	
Assistant to the Director	1.0	25,890	1.0	25,890	1.0	27,055	
General Counsel	1.0	25,890	1.0	25,890	1.0	27,055	
Chief of Division	1.0	25,890	1.0	25,890	1.0	27,055	
Special adviser to the Director	1.0	25,040	1.0	25,040	1.0	27,055	
Assistant to the Director	1.0	23,520	1.0	23,520	1.0	26,960	
Chief, program evaluation staff	1.0	23,520	1.0	23,520	1.0	26,960	
Director, resources planning staff	1.0	25,040	1.0	25,040	1.0	23,788	
Assistant to the Division Chief	1.0	22,755	1.0	22,755	1.0	23,788	
Assistant Director, resources planning staff	1.0	22,755	1.0	22,755	1.0	26,960	
Administrative assistant to the Director	1.0	22,755	1.0	22,755	1.0	26,960	
Assistant General Counsel	2.0	40,820	1.0	24,477	1.0	24,477	
Assistant Chief, program evaluation staff	3.0	58,720	2.0	43,362	2.0	44,061	
Deputy Director, program evaluation staff	1.0	16,152	4.0	86,489	5.0	103,667	
GS-15	4.0	55,524	2.0	34,322	4.0	66,532	
GS-14	7.0	80,279	5.0	72,935	8.0	113,906	
GS-13	4.0	38,459	8.0	99,732	8.0	99,732	
GS-12	2.0	19,434	5.0	50,861	5.0	52,471	
GS-11	17.0	144,404	2.0	20,582	2.0	20,582	
GS-10	4.0	33,677	11.0	102,851	11.0	104,196	
GS-9	11.0	79,907	5.0	44,792	5.0	45,284	
GS-8	11.0	75,625	9.0	71,401	12.0	92,058	
GS-7	4.0	24,844	11.0	78,782	11.0	78,782	
GS-6	2.0	10,762	5.0	33,963	5.0	34,149	
GS-5	4.0	18,084	2.0	10,654	2.0	10,986	
GS-4	5.0	23,482	6.0	28,621	6.0	29,032	
GS-3	1.0	50,045	1.0	50,045	1.0	4,028	
GS-2	8.0	104.0	8.0	50,232	8.0	50,232	
GS-1	104.0	1,135,907	101.0	1,195,488	110.0	1,316,573	\$121,085
Total permanent	104.0	1,135,907	101.0	1,195,488	110.0	1,316,573	\$121,085
Pay above the stated annual rate		3,759		3,759		5,342	5,342
Lapses		-81,389		-81,389		-30,749	40,947
Net savings due to lower pay scales for part of the year		-124		-15,669		-2.0	15,669
Net permanent (average number net salary)	95.0	1,058,153	96.0	1,108,123	108.0	1,291,166	183,043

Ungraded positions at hourly rates equivalent to less than \$15,841

Positions other than permanent:					
Temporary employment.....	157,138	162,500	147,500	-15,000	
Part-time employment.....	39,537	46,000	41,000	-5,000	
Intermittent employment.....	85,929	58,000	83,000	25,000	
Special personal service payments: Payments to other agencies for re-	17,064	24,000	26,000	2,000	
imbursable details.....					
Other personnel compensation:					
Overtime and holiday pay.....	43,864	36,390	44,390	8,000	
Nightwork differential.....	50	50	50		
	1,401,735	1,435,063	1,633,106	198,043	
Total, personnel compensation.....					

AUTHORITIES

The basic responsibilities of the Bureau of the Budget are defined in the following laws and Executive orders.

Budget and Accounting Act, 1921 (31 U.S.C. 1-24), which established the Bureau as a staff arm of the President to assist him in the preparation of the annual budget and any supplemental or deficiency estimates, and to conduct administrative studies to enable the President to achieve greater economy and efficiency in the executive branch. As part of its budgetary functions under this act, the Bureau reviews for the President agency recommendations for or on legislation, a procedure initiated in 1921 at the suggestion of the chairman of the House Appropriations Committee.

Joint Resolution of May 11, 1922, as amended (44 U.S.C. 220), which requires approval of the Director for the use of appropriated funds for the printing of periodicals.

Reorganization Plan I of 1939 (53 Stat. 1423), which made the Bureau part of the Executive Office of the President and transferred to the Bureau the functions of the Central Statistical Board and the Central Statistical Committee.

Federal Reports Act of 1942 (44 U.S.C. 421-427), which requires the Director to coordinate Federal reporting and statistical services in order to eliminate duplication, reduce the cost of such services, and minimize the burden on the public of furnishing information to Federal agencies.

Government Corporation Control Act of 1945 (31 U.S.C. 847-849, 852), which extends the budgetary function of the Bureau to wholly owned Government corporations.

Budget and Accounting Procedures Act of 1950 (64 Stat. 832), which amplifies the Budget and Accounting Act by clarifying the Bureau's responsibilities, especially in the fields of administrative analysis and integration of statistical work, and by providing for a continuous program for the improvement of accounting and financial reporting throughout the Government.

Section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), which prescribes procedures by which the Director apportions appropriations, provides for agency systems of administrative control of funds to be approved by him, and authorizes him to establish reserves in appropriations and funds.

Act of August 1, 1956 (70 Stat. 782), which amended the Budget and Accounting Act and the Budget and Accounting Procedures Act, mainly to make further improvements in governmental budgeting and accounting methods and procedures.

Act of October 30, 1965 (40 U.S.C. 759), which deals with automatic data processing equipment, and under which the Bureau provides guidelines and information for the management of automatic data processing activities in the Federal Government.

Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3334), which requires the Bureau to prescribe rules and regulations for the coordination of Federal aids in metropolitan areas.

Title 5, United States Code, section 305, which requires the Director to prescribe and administer regulations under which each agency makes systematic reviews of its operations on a continuing basis.

Title 5, United States Code, section 5514(b), which requires the Director to approve agency regulations dealing with the collection of indebtedness on the part of Government employees as a result of erroneous payments made to them.

Title 5, United States Code, section 5707, which requires the Director to issue regulations with respect to travel and subsistence expenses and mileage allowances.

Title 5, United States Code, section 5901, which requires the Director to prescribe regulations necessary for the administration of that section dealing with uniform allowances for civilian employees.

Executive Order No. 8248 of September 8, 1939 (4 F.R. 3864), which specifies the Bureau's functions as part of the Executive Office of the President.

Executive Order No. 9094 of March 10, 1942 (7 F.R. 1972), which charges the Bureau with coordination and planning of Federal mapping and chartmaking activities.

Executive Order No. 9384 of October 4, 1943 (8 F.R. 13782) which provides for review by the Bureau of Federal public works and improvement projects.

Executive Order No. 10033 of February 8, 1949 (14 F.R. 561), which requires the Director's approval for responses by Federal agencies to statistical inquiries from intergovernmental organizations.

Executive Order No. 10253 of June 11, 1951 (16 F.R. 5605), which under the Budget and Accounting Procedures Act gives the Director specific authority to develop programs and issue regulations for the improvement of Federal statistical activities.

Executive Order No. 10579 of November 30, 1954 (19 F.R. 7925), which requires the Director to make a final decision on appeal by an agency from any determination by the Administrator of General Services with respect to the establishment of an interagency motor vehicle pool or system.

Executive Order No. 10900 of January 5, 1961 (26 F.R. 143), as amended by Executive Order No. 11036 of July 11, 1962 (27 F.R. 6653), which delegates to the Director a part of the President's authority to fix amounts of foreign currencies to be used for various purposes and to waive certain statutory requirements.

Executive Order No. 11030 of June 19, 1962 (27 F.R. 5847), as amended by Executive Order No. 11354 of July 1, 1967 (32 F.R. 7695), which provides for Bureau clearance for the President of Executive orders and proclamations.

Executive Order No. 11060 of November 7, 1962 (27 F.R. 10925), which requires the Director to determine and establish rates of hospital care and treatment furnished by the United States, for use in connection with recovery from tortiously liable third persons.

Executive Order No. 11073 of January 2, 1963 (28 F.R. 203), which requires the Director and the Chairman of the Civil Service Commission to submit annually to the President certain reports relating to the Federal Salary Reform Act of 1962 (76 Stat. 841-843).

Executive Order No. 11230 of June 28, 1965 (30 F.R. 8447), as amended by Executive Orders No. 11275 of March 31, 1966 (31 F.R. 5283), No. 11290 of July 21, 1966 (31 F.R. 10067), and No. 11294 of August 4, 1966 (31 F.R. 10601), which delegates to the Director the exercise of statutory authorities of the President involving (1) transfers of balances of appropriations, (2) interagency land transfers, land acquisitions, contracts for land acquisitions, and other land transactions, (3) regulatory functions with respect to travel, transportation of household goods, quarters and facilities, and similar matters, (4) provisions of certain funds and support to the State of Alaska, (5) determinations and procedures with regard to transfers of land and other property to Alaska and Hawaii, (6) rates of charges for certain hospitalization and dispensary services, and (7) allocation of funds for management improvement.

BIOGRAPHICAL SKETCH OF DIRECTOR AND DEPUTY DIRECTOR

Mr. STEED. We are delighted to have the officers of this agency with us, including Hon. Charles J. Zwick, the Director.

Since this is your first appearance Mr. Zwick, on behalf of the committee I want to offer a very warm welcome to you. We would like to have your biography for the record.

(The biography follows:)

CHARLES J. ZWICK

Charles J. Zwick took office as Director of the Bureau of the Budget on January 29, 1968. Mr. Zwick joined the Bureau as an Assistant Director on October 1, 1965. Prior to this, he had been with the Rand Corp. in Santa Monica, Calif.

Director Zwick was born in Plantsville, Conn., on July 17, 1926. After active duty in the Army from 1946 to 1948, Mr. Zwick returned to the University of Connecticut where he received a B.S. degree in 1950 and M.S. degree in 1951. He received a Ph. D. in economics from Harvard University in 1954.

Between 1954 and 1956, he was on the faculty of Harvard University. He was also a member of the faculty of the University of Connecticut.

At the Rand Corp., Mr. Zwick headed work on military logistics and Rand's urban transportation project. During 1964 and 1965, he led a team studying economic assistance programs in Vietnam, Thailand, and Laos.

Mr. STEED. At this time we would be glad to have any general statement you care to make.

Mr. ZWICK. Thank you, Mr. Chairman. I do have a fairly short opening statement.

Mr. STEED. We might also include Mr. Hughes' biographical sketch at this point.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF DEPUTY DIRECTOR PHILLIP S. HUGHES

Phillip S. Hughes was appointed Deputy Director of the Bureau of the Budget on March 10, 1966, succeeding Elmer B. Staats, now U.S. Comptroller General. Prior to this appointment, Mr. Hughes was Assistant Director for Legislative Reference. He joined the Bureau of the Budget in 1946, immediately after 2 years of service as an officer in the Navy. He served in progressively responsible positions, including Assistant Chief of the Labor and Welfare Division and Deputy Chief, Office of Legislative Reference. In 1958, he was appointed Assistant Director for Legislative Reference.

Prior to joining the Bureau of the Budget staff, Mr. Hughes served in the Washington State Department of Social Security, the War Manpower Commission, and the Veterans' Administration.

Deputy Director Hughes was born in Chicago, Ill., on February 26, 1917. He received a B.A. degree in sociology from the University of Washington in 1938.

In 1962, Mr. Hughes was awarded the National Civil Service League Career Service Award and in 1965 the Director's Exceptional Service Award.

GENERAL STATEMENT

Mr. ZWICK. I have a fairly short statement, and I will read through it very quickly.

As you know, I have only recently taken over as Director of the Bureau and I appreciate this opportunity to appear before you. We have a great variety of tasks that both the President and the Congress expect the Bureau to do in an expeditious and dependable manner.

We are aware that we are faced with a steadily increasing workload, particularly in improvement of governmentwide methods and systems, installation of new management concepts and techniques, devising improved coordination of complex social improvement and welfare programs, building up of more effective and supportable work measures among the several layers of intragovernmental activities, and applying budgetary and manpower controls. These are the principal areas which add workload to our regular continuing functions of preparation and administration of the budget, improvement of Government organization and management, improvement of financial management, review and analysis of legislation, and coordination and improvement of Federal statistics.

The growing responsibilities of the Bureau of the Budget, as all of you are well aware, can be measured in terms of the many new programs undertaken by the Federal Government—that is, in relation to the great complexity of economic, social, and welfare legislation enacted by the Congress in the past few years.

The character and dimensions of the many resulting assignments and problems which must be handled by the Bureau of the Budget as the staff arm of the President are well signaled in the budget message of the President for 1969. Let me note a few excerpts:

To attain the full benefits of these programs, it is essential that they be made workable at the point of impact—whether it be the individual citizen, a State or local government, a university, or any of the other institutions involved in efforts to carry out our national goals. Effective and economic management is also essential to ensure that each tax dollar buys a full dollar's worth of essential services.

At the Federal level we must do what we can to assist our partners. We must assure that our programs are designed and administered in such a way as to mesh with State and local patterns of organization and operation to the maximum

extent possible. To that end, we have taken a number of actions in the past year alone:

Reorganized (Reorganizing) the Bureau of the Budget to enhance its ability to help coordinate Federal programs and provide additional staff services for the solution of interagency and intergovernmental problems.

Developed and put into operation a system through which State and local chief executives have the opportunity—often not previously available to them—to have a voice in developing Federal regulations and administrative procedures.

We established procedures to improve Federal-State coordination in the designation of development planning districts.

To do this job in a dependable and orderly fashion takes adequate staff in the Bureau of the Budget.

Last year my predecessor, Mr. Schultze, asked and was given added staff by the Congress to concentrate on the growing and complex problem of the proper working interrelationships of the State and local governments with the Federal Government. This need was recognized by you as a matter demanding prompt attention. Today I am here again to ask you to review all of our needs—that is, the total picture of what the Bureau of the Budget must have if we are to serve the President and the Congress well.

Since our budget hearings of last year, many events have been at work shaping the composition and capacity of the Bureau of the Budget. First, early last spring we undertook a critical and thorough self-look at the Bureau of the Budget in terms of where we are, where we are going, do we have the proper people in the proper jobs, and what should we be doing much better than at present. Mr. Schultze advised this subcommittee of the results of this self-appraisal and the major steps that were to be taken under the reorganization.

Second, the enactment of Public Law 90-218, the so-called 2-10 rule, reduced the total obligational authority available for fiscal year 1968 by \$277,000, and sharply reduced the staff level we could support. Third, the enactment of the 1967 pay legislation, Public Law 90-206, and the decision of the Bureau to absorb as much of these added costs as possible, has further reduced availability of staff. The result of these last two events has forced us to a staffing position only a little better than that for fiscal year 1967.

We are here to ask this subcommittee for the following:

1. To provide sufficient funds to permit staffing and related support activities in fiscal year 1969 at a level comparable to the approved level for fiscal year 1968. We estimate our total 1969 needs for such coverage at \$10,169,000.

2. To permit us to reinforce two particularly weak areas of the Bureau—longer range resources planning and our system for management information. As has been explained in detail in our justification, both of these areas require immediate attention if we are to meet the ever-expanding work demands. Therefore, I request that you authorize nine additional positions at an estimated added cost of \$141,000.

In summary, I am here to ask this subcommittee for the funds to permit the Bureau of the Budget to continue to serve the Office of the President in a manner dictated by essential need.

PLANNED USE OF STAFF ADDITIONS

It is our plan to put into full operation in fiscal 1969 two additional management techniques. These are resources planning and manage-

ment information systems—two additional aids for more effective and systematic review and evaluation—to expand the planning-programming-budgeting system as a coordinated management force in building a better factual basis for action, and, in the last analysis, in leading the way to better utilization of the Government's resources.

Let me at this point quote from the detailed explanatory materials as set forth in the 1969 justification in support of this move to develop the resources planning staff:

The Resources Planning Staff is extending the application of the planning-programming-budgeting system into the field of longer range resource allocation. It will be charged with developing procedures and information to improve the allocation of resources among different programs and major categories of the budget.

In summary, the resources planning tool will keep the President and the Bureau of the Budget more fully informed on program commitments in future years, and needs and relative priorities among both different programs and different categories of the budget.

To me the budget process must be considered the major single vehicle for management decisionmaking in the executive branch. I want to take this additional step which should help us in responding more effectively in budgetary planning and execution to both the President and the Congress.

Secondly, I believe that we must take action to develop a small but technically qualified management information system staff. If we are to do acceptable staff work for the President—if we are to respond to the many and varied requests from the Congress in an effective and expeditious manner, then it is essential that we have a system which will insure the highest level of information acquisition, processing and presentation. This is true whether the information required deals with the presentation and analysis of program alternatives and program progress or analysis of legislation or planned statistical projects or budgetary summaries.

Let me repeat here what we have set forth as the major objectives of the management information system:

To the extent it is feasible and economical, to automate data assembly and processing, at all stages of the budget process and to simplify and expedite preparation of the budget.

To relate legislation to the budget in terms of authorizations and appropriations and to systematize current reporting on the status of clearance and progress of legislation.

To have a current reporting system that will provide information on the status and progress of Federal programs.

To consolidate the data required for planning, programming, and budgeting.

Under the 1969 budget request, provision is made for nine additional staff members at a cost of \$141,000. Five would be assigned to the Management Information Systems staff and four to the Resources Planning Staff to provide a small working force for each program.

FINANCING OF CURRENTLY APPROVED STAFFING

At this point I wish to discuss the additional funds required in fiscal year 1969 to support the staffing plan of 546 positions and 533

full years of employment as originally approved by the Congress for fiscal 1968.

This is indeed a difficult year—even from the standpoint of finding enough funds to support a staff inadequate to do the job rightfully expected of us by the President and the Congress.

Let me repeat the basic facts of this situation.

In response to our request, Congress provided funds as requested to support 546 positions and 533 full years of employment for 1968. But Public Law 90-218 directed a reduction in funds of \$277,000. Since further changes in addition to the adjustments already made in object classes 21 through 31 could not be effected, we were forced to make the entire reduction in personnel compensation and personnel benefits. This reduced the number of full years of employment that could be supported from 533 down to 516.

Then came the 1967 pay legislation which increased 1968 personnel costs by \$271,000. Under our budget plan we hope to be able to absorb 44 percent of these costs. We have requested the restoration of \$152,000 of the funds reserved under Public Law 90-218 to meet the remaining part of the Pay Act costs. But even this will result in a further reduction in available full years of employment from 516 to 509.

Therefore, in order that we may have funds in 1969 to support a level of staffing as originally approved for 1968, we are requesting \$372,500 to restore in 1969 these 24 full years of employment. These would get us back to the level originally approved for 1968, namely, 546 positions and 533 man-years of employment.

I believe all of you will agree that the Bureau's assigned responsibilities are indeed greater now than when we justified this staffing plan 1 year ago.

WORKLOAD AND NONDISCRETIONARY COST INCREASES

In addition to restoring the full years of employment to the authorized level of 533, certain adjustments are required to meet workload and nondiscretionary cost increases.

These increases totaling \$421,500, include—

\$229,700 in personnel compensation to cover cost of 1 extra workday, 1969 over 1968; cost of part of 1969 costs of 1968 grade promotions; cost of 70 days not covered in 1968 under higher pay rates; and increased costs for other personnel charges as intermittent consultants and overtime payments.

\$16,800 to cover added personnel benefits resulting from above additions.

\$60,000 to restore field travel to more desirable level of activity in order to make more on-the-spot observations and consultations.

\$44,000 to meet increased costs of other services such as security investigations, training, and computer services.

\$71,000 to cover increased costs of communication operations, printing by Government Printing Office, and supplies and congressional publications.

SUMMARY

In summary, the Bureau's 1969 budget request provides for—

An appropriation of \$10,310,000, which is \$935,000 more than is estimated to be available for 1968 after effecting reductions required under Public Law 90-218 and allowing for restoration of funds needed to meet part of the increased pay costs under Public Law 90-206. As has been pointed out, the 1969 request is actually \$810,000 over the original 1968 appropriation.

Of this increase, \$141,000 is requested to provide funds to work on resources planning and management information program, \$372,500 to permit full staffing under our currently approved authorization, and \$421,500 to meet workload and nondiscretionary increases.

A staffing increase of nine positions made up of six professionals and three secretaries. As I have indicated, these nine positions would be assigned as working staff on two newly established units; namely, resources planning and management information.

CONCLUSION

In concluding, I wish to emphasize again the need for adequate staffing in the Bureau of the Budget to discharge its responsibilities in an effective and expeditious manner as expected by the President and by the Congress.

This means—

(1) The provision of adequate funds to support the staffing of the Bureau at the level as originally approved by the Congress for 1968. The continually increasing workload in budget, management, legislative, and statistical review and coordination activities, particularly in the growing complexity of intragovernmental, interagency, and field problems, reinforces the urgency of this need.

(2) The allowance of funds to support the nine additional positions to work on resources planning and management information programs. I believe this committee will agree on the desirability of utilizing such new techniques in the furtherance of good management.

Mr. Chairman, I will be glad to answer any questions which you or the members of the committee may have on this budget request.

Mr. Chairman, I hope it will be satisfactory for me from time to time to call on my deputy, Mr. Hughes, as well as Mr. Cohn and Mrs. Baldwin.

Mr. STEED. Thank you. First I would like to say we are not only happy to welcome you here and have your comments in regard to your needs and to general matters that you can help us within our total budget considerations, but I would like to take this opportunity also to express a word or two about our regret that our old friend, Mr. Schultze, will not be back. We enjoyed working with him and we found him to be a very knowledgeable, able, and cooperative individual and we enjoyed our association with him a great deal. Our regret in seeing him go, you understand, has nothing to do with our delight in having a man of your ability to take over in his place. We do know that you have assumed some very awesome responsibilities and it is our hope

we can be as helpful in providing you with the tools for your very essential job.

CURRENT FINANCIAL SITUATION

The current situation that we are faced with I think, would probably make it wise for us to have a little discussion about the realistic facts of life. This subcommittee will be bringing out the first of the several appropriation bills for this session of Congress and, like anything in this area, the first bill to come before the House gets the kind of attention that doesn't necessarily prevail throughout the session. I refer to the conditions that the current weekend has featured, in terms of the gold crisis, the balance-of-payments problems and the budgetary situation reacting from that, the need for tax legislation, and the statement currently carried in the press about the President's willingness to cooperate with Congress in terms of making some very heavy and substantial budget cuts.

Whether all this can be achieved or not, only time can tell, but in the light of this overall condition, this subcommittee is faced with a very unusual and peculiar problem. The agencies we deal with, many of them are heavy employers of manpower by the very nature of their operations. The larger dollar part of the budget we handle goes for wages for the employment of people and most of these manpower needs are based on workloads that these agencies have no control over and without exception, the demands on workloads are going up, in some cases, in astronomical proportions. So we are faced with the great emphasis on cutting and yet we have some factors that just don't lend themselves to the sort of cutting people think about when you talk of something like \$8, \$9 or \$10 billion.

APPLICATION OF BUDGET REDUCTIONS

Now, if everybody was fully aware of this, our job would be much simpler but we are going to have some real difficulties I think in trying not to be pennywise and pound foolish in the decisions we make. We know, for instance, that in the work of your office, since it is the one key beginning and ending of so much of the total policies of the Government which effect the dollar cost of the budget, that if you are unable to perform your functions efficiently, this is going to reflect itself throughout all the other costs of the Government. The case you make to those who are familiar with the intimate workings of the Federal budget, can easily be understood but those who are just taking an undetailed or an uneducated look at it, can create some problems in the kind of decisions that the total force of the Congress may see fit to make.

I do think when we come to the point of markup of this bill we are going to have the most difficult proposition to face that we have ever had. Personally, I can't see how that we can make budget cuts in this particular bill because of the peculiar nature of its function in the total governmental structure that will reflect itself in the kind of dollar savings that this whole picture is putting into the people's minds. If

you go too far in the lower direction, what you are actually doing is being penny wise and pound foolish. I don't know how these agencies are going to be able to give any kind of a creditable service at all if they are denied the minimum resources with which to cope with the workloads that are being piled upon them.

In the case of the Post Office, for instance, this steady increase in mail volume is something that just has to be faced up to and the volume is of such a nature that the cost of coping with it is astronomical. The sheer volume itself has trapped us. This is true with so many of the agencies, as you well know.

THINKING ON CUTBACKS

Now, what I'm leading up to is this. With the new emphasis of re-studying and reconsidering all these budget items, and of course you become involved in them from many different directions and at many different levels, do you think that you are going to be in a position to give us any counsel and advice as to what the administration's thinking is in terms of what cutbacks might be possible in the requests that are currently coming before us.

Mr. ZWICK. Let me tell you the current status of these discussions. No one can forecast exactly how they are going to proceed at this moment. I think, Mr. Chairman, you outlined the dilemma very well. I can say I have had the same problem all weekend.

On the one hand we have international financial problems and domestic fiscal policy problems, which require us to provide additional restraint. We thought the budget we submitted in January, combined with the proposed tax increase, was appropriate to this situation as we saw it in January. We still think that it is appropriate, with the possible exception that it now looks likely that Vietnam expenses are going to go up over the January budget. But we have not been able to get action on the tax bill, so because of the broad fiscal policy problems and international monetary conditions we have had to start negotiations to see whether or not there is some way to get action on an overall policy of additional restraint.

POSSIBLE APPROACHES TO REDUCTIONS

As you read in the newspapers over the weekend, and as I'm sure, Mr. Chairman, you have been told, there has been a dialog which has been going on for a month or more. This dialog has proceeded at an increased pace starting at the tail end of last week and over this weekend, concerning the possibility of cutting back on obligations and, therefore, expenditures, as part of a package which would make room for the increased cost of Vietnam and a tax bill, which we very strongly believe that we need. At the moment there is nothing more than discussion. We have spent the last week looking very hard at where these cuts might come from. We have looked at a variety of approaches, including specific cuts, and every time we look at specific cuts, we come up against the problem you just mentioned.

We think the 1969 budget is a very tight budget, and we designed it to be a very tight budget, so that we could get the tax increase. We are talking about cutting back from what is a very tight budget—the in-

crease over 1968 was only \$10.4 billion, whereas the increase in 1968 over 1967 was \$17.2 billion, and the increase in 1967 over 1966 was \$23.8 billion. So, in an absolute sense the budget increase in 1969 over 1968 is a smaller increase. And this smaller increase is from a reduced base reflecting the cutback in 1968—the base we started from in the Bureau was below the level of appropriations that was approved by the Congress.

Most of the increases allowed for 1969 are mandatory. For example, \$4.2 billion of the \$10.4 billion increase is for the social insurance trust funds. There is nothing we can do about that unless we want to go back and change the social security law. Another \$1.3 billion of the increase is for interest, public assistance, veterans pensions, and other programs which are mandatory under the law; there is little or nothing we can do about those unless we want to go back and change the basic statutes. Another \$3.3 billion of the increase is for defense, and \$1.6 billion is for the second step of the pay increase enacted last year. When you get done with that, you have \$10.4 billion. In the category of relatively controllable programs, we have some pluses and some minuses, and superimposed on top of all this are the increased workloads you are talking about, including the agencies you're concerned with. The Internal Revenue Service has more returns to process. The Post Office has more mail volume to handle. The FAA has more takeoffs and landings at airports to monitor, so we have to provide more traffic controllers.

So, starting from a very tight budget situation, to get the cuts that are being talked about now, as part of an overall fiscal package, is just going to be painful. As far as I can tell by the dialog, no conclusion has been reached as to whether we will resort to a formula cut, which, in a sense, tries to let everybody capture the mood that you have to cut more but you don't want to face the hard choice of where the cuts are going to come from, or whether we are going to sit down and go through the budget line item by line item to get these cuts. Whether something will evolve this week, I just don't know. We are pressing very hard.

MR. STEED. I have never been an advocate of cutting everything willy-nilly across the board. That's very irresponsible, but still that doesn't mean we can't make substantial cuts and savings on a selective basis. It seems to me that by taking up our own subcommittee's responsibilities, we can make some savings—we can tighten places here and there, but when you have done all that you still have not made a contribution in terms of the total dollars that will get you anywhere near this total need, which the situation imposes.

ELIMINATION OF ESSENTIAL SERVICES

I don't see any way we can make substantial cuts unless we begin to think in terms of dispensing with some of the services these agencies are called upon to perform. You just have to begin to give up some of the things that the people have been accustomed to getting. Now, whether very much of that can be done without putting you in a very unwise posture, I don't know, but certainly a lot of it I doubt would be accepted by the public in very good humor.

Now, on the other hand, as you look at the whole budget and get a look at many other areas where you are not dealing with old estab-

lished, essential agencies you find that there are whole programs that could be dispensed with, not 5 percent of them but a hundred percent of them. I am just wondering if you are beginning to give any thought in terms of approaching these savings, in terms of giving up some of the very desirable things we do but not the absolute necessary things. I think you always have to keep in mind that some of it is absolutely essential and some of it is just desirable. Certainly in our own private lives we would choose between the necessities and the desirables in making reductions.

Are we going to be able to bring much of that sort of philosophy to bear this year as we make these very, very heavy cuts, if they are made?

Mr. ZWICK. Yes, sir.

Mr. STEED. Why are we going to have to make all of them suffer even to the point of being unwisely crippled?

Mr. ZWICK. Well, sir, without a doubt, cutbacks in obligations of \$8 or \$9 billion, with reductions of \$3 or \$4 billion in expenditures mean that some services and programs are just going to have to be eliminated or drastically curtailed. There just isn't that sort of flexibility in the budgeted program at this point. I think the President stated this fairly clearly Saturday morning at the National Alliance of Businessmen's Conference.

Mr. STEED. You see, if you're going to process tax returns, you're going to have to process all of them. You can't process part of them. If you're going to deliver the mail, you've got to deliver all of it, you can't deliver part of it.

SETTING OF PRIORITIES

Mr. ZWICK. Yes, sir. We try to handle this in several ways.

First, the 1969 budget does, we think, reflect a setting of priorities.

Second, if we have to cut back from the 1969 budget, obviously there's a difference between, for example, the needs of the IRS and the needs of export promotion staff of the Department of Commerce. You've got to provide for the workload in IRS and you've got to provide air traffic controllers for the FAA. We are not going to let our air traffic control system deteriorate, so that we will have to do this selectively.

What we did last fall in the 2/10 formula, as you recognize, was to apply larger cuts to those agencies that had most of their money in nonpersonnel costs, than we did to those agencies, such as Treasury, which are large in terms of personnel. There is no doubt we are reaching a point where, even with a 2-percent cut—which then was given to the agency head and he had to set priorities—we cannot do this pointlessly. We are going to have to forgo some desirable services. Whether they are desirable or essential is the point on which people disagree.

Mr. STEED. When these go as high as I feel they are right now, and being realistic and looking at the Congress realistically, the attraction of the easy way to do it becomes almost irresistible, and so the proposition that we may be faced with an arbitrary cut across the board does exist. What would be your opinion of the effect of, say, a 5-percent cut across the board if it were applied to the agencies this subcommittee is dealing with?

ACROSS-THE-BOARD REDUCTIONS

Mr. ZWICK. I think across the board, 5 percent on some of your agencies, including the Bureau of the Budget, would be very difficult. They would have to forgo service. I don't think, off the top of my head, without having looked at it this way, that any one of them would have to stop its work entirely. But the Post Office would have to stop all sorts of very desirable services, possibly the number of deliveries, the number of days that it is open, et cetera. So you would have a major retrenchment, there is no doubt. I guess none of them would come to a halt, but it would be a significant and very undesirable decrease in the quality of service.

Mr. STEED. I don't know. I'm not too good at using the technical nomenclature for all these things, but the real fire that is in back of all this problem is what I classify as the bills coming due, to be paid within the given fiscal year, as against the expenditure authorizations of what can be done over a period of time. Keeping these two things in mind, and going back again to this particular subcommittee, since a major portion of the funds we handle go for wages, when we make a cut of a hundred million dollars, we make a bigger impact on the bills coming due for that year than you find true when a hundred million dollars throughout the budget might be cut.

Mr. ZWICK. That's exactly right.

EXPENDITURE REDUCTIONS

Mr. STEED. What's the rule of thumb you go by in terms of the expenditure reductions made on the one hand by Congress and the impact that reduction has on your bills coming due in the fiscal year with which we are concerned?

Mr. ZWICK. As a general rule of thumb, if you cut obligations a dollar you get a cut of a little less than 50 cents that year in terms of expenditures across the Government. As you say, this varies all the way from a dollar of pay, which turns up immediately as a dollar of expenditure, and at the other extreme a dollar obligated for an aircraft carrier or a public building project or any long-leadtime item, construction projects in particular, where in the first year you might have an expenditure effect as low as 20 percent if you cut back a dollar in obligations for highway construction, for example. In this case, you're probably cutting 20 percent the first year. But for the Government as a whole, the obligation-expenditure relationship is something a little less than 2 to 1.

Mr. STEED. Since the ratio is 2 to 1, generally, can you give us your opinion of what that ratio would be if you confine it to this subcommittee's work?

Mr. COHN. I can't precisely answer that—

Mr. STEED. Would you agree it's substantially higher, in terms of impact on this year?

Mr. COHN. I would guess it's at least 85 percent, Mr. Chairman. It's 100 percent for pay, and even some of the nonpay objects, like printing the budget. We have to print it and it is not a long-leadtime item—you spend it every year—so that's 100 percent. Some of the post office

buildings and equipment would have much longer leadtimes and if you averaged them out, I would guess it's at least 85 percent.

EXEMPTION FOR SPECIFIC AGENCIES

Mr. STEED. As you know, when this matter came up last year, at one point we were able to convince the House that an exemption for some of these agencies made good sense. Mr. Conte and I both participated in this because we felt that this difference did exist, and since it does exist you are getting a different effect when you make the specific agencies face up to the same force when the across-the-board approach is taken. We already had testimony that shows because of the cuts finally forced upon the Internal Revenue Service, you lost many, many times over that in collections that just won't be made because they didn't have the manpower to go out and finish the whole job. Well, to save a few million dollars at the cost of losing between \$50 and \$100 million of Federal revenue is about as foolish a thing as I can imagine. This literally did happen. If we are going to be faced with the same thing this year, it will happen again.

Then in terms of the Post Office Department, which is the biggest item we deal with, when you get into an area of actually stopping services to the public that they have been accustomed to having all these years, I think you're going to get a different kind of repercussion then you would if you stopped all sorts of other things the Government has been doing and could in a time of hard stress, cease doing. So if some effective way isn't developed, and pretty quickly, to select priorities, I think that pressure is so great that we are just going to wind up here with some very serious errors.

Mr. ZWICK. I agree with you completely, Mr. Chairman. I think what happened to the Bureau last year is a good example. We had to absorb all that 2/10 cut in personnel. There was just no other way to get it.

NEED FOR INDIVIDUAL APPROACH

Mr. STEED. Is there any comments you could make at this point that could help us escape this charge that they immediately throw at you when you try to defend your agencies and say they are different. What can you say, as a skilled expert, that will be helpful to us in establishing the fact that there truly is a difference in the agencies that we are handling?

Mr. ZWICK. Mr. Chairman, all I can do is repeat my testimony last week before the Senate Finance Committee. There we had an extended dialog on this specific point with Senator Williams and Senator Curtis, in which I argued that Senator Williams' across-the-board expenditure limitation—and he also had a personnel limitation rolling back personnel to the September 1966 level—was the inappropriate and incorrect way to do this. I said the prudent, correct way to do this was through the appropriations process of looking at individual accounts and making judgments as to how essential they are, but an overall expenditure limit wasn't the way to do it. I think there was general agreement with the proposition that the traditional appropriations process is the correct way to do it. But the attitude is that we won't get there from here, if we do it that way and therefore we are going to do it in an arbitrary fashion and we will at least get

there. At that point I would say that's not an orderly way to run the Government.

We are in that sort of a dilemma. They were arguing that the sense of the Senate was that we had to cut expenditures. I pointed out, as of Monday of last week, the Senate had just added on to the urgent supplemental that we had sent up. And this was after rather strict pruning on my part, and the President's part. We had only sent up four items. In the case of three of these items, the funds were absolutely mandatory. In the fourth case, it was a vocational rehabilitation program, which would have gone completely down the drain if we had not provided the money. Having used such strict priorities and having held the line, believe me, we caught a significant amount of heat at the executive end of town. The House held to our request. The bill then went over to the Senate and they added on to it. I asked Senator Williams and Senator Curtis how they reconciled these additions to an urgent supplemental, on the one hand, and the pressure for reducing expenditures, on the other.

We have a dilemma here. I think it's fair to say there is a mood that the budget is too big and it should be cut. There is also a feeling that if we do it by what is the only sensible way to do it, appropriation account by appropriation account, and looking at the benefits and costs of these programs, we won't get there. So I'm sort of—

ALTERNATE COURSES OF ACTION

Mrs. REID. Mr. Chairman, will you yield at this point? Wouldn't you agree, however, that if these necessary cuts are not made in the orderly fashion described, that then a drastic measure would be in order?

Mr. ZWICK. Our reaction would be that if both the Executive and the appropriate congressional committees go through this and both decide that these programs are essential, the proper action would be additional taxes. We are hung up on this dilemma about how to get additional restraint. You can get it from some combination of tax increase and expenditure cuts. We came in with a package in January which we thought was the appropriate amount of restraint and it did involve a tax increase. It's the dilemma you face when you look at the services provided by the Government, and you feel they are essential, important, and prudent, and yet there is unwillingness to vote the additional taxes that are needed to compensate for the services. You can take drastic action in several ways.

Mr. YATES. Isn't this nonappropriations method a technique of desperation?

Mr. ZWICK. Yes sir, and Mr. Curtis was quite clear. He said it could be chaotic and I said yes, that is right; but he said it will do the job and I said yes, if you are willing to pay that price. I don't know what happens when we run into an expenditure control where you have laws requiring you to make payments to States or individuals, or you have contractual obligations. I'm sure we'd be in court all over the country with claims against us.

Mr. CONTE. Mr. Chairman, I quite agree with the chairman and joined with him on the floor of the House last year when they tried across-the-board budget cuts in our particular budget.

It's a dangerous thing here. These are revenue-producing agencies and they all provide direct services to the American public. If you

are going to put an across-the-board cut on these agencies, you are going to have poor and inadequate services. You also are going to be penny wise and pound foolish because you are going to cut down much more in revenues than you will save in expenditures in such agencies as Customs and Internal Revenue, which collect revenue. We have made out an excellent case here, not only this year but every year that for every dollar spent in, for example, Customs, you get back 10. I guess that's the ratio.

MR. STEED. About 10 in Customs; it's much higher in Internal Revenue.

MR. CONTE. We are now in an extremely serious situation. You mentioned your hearings over in the Senate which covered the outflow of gold, the balance of payments, and our other economic problems. In order to get the tax bill through, I think Congressman Mills has made it very clear and explicit that the administration is going to have to cut its budget. Therefore, why doesn't the administration come in here with some cited or recommended cuts? There are areas, when we are in critical times, and we certainly are in critical times today, where activities must be suspended. Why don't we say that we just can't afford to put a man on the moon now? We can delay this thing and we are going to have to delay it. Why don't you say we are going to cut this program in half?

This is also no time to be worrying about building a supersonic transport jet. Let's stop that entirely; not even give them any money at all until this crisis is over with. Go on down the line of some of the luxury items, what I call luxury items, that are not totally necessary to our defense or the economic well-being of this country. Then the administration will get its tax bill through and put our economic house in order and we can prevent some of these dangerous and foolish across-the-board cut situations which Congress will certainly enact ultimately, unless the administration moves first.

APPLICATION OF CONTROLS

MR. STEED. Here is a thing that bothers me. We give the closest scrutiny to all the items we have here. For instance, travel for the Secret Service. This is a matter that is dictated by the movements of the President and other people under their jurisdiction. They have no control over it. He travels and they travel. This gets to be a very tight situation and the amount of money we feel we can make available for that is closely watched. After you have done that, and you turn around and find in the defense budget that in my State this month they are staging a program where they have had to send two or three people two or three times to get it arranged. It's one of these things that help businessmen to find out better how to sell things to the Government. It may be a desirable thing, but I doubt if any good will ever come out of it and a whole lot of money is being spent on that program. I protested it. The Defense Department thumbed their nose at me and it involves travel for a lot of Government people. Taking up one or more days of their time, doing something that is absolutely, in my opinion, not needed and unnecessary, and they seem to have all sorts of money for this type of thing. Whereas these agencies we are dealing with here in the highest priority are hard pressed just to get a few dollars.

You had a travel problem in your own agency where some real savings might result from the expenditure of a little travel money. It seems these pressures never seem to get down to the level of cutting out all these frills that they are able to carry on. It takes the old, and well established, and easy-to-measure agencies, like we have here, and plays havoc with them.

It seems to me the pressure is stronger in the wrong places. Do you think any aid can be given to this problem by exercising closer scrutiny over this enormous defense budget that we have now? Only a part of it is directly concerned with the operations in Vietnam. I saw some material that the Bureau of the Budget provided Mr. Mills on the cost of research in the military, which amounts to more than the whole budget this subcommittee deals with. While research is a very necessary and desirable thing in many cases, it seemed to be a lot of money that was being allowed to be spent that could be delayed for a while.

We are perfectly willing to put the screws on as tight as good judgment will permit in dealing with our agencies, but you get a frustrated feeling when you've done that and then see other activities receive funds that would be hard to justify, even under the most liberal budget conditions. This is something you're going to find many of the Members are deeply concerned with.

Mr. ZWICK. Let me make two responses. First, as a matter of history, and for the record, in this fiscal year, fiscal year 1968, the Defense Establishment has cut back roughly \$2 billion in non-Vietnam expenditures. You remember that in the fiscal year 1968 budget, which we submitted in January of 1967, excluding pay increases, defense and military assistance expenditures totaled \$73.1 billion. We reestimated that figure in January of this year to \$73.6 billion—up half a billion dollars. But that half billion dollar increase involved a \$2½ billion increase in Southeast Asia and \$2 billion decrease for non-Southeast Asia. So indeed they have cut down some. The second answer I will make is that I have pressed, and I will continue to press personally, to have the defense budget carefully scrutinized as part of any overall cutback exercise. But, I would quite frankly say, when I talk to people around the Hill, I do not sense a mood that would allow for a major reduction in non-Southeast Asian defense expenditures.

So we are back to the same dilemma again. We will continue to press for reductions in these areas, but I don't sense that same mood in the Congress.

DEPARTMENT OF COMMERCE PROGRAMS

Mr. STEED. I would suggest that you look at this program the Department of Commerce has for running all over the country, having all these so-called seminars and involving all this personnel. There are a number of Government agencies that get involved in it; GSA, Post Office Department, Department of Commerce, and Department of Defense. It's nice to have these all-paid trips out to the various communities of the country and sit around and talk about how to do business with the Government. I am not opposed to the vendors of the Nation having all the information they can get; but, at a time when we are faced with a tight budget, it seems to me that this sort of thing is a waste of the public money.

I was absolutely stunned at the attitude I got when I talked to the Under Secretary of Defense and his people and the folks at the Department of Commerce about spending the thousands of dollars that they insist on doing in my State. Nobody wants the people of his State to get his share of the Government's dollar more than I do; but if the average manufacturing vendor doesn't know something about how to do business with the Government, the seminars we have will not improve the situation a great deal. There are all sorts of facilities available to people who want to do business with the Government. I imagine most Members of Congress, at one point or another, lend a hand in getting some of their constituents in a better posture to do business with the Government. This one just happens to be irritating to me at the moment; but there are a number of others.

Mr. ZWICK. Mr. Steed, I would like to have that specific example so we could look into it.

Mr. STEED. I'd be glad to hand it down to you.

Mr. CONTE. Mr. Chairman, will you yield a minute, off the record. (Discussion off the record.)

NEED FOR TAX INCREASE

Mr. YATES. In response to an earlier question by the chairman and Mrs. Reid, you indicated that the stringencies of this proposed cut might not be appropriate if there were a tax bill. Suppose that the Congress were to approve the President's request for 10-percent tax increase, or what is more realistic, I would think, if I judge the bill's attitude correctly, suppose it were a 6-percent tax increase, or 7 percent; would that take care of the situation?

Mr. ZWICK. The budget we submitted in January with the 10-percent tax surcharge and with the expenditure holdbacks, we thought was appropriate from a fiscal policy point of view. It provided certain restraints so that from a fiscal policy point of view, not a tight budgetary point of view, an \$8 billion deficit with the tax surcharge would be enough restraint. That means that from a fiscal policy point of view, we thought that an 8 to 10 billion dollar cut in obligations plus the 10-percent tax surcharge would give you too much restraint. There obviously has been a disagreement on that, because from the beginning some people have said you need both the tax increase and the budget cut. So there has been a legitimate disagreement on what is enough restraint.

Secondly, I think in all likelihood that Defense expenditures in Southeast Asia are going to go up in fiscal 1969. So if we were right in January about how much restraint is needed, we either have to offset those expenditure increases by expenditure reductions somewhere else, or get more taxes, or accept some degree of inflation.

MILITARY EXPENDITURES IN VIETNAM

Mr. YATES. We don't know in this committee, when you say it's right to expect expenses to go up in Southeast Asia.

Mr. ZWICK. I said there's a high likelihood. This is still under review, as you know. I think if one had to guess, you'd guess on the side of—

Mr. YATES. You would guess on the side of an escalation rather than a de-escalation?

Mr. ZWICK. I am saying that I think fiscal year 1969 budget expenditures are more likely to be up then down; yes.

Mr. YATES. Can you tell us why?

Mr. ZWICK. No. At the moment, as I say, the whole process is under review, as I'm sure you're well aware.

Mr. YATES. Why do you think it's going to go up rather than down?

Mr. ZWICK. So far, what we have had happen since last January, are three events. We had the call-up of the 14,000 reservists; then we had an acceleration in the deployment of 10,500 to Vietnam, and we had \$100 million in military assistance to Korea added to the January budget. In sum, these still do not amount to a dramatic increase in the defense budget. You might be able to find such an increase somewhere else. I'm saying that these things that have happened since January 29 are all on the up side, not on the down side; and that defense may also use additional ammunition and other things.

Mr. YATES. Do you know what the cost of the call up of the 14,000 reservists will be?

Mr. ZWICK. I don't have sufficient data on that. Assuming they remain in the United States, you are not talking about more than a couple hundred million dollars.

Mr. YATES. If they are left in the United States it will cost an additional couple of hundred million, \$200 million roughly?

Mr. ZWICK. Right.

Mr. YATES. Then you talked about another 10,000?

Mr. ZWICK. Let's put that at \$200 million.

Mr. YATES. All right you have a hundred million for MAP and then you said about 10,000?

Mr. ZWICK. Then you have 10,500 troops that would be deployed within the 525,000 that we have been forecasting. That's within that, but they were deployed out of phase, so to speak, more rapidly, by airlift. What the cost of that is I would have a hard time figuring, but that should be \$50 million, at the most, something like that.

SPECIFIC ADDITIONAL MILITARY COSTS

Mr. YATES. For military additions, right? Can you tell the committee what the additional ammunition costs of the offensive will be?

Mr. ZWICK. No; that's very hard because in any conflict you have peaks and valleys.

Mr. YATES. I'm trying to find out what the additional costs will be so we know where we stand with respect to a 6-percent tax increase.

Mr. ZWICK. The cost of ammunition and all expendable items in Vietnam were estimated over the 1969 period. If you continue the rates of activity that you had in January for all of fiscal 1969, you would have to add, obviously; but that isn't, I think, a very plausible assumption. I'm saying you have variations in level of activity and I find it hard to determine the cost of the Tet offensive.

TROOP INCREASE COSTS

Mr. YATES. The President on Sunday indicated there would be another modest troop increase instead of the 200,000, presumably requested by General Westmoreland. I assume this is modestly 25,000 additional troops that would be very modest I think, under the cir-

cumstances. What is the cost of sending 25,000 additional troops to Vietnam?

Mr. ZWICK. It can vary all the way from \$20,000 to \$50,000 per man. If you take the \$25.8 billion of special Vietnam costs we have in the 1969 budget and divide that by the 525,000 troops, you come out close to \$50,000 per man. But that involves a significant amount of infrastructure, both in the war theater and in the United States for such items as training facilities. Now when you add another man, to calculate the cost of the man and his equipment, you can use a factor of around \$13,000 per man. When he starts shooting ammunition and consuming other supplies in combat, you get up to around \$20,000 per man. The real point is that you cannot make these estimates without looking at the total posture and considering what you have to add in the way of infrastructure in the theater—new bases, new airstrips—and in the United States in terms of backup support. But the range is still somewhere between \$20,000 and \$50,000.

Mr. YATES. The reason I am asking the question, the chairman has asked the question about the possibility of saving through these reductions, also in respect to the recommended tax bill. Assuming you have the 25,000 additional men, would the additional surtax charge pay for them?

Mr. ZWICK. If you have the buildup, it certainly would pay for them in terms of revenue; but in terms of fiscal restraint we think it would be insufficient.

Mr. YATES. So you will still need the cuts the President indicated yesterday that are proposed to be made to the budget and I assume the President was talking about some defense items; wasn't he?

Mr. ZWICK. I'm sure he was talking about non-Southeast Asia.

Mr. YATES. So there would be \$8 or \$9 billion to be made in the rest of the budget other than Southeast Asia. We have another \$25,000; that is, 6 percent tax increase will not be sufficient.

Mr. ZWICK. That's correct.

Mr. YATES. Will it be sufficient if we have the cuts and the increase in Southeast Asia? You will still have the same sort of a deficit, won't you?

Mr. ZWICK. Well, I would say that the deficit we estimated in January is still roughly right as of now, so you are saying that you would want us to offset any increase in Southeast Asia dollar for dollar by getting more revenue or cutting expenditures somewhere else.

Mr. YATES. Do you think under the circumstances you foresee the possibility of another 25,000 being sent to Southeast Asia?

Mr. ZWICK. I can't comment on that.

Mr. YATES. Was this taken into your alternatives in the budget?

Mr. ZWICK. Of course. The question was, What do I foresee? We looked at a wide range of alternatives in preparing the budget.

Mr. YATES. On the basis of the President's statement, you do foresee it?

Mr. ZWICK. Well, as I said, in all likelihood the cost will be up rather than remaining constant.

Mr. YATES. Can you approximate what the additional costs of sending 25,000 additional men to Southeast Asia would be? You have given us the basic computations; what would that aggregate?

Mr. ZWICK. If you assumed \$20,000 per man, 25,000 would be \$0.5 billion; at \$50,000 a man, it would be \$1 billion.

FUNDING OF INTERDEPARTMENTAL ORGANIZATIONS

Mr. STEED. Mr. Zwick, on December 12 of last year, Chairman Mahon directed a letter to the Director of the Bureau of the Budget concerning the funding of interdepartmental organizations. I would like to insert a copy of that letter at this point in the record.

(The letter follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C., December 12, 1967.

Hon. CHARLES L. SCHULTZE,
Director, Bureau of the Budget,
Washington, D.C.

DEAR MR. DIRECTOR: In House Report No. 1607, 87th Congress, page 32, the committee stated its position with respect to the funding of inter-agency boards, commissions, etc. This position was concurred in by the Senate. (S. Rept. 1578, 87th Cong., p. 41.)

The matter has become the subject of greater contention since that time, and as you know, certain such groups this year were in some financial jeopardy as a result of committee reluctance to approve the necessary reprogramings.

In the preparation and presentation of the budget for fiscal year 1969, a single central account should be provided for the funding of interdepartmental organizations which are now, or otherwise would be, funded by assessment under authority of 31 U.S.C. 691.

Sincerely,

GEORGE MAHON, *Chairman.*

Mr. STEED. Can you provide for the record a list of the interdepartmental organizations which prior to this year, were, or would have been funded by assessment under the authority of 31 U.S. Code 691?

(The information follows:)

INTERAGENCY COMMITTEES RECEIVING CONTRIBUTORY FINANCING

[In thousands of dollars]

Committee	Contributing agency	Amount, 1968 estimated
1. President's Committee on Rural Poverty-----	Agriculture-----	40.0
	Commerce-----	20.0
	HEW-----	20.0
	HUD-----	20.0
	Interior-----	20.0
	Labor-----	20.0
	OEO-----	20.0
	SBA-----	20.0
Total-----		180.0
2. Toxic-micro-organism panel, Joint United States-Japan Conference on Development and Utilization of Natural Resources.	Agriculture-----	8.0
	DOD-----	5.0
	HEW-----	8.0
	Interior-----	5.0
Total-----		26.0
3. Interagency advanced power group-----	AEC-----	35.0
	Air Force-----	35.0
	Army-----	35.0
	NASA-----	35.0
	Navy-----	35.0
Total-----		175.0
4. National Oceanographic Data Center-----	AEC-----	32.0
	Commerce-----	309.0
	DOD-----	719.3
	HEW-----	5.0
	Interior-----	200.0
	NSF-----	238.0
	Transportation-----	47.5
Total-----		1,545.8

INTERAGENCY COMMITTEES RECEIVING CONTRIBUTORY FINANCING—Continued

[In thousands of dollars]

Committee	Contributing agency	Amount, 1968 estimated
5. President's Council on Recreation and Natural Beauty	Agriculture	12.2
	Commerce	12.2
	DOD	12.2
	FPC	5.6
	GSA	5.6
	HEW	12.2
	HUD	12.2
	Interior	12.2
	TVA	5.6
Total		90.0
6. Radio Technical Commission for Marine Services	Army	8.6
	Coast Guard	8.6
	Commerce	2.3
	FCC	14.0
	Maritime Administration	5.9
	Navy	8.6
Total		48.5
7. President's Missile Sites Labor Commission	DOD	54.3
	NASA	56.0
Total		110.0
8. Committee on the Economic Impact of Defense and Disarmament.	AEC	7.0
	Arms Control and Disarmament Agency	4.0
	Commerce	4.0
	DOD	7.0
	GSA	4.0
	Labor	4.0
	NASA	5.0
	SBA	4.0
Total		39.0
9. Foreign Names Committee of the Board of Geographic Names.	NSF	28.3
	Other	298.0
Total		326.3
10. Computer Program for the Office of the Special Representative for Trade Negotiation.	Agriculture	25.0
	Commerce	25.0
	DOD	25.0
	Interior	25.0
	Labor	25.0
	State	25.0
	Treasury	25.0
Total		175.0
11. Interagency Committee on Mexican-American Affairs	Agriculture	100.0
	EEOC	100.0
	HEW	100.0
	HUD	100.0
	Labor	100.0
	OEO	100.0
Total		600.0
12. President's Committee on Equal Opportunity in Housing	Agriculture	18.0
	DOD	36.0
	Federal Home Loan Bank Board	9.0
	HUD	63.0
	Justice	9.0
	Treasury	9.0
	VA	36.0
Total		180.0

INTERAGENCY COMMITTEES RECEIVING CONTRIBUTORY FINANCING—Continued

[In thousands of dollars]

Committee	Contributing agency	Amount, 1968 estimated
13. President's Council on Youth Opportunity.....	Agriculture.....	40.0
	Civil Service Commission.....	15.0
	Commerce.....	40.0
	DOD.....	15.0
	HEW.....	40.0
	HUD.....	40.0
	Interior.....	40.0
	Justice.....	15.0
	Labor.....	40.0
OEO.....	40.0	
Total.....		325.0
14. President's Commission on Budget Concepts.....	BOB.....	34.5
	Treasury.....	34.5
Total.....		69.0
15. Interagency Committee on Civil Disorders.....	Justice.....	75.0
	Commerce.....	150.0
	Labor.....	312.5
	HEW.....	312.5
	HUD.....	150.0
	OEO.....	300.0
Total.....		1,400.0
16. United States-Mexico Commission on Border Develop- ment and Friendship.....	OEO.....	347.0
	State.....	104.0
Total.....		451.0

Mr. STEED. Now what action was taken pursuant to Chairman Mahon's letter and the preparation of the budget for fiscal 1969?

Mr. HUGHES. I believe Mr. Schultze and the Chairman had some conversation with regard to the letter. We have some concerns with Chairman Mahon's proposal which I'd like to submit later for the record.

(The information follows:)

FINANCING OF INTERAGENCY COMMITTEES

Chairman Mahon proposes a single, central appropriation account for interagency committees which are now, or otherwise would be, "funded by assessment under authority of 31 U.S.C. 691." (See Chairman Mahon's letter of December 12, 1967, above.)

The existing situation

Agencies generally are required to budget for, and to show the proposed use of budgeted funds for, existing committees; reprogramming usually is required only for those committees newly established in any particular fiscal year. There is no way of avoiding some such ad hoc action—if emergency needs are to be met—except by providing a contingency fund. The Bureau of the Budget, through Circular No. A-63 of March 2, 1964, has attempted to limit the number of committees.

Comment

1. The amount of the central appropriation proposed by the chairman would be impossible to estimate with any degree of accuracy because it would have to include funds for new committees or commissions created to deal with emergency situations.

2. Earmarked funds, with a built-in cushion for contingencies, would encourage the creation of committees because there would be no difficulty in financing them.

3. Earmarked funds, with a built-in cushion, would tend to increase the cost of operating such committees because the funds would not be charged to any particular agency and none of the agencies concerned would have any incentive to limit the costs.

4. On the other hand, securing appropriations might be difficult; no individual agency head or subcommittee chairman would have any real feeling of responsibility for either the funds for all existing committees or for the cushion which would be necessary to provide for emergency items.

5. Besides the relatively few committees or commissions which attract some attention and become involved in controversy, there are literally hundreds of interagency committees which are conducted under the authority of 31 U.S.C. 691. While in most instances these committees do not require the pooling of funds, the authority of 31 U.S.C. 691 is, nevertheless, most necessary for their continued existence. It would be unfortunate if any action were taken which would cast doubt upon the procedure specifically provided by that statute.

Where we can, we have attempted to anticipate known interagency operations and what sort of a budget they will need. One of the problems is that by their nature these sorts of committees are difficult, if not impossible, to forecast. Their requirements arise to meet ad hoc and sometimes emergency needs. The National Advisory Commission on Civil Disorders was perhaps a case in point. We, therefore, cannot build them into the budget structure when they arise that way.

I think perhaps the best way to respond to your question is to supply the list that you have already requested and indicate the committees receiving contributory financing and the amounts involved. There are, in addition, some committees directly budgeted for. Others have been financed, on occasion, out of the emergency fund for the President or the management improvement fund, if that sort of thing was appropriate.

Mr. STEED. At this point I might mention, that insofar as the jurisdiction of this subcommittee is concerned, the only change I note in this area from last year is a reservation for funds for civil service examining boards. Does this mean the Treasury Department and Post Office Department and various other agencies under the jurisdiction of this subcommittee are not required to provide funds for interdepartmental organizations of the type we are discussing.

Mr. HUGHES. The short answer is "No." Mr. Chairman. In the kinds of instances I mentioned where we could not budget for them, and, where it is appropriate, we have asked the agencies for funds for particular short-range interagency committees.

EMPLOYMENT PAPER WORKLOAD

Mr. STEED. During the testimony we have taken up to now, we were rather astonished to be informed that it requires 47 pieces of paper to hire somebody to work for the Government and about that many pieces of paper to get rid of somebody when they leave the Government service—in the case of the Post Office Department. The Department had a personnel turnover of something like a hundred and forty thousand last year. That may not be the exact figure but it is somewhere in that neighborhood.

It would seem to me, since it does cost money, and we are going to have some further discussions with our departments along this line, that the fewer turnovers and any reduction in this paperwork would not only save a few dollars for this year but save it for a long time to come. In prior appearances here, Mr. Zwick, your Bureau has long carried on a program of trying to get rid of unnecessary paperwork. I just can't believe that private industry gets into anything approaching this kind of astronomical paperwork figure just to get employees on and off the payroll.

If one agency has a turnover of 140,000 people per year, this amounts to an awful lot of money and anything that can minimize that is just an honest to goodness savings.

Mr. HUGHES. It sounds like something worth looking into further than we have. We have done work in this area but let us take a look at it. Are we free to talk with the Post Office people?

PERIODIC EXPENDITURE REPORTS

Mr. STEED. Yes, they are the ones we discussed this with. They find this a cross to bear apparently, and one that, I gather from what they told us, they feel is getting somewhat out of hand. I realize some of it can't be avoided, they have a continuing increase in workload and a continuing need for more people but when they have to hire 10 people to get one permanent employee, this is a costly procedure and when you consider the training costs, the actual schooling costs, the on-the-job training costs, and all the other factors involved, this gets to be a big area of Government waste.

I have seen some material that at least one or more Members of Congress have been circulating that would require the Bureau of the Budget to give Congress a monthly report on how much money we are spending and how many bills we have coming due on the theory that, I assume, having this information on a monthly basis would give Congress a better opportunity to effect economies. As a practical matter could you set up a reporting system that would have any degree of accuracy to it or would it cost more than its worth?

Mr. ZWICK. We do now have a monthly Treasury statement which comes out 15 working days after the close of the month, which actually gives you cash disbursements by agencies with some breakdown. So you do have these figures available. I think it interesting that most people don't know it exists, which means they are not using it, and secondly, those people who do know it exists get bothered when the figures bounce around within accounts from month to month.

I remember appearing last spring before the House Ways and Means Committee and Mr. Byrnes saying, "How come you have a negative expenditure in the Navy construction account for the month of March, or sometime around then, last year? Don't tell me you're selling part of the Navy?" We had to go back and find out what happened. It turns out that the Navy is the contracting agent in Southeast Asia for all the Services, and that particular month, the Air Force and the Army reimbursed the Navy for the preceding couple of months, so you had the Navy account showing up as a negative expenditure. They took in more revenue than they passed out in expenditures that month.

So we do have a monthly Treasury statement that is available 15 working days after the close of the month. This is a fantastic record.

Mr. STEED. Do you see any earthly good that would come out of this extra function that is being proposed?

Mr. ZWICK. I think we would be reaching some point of diminishing returns by adding on to all this reporting. We checked this about a year ago.

Mr. STEED. I gather from your comment that your agency would not find favor with this proposal?

Mr. ZWICK. We would have to look at the specific proposal, Mr. Chairman, but I question the idea that somehow if we just regurgitate

a lot more data we would all be better off. I think we can all get swamped unless it is organized.

Mr. HUGHES. Actually, data needs are reflected in our budget request to you for additional staff for better handling and better analysis of the information we are now getting. We need more staff to understand better what we are already getting and to be able to process it better.

COMPUTERIZATION OF THE BUDGET

Mr. STEED. The only other suggestion I am aware of in this area has been what Senator Monroney has been advocating that the Congress itself develop a computerization of the budget so we could feed information into the computer as we take action during the year and we could have a takeout of what the status was at any given time.

It would seem to me this might give Congress some worthwhile guidance since you do have a fixed thing called a budget to begin with, and the computer would start with this document and record, week by week, the impacts that actions of Congress, at any stage of its legislative process, have on the budget.

I have just never been able to figure going beyond the Treasury statements. How, for any practical reasons, could you develop any more fiscal information which would be current enough to do any good anyway?

Mr. HUGHES. The Appropriations Committee is, of course, now doing something of this sort, at least in total terms, as it reports bill by bill on its actions with respect to the budget. Part of the problem here, as I think you are well aware, Mr. Chairman, is the association with some sort of magic that computers and other kinds of modern machinery have.

I think sometimes the proponents of this sort of thing see themselves sitting down with something like a TV and a typewriter, and if you push the right keys, the answers to all the world's problems will somehow or another come up on that screen. The committee does carry running totals on the bills and they are easily added for the cumulative effect on the President's budget, if people are willing to wrestle with that. But it does take some work. The question is always, What do you do with it now that you've got the information? Where do we go from here?

ACROSS-THE-BOARD OBJECT SUMMARIES

Mr. STEED. Getting to that point, what I was getting ready to say is some of the information that appeals to me as probably being useful that we could get and don't have now run in this direction: for instance, we deal with travel in the subcommittee. All the other subcommittees are dealing with travel. We deal with transportation. All the other subcommittees are dealing with transportation. We deal with automatic data processing and all the other agencies do the same. You have done some very effective work at the Bureau of the Budget level in coordinating automatic data processing. You have appeared before this subcommittee and have given some very fine dissertations on the total transportation picture of the Government, or the total travel picture of the Government, or total communication facilities of the Government. We thought this was very informative and helpful and

all Members of Congress certainly should be aware of these across-the-board pictures as well as the itemized detailed parts.

It seems to me, if we set our computers so that these sort of things would be available, when we sit here to make a determination in this area, if we had the total effect of all the subcommittees and their reactions to these same things, that would be a very valuable guide for us.

We could escape this thing of having gone too far in tightening the screws on Secret Service travel, for instance, when somebody else had not done anything at all in that direction.

So there would be some uniformity of policy. I don't know how else, with the subcommittee system we have, that there can be this coordination unless we, ourselves, develop a way to keep up with the reactions to the budget in several ways.

Mr. ZWICK. You are suggesting information by objects, such as what are they doing by travel, what are they doing about types of equipment, and so forth?

SYSTEMATIC ACCUMULATION OF INFORMATION

Mr. STEED. Yes. By the same token, it probably would be quite helpful for you to have this as it goes along in better detail than you are able to get it.

The idea that does appeal to me is somebody coming up with an idea that will allow us to punch a button and all of a sudden we'll be smart. I agree with you on that. I think it is impractical.

Mr. HUGHES. This question of the accumulation of information in the right form is a tough one. Again, we have tried to adjust ourselves to it. People have an insatiable appetite for bits of information, depending on their particular interests. But if we are talking, for instance, about travel, and we want to accumulate meaningful data about travel, we need to note something beyond just travel figures. To stick to the concerns you have already expressed, you need to know whether the Internal Revenue Service travels in pursuit of tax dollars, let's say, or whether on the defense side, it is travel by train to the local businessman or local entrepreneurs, and is this how they get contracts with the Government. If it does make a difference in terms of your action on the appropriation, the accumulation of information, to take on real meaning, needs in some way or other to get associated with the purpose for which the particular expenditures are being made.

Mr. STEED. Being the subcommittee that is first to report its bill poses certain disadvantages, but it also has some advantages. After we have finished and made our determinations, of course we participate in the contest of all the other appropriations. You are able, then, in a personal way, to sort of follow the effects of others. After all these years of having the responsibility of being the chairman, I always get the feeling at the time when we wind up the job, "had I known when I brought the bill up what I know now, there are certain determinations that would be considerably different."

I have a feeling sometimes we do not do the best job that we could have done, had we known certain facts. We find that we have to be first and facts accumulate and after the bill leaves the House, by the time it finishes its process in the Senate and comes back to conference, we have a second opportunity to insert some judgment.

It seems to me that part of the problem is the fact that Congress itself hasn't got the total machinery that it needs to keep up with the business.

COMPUTER COORDINATION

What are you doing in the field of coordinating the use of automatic data processing in the various agencies, including cross-servicing, maintenance, procurement versus lease, and so forth. You have made some great progress in this field. Are you still showing improvement?

Mr. HUGHES. I think we are doing very well. I guess the shortest way to say it is "I think Mr. Brooks thinks we are doing very well, too."

Let me elaborate a little bit. Some of the recent work has put emphasis on computer language problems. As you know, the computers came out of different corporations, different scientific origins, so to speak, and they deal in different kinds of electrical connections, which require a different sort of feed-in into the computers. One of the big problems of recent years has been in enabling the separately originating systems to communicate with one another, without a human intervention and human translation process, which, of course, slows the whole thing down to a walk and puts it back down to almost a person-to-person basis.

The Bureau, working with, particularly, the Bureau of Standards and the GSA, has made some substantial gains in this translation process.

I don't know if we brought the material with us, but we can furnish for the record some materials which would illustrate this and perhaps one or two other of the fairly noteworthy developments since we were here before.

(The information follows:)

DEVELOPMENTS IN THE MANAGEMENT OF AUTOMATIC DATA PROCESSING RESOURCES

Within the past year, numerous actions have been taken to improve the management and use of more than 3,700 computers being operated by Government agencies. These actions are directed toward—

Achieving greater compatibility among the data being processed and among the many different kinds of computers that are available in the market place;

Increasing and extending the use of computers currently being operated, to minimize the need for additional procurements; and

Improving the procurement process to reduce the cost of acquiring computers.

Among the actions taken are the following:

1. A Government-wide program to establish standard data elements and codes that are in common use in computerized data systems was initiated by Bureau of the Budget Circular A-86.

2. The President, on March 11, 1968, approved the first three Federal automatic data processing standards. The standards, which stipulate the use of the American Standard Code for Information Interchange, will become effective with procurements made after July 1, 1969.

3. A Government-wide information system was prescribed by Bureau of the Budget Circular A-83 to provide current information on the status of the Government's computer inventory and related data useful in managing this equipment more effectively.

4. In the first half of fiscal year 1968, the nationwide computer-sharing program operated by the General Services Administration was instrumental in arranging the joint utilization of equipment for services valued at \$15 million.

5. In the first half of fiscal year 1968, excess equipment valued at \$23.3 million was redistributed to other agencies for extended use.

6. Commercial leaseback arrangements, which result in reduced rental costs for equipment, are being used more extensively.

7. The General Services Administration was successful in negotiating improved contracts for the Federal Supply Schedule. Improvements include provision for liquidated damages for the contractor's failure to deliver effective software on time, provision for cessation of rental payments during periods when equipment is transferred from one location to another, and shorter periods for discontinuation notices.

Mr. STEED. Between what the private sector is doing and what the Government sector is doing, what is the picture on computer technology? Are we beginning to do a lot of our own creative thinking in this area or do we just wait until they have developed something.

Mr. ZWICK. My impression is that we have been a leader in the sense that we were the big procurers of the equipment. As Mr. Hughes said, it started out for scientific computations. That affected the whole character of the development of computers. More recently, there has been the push toward standardization. When the President signed the directive requiring standardization, he indicated the types of requirements we will require of computers. This is going to have an impact on the computer manufacturers. If they want to sell equipment to the U.S. Government after this, they will have to have these common attributes or capabilities. That will have a major impact on the development of future generations of computers. I think the Government has been doing more in setting requirements than doing technical developments.

Mr. STEED. How good a control do you have on the various departments using computers, in terms of whether or not the computer work they are carrying on is worth while? Does the quality of that need come under your jurisdiction, or do you think we are just computerizing for the sakes of computerizing, in some cases?

Mr. HUGHES. I think it would be a rash man who would say "some of the latter has not happened." People are very taken with gadgets. A computer is a kind of gadget. We are conserving on at least three fronts, probably, with adequate management of the Government's computer machinery. We, first of all, have management responsibilities, and computer management is part of this.

Secondly, we do get a real good look at at least the expensive computer items, because they show up fairly clearly in the process of budget review.

The decisions as to whether a particular kind of machinery is needed, or something a little different is needed is a tough one. But, at least, with respect to major items, these do show up in the process of budget examinations. Then the third involvement we have is through the so-called Brooks bill, and the computer management responsibilities under it that the Bureau has in conjunction with the Bureau of Standards and the GSA.

We are accumulating and keeping current an inventory, in effect, of computer equipment that will, I think, enable us to do a better than we have. The job is one of facilitating interchanges among agencies rather than computer acquisition; that is, keeping agencies from buying computers, if they already have something that perhaps is not the newest thing off the line, but one that will do the job adequately.

SHARING OF COMPUTERS

Mr. STEED. One of the best gains I think that came out of this, especially in the last 2 or 3 years, has been the fact that you have been able to marry computers to several departments. This year we have been told that an agency who had to have a computer and had access time available on it, made it available to other agencies. As time progresses, however, the computer is operating at full capacity so that the borrowing agency, the outside agency using this computer, now is saying "they can't do our work anymore because we are a third priority and we need money to buy us one."

Now when you get to this stage, and I assume it is going to become more and more frequent as time goes on, do you make a study to see whether in fact the computer is operating at full capacity in a desirable manner? Just because one agency owns the computer and they are absorbing all the capacity of the computer, some of the functions may not be essential, as compared to the need of the other agency.

It seems to me this could be a problem that you are going to have more trouble with as time goes on, unless you are able to get on top of it.

Mr. HUGHES. We do try. We are working on standards for computer utilization. We are also struggling with the pricing problem—the problem of reimbursement of the computer use of one agency by another. The problem, I guess, is even more acute in the universities, who have acquired computers, many of them through Federal grant or research funds of some sort.

But where the problem is very difficult is in deciding under what circumstances you should use one computer or another. The price structure may encourage overutilization of the newer more effective model when an older one might be underutilized and could serve these lower priority purposes that you refer to. I am not an expert in this business, but I have tried to follow it as part of my responsibility. We are aware of the problem and are working on it and, I think, gaining on it. But it is going to be a long and a continuing pull because the computers change as we start to catch up with them. So we need them to start over with our procedures and pricing practices and standards.

CEILINGS ON MANPOWER

Mr. STEED. This budget pressure we are under not only makes an impact on the dollar part of it but also on the manpower and personnel part, too. We are beginning to get the feeling that as the ceiling on manpower tightens, some agencies are trying to bypass this ceiling by contracting-out or bringing in consultants and so this part of the budget costs goes up. What guidelines do you have to keep this from getting out of hand?

Mr. ZWICK. Actually we moved in the opposite direction in several agencies last year, including the State Department. Mr. Cohn and Mr. Hughes can elaborate on this.

Mr. COHN. This was the case in State, GSA and NASA, based on findings generally made by the General Accounting Office and followed up by civil service investigations. We have moved ahead with these agencies to convert employees back to Federal status and put them in our Federal account. We have increased their employment

ceilings. An organization has some responsibility to try to limit manpower and it's hard to move to increase an employment ceiling.

But you're right—in many cases it makes sense, and we have done that and we have allowed the agencies—in fact, encouraged the agencies to convert to direct employment where savings have increased as a result, or even where there were not savings, but where the actual method of supervisor-employee relationships indicates that the employee really works for the Government, even though he might be paid on a contract. In cases where he really works for a Government employee and is doing a Government job we told the agencies to put him on the Federal payroll.

Mr. HUGHES. Mr. Steed, there have been several forces at work here. One was the legal decision, a court decision, first in the so-called *Fuchu* case, a Japanese defense installation, where the Court said in effect, They are Federal employees even though there is a contract relationship. Some legal determinations have been made by the Civil Service Commission which cause other changes. Then you are probably aware of the activities of Congressman Henderson's subcommittee, the House Post Office and Civil Service, and the Porter Hardy Subcommittee on Government Operation. In one way or another they were approaching this same kind of problem—to try to identify the consideration, or rather the considerations, under which it paid to use a contractor as distinguished from doing the job in-house. And often, as a result of these various concerns, there have been a number of changes made or there are more in the works. Two of the best publicized, I think, are the NASA changes up at the Goddard Space Flight Center where some activities have been made in-house that were contracted for. There has been a rather extensive rhabarb down at Huntsville, Ala., involving the question of a reduction in force of civil service employees bringing suit against the Government and saying you've got to let the contractor guys go first because we are doing the same thing. That is in the process of resolution now and did produce further study of NASA activities. A study group, including a Bureau of the Budget man, went down to Kennedy Space Flight Center to look at the entire operation, which is a military, as well as a NASA installation to review the contracting-out arrangements there.

1968 PAY LEGISLATION

Mr. STEED. One more question before we recess for lunch. In this total budget question we have been discussing, we have been dealing in terms of dollar requests pending before this subcommittee. Now we are all aware of the fact that in the next fiscal year another pay raise is going to hit the 1969 budget. That is accounted for in the total budget presentation but it is not in the dollar items we have before us. There is some sentiment that Congress would consider the proposition for postponing the effective date of that pay increase because of the very tight budget situation. Has that gone far enough for you folks to have given it any consideration or what could you tell us about your reaction to that idea at this stage?

Mr. ZWICK. We have considered almost everything that you can imagine, and perhaps some things you can't imagine, in terms of cutbacks, Mr. Chairman, but we are in no position now to suggest, if we come to cutting back the budget, how we would approach it.

Mr. STEED. Could you do this for us? Assuming that this postponement was decided upon by the Congress and that pay period was delayed a year, what dollar impact would it make on the budget as it now stands?

Mr. ZWICK. We had in the 1969 budget an estimate of \$1.6 billion for the civilian and military pay increase. So if you delayed it all a year, you would be saving \$1.6 billion.

Mr. STEED. If that were done, then that would be a contribution to this \$8 or \$10 billion cut we are talking about because you included that figure in your original total budget statement to the Congress.

Mr. ZWICK. That's right.

Mr. STEED. I think we will now recess. We will come back at 1 o'clock.

AFTERNOON SESSION

Mr. STEED. The committee will be in order.

The committee resumes this afternoon the budget request for the Bureau of the Budget.

TRAINING OF FEDERAL EMPLOYEES

Mr. Director, the training of Federal employees on the Government rolls has become rather substantial in recent years, and becomes a more important budgetary fact of life. In this area, what control or guidelines or other influence does your Bureau furnish the various agencies in terms of the field training or in-house training, on-the-job training, and this sort of thing, especially in the matter of the establishment of schools, training centers, and so forth?

Mr. HUGHES. Just to comment generally, I think, Mr. Chairman, insofar as the establishment of new institutions, bricks and mortar and so on, there is relatively little activity of that sort at the present time. About 10 years ago the Government Employee Training Act gave a good deal of impetus to the training of Government employees. The act spells out the terms of reference and I think, it is my recollection, at least in many of the appropriation acts, there are limitations or specifications on what funds can be spent for training purposes.

Our approach to training, really, would parallel our general approach to the budget review process. We would be interested in looking at the level of employment and the intake of new employees, and we would, in the course of our personnel review, attempt to evaluate the allowances for training, but as far as I know beyond that, we have no special arrangements, no special techniques.

Mr. STEED. From time to time, so much of the budget is pinned on a figure like the number of cases or the workload of the agency. I have always found that this is important up to a point and if you don't know the quality of the case or what they call a case, the statistics can sometimes lead you astray. I have always urged that we go beyond these actual statistics and check the quality of what they are talking about.

In this case, training for the sake of training would not be in the Government's best interests. Naturally, they do have to tell you about the numbers and the costs and the activities, but if the quality of the training isn't accomplishing the purpose, all this is a guide to how much you are wasting.

Do you have anything to check into the quality of the training to see if it is really getting the results desired?

Mr. HUGHES. I think the short answer is we have no special handles with respect to quality. A good deal of the training is conducted by the Civil Service Commission. There is obviously training in the Defense Department, both for military purposes and related civilian training. The Post Office has training programs of its own. The examiners for these agencies review the training programs to ascertain the quality of the training.

I think probably much of the training expense, Defense and others, is related to the payment of subsistence, tuition and fees for training in standard academic training institutions of some sort. The qualitative measurement of this training probably involves primarily the question of the relevance of training to the particular purposes of the agency that is paying for the training, rather than quality, per se.

INCREASE IN PRODUCTIVITY

Mr. STEED. Of course, it is anticipated that if training is doing the job and they are getting some good out of it, then it reflects itself in the agency's ability to increase its productivity and efficiencies. Since some of the agencies make quite a case for themselves in the area of improvement and actually have budgetary adjustments to prove that they have improved, how do you approach that phase of it? Do you participate in the agency work of management improvement and productivity improvement?

Mr. HUGHES. Yes, Mr. Chairman. We do have a particular segment of the Bureau in Mr. Cohn's office that is specifically concerned with the achievement of savings through improved management processes and through management improvement in general.

The evaluation, however, of the results of training, as you can appreciate, is pretty difficult, and I think probably impossible, in many circumstances. We sponsor training within the Bureau, partly as an act of faith, partly because we know the training the staff is getting is good in the sense that they are at a good institution taking relevant courses. But when the examiner is back in the Bureau, the result of his training is a subjective judgment. It is hard for us to say that as a result of his training he cut more or he cut less in the budget or he made better choices among the programs in any definitive sense that you can add up or subtract.

I think training results are usually in this category.

Mr. ZWICK. My impression is, when you look at training across the board in Government, this is an area where the Bureau has not placed major review emphasis. We depend primarily on the Civil Service Commission in this area. So if you look at the Bureau's penetration into various sectors, including travel, you will find we are looking much more closely at other areas than we are the training areas.

Mr. STEED. Our main concern isn't so much with the size or extent of it, it is whether the desired results are being obtained. Sometimes you can be training for the sake of training and not get the return in productivity it was intended to have, if it is not watched.

NEW BUDGET CONCEPTS

The budget this year has been presented in a new form and there has been considerable discussion by the press and in presentations to

the Congress on this new format. Could you give us for the record, in words the public could understand, some comment as to what is the difference between this new format and the old one? What are its advantages and how does the average taxpaying citizens go about comparing this budget in a given situation or in a given agency with last year or any previous year?

Mr. ZWICK. I'll describe the new budget in terms of four main differences from previous concepts. First, there is now a unified budget rather than the three budget concepts which we used to highlight in the past. As you remember, there used to be the administrative budget, the consolidated cash budget, and the national income accounts budget. The first Commission recommendation we adopted was that there should be one unified budget so the confusion of different budget concepts would be suppressed. The new unified budget comes closest to the old consolidated cash budget in concept.

The second principle was that the budget should be comprehensive—it should include all activities of the Government, in particular the trust funds. So you have roughly \$47 billion worth of trust funds expenditures in this budget which makes the budget totals much larger than before.

Total outlays under the new budget concept are estimated at \$186.1 billion for fiscal 1969. Under the old administrative budget concept, that estimate would be \$147.4 billion. So, you have roughly a \$40 billion difference, largely reflecting the inclusion of trust funds, to come up with a truly comprehensive budget.

The third point is that the Commission recommended a split of the budget into two parts—an expenditure account and a loan account—within the overall unified budget. The reason for splitting it this way is that economists argue that you get a different economic impact from direct Federal expenditures than you do from a loan. When you pay somebody or build a dam or buy some equipment, you are putting income into the recipient's hands. This has a different economic impact than if you make a loan to somebody and the Government is acting as a financial intermediary, essentially, in the banking sense, substituting one type of asset for another.

So we split the 1969 budget into an expenditure account and a loan account. The deficit on the expenditure account approximates the old national income accounts budget, so you have a way of getting close to the concept the economists most typically use.

OTHER NEW FEATURES

There are two other new features. The Commission recommended and we adopted a rule for netting and grossing receipts. In the old budget, whether you netted receipts against expenditures or counted them as revenue varied somewhat among programs, depending on the legislation that set them up. The Commission set up a general rule that said if the receipts result from business-type operations, you net them against expenditures; if they result from the exercise of the sovereign power of the Government, you treat them as receipts. Therefore, the Post Office receipts are netted against expenditures. Receipts from park visitors or other national park fees are netted against expenditures.

Where there is a business activity in which people are paying for a service rendered, you net that against expenditures and you get the net cost to the taxpayer. On the other hand, if it is a tax or a customs charge or a user charge on highways or airways or something similar, those are treated as receipts. The objective was to provide a uniform rule for the handling of receipts.

Lastly, one of the most controversial issues was the treatment of the participation certificates. In the old administrative budget, they were netted against expenditures. They are now treated as a means of financing the budget deficit, just like a Treasury bond, so that they are part of the debt management picture rather than a negative expenditure.

I think those are the major differences. I think they constitute important and useful reforms. I should say that although we do have one budget now, it is important to recognize—and the Budget Concepts Commission did recognize—that there is no single number that really explains all you want to know about a budget. Now we have one budget and it has an \$8 billion deficit. But there is no single magic number.

If you are interested in the amount of borrowing the Treasury has to do from the public, that \$8 billion is the relevant number. If you are interested in the fiscal impact of the budget, the thing most economists would look at, you would look at the deficit of the expenditure account, which is \$4.7 billion.

My overall impression is this is an important reform and a step in the right direction. It should improve the dialog about the budget, but the budget is a complicated instrument that has to serve many purposes—from your appropriations, to financing the debt, to fiscal impact. We are never going to be able to get away from the fact that since the budget has to serve a number of purposes, it has to have a complex set of data and information. Now, you asked one more question.

NEW BUDGET APPROACH

Mr. STEED. What problem does the average citizen have in comparing the budget request for 1969 with the prior year in a given agency?

Mr. ZWICK. The new budget shows what we call Federal funds separate from trust funds. The Federal funds are very close to the old administrative budget, but you can't get exactly to it because of the netting and grossing changes I mentioned to you. It is not identical to it, but within any agency you have the trust funds and the Federal funds separated.

Mr. HUGHES. It might be relevant also to mention that for purposes of comparing the current year's budget, the new budget produces all sets of figures for all 3 years, 1967 through 1969, so that an individual who wishes to compare the current and coming years can do it from a single copy.

PLANNING, PROGRAMING, BUDGETING SYSTEM

Mr. STEED. Now, more and more of this program, planning and budgeting system shows up in terms of people and dollars required for

it. What is the status of that program at this time? It is throughout the Government yet?

Mr. ZWICK. It is in at least 23 agencies. I think it is safe to say we are making progress, probably not as fast as we would like to have made, but also probably as fast as is reasonable to expect for a major reform like this to take hold in a complex establishment like the Federal Government.

It varies from agency to agency. Some agencies are better at it; others are poor at it. We have had to rethink some of the concepts ourselves, so I think the best thing to say at this time is that the PPB system is evolving in a satisfactory way.

BUDGET PROCEDURE

Mr. STEED. The old concept was that an agency, either by mandate of Congress or the figment of its own imagination, decided it wanted to carry out a certain level of activity requiring people and money and they would present these requests through the Bureau of the Budget hopefully for approval so it could come up to the Congress. That was the classic concept of the budgeting process. Now just how does this tool work into that picture?

Mr. ZWICK. Actually, the fundamental approach is the same. Hopefully, what we have done is organize information so that successively higher units in the Government hierarchy can intelligently judge it. In other words, it starts at the bureau level in most agencies and, hopefully, organizes the data in terms of outputs, in terms of objectives. It allows us to look at what a program is trying to accomplish and how a particular program activity relates to that objective. Taking manpower training as an example, if you are trying to provide jobs for disadvantaged, we would want to know how does on-the-job training relate to this objective, how does institutional training relate to it, how does work experience training relate to it?

It tries to organize the data in a way that successively higher layers of Government could get a better feel for what is being done, and we think this is really important. Certainly some of the Secretaries believe this has helped them. Secretary Freeman, for example, feels very strongly that this is giving him a better overview of what is going on in his Department, so he can manage it better.

Then it comes up to us in the Bureau and, hopefully, if we have gone about this correctly, we can be more effective in reviewing the agency's request, given the overall constraints the President has to place on it.

Lastly, when it gets up here to you, if the information is properly organized, you can look at it in a more effective way.

In summary, I would say the system is doing its job, and that it is essentially a point of view, a way of organizing data, a way of looking at things.

LEVEL OF QUALITY ACTION

Mr. STEED. Since we are interested in the quality of so many things rather than just the cold statistics, like caseload or training or anything like that, is this going to get into the quality phase of things in reality or is it just going to help put some more beautiful words on a piece of paper to justify the request, if you don't read beyond it.

Mr. ZWICK. I hope it gets into the quality. I thought you were going to ask a slightly different question. There has been a tendency in formalizing the system to look at numbers—and numbers only. Clearly, this would be a mistake. There is theoretically a number that would wrap everything, including quality, into it, but we are a long way from that.

I guess none of us has to worry about reaching that point in our lifetimes. You still have to bring quality into the judgments. If this organizes the data in a correct fashion, it helps you in making decisions. On this numbers business, I think a good example is the Corps of Engineers projects this year.

We rate all the projects on the benefit-to-cost ratios, but because of the austerity and tight budget we knocked out recreationally oriented projects, even though they had a high benefit-to-cost ratio. This was a qualitative decision in pulling together a tight budget. You could forgo small boat harbors even though they had some of the highest benefit-to-cost ratios.

Theoretically, you could come up with a number that would include all of these considerations in it. That's not on the scene for at least a few decades. The system, if it focuses on what you are trying to do, ought to allow you to bring in both quantitative information and qualitative information.

PROJECTION OF BENEFITS

Mr. STEED. In the case of the average agency, the number of people and cost involved would be relatively small and it would not be hard to project savings and benefits to more than offset the costs, but in the case of the Post Office Department, the same factors might be true up to a point, but in the total budget you are going to get into a large number of people and a large number of dollars and it may not be quite as easy to project the benefits flowing from a project equivalent to the costs of it. Do you anticipate this sort of thing in all agencies, or is this peculiar to them?

Mr. ZWICK. Let me just comment briefly. Maybe Mr. Hughes knows more about that specific case than I do. I do not know the specifics of the Post Office case. However, I do have two general impressions: One, that this is an ideal place to apply this sort of analysis. It is a business-type operation. You can measure outputs in terms of time to deliver mail and you can measure the amount of services you are providing in terms of being open 6 days a week rather than 5 days. There are a lot of attributes about the Post Office which makes this an attractive place to apply this sort of analysis.

Secondly, I have the impression they have done this, that they have made extremely good progress in this general area. Is that a fair statement?

Mr. HUGHES. I think it is. I will make two comments. One is, at least as I see it, the PPB system is not all that different in terms of substance from what the budget analysts have been doing for a long period of time. But the system, if properly applied, does provide a vehicle for formalizing good budget analysis in a fashion which tends to assure that it is done more universally than if you just depend on human talent and fallibility and so on.

With respect to the post office situation and other kinds of situations where PPB is readily adaptable, OASI as a case in point, I think that the system may be getting charged with costs which are only indirectly associated with it. For example, the PPB system at times, frequently perhaps, reveals weaknesses in traditional work measurement systems, as in the Post Office or the VA or OASI or what have you.

By focusing attention on the end product, the ultimate goal of a particular program or agency, the PPB system can bring to attention workload measurements which really don't measure program accomplishments, but simply measure paper processing. By this means, it has, I think, within the Post Office and certainly other places, forced those agencies to reexamine their basic work measurement systems. This kind of reevaluation is a benefit of the PPB system and it will assure better quality measurements than we are used to or have been used to in the past. The PPB system does focus on the objective and the work accomplished, not just on a piece of paper moved or people who went through a turnstile or what have you.

EXTENT OF SYSTEM

Mr. STEED. You say about 23 agencies have adopted it? Is it your idea or understanding that this is to continue until it is prevalent throughout the Government?

Mr. ZWICK. Yes, I think so. It is, as Mr. Hughes just said, essentially just formalizing good budgeting. We would assume this is a way of life for all agencies and the outward manifestations would vary from agency to agency. In the Department of Agriculture, you would want a large central staff. On the other hand, in the Department of Commerce, you have staff in the environmental sciences, you have another staff at the Economic Development Administration, and you have still another staff in the National Bureau of Standards. In Commerce, you have a very diverse schedule of activities going on, so you organize it slightly different than you would in the Department of Agriculture.

The only point I would make here is that this is the way of life as far as I am concerned. What this means in terms of staff and how it should be organized within an agency will vary quite tremendously from agency to agency.

Mr. STEED. Mr. Conte?

SEIGNIORAGE

Mr. CONTE. Mr. Zwick, I want to join with the chairman in welcoming you in your appearance before this committee and in congratulating you on your new appointment. You have a fine background for the position and I am sure you will do an excellent job as your predecessor has done. This committee I assure you will do what it can to work with you.

I was looking back in the record, and we had a little discussion when the Bureau of the Mint was here about seigniorage. They couldn't quite explain it, not the seigniorage itself but the way it is handled in the budget now.

Mr. ZWICK. Seigniorage is now treated as a receipt, I think, but I am not sure.

Mr. CONTE. That's right, a proprietary receipt from the public.

Mr. COHN. Let me take a stab at explaining the way we are treating it.

Mr. CONTE. We kicked it around for an hour one day.

Mr. COHN. Part of the confusion results from one of the things that slipped in at the last minute in the haste of putting the final budget out. The word "seigniorage" is used in one of the receipt tables—I think it is table 11 of the budget.

Mr. CONTE. Table 12, and then again—

Mr. COHN. Table 12, that's right. It uses the word "seigniorage" and that was a mistake. We did not intend to use the word "seigniorage" there. We meant to use the term "receipts to offset the costs of coining money." Actually, "seigniorage" if you want to look at it this way, was redefined this year. That part of what we used to call "seigniorage" that pays the cost of the mint's operating work in making the coins we are calling a receipt, and that part of seigniorage which is profit on the coins—over and above costs—we call a "means of financing" the deficit. It doesn't count as a receipt and the mint can't take credit for it in its account.

The only thing the mint can take credit for is the profit up to the point of covering its costs, no more.

CLASSIFICATION OF RETURNS

Mr. YATES. How is it a profit then? It is a recoupment of costs, no profit.

Mr. COHN. I agree, but in the old days all of seigniorage was counted as a receipt and considered to be a profit of minting coins, whereas you gentlemen helped appropriate the cost of minting coins which was not subtracted from that seigniorage, you see.

Mr. STEED. Maybe this will clear it up. Let us suppose it costs \$1.12 a thousand to manufacture pennies. Now you would carry that in as a receipt because you actually spent that much money to do this.

Now, you got \$10 a thousand for it and the \$8.88 that represented seigniorage is just a means of financing the deficit.

Mr. YATES. What do you call it? Do you call it income? Profit? Is there a term you use for it?

Mr. COHN. The term is "means of financing," Mr. Yates. It is neither a "receipt" nor an "expenditure." Similarly, we count expenditures for interest on the debt as the interest accrues. Sometimes there is a difference between the checks you write for interest and the amount that accrues. That difference is a means of financing because you count it in your deficit but you don't actually make the payment, so seigniorage is another one of those things.

Mr. YATES. It is actually a profit for the Government, though, isn't it?

Mr. COHN. Yes, it is.

Mr. YATES. It is benefit income, a subsidy.

Mr. CONTE. Let's go to table 9 which is a means of financing the outstanding debt. There you have seigniorage on our coins, fiscal year 1969, \$226 million. The question I asked the mint and they couldn't answer it was why can't that money be used to pay off the national debt?

Mr. COHN. It is applied here in table 9 to reduce the debt, in effect, or to lower the increase in debt.

Mr. ZWICK. You see, there is a deficit of \$8 billion in total. We are going to finance that \$8 billion by issuing additional Treasury securities, selling PC's, seigniorage, or other available means, such as reducing cash balances. These are all ways in which you finance the deficit.

Now, if you had a surplus position with seigniorage, then it would be paying to help reduce the debt.

Mr. COHN. In defense of the mint, let me say that this is the first year we have handled seigniorage this way, and this treatment was done as a result of the report of the Commission on Budget Concepts, to which the mint was not a party.

Mr. CONTE. It was the mint and the Assistant Secretary of the Treasury who we were discussing it with earlier in these hearings.

Mr. YATES. They minted a new term.

BUY AMERICAN DIFFERENTIAL

Mr. CONTE. Mr. Zwick, I have been deeply concerned about the present inequitable situation for Government procurement of handtools whereby, despite the fact that most of these handtools are procured for the Defense Department, they do not receive the DOD's 50-percent differential treatment because of GSA doing the procuring, instead of DOD. Now, the effect of the foreign handtool industry has been very detrimental to our domestic handtool industry, and I believe the situation concerning the procurement of handtools must be corrected. I know your department had a lot to do with this. Would you please comment on this?

Mr. ZWICK. Yes. I'll make one or two quick comments and then turn to Mr. Hughes who has been handling this.

First, you are correct in pointing out that we have an inconsistent policy between Defense and all others. We think we can justify that on the following line of reasoning: First, the Defense policy is the temporary policy which is supposed to be repealed and moved back as soon as it is practical to the 6- and 12-percent rule that all agencies use. Second, we would question—if we did move everybody to the 50-percent rule—whether we would get retaliation. For some reason or other, it is easier to move in the Defense area on this sort of thing and not get retaliation from the rest of the world than it would be to move into the rest of the Government.

The third quick point I would make, and then I would turn to Mr. Hughes, is that I think I would disagree with you when you say it has had a large detrimental effect, or a term such as that, on the handtool industry. I think the numbers imply that this is really a fairly small item in total handtool industry, so it can't be in any broad sense true, although I suspect for individual plants it may have had an adverse consequence.

Mr. HUGHES. I am certainly aware of the problem. I have testified before Senator Proxmire's committee on this and some other matters. At Senator Proxmire's request, I met with Senator Brooke who was concerned with the impact on the handtool industry of this "buy American" differential. I would like to supply for the record a copy or a reasonable facsimile of the letter we sent the Senator of the meet-

ing we had with his staff member which reviewed the situation with respect to handtools.

(The letter follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., January 27, 1968.

HON. EDWARD W. BROOKE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BROOKE: This is in response to correspondence and telephone calls from you and members of your staff concerning the Bureau of the Budget's application of the Buy American Act in the purchase of handtools by the General Services Administration and the Department of Defense. As you know, I have also met with Mr. Riemer of your staff on the matter.

As the result of an attempt to provide a more efficient and economical Government-wide system of procurement, GSA has been given primary responsibility for purchasing handtools for use by all Government agencies. DOD and GSA entered into a consolidated purchasing agreement in 1964 in order to eliminate overlapping and duplication within the Government's supply system. Under this agreement, procurement and management control for 52 classes of commodities, including handtools, were transferred to GSA. DOD was given procurement responsibility for all agencies for 98 classes of commodities. The division of procurement responsibility for specific commodities were determined on the basis of the end use of the commodity. GSA was given the procurement responsibility for those items used through the Federal Government or which were commercial in nature. DOD was assigned those items which were essential to military operations.

Total purchases of handtools by GSA were about \$107.5 million in fiscal year 1967, foreign procurement amounted to \$2.7 million (about 2.5 percent). Recent analysis by GSA indicates that foreign procurement of handtools would have been significant in fiscal year 1967 (about \$1.5 million) even under the application of the DOD 50-percent differential. As you can see, GSA procurement of foreign handtools is a small part of GSA total handtool procurement and has not been the cause of a dislocation of the American handtool industry. GSA purchase of foreign handtools is also a small part of the value of handtools imported into the United States.

Furthermore, the difference between effective preference afforded domestic firms under the 6-percent GSA differential and the 50-percent DOD differential is not as great as it would first appear. Because the 6-percent differential is applied to the foreign offered price, including duties, while the 50-percent differential is applied to the offered price excluding duties, the difference in the effective preference afforded domestic bidders under the two differentials will be smaller the higher the duties. The average rate of duties on handtools purchased by the GSA is about 23 percent; thus, using the 6-percent rule gives domestic bidders 30-percent effective preference, compared to 50-percent preference under the DOD 50-percent rule.

In our continuing review of "buy American" practices, higher budgetary costs must be weighed against possible balance of payments savings associated with the application of price differentials in evaluating bids on foreign and domestic products. We must consider also the implication of any change in the differentials on our efforts to reduce trade barriers and on the procurement practices of foreign governments. Defense regulations specify that its existing procurement practice is a temporary measure which will be eliminated when the balance-of-payments problem is less pressing. While this policy differs from that of civilian agencies, we do not believe the standards now applied by the Department of Defense or other agencies should be changed.

Sincerely,

PHILLIP S. HUGHES,
Deputy Director.

Essentially our argument, after acknowledging that we are in an inconsistent position and therefore somewhat pained, our argument went something like this: Notwithstanding the increased imports of handtools, the domestic handtool industry generally has done quite well. It has grown, and grown rather significantly. The Government

handtool use is a small portion of the total handtool use in the United States and also a fairly small portion of handtool imports.

The percentages involved escape me, but they are relatively small. We are not sure that there may have been serious impact in some particular areas of the industry and I think we would acknowledge that.

I met also with, I believe it was the Viking Tool people—Twist Drill, and it was pretty well confirmed, at least with respect to them and their general knowledge of the industry, the line of reasoning that I have outlined here.

There is, I think, one additional point that even with the 50-percent differential in some of the areas where imported tools are being used, that 50-percent differential would not effectively change the situation. The 50 percent is applied, I believe, before duties, and the 6 and 12 percent after, so the actual difference is in the range of 20 percent since the duties on handtools average about 23 percent. This amount, added to the 6-percent rule, gives domestic bidders about a 30-percent effective preference on GSA procurement, compared to 50-percent preference under the DOD rule.

EFFECT ON SMALL TOOL INDUSTRIES

Mr. CONTE. Well, it may be this has not been too damaging across the board to the tool industries, but it certainly has had a substantially adverse affect on companies in my district. I have quite a few companies facing this problem including the Miller Falls Co., the Union Tool Co., the L. S. Starrett Co., and others and I am extremely disturbed about this. I have here a letter from a company in Japan which my constituent, L. S. Starrett Co. of Athol, Mass., received. This is the second letter they received. If it is agreeable, Mr. Chairman, I would like to put this into the record.

(The letter follows:)

YAMAZEN CO., LTD., U.S. OFFICE,
Skokie, Ill., March 9, 1968.

Re vises, machine tool accessories, and parts.
L. S. STARRETT Co.,
Athol, Mass.

GENTLEMEN: This is the U.S. branch office of Yamazen Co., Ltd., Osaka, Japan, a leading manufacturer's representative and exporter of large machine tools and metalworking equipment. Our company has over 500 employees with a paid capital of \$1.4 million and stock issued on Osaka and Tokyo Stock Exchange.

Would you be interested in reducing your production cost on vises, machine tool accessories, and parts in order to make them more competitive in the U.S. market?

If so, we would be able to make them, complete tool or parts, in high quality at lower prices in our affiliated plant in Japan.

The name of the plant is Nabeya Foundry Works, the largest foundry in Japan, and probably the largest in vise production in the world. They make not only vises, but all kinds of machine tool accessories.

We have been very successful in making vises and tools for several American manufacturers and distributors under their brand names. We thought that your company might also be interested in the same project.

Should you be interested, please kindly contact us or write to us with complete information such as blueprints, samples, quantity, delivery, finish and the like, of the products you require. We would then be pleased to send you a quotation.

Our banks are the Daiwa Bank, Ltd., head office, Osaka, Japan; and the Chicago Tokyo Bank, 40 North Dearborne Street, Chicago, Ill.

May we hear from you soon?

Very truly yours,

Y. YAMAMOTO,
(For Y. SAIDI).

Mr. CONTE. Let me read one paragraph here. It says:

We have been very successful in making vises and tools for several American manufacturers and distributors under their brand names. We thought your company might also be interested in the same project.

My constituent notes in his letter to me that the largest single customer of his main Japanese competition is the U.S. Government. This situation is critical in my district and I think steps should be taken to deal with it especially in view of what we have been talking about here this morning concerning the balance-of-payments situation and everything else.

Otherwise, it is probably going to mean a great deal of loss of employment and it is going to further damage our balance-of-payments situation. I don't see why the Government doesn't get their handtools in the United States rather than going outside the country to buy them.

Mr. HUGHES. I think surely the trend is for more imports of handtools, although in an absolute rather than a relative sense. I think it is significant and something that should be watched.

The other fact that I wanted to mention is that we sell far more to foreign governments than we as a government buy from foreign countries.

Mr. CONTE. In small tools?

Mr. HUGHES. Across the board.

Mr. CONTE. I am talking about small tools. We have another factor that is going to come into play here. The Kennedy round agreements mean that we are going to have successive tariff reductions for the next few years, so they are going to get increased competition on the open market plus the competition selling to the United States.

Mr. ZWICK. Across the board is one of our problems. It is true if you look at the procurement regulations of the U.S. Government that are written down, they are more restrictive than the procurement regulations of other countries. So we get severe criticism in OECD, for example, for our restrictive rules. Actually, the other countries may be more restrictive than their regulations imply, but if you just set the rules down and look at them, we are the most restrictive country in the OECD contract. We get criticism for this.

It is also true we sell more to the European governments than European countries and Japanese sell to us, mainly because their governments own the railroads and also have large public enterprises. So we are always concerned with this question of retaliation and we are in the position where the specific procedures which were compared in the OECD study have shown us quite clearly to be in a more restrictive posture than other countries.

What is happening in fact is anybody's guess, but we do worry about moving in this direction and the question is whether we won't kick off some major retaliation.

Mr. HUGHES. One other thing. We have gotten a good deal of correspondence on this, and if we could be of help with some of yours, to share the burden with you, we would be pleased to state our position.

Mr. CONTE. It seems like most of the industries are represented; they are all having trouble. I had the shoe industry in here last week and they are really taking an awful pounding right now.

COSTS OF WAR IN VIETNAM

This morning, Mr. Zwick, you answered some questions in regard to the war in Vietnam and I imagine my colleague, Congressman Yates, is going to elaborate, but I am just going to ask one question on this. Would you give us your latest estimates of the costs of the war in Vietnam for fiscal 1968 and would you compare this to the original budget estimates for fiscal 1968?

Mr. ZWICK. In January of 1968, in the budget document that just came out, we said the cost of Vietnam was up \$2.5 billion over what we thought it was going to be in January of 1967.

Mr. YATES. Are you giving the printed figures or actual costs?

Mr. ZWICK. I am saying that our best estimate this past January, 6 weeks ago, was that the special costs of Vietnam would be up \$2.5 billion over what we thought it would be a year and a half ago. We now think the increase is going to be in the Defense Department alone, and not in economic assistance. The current estimate is \$24.5 billion. The original estimate for 1968 was \$21.9 billion.

Mr. COHN. I should point out that there is a problem of the pay raise. We didn't have the pay raise allocated to individual departments in the original estimate for last year, but it is now in the figure for Defense.

Mr. ZWICK. If you correct for that pay raise, it is \$2.5 billion higher than we thought it would be in January 1967.

Mr. CONTE. Now, we are 6 weeks from January. Can you give us any later figure?

Mr. ZWICK. We only have 1 month's data, the data for January, which was a high month. The figure for February will be out pretty soon and it looks like it will be a low month, so I wouldn't want to move the \$2.5 billion estimate up. If anything, it will be that figure or a little higher. Certainly it won't be lower.

Mr. YATES. You are using the budget figures that you had for fiscal 1968 and fiscal 1969, are you not?

Mr. ZWICK. No.

Mr. YATES. You are using actual costs for fiscal year 1967?

Mr. ZWICK. Yes.

Mr. YATES. What were the actual costs for the Vietnam war for fiscal 1967? That is, all costs.

Mr. ZWICK. For 1967, the cost of the war was \$20.6 billion.

Mr. YATES. That's all costs of the war?

Mr. CONTE. Economic too?

Mr. ZWICK. Yes. The \$20.6 billion includes \$20,133 million for Defense and \$424 million for economic assistance.

Mr. YATES. Do you know what the costs are for 1968?

Mr. ZWICK. This is the number we are talking about.

Mr. CONTE. \$24.5 billion.

Mr. ZWICK. Yes. We are now estimating \$24.5 billion, excluding economic assistance. The estimate for economic assistance is \$0.5 billion, so it would be \$25 billion we are now estimating.

Mr. HUGHES. That's for the current fiscal year.

Mr. ZWICK. Yes. And we have 1 month's data—for January—since the budget was released, plus a preliminary run on February. It isn't going to be too far off.

Mr. COHN. By way of clarification, because Mr. Yates seems to have some other numbers he must have heard, this estimate is based on what we believe is the incremental cost of the Vietnam war, that is since 1965.

We were spending some money in Southeast Asia before then. It is therefore an estimate of what the increase in expenditures has been because of the of the escalation there since 1965.

Now, others for whom I have a lot of respect, including Congressman Laird, have tried to estimate the costs in terms of what is shot up and used up over there. They come up with a somewhat higher number, but it is a different kind of a concept.

COMPUTATION OF COSTS

Mr. CONTE. Why wouldn't you include what has been shot up and used over there?

Mr. YATES. What do you mean by that? Ammunition expended?

Mr. ZWICK. Yes.

Mr. YATES. Not buildings shot up for example?

Mr. ZWICK. No.

Mr. CONTE. Airplanes?

Mr. ZWICK. Airplanes; yes. It's a concept of what is consumed.

Mr. CONTE. I see. You are putting the original costs in there.

Mr. ZWICK. That's right.

Mr. COHN. We are putting in the costs of what the increase has been in our budget because of the Vietnam war. You see, some things would be obsolete anyway. Some things would be replaced anyway, whether they were shot up or not.

Mr. YATES. Fully depreciated?

Mr. ZWICK. We are saying they would be. They would be scrapped anyway. Much of the ammunition becomes obsolete over time.

Mr. COHN. As far as ours is an incremental basis and Mr. Laird's is a consumption basis, ours is a full-cost basis. That's the basic difference between our figures.

Mr. YATES. What figure does he come up with?

Mr. CONTE. It is over \$30 billion, I think.

Mr. ZWICK. The Joint Economic Committee has \$30 billion. Their number runs about \$5 billion higher, but the changes from year to year are quite comparable. I mean, they are carrying a cost because of this of about \$5 billion more than we are. But I saw in the newspaper that the Joint Economic Committee expected Vietnam to go from \$30 billion to \$32 billion and we are saying it will go from \$25 billion up to \$26.3 billion, so we are both talking about a similar growth in expenditures. They are operating from a slightly higher base, but their estimate is behaving very similar to ours.

ALLOCATION OF EXPENDITURES

Mr. YATES. Which type of approach is used in computing the deficit—the one you are citing here now or the Laird approach?

Mr. ZWICK. This is an allocation between expenditures for Southeast Asia and expenditures for other defense needs. There is no doubt the Defense budget for fiscal 1967 will be \$73.6 billion. The issue is how much of that \$73.6 is for Southeast Asia and how much is for all other defense requirements.

Mr. CONTE. When we send one airplane over to the war in that theater, are we charging the cost of the airplane when we bought it?

Mr. ZWICK. Basically, we are taking the replacement cost of this.

ACCOUNTING APPROACH

Mr. CONTE. So it would be less than the original cost?

Mr. ZWICK. If you have to replace it with a more expensive one, it will be more. What we have done is to take the posture in the Pacific in 1964, including economic and military assistance, as the base. Then we have tried to estimate all the additional costs over the 1964 base. If four aircraft are purchased at a higher price in 1969 than in 1968, you are charging, using our concept, a higher price.

The difference between our estimates is due to a difference in the costing of inventories which would have become obsolete or been consumed, whether they were aircraft or ammunition. I think a reasonable accounting approach would say that munitions or aircraft which would have been obsolete anyway shouldn't affect costing, whether they were lost in a junk yard in Phoenix or consumed in Southeast Asia.

That's why you get a higher number in their case than we get.

Mr. CONTE. I could see where you could use this a couple of years ago, but now that we have lost over 2,000 fixed-wing planes over there we must be getting down into the recent vintage of our aircraft and helicopters over there.

Mr. YATES. Does this include incidental costs that are not budgeted wherever departments of the Government make contributions to the Vietnam war one way or another?

Mr. ZWICK. Economic assistance is in there. If the Department of Agriculture has some agricultural representatives there—

Mr. COHN. GSA packages a lot of the goods shipped to Southeast Asia. They are not in that figure. Maritime in Commerce—

COAST GUARD BUDGET

Mr. CONTE. The Coast Guard.

Mr. COHN. The Coast Guard, all have higher expenditures because of the Vietnam war, but we didn't count them as Vietnam expenditures because we didn't have the accounting support.

Mr. YATES. Does anybody know what these additional costs are likely to be and of what order they are?

Mr. ZWICK. They can't be much over \$100 million.

Mr. CONTE. Oh, they are, I beg to disagree. The Coast Guard alone, in the last year that we had the Coast Guard budget, they came in here

for a lot of additional ships, didn't they? And the reason stated was that they had to send them out there to Vietnam.

Mr. ZWICK. They didn't get the ships. The Coast Guard budget is about—let's see—\$486 million in expenditures for fiscal year 1968.

Mr. COHN. The increase in the Coast Guard budget hasn't been that much because of Vietnam.

Mr. CONTE. This is the excuse they were giving. It would be good to have all these agencies here at the same time, I guess.

Now, just one other question for clarification. When you speak about the Pacific, you are taking in your bases in Formosa, Okinawa, the Philippines.

Mr. ZWICK. Yes. In the case of Okinawa, we tried to take the base structure that was there and any additional facilities. We have a justifiable concept. It is a very tricky one to implement and therefore some people get a higher level, but I think if you look at the cost series that everybody uses, you will see that they are behaving the same way.

In other words, although the Joint Economic Committee's numbers are higher, they are increasing in 1969 over 1968, just about as much as ours do.

PLANNING PROGRAMING AND BUDGETING

Mr. CONTE. Speaking of implementing, would you make a general comment on the status of the implementation of the planning programing budgetary system throughout the Government? What would you foresee in this program in the long run? Submit that for the record. I'd like quite a bit on that.

(The information follows:)

The planning, programing, and budgeting system has several purposes:

To review and clarify our national objectives.

To focus attention on major issues for decision, explicitly stated in terms of alternative courses of action.

To analyze alternative courses of action in terms of their effectiveness in achieving our national objectives and in terms of their costs.

To present agency budgets in terms of a structure that is helpful in analyzing program decisions.

To provide information about the future as well as the current costs and benefits of alternative courses of action.

To make possible a deeper review of issues within the executive than is possible during the budget preparation period in the fall.

These purposes of the PPB system are intended to strengthen and focus the debate and judgments that go into the major policy decisions of the Government, not to replace them.

All of the major departments and agencies of the executive now prepare for internal use and for submission to the Bureau of the Budget program memorandums which show the major issues for decision and the recommendations of the agency head. With few exceptions, each of these agencies has by now developed a program structure categorizing their programs in a way that is useful for analysis. They also prepare for their own use and for submission to the Bureau of the Budget a program and financial plan which shows over a 5-year planning period the costs and outputs that are implied by the current recommendations of the agency head. In the case of most agencies, a special PPB office has been created within the office of the agency head and often within the offices of bureau chiefs as well. These offices are responsible for defining issues, doing analyses and preparing the program memorandums and program and financial plan. Initially, about 960 total and 690 professional spaces within the executive branch were assigned to PPB functions—President's budget request for 1968. Of the 690 professional spaces, 380 were either redesignations of previously existing spaces or a redefinition of the functions of a previously existing space. The total number did not change much since then.

To really develop a good reservoir of factual knowledge relevant for evaluation of on-going and prospective programs in a given area takes a number of years of

sustained and competent technical staff work. To build an institutional arrangement where this technical knowledge is regularly available in a useful and timely manner to the decisionmakers and both technicians and the policymakers appreciate the uses and the limitation of the analytical results takes another major effort.

The greatest progress in application of analysis to decision tends to occur, therefore, in the program areas with the greatest prior experience in formal program analysis, research and planning; that is, in the Department of Defense, the Internal Revenue Service, or in the control of diseases in the Public Health Service. For this reason, as well as for other reasons, the actual state of our knowledge about the costs and the consequences of Government programs is uneven. Also, the institutional machinery in the form of existing staffs, written analytical studies, and the content of program memorandums varies both between agencies and within agencies by program areas.

In some programs, notably in science and related activities, the ability to measure benefits is not far advanced because of the problems of defining and measuring benefits and relating them to costs. In other programs, and this includes many of the "human investment" programs, while there are some estimates of the dollar return from these activities, both to the beneficiary and sometimes even cash returns to the Treasury in the form of taxes, important aspects of the benefits do not lend themselves to measurement in terms of dollars, and in some cases they cannot be measured quantitatively at all. Even in these cases, however, clear statement of the issues for decision, and of the alternative courses of action can help to develop a consensus about the proper courses of action.

The development of the factual information base for public programs is still in an early stage, but this type of activity will grow. We do not, however, anticipate a large mushrooming of the planning, programing, and budgeting system staffs throughout the Government in the near future for several reasons. The PPB system is essentially a way of organizing information in a more effective way for decisionmaking. It can be more readily applied in some areas of Government than in others. In these latter areas, a substantial amount of time will be required to put the system into use. Conceptual problems have to be solved. People have to be trained to handle new analytical tools. Attitudes must be changed. All of this takes time. In addition, there is a limited pool of existing specialized talent in this area that can be used.

Undoubtedly, however, a very substantial payoff from this process will result in time in the form of programs conceived and initiated with the help of modern analytical techniques.

NARCOTICS REORGANIZATION

Mr. CONTE. President Johnson this year called for a reorganization of the fight against narcotics, including the transfer of the Bureau of Narcotics to the Justice Department and a sharp increase in the Bureau's appropriation. The narcotics question has been a serious one in our country for some time now, not just this year, and our subcommittee has made every effort to supply the Bureau of Narcotics with all the funds they requested. Therefore, I can't understand why your Bureau last year, before you became Director, did not allow the Narcotics Bureau's request for 20 additional agents to come before us in our consideration of the budget. Could you comment on this?

Mr. HUGHES. I can't. I don't remember, Mr. Conte. I presume our mark represented a difference in judgment as to the desirable level of the program; probably also part of the effort, then like the effort this year, to spread the pain fairly equitably around. I don't remember the specifics.

Mr. CONTE. They are coming in for more personnel this year and also at the time asking that the Bureau be transferred to the Justice Department.

Mr. ZWICK. I am not familiar in detail with this, but there was a dialog this fall about whether to keep it at this level or whether to

build it up and try to have more coverage. There is certainly room for disagreement about the appropriate size of the Bureau of Narcotics.

Mr. CONTE. And also transferring.

Mr. ZWICK. Yes. The chairman and I have had a discussion on that.

Mr. CONTE. I am going to testify before the House committee in opposition. I was pleased to see today that three Republicans had come out against it.

CONGRESSIONAL USE OF PPBS CONCEPT

Mr. Zwick, do you believe Congress should be adopting for itself methods similar to the PPBS concept in order for it to better fulfill its role of final decisionmaker in the question of Government programs and priorities by virtue of its appropriations responsibilities?

Mr. ZWICK. Yes. That's an easy question to say "yes" to. How you, in fact, do it is a much more complicated matter. As I argued earlier, it seems to me the essence of the PPB system is organizing information to look at the programs. If we have organized it in a sensible way for us to make decisions, it also ought to be useful for you to make decisions here. I am sure the problems we have found in the executive have the same counterpart problems in Congress.

A good case in point is program structure. Take manpower programs, for example. We find it cuts across the Department of Labor, OEO, Health, Education, and Welfare. We have an organization structure that has different agencies looking at only parts of the overall program. You have the same problem up here in the sense the committee structure isn't identical with this overall program structure. I think we will always have a problem of organization, either in the committee structure or in terms of departmental organization.

The executive branch will not match, one-for-one, the program structure you are used to, or interested in looking at, at any one time. What we are trying to do better is to improve that match between program structure and organization structure.

OVERLAPPING ACTIVITIES IN OCEANOGRAPHY

Mr. CONTE. We sure do. Have you looked into, in this field, the overlapping of different agencies in the Government studying oceanography?

Mr. ZWICK. Yes.

Mr. CONTE. We used to get a lot of that before this committee. It looked like everybody and his brother was in that field, the Navy, the Coast Guard, and several other agencies.

Mr. ZWICK. In the case of oceanography, this is obviously a growth industry and everybody wants to get into this act. We do have a commission studying it, as you know, chaired by the Vice President, and hopefully in another year we will be in a position to come back with some sort of hard recommendations as to how we ought to proceed.

FEDERAL-STATE AND LOCAL GOVERNMENTS RELATIONSHIPS

Mr. CONTE. You mentioned last year Congress gave your Bureau additional staff to concentrate on the growing problems of the proper working interrelationships in the State and local governments with Federal Government. What is the status of the situation today?

Mr. ZWICK. Partly because of the Public Law 90-218 and our decision to absorb some of the pay, we have not made as much progress as we hoped. Mr. Hughes has under him the Office of Executive Management.

Mr. HUGHES. We are trying to proceed along the lines we outlined to you a year ago. We have been somewhat successful even though the bodies to do this have come out of our hide, so to speak. We are at about the same level of employment in total as we were last year.

This is because of the effect of the joint resolution. We are doing two new kinds of things and have started some other that are relevant to the requests made last year.

First of all, we have been trying on an ad hoc basis to locate and to resolve the problems that arise in intergovernmental and inter-agency relationships, as they arise, so that we don't have to marshall all the forces of government, from the President on down, and maybe the Congress, to get a particular issue settled. There are about five people working on this at the present time. I think we have had some impact, and considerable impact in certain situations, where there has been an agency inability to get together on a particular point. Congressman Cohelan brought to our attention some problems in Oakland with which we have had some luck. We have been doing some followup on the Watts situation in Los Angeles as part of an effort to explore ways in which the community can lift itself up by its own bootstraps to an extent, by bringing industry into the area to solve some of the problems caused by the absence of transportation to employment points, and that sort of thing. We have a way to go but we think we have some tangible results we can point to. With some more time and a few more people, I think we will see some very substantial results.

The other area we have been trying to move ahead in, is in the evolution of not just ad hoc solutions, but systems or processes by which the Federal agencies can relate better among themselves, as well as to State and local governments. We have complicated grant programs, sometimes overlapping to an extent, as in the sewer and water area, and in the manpower area. There are more of them. It is our feeling that the solution to these kinds of situations lies in better management processes, and to some extent in a change of attitudes at all levels of government.

People who are used to working in a categorical grant framework must get used to relating in some fashion with and working with people whose grants come out of different pots but nonetheless serve related purposes.

Mr. CONTE. Thank you.

Mr. STEED. Mr. Passman.

WITHDRAWALS FROM TREASURY

Mr. PASSMAN. Thank you, Mr. Chairman. I guess there are many hard answers to easy problems but not too many easy answers to hard problems.

Mr. ZWICK. Even seeing that piece of paper in your hand scares me, the daily Treasury report.

Mr. PASSMAN. It scares all of us. I notice the Treasury statement of March 8, 1968, indicates that the total withdrawals from the Treasury

thus far in fiscal 1968 exceeds the amount withdrawn in the corresponding period in the previous year by \$13 billion.

But the withdrawal for military, that is the Defense Department, including the military assistance withdrawal are exceeded by approximately \$6 billion, the amount withdrawn from the corresponding periods. The additional \$7 million withdrawals for the first 8 months and 8 days of this fiscal year would then fall into the other categories of the Government, would it not?

Mr. ZWICK. Yes; that's right.

Mr. PASSMAN. This would be the area in which reductions would have to be made if they are to be made best.

Mr. ZWICK. No, sir. There is some possibility, as we discussed earlier this morning, of cutting down the non-Southeast Asian defense expenditures. Indeed, during fiscal 1968 we have done some reducing in an effort to offset the increase in Vietnam expenditures of \$2½ billion over what we originally anticipated in the 1968 budget submitted in January of 1967. We compensated for about \$2 billion of that by decreasing other defense expenditures. That is the only point I am making. You are certainly right, most reductions are going to have to come from civilian programs.

Mr. PASSMAN. So when we make the claim to Mr. and Mrs. America that the Vietnam war is responsible for the increased expenditures that is only partially true and the larger part of the increase and withdrawals falls into categories other than the Defense Department.

Mr. ZWICK. That is right.

Mr. PASSMAN. Thank you.

Mr. ZWICK. We anticipate that expenditures in fiscal 1968 will be up \$17.2 billion over the 1967 expenditures. Defense will be up \$6.2 billion, so all other expenditures are up \$11 billion.

Mr. PASSMAN. Yes. Your greatest increase is in items other than the Defense Department.

Mr. ZWICK. Yes; that's correct.

BALANCE OF PAYMENTS

Mr. PASSMAN. Thank you. Now the overall problem that we are in, if we are to understand it, and subsequently straighten it out, we must look at deficit financing, the public debt, gold reserve, balance of payments, foreign aid, world markets, and inflation. Aren't they all in about the same package?

Mr. ZWICK. Yes; they are all part of an interwoven system—or part of the same ball of wax.

Mr. PASSMAN. For years I have been putting out a recapitulation statement on all of these things showing the gold at a certain period, the amount drained off, the balance-of-payments situation, and the public debt. We haven't found an agency yet which confesses that they had too much to do with creating this situation, but it is there. I will be playing that same tune again this year. I start my hearings Monday morning. The first thing that will go in the record is that recapitulation again. I believe to some extent some people are agreeing I may have been right in my earlier predictions. I don't think the Government, any more than an individual, can continue indefinitely spending more than it takes in without getting into trouble somewhere.

I always thought of the world market as a very important thing, and I am sure that you agree. For us to remain strong, we have to be competitive, do we not, and in great many fields we are no longer competitive. You don't disagree with that statement?

Mr. ZWICK. No, sir. The major event in the last year affecting our balance of payments has been the decline in our trade balance.

Mr. PASSMAN. Right. To be frank, if we took about five factors into account we may easily have a deficit rather than a surplus. We can argue with that from here to Christmas and never agree. There are lots of things that enter into this problem. There are lots of people that don't take that into account, and that is including foreign aid as an export and, in certain instances, ocean freight and marine insurance.

There is one other item which I hope you, as the Director of the Budget, can help clear up. We are selling many important commodities with a subsidy. I believe the United States sells and produces a lot of cotton. We have to sell cotton at a 6½-cent subsidy. Now, when the steamer pulls in loaded with cotton we are thinking of an American price of \$0.30 and a world price of \$0.23½. So we subsidize the exporter 6½ cents per pound so he may be competitive.

Now, are we claiming that export at the rate of 30 cents per pound, the price we place on it, or are we putting it in at 23½ cents a pound?

Mr. ZWICK. I am quite confident it would be at the 23 and not at the 30.

Mr. PASSMAN. Your invoice is going to show 30.

Mr. ZWICK. Our balance-of-trade statistics that the Department of Commerce puts out would carry it at 23.

Mr. PASSMAN. When you get to looking at your balance of payments, then this has some effect, does it not?

Mr. ZWICK. Yes, sir.

ANTICIPATED BUDGET DEFICIT

Mr. PASSMAN. Looking at the Budget in Brief, page 9, the anticipated budget deficit, \$8 billion. Before arriving at that figure, didn't the President take into account the estimated increase, should the Congress increase taxes?

Mr. ZWICK. Yes, sir. That amounts to \$12.9 billion of revenue in the tax package proposed.

Mr. COHN. The Budget and Accounting Act was passed initially in 1921 with this provision and amended in 1950.

Mr. PASSMAN. That's right.

Mr. COHN. It asks the President to show how he would finance the deficit, and here he would finance it \$12.9 billion taxes and \$8 billion out of public debt securities.

Mr. PASSMAN. Certainly you comply with the law. I don't mean this in a critical vein. I mean it in a factual vein. But, to be able to bring this deficit down to \$8 billion, you are going to have to increase taxes by \$12.9 billion.

Mr. ZWICK. That's right.

Mr. PASSMAN. What amount will the trust funds receipts exceed the trust fund payouts in fiscal 1969?

Mr. ZWICK. \$7.4 billion.

Mr. PASSMAN. So as to get this deficit down to \$8 billion, did you also take credit for the \$7.4 billion in trust receipts?

Mr. ZWICK. Yes, sir.

NEW BUDGET CONCEPTS

Mr. PASSMAN. Have you been doing that in the past?

Mr. ZWICK. In the consolidated cash budget, yes, sir.

Mr. PASSMAN. In this concept we are looking at now, isn't that new?

Mr. ZWICK. This is a new budget concept which was recommended by a bipartisan commission, which included Chairman Mahon—

Mr. PASSMAN. Don't get on the defense. I am not trying to do that—I am just trying to show this factually. We could wind up very easily with a \$30 billion deficit. It all depends. Am I making a statement of fact, to be able to arrive at an \$8 billion cash deficit, you are taking credit for the excess of the trust fund accounts of \$7.4 billion and taxes of \$12.9?

Mr. ZWICK. That's right.

Mr. PASSMAN. Is it customary, when you take trust receipt funds into the U.S. Treasury, to issue bonds payable to the Trust Fund Agency?

Mr. ZWICK. Yes, sir.

Mr. PASSMAN. In reality, when you took credit—let's put it this way—if you had not taken credit for the \$7.4 billion and of course the law says you must—but if you had to comply with the law in the use of this \$7.4 billion excess in interest receipt funds, then your budget deficit after taking off the \$12.9 billion in taxes you hope to collect would have been \$15.4 billion and not \$8 billion. Is that correct?

When you reduce the budget by this \$7.4 billion, to get it down to \$8 billion, did you issue Government bonds then to the respective trust accounts and increase the public debt?

Mr. ZWICK. Yes.

Mr. PASSMAN. The public debt on the other side of the ledger went up \$7.4 billion.

Mr. ZWICK. But the borrowing from the public went up a total of \$8 billion.

Mr. PASSMAN. Not borrowing. Receipts. But this belongs to the people who paid it in, does it not?

Mr. ZWICK. That's right.

COMMISSION ON BUDGET CONCEPTS

Mr. PASSMAN. I don't know about Government but in private business that would be called "monkey business." Or, it would be called a deception. This is not a charge against the Administration.

Mr. ZWICK. We are doing what the Commission on Budget Concepts recommended. The Commission was headed by Chairman David Kennedy of the Continental Illinois National Bank and Trust Co. of Chicago.

Mr. PASSMAN. They are all great men and they all may wind up to be president. Let's talk about the facts of life.

Mr. ZWICK. I would like to put in the record that this Commission recommended this treatment and the American Bankers Association

has endorsed it, and so has the American Institute of Certified Public Accountants. If the accountants and bankers and bipartisan commissions are engaging in "monkey business," then we are engaging in "monkey business."

Mr. PASSMAN. That is my definition of it. I have the right to express it that way, don't I?

Mr. ZWICK. Yes, sir.

TRUST RECEIPTS

Mr. PASSMAN. But have I made a statement of fact that in reality the budget deficit is around \$28 billion and you reduce it to \$8 billion by estimating \$12.9 billion in tax receipts, and that breaks it down to \$15.4 billion, and then the amount of trust receipts exceeds the amount of trust receipt pay-outs by \$7.4 billion and then we take that off the deficit to get it down to \$8 billion?

Mr. ZWICK. That's right.

Mr. PASSMAN. But we go out on the other side of the office and issue \$7.4 billion in bonds, thus increasing the public debt.

Mr. ZWICK. That's right; yes, sir.

Mr. PASSMAN. Do I understand that correctly?

Mr. ZWICK. Yes.

Mr. PASSMAN. That is all that is important.

When you bring money in that you issue bonds on and that sweetens the account, but you increase the public debt and at the same time reduce the deficit. I am afraid there are a few Americans who would not understand that system of bookkeeping. Even though every commission you refer to recommended it, this is the first year you have ever actually, in the same context, indicated the total.

Mr. ZWICK. Except for the consolidated cash statement, the first time.

Mr. PASSMAN. I like that idea but I don't like the idea of taking something that doesn't belong to us and in one place show that the budget is actually \$7.4 billion less than it is. That money doesn't belong to the Government. That money belongs to these people who are paying it in.

Mr. ZWICK. It depends on what you are trying to do.

Mr. PASSMAN. I know what you are trying to do. And I say that with a smile on my face but you haven't succeeded.

Mr. ZWICK. Offhand, it would be the banking community that—

Mr. YATES. Will you yield? We represent, to our constituents the fact that the social security fund is known as actuarially sound. Does this new practice jeopardize that contention?

Mr. ZWICK. No, not at all. It is actuarially sound in the sense that revenues will be available when they are needed. The new budget concept has not violated in any sense the sanctity of the trust funds. And, as Mr. Passman has said, where there is a surplus, as there is indeed now in the social security trust fund, that surplus is invested, as always, in U.S. Government notes and the trust funds receive interest on it.

You have an account called the OASI account, and it has a surplus and the moneys are there. When it has a surplus it invests in Government notes and provides a source of cash to the Government. This has always happened. We are still doing it and we will continue to do it.

It is the summary budget presentation that Mr. Passman and I have been talking about.

Now, in the old consolidated cash budgets, we did it this way, and in this new format budget, we do it this way. All I am saying is—it depends on your purpose, whether that is a correct or incorrect way of handling it.

If you are interested in how much of an impact your budget is making on the financial markets of this economy, it is the borrowing from the public that is relevant and not the trust fund surplus. Therefore, \$8 billion is the relevant number—not \$15.4 billion.

If you are interested in the economic impact of the budget, you are interested in the deficit in the expenditure account, which is \$4.7 billion, not \$15.8 or \$29 billion.

I would like to provide further information for the record.

CONTINENTAL ILLINOIS NATIONAL BANK
& TRUST CO. OF CHICAGO,
Chicago, Ill., March 5, 1968.

MR. CHARLES J. ZWICK,
*Director, Executive Office of the President,
Bureau of the Budget,
Washington, D.C.*

DEAR CHARLIE: I have your request for any comments I might wish to make as Chairman of the President's Commission on Budget Concepts with regard to the reasoning behind the Commission's recommendation to include trust funds in the new unified budget. I am glad to respond to that request.

From the very beginning of its deliberations, the Commission was unanimous in its feeling that the budget process should encompass the full scope of programs and transactions within the Federal sector of the economy that are not subject to the economic discipline of the marketplace. We concluded, therefore, that as a general rule the budget must be comprehensive of the entire range of Federal activities. This comprehensive is critical to the understanding of the budget by Congress, the financial community, businessmen generally, and the public. It is the only practical answer to the increasing confusion caused by the use of several different concepts of the budget in recent years.

The Commission specifically considered a great length the problems involved in various types of transactions which, although outside the old administrative budget format, nevertheless involved the exercise of power by the Congress to establish programs, to prescribe payment of benefits and other expenditures under these programs, and to provide for their financing, either through taxes or borrowing. Particularly, the Commission felt that the new budget must include the activities of the trust funds and Federal loan programs. Exclusion of either would destroy the whole idea of a unified and comprehensive budget.

Throughout its discussions the Commission made it abundantly clear that the inclusion of trust funds in overall budget summary data was strictly for aggregative purposes and in no way should be construed as reflecting on the sanctity of the individual trust funds. The identity of these trust funds must be preserved in every detail. No trust fund asset, liability, receipt, expenditure, or net surplus or deficit would be stated differently under the new unified concept than the way it had been shown before for the same date or period of time. Thus, the Commission was acutely conscious of the Government's responsibilities to the American people to guard jealously the sanctity of its fiduciary relationship to these trust funds.

It is true, of course, that no bank would think of intermingling its own assets with assets which it holds for others in the exercise of a fiduciary responsibility. Nor is any purpose served by a bank's publishing income or balance sheet totals reflecting both types of activity. These fiduciary accounts are not created by the bank, but rather by individuals and corporations seeking to employ the bank's services.

In the case of the Federal Government, however, the trust funds are created by the Government itself. Their individual identity should remain just as inviolate as in the case of a bank trusteeship. But their aggregate effect has just as much influence on the overall Federal fiscal picture as other Federal programs.

The Commission was extremely careful in preparing its report to the President that these fiduciary responsibilities should be preserved. As a matter of fact, the Commission was of the firm opinion that one of the major reasons for the inclusion of the trust funds as an integral part of the unified budget was to help preserve these fiduciary principles by relieving the pressure existing in the old administrative budget format to create new trust funds to accomplish purposes which belonged in the regular budget, or to use the trust funds in a nonfiduciary capacity to provide a shelter for increased benefit programs without having them counted in the budget. The same reasoning applies to pressures in the old administrative (and national income) budget format to exclude certain expenditure programs from the budget by converting them into loan programs. The unified budget removes these challenges to budget integrity.

I hope these comments will be helpful in your efforts to promote understanding of the new budget format. I share your favorable reaction as to the reception of the new budget presentation has received. The Bureau of the Budget staff has done a tremendous job of integrating the Commission's recommendations into the budget presentation in a very short period of time. All of you are to be congratulated.

Sincerely,

DAVID M. KENNEDY.

A STATEMENT ON THE REPORT OF THE PRESIDENT'S COMMISSION ON BUDGET CONCEPTS, BY THE EXECUTIVE COMMITTEE OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

The executive committee of the American Institute of Certified Public Accountants recommends that the Federal Government adopt, at the earliest practical moment, the modern and progressive budget principles contained in the Report of the President's Commission on Budget Concepts.

The executive committee agrees with the President's Commission that adoption of these recommendations would make the budget of the U.S. Government a more understandable and useful instrument of public policy and financial planning. The executive committee believes also that the recommended concepts are in accord with sound financial planning and decisionmaking processes.

The report of the President's Commission cites confusion now existing because of the use of at least three competing budget concepts. In this move toward one unified summary budget statement, there is a parallel in the private sector where the AICPA has been working toward improved corporate financial reporting through better disclosure standards and the elimination of undesirable alternative accounting principles. The consistent use of the recommended budget statement would greatly improve public understanding of the Federal budget, which is necessarily a brief summary of an immensely complex underlying financial system.

Some aspects of the budget concepts recommended in the Commission's report might well find applicability in budgeting for State and local governments. Uniform budget systems throughout government should prove useful in decision-making and should aid the people in understanding budgets as an instrument of government at all levels.

Reporting budget expenditures and receipts on an accrual basis is one of the more significant recommendations of the President's Commission. In recent years, many Government agencies have abandoned the cash basis of accounting, which long had been traditional, and have adopted modern accrual accounting with integrated cost accounting systems. It is only logical that the Government take advantage of these improved accounting systems in its overall financial planning.

Because the report of the President's Commission does not call for the accrual of future commitments for items such as social security benefits and veterans' pensions, the executive committee believes that the budget document should contain summary disclosure of the amounts of these commitments.

The executive committee recommends that the concepts set forth in the report of the Commission be translated into Government policy and practice promptly so that the budget for the coming fiscal year will reflect as many of those concepts as possible. The committee also respectfully suggests that the executive branch report periodically to the Congress and the people on progress in implementing the Commission's recommendations.

NEW YORK, N.Y., December 14, 1967.

THE PRESIDENT,
The White House:

The American Bankers Association strongly commends the administration for its planned early adoption of Kennedy Commission report on budget concepts.

Also, Mr. Kennedy and his Commission members are to be congratulated for an excellent analysis which was completed in a very short period of time.

We agree with Budget Director Schultze that the proposed shifts will require some adjustment in public thinking about Government finances.

To further this understanding, we shall devote a substantial portion of our sixth annual economic symposium on April 2, 1968, to explanation and discussion of the report. Symposium will be attended by 300 leaders from throughout United States.

J. HOWARD LAERI,
President.

CHARLES E. WALKER,
Executive Vice President, the American Bankers Association.

EXTENT OF BUDGET DEFICIT

Mr. PASSMAN. Now, if we may return to page 9, we show a budget deficit of \$8 billion. You have to do a lot of research and reading to understand that.

Mr. ZWICK. Yes, sir. There is nothing simple about the Federal budget.

Mr. PASSMAN. There is nothing simple about those two words because, in reality, somewhere along the way, we are going to have to meet this head on, as we are the gold crisis.

I think we balanced the budget only five times in the past 38 years. I don't think the Federal Government can spend a sum like that every year and not get in trouble.

GROSS NATIONAL PRODUCT

Here is one final matter I would like to understand. If you would put something in the record on it, I would be grateful. That is GNP, gross national product.

If we look at the purchasing power of a dollar in 1940, and the purchasing power of the dollar in 1968, it would appear the 1940 dollar for the same commodity has lost about 58 percent of its purchasing power.

If that be true, then if we look at the gross national product, what is the showing?

Mr. ZWICK. \$785 billion.

Mr. PASSMAN. Conceivably, that GNP could go to \$3 trillion through inflation without a corresponding increase in unit production; could it not?

Mr. ZWICK. I'm sorry. I did not hear you.

Mr. PASSMAN. I said, thinking in terms of a gross national product of \$785 billion in 1967, inflation could take it up to \$3 trillion without any corresponding increase in production; could it not?

Mr. ZWICK. Yes, sir.

Mr. PASSMAN. Could you place in the record the actual GNP unit prices of 1940?

Mr. ZWICK. We have the published statistics based on 1958 dollars.

Mr. PASSMAN. I want 1940.

Mr. ZWICK. We will have to go back and rework the published data.

Mr. PASSMAN. Don't go through a lot of trouble. But have I stated those figures fairly accurately that you can't associate GNP to everything, but you can get a GNP increase through inflation and not necessarily through production increase?

Mr. ZWICK. That's definitely so.

(The information follows:)

Calendar year	Gross national product, current dollars (in billions)	Implicit price deflator for gross national product, 1940=100	Gross national product, 1940 dollars (in billions)
1940	\$99.7	100.0	\$99.7
1945	211.9	136.0	155.8
1950	284.8	182.7	155.9
1955	398.0	207.1	192.2
1960	503.7	235.3	214.1
1965	681.2	252.6	269.7
1967	785.0	267.2	293.8

Mr. PASSMAN. Now we make excuses to increase our spending based on the GNP and we build the public debt, relating the public debt to GNP. Suppose we get in trouble and the GNP should fall, the public debt will not fall correspondingly, would it?

Mr. ZWICK. That's right, but the public debt in relation to GNP has been falling dramatically through time.

Mr. PASSMAN. If we should get into an upset and have a recession—and I hope we will not—of course, your GNP and your income can go down but your public debt will remain at whatever figure it stopped at.

Mr. ZWICK. That's right. The only point I added, in the late fifties the debt as a percent of GNP was over 60 percent. It is now down to about 35 percent. So you could have a dramatic drop and still—

Mr. PASSMAN. Your old public debt would be sticking up there and we would be in trouble.

Mr. ZWICK. If we are in trouble I don't think it is because of the past public debt. It is because we have—

Mr. PASSMAN. The public debt is brought about by spending, isn't it?

Mr. ZWICK. Yes, sir.

Mr. PASSMAN. A final observation if I may. I want to be fair about this. I wish I could work the other side of the street because it would be a lot easier.

I don't like it a bit where I see a recipient of our AID dollars now asking American tourists to discount their dollars 10 or 15 percent to pay their bills. I don't like it a bit and I don't suppose you do either. I resent it this is what is happening in many, many places. I think only last week in some European country, Germany, I think.

Mr. CONTE. France, too.

Mr. PASSMAN. They wanted you to discount your bill 8 percent. It is just a little alarming that it is that way.

Mr. YATES. That will stop traveling, won't it?

STATUTORY OBLIGATIONS

Mr. PASSMAN. It could. Now we have actually two types of obligations. One represents borrowed money, that we have to pay interest on. Then you have another form of obligation known as statutory obligation such as veterans' benefits.

Mr. ZWICK. And public assistance.

Mr. PASSMAN. That's something you could stop. You could stop a lot of programs but not veterans' benefits, pensions for service rendered, retired military personnel, and interest on the public debt.

Now the cost of supporting these statutory obligations for services previously rendered—not to be rendered—far exceeds the actual amount of the public debt if you project it.

Mr. ZWICK. If you project it?

Mr. PASSMAN. Let me put this in the record. You have 115 major statutory obligations that call for a payout of money in subsequent years for services previously rendered; not something to be done but something already done, and the total to carry out the statutes will cost in excess of \$875 billion. There is no reserve, no deposits; you have to take it out of current revenue.

Mr. ZWICK. That's correct.

Mr. PASSMAN. And if you actually put the two together I think we will find that we have a true public debt or obligation for services previously rendered—not to be rendered—of \$1,288 billion, or a capital obligation of \$5,750 for everyone living in America.

I just received the statistics and I used them in our foreign aid to show we do have more than the public debt. We have the statutory obligations.

Mr. YATES. Does that include the veterans from Vietnam?

Mr. PASSMAN. It includes these figures as of June 30, 1967.

You have to have these things verified. You don't just go out throwing out figures without something to back it up. Mr. Chairman, thank you very much; that's all I have.

Mr. STEED. Mr. Conte?

PORTS OF ENTRY PROCESSES

Mr. CONTE. Could you comment with respect to the study about streamlining port-of-entry processing by integrating the processing activities of customs, Public Health Service, immigration, naturalization, and other related areas?

Mr. ZWICK. We have taken about three different cracks at this and I'm not quite sure which you are referring to. Last year we proposed putting together a Department of Business and Labor. One of the concepts within that new Department was an international services grouping. In that grouping we were going to have export promotion, export control, immigration, and customs—trying to bring these together to provide a more effective package of closely related activities.

Secondly, this issue has come up in terms of the travel task force report which recommended this. A further activity which is underway is the Department of Transportation. Assistant Secretary for International Transportation, Don Agger, has been doing on this.

Mr. CONTE. This is what I am interested in.

Mr. ZWICK. They have made some tests between Europe and here, where they have merged the documents into one form, and so on. I think everybody is aware of the problem. We have sent up, or are about to send up, our new joint rate bill so joint rates can be quoted on exports and imports. So, sitting in the middle of a country, somebody can get a single rate for combinations of truck, rail, air, and sea shipments. There is a great deal of work being done on this both

in facilitating exports, and making it easier for visitors to enter this country. This is the paperwork issue that the chairman raised earlier. It is very critical.

Mr. CONTE. I hope you keep your eye on the ball on this one. We are having problems now at the airports because people have to go through Immigrations, and then they have to go through Public Health Service, and then they have to go through Customs. You have all this paperwork. If you could consolidate it, it is going to be very helpful because the situation is very bad now. You can imagine what is going to happen when the jumbo planes come in. This is the worst thing you can do, to bring a visitor in and have him stand in line for a long period of time with a lot of extra paperwork because of lack of coordinated processing. They should be able to get it cleared all at once. Maybe they can all work together.

Mr. HUGHES. You might also have had in mind a border-stations study. Essentially it involves the same kind of problem, the better integration of border services. We have started working in the Bureau on this problem.

Mr. CONTE. I hope you will work on it, and the next year when you come before us we will get a status report on this one.

Mr. ZWICK. I hope we have made progress. This is an important area. Facilitation is as good a word as any to describe what we are trying to do.

Mr. YATES. Mr. Chairman, I certainly want to join in the commendations and the good wishes of my colleagues extended to our new Director of the Budget.

We have high hopes for him and good expectations. Also, we have sympathy and we want to assure you our cooperation in your mammoth task.

Mr. PASSMAN. I also want to indicate my very very best wishes and high esteem. The line of questioning that I followed was not intended as a criticism of the Director of the Budget because this is a vehicle of Congress you are following. I recognize that, and I want the record to show that. I do wish you the best of everything.

Mr. YATES. I think he ought to be commended because he answered your questions directly and right to the point. There was no evasiveness and misdirection. The facts are the facts, and he brought them out before the committee.

Mr. PASSMAN. Yes; that's right.

ESTIMATES ON BUDGET DEFICITS

Mr. YATES. Referring to Mr. Passman's question on page 9 in the Budget in Brief, the deficit there is shown for fiscal year 1968 to be \$19.8 billion.

When the President invited us to the White House last year with a budget deficit in process, he thought the budget would approach \$30 billion.

At that time, he asked us for a tax increase in order to reduce it which he said, with various reductions that he would impose, would reduce the deficit to approximately \$16 billion. If my memory serves me correctly, wasn't that the presentation made to us?

Mr. ZWICK. Essentially, but he said—and you will find this in his August 3 tax message to Congress—under certain contingencies it could be as high as \$28 to \$29 billion. No one ever protested that.

To get to the \$28 or \$29 billion—and it is now 8 months since that estimate was made—it was assumed, for example, that Congress might not allow us to sell the full amount of participation certificates we had planned, which subsequently it did. So we added \$2 billion in expenditures to take account of that contingency.

Second, it assumed a higher pay bill than Congress did, in fact, finally enact, but which it was considering at that point. We were faced with a pay bill at that time twice as big as was finally enacted.

Then it assumed an increase in defense expenditures up to \$4 billion. Now we are talking about defense expenditures up by \$0.5 billion over the original 1968 budget figures.

That estimate also assumed no passage of the tax bill and since we are now assuming that we are going to pass the tax bill, our present estimate assumes that we are going to get \$3 billion in revenues in 1968.

So if the tax bill is not passed you would have to add that \$3 billion to that \$19.8 billion so that you would have a deficit of \$22.8 billion.

So I think these numbers are consistent. What he said was that under a certain set of circumstances you could have a deficit of that size.

Mr. PASSMAN. So that I will understand these figures, the budget deficit as contained in the budget brief is \$28.3 billion, is it not?

Mr. ZWICK. The way you count it, yes.

Mr. PASSMAN. I mean the way the budget counts it. You have reduced it by \$12.9 billion expected tax revenues; \$7.4 billion in excess receipts and expenditures in trust accounts. That brings it down to eight. But the raw would be what I stated, is that correct?

Mr. ZWICK. Yes, sir. The only question I have is that if you did not have the tax increase you would have more inflation, and one thing that does is provide more revenues.

Mr. PASSMAN. If you didn't get the tax increase and did not get further inflation and you didn't have the trust fund receipts your budget would indicate a deficit of \$28.3 billion, isn't that correct?

Mr. ZWICK. That's correct for 1969. Mr. Yates was referring to 1968.

REDUCTION IN OBLIGATIONS

Mr. YATES. The economy resolution that was passed by Congress was placed into effect and provided for reductions of the various Government agencies of how much money?

Mr. ZWICK. \$10 billion in obligations, which is producing a reduction of \$4.3 billion in expenditures, including cuts in appropriations.

Mr. YATES. In addition to that?

Mr. ZWICK. No, sir. Obligations in total are down \$10 billion and expenditures \$4.3 billion. Appropriation reductions—

Mr. YATES. For the record, what fiscal year was that applicable to?

Mr. ZWICK. 1968. The one we are in now. The \$4.3 billion in expenditure reduction—

Mr. YATES. We are in 1969 now.

Mr. ZWICK. No; fiscal 1969 starts next July 1.

Mr. YATES. Oh, I'm thinking of the calendar year.

Mr. ZWICK. That \$4.3 billion reduction of expenditures came about through a cut of \$1.6 billion as a result of appropriation action and \$2.7 billion additional as a result of the 2/10 rule. Together those give you the \$4.3 billion reduction in terms of expenditures. In terms of obligations, the cutback was \$5.1 billion through appropriations activity and \$4.9 billion through the 2/10 rule.

So, to summarize it, if you look at obligations, the cut is \$5.1 billion through appropriations and \$4.9 billion through the 2/10 rule. In terms of expenditures, the related cuts are \$1.6 billion and \$2.7 billion, respectively.

APPLICATION OF BUDGET CUTS

Mr. YATES. How were those cuts allocated? Could you supply us with a list of where the reductions were made?

Mr. ZWICK. By agency. The law says the agencies will cut back obligations below the numbers that are in the budget document for controllable programs by an amount equal to 2 percent of personnel obligations and 10 percent of other objects, or use the appropriated level, whichever is lower.

Mr. YATES. You did not direct the individual agencies where to make the reductions within the agency?

Mr. ZWICK. No, we had conversations with them but it was their responsibility to develop where the cutbacks came.

Mr. YATES. Do you know where they make the cuts now?

Mr. ZWICK. In general, we have some idea.

Mr. YATES. For example, with respect to the operation of housing and urban development, where the cuts were made in that agency, would you know that?

Mr. COHN. As I recall, the appropriation reduction in the case of HUD was more than the House Joint Resolution 888 required. They didn't have to take any other action.

Mr. ZWICK. There were four agencies in that category—HUD, NASA, OEO, and AID—in which the appropriation action provided for less than the resolution would allow.

Mr. YATES. The reduction of the Appropriations Committee was below that which the Resolutions Committee would have required. Does that mean they had an increase to that amount?

Mr. ZWICK. No. In those cases, the agencies would be held to the appropriated levels.

Mr. YATES. You wouldn't know where HEW applied its reductions, would you? Whether in the Office of Education or whatever?

Mr. ZWICK. In the case of public assistance, that is a formula that is mandatory, so it couldn't be in there. It had to be in other programs. It couldn't be in social security, in public assistance, or in medicaid funds.

REDUCTIONS IN 1969 BUDGET

Mr. YATES. If I may refer you to a table that appears on page 18 in The Budget in Brief, there is given a table, showing the breakdown of the various items that make up the budget at \$186.1 billion. The President indicated yesterday that he was expecting to make reduc-

tions, approximating \$8 or \$9 billion. Would you have any idea where those would be?

Mr. ZWICK. That was an obligation figure, with a related \$3 to \$4 billion in expenditures. It has to come out of two places. It would come, first, from the third line from the bottom of that table, which shows relatively controllable civilian programs estimated at \$39½ billion. It has to come out of that \$39½ billion plus the top line, which is national defense, where you could take some out of defense other than for Southeast Asia. Otherwise, we would have to change some basic laws in order to get anything out of the relatively uncontrollable programs.

Mr. YATES. How much of national defense is subject to reduction? How much of national defense was reduced last year?

Mr. ZWICK. As I have said, within fiscal 1968, the year we are in, we have absorbed \$2 billion of the increases for Southeast Asia through reductions of other defense programs. We have had a \$2 billion absorption in fiscal 1968, within Defense.

Mr. YATES. That is 1968 up to now. That would make it \$74.5, wouldn't it?

Mr. ZWICK. No. The estimate in the table takes the cutback into consideration. For 1969, one way to look at it is that outside of Southeast Asia, national defense outlays are estimated to amount to \$54 billion, if I remember correctly. For your relatively controllable civilian programs, the estimate is \$39.5 billion. It is in those two areas that you've got to find your cuts.

Mr. COHN. The appropriation cuts in the Defense Department bills for fiscal 1968 totaled approximately \$2.6 billion, with an expenditure effect in 1968 of \$0.7 billion. Under the pressure of House Joint Resolution 888, and the President's pledge to try to make up the extra Vietnam costs, the non-Vietnam obligations were cut back another \$3 billion with an expenditure effect of \$1.4 or \$1.35 billion, something like that, to make a total non-Vietnam defense reduction of a little over \$2 billion in outlays.

Mr. YATES. How much was the relatively controllable civilian items?

Mr. ZWICK. In 1968, appropriation action for civilian programs produced a reduction of \$2.5 billion in the obligations and \$0.9 billion in expenditures. Further cuts under the 2/10 rule amounted to \$1.9 billion in obligations and \$1.4 billion in expenditures. As Mr. Cohn said, in four agencies the appropriations committees cut more than the 2/10 rule would have required—HUD, NASA, AID, and OEO.

1969 REDUCTIONS BY BUREAU OF THE BUDGET

Mr. YATES. With respect to the 1968 budget, this shows a final budget of \$175.6 billion. How much was requested of the Bureau of the Budget when you began your hearings?

Mr. ZWICK. Perhaps the problem can be solved if we go back to the old administrative budget. We estimated originally, on the administrative budget basis, \$135 billion in expenditures for fiscal 1968.

Mr. YATES. I am talking about \$175.6 billion that you finally approved for 1968. All these various agencies that are listed, how much did you cut before you submitted the budget? The various agencies came up and told me they got a bareboned budget from you.

Mr. ZWICK. The 1969 budget number is roughly the same order of magnitude. We cut roughly \$30 billion in NOA requests, roughly equivalent to \$25 billion in expenditures.

Mr. YATES. How much did Defense ask out of that?

Mr. ZWICK. For Defense it was about \$20 billion in NOA, and about \$18 billion in expenditures. For all other agencies, the cut was about \$10 billion in NOA—a little less than \$10 billion.

Mr. YATES. How much of the \$10 billion is included in the relatively uncontrollable civilian programs?

Mr. ZWICK. None would be in it.

Mr. YATES. You don't have any leverage with both at all?

Mr. COHN. We have almost no leverage in the uncontrollable programs. To change them significantly would require a statute. For instance, the civilian and military pay increase is estimated at \$1.6 billion for 1969. That is provided for in the statutes and it comes about automatically. To alter that, you would have to pass a new law.

Mr. ZWICK. If you look above that item in the table, you will see social security, medicare, and other social insurance trust funds—\$2½ billion of that increase is the result of the new social security legislation, \$1.7 billion is the normal growth in those trust funds.

Mr. COHN. There is a problem in making those estimates credible, and trying to see that they are credible.

ESTIMATES ON SOCIAL WELFARE PROGRAMS

Mr. YATES. I can see where these would create a wide credibility gap.

Mr. COHN. With respect to the estimates for medicaid, for example, in the first year of that program it was very hard to estimate the expenditures. This year we worked with HEW a great deal, trying to get a better estimate. The initial budget estimate for medicaid was much lower than the estimate we finally put in the budget. So what we have called the agency request for that was really the final estimate that we agreed to with them. The early estimate, they would agree, was based on fragmentary information.

Mr. YATES. That's something I wanted to ask you about. Is there a provision in this budget for the new section that was added to the Social Security Act last year respecting contribution by the Federal Government for construction for day care centers in the States?

Mr. ZWICK. No. The provision of the 1967 Social Security Amendments you are talking about requires the States to provide child-care services—by purchasing them or otherwise—to all persons referred for participation under a work incentive program. In the supplemental we sent up last week for the work incentive program, \$5 million was included for child-care services. It does not, however, authorize Federal cost-sharing of day care center construction.

Mr. YATES. How many day care centers would that take care of? Not very many, will it?

Mr. ZWICK. That supplemental will not be available until about May so you are only talking about May and June costs.

Mr. YATES. Is that item next year going to be much higher?

Mr. ZWICK. Yes. The 1968 funds will primarily be used for getting the program going—enabling the States to make arrangements for providing services, train mothers in group care, and that sort of thing.

Mr. YATES. It is necessary for the Federal Government to pay for that provision, for that? As I understand that law, unless the States do create day care centers they will not receive their welfare funds. Is that correct?

Mr. ZWICK. No, that is not correct. As I understand the law, it says there is a basic policy statement that you should, to the maximum extent feasible, encourage public assistance recipients to take training and to become employable so they can eventually leave the public assistance rolls.

Mr. YATES. It is your understanding of the law that the State does not have to take advantage of that program, but nevertheless would be entitled to receive the assistance under the basic law?

Mr. ZWICK. Yes, it is. However, the State must move in this direction as expeditiously as possible, but the lack of such a program would not automatically prevent a State from receiving Federal assistance. I would like to go back and check it, but that is my understanding.

Mr. COHN. I have the 1969 figures for the budget request of the \$125 million requested, \$100 million is to provide training for about 82,000 and employment for 20,000 in work projects. The remaining \$35 million is for child-care services to 35,000 children.

UNCONTROLLABLE ITEMS

Mr. YATES. Of the budget this year, of the \$186 billion budget this year, how much of it is available for reduction? We see \$71.8 immediately is not available for reduction. Presumably Vietnam, costing approximately \$25 billion, is not available for reduction.

Mr. HUGHES. I wouldn't say categorically, Mr. Yates, that the relatively uncontrollable programs are not available for reduction. It would take special actions to reduce them but I bring to your attention again the pay increase which will come to many people as a logical item.

Mr. YATES. To extend it or delay it?

Mr. HUGHES. Yes.

Mr. ZWICK. If you ask your question on the assumption that you are not going to change any of those laws, then it is that \$39½ billion number that is available for reduction.

Mr. YATES. That's right—\$39½ billion out of the whole \$186 billion budget and that's where education is and that is provision for education, housing, and antipollution and provision for all the things that make for making necessary improvements and advancements in our country.

Mr. ZWICK. Plus air traffic controllers and IRS and FBI Agents.

Mr. YATES. And that's where the deductions have to come from.

Mr. ZWICK. And the Post Office, Bureau of the Budget—

Mr. YATES. What percentage of the total budget is that?

Mr. ZWICK. It's about 20 percent, a little more.

Mr. YATES. Only 20 percent of the whole budget is available for the proposed reduction.

Mr. ZWICK. Yes. There may be some reductions in the other categories, but basically that is where it has to come out of.

Mr. YATES. I noticed when you were making your notes, you were using a red pen.

Mr. ZWICK. I switched over now to a blue pen.

Mr. YATES. I hope some day you will be using one with black ink.

DISTRIBUTION OF CONTRACTS

Now, does the Bureau of the Budget make any studies as to where the Government contracts go; to what States?

Mr. ZWICK. There are two reporting systems. The Department of Defense has one and OEO has a reporting system on total Government expenditures by counties.

Mr. YATES. Are both available?

Mr. ZWICK. Yes. The Department of Defense figures are widely published.

Mr. HUGHES. They are not particularly good by county yet, but they are available. You can understand the problem of allocating by county when companies subcontract in areas other than where the headquarters are and that sort of thing. It is difficult.

Mr. YATES. I am told on the ticker there are suggestions that instead of sending only 25,000 troops the President proposes to send a division of 35,000. If that happens, the additional cost would be \$150 million, which is multiplied 35,000 by 50,000.

Mr. ZWICK. That's the upper end.

Mr. YATES. On the basis of experience, we are spending the upper end.

Mr. ZWICK. Yes.

Mr. YATES. That would increase the deficit this year because it has to be taken into consideration.

Mr. ZWICK. That's right.

Mr. YATES. I think that is all, Mr. Chairman.

Mr. PASSMAN. Just one question. Earlier—

CORRUPTION IN SOUTHEAST ASIAN PROGRAMS

Mr. YATES. Would you yield? I notice by your statement of qualifications, which is a very impressive one, during 1964 and 1965, you led a team study in the economic assistance program in Vietnam, Thailand, Laos. During that time, did you find any corruption in any of those countries?

Mr. ZWICK. Yes, sir. This is a typical problem in Southeast Asia.

Mr. YATES. A typical problem—what do you mean by typical? How big is the typical problem?

Mr. ZWICK. If we talk about Laos, and both the gold movements and opium movements through Laos, it is frequently speculated that they are large contributors of foreign exchange. If you want to take an extreme case, in a little country like Laos, such traffic is probably a major source of foreign exchange.

Mr. YATES. Let's go into Vietnam, where we have a much more paramount concern, a much more vital concern at this moment.

Congressman Morse's Government Operations Committee came back and reported corruption was rising in Vietnam. Did you experience this too?

Mr. ZWICK. I don't know how to express that.

Mr. YATES. How much of your economics assistance program was lost through corruption?

Mr. ZWICK. I don't know the answer. Did Congressman Morse say?

PROBLEMS IN VIETNAM

Mr. YATES. He didn't speculate on the amount. He was appalled by it. Have you kept in touch with this subsequent to 1965 at all?

Mr. ZWICK. No, I haven't. When I came to Washington I went to work on the domestic side of Government.

Mr. YATES. When you were there during 1964 and 1965, was the structure of the country the same as it is now? Broken down into corps areas in which generals were in charge of the corps and holding status very much like a feudal lord?

Mr. ZWICK. There have been 43 provinces—for I don't know how long—where province chiefs are military men. So this has been the structure of Vietnam for a number of years—I don't know if it is 10 or 100.

Mr. YATES. And there is corruption at every level of the structure?

Mr. ZWICK. I certainly can't react in any hard sense to that sort of question.

Mr. YATES. I don't know what you mean by that. Is your answer yes?

Mr. ZWICK. I don't know. I find it very difficult to make broad generalities that corruption is rampant; that there is corruption at every echelon.

Mr. YATES. You have the same information I have. The newspaper report says it is rampant at every level.

Mr. ZWICK. I am sure there is corruption.

Mr. YATES. The question I am asking is when you were there, did not your studies of economic systems program, find it to be present?

Mr. ZWICK. Yes, sir. In fact, in those reports, you will find that one of the issues that we raised was the whole issue of corruption. In fact, a major part of our report was on the issue of corruption.

Mr. YATES. Is the report available?

Mr. ZWICK. It's classified. It is available from the Defense Establishment.

Mr. YATES. If it is classified, I suppose it is not available for me to report something like this to the public, is it?

Mr. ZWICK. Not the classified parts.

Mr. YATES. Is your testimony you are giving to me classified?

Mr. ZWICK. No.

Mr. YATES. This is open to the public?

Mr. ZWICK. That's right.

ACTION BY BUREAU OF THE BUDGET

Mr. PASSMAN. If I may, Mr. Chairman. It is not unusual for the Bureau of the Budget to reduce the requests of the Departments in submitting budget requests to the Congress. In fact it is customary for the Director of the Budget to go over the different requests from the Departments and make substantial reductions, is it not? This is pretty much standard and has been true for many years.

Mr. ZWICK. Yes; you would expect it to be that way.

Mr. STEED. Mrs. Reid?

CREATIVE FEDERALISM

Mrs. REID. On page 13 of your justification, you mention the concept of "creative federalism," which is a term we hear frequently. How do you define creative federalism?

Mr. ZWICK. Creative federalism is the effective and harmonious working together of our various levels of government—Federal, State, and local—in the solution of the Nation's problems. On May 22, 1964, when President Johnson spoke of the needs of our cities, our countryside and our classrooms, he explained the phrase in these terms: "The solution to these problems does not rest on a massive program in Washington, nor can it rely solely on the strained resources of local authority. They require us to create new concepts of cooperation, a creative federalism, between the National Capital and the leaders of local communities."

PLANNING-PROGRAMING-BUDGETING

Mrs. REID. Is your planning-programing-budgeting-system now fully operational in all agencies? Are you still experiencing problems?

Mr. ZWICK. As indicated in an earlier statement for the record, the planning, programing, and budgeting system is operational in all of the major departments and agencies of the executive. A number of smaller agencies are also beginning to implement this system. On the whole, the entire system is still in an early stage of implementation.

COMPUTER PROGRAM SYSTEM

Mrs. REID. You comment on page 13 that the entire computer program system used in the Bureau must be revamped—and you are exploring the possibility of using the Treasury Department data banks. Can you elaborate a bit more on what is needed here?

Mr. ZWICK. The existing computer program system used by the Bureau of the Budget does not provide for the automatic reconciliation of actual year data furnished by individual agencies as a part of their normal annual budget submissions, with the same data provided by the Treasury Department as a part of their Treasury combined statements reports. Each agency examiner currently must manually perform this reconciliation of the two sets of data to insure that they agree before the data can be made a part of the official U.S. Government budget. Since the Treasury's actual year data must, by law, be the only true and correct data, the reconciliation process is essentially a mechanical operation and consumes a substantial amount of high-priced examiner time each budget season—coming at a very critical time.

By revamping the Bureau's computer system, a program will be written which will allow the computer to automatically make this reconciliation. Any discrepancies will be "kicked out" of the computer onto an error listing and sent back to the individual agency for correction and resubmission of the entire program and financial schedule that was in error.

This modification is expected to save a substantial amount of man-hours both within the Bureau, the Treasury, and the individual agencies, all of whom are now conducting this operation on a manual basis.

LEGISLATIVE CLEARANCE WORKLOAD

Mrs. REID. It appears on page 15 that your legislative clearance workload in terms of requests has declined steadily since the 88th Congress, although the legislative workload in the Congress has increased each year. What is the explanation for this?

Mr. ZWICK. The legislative clearance workload has not declined steadily since the 88th Congress. The figures on page 15 show an increase of almost 15 percent from the 88th to the 89th Congress. The figures for the 90th Congress cover only the first session and, therefore, are not comparable to those for the previous two Congresses. We estimate, however, that the legislative clearance workload data for the full 90th Congress may exceed those for the 89th Congress.

Specifically with respect to congressional requests for Bureau views, there was an increase from 2,358 in the 88th Congress to 2,853 in the 89th Congress, a rise of about 21 percent. We are unable to predict the number of views requests congressional committees may make during the remainder of the current Congress.

1970 CENSUS

Mrs. REID. In connection with plans for the 1970 census, which you outline on page 18, there has been increasing concern that each census becomes more and more an invasion of individual privacy. What consideration are you giving to such complaints? Where can we draw the line?

Mr. ZWICK. Every question proposed for the decennial census is subjected to searching analysis with respect to its need and the burden it would place upon respondents. Another criterion for inclusion in the census is whether the information is required for individual States and localities. When it is sufficient to have information for the country as a whole the data are obtained from national samples rather than from complete censuses.

In preparing for the 1970 census, the Bureau of the Census conducted meetings in 22 localities at which representatives of State or local governments, universities, business, or any other group could present its requirements for information.

The Bureau of the Budget organized, as it has for past censuses, a Federal Council on the 1970 Census with representatives from all agencies of the Federal Government. The function of this Council is to provide the means by which the needs of governmental agencies can be presented and discussed.

In June 1967, A. Ross Eckler, Director of the Bureau of the Census testified before the Subcommittee on Census and Statistics of the House Post Office and Civil Service Committee at a hearing on plans for the 1970 census. He presented the list of questions being considered at that time and testified that the 1970 list was not substantially different from 1960 and would involve about the same time for response.

The questions decided upon represent only a fraction of the requests that were made, many of them urgently. Some were rejected on the grounds that they did not serve a broad enough public purpose, some because they were considered to represent an unwarranted invasion of privacy under the mandatory reporting requirements of the census.

Two examples of the latter are: religious affiliation, despite the fact that collection of this information was widely urged; and, specific type of disability that prevents the person from working, performing household chores, or going to school, on the grounds that this could be an extremely sensitive question to some households although the information would be valuable for planning many programs.

Data collected in the decennial census, in addition to those required by the Constitution, are largely in response to the needs of the times. Attached is a summary of the inquiries included in each decennial census from 1790 through 1960.

In the census of 1860 it should be noted that for each person information was required with respect to whether he was "unable to read or write" and whether "a pauper or convict."

In 1890 information was obtained as to whether the person was "suffering from acute or chronic disease, with name of the disease and length of time afflicted," whether "defective in mind, sight, hearing or speech," whether "crippled, maimed, or deformed, with name of defect."

Under the guidelines that we now have for developing census questions it is unlikely that such sensitive questions as those noted above would be repeated although at the time they were apparently considered appropriate and reflected problems of current concern.

Many questions that some now consider to be invasion of privacy have a long history on census schedules. For example, questions on income have been in each census since 1940. Tenure, mortgage, value of owned home go back to 1890.

Finally, the most important factor in protection of privacy is the confidentiality of census data. The Congress took steps to make sure that information collected would not be used for any purpose other than the compilation of statistical totals. Title 13, United States Code recognizes this obligation specifically and provides penalties for any employee who makes any disclosure of information coming to him by virtue of his employment in the Bureau of the Census.

(The information follows:)

U.S. DEPARTMENT OF COMMERCE,
BUREAU OF THE CENSUS.

INQUIRIES INCLUDED IN EACH POPULATION CENSUS, 1790 TO 1960

CENSUS OF 1960

Address, name, relationship to head of household, sex, race, month and year of birth, marital status; whether residence is on farm; place of birth, in which State, U.S. possession, or foreign country; if born outside United States, language spoken in home before coming to United States; country of birth of parents; length of residence at present address, where resided 5 years earlier; educational attainment; school or college attendance, and whether public or private school; times married and date of first marriage; of women ever married, how many children ever borne; employment status; hours worked in week preceding enumeration; date last worked; occupation, industry, and class of worker; place of work which city or town (and whether in city limits or outside), county, State; means of transportation to work; weeks worked in 1959; earnings in 1959; other income in 1959; veteran status, which war and present service.

CENSUS OF 1950

Address, whether house is on farm; name; relationship to head of household; race; sex; age; marital status; State (or foreign country) of birth; if foreign

born, whether naturalized; employment status during week preceding enumeration; hours worked; occupation, industry, and class of worker; whether living in same house a year ago; whether living on farm a year ago; if not in same house, county and State of residence a year ago; country of birth of parents; educational attainment; school attendance; if looking for work, how many weeks has he been looking; number of weeks worked in 1949; earnings in 1949; other income in 1949; veteran status, which war and present service; for persons who worked last year but not in current labor force, occupation, industry, and class of worker on last job; if ever married, whether married more than once; duration of present marital status; if female and ever married, number of children ever borne.

CENSUS OF 1940

Address; home owned or rented; value or monthly rental; whether on a farm; name, relationship to head of household; sex; race; age; marital status; school or college attendance; educational attainment; place of birth—if United States, State, territory, or possession—if foreign born, country in which birthplace was situated on January 1, 1937; citizenship of foreign born, country in which birthplace was situated on January 1, 1937; citizenship of foreign born; county and State of residence 5 years earlier and whether on farm or in place of 2,500 or more inhabitants; employment status during week of March 24-30, 1940; if at work, whether in private or nonemergency Government work, or in public emergency work (WPA, NYA, CCC, etc.); if in private or nonemergency Government work, number of hours worked during week of March 24-30; if seeking work or on public emergency work, duration of unemployment up to March 30; occupation, industry, and class of worker; number of weeks worked in 1939; wage or salary income in 1939 and whether received other income of \$50 or more; place of birth (State, territory, possession, or foreign country) of father and mother; language spoken in home in earliest childhood; veteran status, or whether wife, widow or under-18 child of veteran; whether has social security number, and if so whether deductions were made from all or part of wages or salary; usual occupation, industry, and class of worker; of women ever married—whether married more than once, age at first marriage, and number of children ever borne.

CENSUS OF 1930

Name; address; relationship to head of family; home owned or rented; value of monthly rental; radio set; whether family lives on a farm; sex; race; age; marital status; age at first marriage; school attendance; ability to read and write; place of birth of person, father, and mother; if foreign born, language spoken in home before coming to United States; year of immigration; naturalization; ability to speak English; occupation, industry, and class of worker; whether actually at work previous day (or last regular working day); whether a veteran of U.S. military or naval forces, which war. Special schedule used for further detail on unemployment.

CENSUS OF 1920

Address: name; relationship to head of family; home owned or rented; if owned, free or mortgaged; sex; race; age; marital status; year of immigration to the United States; naturalized or alien; if naturalized, year of naturalization; school attendance; place of birth of person, father, and mother; for each of these reporting foreign birth, what was mother tongue (native language); ability to speak English; occupation, industry, and class of worker.

CENSUS OF 1910

Address; name; relationship to head of family; sex; race; age; marital status; number of years of present marriage; mother of how many children and number now living; place of birth of person, father, and mother; for foreign born persons, year of immigration to United States; whether naturalized or alien; ability to speak English; if not, language spoken; occupation, industry, and class of worker; if an employee, number of weeks out of work during year; ability to read and write; school attendance; home owned or rented; if owned, is it free or mortgaged; whether a survivor of Union or Confederate Army or Navy; whether blind or deaf and dumb.

CENSUS OF 1900

Address; name; relationship to head of family; sex; race; age; marital status; number of years married; mother of how many children and number now living; place of birth of person, father, and mother; if person is foreign born, year of immigration to the United States; number of years in the United States; whether naturalized; occupation, trade, or profession of persons 10 years old and over; months not employed; months attended school; ability to write or read; ability to speak English; home owned or rented; if owned, whether free of mortgage.

CENSUS OF 1890

Address; number of families in house; number of persons in house; number of persons in family; name; whether a soldier, sailor, or marine during Civil War (Union or Confederate) or widow of such person; relationship to head of family; white, black, mulatto, quadroon, octoroon, Chinese, Japanese, or Indian; sex; age; marital status; whether married during year; mother of how many children, and number now living; place of birth of person, father, and mother; if person is foreign born, number of years in the United States; whether naturalized; whether papers have been taken out; profession, trade, or occupation; months unemployed during census year; ability to read and write; ability to speak English; if not, language or dialect spoken; whether suffering from acute or chronic disease, with name of disease and length of time afflicted; whether defective in mind, sight, hearing, or speech, or whether crippled, maimed, or deformed, with name of defect; whether a prisoner, convict, homeless child, or pauper; home rented, or owned by head or member of family; if owned by head or member, is it free from mortgage; if head of family is a farmer, is farm rented or owned by him or member of his family; if owned, is it free of mortgage; if mortgaged, give post office address of owner.

CENSUS OF 1880

Address; name; relationship to head of family; sex; race; age; marital status; born within the year; married within the year; profession, occupation, or trade; number of months unemployed during census year; whether person is sick or temporarily disabled so as to be unable to attend to ordinary business or duties; if so, what is the sickness or disability; whether blind, deaf and dumb, idiotic, insane, maimed, crippled or bedridden; attend school within the year; ability to read and write; place of birth of person, father, and mother.

CENSUS OF 1870

Address; name; age; sex; color (including Chinese and Indian); citizenship for males over 21; profession, occupation, or trade; value of real estate; value of personal estate; place of birth; whether father and mother were foreign born within the year; married within the year; attended school within the year; for persons 10 years old and over whether able to read and write; whether deaf and dumb, blind, insane, or idiotic.

CENSUS OF 1860

Name; address; age; sex; color (white, black, or mulatto) for each person; whether deaf and dumb, blind, insane, or idiotic; all free persons required to give value of real estate and of personal estate owned; profession, occupation, or trade for each male and female over 15; place of birth (State, territory, or country); whether married within the year, whether attended school within the year; whether unable to read and write for persons over 20; whether a pauper or convict.

CENSUS OF 1850

Name; address; age; sex; color (white, black, or mulatto) for each person; whether deaf and dumb, blind, insane or idiotic; all free persons required to give value of real estate owned; profession, occupation, or trade for each male person over 15; place of birth; whether married within the year; whether attended school within the year; whether unable to read and write for persons over 20; whether a pauper or convict.

CENSUS OF 1840

Name of head of family ; address ; number of free white males and females in 5-year-age groups to 20, 10-year-age groups from 20 to 100, and 100 years old and over ; number of slaves and free colored persons in six broad age groups ; number of deaf and dumb ; number of blind ; number of insane and idiotic in public or private charge ; number of persons in each family employed in each of seven classes of occupations ; number of schools and number of scholars ; number of white persons over 20 who could not read and write ; number of pensioners for Revolutionary or military service.

CENSUS OF 1830

Name of head of family ; address ; number of free white males and females in 5-year-age groups to 20, 10-year-age groups from 20 to 100, and 100 years old and over ; number of slaves and free colored persons in six broad age groups ; number of deaf and dumb under 14, 14 to 24, and 25 years and upward ; number of blind ; foreigners not naturalized.

CENSUS OF 1820

Name of head of family ; address ; number of free white males and females under 10 years of age, 10 and under 16, 16 and under 26, 26 and under 45, and 45 years and upward ; number of free white males between 16 and 18 years ; foreigners not naturalized ; male and female slaves and free colored persons under 14 years, 14 and under 26, 26 and under 45, and 45 and upward ; all other free persons, except Indians not taxed ; number of persons (including slaves) engaged in agriculture, commerce, and manufactures.

CENSUS OF 1810

Name of head of family ; address ; number of free white males and females under 10 years of age, 10 and under 16, 16 and under 26, 26 and under 45, and 45 years and upward ; all other free persons, except Indians not taxed ; number of slaves.

CENSUS OF 1800

Name of head of family ; address ; number of free white males and females under 10 years of age, 10 and under 16, 16 and under 26, 26 and under 45, and 45 years and upward ; all other free persons, except Indians not taxed ; number of slaves.

CENSUS OF 1790

Name of head of family ; address ; number of free white males of 16 years and up, including heads ; free white males under 16 ; free white females, including heads ; all other free persons ; number of slaves.

CONSOLIDATION OF GRANT PROGRAMS

Mrs. REID. I note on page 22 that you describe the functions of the Office of Executive Management within your agency. I certainly agree that coordination and cooperation is an essential ingredient in inter-governmental problems. As you know, last year the Congress substituted bloc grants for categorical grants in some areas of Federal aid. Many feel that this approach is preferable. What is your view ?

Mr. ZWICK. The Administration strongly supports the objective of basic consolidation of similar and related grant programs into broader program grants, with appropriate Federal safeguards in financing and administering these broader programs. Alternative proposals are being explored by the Bureau and a number of agencies, with a view toward developing proposals for legislation in this area. The partnership for health is an example of how such consolidation might work in one program area.

As an interim measure, legislation permitting some packaging of existing grant programs is now pending in both Houses as the Joint Funding Simplification Act.

STATE LIAISON OFFICES

Mrs. REID. Many States—some counties—and a number of cities across the country have recently established liaison offices in Washington to assist them in coordinating activities with the Federal Government. It seems to me that this should not be necessary, but it is. Is this an outgrowth of the problem you describe concerning delays in authorizations and appropriations by Congress?

Mr. ZWICK. The establishment of State and local government liaison offices in Washington reflects the growing need for two-way communication between those jurisdictions and the Federal agencies. They are the result of the State or local government's desire for a single point of contact in Washington on all matters relative to their particular jurisdiction. Their Washington offices obtain and provide the State and local executives and program agencies with information about the availability of Federal funds for specific projects in their particular jurisdiction and on the status of applications to Federal agencies for special grants. They obtain specialized information for the State and local program agencies on Federal programs and operations. Although the State and local governments have expressed concern over delays in congressional authorizations and appropriations, we believe the principal relationships of their Washington offices are with the departments and agencies of the executive branch administering grant programs, rather than with the Congress.

MULTIPLE-YEAR AUTHORIZATIONS

Mrs. REID. As to the HEW survey report mentioned on page 27, do you concur in the recommendation that Congress should appropriate funds 1 year in advance for Federal-aid programs? Multiple-year authorizations?

Mr. ZWICK. The President's concern for improving the appropriation cycle for Federal education programs was reflected in his February 28, 1967, message on health and education which requested the Secretary of HEW to work with the Congress on this matter. In addition, the President requested the Bureau of the Budget to study funding measures which would improve the administration of grant programs generally.

Thus, the Bureau and the HEW studies in 1967 explored different facets of a common problem and in some cases joint meetings were held with the participants on each study. The Bureau generally concurs in the HEW study recommendations. Specifically, we concur in the principle of appropriating funds 1 year in advance since this (1) permits sound planning by school officials, (2) leads to more effective use of Federal funds, (3) allows federally aided programs to be more closely linked with the regular budget and planning activities of the schools, and (4) aids in the recruitment of staff. We should point out that additional legislation proposed by the administration this year for vocational education and higher education will permit this technique to be

employed in other areas where the need for advance planning is particularly acute.

Similarly, we concur in the proposal for multiple-year authorizations. In this regard, we note that virtually all of the administration's education legislative proposals in recent years have proposed 3- or 5-year or permanent authorizations. In fact, it is essential to have multiple-year authorizations to permit advance appropriations to be made.

BUREAU REQUEST FOR FUNDS

Mr. STEED. How much of your 1968 appropriation was put in reserve pursuant to the economy act of last year and what part of the money put in the reserves do you plan or are you going to have released in the supplemental?

Mr. HUGHES. Mr. Chairman, the 2/10 reserve was \$277,000. We are, for pay act purposes only, requesting restoration of \$152,000 out of that 2/10 reserve.

Mr. STEED. You have planned to absorb some of the pay increase in addition to the other amount. What is that other amount?

Mr. HUGHES. It would be the difference between \$152,000 and \$277,000; that is, \$125,000.

Mr. STEED. Including the Pay Act, you are actually making a net cut.

Mr. HUGHES. A net reduction of the amount, and absorbing all the pay increases.

Mr. STEED. Did any significant loss in work in the Bureau result from this? Are you, in terms of backlog, going to be able to carry on in full swing with the new funds granted without any carryover impact?

Mr. HUGHES. We are a long way from where we had hoped to be, even with the requested restoration of \$152,000 from the 2/10 reserve to meet part of the Pay Act costs. Our man-years would be 509 as compared to 533 that we had anticipated or hoped to get when we were before you a year ago. The impact of this kind of reduction in an agency like the Bureau doesn't appear in the form of backlog in any measurable sense. In one way or another, the work has to go out. The loss is in terms of the quality of the job, the added time each person must put in on the job, and the overtime and leave lost.

NONCOMPENSATED OVERTIME

Mr. STEED. I was going to ask you to give us some figures on what the noncompensated overtime figure was this year. It is my understanding you are only compensated for the time at the clerical level.

Mr. HUGHES. Yes; only the clerical and stenographic personnel receive overtime compensation. Our records show that, during 1967, 176 employees lost about 6,000 hours in earned annual leave. That is not just leave not taken, but leave actually lost. In terms of compensatory time, there is a loss of about 11,000 hours. As I have indicated, it comes out of our hide to a certain extent if we don't have the personnel to do the job that must be done.

Mr. STEED. The very dedicated employees are not going to get any money for that, so the least we could do is have our subcommittee express its appreciation for their contribution and let them know

that we realize they went beyond the call of duty and carried on even when there was no personal reward to them.

Mr. HUGHES. We do appreciate that, Mr. Chairman. I think, speaking for myself, and for many of our staff, we "like it in the kitchen," in Mr. Truman's terms. He said "If you don't like the heat, get out of the kitchen." We obviously are doing business even under the present circumstances.

I think we can use the additional personnel we are requesting to great advantage. I said here a year ago, and it is still true, that the Bureau has fewer total employees than it had when I joined it in 1949. It is hard to practice what we preach and maybe we practice too hard at it. Our request is for some additional bodies and man-years at this point.

WORKLOAD YARDSTICKS

Mr. STEED. Do you have another way of measuring your work other than man-years? Do you have any tables showing in measurable terms, how many decisions you make or how many dollars of the budget you cut, or any other thing that reflects itself in tabular form, or are man-years the only yardstick you have?

Mr. HUGHES. There are various indices. One is the total budget size in dollars, which pretty obviously isn't 100 percent accurate. But I think the trend is pretty clear and we also can get some reflection of the budget job by an agency count—that is the kind of panorama of agencies that exists in the Government now as compared with 20 years ago. Another index that occurred to me that was objective was the legislative workload. The Bureau has a legislative coordinating job which takes an increasing share of the budget analyst's time because both the volume of business and the intensity of the load have increased over the past couple of decades.

At this point, Mr. Chairman, I would like to insert certain significant summary materials which will serve to illustrate the volume and complexity of the workload facing the Bureau of the Budget.

(The information follows:)

WORKLOAD OF THE BUREAU OF THE BUDGET

In considering the budget request for fiscal 1969, it is advisable at this point to review selected highlights of the workload of the Bureau of the Budget. In setting forth illustrations of the magnitude, variety, and complexity of the continuing work responsibilities of the Bureau, attention will be given to the rapidly increasing number and variety of Federal programs and legislative proposals. The scope, complexity, and diversity of such programs provide some understanding of the need for concentrated attention to these areas of activity.

PLANNING-PROGRAMING-BUDGETING SYSTEM

The planning-programing-budgeting system (PPBS) of the Federal Government represents a major advance in the application of economic analysis to decisions on resource allocation. It serves to help find both the most desirable combination of goods and services to be provided, and the most efficient way of providing them.

1. *General.*—PPBS has helped place the process of preparing and reviewing the budget for 1969 on a stronger foundation. New tabulations of program costs and results in program budget categories provided means for reviewing programs in a new context. New background information and carefully documented studies produced by the system have been of value in the assessment of the effectiveness of various programs. Although agency managers have come to recognize the need

for systematic evaluation of the programs they administer, there remains much to be done before the system is fully operational.

Planning-programing-budgeting involves the development and annual refinement and updating of long-range program projections for each agency. These projections are based on systematic analysis of the costs and benefits of the proposed programs. PPBS is designed to help measure program effectiveness and evaluate alternative means of attaining objectives. The system can be used to define objectives more clearly—as a proposed plan of work to accomplish the objective, an outline of alternative plans, an analysis of the full costs and probable effectiveness of the proposed plan as against the alternatives, and some indication of the certainty or uncertainty with which these costs and benefits are estimated. The system provides both a basis for decisions between competing program proposals, and a standard for the later measurement of actual performance. PPBS becomes increasingly important as Federal programs expand in comprehensiveness and complexity.

2. *The role of the Bureau.*—The degree to which the planning-programing-budgeting system achieves its full potential will depend, in large part, on the Bureau of the Budget. The Bureau is responsible to the President for putting this system into operation. This work comprises mainly three responsibilities.

First, the Bureau is responsible for reviewing the multiyear program plans of the various agencies and for assessing critically the analysis on which those plans are based. Secondly, the Bureau is required to conduct analyses of the many programs which cut across agency lines. No other organization is in a position to make such multiagency comparisons objectively. Thirdly, the Bureau is responsible for insuring that each of the agencies translates the plans on which budgetary requests are based into properly funded, time-phased sets of specific operations.

The first of these functions—that of the review of agency submissions—currently involves the greatest Bureau workload. To a large degree this work represents an evolution of the traditional work of the Bureau in evaluating agency budget requests. Now, however, the Bureau is reviewing plans which are increasingly more comprehensive in scope and in time-scale and more dependent on modern analytic techniques to compare cost and effectiveness.

The second of the Bureau's tasks—that of analyzing Federal programs in education, health, transportation, poverty, manpower, and other areas where major Federal efforts cross agency boundaries—will fall primarily in the small Program Evaluation and Resources Planning units in the Director's office. These staffs have the responsibility of working with agency PPB staffs in extending and improving PPB analysis and of developing procedures and analyses which place the total range of Federal activities and operations in perspective.

The third task of the Bureau—that of insuring that the programing and budgeting machinery of the various agencies is capable of translating agency plans into properly timed and funded agency activities—remains primarily the responsibility of the several divisions of the Bureau working with the Office of Budget Review.

In fiscal 1969 our efforts to improve the PPB system will continue in two main directions: The preparation by the various Federal agencies of a greater number of cost-effectiveness studies, utilizing improved techniques and drawing upon the experience of the last several years; and the development of procedures and analytical techniques which help bring together the results of PPB analysis so that decisions on resource allocation for competing proposals can consider relative needs and relative benefits as well as costs.

PROGRAM AND BUDGET REVIEW

The most fundamental decisions with respect to the budget are those that relate to the programs to be carried out to meet the national needs—the choice of objectives, the determination of the level, and the quality of effort to be sought in a particular fiscal year. The budget, including the legislative program, reflects the President's proposals with regard to all the programs of the Government for each succeeding year.

Budget review also requires the evaluation of the "input"—the application of resources—necessary to achieve the desired program output. This necessitates the examination of budgetary requirements for personnel, space, travel, material, contractual, services, and the other pertinent elements. Surveillance of budget execution must be maintained in order to see that money, men, and materials are not wasted, and that their utilization produces planned results.

The Government's programs must be considered within the framework of economic and fiscal policy as well as national needs, with attention to the impact of the Federal activities and taxation upon the Nation as a whole and upon differing regions and industrial groups. While the budget is basically a set of proposals, and not merely a collection of forecasts, its development in the overall economic setting requires the use of the best available techniques of forecasting and projection. The relation of Government programs to monetary and credit policy has become a matter of growing importance with the increase in Federal lending and loan guarantee activities, as well as in the light of international monetary developments.

The workload continues to increase. The number of appropriation and fund accounts has increased 20 percent in recent years; for the most part these are the fundamental building blocks around which the budget process is organized. There are two more Cabinet agencies than there were 2 years ago, and several new independent agencies. All Federal funds, trust funds, and loan and expenditure activities must be examined by the Bureau of the Budget. The 89th Congress, in its 2 years in session, enacted more than 40 new pieces of grant-in-aid legislation alone, each of which added to the workload of the Bureau of the Budget.

Some special analyses of the budget have been remodeled to further the public's understanding of the new budget concept and of all Federal activities. Additional tables and other data are contained in the volume of special analyses this year; other unprinted analyses have been made as a necessary part of the task of program and budget review.

Program and budget review engage a large portion of the time of the six divisions and nearly the whole time of the Office of Budget Review.

LEGISLATIVE CLEARANCE

The following table furnishes recent data on the volume of the workload involved in the Bureau's legislative clearance function:

	88th Cong.	89th Cong.	90th Cong. 1st sess.
Congressional requests for bureau views.....	2,358	2,853	1,856
Agency reports for clearance.....	8,124	9,294	5,858
Agency draft bills.....	1,042	1,072	752
Private bills.....	886	1,006	572
Total.....	12,410	14,225	9,038

This large volume of work affects all organizational units of the Bureau since the specialists in each program or functional area are called upon to assist in the review, analysis, and clearance of agency legislative proposals and reports and in the preparation of replies to committee requests for views on pending legislation.

It should be noted that the table does not include all legislative coordination and clearance functions of the Bureau, such as responding to requests for information, coordinating agency testimony, and handling enrolled bills. Also, Bureau officials and staff members spend a substantial amount of time in testifying before congressional committees, attending committee hearings relating to their work, and working informally with committee staff on pending legislation.

STATISTICAL COORDINATION AND IMPROVEMENT

The Bureau of the Budget is responsible for the coordination and improvement of the statistical activities of Federal agencies. The Bureau will continue its emphasis in fiscal year 1969 on avoiding duplication, improving statistical standards, and achieving a better balanced Government-wide statistical program which will provide comprehensive, accurate, and timely information to appraise the functioning of the economy, the welfare of the people, and the status of individual Federal programs.

Work will continue on interagency projects to review the concepts and principles incorporated in the standard classifications developed by the Bureau (standard industrial classification, standard enterprise classification, and standard metropolitan statistical areas) to reflect the current structure and organization of industry and the growth of metropolitan centers. These standard classifi-

cations are used by Federal agencies and many private organizations in presenting statistical data on a uniform and comparable basis. The last major review of the concepts underlying the standard industrial classification was made in 1957-59, and the last review of the criteria used in establishing standard metropolitan statistical areas was made in 1958. Further development of the system, based on the standard industrial classification, for classifying commodities in production, export, import, and domestic transportation statistics will be undertaken. The Bureau's Office of Statistical Standards is also spearheading a review of the occupational classifications in use in the Federal Government, with a view toward establishing a standard classification of occupations, if feasible.

At the same time, under the provisions of the Federal Reports Act, attention must be given to the burdens placed on business enterprises and on individuals by the demands from the Federal agencies for information. Through improved planning and coordination, more effective measures must be adopted to bring about elimination, consolidation, or simplification of reporting and record-retention requirements imposed on enterprises and individuals.

The Bureau, through its Office of Statistical Standards, reviewed over 2,600 individual questionnaires or report forms issued by Federal agencies in fiscal 1967. In conducting these reviews, several hundred business respondent representatives were consulted through the auspices of the Bureau's Advisory Council on Federal Reports to insure that the data needed would be obtained at a minimum cost and burden. Increasing reliance on the use of statistics in reaching policy decisions and in evaluating the performance of newly initiated programs calls for strengthening of existing series and the development of new sources and types of information. Thus, the review load in fiscal 1969 is expected to continue at or increase above present levels.

In fiscal 1969 special programs to eliminate informational gaps and to strengthen existing statistical series within the Government will be required to meet the needs of Congress, the executive agencies, and private economy.

COORDINATED PROGRAM OF EXECUTIVE MANAGEMENT

In the past 4 years the President has proposed and the Congress has enacted a whole range of major new programs dealing with education, health, poverty, manpower training, urban development, and pollution control. The interagency and intergovernmental nature of these programs has brought with it unprecedented problems in the organization and management of the executive branch.

The Nation's domestic problems do not spring from a single cause and do not yield to a single standard solution. The problems are nationwide but the program "mix" required to solve them will vary in the thousands of cities and neighborhoods throughout the United States. We must achieve the proper amalgam of education, housing, skills improvement, and social services required in the particular locality. Each program must be related to the others as part of the overall attack on the local social ills. Unless these Federal programs are coordinated at the local level into an integrated Federal response to the specific needs of the locality, we will fail in solving the social problems these programs address.

The management problem is one of coordinating in effective joint action not only the programs of many separate Federal agencies, but also those of the States, cities, counties, other local jurisdictions, and even private organizations. The many Federal agencies cooperating on a single project in a given community must be joined by an equal or larger number of units of State and local government. Coordination and cooperation must be vertical, among many levels of government, as well as horizontal, among the many agencies of each level of government. The primary reason for the establishment of the Office of Executive Management was to better equip the Bureau to work on solutions to this perhaps most important problem of public administration confronting us today.

Review and evaluation of field activities

Several mechanisms have been developed to achieve coordination of Federal programs at the local level into an integrated Federal response to the specific needs of the locality. These have included the critical urban problems committees of Federal executive boards, the city teams and Washington Interagency Review Committee for Neighborhood Centers, model cities working groups, the concentrated employment program, and the cooperative area manpower planning system (CAMPS). These efforts are intended to facilitate the meshing of Federal agency programs, the flow of information to State and local governments, and the development of coordinated comprehensive plans by State and local officials.

During fiscal year 1968 the Bureau has devoted additional resources to the review of Federal operations, new coordinating mechanisms, and intergovernmental relations in the field. It has established a new operational coordination staff which concentrates on appraising the effectiveness of Federal program coordination and intergovernmental cooperation at the local level. By the end of the coming year this staff will have met with local, State, and Federal field officials in about 100 cities and counties to learn firsthand the existing and developing problems in administering Federal assistance programs. Where required and appropriate, action will be initiated immediately to establish ad hoc coordinating arrangements among appropriate Federal, State, and local officials. Information and evaluations supplied by the operational coordination staff will be provided also to other Bureau staff and agency officials in Washington for use in connection with longer term studies to improve Federal systems for administering these programs. The operational coordination staff will participate in such studies and projects, as appropriate.

ANALYSIS OF NATURAL AND WATER RESOURCE PROGRAMS

Increasing emphasis continues to be placed on effective development and economical use of the Nation's water and other natural resources, the comprehensive development of large river basins including water pollution abatement, and the expansion of outdoor recreation programs. In addition, the legislative proposals referred for review and recommendation in this area are becoming increasingly complex and controversial.

The following are some of the workload items which confront the Bureau—particularly the Natural Resources Programs Division.

1. *Water Resources Council.* The Director represents the Bureau of the Budget at Council meetings. Staff of the Natural Resources Programs Division works closely with the Council's staff—and its several committees and task forces—because of common interests in coordination and resolution of complex problems concerning Federal water resources activities. Among other things the Council has responsibility for comprehensive river basin planning, improvement of project formulation and evaluation standards, and assessment of the national water requirements and supply.

Examples of work initiated by the Bureau and being undertaken by the Council are cost sharing on flood protection projects as part of a unified approach to flood plain management, and criteria to determine when flow augmentation for water quality should be a purpose of water projects, improvement in the method of estimating water quality benefits, and cost sharing for water quality.

1. *Water resources project reports.*—Under Executive Order No. 9384, the Bureau reviews reports on projects proposed by the Corps of Engineers and the Bureau of Reclamation before they are transmitted to the Congress. Executive Order No. 10654 requires a similar review of the Agriculture watershed reports.

The workload is affected not only by the number of project reports but also by the growing complexity of water projects serving many purposes, conflicting uses of water, and increasing public interest in scenic preservation as against development. In addition, the distant time horizon—up to 100 years—used in the planning of water projects and the permanence of concrete structures makes essential the weighing of all potential alternative sources of water supply—a task made difficult by our inability to forecast with accuracy further possibilities that may be developed through research, such as desalting and weather modification.

The following table summarizes the action taken on project reports during the calendar year 1967:

REPORTS RECEIVED AND CLEARED FROM JAN. 1 TO DEC. 31, 1967

	Corps of Engineers	Bureau of Reclamation	Department of Agriculture	Total
Received.....	60	3	53	116
Cleared.....	67	3	53	123

2. *Water pollution control.*—With the continued and growing activities related to water pollution, control and abatement have expanded greatly in recent years. This has caused an increase in the Bureau's role and workload. The Bureau works with the Department of the Interior on implementation of major water

pollution control legislation enacted in 1965 and 1966, improvement and reorientation of pollution control programs to make them more effective, review of a large number of special studies made for the Congress, such as economic impact of pollution control expenditures, manpower needs, and industrial incentives, and review of a continuing succession of proposed legislation on various aspects of the problem, such as oil spills, acid mine drainage, and vessel pollution. The Bureau has primary responsibility under Executive Order No. 11288 to review progress of water pollution abatement at Federal facilities.

3. *Outdoor recreation and natural beauty.*—The programs and activities of the Federal agencies affecting outdoor recreation and natural beauty continue as an active area both with respect to legislation and financial matters. The emphasis on such programs is an outgrowth of the proposals and recommendations made by the Outdoor Recreation Resources Review Commission in its report of January 1962, and more recent concern with natural beauty. The Natural Resources Programs Division represents the Bureau in the staff meetings of the Council on Recreation and Natural Beauty (formerly the Recreation Advisory Council) and also handles Bureau liaison with the Citizens' Advisory Committee, both of which were established under their present titles by Executive Order No. 11278 in May 1966.

Examples of problems being studied by the Council include progress in resolving issues affecting natural beauty, the potentials for use of surplus Federal lands for recreation, and the analysis of a proposed program for scenic roads and parkways.

4. *Management of Federal lands.*—The management of Federal lands raises special problems which are often complicated and unique, and require substantial work largely unrelated to budget outlays on those lands. The Interior Department, together with the Forest Service of the Department of Agriculture, administers large areas of land, i.e., the so-called public domain lands, the National Forests, and the Outer Continental Shelf. These lands have substantial values including sizable minerals and timber values. Because the lands involve assets of substantial value and Federal income of significant amounts, the Bureau puts substantial staff time into proposals, problems, and studies on them. Examples are: Studies of timber sales by Forest Service and the Bureau of Land Management, legislation of geothermal steam and related minerals, oil and gas leasing on the Outer Continental Shelf, disposal of minerals on the public lands, study of oil shale leasing and development, and numerous legislative proposals about specific categories or groups of public lands and the mineral values thereof.

5. *Agricultural commodity programs.*—As our agricultural situation has changed from one of surplus stocks, the role of Federal commodity programs has changed from the relatively simple task of "reducing production" to that of assuring adequate supplies at market prices that are fair to both the producer and consumer.

The laws relating to the agricultural commodity programs provide the executive branch with considerable latitude in establishing support prices, payment rates, and acreage allotments. Decisions regarding the many commodities must be made each year and sufficiently early to permit farmers to plan their operations in an orderly manner. The Bureau of the Budget is responsible for assessing the long- and short-range budgetary impact of USDA proposals and alternatives and making recommendations to the President. Although we rely heavily on the Department of Agriculture for much of the relevant data, it is essential that we utilize other independent sources of data and judgment. This, of course, necessitates working closely with other agencies such as the Council of Economic Advisers, State/AID, and Commerce.

6. *Rural areas development.*—The Department of Agriculture has assumed an increasingly active Federal role in promoting the economic and social development in rural areas (which include 29 percent of the U.S. population). The President's message on agriculture of February 1965 gave the Director of the Bureau of the Budget and the Secretary of Agriculture a continuing responsibility to review various Federal agency programs and make recommendations to assure that these programs adequately reach rural people.

ANALYSIS OF HUMAN RESOURCES PROGRAMS

The scope of the Federal efforts directed toward education, health, economic opportunity, labor, manpower, welfare, housing and urban development, and veterans services will comprise more than 60 percent of the nondefense budget in 1969 and will total \$75.5 billion.

The interrelationship among these human resources programs is becoming increasingly specific and it is to these interrelationships that much concentrated effort will be directed. A few examples are indicative:

1. *Neighborhood centers.*—The Human Resources Programs Division carries a large part of the Bureau's responsibility in connection with the 14-city neighborhood center demonstration program, a joint effort by HUD, OEO, HEW, and Labor to coordinate their efforts in making comprehensive services available to the poor. Division staff represent the Bureau on the Washington Interagency Review Committee and provide 10 of the 14 "city watchers" who assist in the evaluation of the plans and programs of the centers. The Bureau efforts in evaluation will increase as the centers develop and various categorical programs sponsored by public and private agencies are integrated into a single service system.

2. *Model cities.*—This program, established in HUD, requires the concerted action of all the principal Federal agencies making grants which contribute to strengthening community effort. The Bureau is represented on the Model Cities Interagency Policy Group, which consists of assistant secretaries of the Federal agencies involved, and also on the Central Office Interagency Working Group, which develops the interagency procedures for the review and monitoring of model cities programs. It is essential that the cities and agencies involved be assisted in order to achieve the maximum value from the available Federal resources which must be coordinated in this effort.

3. *Manpower programs.*—The Federal effort to make a \$2.1 billion impact on the hard-core unemployed in 1969 is focused in the Department of Labor but the Department's efforts depend on services and integration of funds and programs authorized in OEO and HEW. The Bureau has been instrumental in working with Labor and the other agencies on the development of an integrated program and a realignment of its administrative structure to cope with these responsibilities.

4. *Work and training for welfare recipients.*—The Social Security Amendments of 1967 require States to offer work and training opportunities to suitable welfare recipients. A task which lies ahead is the development of appropriate relations between the provision of welfare aid, social services, child care programs, and training resources funded through HEW and the administrative responsibility of Labor in delivering the training and work opportunities to this group of disadvantaged. Bureau staff will be significantly involved with these arrangements.

5. *Government-wide summary programs.*—The Human Resources Programs Division provides the focal point of Bureau participation on the President's Council on Youth Opportunities and provides liaison with the White House and the Office of the Vice President in coordinating, developing, and financing agency programs to meet problems faced by disadvantaged youth particularly during the summer months. These months offer an opportunity for Federal and other public and private agencies to provide work and work training, educational, cultural, and recreational activities to the large numbers of youth released from school or otherwise unemployed. These programs may mitigate unrest but more importantly, if well planned and comprehensive, they offer stimulation and motivation for young people to self-advancement. Continuing attention will be given to the programs of OEO, HUD, HEW, Labor, and the youth opportunity campaign of the Civil Service Commission with a view to intensifying their emphasis on summer activities. Efforts will also be made to develop appropriate Federal support for private sector activities under the program headed by the Under Secretary of Commerce.

Some examples of program growth in other areas of responsibility and the resultant demands on Bureau resources are illustrated below:

1. *Education.*—The table below shows the sharp growth in the Office of Education:

	1961	1965	Budget, 1969
Total NOA (billions).....	0.5	1.5	3.8
Employment.....	1,006	1,321	3,592

The Bureau is continuing to assist in the orderly implementation of new programs and the evaluation of their effectiveness in meeting recognized national problems. Programs in education which are directed to the disadvantaged must

be coordinated with and complement similar efforts of the Office of Economic Opportunity and the Department of Labor in order to obtain the maximum benefit from Federal expenditures. Activities in support of higher education must necessarily be viewed in the context of not only national needs but also the impact of demands placed upon institutions and manpower by the economy generally and particularly by other Federal programs which support research and development both in the physical sciences and social sciences.

These activities require Bureau staff to participate extensively in interagency activities and in field visits to communities and to institutions. Maintaining a balance of Federal effort in this area is essential, and careful analysis of information is required to determine the effect of Federal programs in education.

2. *Antipoverty programs.*—The creation of the Office of Economic Opportunity was in part a recognition of the need to concert existing Federal activities in the attack on poverty and to provide, especially through community action, the planning and the gap-filling programs to maximize Federal and local efforts. Over 1,000 communities, urban and rural, are now involved in these community action programs. In addition, there are rural housing loans, aid to migrant workers, and health and welfare activities.

The programs are new, some still experimental; all require a high degree of cooperative effort among the various levels of government as well as the many agencies of government. As in the two previous items listed, Bureau staff will participate in program coordination and in the evaluation of program effectiveness. This requires adequate staff and substantial travel to communities to observe the adequacy of planning, program progress, and to anticipate the need for further coordination of effort.

3. *Federal health programs.*—Among the most rapidly expanding Federal activities are those in Federal medical and health-related programs. This expansion has been characterized not only by greatly increased expenditures but by significant changes in the health role of the Federal Government.

	1961	1965	Budget, 1969
Total expenditures (billions).....	0.9	1.9	10.6
Employment—PHS only.....	28,900	36,760	51,450

The major involvement of the Federal Government in health programs has shifted from one of providing direct hospital and medical care to beneficiaries and administering traditional programs designed to contain public health problems to one of large-scale grant support for facilities, medical research, health manpower, and a large-scale attack on certain problems, such as air pollution.

A further change in the Federal role has been to assist in the organization, delivery, and financing of private health care as indicated by the \$7.8 billion included in the 1969 budget for outlays under medicare and medicaid. The impact of this increasingly complicated workload has been felt primarily in the Human Resources Programs Division, but has also had its effect upon other divisions and offices in the Bureau responsible for legislation, budgeting, and organization.

(a) *Health program analysis.*—The new Government-wide planning-programming-budgeting system has been initiated in the Department of Health, Education, and Welfare, as in other agencies. Among other efforts, analytical studies of child health, kidney disease and other disease prevention or treatment programs have been completed. The impact on existing programs will be reviewed in light of the cost-effectiveness findings set forth in the program memorandum. In addition, Bureau staff is continuing to work with the Department to improve the health program structure and analytic tools to sharpen and facilitate decisionmaking for both the Secretary and the Executive Office of the President. These undertakings involve in-depth studies of the entire spectrum of present programs and shifting of examining staff to nontraditional budget review assignments.

(b) *Air pollution.*—Both the Congress and the President are giving increasing attention to the development of action programs to eliminate the health hazards and other effects of air pollution. Major legislation has been passed with authorizations to achieve this objective. A significant element of the President's program against air pollution has been to put the Federal house in order. Under Executive Order No. 11282, issued a year ago, all agencies must budget for air

pollution control measures at new Federal installations, and prepare long-range programs for abatement of air pollution at existing installations. Review of these programs is assigned by the Order to the Budget Bureau. In view of the stringency of the 1969 budget, the first year components of the plan were reviewed from the point of view of including only projects which were essential to remedying a health hazard, abating a violation of a local ordinance, or were located in interstate areas in which Federal enforcement actions have been undertaken. Based on these criteria, \$21.6 million for 89 projects have been included in the budget.

(c) *Research on health services.*—The rapid increase in medical care prices, coupled with the expansion of the Federal programs for financing medical care for our Nation's citizens, necessitates increased research on the organization and delivery of health services. Bureau staff are working with the Department of Health, Education, and Welfare on consolidating and expanding its research programs in this field and encouraging joint efforts with the Veterans' Administration and Defense to make full utilization of Federal hospitals in the total research effort.

(d) *Health insurance.*—The medicare program is bringing about significant Federal/State and Federal/private relationships. Following development of social security plans, the administration of both of these programs is continuing to require extensive staff time in regard to administrative arrangements within the Department of Health, Education, and Welfare, as well as relations with the States. In addition, staff competence must be developed to deal with financial and costing questions in the hospital and health insurance field, including the development of incentives which will encourage practices leading to a containment of the continuing increase in the cost of medical care.

4. *Housing and community development programs.*—In the past few years, the Federal Government has exhibited an increasing concern in the problems of central city decay, uncontrolled urban growth, and housing for low- and moderate-income families. This concern has resulted in the creation of the Department of Housing and Urban Development and the institution of many new programs designed to overcome urban blight, encourage orderly planning for urban growth and to increase the supply of housing for low- and moderate-income families. The coordination of many different Government efforts affecting these problems, both inside and outside the new Department, has required the close working relationship between staff of the Human Resources Programs Division and the new Department.

FIELD REVIEWS

Mr. STEED. As I understand it, your request here contemplates bringing you back to the desired 1968 level, plus these extra people. One of the justifications for the increase last year was the fact you wanted to get more and more into the field to make reviews and findings. How much of that did you actually get accomplished during the year?

Mr. HUGHES. First, with respect to last year's request, even though we did not net more bodies or more moneys substantially, actually much less than we had hoped for, because of the effect of Public Law 90-218, we have tried as a matter of good faith to move in the direction that we presented our justification to you. We are giving increased attention to Federal-State-local relationships to try to resolve some of the problems that appear there, and also to work on the Federal program interrelationships.

Mr. STEED. Would it be a situation arising that a man working on a particular area would need to go to the actual scene and take a complete look to see not only what is being done but what has been done?

Mr. HUGHES. This is the kind of thing that would, and as I see it, should involve fieldwork. Both the program analyst involved, and the management specialist, will have done some fieldwork.

INFORMATION ON FIELD ACTIVITIES

Mr. STEED. Am I wrong in assuming that this subcommittee works under the same concept. We sit here and get testimony and we read the justifications and we get all this information from the agencies but I have always found that it is not enough to make the kind of decision which we think we should make. The way I put it is, I don't know for sure what we have done until we see it coming out of the other end of the horn. For that reason, we find it helpful to get into the field and see what the actual operation is. Having done that, we can understand better not only what they are telling us when they are testifying but also it gives us a check to find out if things are the way they should have been in the first place. Many corrections and changes have resulted because of the additional information we got in the field. When the agency comes to your shop with its budget and you listen to all of the reasons they give you as to why they need the money, then you've got to make a determination not unlike we are actually going to have to make here. It is another phase of the same process. Do you find it necessary for the man or the men which would be your version of the subcommittee, coming back over to his shop with him and checking out some of the things that are in question before you make the final determination?

Mr. HUGHES. We would like for the budget examiner to spend as much time as he possibly can with agency people, both in Washington and in the field station where the work is being carried on. It is gratifying to note the committee's appreciation of the need for field travel. Our main problem, quite frankly, at this point in time, is freeing up enough of the budget examiner's time for field travel.

Mr. STEED. One of the reasons I have gone along with this is when we get back to the quality area, it seems to me you are not ever really going to get your hands on that unless you do have this type of operation.

Mr. HUGHES. We need to have an appreciation of the operations.

Mr. COHN. We get into it in other ways. A year ago, or a little more than a year ago, when the Governors met with the President, one of the Governors talked to the President about some of the Federal grant programs in his State. He felt they could be improved by changing some of the techniques and certain finance methods that we are now using.

To check on this, we sent people into the field not only in this State but in other States. We found this particular Governor's State was not representative of the total picture. We found out the problem was different in different States. We also found out the Governor was right, and that something needed to be done because the program wasn't working as we thought it ought to work.

But the solution had to be such that it could be applied to different type situations. The proposal we finally made was quite different from what this Governor wanted, but we found it would help him in his State and help other States as well.

This is a sample of the kind of work we do try to do.

USE OF AUTOMATIC DATA PROCESSING

Mr. STEED. Now, since more and more computer activities are coming into Government functions, what material or information are

you able now to take from these computers that might be helpful to you? Are you finding any materials in this area that are useful in your basic budget determination?

Mr. HUGHES. The Bureau does not have a computer. We are using agency computers for actual budget compilation purposes, among other things. We are also, as a part of the management information system development, for which we are requesting some additional help for fiscal 1969, working with OEO and the Office of Emergency Planning. The basic aim is more efficient procurement of the program information that is necessary to do a better job of program analysis—that is, to get to this quality point you mentioned.

NONDISCRETIONARY INCREASES

Mr. STEED. One final question on your own budget. Can you give me a lump sum figure of what part of the increase you are seeking is beyond your control? What will you have to have to keep you up where you are through the next year?

Mr. HUGHES. We must add to the reduced 1968 level, \$421,500 to meet essential nondiscretionary and workload increases. We must add funds for the 70 days not covered in 1968 under the higher pay rates, for the increasing personnel benefits, and for the extra workday in 1969. Also included are increases in costs of printing, travel, communications, supplies, security investigations, and computer services.

Mr. STEED. All of them under the general heading of not being controlled.

Mr. HUGHES. That's correct. And, as we have pointed out, we need \$372,500 to restore the man-years of employment to the level authorized for fiscal 1968.

Mr. STEED. Mrs. Reid, do you have any questions?

Mrs. REID. Not at this time.

COMPENSATION OF THE PRESIDENT

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10 Compensation of the President (Costs—obligations) (object class 11.1)-----	150	150	150
Financing:			
40 New obligational authority (appropriation)-----	150	150	150
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)-----	150	150	150
90 Expenditures-----	150	150	150

Mr. STEED. Now we will go into the other items that you traditionally presented to us. The next one on the list is the compensation of the President. Since this is fixed by law, we will not require any testimony.

FUNDS APPROPRIATED TO THE PRESIDENT

EMERGENCY FUND FOR THE PRESIDENT

WITNESSES

PHILLIP S. HUGHES, DEPUTY DIRECTOR
SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW
VELMA N. BALDWIN, ACTING ADMINISTRATIVE ASSISTANT TO
THE DIRECTOR

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
92.0 Undistributed for future allocations.....		843	1,000
ALLOCATION ACCOUNTS			
Personnel compensation:			
11.3 Positions other than permanent.....	98	83	
11.5 Other personnel compensation.....	5		
Total personnel compensation.....	103	83	
12.0 Personnel benefits.....	5	4	
21.0 Travel and transportation of persons.....	26	26	
23.0 Rent, communications, and utilities.....	11	15	
24.0 Printing and reproduction.....	36	2	
25.1 Other services.....	29	27	
25.2 Services of other agencies.....	87		
26.0 Supplies and materials.....	1		
Total obligations: allocation accounts.....	298	157	1,000
99.0 Total obligations.....	298	1,000	1,000
Obligations are distributed as follows:			
Reserved for future allocations.....		843	1,000
General Services Administration.....	298		
Department of the Interior.....		57	
National Advisory Commission on Civil Disorders.....		100	

PERSONNEL SUMMARY

ALLOCATION ACCOUNTS			
Average number of all employees.....	9	6	

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)			
Program by activities:			
10 Emergency programs (costs-obligations).....	298	1,000	1,000
Financing:			
25 Unobligated balance lapsing.....	702		
40 New obligational authority (appropriation).....	1,000	1,000	1,000
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	298	1,000	1,000
72 Obligated balance, start of year.....	1	46	
74 Obligated balance, end of year.....	-46		
77 Adjustments in expired accounts.....	1		
90 Expenditures.....	254	1,046	1,000
Expenditures are distributed as follows:			
01 Out of current authorizations.....	254	1,000	1,000
02 Out of prior authorizations.....		46	

Mr. STEED. The next item is the "Emergency Fund for the President." The appropriation for this item last year was \$1 million. The budget for 1969 has the same amount, \$1 million. We have been operating at this level for a number of years to give the President the funds to be used at his discretion for emergencies affecting the national interest and security.

JUSTIFICATION OF THE ESTIMATES

The justifications will be inserted at this point in the record.
(The justifications follow:)

JUSTIFICATION OF ESTIMATES FOR 1969 EMERGENCY FUND FOR THE PRESIDENT

An appropriation of \$1 million is requested for the Emergency Fund for the President for fiscal year 1969. The purpose is to furnish the President with funds necessary to meet emergencies affecting the national interest, security, or defense which may arise at home or abroad.

The President, in directing the widespread and complex machinery of the Federal Government, may be faced at any time with sudden emergencies and unforeseen problems which affect the national interest, security or defense. He must have funds at his disposal to deal with such emergencies or problems when they arise. Congress has recognized this need for providing a contingent fund of this character for many years. The funds provided for the day-to-day operation of the President's immediate office are not intended to be sufficient to meet this type of situation.

Amounts could be included in regular budget proposals if it were possible to foresee the situations that would require prompt use of this Fund by the President. It is and will continue to be the practice to restrict any items charged to this account to amounts for emergency needs which cannot be met from regular budget accounts. Despite such a restrictive policy, however, the total amount must be adequate to meet contingencies. Under present conditions, and considering the size and scope of the Government's operations, it is felt that that minimum amount which would be appropriate to provide for the President as an Emergency Fund for fiscal year 1969 is \$1 million.

In fiscal year 1968, \$1,000,000 has been available for allocation from this fund. Through January 20, 1968, a total of \$190,000 had been allocated during the current fiscal year, leaving \$810,000 for the remainder of fiscal year 1968.

In summary, the current status of the Emergency Fund for the President is as follows:

EMERGENCY FUND FOR THE PRESIDENT

Appropriated in Executive Office Appropriation Act, 1968-----	\$1, 000, 000
Total allocations as of Jan. 20, 1968-----	190, 000
Department of the Interior, to coordinate efforts on Mideast oil crisis, July 27, 1967-----	90, 000
National Advisory Commission on Civil Disorders, to meet expenses of Commission on Civil Disorders, Sept. 18, 1967 -----	100, 000
Balance available as of Jan. 20, 1968 -----	810, 000

Mr. STEED. I believe you have a formal statement for this item which, if it is agreeable with you, we will place it in the record.

(The statement follows:)

DIRECTOR'S OPENING STATEMENT ON 1969 BUDGET REQUEST FOR EMERGENCY FUND
FOR THE PRESIDENT

An appropriation of \$1,000,000 has been requested for the Emergency Fund for the President for fiscal year 1969. This is the same as was appropriated for the current fiscal year. This appropriation is provided to assist the President in meeting emergencies affecting the national interest, security, or defense which may arise at home or abroad.

In directing the executive branch, the President may have to deal swiftly and effectively with sudden emergencies and unforeseen problems which affect the national interest, security, or defense and which do not fall within the scope of the regular activities of any agency. Congress has recognized this need by providing a contingency fund for many years. Funds for the day-to-day operation of the President's immediate office are not intended to be adequate to meet this type of situation.

Although close executive control is exercised over the use of this fund, the total amount should be adequate to meet the needs that may arise. With due regard to present conditions, and considering the scope of the Government's operations, it is believed that the minimum amount which should be provided to the President for this emergency fund for fiscal year 1969 is \$1 million.

Through March 13, 1968, two allocations amounting to \$190,000 have been made from this fund during the current fiscal year. There remains therefore, \$810,000 to meet needs that may develop during the remainder of the year.

I will be glad to answer any questions on the emergency fund.

1968 ALLOCATIONS

Mr. STEED. What use was made of the fund during 1968 thus far?

Mr. HUGHES. There are two items totaling \$190,000; \$90,000 of that was to coordinate U.S. efforts in the Middle East oil crisis and the other \$100,000 was to meet a portion of the expenses of the National Advisory Commission on Civil Disorders, to get it launched in effect. If we deduct the \$190,000 from the \$1 million appropriated for fiscal 1968, we have a balance as of March 15 of \$810,000.

Mr. STEED. Are you aware of any new activities which would make a demand on these funds for the remaining part of the year?

Mr. HUGHES. Not at the moment, Mr. Chairman, but by their nature these funds are for nonanticipated purposes. That is the purpose of the account. We therefore would request again the money. This is, as you know, a 1-year account.

Mr. STEED. I notice for fiscal 1967, \$702,000 lapsed and that has been pretty much the story for several years.

Mr. HUGHES. Yes.

Mr. STEED. Would there be any serious risks if a reduction in this amount was made in view of the fact that so much of it has been lapsing for quite a few years?

Mr. HUGHES. We would be concerned, Mr. Chairman. The President has tried to use the fund prudently. As I say, by its nature this fund is used for items that cannot be anticipated. We feel that \$1 million is not an excessive sum for these kinds of emergency purposes. We gave consideration to an inquiry regarding the possibility of putting the account on a no-year basis and appropriating to hold the level at \$1 million. It seemed to us that this was again not an advisable thing to do with this account. Between the point at which the committee and the Congress take a good look at it and the point where the funds would otherwise lapse, there might be substantial expenditures which might affect the balance available for the next year. So it seems to us that it is the best arrangement to have \$1 million on a 1-year basis.

Mr. STEED. Mrs. Reid, do you have any questions?

Mrs. REID. No questions.

EXPENSES OF MANAGEMENT IMPROVEMENT

WITNESSES

PHILLIP S. HUGHES, DEPUTY DIRECTOR
 SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW
 VELMA U. BALDWIN, ACTING ADMINISTRATIVE ASSISTANT TO
 THE DIRECTOR

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
92.0 Undistributed for future allocations.....		280	450
ALLOCATION ACCOUNTS			
Personnel compensation:			
11.1 Permanent positions.....	59	10	
11.3 Positions other than permanent.....	73	4	
11.8 Special personal service payments.....		2	
Total personnel compensation.....	132	23	
12.0 Personnel benefits.....	4	1	
21.0 Travel and transportation of persons.....	10	2	
23.0 Rent, communications, and utilities.....	6	12	
24.0 Printing and reproduction.....		2	
25.1 Other services.....	56	37	
26.0 Supplies and materials.....	3		
99.0 Total obligations.....	211	350	450
Obligations are distributed as follows:			
Reserved for future allocations.....		280	350
Bureau of the Budget.....	151		
Civil Service Commission.....	60		
Department of Defense.....		20	
General Services Administration.....		60	

PERSONNEL SUMMARY

ALLOCATION ACCOUNTS			
Average number of all employees.....	3	2	

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities:			
10 Improving the management of executive agencies (cost-obligations).....	211	350	450
Financing:			
21 Unobligated balance available, start of year.....	-283	-422	-422
24 Unobligated balance available, end of year.....	422	422	322
40 New obligational authority (appropriation).....	350	350	350
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	211	350	450
72 Obligated balance, start of year.....	39	223	23
74 Obligated balance, end of year.....	-223	-23	-73
90 Expenditures.....	28	550	400
Expenditures are distributed as follows:			
01 Out of current authorizations.....	28	528	384
02 Out of prior authorizations.....		22	16

Mr. STEED. We will now take up the budget request for expenses of management improvement. The appropriation this year is \$350,000 which is the same as requested for fiscal 1969. This is similar to the emergency fund activity in that it enables the President to achieve management economy in the Government by his discretion, through the establishment of more efficient business methods.

JUSTIFICATION OF THE ESTIMATES

We will insert the justifications at this point in the record.
(The justifications follow:)

JUSTIFICATION OF ESTIMATES FOR 1969 FOR EXPENSES OF MANAGEMENT
IMPROVEMENT

The 1969 budget estimate for the appropriation to the President for expenses of management improvement is \$350,000. The purpose of the appropriation is to cover "expenses necessary to assist the President in improving the management of executive agencies and in obtaining greater economy and efficiency through the establishment of more efficient business methods in Government operations."

When the President's Management Improvement Fund was established by the enactment of the 1954 supplemental appropriation, the principle was accepted that the President should not be in a position where the lack of funds would keep him from taking prompt action to initiate solutions to management problems or to effect administrative improvements in the operations of the executive branch. It was recognized that a continuing source of funds for those purposes is necessary and desirable, and that additional appropriations would be requested in subsequent years as required.

Since 1953 the Congress has made 12 appropriations totaling \$3,390,000 for that purpose—each remaining available until expended. The original appropriation was for \$500,000. Subsequent appropriations were to restore the unallocated funds to approximately that level. No requests were made for fiscal years 1956, 1958, and 1959, because funds to be carried over from preceding years were considered adequate. Appropriations made to date are as follows:

Table of appropriations

Supplemental Appropriation Act of 1954.....	\$500,000
Independent Offices Appropriation Act of 1955.....	300,000
General Government Matters Appropriation Act of 1957.....	400,000
General Government Matters Appropriation Act of 1960.....	125,000
General Government Matters Appropriation Act of 1961.....	165,000
General Government Matters, Department of Commerce, and Related Agencies Appropriation Act of 1962.....	350,000
Treasury-Post Office Departments and Executive Office Appropriation Act of 1963.....	200,000
Executive Office Appropriation Act of 1964.....	100,000
Executive Office Appropriation Act of 1965.....	300,000
Executive Office Appropriation Act of 1966.....	250,000
Executive Office Appropriation Act of 1967.....	350,000
Executive Office Appropriation Act of 1968.....	350,000
Total.....	3,390,000

As of the end of fiscal year 1967 the fund contained \$316,269. The 1968 appropriation of \$350,000 made a total of \$666,269 available in the fund at the start of fiscal year 1968. Unexpended balances returned to the fund from completed projects to date in fiscal year 1968 have totaled \$41,609.

Allocations from the fund and allocations currently under consideration for this fiscal year are as follows:

Allocations to date

Study of the structure of the Selective Service System.....	\$20,000
Study of the organization and structure of the postal service of the United States.....	60,000
Administrative Conference of the United States.....	17,500
Improvement of Government telecommunications management.....	100,000
	<hr/>
	197,500
	<hr/>

Allocations¹ under consideration

Management information systems for the Executive Office of the President -----	\$325,000
Study of the interagency relationships in the establishment of neighborhood centers -----	25,000
Study of Executive, Legislative, and Judicial salaries -----	15,000
Subtotal -----	365,000
Total, all allocations -----	562,500

¹ Estimated amount.

The particular allocations now under consideration may not be made during the remainder of this fiscal year, or may not be in the amounts estimated. However, other desirable uses of the fund are certain to develop during this and the next fiscal year, with continued Presidential insistence that the departments and agencies make management improvements. Our present estimate is that \$365,000 will be allocated during the remainder of this fiscal year. This would require an appropriation of \$350,000 to restore the fund to approximately \$500,000 at the start of fiscal year 1969.

Fifty-nine projects have been financed by 71 allocations from these appropriations. Forty-one of the projects have been undertaken under the sponsorship of the Bureau of the Budget, most of these involving active agency collaboration. Eighteen have been the responsibility of agencies that have received allocations made from the appropriation by the Director of the Bureau of the Budget, exercising authority delegated to him by the President. A list of the projects is attached.

Eight allocations, outlined below, totaling \$517,500 have been made from the fund during the calendar year 1967 and to date in calendar year 1968. Four of these were projects conducted or supervised by the Bureau of the Budget. One allocation each was to the Department of Defense, the General Services Administration, the Administrative Conference of the United States, and the Department of State.

Management of residential properties acquired by VA and FHA (HUD).—On March 24, 1967, the Director allocated \$45,000 to the Bureau of the Budget for a study to determine what, if any, organizational or other actions should be taken to achieve greater overall effectiveness and efficiency in the management and sale of FHA and VA single-family residential properties. The study is being conducted by the management consulting firm Booz, Allen & Hamilton. The study has been directed toward the management of properties after the Government has acquired title, including operations and activities involving protection, custody, utilization, maintenance, repair, remodeling, landscaping, and promotional or other efforts leading to sale of properties. A draft report has been submitted by the contractor and comments on the draft have been submitted by the agencies concerned. The final report is expected shortly.

Presidential advisers on basic organization and administrative improvement.—Since January of 1961 six allocations have been made to the Bureau of the Budget for the expenses of experts and consultants to advise the President and the Director on problems of basic organization and administrative improvement of the executive branch. Five allocations, prior to 1967, totaled \$155,000.

In late 1966 the President directed the establishment of a number of task groups to advise him on problems of Government organization and administration. A number of consultants were appointed to these task groups. A supplementary allocation of \$100,000 was made on March 31, 1967, for the expenses of these task groups.

Teaching cases for use in training for planning-programing-budgeting.—On May 17, 1967, the Director made an allocation of \$25,000 to the Bureau of the Budget for the development of 10 case studies, including teaching notes, to be used in the 3-week and 9-month planning-programing-budgeting courses now being offered to Government employees. The teaching cases are being developed on the general subject of management planning and control. They will be especially designed to illustrate problems faced in managing Government programs and to show how analyses can contribute to the solution of these problems. The teaching cases are being developed by the Management Analysis Center, Inc., under contract with the Bureau of the Budget.

Planning-programing-budgeting for Federal-State-local programs.—Federal financial aids to State and local governments will total about \$18 billion in fiscal

year 1968. The planning-programing-budgeting system being developed in the Federal Government to assure more effective use of its resources cannot be fully effective with respect to these programs without a counterpart effort in the State and local jurisdictions. The Bureau of the Budget encouraged the development of an intergovernmental project to develop such an effort in the State and local governments, being conducted by the State-local finances project at the George Washington University. On May 19, 1967, the Director allocated \$150,000 to the Bureau of the Budget for the purpose of contracting with George Washington University to evaluate and prepare reports on Federal practices in regard to grant-in-aid to States and localities, and on Federal PPB systems, from the standpoint of their effects upon State and local administration of federally assisted programs.

Structure of the Selective Service System.—In his selective service message of March 6, 1967, the President instructed the Secretary of Defense, the Director of Selective Service, and the Director of the Bureau of the Budget to establish a task force to review and compare with the present structure the organizational recommendations for a restructured Selective Service System, made by the National Advisory Committee on Selective Service. This required objective evaluation of the presumptive merits of the structure envisioned and recommended by the Commission in relation to the present System.

The task force study has covered four basic subjects :

1. An All-Federal system versus the Federal-State system ;
2. A Federal civil service area office versus the civilian local board. Colateral changed among appeal boards ;
3. An automated versus a manual system ;
4. Special panels to hear conscientious objectors versus present boards.

On July 12, 1967, the Director allocated \$20,000 to the Department of Defense to assist in meeting the cost of this study. Other costs were met by the agencies participating in the study. The report of the study group has been completed and transmitted to the President.

Organization and structure of the postal service.—The Commission on Postal Organization was established by Executive Order 11341 of April 8, 1967, to study the organization and structure of the postal service of the United States and to determine the feasibility and desirability of a transfer of the postal service from the Post Office Department to a Government corporation or such other form of organization as may be deemed desirable. To initiate this study promptly the Director of the Bureau of the Budget on July 21, 1967, allocated the sum of \$60,000 to the Commission from the management improvement fund. Subsequent work of the Commission is being financed by funds provided in the independent offices appropriation bill.

Studies to improve administrative procedure—Administrative Conference of the United States.—The Administrative Conference of the United States is authorized by statute to assist the President, the Congress, the administrative agencies, and executive departments in improving existing administrative procedure. It is responsible for conducting studies of the efficiency, adequacy, and fairness of present procedures by which Federal administrative agencies and departments determine the rights, privileges, and obligations of private persons. The House Appropriations Committee, in denying an appropriation to the Conference for the current year, stated : "Should a Chairman be appointed during the forthcoming year, funds available to be used at the discretion of the President should be utilized for this purpose." The Chairman has been appointed and on January 8, 1968, the Director allocated \$17,500 to the Administrative Conference for the conduct of its work until appropriations become available in the Supplemental Appropriation Act.

Improvement of Government telecommunications management.—The rapid development of communications technology has exceeded expectations, but, of more significance, it has outpaced the development of the economic and political environment within which telecommunication decisions must be reached. The President, noting the complexity of this situation, on August 14, 1967, appointed "a task force of distinguished Government officials to make a comprehensive study of communications policy." The task force is to develop for the President recommendations for changes to existing policies and laws which will improve the machinery with which decisions on telecommunications matters are reached.

The list of items which the task force must consider includes a determination as to whether the present method for assigning radio frequencies needs to be

altered; an evaluation to determine when a domestic satellite system will be economically feasible; an examination to determine if changes to the present U.S. complex for providing international telecommunications services should be permitted; means to assure the viability of Intelsat, the International Telecommunications Satellite Consortium; and intensive study to determine how the United States can assure itself that technological developments are introduced into operational systems in the most effective and efficient manner.

On January 25, 1968, the Director allocated \$100,000 to the Department of State to finance the work of the task force. Additional support is provided by the departments represented on the task force.

This appropriation has a direct value to the President in assisting him in conducting the affairs of the executive branch in the most businesslike manner possible. In view of the nature of this appropriation request, it is not possible to indicate a specific program of matters that will be studied, specific allocations and agencies to which they may be made, or the manner in which particular studies will be conducted. Under policies applied to the administration of this appropriation, needed projects will be financed by the appropriation only when it is impractical or inappropriate to finance them by other means and only if they have as their objective improved service to the public at minimum cost, definite economy and greater efficiency in agency operations, or significant improvement in the President's capacity to manage the executive branch. Emphasis will be placed on those projects which will produce definite and identifiable savings or other concrete and measurable results.

ALLOCATIONS FROM APPROPRIATION TO THE PRESIDENT FOR "EXPENSES OF MANAGEMENT IMPROVEMENT"

No.	Amount	Allocation to—	Purpose and method
1	\$34,000	Federal Trade Commission (Oct. 9, 1953).	Study of the organization and management of the Federal Trade Commission, by contract with Robert Heller & Associates.
2	15,000	Bureau of the Budget (Oct. 13, 1953).	Study of the organization and management of the Federal Power Commission, by contract with Cresap, McCormick & Paget.
3	55,000	Bureau of the Budget (Dec. 29, 1953).	For study and improvement of Federal surplus real property disposal activities. Project staff composed of consultants and temporary appointees employed by the Bureau of the Budget.
4	45,000	Department of Health, Education, and Welfare (Apr. 28, 1954).	Survey of the Administrative Management Services of the Department of Health, Education, and Welfare by contract with Cresap, McCormick & Paget.
5	27,000	Treasury Department (June 8, 1954).	Survey of the organization and management of Treasury Department Fiscal Service by contract with Ford, Bacon & Davis.
6	130,000	Bureau of the Budget (July 23, 1954).	Additional funds for same project as allocation 3, above.
7	8,000	Federal Power Commission (Nov. 23, 1954).	For Commission implementation of certain phases of the findings and recommendations of allocation 2, above.
8	40,000	White House Office (Feb. 24, 1955).	Study of building space for the Presidency by contract with Robert Heller & Associates.
9	20,000	Bureau of the Budget (Mar. 1, 1955).	Study of the end use of economic and commercial data reported by the Foreign Service, conducted at the request of the Senate Appropriations Committee. Project staff composed of consultants, aided by regular employees of the Bureau.
10	10,000	Housing and Home Finance Agency (Apr. 1, 1955).	Survey of accounting procedures for title I home modernization and repair program of the Federal Housing Administration, by contract with Woodward & Fondiller.
11	209,000	Bureau of the Budget (Sept. 30, 1955).	Survey of the organization and management of the General Services Administration, by contract with Cresap, McCormick & Paget.
12	59,000	Housing and Home Finance Agency (Oct. 3, 1955).	Study of the Comptroller's activities of the Federal Housing Administration, by contract with Wolf Management Engineering Co.
13	50,000	Housing and Home Finance Agency (Dec. 13, 1955).	Study of the organization and management of the Housing and Home Finance Agency, by contract with Cresap, McCormick & Paget.
14	10,000	Bureau of the Budget (June 18, 1956).	Review of the National Accounts Work of the Federal Government, by contract with National Bureau of Economic Research.
15	50,000	Bureau of the Budget (Oct. 22, 1957).	Examination, developing, and strengthening programs for equitable and uniform user charges, requested by the President and assigned to the Bureau of the Budget as a special project. Staff included staff temporarily employed by or on reimbursable detail to the Bureau.
16	70,000	Bureau of the Budget (Nov. 27, 1957).	Survey of the organization of defense mobilization and civil defense programs, by contract with McKinsey & Co., Inc.
17	20,000	Bureau of the Budget (Feb. 6, 1958).	Study of present and future requirements for automatic data processing manpower, by contract with Lester B. Knight & Associates, Inc.

ALLOCATIONS FROM APPROPRIATION TO THE PRESIDENT FOR "EXPENSES OF MANAGEMENT
IMPROVEMENT"—Continued

No.	Amount	Allocation to—	Purpose and method
18	\$12,000	Bureau of the Budget (Feb. 24, 1958).	Study of procurement and distribution of nonperishable subsistence supplies. Staff included professional consultant assigned for duration of the study and part-time secretary.
19	50,000	National Labor Relations Board (May 29, 1958).	Survey of the organization and administration of the National Labor Relations Board, by contract with McKinsey & Co., Inc.
20	16,000	Bureau of the Budget (Aug. 21, 1958).	Study of the assignments of automatic data processing responsibilities among the "central agencies." Staff included one full-time professional appointed for a temporary period of 1 year.
21	20,000	Bureau of the Budget (Apr. 10, 1959).	Study to determine the extent of duplication of accounts between the Treasury Department and other agencies by contract with Touche, Niven, Bailey & Smart.
22	43,000	Bureau of the Budget (May 8, 1959).	Appraisal of the necessity for continued Government ownership and operation of the Panama Line, by contract with Drake, Startzman, Shehan, & Barclay.
23	35,000	Bureau of the Budget (July 2, 1959).	Review of Federal statistical programs dealing with prices and price index numbers, by contract with the National Bureau of Economic Research.
24	25,000	Bureau of the Budget (Sept. 1, 1959).	Development and installation of improvements in the organization and operations of agencies concerned with utilization and disposal of Federal excess and surplus personal property. Staff included full-time professionals on reimbursable detail to the Bureau of the Budget.
25	55,000	Bureau of the Budget (Feb. 12, 1960).	Survey to evaluate the organization and administration of the Securities and Exchange Commission, by contract with Booz, Allen & Hamilton.
26	85,000	Bureau of the Budget (Mar. 24, 1960).	Survey of the organization and administration of the Interstate Commerce Commission, by contract with Booz, Allen & Hamilton.
27	55,000	Bureau of the Budget (Apr. 6, 1960).	Survey of the organization and administration of the Civil Aeronautics Board, by contract with McKinsey & Co., Inc.
28	20,000	Bureau of the Budget (Jan. 20, 1961).	Presidential Advisers on basic organization and administrative improvement; experts and consultants appointed by the Director of the Bureau of the Budget.
29	10,000	Federal Home Loan Bank Board (May 22, 1961).	Advisers to the Chairman of the Federal Home Loan Bank Board on matters affecting the Board, the Federal home loan banks, and the Federal Savings and Loan Insurance Corporation. Project staff composed of consultants and task force of advisers to the Board.
30	10,000	Bureau of the Budget (May 31, 1961).	Study of assignments of Federal responsibility for non-military defense programs, by contract with McKinsey & Co., Inc.
31	15,000	Bureau of the Budget (July 10, 1961).	Preparation of a prototype case study of an ADP installation, by contract with Harbridge House, Inc.
32	28,000	Bureau of the Budget (July 12, 1961).	Survey of the organization and administration of the Export-Import Bank of Washington, by contract with Cresap, McCormick & Paget.
33	65,000	Bureau of the Budget (Sept. 5, 1961).	Study of the organization and administration of the Federal Communications Commission, by contract with Booz, Allen & Hamilton.
34	10,500	Bureau of the Budget (Oct. 31, 1961).	Survey of the use of contracts for operating, management and research purposes, assigned by the President to the Bureau of the Budget. Project staff included Bureau and other professional staff (non reimbursable) and 2 secretaries reimbursed from the fund.
35	52,000	Federal Home Loan Bank Board (Jan. 24, 1962).	Study of the organization and administration of the Federal Home Loan Bank Board, the Federal home loan banks, and the Federal Savings and Loan Insurance Corporation, by contract with Booz, Allen & Hamilton.
36	70,000	Bureau of the Budget (July 11, 1962).	Study of long-range coinage requirements and plant facilities of the Bureau of the Mint, under contract with Arthur D. Little, Inc.
37	23,400	Department of State (July 23, 1962).	Review and improvement of administration of U.S. contributions to the U.N. and other international organizations.
38	15,000	Bureau of the Budget (Aug. 22, 1962).	Allocation supplementary to No. 28 above.
39	40,000	Bureau of Labor Statistics (Jan. 11, 1963).	Development and testing of a plan for obtaining salary data in nonforeign overseas areas.
40	64,500	Bureau of the Budget (Jan. 14, 1963).	Development and implementation of a manpower control and utilization program.
41	9,500	Department of State (Mar. 6, 1963).	Allocation supplementary to No. 37 above.
42	20,000	Bureau of the Budget (May 10, 1963).	Study of the application of operations research to management and planning activities of the U.S. Coast Guard, by contract with Management Technology Inc.
43	20,000	Bureau of the Budget (Oct. 15, 1963).	Allocation supplementary to No. 28, above.
44	49,000	Bureau of the Budget (Oct. 23, 1963).	Study of the management of automatic data processing in Government. Project staff includes project director, employed by the Bureau of the Budget for this purpose, secretarial staff, and other professional staff on non-reimbursable assignment from various departments and agencies.

ALLOCATIONS FROM APPROPRIATION TO THE PRESIDENT FOR "EXPENSES OF MANAGEMENT
IMPROVEMENT"—Continued

No.	Amount	Allocation to—	Purpose and method
45	\$35,000	Bureau of the Budget (Jan. 17, 1964)	Technical review of system for establishing comparability of Federal salaries with those in the private economy, by contract with Surveys & Research Corp. and advice from panel of consultants from outside the Government.
46	10,000	Bureau of the Budget (Feb. 21, 1964)	Study leading to the development of a procedure for determining the reasonableness of contractor compensation systems. Project conducted by staff assembled from 6 agencies.
47	55,000	Bureau of the Budget (July 23, 1964)	Study of food service requirements of Federal hospitals for preparation of proposed criteria for determining space requirements for food preparation and serving in those hospitals, by contract with SUA Inc.
48	50,000	Bureau of the Budget (July 31, 1964)	Allocation supplementary to No. 28, above
49	46,000	Office of Emergency Planning (Aug. 1, 1964)	Review and evaluation of requirements and design for components of the National Communications System (NCS), particularly the Defense Communications System (DCS) and the Federal Telecommunications System (FTS), by personnel employed for the study by the Office of Emergency Planning.
50	130,000	Bureau of the Budget (Oct. 15, 1964)	Study to improve the regulatory decision process on rate cases in the Interstate Commerce Commission, by contract with Pennsylvania Research Associates, Inc.
51	3,000	Bureau of the Budget (Oct. 19, 1964)	Allocation supplementary to No. 44, above.
52	110,000	Bureau of the Budget (Dec. 22, 1964)	Study of the handling of foreign affairs operational information in and between the Department of State, AID, USIA and ACDA, by contract with Dunlap & Associates, Inc.
53	11,100	Civil Service Commission (Feb. 5, 1965)	Review of standards for cross-occupational alignment of jobs under the Classification Act, by a panel of experts from outside the Federal Government.
54	25,000	Bureau of the Budget (Feb. 15, 1965)	Study of Federal staff retirement systems, by a temporary Cabinet committee and a project staff working under the general direction of the Cabinet committee.
55	37,880	Bureau of the Budget (Feb. 24, 1965)	Study to obtain information on pay rates for employees of State and local governments, by contract with the Public Personnel Association.
56	5,000	Bureau of the Budget (June 25, 1965)	Allocation supplementary to No. 50, above.
57	30,000	Bureau of the Budget (Aug. 24, 1965)	Allocation supplementary to No. 54, above.
58	45,000	Bureau of the Budget (Oct. 16, 1965)	Conduct of a study of the incidence and causes of changes in occupational patterns in the Federal Government and in industry, by contract with McKinsey & Co.
59	3,000	Bureau of the Budget (Nov. 22, 1965)	Further development and testing of a system for electronic retrieval of legal information by Air Force Project LITE.
60	2,600	Bureau of the Budget (Mar. 19, 1966)	Allocation supplementary to No. 54, above.
61	200,000	Bureau of the Budget (Apr. 5, 1966)	Program formulation and control practices of the Small Business Administration.
62	60,500	Civil Service Commission (May 11, 1966)	Study of Federal programs for career advancement.
63	50,000	Bureau of the Budget (Nov. 17, 1966)	Allocation supplementary to No. 28, above.
64	45,000	Bureau of the Budget (Mar. 24, 1967)	Study of the management of residential properties acquired by VA and FHA (HUD) by contract with Booz, Allen & Hamilton, Inc.
65	100,000	Bureau of the Budget (Mar. 31, 1967)	Allocation supplementary to No. 28, above.
66	25,000	Bureau of the Budget (May 17, 1967)	Teaching cases for use in training for planning-programing-budgeting, by contract with Management Analysis Center, Inc.
67	150,000	Bureau of the Budget (May 19, 1967)	Evaluation of planning-programing-budgeting for Federal-State-local programs, by contract with George Washington University.
68	20,000	Secretary of Defense (July 12, 1967)	Study of the structure of the Selective Service System.
69	60,000	General Services Administration (July 21, 1967)	Study of the organization and structure of the postal service, by the Commission on Postal Organization.
70	17,500	Administrative Conference of the United States (Jan. 8, 1968)	Studies to improve administrative procedures.
71	100,000	Department of State (Jan. 25, 1968)	Improvement of Government telecommunications management.

Mr. STEED. I believe you have a formal statement which we will have placed in the record at this point.
(The statement follows:)

DIRECTOR'S OPENING STATEMENT ON 1969 BUDGET REQUEST FOR EXPENSES OF
MANAGEMENT IMPROVEMENT

The 1969 budget request for the appropriation to the President for "Expenses of Management Improvement" is \$350,000.

PURPOSE AND BACKGROUND

This appropriation is to cover expenses necessary to assist the President in improving the management of executive agencies and in obtaining greater economy and efficiency through the establishment of more effective business methods in Government operations.

This appropriation is to provide the President with funds which will enable him to initiate prompt action, whenever the need or opportunity arises, directed toward improvement of the organization, management, or conduct of governmental activities. He has assigned responsibility for the administration of this fund to the Bureau of the Budget.

In the Supplemental Appropriation Act of 1954 the Congress appropriated \$500,000 to establish this fund. Since then, additional appropriations have been made so as to maintain the fund at about that level. The balance at the close of fiscal year 1967 was \$316,269. The fiscal year 1968 appropriation of \$350,000 made a total of \$666,269 available at the start of fiscal year 1968. An additional \$41,609 of unexpended balances of previous allocations has been returned to the fund during this fiscal year. Thus, a total of \$707,878 has become available for the current fiscal year.

To date, in fiscal year 1968, allocations have totaled \$522,500. Additional allocations now under active consideration amount to \$40,000. If these additional allocations are made before the end of the fiscal year, approximately \$145,000 will remain in the fund at the close of this fiscal year. The budget request for 1969 of \$350,000 would restore the fund to approximately \$500,000, the point at which we have tried to maintain the fund at the start of each fiscal year.

Allocations from the fund since July 1, 1967, and allocations currently contemplated are for the following purposes:

Allocations to date

Study of the structure of the Selective Service System.....	\$20,000
Study of the organization and structure of the postal service of the United States.....	60,000
Administrative Conference of the United States.....	17,500
Improvement of governmental telecommunications management.....	100,000
Subtotal	197,500

Allocations¹ under consideration

Management information systems for the Executive Office of the President	325,000
Study of the interagency relationships in the establishment of neigh- borhood centers.....	25,000
Study of executive, legislative and judicial salaries.....	15,000
Subtotal	365,000
Total, all allocations.....	562,500

¹ Estimated amount.

With continued Presidential insistence that departments and agencies improve management, it is expected that the President, the Bureau of the Budget, and the agencies will want to initiate a number of new studies to help achieve greater efficiency and economy. Although every project does not result in direct and immediate cash savings, none is undertaken unless it will result in either longrun economies, or improvements in the quality of the job done, or both.

CONCLUSION

We will continue to use this fund in a prudent manner. Before a project which is requested by an agency head is approved, we will assure ourselves that there is no appropriate means of financing it within the agency's appropriations. We will try to make certain that definite and identifiable improvements will result. The nature of this program prevents an indication of the specific projects which are likely to be undertaken in fiscal year 1969. We expect, however, that the opportunities for its effective use will be as numerous as they have been in recent years. The requested appropriation of \$350,000 will return the fund to approximately the \$500,000 level, and will permit us to take advantage of opportunities for achieving improved management promptly when they arise.

Mr. Chairman, I now stand ready to answer any questions which you or other members of the committee may have.

Mr. STEED. Was any money placed in reserve as a result of Public Law 90-218?

Mr. HUGHES. We did not. But there are normally balances in this account. This is not a 1-year account. We have endeavored to maintain the fund at the start of the fiscal year at something like the \$500,000 level originally established. It is a smaller account than the emergency fund. The requested appropriation is \$350,000 to bring the fund up to an operating level of \$500,000.

1968 ALLOCATIONS

Mr. STEED. How much has been taken out of the fund so far this year, or obligated?

Mr. HUGHES. So far this year we have made allocations totaling \$552,500. We have allotted funds for the study of the structure of the selective service, the study of the organization, and structure of the postal service, and for an item you have heard about before; namely, the Administrative Conference. You recall the President had trouble getting a Chairman. The committee said if we got one we would use this account for getting it launched, which we have. Other allocations have been for projects dealing with the improvement of Government telecommunications management and for management information systems.

Mr. STEED. At this rate, what would the end of the year balance be?

Mr. HUGHES. \$145,000 by the end of the year.

Mr. STEED. That would bring it to a fairly low level then?

Mr. HUGHES. Yes.

Mr. STEED. What is the advantage of having this as a no year fund?

Mr. HUGHES. A little extra flexibility, Mr. Chairman. If balances do occur, they can carryover. It reduces the necessary appropriation requests for the following year. It is helpful to have this balance available, particularly at the beginning of a fiscal year, when the appropriations might not yet be available. It does provide a balance.

Mr. STEED. Do you have many situations where you have a split year and you carry an activity over from one fiscal year into the other?

Mr. HUGHES. I think we ordinarily commit the funds in a full sum for a project. There have been occasions in the past where there have been successive withdrawals from the fund, where there would in effect be a carryover balance. None of these, as I recall, are in that category.

Mr. STEED. Mrs. Reid. Do you have any questions?

REPORTS ON SURVEYS

Mrs. REID. Yes, Mr. Chairman. Are the reports of your surveys conducted under this appropriation available to the public?

Mr. HUGHES. Some of them have been. I think they have been somewhat selective, Mrs. Reid.

Mrs. REID. Could a Member of Congress have access to it?

Mr. HUGHES. It depends on the nature of the survey. In some instances, yes. It also depends on the character of the study that has been made. If you had particular areas in mind we might be able to identify it.

Mrs. REID. I was just curious.

Mr. HUGHES. The basic concept is that this is a management tool of the President, and essentially an executive branch study of the sort that one of the congressional committees might make for the committee as a whole, or for the Congress or a portion of the Congress.

Mrs. REID. Well, you said you completed a study of the Selective Service System, for instance.

Have those recommendations been released?

Mr. HUGHES. There were two different surveys. There was a commission which studied the System and then President Johnson asked the Budget Director, the Secretary of Defense, and the Selective Service Director, General Hershey, to take the general findings of the commission and come up with a set of recommendations for Federal action.

The results of the survey were released in the form of a proposed course of action for the Federal Government. I don't recall offhand whether the survey was written up or printed, but the consequences were certainly felt in agency programs.

EXAMPLES OF SAVINGS

Mrs. REID. Do you have an estimate of the total savings which accrued in this appropriation?

Mr. HUGHES. We have some more detailed justification material. It varies.

Mrs. REID. If you could, please place it in the record.

Mr. HUGHES. We can give you some examples in the record of the kind of savings which do accrue.

(The information follows:)

EXAMPLES OF DOLLAR BENEFITS RESULTING FROM PROJECTS FINANCED UNDER THE APPROPRIATION TO THE PRESIDENT FOR EXPENSES OF MANAGEMENT IMPROVEMENT

There have been 72 allocations from the appropriation for "Expenses of management improvement" to finance 59 projects. We believe every one of these projects has contributed, or will contribute, to improved efficiency, economy or effectiveness of Government programs. In some instances it has not been feasible to place a dollar estimate on the resulting benefits. In other cases the projects have not been completed or the recommendations fully evaluated and placed into effect. There is some basis for arriving at savings estimates in 14 of the completed projects. The estimated savings from these 14 total \$49.4 million in recurring annual savings, arrived at as explained below. This \$49.4 million savings compares with a total of \$3.2 million expended or allocated from the fund on all projects initiated under the fund to date.

A. PROJECTS FROM WHICH NEW REVENUES HAVE BEEN REALIZED

The user charges project was conducted by the Bureau of the Budget between December 1957 and June 1960 at a cost of \$47,752. Government income from user

charges in fiscal year 1961 was estimated to exceed that received in fiscal year 1958 by \$57.2 million for rents and royalties, permits and license fees, and miscellaneous fees and charges. The Office of Budget Review stated that 75 percent of that increase (\$42.9 million) could properly be credited to the continuing actions resulting from the project. Annual revenues have continued to increase from the application of user charges policy. In fiscal year 1966 total user charges collections amounted to \$1.8 billion. However, it is impractical to identify the portion of the increase in miscellaneous receipts which is directly attributable to this project. (Allocation No. 13.)

B. PROJECTS FROM WHICH IMPROVED PROPERTY UTILIZATION HAS BEEN REALIZED

The surplus real property disposal project was conducted by the Bureau of the Budget between December 1953 and October 1956 at a cost of \$183,958. As a result of accelerated reporting and sale of idle properties, additional cash receipts of about \$30 million are being realized each year. The interest on this amount at 3½ percent is \$1,050,000—which appears to be the minimum dollar benefit that should be credited to this project. Other savings not readily estimated are (a) reduced maintenance costs and (b) the avoidance of expenditures for new acquisitions by transfers of excess property between agencies. (Allocations No. 3 and No. 6.)

The excess personal property project was undertaken by the Bureau of the Budget in September 1959, at a cost of \$16,017. Based on fiscal year 1961 experience, the project can be credited with an increase in the use of excess in lieu of new procurement to the extent of \$36.8 million annually. The interest on this amount at 3½ percent would be \$1,288,000—which could be considered to be the minimum net dollar benefit resulting from this project. (Allocation No. 24.)

C. PROJECTS WHICH HAVE PRODUCED SAVINGS FROM IMPROVEMENTS IN ORGANIZATION AND PROCEDURES

Federal Trade Commission (savings \$93,800 per year).—This study was made during the period October 1953 to February 1954 at a cost of \$34,000.

The agency reported that a savings of \$93,800 per year resulted from a reduction of 21 positions. In addition, there was a one-time savings by the elimination of equipment.

In addition to the dollar savings, procedural steps in processing cases were reduced as much as half; backlogs were reduced; and regular reports were installed to identify and eliminate delays. (Allocation No. 1.)

FHA, title I accounting (savings \$42,000 per year).—This study was completed in 1955 at a cost of \$9,988. The agency reports net savings from procedural improvements at about \$42,000. (Allocation No. 10.)

Housing and Home Finance Agency (savings \$82,100 per year).—This study was completed in 1956 at a cost of \$50,000 from the President's management improvement fund, plus matching agency funds. The study resulted in changes in basic organization, management controls, and procedures—including a major reorganization of the Public Housing Administration. Recommendations to which annual savings of \$82,100 are attributed were relatively minor findings of the study. The Agency budget officer reported that as a result of the report, the Agency has been able to hold staff levels "considerably below what might otherwise have been necessary." (Allocation No. 13.)

General Services Administration (savings \$75,000 per year).—This study was completed in 1956 at a cost of \$205,721. A comprehensive reorganization resulted from the 192 recommendations of the study. The GSA reported in 1957 that \$75,000 had been saved by reorganization of two stores depots. In subsequent years, savings in depot operating costs alone (only one of the areas covered by the study) reached about \$570,000 per year. The Commissioner of Federal Supply reported that the study enabled him to achieve this improvement one year earlier than would otherwise have been possible. (Allocation No. 11.)

FHA Comptroller Activities (savings \$44,500 per year).—This study was completed in 1956 at a cost of \$59,000. The agency reports that annual savings from direct application of survey recommendations produced annual savings of \$44,500. In addition, studies by the agency of its machine accounting activities produced savings of \$37,000 in which the work of the management firm was of substantial benefit. (Allocation No. 12.)

Defense Mobilization and Civil Defense (savings of \$472,600 per year).—This study was completed in 1958 at a cost of \$64,229. The principal result was the establishment of OCDM by Reorganization Plan No. 1 of 1958. Some immediate savings were effected by the consolidation. In his testimony before the House

Appropriations Committee the Director of OCDM reported first-year savings in general administrative costs of personnel of 61 positions (which cost out to \$472,600); and savings in the second year of 99 such positions (which cost out to \$777,800). (Allocation No. 16.)

Procurement of subsistence supplies (savings of \$250,000 per year).—The Bureau of the Budget obtained an allocation from the Fund and expended \$11,650 in 1958 to finance a study of the most economical assignment of responsibility for the procurement and distribution of nonperishable subsistence items. The study revealed that the Veterans' Administration, by reason of its greater purchasing power can buy at 5 percent lower prices than the GSA. As a result, the VA was assigned responsibility on April 22, 1960, for purchasing requirements (estimated at \$5 million annually) for other civilian agencies. A purchase price savings of \$250,000 per year is thus indicated. (Allocation No. 18.)

Duplication of accounts between Treasury and other agencies (savings of \$100,000 per year).—It was estimated that revisions adopted as of July 1, 1961 produced first year savings of \$70,000. These savings were given effect in the enacted 1962 budget for the Bureau of Accounts. For 1963 the budget showed a further saving of \$30,000 for a total of \$100,000 which is a recurring annual savings estimate. Savings were expected to reach a level of \$150,000 annually in fiscal year 1964. (Allocation No. 21.)

U.S. participation in international organizations.—The study of the management aspects of U.S. participation in international organizations was conducted by a citizens advisory committee and by staff of the Bureau of the Budget and State Department. The expenses of the committee and staff (but not staff salaries) were financed by allocation of \$32,900 from the fund. The study was completed in December of 1963. A number of the staff and committee recommendations have been placed in effect. For example, the State Department and the international agencies concerned have adopted the recommendations that U.S. contributions not be made to the U.N. Special Fund and to UNICEF until those agencies need the funds for the disbursements. It is estimated this will save about \$2.5 million annually in interest charges to the Treasury. (Allocations No. 37 and No. 41.)

D. PROJECTS WHICH ARE HOLDING COSTS DOWN THROUGH IMPROVED PRODUCTIVITY AND CONTROLS

While direct dollar benefits are difficult to document, it is believed that a reduction in excess of \$1.5 million annually can be demonstrated in connection with two projects in this category which cost \$68,587.

The National Labor Relations Board study was completed in January 1959 at a cost of \$50,000. A major reorganization was adopted, and a substantial reduction in time required to process cases was achieved. The budget examiner estimated that an additional 100 man-years would have been required to cope with current workload and that this improvement has had the effect of holding down payroll costs by \$1 million. (Allocation No. 19.)

The Federal Power Commission study was completed in 1954 at a cost of \$18,587. The principal actions resulting were of an organizational and procedural character. In 1956 the FPC reported a substantial increase in productivity to the Davis manpower subcommittee. The payroll value of this improvement was estimated at \$350,000. However, the agency did not find it possible to estimate the part of this improvement that was a direct result of the study. (Allocation No. 2.)

Mrs. REID. I note funds have been allocated to George Washington University for the study of planning, programing and budgeting for Federal, State and local programs.

Does this mean in the future that this type of program in the individual States would be a condition or requirement for Federal aid?

Mr. HUGHES. Maybe in the very distant future but I think that is a long way off. The intent was to explore with selected State and local governments the possibility of applying some of the planning, programing and budgeting techniques, particularly in the program areas where Federal grants were involved.

The objective is to provide us with a sort of continuum of information starting in the particular locality where the program is actu-

ally operating, and moving through the State into the Federal part of the program. Such an information base would facilitate relationships among the States, and comparisons among the States, and would provide a sound basis for evaluation of that kind of a grant program.

As to what point it might become a condition of making the grant itself would depend upon progress in the States and the State attitudes. I would think that this is something for the future.

Mrs. REID. Thank you, Mr. Chairman.

THE WHITE HOUSE OFFICE

WITNESSES

PHILIP S. HUGHES, DEPUTY DIRECTOR

SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW

VELMA N. BALDWIN, ACTING ADMINISTRATIVE ASSISTANT TO THE DIRECTOR

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1999 estimate
Personnel compensation:			
11.1 Permanent positions.....	1,891	2,164	2,407
11.3 Positions other than permanent.....	215	200	200
11.5 Other personnel compensation.....	165	90	100
<hr/>			
Total personnel compensation.....	2,271	2,454	2,707
12.0 Personnel benefits.....	140	137	157
Travel expenses of the President.....	40	36	40
21.0 Travel and transportation of persons.....	22	23	25
23.0 Rent, communications, and utilities.....	103	100	110
24.0 Printing and reproduction.....	160	95	102
25.1 Other services.....	2	2	3
26.0 Supplies and materials.....	59	60	65
31.0 Equipment.....	18	13	20
<hr/>			
99.0 Total obligations.....	2,815	2,920	3,229

PERSONNEL SUMMARY

Total number of permanent positions.....	250	250	250
Full-time equivalent of other positions.....	11	5	5
Average number of all employees.....	255	255	255
Average GS grade.....	7.6	7.6	7.7
Average GS salary.....	\$8,108	\$8,108	\$8,552
Average salary of ungraded positions.....	\$4,891	\$4,891	\$5,526

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities:			
10 Administration (cost-obligations).....	2,815	2,920	3,229
Financing:			
25 Unobligated balance lapsing.....	140	89	
<hr/>			
40 New obligational authority.....	2,955	3,009	3,229

FINANCING AND EXPENDITURES (IN THOUSANDS OF DOLLARS)

Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	2,815	2,920	3,229
72 Obligated balance, start of year.....	147	183	188
74 Obligated balance, end of year (-).....	-183	-188	-193
<hr/>			
90 Expenditures.....	2,779	2,915	3,224
Expenditures are distributed as follows:			
01 Out of current authorizations.....	2,632	2,732	3,036
02 Out of prior authorizations.....	147	183	188

Mr. STEED. The next item would be the budget request for the White House Office. The appropriation for 1968 was \$3,009,000. The request for 1969 is \$3,229,000, an increase of \$220,000 over 1968.

Were any funds placed in reserve as a result of the Economy Act?

Mr. HUGHES. There is not a statement on the White House, as in accordance with past practice, Mr. Chairman. A reserve of \$89,000 was set up in the White House Office appropriation under Public Law 90-218.

With respect to the 1969 request, the only increase is that which is associated with the pay increase.

Mr. STEED. No more people and no other changes other than the mandatory pay raise?

Mr. HUGHES. That's right.

Mr. STEED. Would you also be able to show whether there will be a supplemental to adjust their budget for the remainder of this year, as a result of the reserve action?

Mr. HUGHES. No supplemental appropriation for 1968 is anticipated for the White House Office.

Mr. STEED. No more people and no other changes other than this item?

Mr. HUGHES. For 1969 there are 250 positions, permanent.

Mr. STEED. All their regular rates of pay remain unchanged—except for the pay raise part of the impact?

Mr. HUGHES. That's correct.

Mr. STEED. Do you have any questions?

Mrs. REID. No, Mr. Chairman.

SPECIAL PROJECTS

WITNESSES

PHILLIP S. HUGHES, DEPUTY DIRECTOR
SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW
VELMA N. BALDWIN, ACTING ADMINISTRATIVE ASSISTANT TO
THE DIRECTOR

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10 Administration (cost-obligations) (object class 25.1).....	725	1,350	1,500
Financing:			
25 Unobligated balance lapsing.....	775	150	-----
40 New obligational authority.....	1,500	1,500	1,500
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	725	1,350	1,500
72 Obligated balance, start of year.....	48	31	31
74 Obligated balance, end of year.....	-31	-31	-31
90 Expenditures.....	742	1,350	1,500
Expenditures are distributed as follows:			
01 Out of current authorizations.....	694	1,319	1,469
02 Out of prior authorizations.....	48	31	31

Mr. STEED. Now, we will take up "special projects." The appropriation for 1968 was \$1,500,000 and the request for 1969 is also \$1,500,000.

Were any of these funds placed in reserve as a result of the Economy Act?

Mrs. BALDWIN. Held in reserve from the special projects appropriation as a result of Public Law 90-218: \$150,000. No supplemental appropriation for 1968 is anticipated for special projects.

Mr. STEED. Now, what type of projects fall into this appropriation, going back to the 1967 and 1968 list of activities?

Mr. HUGHES. In general, the funds are used to provide consultants or special assistants to the President, for projects that may arise from time to time, essentially of a nonemergency nature. I think we have furnished in earlier years some projects.

Mr. STEED. You can do that for the record.

Mr. HUGHES. I think these are illustrative—foreign intelligence activities, consumer interest program, consultative and special assistant services, and special expenses related to the Mideast crises.

Also the language of the act states that \$10,000 of it may be used as a representation allowance, distributed essentially within the Executive Office.

Mr. STEED. Now, the justifications show that \$775,000 lapsed in 1967. Do you have any estimate of what will be the case for 1968?

Mr. HUGHES. We have \$150,000 estimated as lapse for fiscal 1968.

Mr. STEED. Has it been traditional for a sizable amount of the funds to lapse each year?

Mr. HUGHES. It has been up and down as I recall it; from prior years, Mr. Chairman.

This year the lapse is relatively low in relation to 1967, obviously.

I don't have a historical table here but I think it has fluctuated rather widely depending on the nature of the yearend project.

Mr. STEED. Do you feel then, in the light of the history of this activity, the same arguments for the need to continue prevail, as you made on the other fixed items?

Mr. HUGHES. I certainly believe so, Mr. Chairman. Again, by its nature it would be very difficult to plan out specific needs. I think the experience demonstrates that. We can lend some personal testimony to this. Experience demonstrates the President doesn't throw these funds around. He is pretty careful of what he does with it, and whether he uses it at all. Any use of these funds is pretty strongly resisted—regardless of pressures from other agencies, some of which we have supported, to use the funds. So we would like to keep that at the present level.

Mr. STEED. I must say, the record shows, in the handling of his discretionary funds, the President has been—to say the least—prudent.

Mr. HUGHES. He has certainly been, in substance, tighter with these funds than several of his predecessors.

Mr. STEED. Do you have any questions Mrs. Reid?

Mrs. REID. Just a couple of questions, Mr. Chairman. The special project is not on a revolving fund basis?

Mr. HUGHES. It is 1-year money.

Mrs. REID. I believe the chairman brought this up last year about having this on a revolving fund basis. You said you would explore it.

Mr. HUGHES. Either this or the emergency fund.

Mrs. REID. It was this.

Mr. HUGHES. In either event, I think our feeling would be the same. Both special projects and the emergency fund are, by their nature, almost unforeseeable. Between the time that we ask for money to reimburse this fund, and you acted, whatever balance there may have been in the fund at the time that you acted may have been completely spent.

It seemed to us therefore we were better off, even though there would be more flexibility in ordinary circumstances with a carryover balance. It seems to us we are better off to be assured that the President would have funds to draw upon for that year.

Management improvement is no-year money, and we can plan ahead a little better with that. It seems to be a satisfactory arrangement, but in these accounts where the day after the House subcommittee acts, the President may have a need which requires him to draw down all, or very substantially all, of the balance, making it thereby unavailable in the next year, for which we are requesting funds.

Mrs. REID. To whom is an accounting made of these funds?

Mr. HUGHES. I suppose, to the President, eventually. We are aware, and you are aware, of the fact that the money is gone. The details of the expenditure, I think, puts this in the category of unvouchered funds.

Mrs. REID. Why shouldn't this be accounted for in the same manner as the emergency fund for the President?

Mr. HUGHES. The basic idea here is—putting at the President's disposal funds that he need not account for in any detail.

Mrs. REID. He can use it at his own discretion, as he chooses?

Mr. HUGHES. That's right.

Mrs. REID. That's all.

Mr. STEED. Gentlemen, on behalf of the committee I want to express our appreciation for your appearance, presentation, and patience with us.

Mr. HUGHES. Thank you, Mr. Chairman. We find ourselves generally reasonably treated by you and your committee, and appreciate the opportunity to tell you of our troubles and seek your help in solving them.

We are hurting a little for the reasons I have tried to outline, and therefore are seeking restoration of some of the hide that we took off ourselves last year, and a few extra bodies to do what we think are well-merited chores.

Mr. STEED. I want you to know this committee is fully aware of the demands made on you in recent times, that they have been unprecedented and some of them beyond your control, and not the least that some of the worst ones have been generated on the Hill itself. I do think with these overall fiscal problems that we are faced with, the function of the Bureau becomes more important and intensely needed. It is the first and best opportunity for economy that we have.

If for lack of manpower, or other reasons, the Bureau of the Budget makes an error, it translates itself all the way down the line.

So I think this is our first line of defense.

We hope you will be able to maintain your battle at this stage of the conflict.

I think you made a good presentation and I want to congratulate you for it and commend you for the way you carried on under these severe handicaps and pressures.

Mr. HUGHES. We thank you for your support and kind words. We'll try to do our best. We are acutely aware of our responsibilities. Mr. STEED. The committee stands adjourned until 10 o'clock tomorrow morning.

TUESDAY, MARCH 19, 1968.

OPERATING EXPENSES, EXECUTIVE MANSION

WITNESSES

NASH CASTRO, REGIONAL DIRECTOR, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

REX SCOUTEN, ASSISTANT REGIONAL DIRECTOR, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

FLOYD HOUGH, CHIEF, DIVISION OF BUDGET AND FINANCE, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

OBLIGATIONS BY OBJECT

	Actual 1967	Estimate 1968	Estimate 1969	Increase (+) or Decrease (-)
11.0 Personnel compensation.....	\$578,000	\$545,000	\$575,000	+\$30,000
12.0 Personnel benefits.....	32,000	35,000	37,000	+2,000
23.0 Rent, communications, and utility services.....	51,000	52,000	52,000	
25.1 Other services.....	41,000	55,000	98,000	+43,000
26.0 Supplies and materials.....	163,000	124,000	130,000	+6,000
31.0 Equipment.....		3,000	43,000	+40,000
Total obligations.....	865,000	814,000	935,000	+121,000

PERSONNEL SUMMARY

Total number of permanent positions.....	75	75	75	
Full-time equivalent of other positions.....	12	9	9	
Average number of all employees.....	77	76	80	
Average salary of ungraded positions.....	\$6,430	\$6,756	\$6,756	

PROGRAM AND FINANCING

Total obligations.....	\$865,000	\$814,000	\$935,000	+\$121,000
Reimbursements from other accounts.....	-173,000	-112,000	-112,000	
Unobligated balance lapsing.....		+6,000		-6,000
Appropriation.....	692,000	708,000	823,000	+115,000

Mr. STEED. The committee will be in order. At this time the committee will take up the budget request for operating expenses, Executive Mansion.

We have with us Mr. Nash Castro, the regional director of the National Park Service for the National Capital region; Mr. Rex Scouten, the assistant regional director; and Mr. Floyd Hough, the Chief of the Division of Budget and Finance. Gentlemen, we welcome you to the committee and we note that the appropriation for 1968 was \$708,000 and the budget estimate for 1969 is \$823,000, an increase of \$115,000.

JUSTIFICATION OF THE ESTIMATES

We will insert the justifications at this point in the record. (The justifications follow:)

JUSTIFICATION OF ESTIMATE

HIGHLIGHT STATEMENT

The funds included in this estimate are to provide for the care, maintenance, and operation of the Executive Mansion.

Visitation continues at a high level as shown below :

Calendar year	Number of visitors	Average per day	Number of days open
1961.....	1,321,552	5,182	255
1962.....	1,561,696	6,100	256
1963.....	1,516,796	5,902	257
1964.....	1,840,146	7,132	258
1965.....	1,716,740	6,867	250
1966.....	1,548,313	5,910	262
1967.....	1,733,942	6,669	260

OPERATING EXPENSES, EXECUTIVE MANSION

Appropriation, 1968..... \$708,000

SUMMARY OF INCREASE FOR 1969

Salary increases for employees paid at hourly rates which were put in effect Feb. 11, 1967, and December 1967..... 18,000

Salary increases for employees paid at annual rates comparable to classified employees in Public Law 90-206 which were put in effect Oct. 8, 1967..... 14,000

Extraordinary expenses:

1. Painting exterior of Mansion, wings, guard booths..... 33,000
2. Replacement of linens, silver and chairs..... 40,000
3. Refinish floors..... 10,000

Subtotal..... 83,000

Total..... 115,000

Budget estimate, 1969..... 823,000

Mr. STEED. We would be glad, Mr. Castro, to have any general statement you care to make at this time.

GENERAL STATEMENT

Mr. CASTRO. Thank you, Mr. Chairman. The appropriation request for the Executive Mansion for fiscal 1969 is \$823,000. This is an increase of \$115,000 over the amount available for the current fiscal year.

Of the increase requested, \$32,000 is to cover pay increases authorized by law and \$83,000 is for extraordinary expenses such as painting the Executive Mansion and guard booths, and the replacement of household items.

The regular maintenance and operating functions will be carried on at the same level as the current year.

Visitation in 1967 during the 260 days the Mansion was open to the public averaged 6,669 visitors per day for a total of 1,733,942, which is a total of 185,629 more visitors in 1967 than in 1966.

I might add that 1967 represents the second highest year in terms of visitation, 1964 being the highest on record. This concludes my statement, Mr. Chairman.

Mr. STEED. How much of your 1968 budget did you put in reserve as a result of the Economy Act?

Mr. CASTRO. \$6,000, net.

Mr. STEED. Are you asking for any of this in your supplemental?

Mr. CASTRO. There was \$29,000 put in reserve as a result of the bill. Authorization is being requested to release \$23,000 for pay costs.

Mr. STEED. You are absorbing all the pay cost and you will have \$6,000 that will be net savings?

Mr. CASTRO. That is right, sir.

Mr. STEED. What about personnel?

Mr. CASTRO. Seventy-two positions are included in this budget, Mr. Chairman; actually 75, I should say, but we have three positions which are reimbursable.

Mr. STEED. What is the classification of most of these people?

Mr. CASTRO. Forty-four of these are domestic employees and 28 of them represent mechanical employees.

Mr. STEED. Do they also take care of the yard work?

Mr. CASTRO. No, sir. In the 1962 fiscal year, the Congress authorized a change which resulted in an appropriation transfer from the White House budget to the Park Service Budget. The Park Service is now underwriting these positions to maintain the grounds, the sidewalks, and other amenities.

Mr. STEED. What, if any, outside contract services do you have to use?

Mr. CASTRO. Mr. Steed, last fiscal year we contracted for a sprinkler system for which the Congress appropriated funds. We have also contracted for the fire-protection measures for which you have granted funds. To my knowledge that is about all.

Mr. STEED. This is in the category of where you have one-time installation, repair, or replacement.

Mr. CASTRO. Construction work; yes, sir.

Mr. STEED. What is the schedule of the White House painting? Is that once every 4 years?

Mr. CASTRO. Yes, Mr. Chairman. Traditionally at the beginning of each new presidential term the Congress has appropriated funds for extraordinary expenses. In the case of this budget, \$33,000 is proposed for repainting the Mansion and the wings, which we do every 4 years. Of this, \$10,000 is proposed to refinish the floors in the staterooms, including the State Dining Room, the East Room, the Blue Room, the Red Room, and the Green Room. These floors have not been refinished for several years and they are showing signs of need. Fifteen thousand dollars is proposed to purchase 300 banquet chairs. Those now in use have been in use for quite a few years. Fifteen thousand dollars is proposed for household linens, including towels, bedsheets, pillows, pillow cases, tablecloths, and related items, which have not been provided for since fiscal 1962. The sum of \$10,000 is proposed for the acquisition of such items as a coffee urn, two tea and coffee services, chafing dishes, vegetable dishes, meat platters, two punchbowls, and related items. The White House does not have an adequate supply of these items. Traditionally, some have had to be rented from caterers. I understand it is getting increasingly hard to find these items to rent, so we propose, with your blessing, to purchase them.

Mr. STEED. Have you had any increases in the cost of maintaining the Executive Mansion in recent years, or does it run pretty much the same?

Mr. CASTRO. I think it remains quite steady, in proportion to the rise in the cost index.

Mr. STEED. You consider it in a state of good repair at the present time?

Mr. CASTRO. I think it is in a better state of repair than at any time since we have been concerned with it.

Mr. STEED. There are no structural weaknesses or anything?

Mr. CASTRO. Not to my knowledge; no, sir.

Mr. STEED. What about the fixtures generally? Is your furniture and other accouterments in good order?

Mr. CASTRO. Mr. Chairman, except for the chairs we propose in this budget, I think things are in quite good shape. Last year we replaced the curtains in the dining room. I am pleased to report to the committee this was done out of private funds, by means of a donation. The Blue Room rug was also replaced out of donated funds, at no cost to the Government.

Mr. STEED. How are the new kiosks working out? Did they meet all your expectations?

Mr. CASTRO. Yes, sir. I believe you are referring to the guard booths. We are very pleased with them. They represent a vast improvement.

Mr. CONTE. What is the condition of the lawn this year? You had a lot of problems with that.

Mr. CASTRO. Mr. Conte, 2 years ago we faced up to the problem of the merion bluegrass which we placed there in the spring of 1962. We found this grass was not suitable for this particular environment, and we undertook to reseed the lawn with a combination of fescue and Kentucky bluegrass. We have had a much better lawn since.

Mr. CONTE. And with the sprinkler system, too.

Mr. CASTRO. It has helped to keep it in a good condition.

Mr. CONTE. In regard to the linen and silver items, how would you purchase that, directly from the manufacturer?

Mr. CASTRO. I honestly don't know what the arrangements would be for that. But I would expect that the linens would probably be purchased through a Government contract, taking advantage of, say, a GSA contract.

Mr. SCOUTEN. Some of the silverware would be a direct purchase. Linens, I assume, would be on a regular contract.

Mr. CONTE. You would not do that purchasing yourself?

Mr. CASTRO. The selection would not be made by the Park Service. This would be done by Chief Usher in consultation with the First Lady.

Mr. ADDABBO. There won't be any French linens bought, will there?

Mr. CASTRO. I am sure there won't be, Mr. Addabbo.

Mr. CONTE. That's all, Mr. Chairman.

Mr. ADDABBO. You are buying a tea service for two?

Mr. CASTRO. Two large tea and coffee services, one coffee urn, some chaffing dishes, some vegetable dishes, some meat platters, and some punchbowls.

Mr. ADDABBO. Are you buying some new cups for coffee instead of paper cups?

Mr. CASTRO. I am not aware of that, sir.

Mrs. REID. In your justification, you list as one of the extraordinary expenses the replacement of silver for the Executive Mansion. Are you talking about buying silver where you rented it before, or are you talking about silver which has been stolen?

Mr. CASTRO. Mrs. Reid, I believe we are addressing ourselves to the replacement of household items.

Mrs. REID. You did list it that way, however. You listed silver in your justification.

Mr. SCOUTEN. It referred to linens.

Mrs. REID. What I am getting at, do you find occasions when people take silver?

Mr. CASTRO. None that I know of. I think guests are very considerate in that respect. When I say replacement of household items I mean replacement of linens and related items.

Mrs. REID. Do you think there would be a savings in purchasing the silver, rather than in renting it?

Mr. CASTRO. That and the fact that we think it would be more readily available. Frequently it is necessary to rent it from caterers. Sometimes it isn't available, which makes it awkward.

Mrs. REID. When the President and the First Lady entertain on a large scale it must be necessary to bring in additional domestic help. Where do they come from and how are they paid?

Mr. CASTRO. They are paid out of this budget but are usually hired from a catering firm.

Mrs. REID. Have you had any further negotiations with taxicab companies about the shortages of cabs for large official functions?

Mr. CASTRO. Mrs. Reid, this is a perennial problem. Mr. Addabbo brought it up last year at the hearings. I have had some visits with Mrs. Bess Abell, the social secretary, the chief usher, the Chief of the White House Police and others, and we came to the conclusion that the taxicab companies are not usually responsive because there is too much uncertainty about their being able to pick up people at specified times. It is a problem that has plagued us for many years. I wish we could resolve it. Very frankly, as hard as we have tried, we just can't seem to interest cabs in coming for guests at a generally specified time.

Mrs. REID. How is the painting contract for the White House handled? Is this put up for bids?

Mr. CASTRO. Yes, ma'am. It is awarded on a bid basis. The last time, in 1964, we negotiated a contract for about \$29,600. Next fall we will probably be obliged to pay as much as \$33,000 which we have proposed in this budget.

Mr. STEED. Gentlemen, one more question. Would you explain just a little on the language for the need of the \$83,000 to remain available until expended.

Mr. CASTRO. Mr. Chairman, it may not be possible to find those items that are proposed for acquisition during the course of the fiscal year. It may make it necessary to extend over into a part of the next fiscal year.

Mr. STEED. Since this is somewhat timed to the arrival of the President to be elected in November, you do get a late start on these items. Is that part of your problem?

Mr. CASTRO. I'm sure that is a consideration.

Mr. STEED. Gentlemen, on behalf of the committee I want to express our appreciation for your appearance and for your presentation. Thank you for your cooperation.

Mr. CASTRO. Thank you Mr. Chairman.

Mr. STEED. This committee will adjourn until 10 o'clock in the morning.

NATIONAL SECURITY COUNCIL

WITNESS

BROMLEY SMITH, EXECUTIVE SECRETARY

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....	448	544	549
11.3 Positions other than permanent.....		5	5
11.5 Other personnel compensation.....	24	24	24
11.8 Special personal service payments.....	37		
Total personnel compensation.....	509	573	578
12.0 Personnel benefits.....	36	43	43
21.0 Travel and transportation of persons.....	8	9	8
23.0 Rent, communications, and utilities.....	13	17	16
24.0 Printing and reproduction.....	1		1
25.1 Other services.....	9	13	11
25.2 Services of other agencies.....	1	1	1
26.0 Supplies and materials.....	7	6	6
31.0 Equipment.....	34	2	1
99.0 Total obligations.....	618	664	64

PERSONNEL SUMMARY

Total number of permanent positions.....	48	48	48
Full-time equivalent of other positions.....	0	1	1
Average number of all employees.....	39	45	45
Average GS grade.....	10.6	10.6	10.6
Average GS salary.....	\$12,359	\$12,788	\$12,901

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities:			
10 Policy and operations coordination (costs-obligations).....	618	664	664
Financing:			
25 Unobligated balance lapsing.....	46		
New obligational authority:			
40 Appropriation.....	664	664	664
71 Total obligations (affecting expenditures).....	618	664	664
72 Obligated balance, start of year.....	84	78	94
74 Obligated balance, end of year.....	-78	-94	-108
77 Adjustments in expired accounts.....	-22		
90 Expenditures.....	601	648	650
Expenditures are distributed as follows:			
01 Out of current authorizations.....	539	570	556
02 Out of prior authorizations.....	62	78	94

Mr. STEED. The committee will be in order. At this time the committee will take up the budget request for the National Security Council. The appropriation for 1968 was \$664,000. The budget request for 1969 is also \$664,000.

JUSTIFICATION OF THE ESTIMATES

We will insert the justifications at this point in the record.
(The justifications follow:)

NATIONAL SECURITY COUNCIL

BUDGET JUSTIFICATION—FISCAL YEAR 1969

The National Security Council was established pursuant to Public Law 253, title I, section 101, 80th Congress, approved July 26, 1947, as amended by section 3 of Public Law 216, 81st Congress, approved August 10, 1949, and by section 501 (e) of Public Law 162, 82d Congress, approved October 10, 1951. By Reorganization Plan No. 4, effective August 20, 1949, the Council was placed in the Executive Office of the President.

The statutory function of the Council is to advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security. Subject to direction by the President, it is the responsibility of the Council to assess and appraise the objectives, commitments and risks of the United States in relation to actual and potential military power, to consider policies on matters of common interest to the departments and agencies of the Government, and to make such recommendations and such other reports to the President as it deems appropriate or as the President may require.

Council members are: the President, the Vice President, the Secretary of State, the Secretary of Defense, and the Director of the Office of Emergency Planning. The Joint Chiefs of Staff are the military advisers to the Council and the Director of Central Intelligence is its intelligence adviser. A Special Assistant to the President is the principal supervisory officer of the Council. It has a staff headed by a civilian Executive Secretary appointed by the President, with such other personnel as may be authorized.

As an advisory body to the President, the Council's organization has been shaped to meet the President's needs and to be compatible with his methods of work. It is used to present broad issues of national security policy to the President for his decision.

A new function was assigned to the Council by passage of the Military Selective Service Act of 1967 (Public Law 90-40). The act states: * * * "The National Security Council shall periodically advise the Director of the Selective Service System and coordinate with him the work of such State and local volunteer advisory committees which the Director of Selective Service may establish, with respect to the identification, selection, and deferment of needed professional and scientific personnel and those engaged in, and preparing for, critical skills and other essential occupations * * *."

The NSC staff provides day-to-day staff support for the President on national security matters. It seeks to insure that national security information provided to the President by the responsible agencies, whether in connection with policy recommendations or otherwise, is responsive to his needs. The staff arranges for the preparation of information and policy presentations to the President and to the Council on national security problems. It also performs secretariat functions for the Council, circulating agenda and papers, recording the actions of the Council and the decisions of the President on national security policy questions and helping to insure that officials concerned are informed of the President's decisions.

An administrative office is responsible for the performance of administrative services relating to personnel, budget, fiscal, supply and general services, records, reproduction, courier, and related matters. The NSC Administrative Office, in addition, provides certain administrative support services for the Office of Science and Technology.

The total estimated budget requirement for fiscal year 1969 is \$664,000, the same amount appropriated for the 1968 fiscal year.

MULTIYEAR PROGRAM PLANS

The size of the National Security Council staff and the extent of its programs depend largely on the requirements of the President and the Council members.

1967

The elimination of two staff positions reduced the basic organization structure from 50 to 48. Support for the President's panel of consultants was transferred to the Department of State. Funds included in the NSC budget for this activity defrayed the costs of the pay increase and fringe benefits enacted by Public Law 89-504. Total appropriated, \$664,000.

1968

There is no plan to increase staff personnel or request an increase in appropriation. Added responsibility has been assigned to the Council by passage of the Military Selective Service Act of 1967—Public Law 90-40. In support of this activity a senior staff member has been given the additional assignment to act as liaison with Selective Service officials and the Interagency Advisory Committee. Anticipated costs of staff involvement in Selective Service matters will be absorbed, if possible. A reserve for savings of \$17,000 is proposed for application to the cost of the pay increase enacted by Public Law 90-206, in this fiscal year. Total appropriated, \$664,000.

No increase in staff or appropriation is anticipated, unless the percent of the second phase of the statutory pay raise under Public Law 90-206 is too great to permit absorption. Total appropriation requested, \$664,000.

1970-72

In the multiyear projection, there is no plan to increase staff or appropriations, except to take care of possible statutory salary raises or to meet unforeseen contingencies in the field of national security affairs.

ANALYSIS OF NEW OBLIGATIONAL AUTHORITY AND EXPENDITURES—ADMINISTRATIVE BUDGET

[In thousands of dollars]

Account and functional code	1967 enacted	1968 estimate	1969 estimate	Increase or decrease (-)	1969 expendi- tures from 1969 NOA	Explanation of NOA requests
General and special funds: Salary and expenses (903):						
New obligational authority.....	664	664	664			
Expenditures.....	601	648	650	2	650	

NUMBER OF CIVILIAN PERSONNEL AT END OF YEAR

	1967		1968		1969	
	Full-time in permanent positions	Total	Full-time in permanent positions	Total	Full-time in permanent positions	Total
Salaries and expenses.....	39	39	45	46	45	46
Number of youth opportunity campaign employees included in above total.....	0	0	0	0	0	0

PROGRAM AND PERFORMANCE

The National Security Council advises the President regarding national security policies. This appropriation provides staff services for the Council's policy coordination activities.

Salaries and expenses—statement relating 1967, 1968, and 1969 programs

[In thousands of dollars]

1967 program—total costs.....	618
Increase in personnel costs, including benefits.....	+71
Increase in other object classifications: travel, communications, and contractual services.....	+9
Decrease in printing; equipment costs; and supplies.....	-34
1968 program—total costs.....	664
1969 program—total costs.....	664

ANALYSIS BY ACTIVITIES

Activities	1967	Decrease or increase	1968	Decrease or increase	1969
Personnel compensation.....	509	+64	573	+5	578
Personnel benefits.....	36	+7	43	0	43
Travel and transportation.....	8	+1	9	-1	8
Rent, communications, and utilities.....	13	+4	17	-1	16
Printing and reproduction.....	1	-1	0	0	0
Contractual services.....	10	+4	14	-2	12
Supplies and materials.....	7	-1	6	0	6
Equipment.....	34	-32	2	-1	1
Total costs.....	618	46	664	0	664

Justification of estimates—Other objects—Fiscal year 1969

12 Personnel benefits.....	\$43,000
Contributions for retirement, life insurance, and hospitaliza- tion.	
21 Travel and transportation of persons.....	8,000
For attendance of NSC staff members at conferences and meet- ing involving national security affairs, both domestic and foreign; consultant travel; and official taxi fares.	
23 Rents, communications, and utilities.....	16,000
For local telephone service, toll calls, telegraph, and cable charges.	
24 Printing and reproduction.....	-----
For printing letterheads, special forms; binding and repro- duction of reports, and other items.	
25 Contractual and other services.....	12,000
Reimbursement to other agencies for public health room facili- ties, building maintenance and alterations; repair of type- writers and office machines; vehicle maintenance; teletype news service, and so forth.	
26 Supplies and materials.....	6,000
For administrative and office supplies, including supplies for operation of White House Situation Room, subscriptions to newspapers, periodicals, maps, and charts.	
31 Equipment.....	1,000
General office equipment, books.	
Total—Other objects.....	86,000

Mr. STEED. We are glad to have the executive secretary, Mr. Smith with us again this year. To begin with, and to make you welcome to the committee, I think you stand alone in terms of the witnesses so far in being the only one that is trying to stay dollarwise where you have been. We salute you for that.

Mr. SMITH. Thank you, sir.

Mr. STEED. We would be delighted to have any statement you would like to make at this time.

GENERAL STATEMENT

Mr. SMITH. Thank you, Mr. Chairman. I have a few paragraphs here which I will read.

The National Security Council requests an appropriation of \$664,000 to pay the expenses of its staff during the fiscal year 1969. This amount is the same as was requested and granted for fiscal year 1968. Our continuing effort is to hold down staff costs while providing

effective support to the Council and the President on national security problems.

The organization and statutory functions of the Council are so well known to this committee that I need not review them orally. On pages 1 and 2 of our budget presentation you will find a summary of the essential information.

One new function was assigned by the Congress to the Council in 1968. The Military Selective Service Act of 1967 directed that the Council advise the Director of the Selective Service System concerning draft deferments. This additional activity is being handled without increasing the size of the staff.

The amount we are requesting for 1969 is adequate to give us the flexibility we need to meet contingencies in the national security area. We have kept the number of staff members to the minimum necessary to carry out the current tasks assigned by the Council and by the President.

I would be glad to respond.

Mr. STEED. How much of your budget were you required to put in reserve by reason of the Economy Act?

Mr. SMITH. We had set aside in reserve \$17,000 out of fiscal year 1968.

Mr. STEED. Are you asking for release of any of this in the supplemental?

Mr. SMITH. No, sir; we are not.

Mr. STEED. Are you going to be able to absorb all the pay increases, since you have no increase in your budget?

Mr. SMITH. We assume that we will be able to do this. However, the second increase may cause us some problems, but that is ahead of us.

Mr. STEED. How many people are you carrying on board now, and how many do you expect to have onboard during 1969?

Mr. SMITH. We have onboard now, permanent employees, that is the NSC payroll, and as you know we have some additional personnel who are reimbursable and some who are nonreimbursable, but the permanent—the full-time permanent positions are 39.

Mr. STEED. That will remain unchanged during the ensuing year?

Mr. SMITH. That will remain unchanged. We are asking funds for a total of 46 people, which will include the reimbursable employees who are not a part of our permanent staff but are on detail to us temporarily.

Mr. STEED. I notice from the language suggested for the appropriation bill that you have authority to accept and utilize voluntary and uncompensated services. To what extent dollarwise and what type of service are you referring to here?

Mr. SMITH. This is a contingency and we would not expect to use it during the fiscal year ahead of us.

Mr. STEED. Have you had this facility available to you in the past?

Mr. SMITH. Actually we have on occasions had consultants who have not taken compensation for their services. This is a very rare occasion, when someone will be brought in, say, from Washington, where there are no travel expenses and there is no per diem, and they will be

brought in for a limited period of time to act in an advisory capacity. It is a most exceptional circumstance.

Mr. STEED. In addition to the reference you make to the selective service, has there been any other significant change in your functions and workload?

Mr. SMITH. No. The President has used the Council this past year virtually the same as he had in the previous year. The number of meetings is approximately the same. The number of subjects that we have considered is comparable, and we feel that we have a pattern established that we expect that he will continue to follow in the year ahead.

Mr. STEED. That means, then, that insofar as you know now the upcoming workload will be substantially as you have had it?

Mr. SMITH. We expect the workload will be virtually identical. Of course, we are always subject to development of contingencies. We have provided for that in a certain amount of flexibility in our budget. As of now, we see no workload greater than what we are now carrying.

Mr. STEED. Are any activities generated by the situation in Vietnam? Have you been able to cope with that as a routine workload situation?

Mr. SMITH. Yes; we have been able to cope with that in ways that are not readily apparent. In this particular budget, we have brought in military officers, on a nonreimbursable basis for a temporary detail. They assist us in this situation. On the intelligence side, we have brought in again on a detail basis certain people from CIA and from State that give us a greater ability to deal with the considerably additional information and intelligence and staff load that has grown out of Vietnam.

Mr. CONTE. What action has been taken by the National Security Council under its new responsibility to advise Selective Service Director Hershey in considering draft deferments?

Mr. SMITH. In brief, this was an assignment given us by the Congress, and we accepted that willingly and tried to work it out in a most efficient way. We decided to use the existing domestic governmental machinery which was an interagency committee to do the technical staff work.

When that interagency committee completed its report, it was submitted to the heads of the Cabinet Departments represented on the committee. Thus, it was a Commerce-Labor-Defense-HEW study. Then the Secretaries of Commerce, Labor, and Health, Education, and Welfare, and Defense, prepared a document for us which was their advice to the Council. Then, because we had a problem of how does the President give advice to a subordinate, we devised a memorandum of advice made up of the substantive recommendations of the Department heads who had a legitimate interest in the subject of the draft, but were not members of the Council.

We then circulated this document, a staff document, to the members of the Council and transmitted it to General Hershey as Council advice to him. I apologize for the complicated character of this, but it was with our effort to meet the congressional mandate and still handle a subject which is primarily in the domestic area although deeply related to the work generally dealt with by the Council.

Mr. CONTE. That, maybe, is the principal reason you have not increased your staff; working through that framework?

Mr. SMITH. Exactly. The President accepted the recommendation that rather than becoming a focal center for the activity, we were trying to interpret the intent of Congress to mean that a body of men in Government, administration officials, would give their advice to the Director and therefore we would not set up a new structure but would rely on an existing organization.

As you probably know, in the recommendation that went to General Hershey, the Secretaries of Labor, Commerce, HEW, and Defense, will have a continuing responsibility for looking at this manpower problem and it may well be that they will feel the necessity of setting up some kind of a mechanism to monitor what happens. But on the other hand, it is entirely possible that there will be new legislation and this problem may be opened anew, and if so, we have the flexibility to move in whichever way the Congress wishes.

Mr. ADDABBO. Are there any reports on the draft this year?

Mr. SMITH. The mandate we had was to advise the Director of Selective Service, and the Council has done that in documents, all of which we made public, and he is operating on the basis of that advice, so we will not be making a report as a Council. The Director of Selective Service is responsible for administering the Selective Service Act and this was an advisory relationship. We have felt the focus of interest should be in the Director and not in the Council.

Mr. ADDABBO. Will there be any further directives or mandates from your Office to Secretary Hershey?

Mr. SMITH. That is hard to estimate. My guess is there will not. However, the interesting procedure which we worked out provides for the various Secretaries to maintain a continuing interest in it, and if they feel that there is a requirement for additional advice to be given to the Director of Selective Service, and we, of course, will immediately jump in from the staff side and put it before the Council.

Mrs. REID. You mentioned your new assignment under the Military Selective Service Act of 1967, which is to advise the Director of Selective Service concerning draft developments. To what extent does this increase the workload of the Council?

Mr. SMITH. I did cover that in the statement which I made; namely, we have relied upon existing Government machinery to do most of the staff work. We did assign one officer to carry the main burden of it. I also devoted a certain amount of my own time to what is not an overwhelming task; namely, getting the material in a form in which it could be readily considered by the Council.

Mrs. REID. Have any of the recommendations actually been adopted?

Mr. SMITH. Yes. We did make recommendations to the Director of the Selective Service in the memorandum of advice which we released to the press with all the documentation.

Mr. STEED. Mr. Smith, on behalf of the committee I want to thank you for your appearance and cooperation and congratulate you on making a very good statement. I again commend you for having met all these difficulties through the current year without affecting your budget and particularly congratulate you on the fact you have laid your work out for the next year in the same framework.

Mr. SMITH. Thank you very much, Mr. Chairman.

COUNCIL OF ECONOMIC ADVISERS

WITNESSES

ARTHUR M. OKUN, CHAIRMAN

MERTON J. PECK, MEMBER

CHARLES B. WARDEN, JR., SPECIAL ASSISTANT TO THE CHAIRMAN

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....	485	603	619
11.3 Positions other than permanent.....	63	33	33
11.5 Other personnel compensation.....	37	30	32
11.8 Special personal service payments.....	22	11	23
Total personnel compensation.....	607	677	707
12.0 Personnel benefits.....	36	44	47
21.0 Travel and transportation of persons.....	8	10	10
23.0 Rent, communications, and utilities.....	25	21	21
24.0 Printing and reproduction.....	31	35	40
25.1 Other services.....	2	2	2
25.2 Services of other agencies.....	23	30	33
26.0 Supplies and materials.....	8	10	10
31.0 Equipment.....	10	12	16
Total costs, funded.....	749	841	886
94.0 Change in selected resources.....	25		
99.0 Total obligations.....	774	851	886

PERSONNEL SUMMARY

Total number of permanent positions.....	48	48	48
Full-time equivalent of other positions.....	8	4	4
Average number of all employees.....	43	49	49
Average GS grade.....	7.8	7.8	7.8
Average GS salary.....	\$7,756	\$8,252	\$8,344
Average salary of ungraded positions.....	\$16,122	\$16,769	\$17,296

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Economic analysis (program costs, funded).....	749	841	886
Change in selected resources ¹	25		
10 Total obligations.....	774	841	886
Financing:			
25 Unobligated balance lapsing.....	16	17	
40 New obligational authority (appropriation).....	790	858	886
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	774	841	886
72 Obligated balance, start of year.....	30	60	40
74 Obligated balance, end of year.....	-60	-40	-44
77 Adjustments in expired accounts.....	-2		
90 Expenditures.....	742	861	882
Expenditures are distributed as follows:			
01 Out of current authorizations.....	712	801	842
02 Out of prior authorizations.....	30	60	40

¹ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, \$3 thousand; 1967, \$28 thousand; 1968, \$5 thousand; 1968, \$5 thousand.

Mr. STEED. The committee will be in order. The committee is in session this morning to take up the budget request for the Council of Economic Advisers. The appropriation for 1968 was \$858,000 and the budget estimate for 1969 is \$886,000, an increase of \$28,000.

JUSTIFICATION OF THE ESTIMATES

We will insert the justifications at this point in the record.
(The justifications follow:)

COUNCIL OF ECONOMIC ADVISERS BUDGET REQUEST FOR FISCAL YEAR 1969

The Council of Economic Advisers requests an appropriation of \$886,000 for fiscal year 1969. This amount represents the best judgment of the Council as to the minimum appropriation required by the Council to carry out adequately its responsibilities under the Employment Act of 1946. This increase of \$28,000 over the Council's fiscal year 1968 appropriation of \$858,000 is to cover salary increases resulting from the Postal Revenue and Salary Act of 1967, Public Law 90-206.

The duties of the Council are set forth in the Employment Act of 1946. They include the following:

1. To assist and advise the President in the preparation of the Economic Report;

2. To gather and analyze timely information concerning current and prospective economic developments and report regularly to the President on the relationship of these developments to the achievement of maximum employment, production, and purchasing power as prescribed in the act;

3. To appraise and report to the President on the extent to which the various programs and activities of the Federal Government contribute to the carrying out of the purposes of the act;

4. To develop and recommend to the President national economic policies to foster and promote competitive enterprise, to avoid economic fluctuations, and to maintain maximum employment, production, and purchasing power; and

5. To make such studies, reports, and recommendations on Federal economic policy and legislation as the President may request.

In carrying out these duties, the Council consults regularly with other governmental agencies and departments, as well as with the Congress, and representatives of business, labor, consumers, agriculture, State and local governments, and the economic profession. In addition, the members and staff of the Council are frequently called upon to serve on interagency advisory groups in a wide variety of fields.

Included in the Council's staff is a statistical unit which is responsible for the monthly publication of Economic Indicators and the preparation of the statistical material in the annual Economic Report of the President, as well as for providing continuous statistical assistance to the Council and professional staff.

11 Personnel compensation :

Permanent :	
3 Council members	\$87,500
23 economists	392,023
5 statisticians	58,069
15 secretaries	128,118
1 clerk	7,053
1 messenger	5,062
Total permanent (48)	677,825
Pay above stated annual rate	2,373
Lapse (minus 3)	-61,198
Net permanent (45)	619,000
Positions other than permanent :	
Temporary	12,000
Intermittent	21,000
Special personal service payments : Payments to other agencies for reimbursable details	23,000
Other personnel compensation : Overtime and holiday pay	32,000
Total personnel compensation	707,000

12 Personnel benefits	47,000
21 Travel and transportation of persons	10,000
23 Rents, communications, and utilities	21,000
24 Printing and reproduction	40,000
25 Other services	35,000
26 Supplies and materials	10,000
31 Equipment	16,000
Total other objects	179,000
Grand total	886,000

11 Personnel compensation

A total of \$707,000 is requested for all categories of personnel compensation.

12 Personnel benefits

The estimate of \$47,000 covers the Council's share of costs of employee's life insurance, health benefits, retirement, and Federal Insurance Contribution Act taxes.

21 Travel and transportation of persons

The estimate for travel is \$10,000. Except for approximately \$500 for rental of the Council's car from the Government motor pool, the estimate is to cover travel by the Council members, staff, and consultants. This is a minimum request consistent with Council responsibilities to consult with representatives from various sectors of the economy.

23 Rents, communications, and utilities

The estimate of \$21,000 is for telephone service, postage, telegrams, and the rental of Xerox equipment.

24 Printing and reproduction

The estimate for printing and reproduction is \$40,000, of which \$38,000 is for the annual Economic Report of the President, and the remainder for other necessary printing and reproduction.

25 Other services

The Council expects to spend \$35,000 for other services. This will include \$17,000 to be paid to the Bureau of the Budget for administrative services, and the balance for public health service, security investigations, chart work, purchase of electronic data processing machine time, and miscellaneous repairs and services.

26 Supplies and materials

The estimate of \$10,000 includes office supplies and materials, and newspapers and periodicals.

31 Equipment

The estimate for the purchase of needed equipment is \$16,000 which would cover the usual capital maintenance and replacement requirements.

Mr. STEED. We are pleased to have with us today two members of the Council, Hon. Arthur M. Okun, the Chairman; and Hon. Merton J. Beck, member; and Mr. Charles B. Warden, Jr., the special assistant to the Chairman.

Mr. STEED. It has been our practice on the committee, when we have a new witness, to include a little biography for the record. We would be pleased to put it in the record at this point.

(The biography follows:)

BIOGRAPHICAL DATA OF MERTON J. PECK

Merton Joseph Peck was born in Cleveland, Ohio, on December 17, 1925, and attended public schools in Shaker Heights and Medina, Ohio, as well as Evanston, Ill. He served in the Army from 1944 to 1946, with overseas duty in Okinawa and Japan.

Mr. Peck graduated from Oberlin College in 1949 and took his graduate training in economics at Harvard, receiving his Ph.D. in 1954. He taught at Harvard College (1954-1955), University of Michigan (1955-1956), and the Harvard Graduate School of Business Administration (1956-1961).

During 1961 and 1962 Mr. Peck served as Assistant Deputy Controller and Director of System Analysis in the office of Charles J. Hitch, the Assistant Secretary of Defense (Controller).

In 1963 Mr. Peck was appointed professor of economics at Yale University. In July 1967 he was appointed chairman of the Yale Economics Department.

Mr. Peck has written "Competition in the American Aluminum Industry, 1945-58" (Harvard University Press, 1961), and he is a joint author of "Economics of Competition in the Transportation Industry" (Harvard University Press, 1959), "Weapons Acquisition: An Economic Analysis" (Harvard Business School, 1962), "Technological Change, Economic Growth and Public Policy" (Brookings Institution, 1967). He has also contributed articles to various professional journals.

Mr. Peck married Mary McClure Bosworth in 1949. They have four children: Richard, Katherine, Sarah, David. The Pecks reside in New Haven, Conn.

Mr. Peck's parents died when he was young and he was raised by his aunts, Mrs. A. R. Lyon and Miss Olive S. Peck, who now reside in Arlington, Va.

Mr. Peck is a member of the American Economic Association, the Econometric Society, and the Association of American University Professors.

Mr. STEED. Since this is a new experience for some of you, we want to extend a cordial welcome to you and assure you we would be more than happy to have whatever information you can give us. I think we will start off by permitting you to make whatever general statement at this point that you would like. Then we will go into the questions.

GENERAL STATEMENT

Mr. OKUN. Thank you, Mr. Chairman. I have had the pleasure of appearing before you many times, and now it is a particular pleasure to appear as Chairman of the Council, and to introduce my new colleague, Mr. Merton J. Peck, who joined the Council on February 15, when Mr. Ackley's resignation created a vacancy on the Council. Unfortunately, Mr. Duesenberry, my other colleague, is not able to be here today. Mr. Warden, my special assistant, is here and continues to manage our affairs prudently and soundly.

For fiscal year 1969 the Council of Economic Advisers requests an appropriation of \$886,000, which is an increase of \$17,000 over the combined total of the Council's appropriation of \$858,000 for fiscal year 1968 and the anticipated supplemental of \$11,000 requested to cover increased salary costs resulting from the Postal Revenue and

Federal Salary Act of 1967. The \$17,000 is an additional amount necessary in fiscal year 1969 as a result of the first phase of the 1967 pay act.

This committee is familiar with the general activities of the Council, so I will simply request permission to insert in the record the Report to the President on the Activities of the Council of Economic Advisers During 1967.

Mr. STEED. Without objection, that report will be made a part of the record.

(The document follows:)

APPENDIX A—REPORT TO THE PRESIDENT ON THE ACTIVITIES OF
THE COUNCIL OF ECONOMIC ADVISERS DURING 1967

LETTER OF TRANSMITTAL

JANUARY 5, 1968.

THE PRESIDENT.

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1967 in accordance with the requirements of Congress, as set forth in section 4(d) of the Employment Act of 1946.

Respectfully,

GARDNER ACKLEY, *Chairman.*
JAMES S. DUSENBERRY.
ARTHUR M. OKUN.

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC
ADVISERS DURING 1967

The year 1967 was one of intensive activity for the Council of Economic Advisers. The period of economic readjustment between the inflationary boom of 1966 and the renewed advance that became so clearly evident late in 1967 demanded careful watch and continuous analysis of the sometimes uncertain economic signals. Convinced through this watch and analysis that a second-half recovery was developing along the lines of its forecast of last January, which threatened to become too exuberant in 1968, the Council contributed in a major way to the development of the President's fiscal program of last August, as well as the budgetary program for fiscal year 1969. Late in the year, it participated intensively in developing the balance-of-payments program announced on January 1, 1968.

Throughout the year, its studies contributed to the development and evaluation of programs to deal with emerging problems in employment and unemployment, manpower training and utilization, farm problems and policies, energy resources, environmental protection, income maintenance, consumer problems, monetary policy and financial markets, tax structure, export expansion, housing and urban affairs, the war on poverty, budgetary concepts, stockpile policy, Federal statistics international economic cooperation, international monetary reform, and many others.

As in earlier years, the Council continued to give leadership to the Government's efforts to induce responsible restraint on the part of business and labor in price and wage decisions. Although its failures to obtain desired cooperation were obvious to all, it also had significant successes which must remain confidential.

COUNCIL MEMBERSHIP

Gardner Ackley, Arthur M. Okun, and James S. Duesenberry continued to serve as Council members in 1967, with Mr. Ackley as chairman. Messrs. Ackley and Duesenberry were on leave from the University of Michigan and Harvard University, respectively. As the President announced on January 1, Mr. Ackley has been nominated as Ambassador to Italy and will be leaving the Council shortly. Mr. Okun has been designated to succeed to the chairmanship, and Merton J. Peck of Yale University has been nominated as the new member of the Council.

Following is a list of all past Council members and their dates of service:

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	Aug. 9, 1946	Nov. 1, 1949
Leon H. Keyserling	Vice chairman	do	
	Acting chairman	Nov. 2, 1949	
	Chairman	May 10, 1950	Jan. 20, 1953
John D. Clark	Member	Aug. 9, 1946	
	Vice chairman	May 10, 1950	Feb. 11, 1953
Roy Blough	Member	June 29, 1950	Aug. 20, 1952
Robert C. Turner	do	Sept. 8, 1952	Jan. 20, 1953
Arthur F. Burns	Chairman	Mar. 19, 1953	Dec. 1, 1956
Neil H. Jacoby	Member	Sept. 15, 1953	Feb. 9, 1955
Walter W. Stewart	do	Dec. 2, 1953	Apr. 29, 1955
Joseph S. Davis	do	May 2, 1955	Oct. 31, 1958
Raymond J. Saulnier	do	Apr. 4, 1955	
	Chairman	Dec. 3, 1956	Jan. 20, 1961
Paul W. McCracken	Member	do	Jan. 31, 1959
Karl Brandt	do	Nov. 1, 1958	Jan. 20, 1961
Henry C. Wallich	do	May 7, 1959	Do.
James Tobin	do	Jan. 29, 1961	July 31, 1962
Kermit Gordon	do	do	Dec. 27, 1962
Walter W. Heller	Chairman	do	Nov. 15, 1964
John P. Lewis	Member	May 17, 1963	Aug. 31, 1964
Otto Eckstein	do	Sept. 2, 1964	Feb. 1, 1966

COUNCIL STAFF

At the end of 1967, members of the Council's professional staff were John F. Burton, Jack W. Carlson, Christopher K. Clague, Thomas F. Dernburg, Peter P. Dorner, Catherine H. Furlong, Raymond W. Goldsmith, Hendrik S. Houthakker, Saul H. Hymans, Frances M. James, Lawrence B. Krause, David W. Lusher, Carey P. Modlin, Joseph D. Mooney, Saul Nelson, Roger G. Noll, Frank W. Schiff, and Charles B. Warden, Jr.

Each year a number of staff members who have joined the Council on a temporary basis return to their posts in private life or in Government. Those leaving the Council in 1967 were Henry J. Aaron, Shirley M. Almon, G. Paul Balabanis, Guy Black, Donald E. Cullen, Stanley L. Friedlander, Stephen M. Goldfeld, David T. Kresger, Wilfred Lewis, Jr., and Alfred Reifman.

Continuing its practice of asking leading members of the economics profession to assist in the analysis of economic problems, the Council in 1967 called on the following consultants: Henry J. Aaron, James T. Bonnen, William H. Branson, Richard N. Cooper, John T. Dunlop, Otto Eckstein, Stephen M. Goldfeld, Kermit, Gordon, Walter W. Heller, Myron L. Joseph, David T. Kresge, Susan J. Lepper, Wilfred Lewis, Jr., Paul W. MacAvoy, Edwin S. Mills, Richard A. Musgrave, Joseph A. Pechman, Merton J. Peck, George L. Perry, Melvin Rothbaum, R. Robert Russell, Paul A. Samuelson, Warren L. Smith, Robert M. Solow, Daniel B. Suits, Charles A. Taff, Paul J. Taubman, Lester C. Thurow, James Tobin, Robert C. Turner, and Lloyd Ulman.

The Council continued its graduate student intern program, which was started in 1961. Those working with the Council for various periods in 1967 were Glenn Brewster, Albert J. Eckstein, Lawrence J. Fulco, James J. Heckman, Dale W. Henderson, Peter Isard, Robert I. Lerman, Stephen P. Magee, Myron G. Myers, Ralph E. Pochoda, Dennis M. Roth, Richard L. Schmalensee, Courtenay M. Slater, Earl M. Unger, and Andrew J. Winnick. Research assistants included Carol S. Burke, Charlotte Fremont, Claudia D. Goldin, Helen Reynolds, and Elizabeth A. Rothman.

As in the past, the Council received loyal and energetic assistance from its nonprofessional staff. Members of this staff at the end of 1967 were Dorothy Bagovich, Teresa D. Bradburn, Louis P. BRIGHTHAPT, Gladys R. Durkin, Catherine Fibich, James W. Gatling, Elizabeth F. Gray, Laura B. Hoffman, Christine L. Johnson, Bessie M. Lafakis, Betty Lu Lowry, Eleanor A. McStay, A. Keith Miles, Joyce A. Pilkerton, Earnestine Reid, Gail Roberts, Lucille F. Saverino, Bettye T. Siegel, Daisy M. Sindelar, Nancy F. Skidmore, Margaret L. Snyder, Carolyn T. Welch, and Elizabeth A. Zea.

COUNCIL ACTIVITIES

The Council of Economic Advisers was established as an agency of the Federal Government nearly 22 years ago by the Employment Act of 1946. Under the Act, the Council is charged with the responsibility of analyzing and in-

terpreting economic developments and of recommending economic policies that will promote the goals of "maximum employment, production, and purchasing power."

The Council's chief responsibility is to keep the President fully informed of economic developments and emerging problems which may affect the Nation's economy. To meet this responsibility, the Council continuously reviews economic conditions, undertakes special studies of particular problem areas, and makes recommendations concerning Government programs and policies. The Council confers regularly with all major Government agencies having responsibilities in the economic field.

The Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Council and their respective staffs (the "Troika") provide the President with a continuous joint assessment of the economic and budgetary outlook for the current and subsequent fiscal years. The heads of the "Troika" agencies and their associates, together with the Chairman of the Board of Governors of the Federal Reserve System, meet periodically as the "Quadriad" with the President to discuss domestic and international monetary problems.

In addition to its regular and informal consultations with other Government agencies, the Council and its staff in 1967 participated with other agencies in a large variety of more formal committees, task forces, and studies.

The Council and its staff represent the United States in a number of important international conferences. The Council Chairman heads the U.S. delegation to the meetings of the Economic Policy Committee of the Organization for Economic Cooperation and Development (OECD), and members of the Council and its staff this year participated in a dozen or more other international meetings under the auspices of the OECD. The Chairman was a member of the U.S. Cabinet-level delegations which meet annually with similar delegations of the Canadian and Japanese Governments. The Council also was involved in activities of the U.N. Economic Commission for Europe.

An important responsibility of the Council is to explain and clarify the administration's economic policies, both within the Government and to the public at large. This is done through numerous speeches, articles, press briefings, statements, congressional testimony, its annual report, and by assisting the President in the preparation of his Economic Report. The Council meets frequently and informally with many individuals and groups both from the United States and abroad, including businessmen, bankers, labor leaders, Government officials, university scholars and students, members of the press corps, and interested private citizens, and more formally with a number of advisory groups, including the President's Advisory Committee on Labor-Management Policy and the Business Council's Liaison Committee with the Council of Economic Advisers.

The Council prepares two documents for publication. One is the Economic Report of the President, together with the Annual Report of the Council of Economic Advisers. Over 73,000 copies of the 1967 report were distributed to Members of the Congress, Government officials, the press, depository libraries, or sold to the public by the Superintendent of Documents. The second is the monthly Economic Indicators. This important compilation of current economic statistics has been prepared since 1948 at the Council under the direction of Miss Frances M. James, and is published by the Joint Economic Committee of the Congress. More than 10,000 copies are furnished to Members of Congress and depository libraries, or sold to the public every month.

POLICIES AGAINST INFLATION

Mr. OKUN. I would like to take a moment, however, to discuss some activities relating to the battle against inflation. In its recent annual report, the Council devoted considerable attention to the problem of rising prices and stressed that the containment of inflationary pressures requires proper fiscal and monetary policies to avoid excessive demand. We regard the tax increase proposed by the President as the key to success in this objective. Second, we need to enlist the voluntary cooperation of business and labor in areas where these groups have discretionary marketpower over wage and price decisions; for even in a monetary and fiscal policy environment which does not strain our re-

sources, administered price and wage decisions could give rise to successive rounds of cost-push inflation.

Finally, a full program for price stability also requires an attack on the distressing inflationary bias that appears in some sectors of our economy as it approaches full employment. There are structural impediments to freely and effectively operating markets, to a maximum growth in productivity, and to realizing the full potential efficiency of our powerful economy.

It is to deal with this last set of problems that the President has established a new Cabinet Committee on Price Stability. First announced in his economic message on February 1, it was formally established on February 23 by Presidential memorandum. I would like to insert the relevant memorandum.

Mr. STEED. Without objection it will be placed in the record.
(The document follows:)

OFFICE OF THE WHITE HOUSE,
PRESS SECRETARY,
Austin, Tex., February 23, 1968.

THE WHITE HOUSE.

Memorandum from the President.
To all department and agencies.

In accord with the announcement in my Economic Report transmitted to the Congress on February 1, 1968, I have established a Cabinet Committee on Price Stability, consisting of the Secretaries of Treasury, Commerce, and Labor, the Director of the Budget, and the Chairman of the Council of Economic Advisers.

This Cabinet Committee reflects our deep concern for a more effective Government effort in dealing with the longrun problems of inflation. This step will fortify our fiscal and monetary policies which are the first line of defense against inflation. As I said in my Economic Report, "Existing Government organization is not effectively suited to deal with the full range and dimensions of the problem of prices." We must develop a strong and imaginative program for 1968 and subsequent years through the work of this Committee. This program is intended to strengthen free market institutions.

I assign the highest priority to the work of this Cabinet Committee which must take effective steps this year in the pursuit of price and cost stability. I request each of you to cooperate to the maximum extent possible with the work of this Cabinet Committee. The Chairman of the Council of Economic Advisers, who is coordinating the work of the Cabinet Committee, will keep you informed of the activities of the Committee and will contact you as necessary about the possibilities for your contribution to this vital work.

Mr. OKUN. The Council was asked to coordinate the work of the Committee, to recruit and supervise the professional staff, and to provide for its administrative support. The Committee has been directed to prepare and publish studies of both private and public activities, to hold conferences and work with business, labor, and public officials, and where necessary to recommend legislation to advance price stability in a free market economy.

We have asked the Bureau of the Budget for the release from reserves of \$28,000 from the Council's 1968 appropriation and for a supplemental of \$27,000 of additional funds to finance the 1968 activities of the Committee. In the near future, the Council proposes to submit an amended fiscal year 1969 budget to cover next year's activities of the Cabinet Committee on Price Stability.

The \$886,000 we are requesting today is for the regular activities of the Council and does not cover the special activities of the Cabinet Committee.

I would be happy to answer any questions you may have relating to our budget submittal or to the activities of the Council.

FINANCING THE CEA REGULAR ACTIVITIES

Mr. STEED. To begin with, what part of the 1968 budget were you required to place in reserve as a result of the Economy Act, Public Law 90-218?

Mr. OKUN. \$28,000.

Mr. STEED. You are asking for the release of these funds in the supplemental for the purpose of covering the pay costs?

Mr. OKUN. We are asking for the release of these funds for the purpose of covering part of the activities of the new Cabinet Committee on Price Stability.

Mr. STEED. And the remainder for the pay. Those are the two major uses of it. What will the supplemental request total? The \$28,000 release, plus what?

Mr. OKUN. Plus \$27,000. Then there is a separate \$11,000 supplemental request which is for the Council's own regular activities, and that is for the actual cost in 1968 of the Federal Pay Act of 1967, in terms of our regular staff.

So it is \$11,000 for our regular activities and \$55,000 for the special activities under the Cabinet Committee.

Mr. STEED. How many people do you have on board now?

Mr. OKUN. Thirty-nine.

Mr. STEED. Now, there was \$11,000 you were going to need for the remainder of this year for pay increase purposes. That translates into what figure for this same purpose, for the entire fiscal year 1969?

Mr. OKUN. That happens to be \$28,000, too. It is just a coincidence that that figure is the same as the one placed in reserve for the expenditure reduction.

Mr. STEED. Do you propose any additional personnel for 1969?

Mr. OKUN. No. Our requests for our own activities in fiscal 1969 assumed a constant level of personnel and other activities and is adjusted upward only by the amount of the Federal Pay Act.

RELATIONSHIP OF CABINET COMMITTEE ON PRICE STABILITY TO CEA

Mr. STEED. How are you staffing this new Committee work? Is that done in-shop, too?

Mr. OKUN. That is separate and will require us to come back with an amendment to our budget. We have been asked to supervise it, to include it as a distinct and separate category in our budget. There will be a staff organized for it.

We have already made a submission to the Budget Bureau on what we expect to be the fiscal 1969 activities of that Committee.

Mr. STEED. What do you visualize the work of the Committee to be? Is it on an ad hoc basis, or is this contemplated to be a continuing program?

Mr. OKUN. We would hope it develops to a point where it would justify itself as a continuing program. We really don't want to commit ourselves now about its permanency.

This is a new venture. There may be a better way to organize it, speaking very candidly, but we are hopeful that this will turn out to be an organization which deserves to be permanent, and would be funded in that way.

Mr. STEED. Would the nature of its work require it to remain under the umbrella of control of the Council of Economic Advisers; or will it go off into an independent status?

Mr. OKUN. I think that is a good question which we will have to consider over time. We have been asked by the President to take the responsibility for launching it. Whether he will want us to keep flying it once it is in the air, I think is something we all ought to consider.

Mr. STEED. Just as a general off-the-cuff picture, its work would be very closely allied to and integrated with what you have always been doing, wouldn't it?

Mr. OKUN. That's correct.

Mr. STEED. In a sense it is an extension of some of the things you always had to do anyhow.

Mr. OKUN. An extension of some of the things we wanted to do, but weren't able to do with our own staff because of the pressures.

STATISTICAL SUPPORT FROM OTHER AGENCIES

Mr. STEED. Do you have to use, through contract with outside agencies, any amount of help in survey studies or consultant services?

Mr. OKUN. We do from time to time have people on reimbursable detail from other agencies in our own activities.

Mr. STEED. You don't do any contract work with outside agencies per se then?

Mr. OKUN. In my recollection there is one example where we had a contract with the Brookings Institution about 5 years ago. Currently there are no such contracts.

Mr. STEED. In this work with other Government agencies, what type of support, either reimbursable or nonreimbursable, do you get? How much reimbursable participation from other agencies are you involved with?

Mr. OKUN. I think at the moment we do not have anyone.

Mr. WARDEN. No one on board now. The most recent person left in December. We had in the recent past as many as two.

Mr. STEED. But you do have access to information?

Mr. OKUN. Let me say, Mr. Chairman, the Employment Act really sets up a statutory requirement for other agencies to support the Council in any way needed to advise the President. We have the full cooperation of such agencies as the Departments of Commerce, Labor, Agriculture, and the Federal Reserve Board.

Mr. STEED. Just take, offhand, agencies like the Bureau of the Census or other reporting agencies of the Department of Commerce. You have a regular flow of data that you use in your regular day-to-day operations?

Mr. OKUN. Yes. And often we will request them to give us some breakdown and supporting analysis of the data, which they would not otherwise do. This means more work for them. They cooperate without any question of reimbursement.

Mr. STEED. The annual reporting process of all the agencies of the Government which is required for the President and for the Congress; do you sooner or later get around to taking a look at all of these to see if there is any usable information or guidance for your own work? How much attention do you pay to these sort of things?

Are you confining yourself to those things you know you are going to use or do you take an overall look at it?

I know for instance, like in the Department of Agriculture, every once in a while they make out a report and you start thumbing through it and all of a sudden you run into something you didn't know was available. But it is very interesting and very useful, so you mark that.

I don't know whether you did any of this or not. This is as against a report you know is coming out, and you know you are going to get information you want from it.

Mr. WARDEN. There is the Statistical Reporter, which comes out monthly, and this does cover this sort of thing you are referring to, new, unusual, and interesting releases of a statistical nature, which all people in Government should be aware of—if they are not already. Everybody on the professional staff gets an individual copy of that release, so they can see exactly the sort of thing you are talking about.

Mr. OKUN. I had the privilege of chairing a Presidential in-house committee to review our statistical programs last fall. In that process there was a considerable exchange of what our informational agencies were doing and what their plans were, and how they could be stepped up and supported.

I think the lines of communication are often informal here, but they are very effective.

Mr. STEED. I think all people find some statistics rather fascinating, even though it isn't more than a mental exercise.

While they do a little more than just satisfying the curiosity, we find they are helpful in a general way, to let us look back and see whether we are really making progress in the right direction or not, in terms of trying to keep pace with the workloads and with the techniques, and with the facilities that keep coming along all the time.

So I suppose you could finally overdo the matter of being unduly charmed by statistics. But in your work I imagine you find this is more of a way of life than not.

Mr. OKUN. Yes. Numbers are our bread and butter.

IMPACT OF GOLD CRISIS

Mr. STEED. Now, as an example of your functions, could you briefly outline to us, for instance, what impact is made when something unanticipated; a crisis, or something of an emergency nature pops up, like the current gold crisis—I am sure that the Chief Executive finds it necessary at a time like this to have access to considerable information and advice. What would this, in terms of workload, do to you?

Mr. OKUN. A most direct impact on our lives. It means the hours are very long and the staff is mobilized to deal with the information or provide advice associated with the crisis. We do try to prepare both oral briefing and written material to meet the President's needs, to keep him posted on what is going on, and our interpretation of it.

In the case of an international crisis, the organization for bringing advice and decision possibilities to the President works through an interagency group which is chaired by Treasury, and has the Council, the State Department, the Federal Reserve, and also has a representative of the National Security Council, insofar as it involves matters of diplomacy and security.

Once the gold market began to misbehave about 2 weeks ago there were constant meetings, pulling out some contingency plans that had already been developed, looking at their relevance for the present situation; trying to judge the attitudes of other countries. About a week ago, I think, the decision was made that it looked as though we really needed another meeting of the Gold Pool Central Bank Committee. They had met the preceding weekend. They issued a statement reaffirming their existing policies—informing the London market—to sell gold to all holders who were entitled to it. But, it looked as though that was not a sufficient action under the circumstances.

FRANCE AND THE GOLD SITUATION

Mr. STEED. On the way to work today the radio was quoting a statement that I assume was made by President de Gaulle of France. I didn't hear enough of it, but enough of it to come to the conclusion that the weight of what he said was, the pound-sterling and the dollar, as world monetary means, had to go by the Board. That it no longer could be tolerated.

When something like this occurs, what reaction does it cause in your shop? Are you familiar with this current statement?

Mr. OKUN. No. I must confess that did not get to my desk before I left for here.

Mr. STEED. It probably will be waiting for you when you get back.

As an example of what, out of a clear sky, so to speak, something like this can come up, how do you react to it?

Mr. OKUN. I think the immediate decision, in terms of responding to a statement of this sort, is to evaluate it, to see whether it is worth a memorandum to the President about its significance to determine whether we ought to be responding with a statement out of the Administration, or if the Federal Reserve would choose to comment in any way publicly. If it looks important enough to warrant some official reaction, we are likely to be on the phone with our colleagues in the Treasury and in the Federal Reserve to ask their views on it.

Mr. STEED. For instance, the same broadcast said as a result of steps taken by the British Government, within the last day or so, to tighten up their shop as a result of the gold action, and due to the fact that the price of gold on the French exchange dropped significantly yesterday; that the pound-sterling had improved fairly substantially in its value in the world market. I had the impression from what I heard that De Gaulle's reaction was based somewhat on the sharp break in the price of gold in the French market, plus the strengthening of the pound-sterling as a result of the British action.

So, then, as a layman, and being a subject of probably more bias and prejudice than I ought to be, it left the impression with me that there might be an element in the motivation he had for making such a statement, to hope to turn this situation around.

Mr. OKUN. Things were going too well, you are suggesting.

Mr. STEED. For our side of the argument, and he didn't like that. I am awfully close to accusing the man in being deliberate in wanting to worsen the situation from our side of it, even though I am not able to know why chaos or trouble for the United States, and England, in this area, would be of any advantage to him.

In the long haul of things you would assume that, all the factors involved, France might have a temporary advantage, but, economic difficulties in the United States and England eventually would have to be harmful to France's best interests.

Mr. OKUN. I am sure there is a mixture, and perhaps a conflict between economic and political situations here. The fact that the U.S. dollar is used throughout the world as the standard currency, the one currency that is accepted by every trader, every financier, is a source of U.S. prestige. That is one of the factors making us determined to protect the position of the dollar. It does add to our stature and by adding to our stature it does make some other countries perhaps envious.

NEED FOR FISCAL RESTRAINT IN THE UNITED STATES

Mr. STEED. Since the statement that the austerity steps taken by the British Government had improved the pound, do you look on this as further support for the recommendations which you and the administration have been making, that similar action on our part would strengthen the dollar in the world market? Is this a logical conclusion?

Mr. OKUN. There is no doubt that our taking the steps recommended by the President would strengthen the dollar. I was in Paris 10 days ago at the Economic Policy Committee meeting of the OECD and I noted that all of the European experts are waiting to see how we handle our affairs. They do think it is a matter of symbol as well as substance to demonstrate the United States has the self-discipline to put our house in order. The British example you cite is a good one. It is relevant to our situation.

Mr. STEED. What if I was an administration advocate of the tax bill, and some budgets are tightening, and I had an example that has currently taken place in England in the last 24 hours, I think I would be using that piece of evidence as strong support to my position. It appealed to me although personally, I have become convinced from way back last year that the most sensible step we could take economically would be the tax bill even though it isn't certainly the most highly desirable political problem to face.

BANKERS SUPPORT THE TAX BILL

I ran into something that maybe could add a little light in contacting the public in my own State and the district. During the recess, I found that the only group that had no doubt and almost without exception advocated the tax bill are the bankers. They apparently had been brought up to date on the whole picture sufficiently that even though traditionally they would be the last people you could expect to endorse a tax hike, even the so-called country bankers—smalltown bankers—were convinced the lesser of the evils facing us was a tax bill.

This was very interesting to me and made quite an impression on my own views on it, because it just is a source from which you don't expect that sort of an attitude unless you assume the factors that brought it up are very compelling. I had a number of bankers tell me that in their case the search of interest rate approvals was close to putting them into a position where they were going to have severe difficulty in taking care of their own local prime customers, because they were

aware that these customers had a point beyond which they could not stand the interest costs. To illustrate it, many years ago we were interested in repealing a tax on theater admissions and the small community theaters were going out of business in great numbers because they had what amounted to a price ceiling.

Their customers would not pay more than a certain amount to take the family to the picture show. You couldn't add the tax onto it. It was one of those things where the nature of the problem put a limit on it, and unless they could live within that sort of price structure, they had to go out of business. The relief of the tax—I think a 50-percent reduction was made and that stopped the closing of the smalltown theaters and in the long run, the Treasury actually got more dollars in with the smaller rate, because of the volume that generated, than they would have had they continued the high rate and continued raising the prices. So apparently, this is somewhat of the same element that the smalltown banker is thinking about in terms of what this interest-rate pressure can and is doing to business. Is that a sound economic factor?

Mr. OKUN. Yes; it's a very sound observation, on the way the financial community—the bankers do view it. They really see up close the fact that tight money is a necessary, inevitable alternative to the tax increase. If we don't get restraint through the fiscal side, we are going to get a lot of pressure on the financial side.

I think you will also find that businessmen are overwhelmingly, although not unanimously, for a tax increase. In particular, homebuilders, who really see the pressure of tight money on them, are perhaps most eager to see tax action taken. They know their businesses are going to be killed if we get another mortgage famine such as we had in 1966.

THE IMPORTANCE OF THE HOMEBUILDING INDUSTRY

Mr. STEED. In economic studies of what generates good or bad factors in the total economy, are there any lines of business that cut across more phases of everyday business transactions throughout the country than the homebuilding industry does? I have seen some studies on the effect, because of the source of all the different type materials and the distribution process that one house affects, and then multiplying that by 1 million homes, you can project an impact in more phases of the total everyday economy than almost everything else I've seen. Are there any other single types of operations that have a part in so many different phases of the commercial colony than homebuilding?

Mr. PECK. It is distinguished by being large and affecting a lot of industries. I can't think offhand of an example that has both these attributes at being in everything. I think it gets the No. 1 prize.

Mr. STEED. Part of the importance of the stimulation from a good healthy homebuilding program is that it is probably the most dispersed industry of all. You could have a heavy investment in plant and equipment in a certain industrial area and make an enormous impact there in a regional sense, but homebuilding is in almost every part of the country and some stimulation results over a much wider scale, it seems to me.

Mr. PECK. That is certainly true.

Mr. STEED. In your consideration of what is good or bad for the economy in terms of high employment and for the gross national product, you would have to watch the homebuilding industry; would you not?

Mr. OKUN. Yes; and I think we are particularly concerned because it carried an undue share of the burden in 1966 and we don't want to see that happen again.

Mr. STEED. Well, if an element of this sort of our total economy is permitted to wither and die on the vine, how long in passage of time—weeks or years—does it usually take before this begins to show itself in commercial activities? It is a certainty that sooner or later the effects will be on its own particular activity; isn't it?

Mr. OKUN. Yes. I think we saw, in late 1966 and early 1967, that when tight money was applied the brakes worked on homebuilding first, and then spread out to other industries—supporting industries. Within 6 to 9 months it was clear we were going too slow instead of going too fast.

BALANCE-OF-PAYMENTS PROGRAM

Mr. STEED. We had some discussion with the Treasury people on the matter of balance of payments. Obviously, this gets to be a matter of continuing interest in your activity. What is the picture now in terms of what we are going to be able to do to improve this situation?

Mr. OKUN. Two elements of the President's January 1 program, I think, are fully established and they are, fortunately, working insofar as we can tell. The program of controls on investments seems to be working out very well. Some appeal to the Commerce Department for exemptions, but most of the businessmen seem to be able to live within the ceilings. They are borrowing more money abroad and going on with a great many of their plant and equipment projects abroad on basis of foreign currency rather than U.S. dollars, which is highly desirable. The Bank program to reduce loans to foreigners also seems to be working very successfully, as there is clear evidence that money is coming back. Our banks are being repaid from past loans to foreigners and they are not making many new loans, except to finance exports.

I think there is some evidence that the voluntary appeal to avoid non-essential travel outside the Western Hemisphere is having an effect. We see conventions that have been moved from Copenhagen to San Juan. It's very hard to evaluate just how much money this is saving us. We do think we need more than just that voluntary appeal in the travel area. The Treasury has presented an administrative proposal for tax action on travel. We may need to modify that proposal to make it acceptable but we need something in that area.

OTHER CONSIDERATIONS FOR THE BALANCE OF PAYMENTS

There are important negotiations in the field of our troop costs abroad which we will be carrying out in the coming year to get other countries to pay their fair share. We are willing to supply the men and materials, but we don't think we ought to have to supply gold too in order to maintain the security of the Western World. The President expressed concern about the way other national tax systems operate to

the disadvantage of our goods in some foreign markets. Some of the Western European countries are shifting to a value added tax and, in that process, are giving bigger rebates on exports and putting bigger tax charges on imports. We have been negotiating with many of these countries, and pointing out to them the importance of our getting greater equity. I think it is encouraging that some of them are offering to right the balance—at least, part of the way—by stepping up their Kennedy round cuts. Thus, we have not yet decided whether we need legislation to take action on our own. Some countries, like Japan and Canada, fear that any action by the United States would have to be nondiscriminatory and would hurt them.

INCREASING EXPORTS

We are also going to have some long-term measures to improve our trade position, better financing through the Export-Import Bank to make it competitive with what some of our trading partners offer their exporters. The Department of Commerce has a very ingenious and promising new program which they call joint export associations. For example, firms could supply services, repairs, and parts on a cooperative basis. For example, we think we could sell much more farm machinery to Africa if we could convince the customers that they have a convenient place to go if something breaks down. We are going to try to set up centers for servicing this equipment. Some of these are short-term measures—some are long term. We want to make sure we can hold down the outflow this year and at the same time to build a base that would permit us to have a strong competitive position in the future without restraints. We would like to get away from the controls on direct investment as soon as we can and restore our banking business in Europe as soon as we can afford to do that.

The long-term solution has to rest on a strong competitive position for our goods which accentuates the fight against inflation. If our products go up in price more than those of our competitors, we will be importing more and exporting less. If our producers are working at full capacity to fill their domestic orders, then they are not going to be selling abroad. So we have to hold our rate of total business operations and our price level in a stable position in order to get the proper improvement in world markets.

PARTS TO ECONOMIC POLICY

Mr. STEED. This illustrates something that I think I would like to try to point up in the record. In the total budget of your activities you get involved in many facets of Government policy, international, and domestic and you are just not sitting around making up fairy stories.

Mr. OKUN. There is nothing the Government does that doesn't cost money and uses resources—manpower and capital. Whenever dollars and resources are involved, you have an economic aspect to the problem. I think one of our jobs is to make sure that even problems that are not basically economic in their nature but which do have important economic aspects get viewed from the economic point of view as well as the other points of view.

INCREASING ACTIVITIES OF THE COUNCIL

Mr. STEED. Concerning your own Council and its activities, is this too far from the picture to say that in the so-called good old days a lot of your work was pretty well foreseeable, steady and routine, as against what we find ourselves in this day of crisis now. Could you make some comment on how this sort of pressure on the Council has evolved—say in the last 15 or 20 years?

Mr. OKUN. I think it is a fact that the pressures have increased and, as you say, the number of surprises about how one spends one's day keeps growing. The pressures associated with all this defense buildup have been one factor making for more challenging economic problems. It is harder to keep the economy on a path of prosperity when we do have large commitments abroad in the defense area. And I think being closer to where we ought to be makes it more difficult.

Back in 1961 our economic problems were more serious. The economy was operating far below its capacity. Unemployment was a tremendously urgent national problem. But basically we knew that the right medicine was to try to invigorate the economy.

Now we are on a much narrower path. We do not want to slow down the economy too much and we cannot afford to have it speed up too much. It is this attempt to keep in the middle of the road now which I think is challenging the best efforts of economic and financial advisers.

ECONOMIC IMPACT OF VIETNAM

Mr. STEED. Is it true that part of this problem, or a large part of it, probably is in the fact that you have this one single enormous impact that the Vietnamese situation imposes, which has the effect, I would say, in the total picture of distorting or throwing things out of balance? Does this create economic analysis problems that would be different if the total was less concentrated in one single field?

Mr. OKUN. Yes; I think there are a number of aspects of the defense costs that complicate the tasks or policy. One is they are much less predictable than any other kind of expenditure by the Federal Government or private sectors. Plans do have to change and be adjusted. There is no question that we have been surprised during the course of the year on a couple of occasions by changing defense needs.

The other fact, I think, is that the country has not yet made its basic decision on how to pay for the war. Part of the challenge of the tax bill is to recognize that we have to make a conscious decision on tightening our belts a little in the civilian area in order to make room for the \$25 billion or more of resources that have to go to Vietnam. The war has to be paid for. We can't escape that. But if we don't make a decision, we will wind up paying up for it through uneven and inequitable pressures, like those on the homebuilding industry you mentioned. We have to face up to this choice.

Mr. STEED. Approaching this problem in the political arena, we hear arguments going on that there is one school of thought that says the way to do it is to cut the budget, practice economy. Then there are those who say that we have to increase taxes. And then there are those who say we have to do both. Now, assuming that we finally come down to earth, and we do try and succeed in some substantial savings in the area of budget cutting and economy on the one hand

and raise taxes on the other, what, in your opinion, giving the maximum weight to both of these movements combined together, would be the ability of this combined movement to help the situation we are faced with? We still have some problems left even after both of these have been applied, isn't that so?

Mr. OKUN. That is a fair statement. There is no fiscal program that is going to be a panacea. And partly this is because we have waited too long. Prince increases build up a momentum, and you can't just shut them off. The workers who are going into new wage settlements this year are very aware of the fact that they have had a 3-percent increase in the cost of their living. They want to make up for it.

Businessmen have had rising costs, and they are going to be trying to catch up with price increases. I think it is a matter of turning the corner, where we could have a slower rate of price increase, gradually less financial pressure, a better balance among the industries in economy. I really do believe that a proper fiscal program can do that for us, can turn the corner, that it can begin to put us on the road back to a better balance and a noninflationary prosperity. I would certainly say that has to include some of both tax increases and expenditure reductions. Federal programs cannot be immune from this need but they cannot carry it all themselves. I think the President's budget has reflected an acute consciousness of this need. We have been paying for part of the war by having civilian spending grow less rapidly than it would otherwise. If you take out our extra defense expenditures, it is clear we could have had significant further tax reductions in the last 2½ years. It is a matter of finding a way of sharing the costs and the financing of the war between the private sector and the Government.

Mr. STEED. With these unprecedented war costs that we have been saddled with for some time and probably will be for some time to come, we hear people talking about this so-called military industrial complex and how far our total economy and our employment, and all these things, hinge upon it. I have even heard the expression that we have gone so far in this direction that we are very much like a man addicted to narcotics, that we have gotten beyond our capacity to give it up. But assuming that the Southeast Asian situation does come back to some manageable level, that the take of the so-called military and industrial part of our economy is brought back within reasonable bounds in total dollars and with the other side of the picture making our ability to handle a larger budget because of the growth of the economy generating new incomes; and the day comes, for instance, when we were able to get rid of this one enormous cost to the extent that we have surpluses; and if the domestic level remained about where it is; isn't there a need and a demand for public activity in the domestic areas of sufficient magnitude that a great deal of these unreleased resources could be applied in that direction and still have a very marked and perhaps desirable impact on the economy? I am thinking in terms of such things as the ghetto problem, the need for so much more than we are able to do at this point, in pollution and all these sort of problems?

Mr. OKUN. I can certainly say emphatically, our prosperity does not depend on the war. If you look at the healthy state the economy was in in 1965, before the Vietnam expenditures became a significant economic factor, I think it ought to be clear that we were doing very well.

We had a balanced prosperity. We were moving to lower unemployment rates. We were setting profit records and we were maintaining price stability. There is a transition problem of converting to peace, but I think we can handle that. I have no doubt that once we have moved to a peacetime economy again, as you say, there are plenty of things to do with our manpower and capital in the civilian areas, both in the private and public sectors. I think there has been some clear evidence of the way the private sector responded to tax reductions in the past. To the extent we have renewed tax reductions, we will get a good response from the businessman and the farmer and the consumer in putting that money into productive use and keeping our labor and capital fully employed with less pressure, less uncertainty, and better balance.

We would welcome that challenge. I am sure the President would most of all. We have, as you know, been working on a major effort as post-Vietnam planning that the President established a year ago, assessing the magnitude of what we call the peace dividend, how much we will be able to switch over into civilian use. In trying to get organized for systematic planning, we are assembling a menu of what our possibilities and means would be under those circumstances.

Mr. PECK. I just wanted to add in the period 1962 to 1965, which showed the economy moving forward very nicely, was also one where the military expenditures declined from 9 to 7 percent of gross national product.

Mr. STEED. And when the opportunity presents itself for us to make the transition from one to the other, it can be done in a very healthy climate.

Mr. PECK. Yes.

Mr. STEED. With all these things around us, and they are obviously going to be here along with a lot of their kinfolks in the next fiscal year, do you feel staffwise and otherwise you are able to maintain your work and fulfill your mission on the budget request you have here before us?

Mr. OKUN. Yes; we feel a sense of responsibility of insuring some of that austerity ourselves. We want to make sure we have high-quality people. The Council has never wanted to become a big agency in any sense. I think it's a matter of maintaining high quality and a flexible and adaptable staff. We are organized in such a way that we don't have sections and divisions. All of our professional staff reports directly to the Council members. I think that helps morale. It requires us to have a small agency.

One of the things I do look forward to is the supporting effort of the Cabinet committee staff. It will enable us to take a good hard look at some of the bottleneck areas—some of the problems of inefficiency, of getting price stability in the forefront in all Government programs. This is something which requires people who don't get surprised during the course of a day on how they have to spend their time. It's not going to be an academic research operation, however. We see the need for studies lasting a couple of weeks and a couple of months.

We will be back asking for additional sums to support that committee staff. But in terms of our regular activity, we think we can do our job and hold to the budgetary line as we have indicated.

Mr. STEED. Now one final question. In the case of the committee on price stability, we are aware of the fact that in times like these where these threatening clouds are just over the horizon—are we get-

ting close to the point where wage and price controls would be indicated? Would it be your idea that the effectiveness of this committee will probably be the best insurance against that wage and price control cloud coming any closer?

Mr. OKUN. This is our thinking. We want to show we can make things work in the framework of free markets and look for all opportunities in a voluntary way. As you put it so aptly, we thereby take insurance against having to succumb to pressures for wage and price controls. As we have said again and again, controls are repugnant to us.

Mr. STEED. The very fact this committee has come into being would indicate that the administration does have concern in this direction and this is the best way to head it off.

Mr. OKUN. That's right.

Mr. STEED. As I recall, you said you would be back for an additional request?

Mr. OKUN. For fiscal 1969.

Mr. STEED. You have the supplemental and then you are going to need more on top of that.

Mr. OKUN. We will need more for fiscal 1969 for the activities of the Cabinet committee.

Mr. STEED. This takes us to the end of 1968 on the one hand and your regular budget through 1969 on the other and the 1969 part of the extra costs would be an additional one.

Mr. OKUN. Yes.

Mr. WARDEN. There are really three pieces here as I see them. One, the \$11,000 supplemental which I understand the Bureau of the Budget has already submitted.

Mr. STEED. For pay increases.

Mr. WARDEN. That's right. At the same time, release of \$28,000 was requested, plus \$27,000 by way of supplemental.

It is all 1968.

Mr. OKUN. What's the total provided for?

Mr. STEED. What this document does, it turns back to you the \$28,000 you have in cold storage and gives you \$11,000 and \$27,000 on top of that.

IMPACT OF WORKLOAD

Mrs. REID. What impact does the gold crisis have on an organization such as yours? Does it impose an unusually heavy additional workload?

Mr. OKUN. As I began to point out a moment ago to Chairman Steed, when an emergency situation such as the current gold crisis develops, the most immediate impact is on the working habits of the Council and the staff. Our hours are lengthened and the small resources of the staff are pressed to provide information and analyses to meet the situation. I think it is fair to say that each of us has had our share of the pressure situations. But in any given situation it is not likely that the overload will be distributed evenly over the entire staff or for that matter among the three Council members. Therefore, we can and do keep our normal surveillance and analysis of the economy underway while a few among us begin to burn the candle at both ends. During the recent gold crisis, it was our missing colleague, Mr. Duesenberry, who bore the brunt of the pressure.

TAX INCREASE

Mrs. REID. The administration is pressing hard for a tax increase. Which of the various economic indicators do you feel most urgently point to this need at this time?

Mr. OKUN. In our thinking about the economy, we focus on the framework of the national income accounts. This is a technique for organizing the information we have about total output—our gross national product—and its composition by sectors of expenditure and types of income. It is a way of being sure that we don't miss the forest because of the trees. There are a vast number of statistical indicators every month—indeed, every week—and invariably some are rising and some are declining. But when they are assessed within a consistent framework a clear pattern often emerges.

The pattern is clear today. Since the middle of 1967, our actual output has been growing faster than our productive capacity. The signs of strain are increasingly evident. Prices have been rising at a rate of nearly 4 percent, in contrast with a rate of little above 2 percent in the first half of 1967. Imports have surged ahead. Interest rates have turned up and risen to new highs.

The rebound in retail sales in the opening months of this year is particularly worrisome. Employment has been rising at a rate that is clearly unsustainable. The Commerce-SEC plant and equipment survey points to a renewed advance in that area.

There is one important way in which the recent upsurge has differed from most booms of the past. There is no single sector today which is shooting up at a dangerous rate. This contrasts with the period of late 1965 and early 1966 when plant and equipment spending and defense were the key sources of the boom. Today's situation is much better balanced. But the total is adding up to an excessive rate of advance, reflecting the broad-based strength of most sectors of the economy.

WAGE AND PRICE CONTROLS

Mrs. REID. Do you feel that in view of the inflationary spiral and other economic problems facing the Nation that wage and price controls may be proposed?

Mr. OKUN. The Council has stated our views about price and wage controls at every opportunity. As we said on page 119 of our annual report:

The most obvious—and least desirable—way of attempting to stabilize prices is to impose mandatory controls on prices and wages. While such controls may be necessary under conditions of an all-out war, it would be folly to consider them as a solution to the inflationary pressures that accompany high employment under any other circumstance. They distort resource allocation; they require reliance either on necessarily clumsy and arbitrary rules or the inevitably imperfect decisions of Government officials; they offer countless temptations to evasion or violation; they require a vast administrative apparatus. All these reasons make them repugnant. Although such controls may be unfortunately popular when they are not in effect, the appeal quickly disappears once people live under them.

That verdict has not changed a bit in the past 6 weeks.

COMMITTEE ON ECONOMIC IMPACT OF DEFENSE AND DISARMAMENT

Mrs. REID. Who are members of the Committee on Economic Impact of Defense and Disarmament? Does this Committee issue annual reports? Where are these available, if so?

Mr. OKUN. The membership of the Committee on the Economic Impact of Defense and Disarmament is: Arms Control and Disarmament Agency, General Services Administration, Small Business Administration, Department of Defense, Atomic Energy Commission, National Aeronautics and Space Administration, Department of Commerce, Department of Labor, Bureau of the Budget, Office of Emergency Planning, Office of Science and Technology, and the Council of Economic Advisers.

The Committee does not make annual reports. It did prepare a formal report in July 1965 which was designed to accomplish four major purposes: (1) to provide information on the impact of changing defense programs on the American economy; (2) to describe existing policies and programs for aiding employees, companies, and communities in adjusting to changes in the pattern of expenditures for defense; (3) to suggest and analyze additional policies or programs which may be needed; (4) to help stimulate thinking about the opportunities for the productive use of resources which may be released as needs for defense change.

Then in September 1967 it prepared a report entitled "Status of Projects and Proposals for Information and Research Relating to the Economic Impact of Defense and Disarmament." Of course, I can make a copy of both of these available to you, Mrs. Reid, if you would like.

TRANSITION STUDY

Mrs. REID. Last year Chairman Ackley mentioned a planning operation toward making a smoother transition from a wartime to a peacetime economy.

Is this study still in progress, or has it been completed? Do you have a plan of action ready in the event of an "outbreak of peace"?

Mr. OKUN. You are referring to the Cabinet Committee for Coordinating Post-Vietnam Planning which was first mentioned by the President in his economic message in 1967 and was established by Presidential memorandum of March 1, 1967. The members of that Committee now are the Departments of Defense, Labor, Commerce, Treasury, the Bureau of the Budget, the Federal Reserve Board, and the Council of Economic Advisers.

Yes, this Committee is still active. The Cabinet Committee has met several times and it has established a number of working groups to concentrate on particular problems which would be related to a reduction in defense expenditures brought on by a cease-fire in Vietnam.

Such forward planning in anticipation of a cease-fire does not really lend itself to establishing a single plan of action in the event of an outbreak of peace. Rather one has to examine the numerous alternative scenarios by which a slowdown from a wartime economy might proceed, and examine them against a variety of possible backdrops about the probable state of the economy, the time in the budget cycle, and other important conditions. Out of such an analysis one comes with a set of guiding principles, a set of mapped-out procedures, which may

or many not be called into action depending on the situation at the time. And, most importantly, decisionmakers are psychologically prepared to move quickly and and correctly to deal with the stabilization issues which might present themselves.

There have been no papers or reports released by the committee so far, but the Council did summarize some of the findings on pages 89-91 of our annual report.

We feel confident that we are prepared to recommend the proper policies for the smooth transition from a wartime to a peacetime economy and also to guide the economy in peacetime toward the "Great Society" goals set forth by the President.

Mrs. REID. Are the economists on your staff mostly career employees (in the Federal service) or do you draw also from the experience of those in the private sector?

Mr. OKUN. I don't have any precise figure on this question. My recollection based on recent years of my experience with the Council suggests that the mix runs at least 2 to 1 and perhaps as high as 3 to 1 in favor of the persons drawn from the private sector, mostly from the academic world. We have two senior staff persons who have been with the Council for 15 years or more, and perhaps 3 others who are not on leave from other positions. From time to time, we have reimbursable details from other Government agencies. But about 10 of our present 16 professional staff personnel are on academic leave from universities for a period of 1 year and sometimes 2 years.

TERM OF OFFICE

Mrs. REID. How long do your economists stay with the Council?

Mr. OKUN. Those from academic life usually stay only 1 year. This means that we have a very rapid turnover in our basic staff. Sometimes as much as three-fourths of the staff turns over in 1 year.

Mrs. REID. Do you feel you get fresh ideas and value judgments?

Mr. OKUN. Yes; we do benefit from the fresh ideas and new value judgments brought in by the new members of the staff. Indeed, I believe that is one of the biggest benefits we get for the costs of a rapid turnover of the staff. It helps us to benefit promptly from the advances which the economics profession is making in its analytical techniques and in the research findings of many of our academic colleagues. I suppose we really rely upon the new members of the staff coming in every year to bring with them the latest wisdom of the profession.

SALARY LEVEL

Mrs. REID. How does the salary level compare with top economists in the private sector?

Mr. OKUN. It is difficult to answer that question in any precise way. We try to keep our salary structure comparable with that in the private sector so we can continue to attract the top economists. Fortunately, we are sometimes able to attract our professional colleagues to the Council, even when they have higher salary offers from businesses, other Government agencies, or research and academic institutions because they consider our work particularly interesting and challenging. Many top-flight economists have been willing to forgo substantial income in order to spend a year with us.

INCENTIVES

Mrs. REID. What incentives are offered to top people to come with the Council?

Mr. OKUN. In addition to a reasonable salary, hard work, and long hours, we do offer an opportunity to become directly involved in the policymaking process at its highest levels. The Council and Council staff throughout the years have developed a high reputation within the profession, and it is considered a mark of excellence to have been associated with the Council. Since the credit belongs to my predecessor, Gardner Ackley, I can state objectively that the staff we have this year would be the envy of any economics department in the country.

ECONOMIES IN THE BUDGET

Mrs. REID. Do you feel that the budget which the President has proposed for fiscal year 1969 is a "tight budget"; or, as an economist, do you feel that more economies should be made?

Mr. OKUN. I know that it is a tight budget. I have seen how the Bureau of the Budget pared down the requests of the agencies. I have seen the ways that improvements in efficiency have been achieved. I believe we have forgone as many programs as we could without hurting greatly some of the key objectives of the Government.

As an economist, I would stress that we need fiscal restraint. I would also emphasize that the right combination of tax increases and expenditure cutbacks to achieve the proper total of restraint cannot emerge from a scientific formula but must be determined as a social judgment out of the democratic process. The priorities between private civilian expenditures and public nondefense expenditures must be established jointly by the President and by the Congress in light of the public interest in strengthening Government programs and in raising private living standards.

BALANCE-OF-PAYMENTS DEFICIT

Mrs. REID. I believe in 17 of the last 18 years the United States has run a balance-of-payments deficit. As an economist, how long do you feel a deficit should be allowed to persist before corrective action should be taken? Is there any rule of thumb?

Mr. OKUN. I am afraid there is no rule of thumb to guide us. The postwar period has been very unusual for the United States. Immediately after World War II, we had a huge excess of gold. And it was desirable to distribute monetary reserves more evenly among other nations in order to facilitate the growth of international trade. In retrospect, our deficits through 1957 were desirable and responsible contributions to world recovery.

Starting in 1958, however, our deficit did become a problem. Action to correct it began in 1961 and was first concentrated on the foreign exchange costs of the Government on programs abroad. Subsequently with the interest equalization tax and the voluntary program on foreign investment and bank lending, we did make substantial progress in narrowing the deficit. The heavy foreign exchange costs of our defense efforts in Southeast Asia interrupted this progress in 1966. For a variety of reasons, our position deteriorated last year. We have taken

decisive action to reverse that movement and we are waiting for congressional enactment of the tax bill to make it clear that the United States will indeed get its house in order.

Mr. STEED. On behalf of this committee I want to express our appreciation for your appearance and your cooperation.

Mr. OKUN. I want to thank you for your understanding of our problems.

Mr. STEED. Again, I want to express our apologies for getting off schedule and causing this imposition on you. We are grateful to you for helping us get back in a workable schedule. We hope we haven't imposed too severely on you because we know you have a lot of other things to attend to.

Mr. OKUN. We know you have lots of things to do, too.

Mr. STEED. The committee will stand adjourned.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

WITNESSES

JERRE S. WILLIAMS, CHAIRMAN

JOHN F. CUSHMAN, EXECUTIVE DIRECTOR

WEBSTER P. MAXSON, EXECUTIVE SECRETARY

ARTHUR J. CRATEN, BUDGET REPRESENTATIVE, GSA

SALARIES AND EXPENSES

OBJECT CLASSIFICATION

(in thousands of dollars)

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....			164
11.3 Positions other than permanent.....			24
Total personnel compensation.....			188
12.0 Personnel benefits.....			12
21.0 Travel and transportation of persons.....			16
23.0 Rent, communications, and utilities.....			6
24.0 Printing and reproduction.....			7
25.1 Other services.....			3
25.2 Services of other agencies.....			11
26.0 Supplies and materials.....			3
31.0 Equipment.....			4
Total obligations.....			250

PERSONNEL SUMMARY

Total number of permanent positions.....	11
Full-time equivalent of other positions.....	2
Average number of all employees.....	13
Average GS grade.....	10.8
Average GS salary.....	\$13,385

PROGRAM AND FINANCING

(in thousands of dollars)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10 Studies to improve administrative procedure (costs—obligations).....			250
Financing:			
40 New obligational authority (appropriation).....			250
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....			250
74 Obligated balance, end of year.....			-10
90 Expenditures.....			240

Mr. STEED. The committee is in session at this time to take up the budget request for the Administrative Conference of the United States. Last year the budget request was \$250,000 for the Administrative Conference but no funds were appropriated due to the fact that the Chairman and members of the Conference had not been appointed. The budget request for 1969 is \$250,000. In addition there is a proposed supplemental for \$88,000, in order to permit the Conference to begin operations during fiscal year 1968.

JUSTIFICATION OF THE ESTIMATES

We will insert the justification at this point in the record.
(The justifications follow :)

JUSTIFICATION OF THE 1969 BUDGET ESTIMATE

PURPOSE OF THE CONFERENCE

The Administrative Conference of the United States is authorized by Public Law 88-499, enacted August 30, 1964, 5 U.S.C. (1966) 571-576. In establishing the Conference, the Congress made the following findings and declaration of policy:

"(a) Administration of regulatory and other statutes enacted by Congress in the public interest substantially affects large numbers of private individuals and many areas of business and economic activity;

"(b) The protection of public and private interests requires continuing attention to the administrative procedure of Federal agencies to insure maximum efficiency and fairness in achieving statutory objectives;

"(c) Responsibility for assuring fair and efficient administrative procedure is inherent in the general responsibilities of officials appointed to administer Federal statutes;

"(d) Experience has demonstrated that cooperative effort among Federal officials, assisted by private citizens and others whose interest, competence, and objectivity enable them to make a unique contribution, can find solutions to complex problems and achieve substantial progress in improving the effectiveness of administrative procedure; and

"(e) It is the purpose of this Act to provide suitable arrangements through which Federal agencies, assisted by outside experts, may cooperatively study mutual problems, exchange information, and develop recommendations for action by proper authorities to the end that private rights may be fully protected and regulatory activities and other Federal responsibilities may be carried out expeditiously in the public interest."

To implement the above, the Congress specifically authorized the Conference to—

"(a) study the efficiency, adequacy, and fairness of the administrative procedure used by administrative agencies in carrying out administrative programs, and make recommendations to administrative agencies, collectively or individually, and to the President, the Congress, or the Judicial Conference of the United States, in connection therewith, as it deems appropriate;

"(b) arrange for interchange among administrative agencies of information potentially useful in improving administrative procedure; and

"(c) collect information and statistics from administrative agencies and publish such reports as it deems useful for evaluating and improving administrative procedure."

OPERATION OF THE CONFERENCE

The permanent Conference will consist of not more than 91 nor less than 75 prominent Federal officials, scholars, and lawyers from all part of the country. Only one member—the Chairman—will participate on a compensated basis. It is expected that the Conference operation, in some respects, will be similar to the operation of the experimental Administrative Conference established by Executive Order 10934, April 13, 1961, which submitted its final report to the President in December 1962. Under the proposed budget, the full Conference will meet twice during the current fiscal year.

The prime objectives of the Conference operation are fairness to private interests affected by the many Federal regulatory and other programs which determine private rights and obligations, and efficiency in the administration of these programs, including the elimination of inordinate expense and delay. The Chairman will serve full time and be assisted by a staff of 10 employees.

BASIS OF COST ESTIMATES

The operating experience of the temporary Conference on 1961-62 can be expected to provide the basic design for at least the initial undertakings of the new continuing Conference. Although the amounts stated in this budget draw upon the 1961-62 experience, there is, however, only limited correspondence between the pattern of expenses of the experimental Conference and the pattern set forth in this estimate of the expenses of the permanent Conference.

For example, the Chairman of the 1961-62 Conference was the chief judge of the U.S. Court of Appeals for the District of Columbia Circuit. The core of the research staff and the secretariat, with necessary offices and equipment, were furnished by the Office of Administrative Procedure in the Justice Department. Therefore, no part of the \$314,500 made available for the 18-month operation of the 1961-62 Conference was used to pay the salaries or to provide facilities for the Chairman and the full-time permanent staff.

Under the Administrative Conference Act, the Chairman has authority to conduct preliminary research into matters which he feels may be appropriate for Conference consideration, including matters brought to his attention by persons outside of Government. Whereas previous efforts were concerned only with the development of recommendations for improvement in agency procedures, the new Chairman is responsible for assisting the agencies in the implementation of Conference recommendations. In addition, under the act the Chairman is expected to maintain a sufficient overview of the results of implementation to report thereon and to recommend further Conference consideration where necessary. Also, the functions of the chairman and the Conference include functions such as the compilation of statistical material previously performed by the Office of Administrative Procedure in the Justice Department and financed from appropriations for that department. Therefore, the functions of the new Conference are considerably broader than those of the 1961-62 Conference, and obligational authority is included in this estimate to provide for the performance of these functions.

Considerations affecting costs by object class are as follows :

1. *Personnel compensation, \$188,000*

Under title 5, United States Code, section 575(c) (1), the Chairman is assigned responsibility for organizing and directing all Conference studies and research ordered by the Assembly or the Council. In addition, Congress has authorized the Chairman, either on his own initiative or at the suggestion of persons inside or outside of Government, to conduct independent studies and investigations of "matters he considers important for Conference consideration" (5 U.S.C. 575 (c) (1)). In the usual case, the Chairman's inquiries under this authority are likely to be preliminary in nature—to determine the extent and seriousness of a particular problem, discover possible avenues of approach, and ascertain the area in which practical solutions are likely to be found.

Under title 5, United States Code, section 575(c) (9), the Chairman has the task of providing staff support generally for the entire effort—"to provide neces-

sary services for the Assembly, the Council, and the committees of the Conference."

Further, title 5, United States Code, section 575(c) (11) requires the Chairman, upon the request of the head of an agency, to furnish the agency such assistance and advice on matters of administrative procedure as he considers feasible. One of the Chairman's most important responsibilities is that of encouraging Federal departments and agencies to put into effect the recommendations of the Conference. In this connection, the chairman frequently will be called upon to furnish special assistance to agencies concerned with the implementation of particular recommendations.

To enable the Chairman to perform these several functions, the statute authorizes him to appoint a staff, fix the pay of each employee, define his duties and responsibilities, and supervise his activities (5 U.S.C. 575(c) (7)). This provision contemplates a small, permanent staff. In addition, to provide objectivity and imagination and special talents and backgrounds in the conduct of particular studies, the Chairman has authority under title 5, United States Code, section 575(c) (10) to employ experts and consultants on a temporary or intermittent basis in accordance with title 5, United States Code, section 3109, at rates not to exceed \$100 per day.

The temporary Conference of 1961-62 employed a number of university professors, principally from law schools, as intermittent employees to conduct research projects for the several committees of that Conference.

These arrangements proved highly successful in developing many comprehensive and useful studies upon which the recommendations of the temporary Conference were based. The high standards of scholarship and the perspective and objectivity of university scholars in law and government represent an invaluable contribution to research of the kinds which the Conference operation will require. At the same time, the perception and facility which result from the more immediate and more often comparative experience of full-time research experts enable permanent research staff people to do many studies or parts of studies much more efficiently and economically than they can be performed by intermittent employees.

Because of the severe time limitation imposed upon the 1961-63 Conference, there necessarily was an overreliance by that effort upon the use of intermittent employees. The continuing Conference will be able to achieve a much higher return on its "research dollar" by appropriately balancing the utilization of full-time research experts and intermittent staff.

(a) *Personnel compensation (permanent positions), \$164,000*

The appropriation requested would provide money for the salaries of the Chairman and a full-time staff of five professionals and five clerical employees, as follows:

	<i>Amount</i>
Chairman, level II.....	\$30,000
GS-18 Executive Director	27,055
GS-17 Executive Secretary.....	23,788
GS-16 Research Director.....	20,982
GS-14 attorney	15,841
GS-14 attorney	15,841
GS-9 secretary to the Chairman.....	8,054
GS-7 secretary	6,734
GS-5 stenographer.....	5,565
GS-4 stenographer.....	4,995
GS-4 clerk-messenger	4,995
Total permanent (163,850).....	164,000

The rates of compensation used herein reflect the general increase effective October 1967, but do not reflect the second phase of the pay raise to be effective during fiscal 1969.

(b) *Personnel compensation (positions other than permanent), \$24,000*

Although the committee structure of the Conference is not yet completely determined, it is contemplated that the general membership will be divided into about 10 committees along functional lines. Each committee is likely to have seven to nine members, including the committee chairman. A member of the Council perhaps will serve as liaison member of the committee, to provide direct communication with the Council.

If the Conference divides itself into committees in this fashion, each committee probably will conduct two or three studies at a time, utilizing the permanent staff and intermittent employees according to the nature of the research involved. It is estimated that there will be an average of six acknowledged scholars in administrative law and government employed in the conduct of committee studies at any given time throughout the year. If such intermittent employees are compensated at \$100 per diem for an average of 40 days per year, the total cost of personnel compensation for intermittent employees would be approximately \$24,000 for the full year.

This amount is considerably less than the cost of intermittent employment by the temporary Conference of 1961-62 because of the necessary overreliance upon intermittent employment occasioned by the time limitation upon that effort—notwithstanding the lower per diem rate paid at that time. It also is approximately \$70,000 less than the amount appropriated for intermittent employment for fiscal year 1966, because of the intention to achieve a more appropriate balance of permanent and intermittent staff in the new Conference. (The 1966 appropriation assumed that intermittent employment would be relied upon to the same extent that it was in the temporary Conference, because of the success of such arrangements in that experience.)

2. Personnel benefits, \$12,000

It is estimated that the cost of retirement, social security, and health and insurance benefits will be \$12,000.

3. Travel, \$16,000

As is noted above, members of the Conference, although not compensated for their participation, are entitled under the act to reimbursement for travel expenses incident to their participation. Also, considerable travel is involved in the work of university scholars and other experts who participate as intermittent employees performing studies and research.

The membership of the Conference is just now being established, and in order to meet the statutory prescription relating to the composition of the Conference (5 U.S.C. 573) approximately 25 of the 85 or 90 members will be persons located in cities other than Washington. As is suggested above, it is likely that there will be an average of six intermittent employees of the Conference at any given time during the years, whose duties will necessitate travel. Therefore, it is estimated that each out-of-town member of the Conference and consultant will be required to make at least three trips to Washington to attend committee meetings or plenary sessions during the year. It is estimated, further, that each of these 90 individual trips will cost an average of \$125 for transportation and per diem at \$16. In addition, the Chairman and some members of the staff will travel to speak at bar association meetings and before other interested groups. Accordingly, the total cost of travel during the year 1969 is estimated at \$16,000.

4. Rent, communications, and utilities, \$6,000

The act authorized the Chairman to rent office space in the District of Columbia. While the agency is to be located in a Federal building, it is contemplated that rental office space should be available for intermittent employees who may prefer to work in Washington for short periods of time. There may also be a requirement to rent space in connection with some committee meetings or plenary sessions. These costs, plus the costs of telephone service, taking into account the geographical distribution of the membership of the Conference and its intermittent employees, of postage, and for rental of duplicating machines is estimated at \$6,000 for the full year 1969.

5. Printing and duplicating, \$7,000

Printing and reproduction represents a considerable part of the cost of Conference operation. It is hoped that the output, in terms of comprehensive studies of problems in administrative law, of this sizable deliberative body working through 10 committees and a research staff of five full-time experts and an average of six scholars employed intermittently will be substantial.

Because thorough research takes time to design, organize, and conduct, few studies and reports will be sufficiently matured for distribution during the early months of the Conference operation. Accordingly, the appropriation for the first year of Conference operation, includes only a small amount for printing and duplicating expenses.

Also, the first annual report of the Conference will be prepared and printed in 1969, and it would seem reasonable to expect an unusually large distribution

of that document the first year. For these reasons, it is estimated that printing and reproduction costs in 1969 will be approximately \$7,000.

6. *Other services, \$3,000*

This item provides \$3,000 for stenographic reporting services required for the plenary session of the Conference, for equipment maintenance and related contingencies.

7. *Services of other agencies, \$11,000*

The costs of administrative services to be provided under contract by the General Services Administration during 1968 are estimated to be \$11,000.

8. *Supplies and materials, \$3,000*

This item includes the cost of office supplies, books, periodicals, technical materials, and other documents. The initial cost of setting up and furnishing a new agency with necessary legal and reference books and supplies, of course, is greater than the continuing cost of replacement.

9. *Equipment, \$4,000*

It is estimated that purchases of furniture and equipment for full-scale operation would be approximately \$4,000 in fiscal 1969.

Mr. STEED. We are delighted to have with us today the new chairman of the administrative conference, Mr. Jerre S. Williams, accompanied by Mr. John F. Cushman, the executive director, Mr. Webster P. Maxson, the executive secretary, and Mr. Arthur J. Craten, budget representative from the GSA.

As has been our custom, Mr. Williams, we prefer to have a biographical sketch of you, in the record, at this point. If you have one available, we will be more than happy to make it part of the record.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF JERRE S. WILLIAMS

Jerre S. Williams was born in Denver, Colo., August 21, 1916, the son of the late Wayne C. Williams and Lena Day Williams. He was reared in Denver where his father was a practicing attorney and at one time was Attorney General of Colorado and also special assistant to the Attorney General of the United States.

Mr. Williams graduated from the University of Denver in 1938 with an A.B. degree in political science; graduated from Columbia Law School with an LL. B. degree in 1941. While at Columbia Law School he was an editor of the Columbia Law Review and a Kent Scholar. He was admitted to the Colorado Bar in 1941, the Texas Bar in 1950, and the Bar of the United States Supreme Court in 1945.

In 1941, Mr. Williams began his law teaching career at the University of Iowa Law School. In the summer of 1942, he served as an attorney in the Office of Price Administration while awaiting his call of active duty in the Air Force. In the fall of 1942, he entered the Air Force and served as a legal officer in the Air Transport Command until his release from active duty in 1946.

In the spring and summer of 1946, Mr. Williams served as assistant professor of law at the University of Denver Law School while awaiting his joining of the faculty at the University of Texas Law School in the fall of 1946. He served successively as an associate professor of law and professor of law at the University of Texas until his appointment as Chairman of the Administrative Conference of the United States in October of 1967. In 1964, he was named the Rex G. Baker and Edna Heflin Baker Professor of Constitutional Law at the University of Texas. In 1958, he was the first professor in the Law School to be awarded the Teaching Excellence Award upon designation of the students. He was given this award again in 1964. Mr. Williams has also taught summer terms at the University of Chicago Law School, the University of California at Los Angeles Law School, and the University of North Carolina Law School. In 1955 and 1956, Mr. Williams took leave from the University of Texas to serve as associate staff director of the Special Committee on Loyalty-Security of the Association of the Bar of the City of New York. In the summer of 1960, he made a study of comparative free speech problems in London, England, under a grant of Ford Foundation funds from the University of Texas Law School. In 1964-66, he served as chairman of the southwest regional manpower advisory com-

mittee under the joint appointment of the Secretary of Health, Education, and Welfare and the Secretary of Labor.

Mr. Williams is the author of several books, including *The Supreme Court Speaks*, 1956, *Cases and Materials on Employee's Rights*, 1952, Second Edition, 1958, and he is the editor-in-chief of the third edition of *Labor Relations and the Law*, 1965. In 1963, he won the Ross essay prize of the American Bar Association. He delivered a paper at the fifth International Congress of Labor Law and Social Legislation in Lyon, France, in 1963, and in 1966, he delivered a paper at the Sixth International Congress of Labor Law and Social Legislation in Stockholm, Sweden. He is also the author of numerous articles in legal publications.

An active labor arbitrator for many years, Mr. Williams is a member of the National Academy of Arbitrators, having served on its board of governors.

Mr. Williams was married in Austin, Tex., in 1950 to the former Mary Pearl Hall who also is an attorney. They have three children: Jerre Stockton, Jr., Shelley Hall, and Stephanie Kethley.

Mr. STEED. Since this is your first appearance, not only your first appearance as chairman, but the first appearance of anybody in the conference, we want to extend to you a special welcome. We are happy to have you here and if you would like to make a general statement at this time, we will be glad to hear from you.

GENERAL STATEMENT

Mr. WILLIAMS. Thank you very much, Mr. Chairman. I am delighted to be here and I do appreciate your good wishes. We have submitted a statement and I think it would be useful if I highlighted a few points and then answered whatever questions you have. I do want to make clear to the committee the basic nature of the Administrative Conference since it is a new agency and since we will be doing something that I think is quite important to the Government of the United States.

HISTORY AND PURPOSE OF CONFERENCE

The Conference, as you know, was established by statute in 1964. This statute was not implemented until this year. This is why we are appearing before you in organizational stages for the first time. The Administrative Conference is concerned with the administrative processes of all of the Federal department and agencies, with the exception of foreign affairs and military affairs. Our job succinctly, is to investigate all of the processes where we feel there may be problems with a view to making recommendations for their solution. I need not emphasize to you, I believe, the tremendous importance of the administrative process in our system and the broad development of it, which undoubtedly leads to questions of unfairness, to the inadequacy of procedures, expense, and delay problems. Our job is to try to make recommendations to solve these problems.

Even though we are a new agency, we do have a background. There were two temporary administrative conferences. The first one was fairly early in President Eisenhower's administration in 1953 and 1954 and the other one early in President Kennedy's administration in 1961 and 1962. These Conferences involved a rather unusual idea in government and you can also call those temporary conferences, experimental conferences. They were called this by some people because there was some question about whether they would work or not. The

theory basically is this, if you provide a carefully structured forum of administrative agency representatives, and then add to this forum highly qualified scholars and practitioners from the general public, public group to be no less than one-third nor more than 40 percent of the entire conference—that working together cooperatively as a deliberative body, recommendations can be made which will be effective and also acceptable to the administrative agencies.

Now this process is one which has worked. We have in our statement the indications of how well the second temporary conference worked. I could just summarize this, the Bureau of the Budget made a study 4 months after the conclusion of the second temporary conference. They found a 78-percent final approval of the recommendations of the temporary conference by the agencies, another 10-percent approval in principle, only a 4-percent rejection of the recommendations of the temporary conference by the agencies, another 10 percent those agencies which were not primarily concerned with certain recommendations and were deferring action until they found out what the agencies who were primarily concerned were doing.

RESULTANT ECONOMIES

The improvement of administrative procedures can make significant financial savings. I would like to direct your attention, if I may, to page 4 of the prepared statement where we list six specific areas where recommendations, obviously, have a substantial moneysaving aspect as far as the Government, and as far as the private citizen who deals with the Government are concerned. The first is the unification of the armed services boards of contract appeals; the second is a provision for the production of briefs by means other than printing; a third, is a simplification of ratemaking procedures; the next is the revision of procedures for licensing truck operations and airline operations; the fifth is establishment of procedures for pretrial discovery and finally the consolidation of agency proceedings on comparative applications of various kinds. All of these were widely adopted, all of which would contribute to substantial savings, not only to the Government, but to the affected private interests.

It seems to us that through careful attention to the relative costs involved in the existing procedures and in the proposed procedures, the Conference should be able to obtain substantial reduction in the expense of the administrative process.

METHOD OF OPERATION

How does the Conference operate? The Conference consists basically of three entities. The Conference itself, the Assembly, will consist of approximately 85 people, the majority always from the Government agencies and departments. This is an agency and department conference. They improve their own procedures on a cooperative basis, but with the aid of a substantial number, but not a majority, of public members, highly skilled in the administrative law field—practicing lawyers and teachers who will work with the agencies in this deliberative body.

In addition to the Conference, which is the entire membership and is called the Assembly, there is a Council of 10 in addition to the Chairman, 10 appointed by the President. This Council has been appointed. It has been appointed by the President under the terms of the statute and we already have had one Council meeting. I think the personnel of the Council shows the great interest that the President and the executive branch have in the success of this endeavor and I would like to submit for the record the names of the Council with a brief biographical sketch.

(The statement follows:)

MEMBER OF COUNCIL

JERRE S. WILLIAMS, Chairman.

GOVERNMENT MEMBERS

FRANK M. WOZENCRAFT, Vice Chairman (3-year term): Assistant Attorney General, Office of Legal Counsel, Department of Justice; law clerk to Justice Hugo L. Black, U.S. Supreme Court; private law practice in Houston, Tex., with Baker, Botts, Shepherd & Coates from 1950 to April 1966; member of various legal and honor societies and editor in chief of the Yale Law Journal.

MANUEL F. COHEN (1-year term): Chairman, Securities and Exchange Commission; following private practice in New York, he joined the staff of the Securities and Exchange Commission in 1942, serving in a series of increasingly important positions until his appointment to the Commission in 1961 and his elevation to the chairmanship in 1964. Recipient of the Rockefeller Public Service Award and he National Civil Service League Career Service Award.

WILLARD DEASON (3-year term): Commissioner, Interstate Commerce Commission. Former owner and manager of radio station KVET, Austin, Tex. Served in Navy during World War II, rising to rank of commander; active in numerous broadcast associations and State and local civic associations, including serving as director of chamber of commerce, Kiwanis Club, and better business bureau, all of Austin.

ROSEL H. HYDE (2-year term): Chairman, Federal Communications Commission. Joined Federal Radio Commission in 1928, associated with FCC since its inception in 1934. Served as General Council, appointed to Commission in 1946, a position he has since held, serving as chairman in 1953 and again since 1966. A native of Idaho, Mr. Hyde has been a member and chairman of numerous organizations both national and international involving telecommunications; he was Chairman of the Committee on Enforcement Proceedings of the Temporary Administrative Conference in 1961.

LEONARD H. MARKS (2-year term): Director, U.S. Information Agency; former partner in law firm of Cohn & Marks; professor of law at University of Pittsburgh Law School and National University; General Counsel to Federal Communications Commission; director, Communications Satellite Corp.; member of numerous international delegations.

NONGOVERNMENT MEMBERS

WALTER GELLHORN (3-year term): Betts professor of law, Columbia University Law School; Director of the Attorney General's Committee on Administrative Procedure of the early 1940's; member of the Council of the Temporary Administrative Conference of the early 1960's; member of the Council of the Section on Administrative Law of the American Bar Association; author of numerous books in the field of administrative law; former president of the Association of American Law Schools.

WILLIAM W. GOLUB (1-year term): Senior partner in the law firm of McGoldrick, Dannett, Horowitz & Golub of New York City. Counsel in the reorganization of the Long Island and Hudson & Manhattan Railroad Cos. Counsel to the Attorney General's Committee on Administrative Procedure in the early 1940's and consultant to the Solicitor General on the original Administrative Procedure Act. Recently member of the Mayor's Task Force on Transportation Organization, New York City, and consultant to the New York City Board of Education.

FRANK PACE, JR. (1-year term): President, chief executive officer, International Executive Service Corporations, New York City. Former Secretary of the Army.

Former Director of the Bureau of the Budget. Attorney. Director of many corporations. Former Chairman of American Council of NATO. Member of various boards and commissions of the Federal Government including the Foreign Intelligence Advisory Board.

WHITNEY NORTH SEYMOUR (3-year term) : senior partner in the law firm of Simpson, Thatcher & Bartlett of New York City; former president, American Bar Association; former president, Association of the Bar of the City of New York; chairman of the Board of the Carnegie Endowment; active for many years on various boards and commissions of the Federal Government and in the State of New York.

HAROLD L. RUSSELL (2-year term) : senior partner in the law firm of Gambrell, Harlan, Russell & Moye of Atlanta, Ga. Active in the practice of administrative law for many years. Past chairman of the Administrative Law Section of the American Bar Association. Awarded Distinguished Alumnus Medal, Columbia Law School.

Mr. WILLIAMS. The Council, as best as I can describe it, can be recognized as analogous to a board of directors of a corporation. It works with the Chairman to set the basic policy, to approve the Chairman's recommendations on the membership of the public members of the Assembly and the subjects which will be investigated, and the whole government of the entire conference.

PERMANENT PROFESSIONAL STAFF

Finally, there is the Chairman and his staff. The Chairman is the only paid, full-time member of the Conference. All the rest of the Conference, both the Council and the members of the Conference, contribute their services to the Government. They are paid only travel expenses and per diem, in lieu of actual expenses. Thus, the Conference gets a great deal of high-priced talent for the Government without having to pay for it. This, I think, is one of the significant aspects of the Conference function.

Now, I do not contemplate that we will ever have a large permanent staff. We are projecting a staff of 10 people at the moment, in addition to the Chairman, and it seems to us this is adequate for the foreseeable future—five professionals and five nonprofessionals.

USE OF CONSULTANTS

In addition, we expect to hire consultants to do the actual staff research, a substantial part of it. The staff will do some, but the consultants will typically be law professors or professors of public administration and other people who are highly skilled in this area, and they will be hired on a per diem basis with a statutory limit of \$100 per day. They will also, of course, have substantial travel expenses in the work of their research. Now, this same process was used in the temporary conferences and was very effective. The reports that were written through this consultant process were outstanding. Most of them were published and they formed the basis for the successful recommendations of the temporary conference.

FOLLOWUP OF CONFERENCE RECOMMENDATIONS

There is one quite significant aspect of the new permanent conference that needs to be stressed. The temporary conferences went out of business in 18 months. The result was there was no significant followup or working with the agencies in trying to implement the recommenda-

tions made. Since we now have a permanent Administrative Conference, one of the major functions will be for the Chairman and the staff to work with administrative agencies on the recommendations which have been made by the Conference, to see if they can adopt them, to see why they can't adopt certain aspects of them, and to work with them to modify them so they can be adopted, or to return them to the Conference for further work if the agency makes a good case for the proposition that they will not work.

So this continuing process of the staff and the Chairman working with the administrative agencies is a major aspect of the really creative work that the new Administrative Conference can accomplish.

In addition, we have the statutory charge to work with the agencies on their procedural problems as they ask us to. We also have a specific statutory charge to set up a comprehensive system of statistics and reports from the agencies and departments on their administrative processes.

PRESENT STATUS

Finally, very quickly, where are we now? I was appointed by the President and confirmed by the Senate on October 19, 1967. I was sworn in as Chairman on January 25, 1968. However, since January 8, I have been working to organize the Conference on funds made available from the President's "Expenses of Management Improvement Fund." We have had the absolutely indispensable aid of having detailed the Executive Director from the Federal Communications Commission, Mr. Cushman, and the Executive Secretary from the Department of Justice, Mr. Maxson. We have been furnished space and basic equipment on loan from the General Services Administration.

BUDGETARY SUMMATION

Let me be very frank with you about one other matter. Our budget request is clearly inadequate. The reason we request \$250,000 is because the statute limits us to \$250,000. The statute was passed in 1964. This limitation was based upon the expenses of the 1962 temporary Conference where much of the services and equipment were contributed from the budgets of other departments. I have already talked this budgetary matter over with our Council. The Council has authorized me to institute whatever steps are necessary to get the statute amended to remove this \$250,000 limitation. If we can possibly get it removed, we frankly would expect to be back to you next year for a supplemental appropriation. This would not be large, however. The actual budget which we contemplate would be adequate for us to do our job and do it correctly for next year would be right around \$350,000, and we do not contemplate going substantially above that in the foreseeable future. We are not building a large agency, we are building a small, but we hope highly skilled, agency to do this particular job.

I'll be glad to attempt to answer any questions that any members of the committee may have and I appreciate, again, the opportunity to appear before you.

(The prepared statement follows:)

BUDGET REQUEST FOR 1969, ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

Mr. Chairman and members of the committee, I appreciate the opportunity to give you supporting information with respect to the President's 1968 budget request for the Administrative Conference of the United States.

The Conference was established by Public Law 88-499 to provide an expert forum for comprehensive study and continuing improvement of the procedures by which departments and administrative agencies of the Federal Government determine private rights, privileges, and obligations. The administrative process, so-called, has developed to such proportions in our system of government that problems of unfairness, inadequacy of procedures, and unnecessary expense and delay, wherever such problems may arise, are matters of substantial concern.

The idea of an Administrative Conference represents a development of some 15 years. The organization provided by the Administrative Conference Act, 5 U.S.C. 571-576 (1966), is patterned after two temporary conferences called by President Eisenhower in 1953 and President Kennedy in 1961.

The essence of the conference idea is the comprehensiveness of the intelligence and judgment of the organization. In order to devise practical and useful reforms, the experience upon which they are based must be complete, and the deliberations from which they are developed must embrace the whole spectrum of informed views. Many of the agencies have made substantial gains in recent years with respect to the details of their own procedures, frequently in cooperation with units of the organized bar or industry groups. Yet, in spite of the obvious fact that agencies have many problems in common, agencies generally are not knowledgeable in the experience of other agencies. For many years committees in both Houses of Congress have given considerable attention to particular problems in administrative procedure, and many amendments to the procedural provisions of agency statutes have resulted. Yet there has been very little in the nature of fundamental, across-the-board improvement since the enactment of the Administrative Procedure Act 20 years ago.

The act contemplates a sizable deliberative body of Government officials, outstanding members of the practicing bar, university scholars in law and government, and others specially informed in Federal administrative procedures, operating under the guidance of an 11-member council, the chairman of which is also the chairman of the conference. Under the requirements, of the act, the entire body consists of not more than 91 or less than 75 members. Only one member—the chairman—participates on a compensated basis. Other members appointed from outside of Government serve without compensation, but are reimbursed for necessary travel expenses. The Chairman maintains a permanent office with a small, full-time staff of approximately 10 persons to provide a secretariat, research services, and other support for the Chairman, the Council, the committees of the Conference, and other conference activities.

The conference membership will be organized into committees which will study problem areas and make reports and recommendations for consideration at plenary sessions of the conference. Committees will meet as necessary between plenary sessions. Research and other staff work for the committees will be carried out under the direction of the chairman, who is authorized to employ experts and consultants on a temporary basis.

The formal work of the 1961-62 Conference was concluded when that conference transmitted its recommendations to the President in December 1962. By any standard, the work of the temporary conference was a gratifying success. On April 30, 1963, 4 months after the filing of the final report, the Bureau of the Budget conducted a survey of agency implementation of Conference recommendations to that date. It included the responses of 38 departments and agencies to the 21 conference recommendations which were applicable to individual departments and agencies in some 583 instances.

Agency responses indicated 78 percent final approval without change, and another 10 percent approval in principle, with some modification to accommodate the special circumstances of the particular agency. Recommendations were rejected in less than 4 percent of the 583 instances.

Implementation of Conference recommendations in many cases effected substantial savings to the Government and to affected private interests. Some major examples would include implementation of the recommendation relating to unification of the armed services boards of contract appeals, production of briefs by means other than printing, revision of the procedures for licensing truck operations and airline operations, simplification of ratemaking procedures

generally, establishment of procedures for pretrial discovery, and consolidation of agency proceedings on comparative applications of various kinds.

Under the Administrative Conference Act, the Chairman is responsible for encouraging Federal agencies to carry out Conference recommendations. Through careful attention to the relative costs involved in existing procedures and in the procedures proposed, the Conference should be able to achieve substantial reductions in the expense of the administrative process—both to the agencies and to the private parties involved in agency proceedings.

In addition to his responsibility with respect to the implementation of Conference recommendations, the Chairman is authorized, upon the request of any agency, to provide assistance and advice on matters of administrative law and procedures generally. Also, he may collect from the agencies whatever information may be needed by the Conference. Under this authority, he will carry out a broad and effective statistical reporting function.

The request is based upon the appropriations for the 1961-62 Conference, plus estimated amounts required for a full-time Chairman and the small permanent staff. For the 18 months during which the temporary Conference of 1961-62 operated, Congress appropriated \$250,000 (Public Law 87-332 and Public Law 87-843); participating Federal agencies contributed an additional \$64,500 through an interagency group fund under 31 U.S.C. 691, and the Department of Justice, under the terms of the Executive order establishing the Conference, furnished permanent staff services which cost approximately \$75,000. The Chairman of that Conference was the chief judge of the U.S. Court of Appeals for the District of Columbia Circuit and therefore was not compensated from Conference funds.

On June 30, 1965, Congress appropriated \$250,000 for the organization and operation of the new Conference during the fiscal year 1966. The President's appointment of the Chairman and the other 10 members of the Council thereupon became the necessary first step in activating the organization. However, no appointments were made by the time the Committee on Appropriations had under consideration the 1967 Conference budget, and the committee was constrained to delete the item in the absence of a firm indication that the appointment of a Chairman was imminent. In so doing, the committee added its endorsement to the universal support enjoyed by the Administrative Conference idea and expressed the hope that the necessary appointments and a firm program of action would be forthcoming soon.

As you may know, I was confirmed by the Senate on October 19, 1967, and was sworn in as Chairman on January 25, 1968. Since January 8, 1968, I have been working to organize the Conference on funds made available from the President's expense of management and improvement fund, and have been aided in this endeavor by persons detailed to the Conference from the Department of Justice and the Federal Communications Commission. We have been furnished space and basic equipment on loan from the General Services Administration.

On February 7, 1968, the President appointed the 10 members of the Council to the Conference. I would like to offer for the record a document setting forth the names of the members, together with a very brief biographical sketch of each and the term of appointment. As you will see, it is a very distinguished group and evidences the President's keen interest in the Conference and his determination that it should succeed.

The distribution among various purposes of the total amount now requested for the operation of the new Conference is described in the budget justification transmitted to the subcommittee by the Bureau of the Budget.

I shall be glad to attempt to answer any questions which members of the committee may have respecting this budget request.

Mr. STEED. What is the picture at the moment with the funds advanced from the President's expense of management improvement, have you been able to get into full gear? Do you consider you are now functioning in terms of a complete program?

Mr. WILLIAMS. We are functioning only insofar as we can at the organizational stage. We are in the process now of selecting the membership for the assembly, that is the whole 85. We are projecting a meeting of that assembly in late May. Until we get some money we cannot start on any of the research of any of the studies. We have been planning, however, where we want to start with the aid of the Council and we have the Council coming back for a second meeting

the first of April. So this is in a planning stage. We are not actually engaged in the operation of the Conference and we can't be until we have a Conference meeting.

NATURE OF STUDIES AND RECOMMENDATIONS

Mr. STEED. How do you classify the workload that you plan to carry out? Do you call it areas of interest or—projects?

Mr. WILLIAMS. We call them problems or projects, but actually under the statute we have a broad charge, the entire area of administrative practice and procedure. This can be an across-the-board study for example of pretrial, prehearing procedures and all administrative processes, or it can focus upon procedural problems in a particular agency.

Mr. STEED. Do you anticipate, in addition to the specific recommendations you make to an agency or agencies, some of the findings in the work of your Commission to include recommendations to the President or the Congress, this sort of thing?

Mr. WILLIAMS. Yes. Under the statute we may specifically make recommendations to the Congress for change in legislation. For example, we could, as a result of our studies, determine that a certain section of the Administrative Procedure Act should be improved by change. It is specifically within our charge to recommend to the Congress that this change be made. We also have the authority to make recommendations to the President and also to the Judicial Conference, because of the courts' relationship to the administrative procedures and their judicial review processes. Indeed, part of our contemplation is, and this was done in the temporary conferences, that we will set up a liaison committee with the Congress and also the Judicial Conference.

Mr. STEED. In the source of the projects that you tackle, the origin of them, does the situation that I explain by the old phrase that the "squeaking axle gets the grease"; is this the sort of thing that originates inquiries?

Mr. WILLIAMS. This is only one source. The statute specifically provides that the squeaking axle matter would come to our attention and we would consider investigating it, but at the same time the agencies themselves may see problems and, indeed, have seen a number. The members of the Council, who are both practicing lawyers in the administrative field and Government people, contribute many problems. We initiate studies as well as attempting to resolve problems in particular areas.

Mr. STEED. If agency A thought that agency B had adopted procedures that were making an unneeded impact on agency A, would that be a matter they could bring to you?

Mr. WILLIAMS. It certainly would be; yes.

JURISDICTION OF CONFERENCE

Mr. STEED. This subcommittee has had testimony, and some of us have a very strong feeling about the situation that I would like to describe to you to see if you would consider that under your jurisdiction. Now we are advised in the Post Office Department, for instance, there is an enormous turnover of people putting on something like an

astronomical figure of 140,000 or more in a single year and about that many going off and there is a certain cost to the Government. Every time you put somebody on or separate them and that in the process of employing somebody working for the Government, a great deal of paperwork is placed on the Post Office Department by the Civil Service Commission regulations. I don't know what your own personal experience was, but we were told something like 47 pieces of paper are filled out by the time an individual steps from private life onto the payroll. Maybe this is all necessary but I would think that the private sector employees, the millions of millions of working Americans, have a lot less expensive overhead cost than that, and if some way could be found to curtail this and simplify it and still meet all the Government's needs, it could result in saving substantial amounts of money. As a matter of fact, you could justify your whole existence for a year just getting rid of unnecessary paper in the Post Office Department alone, if you are in a position to tackle this problem.

Mr. WILLIAMS. Mr. Chairman, I would say we would only get into this problem peripherally. The statute is directed at the administrative procedures which have to do with the dealings between the agency and the private citizens, the area that we more traditionally know as administrative law.

Now, this doesn't deny the fact that we are concerned with the efficient functioning of an agency in those procedures, as far as what we might call management or public administration is involved. So we are on a secondary basis concerned with the dealings of agencies with their employees and such. But our charge, looking at the statute defining administrative programs, has to do with the protection of the public interest and the determination of rights, privileges, and obligations of private persons through rulemaking, adjudication, licensing, or investigation. So we're not oriented toward the problem you mentioned.

Mr. STEED. Let me ask you about another kind of a situation. I come from a section of the country where a great many public work projects have been constructed and are being constructed, including multi-purpose dams on rivers and other facilities that lend themselves to recreational advantages to the public. The Corp of Army Engineers and Department of the Interior have promulgated regulations which set fees for these for the public to avail themselves of these recreational facilities. Some of them, obviously, require this. Finally, they get to what some of us think is kind of far afield; we always thought you charged a fee to visit a publicly owned recreational facility to offset the cost of the Government of maintaining that particular thing for recreation. Like for instance, the Mammoth Caves in Kentucky or some lodges and areas in some of our huge and beautiful national parks, but in many instances these fees were applied to areas where no facility, other than the lake itself, is involved. So here is a fee system that went, what I think, far afield, and has caused a great furor. Would a proposition of this sort properly come before a conference like this?

Mr. WILLIAMS. Now we get into a technical legal distinction. The procedural process by which those fees were established would be within our jurisdiction but whether there was to be a fee or not would not be, because this would be a substantive matter. Our statutes specifically forbids us to consider the scope of agency responsibility as established

by law on matters of substantive policy. Whether there should be a fee or not, would be a matter of substantive policy. The procedure by which they would go about establishing these regulations, whether they should have a public hearing, this sort of thing, would be in our jurisdiction.

Mr. STEED. What agenda do you have for the coming fiscal year in terms of a workload? Are you in a position to outline this sort of thing?

Mr. WILLIAMS. We are not in a position to be specific because the agenda will be determined by the Assembly itself when it meets in May. We have in the process of preparation, a large agenda of problems to investigate, which will be submitted to the committees of the assembly when they meet. Then the staff will be hired and we will move ahead on that basis. Until they meet, we can't commit ourselves because they are the ones who make the decision.

Mr. STEED. I have had some contact at various times with people from this national association that these accountants belong to. Of course, they get involved in a great many administrative procedural problems. Is this the sort of thing that would prevail as a workload?

Mr. WILLIAMS. I would say our counterpart to this would be the American Bar Association. Our orientation is largely legal processes at the moment. This doesn't mean that we can't concern ourselves with accounting. We will have members of the conference who are skilled in public administration, which covers both the accounting side and the legal side.

Mr. STEED. Would it be proper to assume a great source of your attention will be directed to these agencies of the Government that we call quasi-judicial?

Mr. WILLIAMS. That's quite correct.

Mr. STEED. Mr. Conte.

Mr. CONTE. Mr. Williams, I want to say it's really a pleasure to welcome you today. I want you to know that we have been looking for you for almost 4 years, so we are especially pleased to have you with us today.

Mr. WILLIAMS. Thank you very much.

REVISION OF ADMINISTRATIVE PROCEDURE ACT

Mr. CONTE. Is it within the province of the administrative conference to recommend a full scale revision of the Administrative Procedure Act and do you envision this occurring?

Mr. WILLIAMS. It certainly would be within our province. We discussed this problem at our first Council meeting, and it was the determination of the Council that they felt it would be wiser to approach this on a problem basis rather than on the basis "let's take a statute and rewrite it," because they felt this was the thorough way to go about getting adequate statutory changes when that time comes. We've got to know the basis for it.

Mr. CONTE. I wrote a term paper when I was in law school in this field. At that time I went around to different agencies of Government to try to ascertain what their rules and regulations were and what the procedure was for an attorney appearing before them. I was amazed at the lack of information that you could receive at some of these agencies.

Mr. WILLIAMS. That's right. There have been substantial improvements in this area, partially as a result of the work of the temporary conference and partially because of the Freedom of Information Act.

Mr. CONTE. You note that the members of the Council of the Conference were appointed on February 7, 1968. When would you expect to see the full conference body appointed?

Mr. WILLIAMS. The governmental members are on automatically by statute or designated by the heads of the agencies and the departments and there is the problem of allocating more than one representative to certain departments or agencies. We are working on that. As a result of the approval of the Council, we are in the process of appointing the public members. They have been approved and we are working on it. We hope to be able to announce shortly after the middle of April the total membership of the assembly.

Mr. CONTE. Are you in a position to give us a brief general description of what the major problem areas are that you will be dealing with?

Mr. WILLIAMS. If I did do so it would be on the basis of my own, rather than an official conference position.

Mr. CONTE. You will present your agenda to the Council, I imagine and they will have to approve it and add on or delete it.

Mr. WILLIAMS. That's right. Could I say what we are doing on the basis of examples rather than to cover every possibility?

As a matter of fact, when we have Council approval of the problems that they wish to submit to the Conference, we'd be delighted to send you a copy of this.

Mr. CONTE. I'd like to receive it, but I think we ought to have something for the record because we are going to be debating this bill on the floor of the House on April 9 and 10 and there may very well be questioning on this matter. It's important we have something ahead on that.

Mr. WILLIAMS. We'll supply you a basic outline of examples.
(The information follows:)

POTENTIAL SUBJECTS FOR CONFERENCE STUDY

Although the Council of the Administrative Conference, at its first meeting, considered briefly more than 100 potential subjects for study the actual selection of the initial undertakings of the Conference will be made at a subsequent meeting. The items listed below seem to be typical and are offered as a general illustration of the kinds of problems with which the Conference might profitably concern itself. As to each item, Conference study is likely, of course, to be somewhat more particularized than these brief descriptions of the problems indicate.

1. *Overjudicialization of administrative proceedings.*—Agency procedures for establishing the rights of private parties tend to be patterned after familiar court processes, even in rulemaking, ratemaking, licensing, and other kinds of administrative proceedings in which courtroom techniques are not always well suited to the kinds of determinations required. The Conference might usefully inquire, in connection with particular programs, as to the extent to which agency procedures should be removed from this mold and be tailored more specifically to the needs of the job the agency is required to do.

2. *Inadequate policy development.*—In some regulatory programs agencies have fallen short of meeting their policy responsibilities by venturing to act only on a case-by-case basis, avoiding commitment to affirmative policy and thereby failing to provide regulated interests with overall policy guidance. As a result, administration of the program tends to be uncertain, regulated interests find executive planning difficult, industry development often is diffident and halting, and the fundamental purpose of the program may be impaired. The Conference might undertake to identify the programs in which this problem is serious and recom-

mend steps to enable and encourage the agency to turn its efforts to developing policy statements and rules of general applicability.

3. *Reduction of reporting requirements.*—Requirements that regulated interests file reports with Federal agencies should be reviewed carefully to assure that the information required is necessary, and that the frequency of the reports can be justified. Where feasible, short forms and change cards should replace burdensome reports.

4. *Elimination of unnecessary cases of adjudication.*—It may be that many violations of agency regulations, deficiencies in reports and applications, and other causes of disputes which necessitate the institution of proceedings can be eliminated by better dissemination of program information and guidance through greater use of declaratory orders, advisory opinions, interpretive rulings, etc. Also, where proceedings are instituted, settlement should be encouraged wherever settlement is appropriate. These and other possibilities for reducing the tremendous volumes of cases before administrative agencies represent a fruitful area of investigation and reform.

5. *Inordinate delay and expense.*—One of the justifications for the steadily increasing reliance upon the administrative process in our system of government is the proposition that a specialized and expert administrative tribunal can dispose of a large volume of particular kinds of cases much more swiftly and economically than the courts. This expectation has not been fully realized. Singly or in combination, delay and expense in the extreme case can make a mockery of the process. Both problems warrant the most serious attention of the Conference. The potential is great for substantial savings in time and money—to the Government and the private interests involved.

6. *Delegations of authority by agencies.*—Frequently, board and commission agenda are cluttered with matters which do not warrant the attention of the heads of the agency and only rob them of time and energy which they should spend on their more important responsibilities. Appropriate delegations of responsibility to subordinates should be encouraged. Also, experience with the delegation of decisional authority to agency appeal boards tends to indicate that this is a valuable device which could be profitably used by more agencies.

7. *Ethics and improper ex parte influences.*—In the past, efforts to cope with ethical problems have tended to rely upon agency codes of conduct and other generalized solutions. The Conference might investigate the possibilities of a more immediate approach—identifying the particular points in particular procedures at which the integrity of the process may be in jeopardy and the ways in which improprieties might occur, then fashioning specific safeguards to be installed at those points, thereby really coming to grips with the problems instead of attempting to meet them from a posture of detachment.

8. *Simplified hearing procedures.*—The tendency to subject every case to the full panoply of procedural safeguards and devices without regard to the complexity of the case should be resisted. Shortened or abbreviated procedures should be developed for the less complicated cases.

9. *The trial examiner function.*—In 1963 the Civil Service Commission undertook to overhaul completely its administration of the examiner program. The experience since that time should be reviewed carefully to determine whether further changes are needed. The proper performance of the examiner function in hearing and deciding formal proceedings at the trial level is of critical importance to the success of the administrative process.

10. *Prehearing procedures.*—Important and complicated formal administrative proceedings often suffer from inadequate prehearing planning and scheduling. There may be many devices which the Conference might study, find useful in protracted proceedings, and recommend, including procedures for dealing with such problems as multiplicity of parties, early crystallization of the issues, use of written presentations in lieu of oral hearing on particular issues, limitations of the period of proof, controlled use of subpoenas, depositions, and other discovery techniques, notices to admit, limitations upon cross-examination and the use of experts, etc.

11. *Techniques for the presentation of complicated technical and economic data.*—Computers and automatic data retrieval equipment present unlimited possibilities for reducing to manageable proportions the tremendous volumes of detailed data of the kinds which are relevant in the administration of regulatory programs. Methods for using these data perhaps can be improved substantially through such new technology.

12. *Alternate staff plans.*—No application filed with an agency should be denied on grounds urged by the agency's expert staff if the staff can assist the applicant by providing an alternate staff plan which will amend the application to over-

come the objections and permit it to be granted. However, unless the practice of developing, presenting, and considering such plans is sensibly and responsibly controlled, agency proceedings on applications can degenerate into a quagmire of competing proposals. Agency experience with the practice should be studied carefully and recommendations for its appropriate application should be developed by the Conference.

13. *Separation of prosecuting from judging.*—Although the Administrative Procedure Act imposes desirable separation of functions requirements, the application or nonapplication of the provisions depends upon that act's classification of proceedings as rulemaking, adjudication, initial licensing, adjudication to determine the validity of rates, etc. It now is evident that such classification is not entirely satisfactory for this purpose, with the result that prosecutor-judge combinations still exist in areas in which fairness demands separation. The Conference should study the need for staff participation in particular decisional processes and develop an appropriate revision of the present requirements.

14. *Scope of agency review of subordinate decisions.*—Clearly, agencies should not have to undertake a complete review, *de novo*, of every examiner decision which is appealed to the agency. The concepts of certiorari review and summary affirmance, in whole or in part, of the subordinate decision upon appeal merit serious consideration and further development by the Conference.

15. *Jurisdiction, timing, and scope of judicial review of administrative actions.*—The statutory designation of the court which is to have jurisdiction to review particular agency orders generally lacks conceptual basis, and often is almost accidental. The doctrines of primary jurisdiction, ripeness for review, and exhaustion of administrative remedies enjoy a universality to which they perhaps are not entitled. Statutory limitations upon the scope of review sometimes preclude the correction of obviously questionable aspects of administrative action. These and a host of other problems relating to judicial review merit penetrating study.

MR. CONTE. This item was stricken from the budget in the past because there was no Council. What will be the time period of operations for the Conference that you envision?

MR. WILLIAMS. After the first meeting of the assembly in late May we can immediately hire consultants and begin studies. Some of the studies should be completed and the assembly should be evaluating some recommendations in the fall.

DURATION OF THE CONFERENCE

MR. CONTE. How long do you expect the Conference to exist?

MR. WILLIAMS. It is contemplated this is a permanent agency, a small independent agency on a par with the other regulatory agencies. The continuing process of implementing recommendations and developments takes time, that I strongly favor the contemplation of the statute that this be a permanent agency.

SIZE OF STAFF

MR. CONTE. I heard you say to the chairman that you envision hiring consultants. I hope you don't come in with too large a staff. You have some high paid staff here and I think you need them but then, by the same token you shouldn't go out and hire a lot of consultants to do the work for the staff.

MR. WILLIAMS. We intend to keep the professional staff quite small. Now as you note, we have three supergrades. We must remember that we are, by statute, contemplated to be on a par with the top independent regulatory agencies and my salary is set accordingly and so on, because if we are some small low-power agency located off in a room somewhere, we aren't going to accomplish anything with the independent

regulatory agencies and departments. Then we contemplate three other professional people, ultimately; two now, but ultimately no more than three who will be working on research with our outside consultants. We certainly do not contemplate building up a large staff because I don't think it is useful to have a research staff researching other agencies. They should be outside people, basically, being guided by us, being helped by us. This is what we definitely contemplate as a matter of policy.

Mr. CONTE. No further questions.

LICENSE PROCEDURES

Mr. STEED. I had a discussion with some people about the procedures and practices of the Federal Communications Commission and license renewals for radio stations and television stations. This gets into a very expensive and complicated process and the people in the industry felt that a much more simple device could be adopted with the exceptions being those instances where a review of the particular station itself was indicated.

Mr. WILLIAMS. I am pleased to tell you that this is precisely in our bailiwick.

Mr. STEED. I'd like to recommend that might be one area you might be able to take a look at. I am not up on the detail of it but apparently there is a lot of redtape involved here.

Mr. WILLIAMS. The whole structure of licensing is one of the areas of our very serious concern and undoubtedly one of the early areas we will go into.

Mr. CONTE. Would you go into the question of the length of the license. We held hearings in the Select Committee on Small Business on this particular area. Radio stations have to come in every year for renewal of their license, and this is a very costly procedure as the chairman points out and a cumbersome one.

Mr. WILLIAMS. We can get into this indirectly and it's very proper for us to do so. It's a substantive matter, as I'm sure you realize. As we go into the procedures and we find procedures are complicated, and sometimes they have to be fairly complicated, we can point out the great hardship that results from the necessity of fairly complicated procedures when you have to renew every few years. Indirectly, we can get into this area because of the way they reflect on our procedural problems.

Mr. STEED. If my information is correct, what happens in a situation like this by a sort of evolutionary process over the years, a situation develops that apparently, to me, is no advantage to the Government or the agency's ability to protect the public's interest. It certainly was no advantage to the client because it imposed a lot of cost on him and the only beneficiaries I saw from it were the practitioners who would get a bigger fee for the more redtape they are privileged to unwind for those who are compelled to do business with the Government in order to stay in business. Redtape for redtape's sake is an undesirable thing.

Mr. WILLIAMS. It certainly is. We intend to look into this.

Mr. ADDABBO. Are you looking into the question of Government employees' union organization relationships with management?

Mr. WILLIAMS. This, again, basically, is a substantive matter of Government control and is not within our basic jurisdiction.

SAVINGS TO BE ACHIEVED

Mrs. REID. Mr. Williams, on page 4 of your statement you refer to substantial savings to the Government as a result of implementation of earlier conference recommendations. Do you have any figures?

Mr. WILLIAMS. We don't have specific figures because the temporary conference went out of existence and they were not able to run figures. Now, I will be very frank with you. It will be difficult to analyze on a strictly cost basis many of the improvements we will make. For example, unification of the armed service boards of contract appeals resulted from the temporary conference. I am sure there are tremendous savings here, but just exactly what they will be in dollars and cents will be very difficult to calculate. But we are going to try when we get underway.

PROCESSING COMPLAINTS

Mrs. REID. When matters are brought to your attention by persons outside of the Government, exactly through what channels will these private appeals be made?

Mr. WILLIAMS. We have already talked over the matter of establishing procedures in this area. What we want to avoid is being a clearing-house for complaints, because this is not our function. Our function is to investigate complaints not to resolve those complaints, but only insofar as they may point up a difficult area that needs investigation. Now what we have done is this, we have established rules with the Council that we will receive any citizen's complaint in writing. We will notify him that we are not there to try to solve his complaint but we are interested in such complaints only as they may point up difficulties in administrative procedures. In addition, we have liaison with the White House special assistant, Mr. Goldstein, who receives these complaints that come into the White House. He will refer them over to us, again, for this limited purpose. So we will build up a file of where trouble spots are, for purposes of investigation, and we would be delighted, of course, to have any Member of Congress refer them to us. It is important, and we stress that it is important that we cannot get into the business of running through an individual's complaint to find out what went wrong and to solve it for him. That isn't what we are here for but rather to find out where the trouble spots are.

IMPLEMENTATION OF RECOMMENDATIONS

Mrs. REID. With respect to implementation of conference recommendation, are these binding in any way?

Mr. WILLIAMS. No.

Mrs. REID. Could they become binding through Executive order of the President?

Mr. WILLIAMS. They could become binding by Executive order of the President, by amendment of statutes, by the Congress, by the agencies themselves adopting them and putting them in regulations. Actually there is also the informal process which we have to recognize. The Chairman is obligated to make an annual report to the Congress and to the President and this report, obviously, will include the extent to which recommendations are adopted by the various agencies. This will all be a public matter and if they don't adopt them, they will have

to stand up against honest pressure and justify it by honest reasons, which I think is a very fine system.

Mrs. REID. Will you detail your own staff people to furnish special assistance to agencies concerned with the implementation of particular recommendations?

Mr. WILLIAMS. Yes, and we are very fortunate in this respect because my Executive Secretary, Mr. Maxson, has been the Director of the Office of Administrative Procedures in the Department of Justice. This has been his function over there, and he is already receiving such calls.

RATEMAKING PROCEDURES

Mr. STEED. One final question, Mr. Williams. Among other things that come to our attention here is the problem the Post Office Department gets into in matters of their transportation activities, the matter of rates, that have to be established for them by the Interstate Commerce Commission and the Civil Aeronautics Board. The delays that they encounter create some real problems for them. Would the consideration of streamlining this procedure, so that these decisions could be made available to the Post Office Department in a shorter span of time, be something that you would consider?

Mr. WILLIAMS. Yes, sir, Mr. Chairman, and the whole area of rate-making and trying to expedite it is one that is, obviously, a very serious concern and one we are talking about actively getting into.

Mr. STEED. I think since the Post Office Department affects more people than probably any other agency and at more places and more often than anything else, that a preference of one Government agency to that Department could be justified.

Mr. WILLIAMS. It certainly is within our jurisdiction to investigate the grounds of priority on something like ratemaking and make recommendations.

Mr. STEED. I'm not complaining about the fact that the Post Office Department shouldn't go there to get the rate set but when it strings out month after month, and sometimes through a whole fiscal year, it makes for some very severe complications. If something in some way can be found to shorten this process, I think the impact on the carriers and the Department itself, would be one that would be highly desired because this is a round-the-clock thing, this movement of mail, by all sorts of transportation facilities. The rates are a key to it.

Mr. WILLIAMS. Yes. Mr. Cushman, I think, might make mention of this.

Mr. CUSHMAN. I just want to mention this whole area where the public is dealing with the Government as distinguished from these big formal cases which we traditionally think about, like the television cases. As I see it, there is a great need to look at procedures in medicare, procedures in the Veterans' Administration and a number of programs, sometimes described as grant programs, where the average citizen is really finished when somebody with whom he has dealt across the table says "you are entitled to x dollars and no more." I'm not saying we can get into all of these all at once. But we tend to think about the administrative process in terms of the "big seven" regulatory agencies—that is where all the problems are, and there are a lot of problems there. But in addition, we have a very large, as I see it, jurisdiction to go into a lot of other things. We would certainly give very careful consideration to a high priority to the kind of thing you are mentioning.

Mr. STEED. Thank you. On behalf of the committee, I want to express our appreciation for your appearance and cooperation.

Mr. WILLIAMS. Thank you. I wanted to express our appreciation. We are delighted to be working with you. I think we are going to be able to show some results when we get some money.

Mr. STEED. We hope so. Thank you very much.
The committee will adjourn.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

WITNESSES

WILLIAM G. COLMAN, EXECUTIVE DIRECTOR

JOHN SHANNON, ASSISTANT DIRECTOR

ELTON K. McQUERY, ASSISTANT DIRECTOR

ARTHUR J. CRATEN, BUDGET OFFICE, GENERAL SERVICES ADMINISTRATION

SALARIES AND EXPENSES

OBJECT CLASSIFICATION

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....	309	373	393
11.3 Positions other than permanent.....	1	3	9
11.5 Other personnel compensation.....	6	2	6
Total personnel compensation.....			
	316	378	408
12.0 Personnel benefits.....	22	26	28
21.0 Travel and transportation of persons.....	8	22	32
23.0 Rent, communications, and utilities.....	6	7	7
24.0 Printing and reproduction.....	47	40	45
25.1 Other services.....	14	10	5
25.2 Services of other agencies.....	15	13	12
26.0 Supplies and materials.....	5	6	9
31.0 Equipment.....		2	5
99.0 Total obligations.....	433	504	551

PERSONNEL SUMMARY

Total number of permanent positions.....	26	29	0
Full-time equivalent of other positions.....	0	0	1
Average number of all employees.....	26	29	31
Average GS grade.....	9.9	10.6	10.4
Average GS salary.....	\$11,432	\$12,856	\$13,030

PROGRAM AND FINANCING
[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Advisory Commission on Intergovernmental Relations (program costs, funded) ¹	428	504	551
Change in selected resources ²	5		
10 Total obligations.....	433	504	551
Financing:			
11 Receipts and reimbursements from: Federal funds.....	-1		
25 Unobligated balance lapsing.....	4	6	
40 New obligational authority (appropriation).....	436	510	551
Relation of obligations to expenditures:			
10 Total obligations.....	433	504	551
70 Receipts and other offsets (items 11-17).....	-1		
71 Obligations affecting expenditures.....	432	504	551
72 Obligated balance, start of year.....	48	45	55
74 Obligated balance, end of year.....	-45	-55	-67
77 Adjustments in expired accounts.....	-1		
90 Expenditures.....	434	494	539
Expenditures are distributed as follows:			
Out of current authorizations.....	386	449	484
Out of prior authorizations.....	48	45	55

¹ Includes capital outlay as follows: 1967, \$0; 1968, \$2 thousand; 1969, \$5 thousand.

² Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, \$18 thousand (1967 adjustments, \$1 thousand); 1967, \$22 thousand; 1968, \$22 thousand; 1969, \$22 thousand.

Mr. STEED. The committee is in session to consider the budget request for the Advisory Commission on Intergovernmental Relations. We are pleased to have Mr. William G. Colman, the Executive Director, Mr. John Shannon, the Assistant Director, Mr. Elton K. McQuery, the Assistant Director, and Arthur Craten, the General Services Administration budget officer with us. The appropriation for the Commission last year was \$510,000. The budget estimate for 1969 is \$551,000 an increase of \$41,000.

JUSTIFICATION OF THE ESTIMATES

We will insert the justifications at this point in the record.
(The justifications follow:)

Budget estimate and justification for fiscal year 1969

1968 appropriation.....	\$510,000
Change.....	41,000
1969 estimate.....	551,000

GENERAL STATEMENT

A. OBJECTIVES OF THE COMMISSION

The Advisory Commission on Intergovernmental Relations was established by Public Law 86-380 on September 24, 1959.

The Commission is composed of 26 members—three Members of the U.S. Senate, three Members of the U.S. House of Representatives, three private citizens appointed by the President, three officers of the executive branch of the National Government, four Governors, three State legislators, four mayors, and three county officials. The President designates the Chairman and Vice Chairman from among the members.

The purpose of the Commission as set forth in the statute is to—

- (1) Bring together representatives of the Federal, State, and local governments for consideration of common problems;

(2) Provide a forum for discussing the administration and coordination of Federal grant and other programs requiring intergovernmental cooperation;

(3) Give critical attention to the conditions and control involved in the administration of Federal grant programs;

(4) Make available technical assistance to the executive and legislative branches of the Federal Government in the review of proposed legislation to determine its overall effect on the Federal system;

(5) Encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation;

(6) Recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government; and

(7) Recommend methods of coordinating and simplifying tax laws and administrative practices to achieve a more orderly and less competitive fiscal relationship between the levels of government and to reduce the burden of compliance for taxpayers.

B. 1967-8 EXPANSION OF ACIR ACTIVITIES PURSUANT TO RECOMMENDATIONS OF THE CONGRESS

In May 1965, the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations conducted joint hearings as the basis for review and evaluation of the performance of the Advisory Commission on Intergovernmental Relations during its first 5 years. An effort was made to obtain critical appraisals from public officials and the various organizations and individuals familiar with the Commission's work, and solicit suggestions for its future role.

The committees recommended a modest expansion of activities of the Commission including: (a) initiation of occasional regional meetings of Federal-State-local officials; (b) sponsorship of periodic nationwide conferences on intergovernmental relations; (c) increased attention to implementation of the Commission's recommendations; (d) holding at least one Commission meeting a year outside of Washington; (e) initiation of a program of internship training aimed at training four beginning level professionals each year in intergovernmental relations, such people then continuing their careers in Federal, State, or local agencies.

For fiscal year 1968 the Commission sought and Congress appropriated funds for all of the foregoing activities except for the training of intergovernmental interns. Two positions were added to the Commission's staff at the beginning of fiscal year 1968 to support the expansion in activities. These two positions were Assistant Director (program implementation) and a secretary.

During fiscal year 1968 the Commission has held one meeting outside of Washington and has conducted one regional meeting. Additionally the Commission, in October 1967, sponsored a national conference on State legislative leadership involving majority and minority leaders, speakers, and presidents pro tempore from the 50 legislatures and representatives of party and committee leadership in the Congress. The purpose of the conference was to open up channels of communication between legislative bodies at the State level and the Congress.

In addition to the expansion in activities being undertaken as a result of recommendations of the Congress, two other positions were added to the Commission's staff in late fiscal year 1967 and early 1968. These positions (one professional and one secretarial) are for the purpose of fulfilling the Commission's responsibilities under Budget Circular A-85, providing for consultation with State and local officials regarding regulations and guidelines under consideration by Federal agencies for the administration of Federal grant programs.

C. ADDITIONS TO EXISTING ACTIVITIES PROPOSED FOR FISCAL YEAR 1969

The budget request for fiscal year 1969 is based on the assumption of present activities and responsibilities with no significant expansion in scope. Nevertheless, an increase of \$41,000 (including cost of pay increase) over the amount provided for fiscal year 1968 is necessary for satisfactory discharge of the present responsibilities of the Commission. These additions are attributed as follows:

1. Addition of a stockroom assistant (\$5,000) in order to handle an increased volume of publications shipments. As the Commission's work becomes better known over the country the demand for its publications and draft legislative proposals increases. This demand ensues despite per-

sistent efforts to restrict the growth of the mailing list and to divert orders for large supplies of publications to the Government Printing Office wherever possible. Despite these efforts, requests for supplies of Commission materials continue to increase, particularly for statewide meetings of such organizations as State municipal leagues, League of Women Voters, State chambers of commerce and others. The increased interest of the business community in strengthening State and local government and the availability of Commission reports and draft legislative proposals as a means of achieving these objectives has contributed significantly to the increase in physical volume of publications being handled during the past year.

2. Additional net increase of \$25,000 in personal compensation, consisting mainly of the first full-year effect of the pay increases effective in October 1967, within-grade increases, grade promotion of one professional employee and increase in overtime.

3. Increase of \$5,000 in printing costs for the reasons described in (1) above.

4. Increase of \$2,000 in personnel benefits.

5. Increase of \$10,000 in travel costs to cover scheduled meetings.

6. Increased consumption of office supplies (\$3,000). This is due to the need to handle a large volume of mail and other requests from the public.

7. Rental of automatic typewriter (\$3,000). This equipment will be rented in order to avoid an otherwise necessary increase in typing staff.

8. The increases noted (\$53,000) are offset by decreases of \$6,000 in other areas and an anticipated \$6,000 savings in the fiscal year 1968 appropriation.

D. WORK PROGRAM

During fiscal year 1968, the following additional reports are expected to be completed, or brought near to completion:

1. Fiscal balance in the American Federal system.

2. Balanced urbanization and new community development.

During the fiscal year 1968, as the above projects are completed, work will begin on two other problems that have been selected by the Commission for study:

1. State aid to local governments.

2. Intergovernmental responsibilities for Medicaid.

As in prior years, a considerable part of the Commission's efforts during fiscal year 1968 will be concerned with following through on recommendations previously made with considerable emphasis upon securing legislative and administrative implementation at the State level. A significant proportion of professional staff time is devoted to implementation. This activity is a highly difficult but very important part of the Commission's work because the only true test of the worth of the Commission's activities is in the degree to which it contributes directly to actual changes for better Federal-State-local relations. Promoting legislation at the State level in behalf of recommendations which the Commission makes to the States involves:

(a) Securing the cooperation and support of national organizations of State and local officials, including the Governors' conference, organizations of State legislative leaders, National League of Cities, National Association of Counties, and U.S. Conference of Mayors;

(b) Working closely with Governors, State legislators, State organizations of municipal and county officials, and other public, private and non-profit organizations in particular States in behalf of legislative or administrative action recommended by the Commission.

Recommendations made by the Commission to the National Government for legislative action are usually introduced as bills by the congressional representatives on the Commission from the Senate and House. The Commission works closely with the Subcommittees on Intergovernmental Relations of the Government Operations Committees of the House and Senate. The Commission also works closely with the Executive Office of the President and with department and agency officials on administrative, procedural, and legislative proposals affecting intergovernmental relation.

E. ACCOMPLISHMENTS IN PAST YEAR

The Commission has issued a variety of reports containing a large number of specific recommendations for legislative and administration action by Federal,

State, and local governments. Following is a summary of progress in the implementation of the major recommendations of the Commission.

Federal legislation enacted

During the first session of the 90th Congress certain ACIR recommendations pertaining to the administration of the antipoverty program were enacted into law. The authorizing legislation for the Office of Economic Opportunity was amended to provide that local community action programs be conducted under the supervision of local units of general governments (cities, counties, and towns) with such arrangements subject to bypass in certain situations. This amendment, proposed by Representative Green, Democrat, of Oregon, was supported by some mayors and most county officials throughout the country. It parallels the recommendation made by the Commission in its 1966 report on "Intergovernmental Relations in the Poverty Program." Another amendment, new section 221(d) carries out the poverty report recommendation that CAA's should initiate comprehensive plans to guide antipoverty programs, although the ACIR recommendation called for administrative action. Finally, new section 635(a) carries out, at least in part, the Commission's recommendation that the OEO Director accelerate steps for the collection of data on incidence of poverty and application of antipoverty resources. This new section provides that the Director may "carry on research or studies concerning the improvement of information systems in support of the purposes of this act, * * *"

Federal legislation introduced

Legislation introduced, but not yet enacted, in the first session of the 90th Congress designed to implement recommendations of the Commission, include the following:

1. The omnibus Intergovernmental Cooperation Act of 1967, S. 698 (Muskie, et al.) and H.R. 5522 (Fountain), H.R. 5523 (Dwyer), H.R. 5524 (Fascell), H.R. 5525 (Reuss), H.R. 5526 (Machen), and H.R. 5527 (Ullman). The proposed legislation is an expanded version of the predecessor legislation introduced in the 89th Congress (S. 561).

(a) Title II provides for improved administration of grants-in-aid to the States (the initial title covers definitions). The entire title was endorsed by the Commission at its 19th meeting (Jan. 18-19, 1965) and the specific provision for increased flexibility in connection with "single State agency" requirements in Federal grants-in-aid was recommended in "Statutory and Administrative Controls Associated with Federal Grants for Public Assistance," May 1964.

(b) Title III permits Federal departments and agencies to provide specialized or technical services to State and local units of government; this provision was endorsed by the Commission at its 12th meeting, December 13-14, 1962.

(c) Title IV establishes a coordinated intergovernmental policy and improved administration of grants for urban development; most of the title's provisions are based on recommendations emanating from the Commission's report on Impact of Federal Urban Development Programs on Local Government Organization and Planning, January 1964, and its report on The Problem of Special Districts in American Government, May 1964.

(d) Title V of S. 698, and all but one of the House companion measures provides for more systematic congressional review of future grants-in-aid to State and local governments (Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments, June 1961).

(e) Title VI of S. 698, and most of the House bills, authorize the President to submit grant consolidation plans to Congress under terms comparable to the Reorganization Act of 1949; the Commission endorsed this provision at its April 14, 1967 meeting.

(f) Title VII of S. 698 relates to the acquisition, use, and disposition of land within urban areas by the General Services Administration and seeks to assure greater conformity with the land utilization programs of affected local governments; the basic principles of this title were endorsed at the Commission's ninth meeting, May 4, 1962.

(g) Title VIII of the Senate bill establishes a uniform national relocation policy with respect to relocation payments and advisory assistance (this title implements several recommendations advanced in the Commission's report Relocation: Unequal Treatment of People and Businesses Displaced by Government, January 1965).

(h) The last title of S. 698 establishes a uniform land acquisition policy for Federal and federally assisted programs in an attempt to encourage acquisition by amicable agreements with owners and to promote greater public confidence in governmental acquisition practices; the basic provisions of title were endorsed by the Commission at its April 14, 1967 meeting.

Hearings on S. 698 and other intergovernmental legislation were scheduled by the Senate Subcommittee on Intergovernmental Relations early in 1967, but it was not feasible to include S. 698 in the hearings finally conducted. All of the House measures were referred to the Subcommittee on Executive and Legislative Reorganization of the Government Operations Committee. No action was taken on the House bills during the 1967 session.

2. Separate legislation providing for periodic congressional review of grants-in-aid has also been introduced in the 90th Congress including S. 458 (Mundt), S. 735 (Scott), and H.R. 8194 (Long of Maryland). Both Senate bills were referred to the Senate Committee on Government Operations, and the House bill was referred to the House Committee on Government Operations. No action has been taken by either committee. (Periodic Congressional Reassessment of Federal Grants-In-Aid to State and Local Governments, June 1961.)

3. Separate legislation has been introduced dealing with relocation of people and businesses displaced by Federal or federally aided public works programs. H.R. 386 (Cohelan), H.R. 5528 (Fountain), H.R. 7078 (Hall), H.R. 10549 (Cramer), and H.R. 8651 (Pepper) were referred to the House Committee on Public Works and H.R. 624 (Gonzales) and H.R. 2049 (Adams) were referred to the House Government Operations Committee. All of these measures incorporate the Commission's relocation recommendations. No action has been taken on this legislation.

4. An amendment to the Buck Act (4 U.S.C. 105-110) permitting States under specified conditions to levy property taxes on privately owned property located in Federal areas was introduced by Congressman Aspinall (Colorado) (H.R. 3892) and by Senator Muskie (S. 1364). The House measure was referred to the House Committee on Interior and Insular Affairs, and the Senate measure to the Committee on Government Operations and subsequently to the Subcommittee on Intergovernmental Relations. No action has been taken by either committee. (State and Local Taxation of Privately Owned Property Located in Federal Areas, June 1961.)

5. An amendment to the Internal Revenue Code permitting individuals to claim a credit against Federal income tax for 40 percent of their State and local income taxes, in lieu of deducting such taxes, was introduced by Congressman Ullman on January 10, 1967 (H.R. 1415). A similar measure was introduced in the Senate by Senator Pearson on May 10 (S. 1743). The chief difference between the two is that the latter allows a 50-percent deduction for such taxes. The House bill was referred to the House Committee on Ways and Means and the Senate bill to the Senate Finance Committee. No action has been taken on either measure. (Federal-State Coordination of Personal Income Taxes, October 1965.)

6. Legislation authorizing the Secretary of Treasury to enter into mutually acceptable agreements with States for Federal collection of State income taxes was introduced by Representative Ullman on January 10, 1967 (H.R. 1414) and was referred to the Committee on Ways and Means. No action has been taken. (Federal-State Coordination of Personal Income Taxes, October 1965.)

7. Several bills amending the Internal Revenue Code to disallow for income tax purposes the deduction of rent paid for the use of municipally financed industrial plants under certain conditions were introduced in the House. Two of the bills carry out the Commission's recommendations contained in its report on Industrial Development Bond Financing, June 1963. The two bills are H.R. 7979 (Dwyer) and H.R. 7984 (Fountain). Other measures introduced would go further than the Commission recommended and some would outlaw industrial revenue bonds entirely. The other bills dealing with the subject include H.R. 876 (Minish), H.R. 5485 (Reuss), H.R. 5519 (Zablocki), H.R. 9172 (Corman), H.R. 9182 (Fountain), H.R. 9162 (Annunzio), H.R. 9203 (Nix), H.R. 9471 (Dulski), H.R. 10149 (Ullman), and H.R. 11645 (Byrnes et al.). All of these measures have been referred to the Ways and Means Committee, but no action has been taken. In the Senate S. 1282 was introduced by Senator Nelson and referred to the Senate Finance Committee.

8. Amendment of the Federal estate tax increasing the Federal credit allowed for death taxes paid to the State was introduced by Congressman Fountain and Congressman Ullman on April 11, 1967 (H.R. 8329 and H.R. 8351 respectively); both were referred to the Committee on Ways and Means, but no action has been

taken. (Coordination of Federal-State Inheritance, Estate, and Gift Taxes, January 1961.)

Federal administrative action

The Commission's 1963 report on Industrial Development Bond Financing met with renewed interest in the Federal executive branch because of the expanding use of this type of Federal tax-exempt activity by local governments. The Treasury Department, in particular, has been involved in three areas of controversy on this subject; (a) the perennial taxpayer equity question involved in the exemption of interest on State and local securities for Federal income tax purposes, (b) the legitimacy of continuing to allow the tax exemption privilege in view of its possible abuse and accelerating use by localities, and (c) the issue of whether commercial banks should be permitted to expand their security underwriting activities to include industrial development bonds.

The Commission began fulfilling its responsibilities as the clerical and administrative intermediary between State and local governments and Federal agencies regarding proposed changes in regulations governing Federal assistance programs. This action implements Bureau of the Budget Circular, A-85, to carry out the President's memorandum of November 11, 1966, directing major Federal departments and agencies to consult with State and local officials in the administration of Federal grant programs. Because the program is of such recent vintage and represents "new territory" in the intergovernmental relations field, it is expected to expand gradually as Federal agencies and public interest groups find their mutual interests increasingly served.

The Secretary of Labor issued a revised regulation in February 1967 (adding new paragraph (d) to 20 CFR 602.2) requiring that with respect to any single labor area covering parts of two or more States, the State employment security agencies involved shall establish and maintain adequate arrangements and procedures to assure that workers and employers have full access to job opportunities and the available labor supply within the area, without regard to State boundaries. This regulation implements the Commission's recommendation to the Federal Government in its January 1965 report on Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs, which calls for the Secretary of Labor to take steps to assure that public employment services are provided to all job applicants and employees within metropolitan area labor markets regardless of State lines.

STATE AND LOCAL GOVERNMENT

One or more statutes similar to draft bills developed by the Commission or consistent with Commission recommendations were enacted in most States during the 1966-67 biennium. The draft bills appear in the Commission's 1968 State legislative program. The following is a list of States that adopted legislation similar to, or embodying provisions of, these bills developed by the Commission to implement its recommendations.

Taxation and finance

1. State collection of broad-based local sales taxes.
1966: Virginia.
1967: Colorado, Ohio, Texas, and Utah.
2. State collection of local income taxes. 1967: Maryland and Michigan.
3. Authorization for local governments to invest and receive interest on idle funds.
1966: Significantly broadened authority in Kentucky.
1967: New Mexico (proposed State constitutional amendment to broaden authority), and South Carolina. Broadened authority in South Dakota and North Carolina.
4. State technical assistance to local government debt management.
1966: Kentucky.
1967: Alaska.
5. Property tax reform and changes.
1966: California.
1967: Arizona, New Jersey, Tennessee, and Washington.
6. Adoption of real estate transfer tax (documentary stamp tax).
1966: Delaware, Hawaii, Michigan, and Rhode Island.
1967: California, Colorado, Georgia, Illinois, Maine, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, and Vermont. States that raised

- rates to add on Federal tax that expired January 1, 1968: Minnesota, Rhode Island, South Carolina, Tennessee, and West Virginia. Kansas and Oregon enacted laws requiring declaration of consideration paid for transfer.
7. Authorization of exchange of tax records and information. 1967: Georgia.
 8. Use tax credits for sales paid in other States. 1967: Colorado, Hawaii, Utah, and Washington.
 9. Requires evidence of payment of personal property tax on automobile as a condition for registration.
1966: Georgia.
1967: Arkansas.
 10. Adoption of State personal income tax.
1967: Michigan and Nebraska.
 11. Bringing State income tax provisions into harmony with Federal Code.
1966: Kentucky and Vermont.
1967: Kansas, Maryland, Michigan, Nebraska, and North Carolina.
 12. State regulation of the issuance of local industrial development bonds.
1967: Arkansas (prohibits lessee of facility from purchasing or having an interest in bonds), Massachusetts, Minnesota, and Pennsylvania (State agency approval required).

Structural and functional relationships

1. Authorization for local units of government to exercise functions jointly or to contract with one another for performance of functions.
1967: Arkansas, Michigan, Montana, South Carolina, Tennessee, and Washington.
2. Authorization for metropolitan, county and regional planning, and for establishment of planning and development agencies.
1966: Missouri and New Jersey.
1967: Illinois (Northeastern Illinois metropolitan area), Indiana, Ohio, New Mexico, North Dakota, and Vermont.
3. State agency for local affairs or community development.
1966: Colorado, Illinois, Missouri, and New Jersey.
1967: Connecticut, Minnesota, Missouri (gives departmental status to office establish in 1966), Ohio, Tennessee, Vermont, Washington, and Wisconsin.
4. Authorizes county-wide agency to review creation of special districts, boundary changes and incorporations.
1967: Washington.
5. Liberalizing procedures for municipal annexation of territory.
1966: Georgia.
1967: Arizona, Kansas, and Oregon.
6. Authorization for formation of councils of local officials.
1967: Arkansas, North Carolina, Ohio and Tennessee.
7. Provision for local governments exercise of "residual" home rule powers.
1966: Massachusetts constitutional amendment approved in November 1966.
8. Municipal water supply and sewage disposal planning and regulation of wells and septic tanks.
1966: Maryland.
9. State aid for local sewage disposal and water supply.
1966: Georgia (authorization expanded), Delaware, and Wisconsin.
1967: Arizona, Colorado, Connecticut, Michigan, Missouri, Nebraska, Pennsylvania (constitutional amendment authorizing bond issue), Oregon, and Washington.
10. State assumption of at least 50 percent of general assistance costs.
1967: Massachusetts.
11. Uniform relocation assistance.
1967: Indiana and New Jersey.
12. Authorization for adoption of building codes by reference.
1967: Kansas, Minnesota (authority expanded), Montana, and Utah.
13. Broadening availability and reciprocity of public employee retirement systems.
1967: Michigan, Missouri, New Hampshire, Pennsylvania, Utah, and Wyoming.
14. Authorization for State and local governments to acquire and preserve "open space" and grant tax credits for scenic easements.
1967: Connecticut, Colorado, and Washington.
15. Authorizing establishment of county subordinate service areas.
1967: Utah.

16. State aid for low-income housing.

1967: Hawaii (rent supplements), New York (capital grant for low-rent assistance program expanded), and New Jersey (demonstration grants for construction or rehabilitation).

Actual draft language has not been developed for all Commission recommendations. In these instances, policy statements are submitted for reconsideration of the States. The following listing summarizes action taken in the States consistent with these Commission proposals. In other cases, States have taken actions consistent with ACIR recommendations, but along lines differing from the specific approach incorporated in the Commission's draft bills. Such action is also included in the following listing:

Taxation and finance

1. Easing restrictions on local debt.
1966: Illinois, Michigan (permits simple majority vote for G.O. bonds for home rule villages), and Pennsylvania.
2. Property tax reform.
1966: Virginia.
1967: Idaho, Florida, and Nebraska (exempted household goods).
3. Exempting business inventories from property tax.
1967: Idaho (gradual phaseout) and Minnesota.
4. More intensive use of personal income tax.
1967: California, Iowa, and Maryland.
5. Uniform apportionment formula for corporate income tax purposes.
1967: Hawaii, Utah, and Oklahoma.
6. Eliminate charge for out-of-State sales tax audit.
1967: Texas.

Structural and functional relationships

1. Stricter standards for incorporation of new municipalities.
1966: Colorado.
1967: New Mexico.
2. Authorization for metropolitan, county, and regional planning.
1966: Kentucky and Louisiana.
1967: Missouri, New York (broadens the regional planning responsibilities of counties) and Wisconsin, Iowa (extends authorization for regional planning commissions to cities and towns).
3. Authorization for local governments to form authorities for management of areawide transportation facilities.
1966: Maine and Virginia.
1967: Hawaii, Indiana (for counties with first-class cities), Minnesota, Michigan, California (authorizes Santa Cruz Metropolitan Transit District), and Washington (Metropolitan Municipal Corporation given expanded authority for mass transit).
4. State financial assistance for urban transportation facilities.
1967: New York.
5. Authorization for State and local governments to acquire and preserve "open space."
1966: Virginia.
6. Authorization for metropolitan charter or study commissions.
1966: Missouri and Florida.
7. State establishment of a metropolitan council of government.
1967: Minnesota (Metropolitan Council for Minneapolis-St. Paul area).
8. Coordination of State programs affecting water resources development and supply.
1966: Wisconsin.
1967: Arizona, Minnesota, North Carolina, South Carolina, Texas, and Washington.
9. Restricting zoning authority to counties and larger municipalities in metropolitan areas.
1966: Kentucky.
10. Strengthening State water pollution control programs.
1966: Colorado, Georgia, Kentucky, Maryland, and Wisconsin.
1967: Arizona, Connecticut, Nebraska, Washington, Indiana, Kansas, and West Virginia.
11. State sharing in local urban renewal costs.
1966: Rhode Island.

- 1967: Connecticut and New Jersey.
12. State financial aid to low-income housing.
1966: Massachusetts and Michigan.
1967: Alaska (authorized Governor to prepare plan), Connecticut (rental housing for the elderly), and New Jersey.
 13. Authorization for establishment of vocational education on an areawide basis.
1967: New Mexico and Montana.
 14. Authorization of areawide administration for water and sewer facilities.
1967: Connecticut (creates Southeastern Connecticut Water Authority).
 15. Expands authority for joint exercise of powers.
1967: Kansas.
 16. Granting authority to municipalities to exercise planning, zoning, and sub-division control in fringe areas.
1967: North Dakota.
 17. Liberalizing annexation laws.
1967: Kansas.
 18. Authorization of study to consider the establishing of a division of building codes.
1967: Massachusetts.

A steering committee consisting of representatives of several State building code agencies met in Madison, Wis. in November and agreed to form a conference of State officials to study building codes and standards, to exchange technical information, and to facilitate appropriate Federal-State cooperation in this field. This represents the initial consideration by the States of proposals advanced by the Advisory Commission in its report on "Building Codes: A Program for Inter-governmental Reform," wherein States were urged to take a more active role in the formulation and enforcement of building codes. The steering committee has indicated that it will call a national conference of appropriate State officials concerned with building codes and standards to discuss further the establishment of a permanent organization of such officials.

New draft State legislative proposals were prepared to implement recommendations of the report on "State-Local Taxation and Industrial Location" adopted in 1967 and to implement recommendations in previous reports for which draft legislation was needed. They are contained in the Commission's "1968 State Legislative Program" as separate new proposals or major amendments to previous proposals. The new draft bills cover the following subjects:

"Repeal of Tax on Business Inventories and Reimbursement to Local Governments."

"State Assessment of Industrial Property."

"Income and Sales Tax Amendment Establishing Physical Presence Rules."

"Fiscal Measures for Equalizing Property Tax Burdens."

"Debt Limitation Not Based Upon Assessed Value."

"Pooled Investment Fund."

"Relief From Tax Limitation by Home Rule or by Referendum."

"County Performance of Urban Functions."

"Taxing Authority for Metropolitan Service Corporations."

In addition to the proposals listed above, a draft bill on "Legislative Jurisdiction over Federal Lands Within the States" has been included in the "1968 State Legislative Program." This bill was prepared by a Special Committee on Legislative Jurisdiction of the Council of State Governments, and was included in the Council's 1959 edition of "Suggested State Legislation."

Explanation of distribution by objects

Personnel compensation and staffing: \$408,000 for 30 positions distributed as follows:

	1967	1968	1969
Total positions.....	26	29	30
Average employment.....	26	29	31

It should be noted that between fiscal years 1962 and 1965, the Commission staff employment was gradually reduced from 29 to 23, due to the absorption within the budget of a sizable proportion of successive pay increases voted by the Congress. It was increased for the preceding fiscal year by the addition of two

junior analysts to enable a better utilization of the senior professional staff for handling the Commission's growing workload. It was increased in the current fiscal year by four positions to (a) permit a modest expansion in activity as recommended by the Congress (two positions) and (b) enable the Commission to discharge its responsibilities under Budget Circular A-85 (two positions). The fiscal year 1969 request would bring the staff to a level of only one position in excess of that prevailing 7 years earlier.

One new position of stockroom assistant (GS-4) is required in order to cope with a greatly increased demand for publications of the Commission. A sizable number of these requests are for multiple copies of the Commission's reports and draft State legislative proposals for use in conferences and State legislative committee hearings. The Commission endeavors to keep its mailing list pruned through periodic circularization and removal from the list of persons not replying. For example, the Commission recently completed the purging of 1,100 names from its regular mailing list. Despite this and other measures designed to economize in the distribution of Commission reports, the increased attention being given to ACIR proposals, particularly in the State legislatures, is producing a continuing increase in the physical volume of materials shipped.

The Commission is operating with a small number of permanent positions, drawing on outside organizations, groups, and individuals wherever possible for information and expert opinion.

Except for the Executive Director and the three positions classified as Assistant Director, the Commission is following regular civil service classification and compensation schedules.

In addition to the Chairman, eight members of the Commission are entitled to claim \$50 per day for each day they are engaged in Commission duties. It is estimated that the Commission will hold four meetings during fiscal year 1969, each of which will involve 3 days on the part of each member. It is also estimated that an average of seven of the eight members so entitled will attend each meeting and will claim a total of \$4,000. In addition, it is estimated that three members will be attending each regional hearing involving a compensation cost of \$600. During fiscal year 1969, it is estimated that the Chairman will devote 90 days to the work of the Commission, and \$4,400 is provided for this purpose. Thus, a total of \$9,000 will be required for the compensation of Commission members.

Other objects

(1) \$28,000 for personnel benefits.

(2) \$32,000 for travel and transportation of persons. An amount of \$32,000 is estimated as necessary to meet the travel costs of the Commission and staff during fiscal year 1969. (a) \$10,000 will be required for travel costs for attendance of Commission members at three meetings of the Commission to be held in Washington. Experience indicates an average travel cost of \$3,375 for each Commission meeting. The above estimates, it should be noted, are based on average attendance and not on total membership. Moreover, for meetings held while the Congress is in session no travel costs are included for the three representatives of the executive branch and the six members from the Congress. (b) \$4,500 will be required to cover travel of Commission members and staff to a combined out-of-town meeting and regional hearing. (c) \$3,500 will be needed for travel of Commission members and staff in connection with the other regional hearing scheduled for fiscal year 1969. And (d) an amount of \$13,500 is estimated as necessary to cover travel expenses of the Chairman, Executive Director, and staff of the Commission in the conduct of continuing Commission activities.

(3) \$7,000 for communications includes \$1,600 for postage and \$5,400 for telephone, telegraph, and teletype services.

(4) An amount of \$45,000 will be necessary to cover printing and reproduction work for the Commission. During Fiscal Year 1969, as indicated earlier, a number of Commission reports will be issued. The Commission intends to have printed for fairly wide free distribution some but not all of the reports released during fiscal year 1969. Reports containing recommendations directed solely to the National Government, the President, Congress, and Federal agencies are multilithed or reproduced in some manner less expensive than printing and, except for a reasonable number of copies for libraries and nongovernmental groups interested in the work of the Commission, are not given wide distribution. Also, on occasion, in the case of informational reports containing compilations of information useful to a variety of public officials, private organizations, and the public generally, a limited free distribution is made with the remainder placed on sale by the Government Printing Office.

Reports directed wholly or in part to State and local governments are printed for fairly wide free distribution to those units of government, with the number of copies varying from 3,000 to 15,000 depending upon the subject matter.

(5) \$5,000 is requested for contractual services such as graphic arts, maintenance of office machines, Xeroxing, and other miscellaneous services.

(6) An amount of \$12,000 will be necessary to reimburse the General Services Administration for personnel, payrolling, accounting, and other administrative services required by the Commission. Because of its relatively small size, it is obviously more economical to obtain these staff services from the GSA than to employ additional staff for this purpose.

(7) \$9,000 is requested for supplies and materials, including \$5,000 for books, periodicals, pamphlets, reports, and other publications—all of a technical nature—required as the basis of the information clearinghouse activity carried on by the Commission in the field of Federal-State-local relations and in connection with the development of Commission reports on specific intergovernmental problems.

(8) \$5,000 is requested for office equipment. Of this amount \$2,000 is for replacement of desks and other equipment during the year, and \$3,000 is for rental of automatic typewriter equipment.

Mr. STEED. Mr. Colman, I want to welcome you and your staff to this subcommittee and we will be pleased to have any general statement that you care to make.

Mr. COLMAN. Thank you Mr. Chairman, We have a statement and if it is satisfactory with you sir, I will highlight it to save time.

(The prepared statement follows:)

STATEMENT OF WILLIAM G. COLMAN, EXECUTIVE DIRECTOR, ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS

Mr. Chairman and members of the committee, my name is William G. Colman and I am appearing today in behalf of the Advisory Commission on Intergovernmental Relations, the agency which I have served as Executive Director for the past 7 years. With me are John Shannon, Assistant Director for Taxation and Finance and Elton K. McQuery, Assistant Director for Program Implementation.

The Commission was created by Public Law 380 of the 86th Congress. It is charged with studying of problems and relationships among Federal, State, and local governments and with developing recommendations for improving these relationships. As you know, the Commission includes three Members from this House, Congressman Fountain, Congresswoman Dwyer, Congressman Ullman; three Members of the Senate, Senators Muskie, Ervin, and Mundt; three members from the executive branch, four Governors and 13 other State legislative, county, municipal, and public members.

The appropriation request for the 1969 fiscal year is \$551,000, an increase of \$41,000 over the amount—\$510,000—originally appropriated for the current fiscal year. It should be noted that this \$510,000 of new obligatory authority for the current fiscal year has been reduced by \$19,000 which represents 2 percent of the amount budgeted for personnel and 10 percent of the amount budgeted for other purposes. However, an amount of \$13,000 is to be included in a supplemental appropriation request for the present fiscal year to cover salary increases authorized by Congress. With these adjustments total obligations for the current fiscal year are estimated at \$504,000.

The statutory purposes and operations of the Commission were subjected to a thorough review during the 89th Congress by the respective Subcommittees on Intergovernmental Relations of the House and Senate Committees on Government Operations. Both the House and Senate reports emphasized the need for the Commission to take an even more active role in identifying and analyzing current intergovernmental problems, in fostering wider understanding of these problems and the ways in which they may be ameliorated, and in implementing the Commission's recommendations. During the current fiscal year the Commission has moved to carry out the suggestions of the subcommittees. These efforts have been reflected in an increased workload during the present fiscal year and the workload is expected to be somewhat greater in fiscal 1969.

The additional funds requested for next year will provide a stockroom assistant to handle the increased volume of publication shipments. It will cover the first step of the increase in personal compensation authorized by Congress at the close of the last session. It will provide some additional funds for printing

of Commission reports to fill an expanded demand. And it will provide additional travel funds for meetings and hearings held outside of Washington.

During the current fiscal year the Commission has completed a comprehensive study of fiscal balance in the American Federal system. The study encompassed the size, shape, and significant features of fiscal federalism; the history, development, and present operation of the Federal grant-in-aid system; fiscal disparities among local government jurisdictions within metropolitan areas; and in-depth case studies of central city-suburban disparities in 12 selected metropolitan areas.

In addition, the Advisory Commission now is completing a study of the intergovernmental aspects of the many policy questions associated with urban growth and new community development. During the past several years it has become increasingly evident that some new and hard looks need to be taken at population trends in the United States as they affect the future placement of population. The ACIR study is a major effort in this direction.

At its last meeting the Commission selected two new intergovernmental problems for study and analysis. One is "State aid to local governments"; the second is "Intergovernmental responsibilities for medicaid." Preliminary work on these studies now is getting underway.

We are pleased to report, Mr. Chairman, that the Commission's proposals continue to receive favorable consideration. The Commission's ninth annual report issued earlier this year summarizes the progress that has been made.

We are particularly encouraged by the record of State legislative action to improve intergovernmental relations. As you know, where it is appropriate recommendations of the Advisory Commission for State legislative action are translated into draft bill form and offered to the States for their consideration. During the last 2 years, 1966 and 1967, 44 of the 50 States enacted legislation similar to or embodying provisions of these bills drafted by ACIR to implement the Commission's recommendations.

Not all Commission recommendations for State action, however, can readily be translated into "model" bills. In these instances policy statements are prepared for consideration by the States. During the 1966-67 period 38 of the 50 States enacted legislation consistent with such policy statements.

All in all, 48 of the 50 States, during the past biennium have enacted legislation parallel to or consistent with draft bills or policy statements reflecting Advisory Commission recommendations for State action.

The Commission's reports and recommendations appear to be having a significant impact in the difficult field of intergovernmental relations. We are being called upon increasingly for assistance and consultation by officials at all levels of government, by public and private interest groups concerned with intergovernmental problems and by those engaged in academic research.

In closing, Mr. Chairman, let me report another development of interest to the subcommittee. Following the review of Commission operations by the House and Senate Subcommittees on Intergovernmental Relations, the Congress approved an amendment authorizing the Commission to accept contributions from State and local governments. This is in line with the recommendation of the Commission and views expressed by Members of Congress and others that the Commission's financial support—as well as its membership—should be intergovernmental in character.

Accordingly, earlier this year the Commission Chairman Bryant wrote to the Governors of all States calling their attention to the new statutory provision and suggesting that each State consider making a voluntary annual token contribution of \$1,000 to the Advisory Commission. Thus far, about three-fifths of the Governors have responded. Two \$1,000 contributions have been received. It appears that the Commission may receive \$5,000 to \$10,000 from this source during fiscal 1969 and a larger amount in fiscal 1970—many of the Governors indicated that they would request consideration of this proposal by their legislatures when they meet early next year. If the response from the States is sufficiently encouraging, it is planned that large cities and urban counties will be asked to consider making similar, but somewhat smaller, voluntary, annual contributions. Funds received from these sources will be used mainly to strengthen the services provided by the Commission for State and local governments.

The amendment mentioned above also authorizes the Commission to accept funds from nonprofit organizations. We are exploring the possibility of securing grants from private foundations for research and other Commission activities; however, thus far, no such grants have been received.

This concludes our statement. We will be glad to answer any questions.

GENERAL STATEMENT

Mr. COLMAN. The appropriation request for the 1969 fiscal year is \$551,000, an increase of \$41,000 over the amount originally appropriated for the current fiscal year. It should be noted that this \$510,000 of new obligational authority for the current fiscal year has been reduced by \$19,000, which represents 2 percent of the amount budgeted for personnel and 10 percent of the amount budgeted for other purposes. However, an amount of \$13,000 is to be included in a supplemental appropriation request for the present fiscal year to cover salary increases authorized by Congress. With these adjustments total obligations for the current fiscal year are estimated at \$504,000.

As you know, Mr. Chairman, both the House and the Senate Committees on Government Operations reviewed the work of the Commission in considerable detail 2 years ago and both of those committees emphasized the need for the Commission to take a somewhat more active role in pursuing its responsibilities for vigorously promoting consideration of the Commission's recommendations. During the current fiscal year the Commission has been endeavoring to do that.

The additional funds that we have requested for next year will provide a stockroom assistant to handle the increased volume of publication shipments. It will cover the first step of the increase in personnel compensation authorized by Congress at the close of the last session. It will provide some additional funds for printing of Commission reports to fill an expanded demand, and it will provide additional travel funds for meetings and hearings held outside of Washington.

During the current fiscal year the Commission has completed a comprehensive study of fiscal balance in the American federal system. In addition, the Commission now is completing a study of the intergovernmental aspects of the many policy questions associated with urban growth and new community development. At its last meeting the Commission selected two new intergovernmental problems for study and analysis. One is "State aid to local governments" and the second is "Intergovernmental responsibilities for medicaid." Preliminary work on these studies now is getting underway.

Now, during the past year as in previous years, we have been pursuing our recommendations with both the Congress and the State legislatures. All in all, 48 of the 50 States, during the past biennium have enacted legislation parallel to, or consistent with draft bills or policy statements reflecting the Commission's recommendations for State action. The Commission recommendations for State action are published in a yearly compendium entitled "State Legislative Program of the ACIR." It contains drafts of State legislative bills that would implement the various policy recommendations.

In closing, Mr. Chairman, let me report another development of interest to the subcommittee. Following the review of Commission operations by the House and the Senate Subcommittee on Intergovernmental Relations, the Congress approved an amendment authorizing the Commission to accept contributions from State and local governments. This is in line with the recommendations of the Commission and views expressed by Members of Congress and others that the Commission's financial support as well as its membership, should be intergovernmental in character.

Accordingly, earlier this year Commission Chairman Bryant wrote to the Governors of all States calling their attention to the new statutory provision and suggesting that each State consider making a voluntary, annual token contribution of \$1,000 to the Commission. Thus far, about three-fifths of the Governors have responded. Two \$1,000 contributions have been received, thus far. It appears that the Commission may receive \$5,000 to \$10,000 from this source during fiscal 1969 and a larger amount in fiscal 1970; many of the Governors indicated that they would request consideration of this proposal by their legislatures when they meet early next year. If the response from the States is sufficiently encouraging, it is planned that large cities and urban counties will be asked to consider making similar, but somewhat smaller, voluntary, annual contributions. Funds received from these sources will be used mainly to strengthen the services provided by the Commission for State and local governments.

The amendment mentioned above also authorized the Commission to accept funds from nonprofit organizations. We are exploring the possibility of securing grants from private foundations for research and other Commission activities; however, thus far, no such grants have been received.

This concludes our statement, Mr. Chairman. We will be glad to try to answer any questions.

RESERVE CREATED

Mr. STEED. What amount of money were you required to place in reserve as a result of the Economy Act last year?

Mr. COLMAN. \$19,000.

Mr. STEED. Are you asking for the release of any of this money in a supplemental?

Mr. COLMAN. We reduced our budget by \$19,000. There is a request in the supplemental appropriation bill for \$13,000 to cover the cost of last year's pay increase. The \$19,000 reduction was made prior to the effective date of the pay increases.

Mr. STEED. What you are saying then, is the money you need for the pay increase will be more than covered by the money you reserved.

Mr. COLMAN. Yes, indeed; \$6,000 more.

INCREASE

Mr. STEED. Could you give us a little information on the elements that go into this \$41,000 increase you are asking for in the current year?

Mr. COLMAN. Yes. The major part of the increase, \$25,000, is for increased pay costs. There is an increase on the personnel side of \$5,000 to provide a stockroom assistant. There is an increase of \$5,000 in printing because the demand for Commission reports keeps going up. There is an increase of \$10,000 in travel costs to cover Commission meetings and hearings held in other parts of the country. There is a rental of an automatic typewriter that is envisaged for the next year in the amount of \$3,000. Those are the principal components, Mr. Chairman, of the increase. They are partly offset by savings in other areas.

PROJECTS COMPLETED

Mr. STEED. What projects and what studies did you complete, or will you have completed during this fiscal year?

Mr. COLMAN. We completed two major projects, two of the largest projects that we have ever undertaken. One is a comprehensive study of fiscal balance in the federal system. The study deals with the operation of Federal grant-in-aid programs; with the pros and cons of revenue sharing—the so-called Heller plan—with some of the structural considerations at the State level and relating to the administration of Federal aid programs. It is a study of the tax and revenue situation, both on the State and local side and on the Federal side. The study has been completed and we are in the process of trying to get the report printed.

The Commission adopted the report in late October. It was ready for the printer in December, but due to the reduction that was made in our budget, we have been squeezed on printing costs. We have been shopping around, trying to find an “angel,” so to speak, who would print the report.

The other major study is a report on intergovernmental policies for urbanization and new community development. It now is in the final stages of Commission consideration.

Mr. STEED. What have you in mind for the coming year?

Mr. COLMAN. There are two major studies for the coming year. One deals with medicaid and the relative responsibilities of the Federal Government on the one side and the State and local governments on the other for financing medicaid. Title 19 of the Social Security Act has caused a great deal of dispute and concern and controversy in the States.

The second study that we will be working on in the coming fiscal year is a comprehensive study of State grants-in-aid to local governments. This will be, in a sense, a counterpart of the study we completed this year of Federal aid to State and local governments.

PERSONNEL

Mr. STEED. How many people do you have on board now?

Mr. COLMAN. We have on board at the moment, 27. We had a resignation last week; one of our stenographers left and we are recruiting a replacement. We have a total of 29 authorized for this year. The budget request for next year would involve a total of 30.

COOPERATION BY STATE LEGISLATURES

Mr. STEED. In the matter of the compliance or the cooperation you will be receiving from the State legislatures in terms of their accepting your recommendations, could you furnish for the record some material that would indicate this?

Mr. COLMAN. Yes, sir. We certainly will. This is summarized in our annual report which was supplied to the committee and is carried on pages 28 through 33. This report covers what the State legislatures did during the past biennium in regard to the Commission's recommendation. If it is satisfactory we will supply for the record these five pages from the annual report.

(The information follows:)

STATE AND LOCAL GOVERNMENT

(From Ninth Annual Report of the Advisory Commission on Intergovernmental Relations, January 1968.)

One or more statutes similar to draft bills developed by the Commission or consistent with Commission recommendations were enacted in most States during the 1966-67 biennium. The draft bills appear in the Commission's 1968 State legislative program. The following is a list of the State legislation similar to, or embodying provisions of, these bills developed by the Commission to implement its recommendations. The coverage below may be somewhat incomplete for the 1967 enactments in a few States whose sessions continued through most of the year.

Taxation and finance

1. State collection of broad-based local sales taxes :
1966 : Virginia.
1967 : Colorado, Ohio, Texas, and Utah.
2. State collection of local income taxes : 1967, Maryland and Michigan.
3. Authorization for local governments to invest and receive interest on idle funds :
1966 : Significantly broadened authority in Kentucky.
1967 : New Mexico (proposed State constitutional amendment to broaden authority), and South Carolina. Broadened authority in South Dakota and North Carolina.
4. State technical assistance to local government debt management :
1966 : Kentucky.
1967 : Alaska.
5. Property tax reform and changes :
1966 : California.
1967 : Arizona, New Jersey, Tennessee, and Washington.
6. Adoption of real estate transfer tax (documentary stamp tax) :
1966 : Delaware, Hawaii, Michigan, and Rhode Island.
1967 : California, Colorado, Georgia, Illinois, Maine, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, and Vermont. States that raised rates to add on Federal tax that expires January 1, 1968 : Minnesota, Rhode Island, South Carolina, Tennessee, and West Virginia. Kansas and Oregon enacted laws requiring declaration of consideration paid for transfer.
7. Authorization of exchange of tax records and information : 1967, Georgia.
8. Use tax credits for sales paid in other States : 1967, Colorado, Hawaii, Utah, and Washington.
9. Requires evidence of payment of personal property tax on automobile as a condition for registration :
1966 : Georgia.
1967 : Arkansas.
10. Adoption of State personal income tax : 1967, Michigan and Nebraska.
11. Bringing State income tax provisions into harmony with Federal Code :
1966 : Kentucky and Vermont.
1967 : Kansas, Maryland, Michigan, Nebraska, and North Carolina.
12. State regulation of the issuance of local industrial development bonds : 1967, Arkansas (prohibits lessee of facility from purchasing or having an interest in bonds), Massachusetts, Minnesota, and Pennsylvania (State agency approval required).

Structural and functional relationships

1. Authorization for local units of government to exercise functions jointly or to contract with one another for performance of functions : 1967, Arkansas, Michigan, Montana, South Carolina, Tennessee, and Washington.
2. Authorization for metropolitan, county and regional planning, and for establishment of planning and development agencies :
1966 : Missouri and New Jersey.
1967 : Illinois (northeastern Illinois metropolitan area), Indiana, Ohio, New Mexico, North Dakota, and Vermont.
3. State agency for local affairs or community development.
1966 : Colorado, Illinois, Missouri, and New Jersey.
1967 : Connecticut, Missouri (gives departmental status to office established in 1966), Ohio, Minnesota, Vermont, Washington, and Wisconsin.
4. Authorizes countywide agency to review creation of special districts, boundary changes and incorporations : 1967, Washington.

5. Liberalizing procedures for municipal annexation of territory.
1966: Georgia.
1967: Arizona, Kansas, and Oregon.
6. Authorization for formation of councils of local officials: 1967, Arkansas, North Carolina, Ohio, and Tennessee.
7. Provision for local governments' exercise of "residual" home rule powers: 1966, Massachusetts constitutional amendment approved in November 1966.
8. Municipal water supply and sewage disposal planning and regulation of wells and septic tanks: 1966, Maryland.
9. State aid for local sewage disposal and water supply.
1966: Georgia (authorization expanded), Delaware and Wisconsin.
1967: Arizona, Colorado, Connecticut, Michigan, Missouri, Nebraska, Pennsylvania (constitutional amendment authorizing bond issue), Oregon and Washington.
10. State assumption of at least 50 percent of general assistance costs: 1967, Massachusetts.
11. Uniform relocation assistance: 1967, Indiana and New Jersey.
12. Authorization for adoption of building codes by reference: 1967, Kansas, Minnesota (authority expanded), Montana, and Utah.
13. Broadening availability and reciprocity of public employee retirement systems: 1967, Michigan, New Hampshire, Pennsylvania, Utah, and Wyoming.
14. Authorization for State and local governments to acquire and preserve "open space" and grant tax credits for scenic easements: 1967, Connecticut, Colorado, and Washington.
15. Authorizing establishment of county subordinate service areas: 1967, Utah.
16. State aid for low income housing: 1967, Hawaii (rent supplements), New York (capital grant for low-rent assistance program expanded), and New Jersey (demonstration grants for construction or rehabilitation).

Actual draft language has not been developed for all Commission recommendations. In these instances, policy statements are submitted for consideration of the States. The following listing summarizes action taken in the States consistent with these Commission proposals. In other cases, States have taken actions consistent with ACIR recommendations, but along lines differing from the specific approach incorporated in the Commission's draft bills. Such action is also included in the following listing:

Taxation and finance

1. Easing restrictions on local debt: 1966, Illinois, Michigan (permits simple majority vote for G.O. bonds for home rule villages), and Pennsylvania.
2. Property tax reform.
1966: Virginia.
1967: Idaho, Florida, and Nebraska (exempted household goods).
3. Exempting business inventories from property tax: 1967, Idaho (gradual phaseout) and Minnesota.
4. More intensive use of personal income tax: 1967, California, Iowa, and Maryland.
5. Uniform apportionment formula for corporate income tax purposes: 1967, Hawaii, Utah, and Oklahoma.
6. Eliminate charge for out-of-State sales tax audit: 1967, Texas.

Structural and functional relationships

1. Stricter standards for incorporation of new municipalities.
1966: Colorado.
1967: New Mexico.
2. Authorization for metropolitan, county, and regional planning.
1966: Kentucky and Louisiana.
1967: Missouri, New York (broadens the regional planning responsibilities of counties) and Wisconsin.
3. Authorization for local governments to form authorities for management of areawide transportation facilities.
1966: Maine and Virginia.
1967: Hawaii, Indiana (for counties with first-class cities), Minnesota, Michigan, California (authorizes Santa Cruz Metropolitan Transit District), and Washington (Metropolitan Municipal Corp. given expanded authority for mass transit).
4. State financial assistance for urban transportation facilities.
1967: New York.

5. Authorization for State and local governments to acquire and preserve "open space."
1966: Virginia.
6. Authorization for metropolitan charter or study commissions.
1966: Missouri and Florida.
7. State establishment of a metropolitan council of government.
1967: Minnesota (Metropolitan Council for Minneapolis-St. Paul area).
8. Coordination of State programs affecting water resources development and supply.
1966: Wisconsin.
1967: Arizona, Minnesota, North Carolina, South Carolina, Texas, and Washington.
9. Restricting zoning authority to counties and larger municipalities in metropolitan areas.
1966: Kentucky.
10. Strengthening State water pollution control programs.
1966: Colorado, Georgia, Kentucky, Maryland, and Wisconsin.
1967: Arizona, Connecticut, Nebraska, Washington, Indiana, Kansas, and West Virginia.
11. State sharing in local urban renewal costs.
1966: Rhode Island.
1967: Connecticut and New Jersey.
12. State financial aid to low-income housing.
1966: Massachusetts and Michigan.
1967: Alaska (authorized Governor to prepare plan), Connecticut (rental housing for the elderly) and New Jersey.
13. Authorization for establishment of vocational education on an areawide basis.
1967: New Mexico and Montana.
14. Authorization of areawide administration for water and sewer facilities.
1967: Connecticut (creates Southeastern Connecticut Water Authority).
15. Expands authority for joint exercise of powers.
1967: Kansas.
16. Granting authority to municipalities to exercise planning, zoning, and subdivision control in fringe areas.
1967: North Dakota.
17. Liberalizing annexation laws.
1967: Kansas.
18. Authorization of study to consider the establishing of a division of building codes.
1967: Massachusetts.

A steering committee consisting of representatives of several State building code agencies met in Madison, Wis., in November and agreed to form a conference of State officials to study building codes and standards, to exchange technical information, and to facilitate appropriate Federal-State cooperation in this field. This represents the initial consideration by the States of proposals advanced by the advisory commission in its report on Building Codes: A Program for Intergovernmental Reform, wherein States were urged to take a more active role in the formulation and enforcement of building codes. The steering committee has indicated that it will call a national conference of appropriate State officials concerned with building codes and standards to discuss further the establishment of a permanent organization of such officials.

New draft State legislative proposals were prepared to implement recommendations of the report on State-Local Taxation and Industrial Location adopted in 1967 and to implement recommendations in previous reports for which draft legislation was needed. They are contained in the commission's 1968 State legislative program as separate new proposals or major amendments to previous proposals. The new draft bills cover the following subjects:

- Repeal of tax on business inventories and reimbursement to local governments.
- State assessment of industrial property.
- Income and sales tax amendment establishing physical presence rules.
- Fiscal measures for equalizing property tax burdens.
- Debt limitation not based upon assessed value.
- Pooled investment fund.
- Relief from tax limitation by home rule or by referendum.
- County performance of urban functions.
- Taxing authority for metropolitan service corporations.

In addition to the proposals listed above, a draft bill on legislative jurisdiction over Federal lands within the States has been included in the 1968 State legislative program. This bill was prepared by a Special Committee on Legislative Jurisdiction of the Council of State Governments, and was included in the Council's 1959 edition of Suggested State Legislation.

DUPLICATION OF EFFORT

Mr. STEED. We have the administrative conference in motion finally. We have been discussing with them some of their agenda. Are you familiar with this agency and its operations?

Mr. COLMAN. Yes, in general terms. We are in the process of getting acquainted and beginning to exchange information.

Mr. STEED. Is there any area of overlap or duplication that you foresee?

Mr. COLMAN. Not that we foresee. Certainly if any is found, we will step out of whatever area of overlap there may be. A compelling consideration before our Commission at all times has been that we do not do research that anyone else is doing or is equipped to do and is ready to move on, because there are always a lot more problems in the intergovernmental sphere clamoring for our attention than there are resources to apply to them.

So if there is any research that we are contemplating that the administrative conference can undertake, we will just—

Mr. STEED. What you are saying then, you are already beset with more work than you can get done, so any opportunity you have to minimize that pressure, you welcome that?

Mr. COLMAN. Yes.

AMERICAN FEDERAL SYSTEM STUDY

Mr. CONTE. Can you give us any general conclusions which were reached by your study of fiscal balance in the American Federal System?

Mr. COLMAN. The conclusions reached in the fiscal balance study are expressed in the following recommendations adopted by the Commission:

(The information follows:)

EXACT TEXT OF RECOMMENDATIONS ADOPTED BY THE COMMISSION IN ITS REPORT ON FISCAL BALANCE IN THE AMERICAN FEDERAL SYSTEM

(Note: Adopted recommendations are shown in logical sequence and not in chronological order of adoption at the July and October meetings)

I. BASIC STRUCTURE OF FISCAL FEDERALISM

A. Broadened fiscal mix and greater fiscal flexibility in Federal aid to States and localities

1. The Commission concludes that to meet the needs of 20th-century America with its critical urban problems, the existing intergovernmental fiscal system needs to be significantly improved. Specifically, the Commission recommends that the Federal Government, recognizing the need for flexibility in the type of support it provides, authorize a combination of Federal categorical grants-in-aid, general functional bloc grants, and per capita general support payments. Each of these mechanisms is designed to, and should be used to, meet specific needs: the categorical grant-in-aid to stimulate and support programs in specific areas of national interest and promote experimentation and demonstration in such areas; bloc grants, through the consolidation of existing specific grants-in-aid, to

give States and localities greater flexibility in meeting needs in broad functional areas; and general support payments on a per capita basis, adjusted for variations in tax effort, to allow States and localities to devise their own programs and set their own priorities to help solve their unique and most crucial problems. Such general support payments could be made to either State or major local units of government if provision is made for insuring that the purposes for which they are spent are not in conflict with any existing comprehensive State plan.^{1 2 3} (October.)

2. The Commission recommends enactment of legislation by the Congress authorizing the President to submit grant consolidation plans, such consolidations to be transmitted to the Congress and to become effective unless rejected by either House within a period of 90 days. (July.)

3. The Commission recommends that the Congress and the President strive toward a drastic decrease in the numerous separate authorizations for Federal grants—adopting as a general goal a reduction by at least half the number; specifically the Commission recommends as a modest beginning, the following major consolidations: (a) elimination of all categorization and earmarking from the vocational education program to provide in effect a single vocational education grant to be usable in specified fields but within the State allotment in such amounts among the fields as determined by the State; and (b) consolidation of the existing grants for water and sewer line construction into a single authorization to be administered by a single agency. (July.)

4. The Commission recommends enactment by the Congress of legislation proposed by the Administration to authorize single applications by State and local governments for interrelated projects and for joint funding of projects containing components deriving funds from several Federal sources, in order to encourage States and localities to interrelate various functional programs and to facilitate effective program administration at the national level. It is further recommended that States enact similar legislation where necessary. (July.)

5. The Commission recommends to the President that the Bureau of the Budget initiate an aggressive program to simplify and systematize the varied matching and apportionment formulas for existing Federal grant-in-aid programs. (July.)

B. Strengthening State and local fiscal and tax systems

1. The Commission recommends that the States which have not done so, give serious consideration to providing more flexibility in their constitutions for long-range State financing programs. (October.)

2. The Commission concludes that the development of a more equitable, diversified, and productive State-local tax system is prerequisite to avoiding excessive local property tax burdens, proliferation of local nonproperty taxes, interlocal fiscal disparities, and dependence on Federal aid. The Commission therefore recommends that the State (1) require and enforce effective local use of the property tax including, in some States, a more intensive use of this revenue source, (2) equip themselves with a productive and broad-based tax system capable of underwriting a major portion of the State-local expanding expenditure requirements, and (3) shield basic family income from my undue burdens imposed by sales and property taxes. (October.)

3. In order to strengthen the productivity of the sales tax, the Commission recommends action by the States to protect low-income families from undue tax burdens on food and drugs under general sales taxes. (October.)

4. In order to strengthen the productivity of the local property tax, the Commission recommends action by the States to help the localities finance the cost of relieving any undue local property tax burden on low-income families. (October.)

II. METROPOLITAN FISCAL DISPARITIES

A. Greater involvement of private enterprise in urban programs.

1. The Commission recommends that each of the industrial or highly urbanized States remove existing constitutional and statutory barriers to involvement of private enterprise in efforts directed toward enlarging and revitalizing the

¹ Chairman Bryant dissented.

² Secretary Fowler entered a reservation and dissented in part.

³ Mayor Naftalin did not concur in the portion of the last sentence which deals with comprehensive State plans.

economic and fiscal base of their major cities, and that after such action take positive steps to enhance private-public cooperation in these endeavors. (October.)

B. Strengthening local government organization and neighborhood initiative

1. The Commission recommends the enactment of State legislation empowering a State agency—or a local agency formation commission—to (a) order the dissolution or consolidation of local units of government within metropolitan areas, and (b) enjoin the use of an interlocal contract within the metropolitan area when it is found to promote fractionalization of the tax base without overriding compensating advantages; these actions should be taken pursuant to specific statutory standards, with adequate public notice and hearings, and subject to judicial review.

The Commission further recommends the amendment of formulas providing State aid to local governments so as to eliminate or reduce aid allotments to small units of local government not meeting statutory standards of economic, geographic, and political viability. (October.)

2. The Commission recommends the enactment of State legislation authorizing large cities and county governments in metropolitan areas to establish neighborhood subunits of government with limited powers of taxation and of local self-government with respect to specified and restricted functions including the administration of specified portions of Federal, State, and local programs. Such subunits would be dissoluble by the city or county governing body at any time. (October.)

3. In order to improve the fiscal and program coordination of Federal and State categorical grants going to county and city governments the Commission recommends that the counties and cities themselves provide adequate funds and staff for this purpose; the Commission opposes the use of Federal and State grant funds to provide staff or facilities for the immediate office of the mayor or county executive. (July.)

4. The Commission recommends that Congress amend title IX of Public Law 89-754 to remove the population ceiling on local governments served by State information centers. (July.)

5. The Commission recommends the enactment of State enabling legislation where necessary and action by city governments to establish and finance neighborhood information centers and referral services to orient residents and migrants to the demands and responsibilities of an urban society and to assist them in meeting immediate social and economic needs. The Commission also recommends the inclusion in State enabling legislation of fiscal support for such centers. The Commission further recommends that Federal agencies providing assistance in city rebuilding and in combating poverty encourage the use of grant funds for establishing and manning these centers. Congress should provide incentives to States and communities to encourage them to do this, not through separate new programs; but by amending pertinent existing grants to permit Federal grant funds to be used in this manner. (October.)

C. Reducing disparities in educational financing

1. The Commission recommends that States add to their school aid formulas appropriate factors reflecting higher costs per pupil among disadvantaged as compared to advantaged children, especially in areas of high population density. The Commission further recommends the amendment of the Elementary and Secondary Education Act of 1965 to authorize the utilization of otherwise available Federal funds for incentive grants to States that make such revisions in their school aid formulas. (October.)

2. The Commission recommends the enactment of State legislation preceded by constitutional amendment where necessary establishing or authorizing an appropriate State agency to mandate the establishment of county or regional school property taxing districts; this is suggested for those States where school financing has not already been placed on a countrywide or regional basis. (October.)

3. The Commission recommends the enactment of State legislation, preceded by constitutional amendment where necessary, authorizing the establishment by the State educational agency of educational facilities designed to make available on a multidistrict basis a specialized educational capability, including special personnel, to the children of the districts involved. The Commission further recommends that State governments provide appropriate financial incentives for the creation of such multidistrict facilities. (October.)

4. The Commission recommends the amendment of the Elementary and Secondary Education Act of 1965 to authorize Federal incentive grants to State and

metropolitan educational agencies for the establishment of (a) county or regional school taxing districts, (b) specialized multidistrict facilities as recommended herein, or (c) other areawide educational arrangements to assist in equalizing fiscal resources with educational needs throughout the area. (October.)

D. Improved statistics for metropolitan areas

1. The Commission recommends the establishment of a national system for the collection, analysis, and dissemination of social statistics, with full participation by Federal, State, and local governments, with special emphasis upon the development of such data for sub-State geographic areas (major cities, counties, and SMSA's) as well as State and national aggregates. (October.)

2. The Commission recommends that the Internal Revenue Service expand its reporting of income statistics for standard metropolitan statistical areas to provide data for the units of general local government within such areas. (October.)

3. The Commission recommends that Federal, State, and local officials work toward the establishment of data facilities for measuring for major urban functions the comparative performance levels of individual local units of government.

This effort should be undertaken preferably by existing or new nongovernmental organizations and should look toward the establishment of optimal standards, the collection and analysis of data, and periodic publication of comparative figures. (October.)

III. ADMINISTRATION OF FEDERAL CATEGORICAL AIDS

A. Improved Federal coordination and management

1. The Commission recommends an elevation of attention on the part of the President and the Congress to the more general need of insuring the conduct and coordination of Federal grant and other programs in such a way as to improve the overall capability of State and local government and consequently strengthen the American federal system. Its importance warrants assignment by the President of major responsibility in this area to an appointee having status equivalent to that of a member of the Cabinet. This official should be responsible for general liaison with State and local governments and be accessible to them regarding problems encountered in the administration of Federal grants-in-aid. Also this official should report at appropriate intervals to the President, Congress, and the public on the extent to which grant-in-aid programs are achieving their objectives and the extent to which State and local government is being strengthened in the process.

The Commission further recommends the strengthening of the Bureau of the Budget's capability to sustain a vigorous program of interagency coordination of Federal grants-in-aid (October).

2. The Commission recommends the enunciation by the President of a policy of decentralization of Federal decisionmaking in the administration of grant programs; among other actions, the Commission recommends decentralization to Directors of Federal regional offices of most of the decisions connected with the review and approval of State or local plans developed as a condition of Federal formula-type grants and of amendments to such plans proposed by State and local governments. The Commission further recommends Presidential action to effect a major reduction in the wide variations in the regional boundaries and headquarters sites of Federal field offices (October).

3. The Commission believes the establishment of a field staff of the Bureau of the Budget should serve many of the purposes of field offices, appropriations for which have been sought repeatedly by the Budget Director and the President within the last few years. In addition to increased coordinative activity in the field by the Bureau, the Commission recommends the strengthening of existing Federal Executive Boards by (a) transfer of supervision of the Boards to the Bureau and (b) provision of at least one full-time staff member for each of the major Boards (October).

4. The Commission recommends that the President establish within an appropriate agency of the executive branch a computerized system for storage and retrieval of information essential for the administration of grants-in-aid, formulation of Federal-State-local fiscal policies and other policy and management purposes. The Commission further recommends that the Congress establish a similar system to provide information for review of grant-in-aid programs and for other legislative purposes. The Commission recommends that tapes and other data resulting from these systems be made available to State and local governments (July).

B. Simplification of administrative controls under Federal grants

1. The Commission recommends the enactment of general legislation by the Congress applicable to Federal grants-in-aid to State governments, whereby the Comptroller General of the United States would study and review the accounting and auditing systems of State governments which receive Federal grants-in-aid and ascertain the general adequacy and integrity of such State auditing and accounting systems; the Commission further recommends that for those States certified by the Comptroller General as meeting standards of adequacy and integrity, the results of State audits of expenditures of Federal grant funds be accepted by the administering Federal agency in lieu of fiscal audits by agency personnel, such acceptance to cease when and if the Comptroller General finds that the accounting and auditing system of the particular State no longer meets the prescribed standards. Finally, the Commission recommends that this authorization be extended at the discretion of the Comptroller General to units of local government receiving sizable grants directly from Federal agencies (July).

2. The Commission recommends the enactment of legislation pending in the Congress to authorize the modification, at the request of a State and with approval by the head of the Federal department or agency, of the single State agency requirement associated with Federal grants-in-aid to State governments (July).

3. The Commission recommends the enactment of general legislation by the Congress, consolidating insofar as possible, into a single congressional enactment a set of planning requirements—both functional and comprehensive—to be applicable to Federal grant-in-aid programs, both present and future, especially those concerned with or affecting urban development (July).

4. The Commission recommends that Congress enact legislation which would effect an overall rather than piecemeal revision of section 701 of the Housing Act of 1954. Specifically, such legislation should employ Federal planning assistance to strengthen comprehensive planning as an arm of elected chief executives, at State, areawide, and local levels; require a closer interlinking of planning, programing, and coordination at those levels; and relate all federally aided functional planning to comprehensive planning at the State, areawide, and local levels. The Commission further recommends that provision be made for State planning agencies, especially in those States with ongoing comprehensive State planning programs receiving Federal financial assistance under section 701, to review and comment upon all local and areawide applications for urban planning assistance. The Commission takes no position as to the most desirable location of responsibility in the Federal executive branch for administering assistance to State and local comprehensive planning activities, (October).

IV. THE STATES AS EFFECTIVE PARTNERS IN THE FEDERAL SYSTEM

A. Strengthening the executive

1. In order to achieve adequate intergovernmental fiscal coordination and to strengthen State government generally, the Commission recommends the amendment of many State constitutions to reduce greatly the number of separately elected State officials, (July).

2. The Commission recommends that where needed, State constitutions be amended to permit the Governor to succeed himself, (July).

3. The Commission recommends State constitutional and statutory action, where needed, to provide a gubernatorial budget covering all estimated income and expenditures of the State government to be submitted to each session of the State legislature, (July).

4. The Commission recommends that each State develop a strong planning capability in the executive branch of its State government. The planning function should include: (a) formulation for the consideration of the Governor and the legislature of comprehensive policies and long-range plans for the effective and orderly development of the human and material resources of the State; (b) provision of a framework for functional, departmental, and regional plans; and (c) assistance to the Governor in his budgetmaking and program evaluation roles, (July).

5. The Commission recommends that State constitutions be amended, where needed, to authorize the Governor to reorganize the administrative structure of State government and to shift functions among State departments and agencies with the exercise of such reorganization powers subject to a veto by either house of the State legislature within a specified time period, (July).

6. In order to improve the fiscal and program coordination of Federal categorical grants going to State government the Commission recommends that the States themselves provide adequate funds and staff for this purpose; the Commission opposes the use of Federal grant funds to provide staff or facilities for the immediate office of the Governor, (July).

B. Strengthening the legislature

1. In order to help strengthen the position of State government generally and to afford adequate time for legislative consideration of State financial participation in Federal grant-in-aid programs, the Commission recommends State constitutional or other appropriate action, where necessary, to remove such restrictions on the length and frequency of sessions of the State legislature as may interfere with the most effective performance of its functions. Specifically the Commission recommends that the holding of annual sessions be given serious consideration in those States now holding biennial sessions. Further, in order that legislative compensation not deter the holding of annual sessions, the Commission recommends that legislators be paid on an annual basis in an amount commensurate with demands upon their time¹ (October).

2. In order that the legislature may keep abreast on a policy basis with Federal and State actions on cooperative programs, the Commission recommends that the States provide for year-round professional staffing of major committees of their State legislatures (July).

3. In order that the State legislative voice may be heard in the formulation, financing, and operation of Federal grant programs and other intergovernmental matters, the Commission recommends that State legislatures consider seriously the desirability of charging—by resolution or other appropriate means—elective presiding officers and/or chairmen and ranking members of those committees having jurisdiction in fields involving Federal-State relations with (1) following the development of proposed legislation in the Federal executive branch and the Congress, and (2) after appropriate consultation with State executive officials, presenting the views of legislators to congressional committees considering new or modified grant programs coming within the concern of State legislatures. The Commission further recommends that State legislatures provide adequate funding for this activity (October).

LIAISON WITH LOCAL GOVERNMENTS

Mr. CONTE. Could you set forth for us how your Commission maintains liaison with local governments?

Mr. COLMAN. We maintain contact with State and local governments through several channels. We work closely with the official organizations of State and local units of government at both the national and State levels—organizations such as the Council of State Governments, the National Governors' Conference, the National Conference of State Legislative Leaders, the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, and the various State municipal leagues and associations of county officials.

We are also in frequent direct contact with State and local officials, particularly in connection with our efforts to implement the ACIR State legislative program. Hundreds of State and local officials are on our mailing list and receive our reports and information bulletins. In addition, members of our staff frequently participate on the programs of meetings of State and local officials. Staff members also contribute articles discussing Commission recommendations to the local government journals.

¹ Governor Dempsey dissented.

IMPLEMENTATION OF HOUSE AND SENATE RECOMMENDATION

Mr. CONTE. Last year you mentioned that implementation had begun of the recommendations of the House and Senate Subcommittees on Intergovernmental Relations. Could you set forth to what extent that implementation has been carried forward to date?

Mr. COLMAN. Following their review and evaluation of ACIR's performance during its first 5 years, the House and Senate committees recommended a modest expansion of Commission activities including: (a) initiation of occasional regional meetings of Federal-State-local officials; (b) sponsorship of periodic nationwide conferences on intergovernmental relations; (c) increased attention to implementation of the Commission's recommendations; (d) holding at least one Commission meeting a year away from Washington; and (e) initiation of a program of internship training. For the current fiscal year funds were appropriated for all of these purposes except for the training of intergovernmental interns.

Two persons were added to the Commission's staff at the beginning of this fiscal year, an assistant director for program implementation and a secretary. During the current fiscal year the Commission has held one meeting outside of Washington and has conducted one regional hearing. In addition, last October the Commission sponsored a national conference on State legislative leadership which brought together presiding officers and majority and minority leaders of all State legislatures and representatives of party and committee leadership of Congress. A major purpose of this conference was to open up and strengthen channels of communication between State legislative leaders and the Congress.

NEW STUDIES

Mr. CONTE. Are any other new studies contemplated for the future in addition to the two new studies you mention in your opening statement, concerning State aid to local governments and intergovernmental responsibilities for medicaid?

Mr. COLMAN. The studies of State aid to local governments and intergovernmental responsibilities for medicaid are the two major studies that are in immediate prospect. The practice has been for our two major research sections—one on taxation and finance, the other on governmental structure and functions—each to be engaged in a single major study at any given time. As a study nears completion the Commission selects another topic in the appropriate field for study. These selections are made by the Commission at a regular meeting. In advance of the meeting at which new research topics are to be selected, the staff prepares and distributes to the members a memo describing a number of possible research topics. For this purpose the staff solicits suggestions from Commission members, Federal agencies, State and local governments, representatives of organizations of governmental officials, and others. The current selections—State aid to local governments and medicaid—were made by the Commission at its meeting in Chicago in early February. Before the Commission at that time were 16 suggested topics; seven in the field of taxation and finance and nine in the field of governmental structure and functions.

The Commission selects only as many topics as the work program allows at any given time rather than selecting several topics to be undertaken in sequence. This is because circumstances may change quite rapidly in the field of intergovernmental relations and a topic that did not seem particularly pressing 6 months or a year ago might be quite urgent today. When the current studies near completion the Commission will again consider the alternative research topics which at that time seem most pressing and will make new selections.

It should be noted that we presently are conferring with a private foundation regarding a grant for an ACIR study of factors affecting voter reaction to local government reorganization proposals. If a grant of funds is made by the foundation that topic would be added to our work agenda.

Let me also report, Mr. Chairman, that from time to time information reports are issued. Two such reports now are being printed. One of them presents up-to-date information on State and local taxes reflecting current tax rates and reporting new developments in this field. The other report reviews State constitutional and statutory action affecting local governments. Other information reports of this nature may be issued during the forthcoming fiscal year, but they do not represent a major research effort on the part of the ACIR staff nor are they action reports containing Advisory Commission recommendations. In addition, from time to time we distribute to State and local governmental officials and others information bulletins reporting developments or summarizing recent action in the field on intergovernmental relations.

ACTION ON RECOMMENDATION

Mr. CONTE. You note that during the last 2 years, 44 of the 50 States have enacted legislation similar to or embodying provisions of bills drafted by the Advisory Commission to implement its recommendations. Are you finding for the most part that if a recommendation is received favorably, it will be acted on by most States or does this figure of 44 States represent different recommendations of the Commission?

Mr. COLMAN. The figure represents different draft proposals recommended by the Commission. During the 2-year period covered, the Commission recommendation enacted in the greatest number of States was one urging States to adopt the real estate transfer tax upon the withdrawal of the Federal Government from this field as of January 1, 1968. Twenty-two States enacted this recommendation in whole or in part. The recommendation that States establish an agency for local affairs or community development was adopted in 11 States. Other recommendations were adopted in from one to eight States. The most recommendations adopted in a single State were 10.

Mr. STEED. Mr. Addabbo.

INCREASE IN ACTIVITIES

Mr. ADDABBO. Do you expect any increased activities with the problems that arose in the cities?

Mr. COLMAN. We have as part of the Commission's study of fiscal federalism, it dealt with the fiscal problems that a great many of the cities are facing. We made a considerable number of recommendations

in that area, a number of them very controversial. We are right now in the process of translating those recommendations into draft bills for consideration legislatively, both in the Congress and the State legislatures.

Just to give you one example, the Commission recommended that in the large metropolitan areas the financing of elementary and secondary education be placed on an areawide basis rather than requiring each separate school district in a metropolitan area to rely entirely on its own resources for local financial support. This change can be made by amending existing State law. The proposal is being given favorable consideration by a joint committee of the New York State Legislature—Senator Laverne's committee. A bill now is being developed. We have no predictions as to whether it will be successful or not. We are certainly involved quite deeply in studying and trying to find solutions to the problems of the cities, especially the fiscal problems.

INTERN TRAINING

Mrs. REID. One of the recommendations made by the House and Senate Government Operations Committee in 1965 was the initiation of a program of internship training in intergovernmental relations. There are no funds in this request for such a program. Do you still have the recommendation under consideration?

Mr. COLMAN. In view of the current budget situation, we are not including a request for this program for fiscal 1969. During the summer of 1967, we did have the services of two interns whose stipends were paid by foundation grants obtained for them by their sponsoring educational institutions. We have prospects for three such interns for the summer of 1968.

FEDERAL TAX SHARING

Mrs. REID. I have not as yet had an opportunity to see your report on fiscal balance in the Federal system. What position did the Commission take on the question of Federal tax sharing?

Mr. COLMAN. The Commission recommended Federal revenue sharing as one part of a threefold approach for improving the Federal aid system. In a statement presented to the Subcommittee on Fiscal Policy of the Joint Economic Committee of the Congress, November 7, 1967, the Commission's views were expressed as follows:

The classic objectives of fiscal aid—equalization, stimulation, demonstration, and general support—are not clearly differentiated under the present aid system. In the Commission's view, it is just as necessary to sort out these basic aid objectives as to introduce a greater degree of "flexibility" into the aid system. Consequently, the Commission has recommended a balanced threefold approach for constructing a more effective and more sensibly structured Federal aid system:

A reformed system of categorical grants-in-aid to stimulate and support programs in specific areas of national interest (such as air- and water-pollution abatement) and to promote experimentation and demonstration where the national interest dictates;

Block grants, through the consolidation of existing categories (along the lines of the Partnership in Health Act of 1966) to give States and localities greater flexibility in meeting needs in broad functional areas; and

General support payments (revenue sharing on a per capita basis, adjusted for variations in tax effort) to allow States and localities to devise their own

programs and set their own priorities to help solve their own unique and most crucial problems.

The Commission believes that general support payments could be made directly to major local units of government (cities and counties) if provision is made for insuring that the purposes for which they are spent are not in conflict with any existing comprehensive State plan.

Categorical aids will undoubtedly continue to serve the Nation's needs well, especially for purposes of stimulation or demonstration, in those instances where the national interest in areas of traditional State-local concern are clearly identified. The Commission is heartened by the Partnership in Health Act of 1966 which was designed to "decongest the categorical arteries" with a functional bloc grant that allows States and localities necessary latitude to work out appropriate programs in a field where Federal support is warranted.

But a new approach, that contemporary American federalism requires, is one in which there is the widest possible scope for developing State and local solutions to State and local problems in contrast to a solution prescribed by a Federal categorical grant. Such an approach is typified by the general support grant.

PERSONNEL BREAKDOWN

Mrs. REID. As I understand your justification, you have a personnel complement of 29 employees. What is the professional breakdown? How many economists, analysts, administrative, clerical, et cetera.

Mr. COLMAN. We have a personnel authorization for 29 staff members, but because of budget considerations we have not filled one vacancy. A recent resignation left a second vacancy that we now are attempting to fill.

Our staff is divided into three functional fields. The section on taxation and finance is headed by an assistant director. It also includes two senior analysts, one analyst, and one junior analyst. These people are trained and experienced in the fields of economics and public finance. Our section on governmental structure and functions also is headed by an assistant director. Other professional staff in this section are three senior analysts, one research assistant, and one junior analyst. The background of these staff members is primarily in political science and public administration. And our third section, which deals with program implementation, has an assistant director and one analyst, both with public administration backgrounds and experience in working with State and local government officials.

This professional staff is supplemented by an administrative assistant, a librarian, a statistical assistant, and a total of 10 secretarial and clerical employees. As I mentioned, there is one vacancy in our secretarial-clerical staff for which we are now recruiting. In summary, we presently have 27 employees. When we fill the clerical vacancy we will have 28.

RESEARCH GRANT FUNDS

Mrs. REID. You say that you are currently exploring the possibility of supplemental research grant funds from some of the nonprofit foundations. What reception are you getting?

Mr. COLMAN. We have not yet received any funds from private foundations although we have explored the possibility of such support with several of them. One proposal now is pending for a closer look at the factors affecting voter reaction to proposals for local government reorganization. And we have had informal discussions regarding a proposal that ACIR cooperate with a State university in conducting an orientation program to acquaint State legislators, local government officials, and representatives of interested organizations with Commis-

sion recommendations for meeting some of the critical problems faced by our urban areas. Other possible projects also have been reviewed but to date no grants for these purposes have been made by private foundations.

We sense that there may be some reluctance on the part of private foundations to grant funds to an agency that, thus far, has been supported entirely by Federal funds. We are hopeful that any such reluctance can be overcome.

BILL DRAFTING

Mrs. REID. Does the Commission have its own legislative drafting service for putting your proposals into bill form—or do the sponsors do this through our own legislative counsel? How do you handle this?

Mr. COLMAN. Nearly all of the Commission's draft bills are prepared initially by various members of the Commission's own staff. When bills are prepared for introduction in the Congress they usually are reviewed by the legislative counsel of the Senate or House, at the request of the Member contemplating introduction.

Draft bills intended for consideration by the States usually are based on statutes already in effect in one or more States. In instances when new ground is being broken, we write entirely new drafts. Sometimes we use model bills prepared by other groups—the Council of State Governments, for example.

In all instances, our initial drafts are worked over by the ACIR staff in editorial sessions. Those which are especially technical in nature are referred to one or more persons known by our staff to be knowledgeable in the subject matter of the bill.

Finally, the draft bills are reviewed by a panel of legislative consultants who meet with our staff: to discuss the bills as to both form and substance. This panel consists of such persons as directors of State legislative councils, law school professors who teach bill drafting and others with special knowledge and experience in drafting legislation.

Since the ACIR draft bills are intended for use in many States, a particular State legislature must adapt the language and content of the bill to fit the context of its own statutory system.

PERSONNEL

Mrs. REID. In view of the growing interest and recognition of the importance of intergovernmental cooperation during this decade, do you foresee the possibility that your workload—and hence your staff—will have to be greatly expanded in the 1970's? Is this a possibility?

Mr. COLMAN. I do not anticipate that the Advisory Commission staff would need to be greatly expanded in the near future. The record of the hearings and the committee reports that led to the creation of the Commission by Congress in 1959 reflect the feeling that the Advisory Commission was established to fill the need for a small permanent agency that would study intergovernmental problems on a continuing basis.

Since its establishment the Commission has adhered to this policy. As a matter of fact, the staff complement authorized for the current fiscal year—29 persons—is the same as the personnel authorization for fiscal 1961, and during the intervening years the staff has been

even smaller, totaling only 24 in fiscal 1964 and 1965. It should be noted, however, that from time to time proposals are made that the ACIR be given special assignments that would require additional staff. For example, a resolution is now pending in the Senate to direct the Advisory Commission to study the feasibility of a computer system to help State and local governments to participate more effectively in federally assisted programs. In addition, if foundation funds are granted for research projects or other activities, additional staff might be required for those purposes, being paid from the grant funds, of course. And finally, if the States respond to the Commission's proposal that they make voluntary annual contributions to the support of the Commission, it may be desirable to add some staff from these funds to augment and strengthen the Commission's service to these levels of government. However, unless there is a substantial change in Commission policy or unless the Congress should determine otherwise, we would not anticipate a marked increase in the size of the staff in the foreseeable future.

Mr. STEED. We thank you for your appearance. It is good to see you again. I hope you keep up the good work.

Mr. COLMAN. Thank you.

Mr. STEED. The committee will stand in recess until 1:30 this afternoon.

TUESDAY, MARCH 19, 1968.

COMMISSION ON OBSCENITY AND PORNOGRAPHY

WITNESSES

WILLIAM B. LOCKHART, CHAIRMAN, DEAN OF THE LAW SCHOOL,
UNIVERSITY OF MINNESOTA

ARTHUR J. CRATEN, BUDGET OFFICE, GENERAL SERVICES ADMINISTRATION

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....			155
11.3 Positions other than permanent.....			87
Total personnel compensation.....			242
12.0 Personnel benefits.....			17
21.0 Travel and transportation of persons.....			30
23.0 Rent, communications, and utilities.....			8
24.0 Printing and reproduction.....			75
25.1 Other services.....			19
25.2 Services of other agencies.....			3
26.0 Supplies and materials.....			1
31.0 Equipment.....			
99.0 Total obligations.....			425

PERSONNEL SUMMARY

Total number of permanent positions.....	14
Full-time equivalent of other positions.....	7
Average number of all employees.....	19
Average GS grade.....	10.9
Average GS salary.....	\$12,986

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10	Investigation and recommendations, obscenity and pornography (costs-obligations).....		42 ₅
Financing:			
24	Unobligated balance available, end of year.....		218
40	New obligational authority (appropriation).....		643
Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures).....		425
74	Obligated balance, end of year.....		-65
90	Expenditures.....		360

Mr. STEED. The committee will be in order.

At this time, the committee will take up the budget request for the Commission on Obscenity and Pornography. This Commission was established last year by Public Law 90-100, dated October 3, 1967, and no budget request was contained in the regular budget. A supplemental request, however, is proposed in the amount of \$150,000 and the budget request for 1969 is \$643,000.

JUSTIFICATION OF THE ESTIMATES

We will insert the justification at this point in the record.
(The justification follows:)

GENERAL STATEMENT

This appropriation will enable the Commission on Obscenity and Pornography, authorized by Public Law 90-100, approved October 3, 1967, to complete its investigation of the traffic in obscenity and pornography in the United States and to determine whether more effective means should be devised to control submission of such materials.

The Commission is to recommend appropriate methods of dealing with traffic in obscenity and pornography to the President and the Congress by January 31, 1970.

A supplemental appropriation for 1968 is anticipated for separate transmittal.

Mr. STEED. We are pleased to have here the new Chairman of the Commission, Prof. William B. Lockhart, who is accompanied by Mr. Craten, budget officer from the GSA. We want to extend you a cordial welcome to the committee and we would be pleased to have a general statement from you at this point.

GENERAL STATEMENT

Mr. LOCKHART. Thank you, Mr. Chairman.

First, may I correct a statement in your preliminary statement, Mr. Chairman. I understand that the request for a supplementary appropriation has been withdrawn. I was informed by Mr. Goldstein at the White House and also by the Bureau of the Budget that this is part of the President's program to cut back. I might say, however, in the same vein, that you will see when you look at my proposed budget that it is more than the President's request.

I want to make a comment on that later, but I wanted to say that at the beginning. I have a copy of the written statement. I also have copies of the act. It is supposed to be appended to the statement. Also

I have a sheet here that contains the names of the members of the Commission which may be of interest.

Mr. STEED. At the outset, without objection, we'll make the list of the members of the Commission a part of the record at this point.

(The list follows:)

COMMISSION ON OBSCENITY AND PORNOGRAPHY

William B. Lockhart, dean of the University of Minnesota School of Law, has been selected as the Commission's Chairman. The other members of the Commission named by the President are:

- Edward E. Elson, president, Atlanta News Agency, Atlanta, Ga.
 Hon. Thomas D. Gill, senior judge, Juvenile Court, Hartford, Conn.
 Dr. Edward D. Greenwood, psychiatrist, Menninger Clinic, Topeka, Kans.
 Rev. Morton A. Hill, S.J., executive secretary of Operation Yorkville, Inc., New York, N.Y.
 Dr. G. William Jones, assistant professor of broadcast film art, Southern Methodist University, Dallas, Tex.
 Hon. Kenneth B. Keating, associate judge, New York Court of Appeals, Albany, N.Y.
 Dr. Joseph T. Klapper, director, social research, CBS, New York, N.Y.
 Dr. Otto N. Larsen, professor of sociology, University of Washington, Seattle, Wash.
 Rabbi Irving Lehrman, rabbi, Temple Emanu-El, Miami Beach, Fla.
 Freeman Lewis, executive vice president, Pocket Books, Inc., New York, N.Y.
 Rev. Winfrey C. Link, executive director, fourfold challenge campaign, Nashville Tenn.
 Dr. Morris A. Lipton, professor of psychiatry and director of research development, School of Medicine, University of North Carolina, Chapel Hill, N.C.
 Hon. Thomas C. Lynch, attorney general of California, Sacramento, Calif.
 Barbara Scott, associate counsel, Motion Picture Association of America, New York, N.Y.
 Cathryn A. Spelts, instructor, South Dakota School of Mines, Rapid City, S. Dak.
 Dr. Frederick H. Wagman, director, University of Michigan Library, University of Michigan, Ann Arbor, Mich.
 Dr. Marvin E. Wolfgang, director, Center of Criminological Research, University of Pennsylvania.

Mr. LOCKHART. I'll summarize what I think you will be interested in.

(The prepared statement follows:)

STATEMENT BY WILLIAM B. LOCKHART, CHAIRMAN

INTRODUCTION

The Commission on Obscenity and Pornography was created by Congress on October 3, 1967. See Public Law 90-100. President Johnson appointed the Commission members on January 2, 1968, but the Commission has not met or commenced its work because it has no appropriation. A copy of Public Law 90-100 and a list of the members of the Commission are appended to this statement.

The duties of the Commission are stated in section 5 as follows:

SEC. 5. (a) INVESTIGATION AND RECOMMENDATIONS.—It shall be the duty of the Commission—

(1) with the aid of leading constitutional law authorities, to analyze the laws pertaining to the control of obscenity and pornography; and to evaluate and recommend definitions of obscenity and pornography;

(2) to ascertain the methods employed in the distribution of obscene and pornographic materials and to explore the nature and volume of traffic in such materials;

(3) to study the effect of obscenity and pornography upon the public, and particularly minors, and its relationship to crime and other antisocial behavior; and

(4) to recommend such legislative, administrative, or other advisable and appropriate action as the Commission deems necessary to regulate effectively the flow of such traffic, without in any way interfering with constitutional rights.

The authorization act calls for the Commission to report its findings and recommendations not later than January 31, 1970. At the time of my designation as Chairman of the Commission, I pointed out the impossibility of fulfilling adequately by that date the duties assigned to the Commission in view of the length of time required to conceive, design, and carry out the necessary behavioral research into the effects of obscene and pornographic materials, and then to consider the findings and translate those findings into sound and effective proposals for legislative or administrative action. The legislative sponsors indicated a willingness to propose an amendment authorizing additional time if the need for such additional time were shown. The inability to get the Commission underway until about July 1, 1968, makes even more imperative the necessity for substantially more time. I plan to request the sponsors of Public Law 90-100 to seek an amendment extending the time for submission of the Commission's report to June 30, 1971. The need for 3 years' time is indicated briefly below, and will be spelled out in more detail at the appropriate time in support of proposed legislation to extend the time.

This appropriation request is based on the assumption that the Commission's life will be extended to June 30, 1971. We, therefore, request at this time an appropriation to cover the operations of the Commission during the fiscal year 1969 and the obligations for contract research to be incurred during that year. For information we have included estimates for the fiscal years 1970 and 1971. It should be noted that the first year's appropriation covers three-fourths of the estimated cost of the Commission's work for the 3 years because it includes the full amount to be obligated for contract research amounting to approximately one-half of the total estimated cost.

The President's proposed budget requests for this Commission \$643,000 for the fiscal year 1969. That budget was prepared before the appointment of the Commission and its members. It is not adequate because of the necessity that all contract research be obligated during the first 6 months of the Commission's operation in order to complete its work within 3 years. The Commission's proposal is for \$842,000. The detailed justification follows.

When the amount of the President's budget was called to my attention after its submission to Congress I pointed out its inadequacy, and requested that it be modified. But no change was made in the recommendations from the Executive Office of the President.

I consider it my obligation to inform Congress as to the funds needed to fulfill the duties assigned to the Commission by Congress, though I must do so on my own responsibility. I accepted this very difficult assignment because I felt the task is one that greatly needs doing, but we cannot do it satisfactorily without adequate funds for research.

To be successful in the research task to ascertain the effects of obscene material, we must secure the very best of talent in behavioral research, and the best possible director of research. Unless the funds for research are adequate, we will fall flat on our face right at the outset, for we will be unable to secure top talent to direct the task. For this reason, I felt I simply could not remain silent and give you the impression that I consider the budget prepared by others adequate for the tasks assigned to the Commission by Congress.

We request an appropriation of \$842,000 for the fiscal year 1969. We estimate that approximately \$600,000 of this will be obligated during the year for contract research into the effects of obscenity, though much of the research will not be completed until the second and into the third years.

Necessarily the following budget breakdown is tentative. It is made by the chairman after consultations with others experienced in behavioral research and similar commission work. When the Commission is able to meet and plan its program, some variations in the allocation of funds may be called for, but I am satisfied that we will follow the general pattern of devoting the bulk of the appropriation for the first year for contract research to be performed over a 2-year period. The appropriation should be in a lump sum without breakdown in order to permit flexibility after the Commission is able to consider and plan its program.

BREAKDOWN OF ESTIMATED OPERATING BUDGET

	Appropriation, fiscal year 1969	Estimated, fiscal year 1970	Estimated, fiscal year 1971
1. Staff:			
Staff director and director of research (GS-18, \$27,055; approximately $\frac{3}{4}$ time in 1969, $\frac{1}{2}$ time in 1970, $\frac{3}{4}$ time in 1971).....	\$21,000	\$14,000	\$21,000
General counsel (GS-17, \$23,788 to \$26,960; approximately $\frac{1}{2}$ time; last year $\frac{3}{4}$ time).....	13,000	13,000	20,000
Assistant general counsel (GS-15, \$18,404 to \$20,593).....	19,000	19,000	19,000
Writer-editor (GS-15, \$18,404 to \$20,593).....			20,000
Administrative officer (GS-13, \$13,505 to \$17,557).....	15,000	15,000	15,000
Secretarial-clerical staff (4 in 1969 and 1970, 5 in 1971).....	24,000	24,000	30,000
Total staff salaries.....	92,000	85,000	125,000
Personnel benefits.....	10,000	9,000	13,000
Total staff costs.....	102,000	94,000	138,000
2. Commissioners (\$75 per diem, subsistence per diem, and travel expenses).....	45,000	25,000	50,000
3. Consultants (per diem compensation, subsistence per diem, and travel expenses).....	30,000	15,000	15,000
4. Travel for staff (consultants' and commissioners' travel covered under items 2 and 3).....	15,000	10,000	10,000
5. Rent, communications, printing, supplies, equipment, GSA services.....	50,000	30,000	50,000
6. Total costs apart from contract research.....	242,000	174,000	263,000
7. Contract research (to be obligated in 1969).....	600,000		
8. Total costs for Commission's work.....	842,000	174,000	263,000
Total estimated cost for 3 years, \$1,279,000.			

EXPLANATION OF REQUESTS AND ESTIMATES

Personnel

We are proposing a modest staff with the high-level personnel, the Staff Director and the General Counsel, to be appointed on a part-time basis. This is based on the judgment that we can secure the most highly qualified individuals for both posts from the academic world, and they would be unwilling to sever their academic connection on a full-time basis for the length of time necessary to complete the Commission's work. Since the extensive and difficult behavioral research will be performed by contract, full-time employment of these high-level staff members will not be needed except for short periods as indicated below.

The Staff Director, who will also serve as Director of Research, will be a behavioral scientist. We may very well need him on a full-time basis during the first 6 months, while the research program of the Commission is being formulated. But after the program has been formulated, and the research contracts have been let, his responsibilities for supervision of the research contracts and the other work of the Commission can be performed on a half-time basis until the last year of the Commission when the results of the research will become available and the conclusions and report of the Commission are being hammered out. In our estimates we have included three-fourth time for the last year in the belief that he will likely need to give full time to the Commission's work during about 6 months while the report and legislative recommendations are being drafted.

The General Counsel will be responsible for exploring the very difficult constitutional issues, working out the details of the legislative proposals, and supervising the study of the distribution patterns and traffic in obscenity and pornography. We must have the very best talent possible for this difficult assignment. We believe that a highly qualified lawyer can be secured for this assignment if he can still retain on a part-time basis his connection with a university. He would give the equivalent of one-half time except for 6 months during the last year when full time may be required.

The General Counsel will have under his supervision a second lawyer, a full-time Assistant General Counsel, who will be assigned to work both on the investigation of the distribution and traffic in pornography and on the other legal issues under the responsibility of the General Counsel. The Assistant General Counsel will devote his major efforts in the first year or two to the distribution and traffic study in which he could make generous use of information available in other governmental agencies, and occasional use of short-term consultants from the private sector as needed. He will be expected to carry major personal responsibility for the necessary investigating work. He will also do the preparatory planning for any hearings the Commission may decide are appropriate.

We have provided for an administrative officer and the necessary secretarial-clerical staff throughout the Commission's life, plus a writer-editor in the last year when the report is being formulated. In view of the proposed method of operation, using contract research for all but the legal research and study of the pornography traffic, we have some doubts that a full-time administrative officer will be needed during the entire period. We expect to explore the possibility of having these responsibilities handled for at least a portion of the time by GSA or through sharing the time of an administrative officer with another governmental agency.

Contract research

It will be noted that approximately one-half of the estimated cost of the Commission's work is for contract research into the effects of obscenity and pornography. This is all included in the first year's appropriation and amounts to nearly three-fourths of that appropriation, \$600,000 out of \$842,000. The amount designated for such research is in proper relation to its great importance to the Commission's total assignment, and it is all placed in the first year's budget due to the necessity that the research be commenced as quickly as possible in order to permit the Commission to complete its work within the proposed 3 years.

During the first 3 to 6 months, the Commission's major activity will be to plan and contract out the research. It will take 3 to 6 months to develop the research designs and line up the most effective institutions to handle the research. The more significant and probing research into the effects of obscene material will take approximately 2 years to complete. The Commission will then have 6 to 9 months to formulate its legislative proposals in the light of the information developed through this research and the study of the distribution and traffic in pornography. It is essential that the Commission be authorized to obligate the full \$600,000 during the first 3 to 6 months after July 1, 1968, in order to get the research underway in time to permit the commission to complete its work by June 30, 1971.

This research into the effects of obscene and pornographic material is the key to the Commission's capacity to make a constructive contribution to this difficult and vexing problem. Congress has directed that we focus particularly on the impact of such materials on youth, which is the critical public concern today. Opinions are strongly held concerning the harmful effects of such material, particularly on the young, but very little is actually known. Scientific research in this area has scarcely touched the surface. Yet without dependable knowledge as to the impact of the various kinds of materials, legislation must be drafted both blindly and vaguely, rather than focusing on the precise types of material found to be harmful.

One critical question is whether the sex-centered, borderline material that the Supreme Court has found constitutionally protected when sold to adults has a harmful impact on impressionable youngsters who have not yet reached maturity. If empirical studies demonstrate such harmful impact, this will provide a solid base for proposing carefully drafted legislation to deal specifically with the problem of distribution of this material to the young. Such legislation, supported by findings developed through careful scientific studies, would stand constitutional scrutiny, if carefully drawn so as not to impede distribution of material constitutionally protected when sold to adults.

While privately funded research has scarcely touched the surface in examining the effects of obscene and pornographic materials, the creation of the Commission has enabled me during the past 2 months to stir up a great deal of interest in research in this area among some of the Nation's leading sociologists, psychologists, psychiatrists, and other behavioral scientists. I have met with small groups around the country, and have several such meetings still scheduled, for the purpose of exploring with them the very difficult problems of designing research that will enable us to filter out the effects of this particular kind of material from the many influences upon the lives of youngsters. I am becoming more and more encouraged, both by the imaginative approaches I have encountered, and by the growing interest in such research that the congressional expression of interest appears to have stimulated. And I have become increasingly confident that, properly funded, the Commission can produce significant light to guide policymaking in this murky area.

Research of this kind is very expensive due largely to the endless hours required to study in depth a sufficiently large number of individuals, both users

and nonusers of the questionable material, in order to come up with dependable conclusions. With the \$600,000 proposed, we can only make a reasonable beginning, but there is good reason to believe that the research we initiate through a modest appropriation will stimulate a great deal more research funded from other sources over the next 10 years. It is my belief that with \$600,000 for contract research we can mount sufficient studies to give us guidance for the immediate task faced by the Commission.

Until the Commission has funds to organize, to form a research committee, and appoint a Director of Research, who would call in consultants to plan, and review research designs, I am not in a position to spell out just how the \$600,000 would be expended. But I have made enough investigation of the costs of such research to know that this is a modest, minimal request.

For example, one study alone that was suggested in some detail by a nonprofit research institute would cost conservatively \$250,000. This would involve intensive in-depth studies of 1,500 teenagers of varying ages who have had varying degrees of exposure to varying kinds of sex-laden material. In order to get a dependable sample, balanced with respect to all other environmental factors, would require initial screening of 6,000. We costed this out at the current research costs for the various activities and processes required to make it dependable, and came out with \$250,000. There was nothing extravagant in this estimate. The senior scientists directing it would be paid only \$20,000 annually for the 2-year period that the study would require. I do not suggest that the Commission will authorize this particular study, but whatever designs we approve will require the same detailed attention to large numbers of individuals, and hence roughly the same costs.

I visited recently with the director of a private research institute presently engaged in studying for a private client the opinions of a wide sample of mental health experts and child correctional officers concerning the impact of pornographic material on youth. This will be a questionnaire-type survey at a cost of \$50,000. The client had offered to make available \$100,000 to make a study of the effects of such materials, rather than a survey of opinions, but after examining the matter carefully, the research institute concluded that a dependable study aimed at effects simply could not be performed for \$100,000.

The Commission cannot limit itself to a single study or a single design. It is necessary to have more than one study focusing on the same basic problem: e.g., the effect of varying kinds of materials on the teenage group, in order to cross-check results under different supervision and different research designs. Furthermore, no single study can focus on all the problems that the Commission is obligated to study. For example, while Congress directed us to study the effects of obscene materials, "particularly on minors," the charge to study the effects "on the public" and "its relationship to crime and other antisocial behavior" requires at least one study aimed at ascertaining the effects on adults, particularly young adults. A comparison of the effects on teenagers and adults could become very important. There is also need to study the effect of sado-masochistic materials and homosexual materials, particularly on those not yet victimized by these perversions but with latent tendencies in that direction. We need to study the extent and seriousness of the emotional tensions caused to adolescents by exposure to various types of pornographic materials, which will require a study quite different from the studies aimed primarily at ascertaining the effect of such material on conduct, and on outlook and attitudes toward community moral standards. In order to provide a dimension not possible through the studies on effects, we need also to arrange for an extensive and intensive study of the clinical experience of psychologists and psychiatrists, possibly through a survey of published clinical reports as well as detailed interviews with a dependable sampling of clinicians.

We could effectively devote double the \$600,000 requested for research into the foregoing matters, and others on which the need for research will become evident as our work progresses. But with \$600,000 available, I believe we can finance enough studies to give the Commission reasonable guidance in developing its legislative proposals. At the same time, I am hopeful that we will be able to stimulate additional studies financed from other sources, which may possibly provide additional data for consideration by the Commission before it formulates its final report and proposals.

Possibly, we may need to contract out research on special problems with respect to the distribution and traffic in pornography, such as a study of the consumer market for the various types of product, or a detailed classification of the materials currently being distributed. In order to make this possible, the

committee action should make clear that the funds may be used for contract research in support of all of the Commission's assignments. The terms of section 6(d) of Public Law 90-100 might appear to authorize contracts for research only into the effects of material under section 5(a) (3). We, therefore, request the following sentence in the committee report or appropriation act, whichever the committee deems appropriate:

"These funds may be used for contract research with universities, research institutions, foundations, laboratories, hospitals, and other competent public and private agencies to conduct research in fulfillment of the Commission's obligations under section 5(a) of Public Law 90-100."

1970 AND 1971 ESTIMATES

The 1970 and 1971 figures are only estimates made in advance of any experience with the proposed staff. By January 1969, the Commission's program will be well formulated and underway, the cost of the required research will be known, and the feasibility of the proposed staffing will have been tested. At that time, the Commission will be in a position to propose a 1970 budget based on experience.

PAYMENT OF EXPENSES INCURRED IN 1968

We request that the appropriation act authorize use of the funds, when available on July 1, to cover expenses of the Commission, including consultants' fees, and the Commissioners' per diem, incurred between February 1 and July 1, 1968.

In order to facilitate the work of the Commission as soon as the appropriation is passed, we should like to be able to call a meeting of the Commissioners and to form and work with a research committee, without waiting for July 1. In addition, as Chairman of the Commission, I have been advancing my own funds for necessary travel in order to get on with planning the Commission's work in the absence of an appropriation. I have also made arrangements for two psychology professors to prepare for the Commission a summary of the studies thus far made on the effects of obscene materials and to be prepared to discuss these with the Commission as soon as we can bring the Commission together. The preparation of this material could not wait until July 1 without causing undue delay; these psychologists should be paid consultants' fees for their work on behalf of the Commission.

We propose the following substitute provision in the appropriation: "to be available from February 1, 1968, and to remain available to June 30, 1970."

Public Law 90-100, 90th Congress, S. 188, October 3, 1967

AN ACT Creating a commission to be known as the Commission on Obscenity and
Pornography

Be it enacted, by the Senate and House of Representatives of the United States of America in Congress assembled,

FINDING OF FACT AND DECLARATION OF POLICY

SECTION 1. The Congress finds that the traffic in obscenity and pornography is a matter of national concern. The problem, however, is not one which can be solved at any one level of government. The Federal Government has a responsibility to investigate the gravity of this situation and to determine whether such materials are harmful to the public, and particularly to minors, and whether more effective methods should be devised to control the transmission of such materials. The State and local governments have an equal responsibility in the exercise of their regulatory powers and any attempts to control this transmission should be a coordinated effort at the various governmental levels. It is the purpose of this Act to establish an advisory commission whose purpose shall be, after a thorough study which shall include a study of the causal relationship of such materials to antisocial behavior, to recommend advisable, appropriate, effective, and constitutional means to deal effectively with such traffic in obscenity and pornography.

COMMISSION ON OBSCENITY AND PORNOGRAPHY

SEC. 2. (a) ESTABLISHMENT.—For the purpose of carrying out the provisions of this Act, there is hereby created a commission to be known as the Commission on Obscenity and Pornography (hereinafter referred to as the "Commission"), whose members shall include persons having expert knowledge in the fields of obscenity and antisocial behavior, including but not limited to psychiatrists, sociologists, psychologists, criminologists, jurists, lawyers, and others from organizations and professions who have special and practical competence or experience with respect to obscenity laws and their application to juveniles.

(b) MEMBERSHIP OF THE COMMISSION.—The Commission shall be composed of eighteen members appointed by the President.

(c) VACANCIES.—Any vacancy in the Commission shall be filled by appointment by the President.

(d) ORGANIZATION OF COMMISSION.—The Commission shall elect a Chairman and a Vice Chairman from among its members.

(e) QUORUM.—Ten members of the Commission shall constitute a quorum, but five members shall be sufficient for the purpose of taking testimony or interrogating witnesses.

COMPENSATION OF MEMBERS OF THE COMMISSION

SEC. 3. (a) MEMBERS EMPLOYED BY UNITED STATES.—Members of the Commission who are officers or full-time employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States; but they shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(b) OTHER MEMBERS.—Members of the Commission who are not officers or full-time employees of the United States shall each receive \$75 per diem when engaged in the actual performance of duties vested in the Commission. In addition, they shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

STAFF OF THE COMMISSION

SEC. 4. Such personnel as the Commission deems necessary may be appointed by the Commission without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subtitle III of chapter 53 of such title relating to classification and General Schedule pay rates.

DUTIES OF THE COMMISSION

SEC. 5. (a) INVESTIGATION AND RECOMMENDATIONS.—It shall be the duty of the Commission—

(1) with the aid of leading constitutional law authorities, to analyze the laws pertaining to the control of obscenity and pornography; and to evaluate and recommend definitions of obscenity and pornography;

(2) to ascertain the methods employed in the distribution of obscene and pornographic materials and to explore the nature and volume of traffic in such materials;

(3) to study the effect of obscenity and pornography upon the public, and particularly minors, and its relationship to crime and other antisocial behavior; and

(4) to recommend such legislative, administrative, or other advisable and appropriate action as the Commission deems necessary to regulate effectively the flow of such traffic, without in any way interfering with constitutional rights.

(b) REPORT.—The Commission shall report to the President and the Congress its findings and recommendations as soon as practicable and in no event later than January 31, 1970. The Commission shall cease to exist ten days following the submission of its final report.

POWERS OF THE COMMISSION

SEC. 6. (a) HEARINGS AND SESSIONS.—The Commission or, on the authorization of the Commission, any committee thereof, may, for the purpose of carrying out the provisions of the Act, hold such hearings and sit and act at such times and such places within the United States as the Commission or such committee may deem advisable.

(b) CONSULTATION. In carrying out its duties under the Act, the Commission shall consult with other Federal agencies, Governors, attorneys general, and other representatives of State and local government and private organizations to the extent feasible.

(c) OBTAINING OFFICIAL DATA.—The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality, information, suggestions, estimates, and statistics for the purpose of this Act, and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

(d) OBTAINING SCIENTIFIC DATA.—For the purpose of securing the necessary scientific data and information the Commission may make contracts with universities, research institutions, foundations, laboratories, hospitals, and other competent public or private agencies to conduct research on the causal relationship of obscene material and antisocial behavior. For such purpose, the Commission is authorized to obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code.

Approved October 3, 1967.

LEGISLATIVE HISTORY

House Report No. 521 accompanying H.R. 10347 (Committee on Education and Labor).

Senate Report No. 221 (Committee on Government Operations).

Congressional Record, volume 113 (1967):

May 11: Considered and passed Senate.

August 7: Considered and passed House, amended, in lieu of H.R. 10347.

September 20: Senate concurred in House amendment with an amendment.

September 21: House concurred in Senate amendment.

Mr. LOCKHART. The Commission was created last October. The members were appointed in January. We have not been functioning as a Commission because we have no funds. I have been conferring with Government officials and research experts in the behavioral research area in hopes of getting a quicker start once the Commission has been funded.

The duties of the Commission have been set out on page one of the statement. I can summarize them very briefly. Boiled down, it seems to me there are three functions the Commission has. One is to study the distribution and traffic in obscene pornographic material, including who is buying it, who is using it, what is the method by which it is distributed, and second, to study the effects of obscene material upon the public with particular emphasis on the young, and the relationship between this material to crime and antisocial behavior, and then finally upon the basis of what we find in these studies, to come up with recommendations for such legislative or administrative action as seems advisable in the light of the total findings which, of course, includes drafting proposals of legislation, if this is called for, and I think we have to recognize that this includes both the possibility of Federal legislation and proposals for State legislation.

Much of this cannot be handled without the cooperation of both the Federal Government and the State governments.

Now, the legislative history stresses the importance of making the study into the effects of this material. There are a great many varying opinions held by varying groups, depending on their slant and out-

look with respect to the effect of this material, but amazingly little hard reliable factual data upon which you can say definitely this material does such and such or is harmless, depending upon which viewpoint the individual who was making the statement has.

It is clear to me that the obligation of the Commission is to make a thorough study, as thorough as can be in the time we have, into the effects of this material for the purpose of focusing both the legislation and the enforcement procedures upon the kind of material that is found to be socially harmful and the method of distribution by which this is brought about.

The prime concern is children, the teenage groups; the statute itself says "particularly minors". Obviously it had in mind what is concerning the public generally with respect to this kind of material, so our obligation is to have studies that will determine the kind of materials that these teenage youngster groups consume, how it is marketed to them, its effect on them, and then how best to control that which is found harmful, particularly when some of this material, perhaps even most of it, which the children use and who don't know whether this is true or not. I suspect most of what the public is concerned about as to what is getting to the children is the kind of material that is protected by Supreme Court decisions when distributed to adults.

The Supreme Court has left open the question and now has before it some special legislation from New York dealing with distribution to children. Our concern is to try to round up the kind of factual data that would be useful in legislative policymaking and which we hope would also be useful to the court. One of the concerns the court has had is that it really does not know what the effect of the material has had on the users. This kind of behavior research is not easy. It is both time-consuming and expensive.

But it is only through very thoroughly trained research of this kind that we can hope to gain the kind of information we must have if we are to do or if the Congress is to do thoughtful, intelligent legislation in this area.

I think the Commission can shed light on this which will be helpful both to Congress and the state legislatures.

Now, I have two problems that I want to mention specifically to the subcommittee. The first concerns your committee only indirectly, but it is necessary to explain why this budget which you will find on the fourth page here, beginning on the fourth page, is set out in 3 years, that is, fiscal year 1969 appropriation with a statement of an estimated cost in 1970 and 1971.

The statute which created the Commission called for the report of the Commission in January—the end of January 1970. The Commission was created in October 1967. That covered two and a third years, if we started immediately. We have not started yet and we won't be started until we are funded, which means probably sometime in mid-summer; certainly around the 1st of July if not somewhat later than that.

This leaves us approximately a year and a half, which is wholly inadequate for completing the kind of research that is involved in studying effects. This behavioral research involves a great deal of time. It is also expensive.

You have to study individuals and a large enough number of individuals so the results you come up with can be dependably relied upon as indicating what is the general response to this kind of material. I have been spending a good deal of time over the past 2 months and I am going to spend some more in the next 2 or 3 weeks visiting with behavioral scientists at the leading universities where the best people in this type of study are located—sociologists, psychiatrists, psychologists.

I have been exploring with them how we go about finding out the effects of this material. Most of them say it will take approximately 2 years, once you get such a program of research going, before you can really come up with a conclusion of the particular research.

That means if we do this kind of research, we just can't get it done by the end of January 1970. I have talked with Senator Mundt of the Senate side who sponsored this legislation, and Congressman Daniels on the House side, and explained this to them; and Congressman Daniels this morning indicated he was favorable to come back in with an amendment which would extend that time.

As I indicated in my memorandum here, I believe we can do the job on a 3-year period from July 1, 1968, through June 30, 1971. Now that is not your immediate concern, but certainly it is involved in explaining the appropriation which I suggest here.

We are going to do our best to produce some results before that. I think we can probably make some recommendations on some aspects of our responsibility before that, but I wouldn't be honest if I pretended that I thought that by January 30, 1970, we could come in with an intelligent study, considering the time we are getting started.

I think the only possible way to proceed in something like this is to state frankly what the situation is. Therefore, the budget statement assumes we will be operating until June 30, 1971, although we are asking for an appropriation only for this coming fiscal year.

Now the other point I wanted to make; I am in the unenviable position at a time of financial crisis in pointing out to you as representatives of Congress that the amount requested in the President's budget, which is \$643,000, is simply not adequate to fulfill the assignment that Congress has given to the Commission.

I should say that budget was prepared before any members of the Commission were appointed. Of course, without any consultation with members of the Commission, or insofar as I can find out, with anyone else who had really studied the cost of behavioral research; I think as Chairman of the Commission I have a duty to explain what are the needs to fulfill what Congress has asked the Commission to do, and then leave the Congress to decide.

MR. COHELAN. I wonder if you could tell me this: under the circumstances, would it not be a better method if you were to undertake your study in smaller increments, for example, to survey the literature, and then have the Commission decide the design of the study? It seems to me you've got the cart before the horse. Do we really know what is in the literature now?

MR. LOCKHART. Yes, sir; we do know. This literature I have already checked. I know what the literature is on the effects of obscene material. What you have is two types of things. You have opinions by

psychiatrists and psychologists and based upon basically their opinions, not really substantiated by details through studies of cases, clinical case studies. Then you have some psychological studies which have only gone so far, and quite extensively, quite a few of these have gone to the point of establishing that looking at these materials, in the case of males, cause immediate sexual arousal.

Mr. COHELAN. There are no clinical studies?

Mr. LOCKHART. You have opinion of psychiatrists who have their own cases. This is what you have. Then you have the psychological studies, experimental studies that have only taken the first step. We don't consider the effect this has on standards, the long-range effect, the effect it has on conduct. This has not been done.

Mr. COHELAN. You don't anticipate then, when you do get funded sufficiently to call a meeting of your distinguished Commission, that they might want to consider another design for the study?

Mr. LOCKHART. The only kind of design they could consider, really, other than just not to pursue behavioral research, is to report on what we already know.

Mr. COHELAN. You feel that we must get into it through a behavioral study of actual cases. Would it be the same design as the Kinsey report?

Mr. LOCKHART. Somewhat the same design. It is a different kind of design. That report only considered it—it really didn't get into causes, it just got into practices.

Mr. COHELAN. But it uses the technique of the individual.

Mr. LOCKHART. Yes. This is really the only way.

Mr. COHELAN. What do we really learn from that? Do we learn much from it? Do we get a big enough sample?

Mr. LOCKHART. This is it—to get a big enough sample. The one proposal that was worked out in detail was actually worked out with some of the people with Kinsey. I was exploring how could we get about this. I was at Stanford on Friday of last weekend and at Berkeley on Saturday talking with groups of seven to eight behavioral scientists across the board—sociologists, psychologists, psychiatrists.

Stanford is one of the centers of behavioral studies. There is a psychologist there who has been studying the effect of aggressiveness, the aggressive pictures and movies, this kind of thing, which is a similar kind of study. He is one of the top people in the field.

I worked with a psychologist in Indiana also and am going on Friday of this week to meet with a group of behavioral scientists at Columbia, and the following week at Michigan.

But I have talked with enough of these people. They say nothing has been done that is really great, a great prospect of learning something here.

PERSONNEL

Mr. STEED. Dr. Lockhart, how many people on a full-time basis do you project for the work of the Commission as to their classification, and as to position whether clerical or administrative?

Mr. LOCKHART. If you would look on the breakdown, you will notice I have a staff director and general counsel and assistant general counsel. I put in the staff director and general counsel on a part-time basis. This is a judgmental thing. This may turn out to be wrong. The opinion is, or my opinion was that I could probably get a stronger man

that would give full-time for a half year until we get the contract research out, at which time it would take less of his time. I may have to change my mind about this depending upon the kind of person we can get.

But you will see we have a relatively small staff. We have an administrative officer who possibly could be part time, although listed in here full time, although listed in here full time, and four clerical until the last year, so it is a much smaller staff, for example, than the Bureau of the Budget handed out in terms of the proposed cutback in staff.

The principal expenditure, the major cost, is this contract research. If you will notice, the total amount I propose for the first year is \$842,000; the contract research is for \$600,00 which is three-fourths of this cost. That all has to go into the first year because it needs to be obligated in the first year.

Research will extend for about a 2-year period. We have got to have the money before we can make the contract. In the last 2 years, the total estimate for each year is very small. In the second year, \$174,000; in the last year \$263,000; because at that time we would be preparing the committee report and would need a writer/editor, more nearly full time as part of our key people, and more stenographic help.

Also there will be the printing costs plus more travel time and per diem for the Commissioners because they would be reading and discussing materials.

This is, in my judgment, really a minimal budget. I am concerned about the \$600,000 not being enough and yet I think if we get that much, we can stimulate some other research outside of that. I would be much more comfortable with twice that, yet I feel it is unreasonable to propose twice that without having a very careful design in which we know we will need more than that.

I have figured out a variety of studies based upon the type of costing which I became familiar with in working out one particular project at Indiana. I can see \$750,000 or \$800,000 being expended without any duplication at all in areas that I think we have to study. I would go into these details if you would like to have me indicate the kind it is.

RESEARCH CONTRACTS

Mr. STEED. Doctor, by the standards of an old fogey that I am, pornographic literature and obscenity has been growing at an alarming pace, but viewed in the light of decisions in our courts we have hardly any at all left. There is virtually no such thing.

Now, also, we are aware of the fact that in this magic thing called research, that over the years we have all become so enamored with it that we just research and research until in this budget currently before us, in one form or another, we have billions of dollars that are going into one kind or another of research.

One of the complaints about the size of the Federal research package has been that we are getting into so much of it that we are straining the research resources of the Nation to a point where the topnotch research talent isn't enough to go around. We have to delegate it to some people less qualified to do a Federal job.

In this particular field, in this area, since you project something like \$600,000 worth of research contracts, do you think the opportunity to get topnotch contractual parties is limited?

Mr. LOCKHART. I don't believe we will have any trouble with this. I base that upon the responses I have had in these places where I have already talked. There is a great deal of interest in this field. It has never been explored, except in the limited way I explained a while ago.

APPROACH TO STUDIES

Mr. STEED. Are you going to approach this from the standpoint of what the court decisions and litigation has said pornography is?

Mr. LOCKHART. No.

Mr. STEED. What are you going to try to embrace when you define this thing called pornography?

Mr. LOCKHART. The approach will be on a factual basis, certain kinds of materials, not the definition, if you call it a definition, of the type that the Supreme Court has gradually been evolving.

Mr. STEED. Are you going to go at it like an old fogey would, or one of these moderns?

Mr. LOCKHART. Like an old fogey would in the sense that the whole variety of materials that the public is very much worried about. Most of these are freely accessible and constitutionally protected when the adults receive them.

Mr. STEED. I saw a television show the other night where a college in the great State of California had produced a professor who had staged a show that had created a furor in the community, resulting in members of the California State Legislature introducing some legislation upon the thing. They had the two State senators on the show and they had this slouchy, slovenly looking professor and some even worse looking poet who accompanied him, and the reaction I got from it was that the professor was trying to say that all of us are neurotic because we still think cursing and other things are taboo and that he is doing society a great service by staging obscene sex acts on the stage, and this sort of thing. I must say I felt the two lawmakers had a more reasonable comprehension of what the problem was than these two fellows did. Where they found these fellows I don't know.

If we go contracting with professors, are we going to get that kind? Who are we going to be dealing with?

Mr. LOCKHART. The one thing that I have been saying to those that we talked to about this is that it is essential that the people that we use for research here must not be committed in one direction or the other. We are trying to find out as near as we can what the facts are with respect to the effect of this material.

Mr. STEED. The thing that astonished me about this television show was not so much what both sides of the argument were saying, but the audience reaction, and all these young folks seemed to be on the side of those who said pornography was for the birds, but there wasn't any such thing.

Mr. LOCKHART. That is a college atmosphere which I encountered.

Mr. STEED. Is that where you are going to do your research?

Mr. LOCKHART. We are going to research with research institutes wherever they are located. Certainly, students aren't going to be doing the research.

Mr. STEED. What I am trying to get at is, are we finally going to get down to where we have two states of mind what you find is going

to appeal to one and repel another. If it goes the other way, why would it not be the same result, only in reverse?

Mr. LOCKHART. I hope what we get would be sufficiently persuasive to sway those whose minds are open. Those whose minds are closed are not going to be persuaded one way or the other.

POST OFFICE AND CUSTOM'S EXPERIENCE

Mr. STEED. We have two agencies of the Government who have had quite a bit of experience in this field, the Post Office Department in materials sent through the mails which they have been combating for many years, and the Bureau of Customs since a great deal of material in this area comes from overseas. Are you going to have access to their knowledge and their experience?

Mr. LOCKHART. Yes. I have already been taking advantage of it. I was out in Los Angeles on another mission—

Mr. STEED. They have had quite a bit of experience in litigation and so has the Department of Justice. Are you going to have access to their experiences?

Mr. LOCKHART. I have already conferred with four lawyers in the Department of Justice on this. All this is available to us, but the effect of this material has not been studied by any of these.

COURT DECISIONS

Mr. STEED. Since I am an old fogey and have the old-fogey approach to this, and reading some of the opinions of some of our judges, I find that some of the decisions handed down are extremely lenient. Are you going to go into the quality of that?

Mr. LOCKHART. Not the quality of the judges. I am going to go into the effect of this material which can influence the judges, particularly as it relates to children. The court has left this question open.

Mr. STEED. By the standards I have been using here; I've been here 20 years, and I don't know of any single time the Congress has had an opportunity to enact any legislation in this field that would have the effect of drying it up or wiping it out or bringing it under tighter control or restricting it, that they haven't done. But it doesn't make any difference, the kind of an act we are going to pass, if the courts won't pay any attention to it. What good is it if you find all these things, and we pass laws, and you can't get them enforced?

Mr. LOCKHART. I think there is a good chance, where children are involved, we are not going to encounter that problem. The Supreme Court has guarded their decision that this does not involve distribution aimed toward children.

OFFENSIVE MAIL

Mr. STEED. We passed in the last session an act affecting the Post Office Department in terms of permitting a patron, if he received material through the mail that he considered offensive and obscene, to go to the post office and demand that his name be taken off such a mailing list.

Now do you think that this act and the evolvment of its enforcement will furnish you any useful information?

Mr. LOCKHART. I know the act. I think it will bog down administratively. I do have a thought of my own if you are interested in this area, and I will take 5 minutes to explain to you what I think can be done with respect to this deluge of material through the post office, which I think will work.

I really have some doubts as to whether the act passed by Congress will produce the result you expect because of the volume involved. A special court order with respect to particular cases with respect to particular patrons against a particular distributor. The thought that I had—I got this from one of the people in the Department of Justice and did some revising of it in my own thinking—is two very simple steps: Congress first provides in this act that all advertising of sex materials, and defining it properly, must bear on the outside of the envelope a code which indicates it is that kind of material. Then provide that all a patron needs to do to prevent delivery of this to his home is to notify the local postmaster that any material so coded is not to be delivered to him—it is to be simply dumped.

This is very simply enforced. Anyone who sends such advertising through the mail without the code will be detected because the patrons are always going to the post office with this kind of material when they get it. It would not be difficult to go back and pin it, pin the distribution on the guilty party.

The citizens associations, the PTA, whoever wants to take this up in a particular community can blanket the community with information about this, can furnish postcards; all they have to do is put their name on it and send it to local postmasters. The postmaster then gives the information back to the carrier who labels that particular box in the post office and he just doesn't throw that kind of mail in it.

This can dry up this advertising business very quickly.

CENSORSHIP

Mr. STEED. How close do we get to censorship in this whole proceeding? I know they are showing movies today that would have caused an enormous furor just a few years ago, especially foreign movies. It is a common thing to pick up a newspaper and see where the advertisement there clearly appeals to patrons on the basis that this is something on the, say, racy side, or for adults only, and that sort of thing.

Then we get into the matter of books and literature, and the freedom of expression, in that vein. How are you going to evolve any concept of this problem in any proposed legislation to cope with it, and escape stepping across that line into undesired censorship.

Mr. LOCKHART. I think when it comes to controls with respect to children that it would be possible to do so. Whether it would be possible insofar as adults are concerned presents a much more difficult constitutional question.

Mr. STEED. Apparently, we already approach the time when a lot of so-called intellectuals have told us that because my parents have told me certain words and things were bad and taboo, that they did me great mental harm and made me neurotic. Now we are down to the point where the adults are a lost generation, and we can be obscene or

pornographic around them, but we can't harm children. How long will it be before we say we must not be old fogeys and prejudge what is good for the children?

Mr. LOCKHART. I hope our factual determination will help the Supreme Court to arrive at a conclusion that would be more in keeping with your judgment than with that professor in California.

Mr. STEED. Since you associate yourself with my own classification and my own personal view, I don't know whether you and I are going to be outnumbered by those who disagree or not.

Mr. LOCKHART. We may be.

Mr. STEED. Mr. Conte?

Mr. CONTE. Is it a question of money? Is that the only reason why the Commission can't get under way until July 1, 1968?

Mr. LOCKHART. Yes, sir.

Mr. CONTE. You talked about the chief personnel performing on a half-time basis in order for you to be able to get the best possible people for the jobs. Is it possible for these people to maintain their university or whatever regular position they will have and still give 50 percent of their time to the Commission's work?

Mr. LOCKHART. Yes, I think so. Not their full position—they would work on a half-time basis with the university if they were to do this. In order to be completely frank with the committee, I am not sure what conclusion we will reach on this. The difference in cost is relatively small, as you can see. If we conclude that we can get the best men on a full-time basis, we may very well find this is the best way to proceed and we'll proceed on that basis.

The difference is fairly small. You will notice in the case of the Director, we have him on a three-fourths basis the first and last year, so the difference is very small as to cost. I wanted to retain this freedom to proceed in either direction, depending on whom we could get.

I was talking last week, after I prepared this statement, with some of the people out at Stanford, and they were really of the opinion the best man we could get to do this is someone who had experience in similar areas and also knew the ins and outs of the Government activities.

Mr. CONTE. I sort of foresee a difficulty in an individual determining whether he is giving 50 percent of his time to a certain project. This is a little bit bothersome.

Mr. LOCKHART. I can appreciate this. It can be when a person is on a part-time basis, we ought to pay him on a consultant's time-expended basis. We would do whichever seems to be the logical thing to do. I suspect when he is on full time, he should be on salary; when he is on part time, we should pay him on a time basis as a consultant rather than a salary basis.

Mr. CONTE. Do you plan to draw from the experience of the Post Office Department in the area of pornography?

Mr. LOCKHART. Particularly on distribution. I have already talked with the Inspector General and I have talked to some of the inspectors out in the field. Los Angeles is one of the prime bases. I spent a half day in the Post Office Department there talking to the inspectors who have been responsible for investigating the distribution that occurs in Los Angeles.

Mr. CONTE. Is it your belief that a legislative program can be worked out that will fall within the constitutional guidelines set out

in this area by the Supreme Court and which at the same time will provide successful controls in this area, especially as regarding minors?

Mr. LOCKHART. Yes. I think such a program can be worked out. It involves two elements. One is special statutes that relate to youth on which the Supreme Court has certainly kept an open mind and left open. The Supreme Court now has a case pending before it involving a special child statute. We don't know what answer the Court is going to give in that case, but my forecast is it will sustain it or throw it out as moot. It may do the latter.

There was some question at the argument which indicated the Court was concerned with the fact that there was only a suspended sentence involved in that case, but it has not thrown it out yet. It normally would have acted already if it were going to throw it out as moot. I think apart from the special child statute aimed at distribution to children, which can be drafted and in such a way as to be sustained, the *Ginsberg* case indicates really the key to another type statute which is specifically directed at methods of selling as distinct from the content of the material.

The Supreme Court, in the *Ginsberg* case, sustained the conviction because of the manner in which the material was sold. The Supreme Court is protecting the right to buy, but the Supreme Court in the *Ginsberg* case, said it would not protect the right to pander, which is quite a different thing.

I think there is plenty of room for a constitution dealing with this problem the way the Supreme Court would accept it.

Mr. CONTE. I imagine you read in the newspapers about the new statute we passed where an individual who receives pornographic literature, smut, whatever you want to call it, has got the right to return it by going to the postmaster in his town, who would then return it. The individual who sends it then is prevented from sending any further such literature to the individual. Some have stated that this is playing right into the hands of the peddlers, because then they'll get a real hard-core list of people who want this junk.

Mr. LOCKHART. It helps them to refine their list; right. I am not sure how much there is to that. There is something to it, I suppose; but these lists are being exchanged all the time and you are having a seller who changes his name and his corporate function if he has one. I am not really optimistic about the statute being effective.

I did, before you came in, explain to your chairman a notion I had with respect to a statute that would be effective. I would be glad to talk to you about this off the record afterward.

Mr. CONTE. All right. I'll be reading it in the record.

Mr. ADDABBO. In your research on cause and effect, would it be geared strictly for under 18?

Mr. LOCKHART. I think it is broader than that; but the prime concentration in terms of the available resources, the most critical problem is the children. You do need to have a comparative study of adults, but it could be in smaller numbers. We do need to study the impact of this material. This is a critical problem in the homosexual perversion type of material. I think we need to make a study of it.

Mr. ADDABBO. After all these studies are complete, would the Commission also try to suggest wording of legislation to protect the individuals if we find the material is harmful?

Mr. LOCKHART. Yes. This is the end result. This is really the whole purpose. We can't get the guidance toward that end result until we have this hard factual material as to what the effect of this is. This could be important in framing the legislation. It could also be important in having the legislation sustained. I know one of the problems concerns the Supreme Court, and one of the reasons for its liberality is they do not know that this material is harmful. They debate it.

There is a real contrast in the Court on that issue. If it turns out that the material is not harmful, certainly we are not committed to produce one result or the other. We are going to try to get at the facts. If it turns out it is not harmful, then we have a different problem.

I don't really expect that result to be shown as far as children are concerned. I may be wrong.

Mr. ADDABBO. Are there sufficient funds in the appropriation to also study ancient law and laws to date in comparison with the Supreme Court decisions?

Mr. LOCKHART. That kind of study has been done pretty well. I have done a lot of research in the legal problems of pornography controls. There wasn't very much until the first of the last century.

Mr. ADDABBO. Has there been or is there a study showing the change of thinking in the law and the change of decisions down through the ages?

Mr. LOCKHART. Yes, that has been pretty well traced, primarily in America, not so much Roman, back that far. We can dig that out pretty fast. The expense would not be great. This is a matter of a month's or 2 month's work by a lawyer.

Mr. COHELAN. How about pre-Roman? How about Greek? How about the Indian? How about the Orient? There is to be found a whole history of fertility cults and fertility rites and doctrines.

Mr. LOCKHART. This kind of material is commonplace.

Mr. COHELAN. This is my point. When one gets into the study of the anthropology of these cultures, it is relevant to the subject you are talking about.

Mr. LOCKHART. Yes, it is.

Mr. COHELAN. The scope of the problem is almost limitless.

Mr. ADDABBO. No further questions.

Mr. STEED. Mrs. Reid?

Mrs. REID. Let me first say that I appreciate the handicaps under which you are being forced to work at the present time. I certainly view your task as a very important one in today's society; however, I think it is unfortunate that the funding of the Commission's activities comes at this particular time when there is such widespread concern for our serious fiscal situation.

Will your Commission also consider the question of obscenity as it relates to the motion pictures?

Mr. LOCKHART. Yes. We can't avoid that. That is a part of the problem.

Mrs. REID. As I understand your statement, you feel that accumulated research in this field has been so insignificant that you would actually be forced to pioneer in this field, so in-depth case studies will be necessary.

Mr. LOCKART. Yes. It is not so much deep case studies of individuals, although we should do some of this, but it is more a survey study of intensive interview of a large number of people. We would use the studies by the psychiatrists of the problem people as another kind of guideline that would give us some direction and, I hope, some dimension to what we are doing. That intensive study of a case nature would take too long at this stage to come up with.

Mrs. REID. You indicate also it would be necessary to have more than a single study or single design. How many would you say would be a reliable sampling?

Mr. LOCKART. Two or three. They would be somewhat different. I am thinking in terms of the survey type, the one I mentioned in the statement of roughly 1,500 people. I am hopeful, in addition to that, we can find two cities that are roughly the same, excepting in one you had a tough chief of police that has held it down, this material, and the other you had great freedom. There have been two suggested to me in Ohio, Youngstown and Akron, that are pretty much alike excepting for this feature.

If we could get a sampling of 300-350 from each of these communities and compare their results, you get the effect of an experimental study without experimenting. You can't experiment with children. You can't expose them to this. In the medical study, you can feed pills to some and not feed pills to the others and come up with answers. When you are dealing with this kind of exposure, you can't deliberately expose kids from the standpoint of morals. You can't experiment with them that way, so you have to find natural exposure which makes it more lengthy, which requires you to be very careful about probing all of the environmental factors—the family, the group they run with, their religious aspects, and you would have to balance the users and the nonusers, of which you have all these other elements equal, in order to be able to come up with some conclusions as to the impact of the material.

Mrs. REID. Where has the best research in this field been accomplished to date, what foundations and what universities?

Mr. LOCKHART. There was a study in the *Minnesota Law Review* in 1962 which was written by two professors at Pennsylvania and one from Indiana who was visiting in Pennsylvania. One is a lawyer, two others are psychologists. This is a critical survey of all the studies with respect to the effect of obscene material that has been made up until 1962. All of these were psychological studies—not all. The Kinsey studies were not psychological studies; they were interview studies. They ask the question roughly, does this kind of material cause sexual arousal. But all of these were focused only on the question of immediate sexual arousal. None of them had to do with, what effect does this have on your long-range attitudes toward sex, what effect it would have on conduct. This has never been pursued.

So, just the beginning of research has occurred in this area. The very first step, we know causes sexual arousal immediately, particularly in man, not so much in women.

Mr. COHELAN. I am personally quite pleased to see that we are going forward with this work and I hope somehow we can find the funds for your project. Again I say, I commend you for narrowing the field to the area of effects. I am wondering, of course, what might happen in

relation to our legislative ability to put something on the statute books. I would imagine it would be directed to, as you said, pandering to children. Would that be the limitation, assuming there was a showing—we don't want to prejudice the study.

Mr. LOCKHART. Assuming we had a showing that this is harmful to children, in addition we would have found out how children get this material; what are the channels of distribution. Now the legislation would have to be focused to those channels of distribution.

Mr. COHELAN. With the object of stopping it?

Mr. LOCKHART. Yes. I suppose what we would come out with would be legislation that relates to the Post Office. You would have two types here—one, the kind I mentioned to your chairman in which we would really try to stop the advertising by simply notifying the Post Office not to deliver this material or rather allow the parents to do this.

You would also cover the sale to children. This is much more difficult to get at. That is very difficult to enforce. You would have proposed State legislation and legislation the District of Columbia could enact and so on, which could be related to controlling sales aimed at children.

One of the big problems in this is to draft it in such a way that you do not at the same time inhibit sales to adults, materials that adults are entitled to get; otherwise, the statute to protect children might be struck down because of what it might do to adults.

I have pondered this a good deal, how you might draft an effective statute. One possibility is the kind of cooperative statute, one that would require the publisher who really knows what is in these materials at the time of publication to code it if it is going to move in interstate commerce.

One of the big problems is that the little bookseller, handling paperbacks, doesn't know what he has. He doesn't handle this material at all. He is not an expert in this area, and I think he needs to have guidance by some kind of a label; is this really for kids, or adults? I think it is possible under the commerce power to impose upon the publisher the obligation to label this in accordance with a federally established end; then you could have State legislation that prohibits the sale if it is labeled in accordance with this Federal standard.

That is just an idea I have been thinking about.

Mr. COHELAN. As you know, no doubt, in the land of Congreve and Shakespeare, some of the eminent writers in this field, Mr. C. P. Snow, for example, and others, are raising serious questions about the effects of smutty and morbid literature. A current book reviews the recent murders that took place on the moors in England by a psychopath and is causing a resurgence, even a reaction of revulsion. It seems the murderer was a great consumer of morbid and salacious literature.

The thing that puzzles any thoughtful person is where do you draw the line?

For example, we just mentioned Shakespeare. There is a publication out called Shakespeare Is Bawdy. How are you going to keep children from getting that?

Mr. LOCKHART. Until I see what it is, if in fact it is the kind of thing that the Commission and the Congress should decide—

Mr. COHELAN. With the tremendous increase in circulation of paperback books, books at one time considered unacceptable for general sale,

some of the Henry Miller series, "Tropic of Cancer," "Lady Chatterley's Lover," and so on, how do you keep children from getting that material?

Mr. LOCKHART. If parents want to give them to the children, they are not going to stop—

Mr. COHELAN. Life magazine—

Mr. LOCKHART. The problem of drawing the line is difficult. I would have no difficulty in the case of children, constitutionally now, probably in terms of policy, assuming—and we are talking now about the assumption that we find harm caused by such material—I would have no difficulty with this other type—

Mr. COHELAN. The point is, there is a problem. Empirically, there is a problem, and any responsible person, it seems to me, wants to do something about it, but clearly we don't want to transgress in a free society or impose arbitrary censorship.

Mr. LOCKHART. You are quite right, of course, but if you will take a look at the act, the last clause of paragraph 4 provides we should make such recommendations as seem advisable and appropriate without in any way interfering with constitutional rights. We do have the problem of making this balance. I have been one that has been very insistent in the past that constitutional rights be protected. I am the one that suggested the distinction that the Supreme Court has now taken that there is a variable concept of obscenity depending on who you are selling it to and what you are selling it for. They took this out of my article.

Mr. COHELAN. Assuming the studies would result in findings and recommendations for legislation to protect children, is it your feeling, sir, that we could draft the statute with standards that would meet the court test?

Mr. LOCKHART. Yes.

Mr. YATES. It is a pleasure to meet you and hear your testimony and to wish you good luck in your new job. It is a very difficult one, a very worthwhile one.

I don't have any questions, but I am impressed by one statement that you use in your justification, where you talk about research into the effects of obscenity and pornography. What does this mean when you talk about the effects? The effects on children only? Or adults? How comprehensive is your program?

Mr. LOCKHART. You will note the act calls for a study of effects upon the public and particularly minors. This is what Congress has given us. I interpret this, since they say "particularly minors," but they don't say the effect on minors only, that we have an obligation primarily with respect to minors, but also to consider the effect upon the public if, in fact, we are funded sufficiently to do this.

Mr. YATES. Is this a possibility? Do the people who make up the public—do children live in a vacuum, so you can study just by itself what the effect of pornography is? They are constantly surrounded by radio, television, movies, books of all kinds, and parental influences, and so forth. How can you isolate this issue so completely as to be able to say this is the effect that pornography and obscenity have upon them?

Mr. LOCKHART. The most you could hope to find is that this material is a significant factor in producing certain results. It would never be the only factor. The question is whether it is a significant

factor. In making that kind of a study, what you have to do is to balance a group of children. You have users and nonusers, and in all other respects, the children are roughly the same. They have the same kind of environmental influences. You have a balance.

You have, in this, an equal group of children whose parents are religious and among users and nonusers who run with the same type of crowd. It is quite clear the influence of the peer group is far greater than the parental. You have to put that into the balance. This is true with any kind of behavioral research where you have a number of factors contingent on a final result. It is to try to equate all the other factors, but in this case, had the obscenity been viewed by some and not by others.

If you could create a laboratory for this kind of a study and expose it, it would be easy to give this. You can't do that in the case of this kind of material.

Mr. YATES. I think it is an interesting study and I wish you again the best of luck. Thank you.

Mr. STEED. Doctor, one final question. In addition to what we have been talking about, we have another angle to pornography and its impact on the American people in terms of the fraud uses of it. As you know, there are situations where appeals to sell devices and literature, and what have you—I don't know what the technical names for these things are, but anyhow, the promotional selling gadgets that certain type people find attractive and then when they pay their money they, of course, get some fraudulent result from it.

Now how far into that phase, the fraudulent users—it may not actually be pornographic at all in the final analysis, but is the base source of the appeal—

Mr. LOCKHART. I know this exists, Mr. Chairman. I know there is a great deal of fraud that goes on with respect to written or printed material.

Mr. STEED. You are going to run into this phase in any study you make.

Mr. LOCKHART. I have not considered whether we should devote attention to the case in which they don't get what they are promised or when they are promised something obscene and they don't get it. That isn't the main problem. There are some fraud prosecutions actually taking place in connection with this kind of thing.

Mr. STEED. Do you think your study covering the waterfront as you hope to do will—

Mr. LOCKHART. This is bound to develop it. The Post Office Department already has its information. All we have to do is pull it together. The question is should anything be done about it. I would suppose, if we come up with my suggestion which I outlined to you with respect to controlling the advertising through the mail; that is, allowing the patron to control it, you will stop this, excepting for the people who want to receive this kind of material.

These people are going to still be allowed to receive it even under the statute adopted last year or the statute that I suggested that might be considered. Whether we should be worried about the fraud on the person who wants to receive this kind of material, I really don't know. I would like your judgment about it.

Mr. STEED. Well, if you did know more than to outline the bounds of that activity in that area and some determination as to whether we are presently capable of dealing with it sufficiently or whether we should emphasize what we are now doing—

Mr. LOCKHART. It shouldn't be difficult to do that.

It shouldn't take much more expense, I'm quite sure, to get at that. I think the facts are pretty well collected on this and available through the Postal Inspector's Office.

Mr. STEED. Doctor, I want to thank you on behalf of the committee on your appearance. I don't know what the technical situation will be about the budget problem you have. It does present some different factors than normal.

Mr. LOCKHART. May I refer to two mechanical matters? One refers to the desirability of having the record show, pretty clearly, either in the committee report or in the appropriation act itself, that these funds can be used for any kind of contract research to advance the purposes of the committee. The reason I make that point is that section 6(d) of the act creating the Commission calls for contracting through universities, et cetera, to conduct research on the causal relationships of obscene materials and antisocial behavior.

We may very well need to use contract research for market research, that is what is happening in the distribution market. The very first step we must take is to find out who is buying this material and whether they buy, so we can focus our research into the effects, so if something like the paragraph I put at the bottom of page 13 were incorporated either in the committee report or the appropriation act it would make this clear.

Mr. STEED. We'll consider that. The first determination we have to make is whether it meets the test of legislating in the appropriations bill or whether there is a limitation.

Mr. LOCKHART. The other point, I would like, if possible, is to have the appropriation cover minor expenditures that have been made between now and July 1. I deal with that in the last page. I do have one correction that ought to be made, I think. On page 15, the last sentence; this language was suggested to me and I slipped up in checking on the suggestion. They had provided here—

to be available from February 1st, 1968, and remain available until June 30th, 1970.

That should be really 1969, in lieu of 1970. I am proposing this only as a 1969 budget.

Mr. STEED. Yes. That is as far as we have authority to go.

Thank you very much.

Mr. LOCKHART. Thank you.

TAX COURT OF THE UNITED STATES

WITNESSES

W. M. DRENNEN, CHIEF JUDGE

OTTO W. SCHOENFELDER, ADMINISTRATIVE OFFICER OF THE COURT

WILLIAM F. HUFFMAN, ASSISTANT ADMINISTRATIVE OFFICER OF THE COURT

O. A. KEETER, BUDGET AND FISCAL OFFICER

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Personnel compensation:			
11.1 Permanent positions.....	1,727	1,843	1,983
11.3 Positions other than permanent.....	6	5	5
11.5 Other personnel compensation.....	1	3	3
Total personnel compensation.....	1,734	1,851	1,991
12.0 Personnel benefits.....	118	128	133
13.0 Benefits for former personnel.....	83	83	83
21.0 Travel and transportation of persons.....	65	61	61
22.0 Transportation of things.....	3	4	4
23.0 Rent, communications, and utilities.....	45	48	48
24.0 Printing and reproduction.....	20	21	21
25.1 Other services.....	51	61	61
25.2 Services of other agencies.....	6	10	10
26.0 Supplies and materials.....	24	24	24
31.0 Equipment.....	44	45	48
Total costs—Funded.....	2,193	2,336	2,484
94.0 Change in selected resources.....	5	-4	-7
99.0 Total obligations.....	2,198	2,332	2,477

PERSONNEL SUMMARY

Total number of permanent positions.....	173	172	172
Average number of all employees.....	145	155	155
Average GS grade.....	9.1	9.1	9.1
Average GS salary.....	9,486	10,156	10,254

PROGRAMS AND FINANCING

(In thousand of dollars)

Program by activities:			
1. General administration.....	2,193	2,336	2,484
Total program costs, funded.....	2,193	2,336	2,484
Change in selected resources ¹	5	-4	-7
10 Total obligations.....	2,198	2,332	2,477
Financing:			
25 Unobligated balance lapsing.....	157	75	
40 New obligational authority.....	2,355	2,407	2,477
New obligational authority:			
40 Appropriation.....	2,355	2,407	2,477
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	2,198	2,332	2,477
72 Obligated balance, start of year.....	108	123	120
74 Obligated balance, end of Year (-).....	-123	-120	-121
77 Adjustments in expired accounts.....	-11		
90 Expenditures.....	2,172	2,335	2,476
Expenditures are distributed as follows:			
01 Out of current authorizations.....	2,075	2,212	2,356
02 Out of prior authorizations.....	97	123	120

¹ Selected resources as of June 30 are as follows:

	1966	Adjustments, 1966	1967	1968	1969
Unpaid undelivered orders.....	60	-27	38	34	27
Total, selected resources.....	60	-27	38	34	27

TAX COURT JUDGES, SURVIVORS ANNUITY FUND

PROGRAM AND FINANCING

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10 Annuities (total cost—obligations, class 42. 0).....	11	20	20
Financing:			
21 Unobligated balance available, start of year (—):			
Treasury balance.....	-8	-10	-6
U.S. securities (par).....	-103	-124	-139
24 Unobligated balance available, end of year:			
Treasury balance.....	10	6	10
U.S. securities (par).....	174	139	146
60 New obligational authority.....	33	31	31
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	11	20	20
90 Expenditures.....	11	20	20
Expenditures are distributed as follows:			
01 Out of current authorizations.....	11	20	20

Mr. STEED. The committee will be in order. The committee is in session this morning to take up the budget request with the Tax Court of the United States. The appropriation for the Tax Court last year was \$2,407,000, the budget estimate for 1969 is \$2,477,000, an increase of \$70,000.

JUSTIFICATION OF THE ESTIMATES

We will insert the justifications at this point in the record.
(The justifications follow:)

SUMMARY AND HIGHLIGHTS OF THE COURT PROGRAM, FISCAL YEAR 1969

It is estimated that the court will receive 5,800 new cases during the fiscal year 1969, and the same estimate is made for the number of new cases to be received in fiscal year 1968. During the fiscal year 1967, a downward trend developed in the volume of new cases filed; a total of 6,224 cases were received during the year, which was an 11.4-percent decrease from 1966. It is the considered opinion of the court that the reduction in the number of new cases to be filed will continue through the budget year. While the court has no control over the number of new cases filed with it for adjudication, the estimate represents the best judgment at this time.

For 1967, the court had a very fortunate year and closed 7,362 cases, the greatest number of cases to be closed in any year since 1934. The estimate of cases to be closed in 1969 has been set at 6,800. While this estimate is 7.6 percent below the total cases closed during 1967, it is identical with 1968, and is considered to be a reasonable forecast for the year.

The pending caseload of 10,501 cases on June 30, 1967, is the lowest level attained since 1964, and reflects the continuing efforts of the court to schedule the maximum number of cases for trial and disposition at each session. It is estimated that further reductions in the pending caseload of 8.6 percent will be achieved in 1968 and an additional 9.4 percent in 1969, bringing the pending caseload to 8,701 cases on June 30, 1969.

The court proposes a trial program of 160 weeks in 1969, which will include more frequent trials in the high-caseload areas. These trials will be conducted in approximately 50 major cities throughout the United States and the District of Columbia. The court considers 160 weeks of trial work to be the maximum currently attainable without unduly overloading the judges.

For the fiscal year 1967, the court collected and deposited into the general fund of the Treasury \$83,303 which was received from filing fees, fees for the certification and reproduction of court records, and admission-to-practice fees

The estimate of collections from these sources for the budget year is estimated to be \$79,000.

On June 30, 1967, there were 10,501 cases pending before the court involving tax liabilities or excessive profits determined at \$1,449,740,910. By category, these pending cases are shown in the table below:

Category	Total pending cases	Tax liability or excessive profits determined
Income tax cases (including sec. 721 and 722 cases).....	10,471	\$1,415,910,910
Renegotiation cases.....	30	33,830,000

On June 30, 1967, there still remained two cases on the docket of the court arising under sections 721 and 722 of the Internal Revenue Code of 1939, which provide for the special relief from the imposition of excess profits taxes. No new cases were docketed or closed during the year.

The pending caseload of renegotiation cases, which involve excessive profits determined under renegotiated Federal Government contracts and arise from disagreements of contractors and determinations made by the Renegotiation Board, was reduced to 30 cases on June 30, 1967. Public Law 89-480 further amended and extended the provisions of the Renegotiation Act of 1951 through June 30, 1968. During the past year, two new cases were received and 10 were closed.

As required by section 1311(b) of the Supplemental Appropriation Act of 1955, as amended (31 U.S.C. 200(b)), it is certified herewith that all statements of obligations reported and furnished to the Bureau of the Budget in connection with requests of the Tax Court of the United States for proposed appropriations for the fiscal year 1969 consist of valid obligations as defined in section 1311 of that act.

The outstanding obligations of the Tax Court of the United States on June 30, 1967, were \$124,584.76. Of this amount, \$75,264.40 represents accrued payrolls and obligations to other departments of the U.S. Government, and \$49,320.36 was owed to outside vendors.

The total request contained in these estimates for the fiscal year 1969 is \$2,477,000, which is an increase of \$70,000 above the appropriation of \$2,407,000 the court received for 1968. This increase is to provide for the full-year pay costs authorized by title II, section 201 of Public Law 90-206.

EXHIBIT B

ANALYSIS OF BUDGET AUTHORITY AND OUTLAYS—TAX COURT OF THE UNITED STATES

[In thousands of dollars]

Account and functional code	1967 enacted	1968 estimate	1969 estimate	Increase or decrease (-)	Explanation
FEDERAL FUNDS					
General and special funds—Salaries and expenses (904):					
New obligational authority.....	2,355	2,407	2,477	70	Increase will finance full-year cost of pay raise granted by title II, sec. 201 of Public Law 90-206.
Expenditures.....	2,172	2,335	2,476	141	
TRUST FUNDS					
Tax Court judges, survivors annuity fund (benefits payments) (904):					
New obligational authority.....	33	31	31		Judges pay 3 percent and the Government pays the remainder to finance the survivors annuity system.
Expenditures.....	11	20	20		
Total, Tax Court of the United States (904):					
New obligational authority.....	2,388	2,438	2,508	70	
Expenditures.....	2,183	2,355	2,496	141	

STATEMENT OF RECEIPTS, TAX COURT OF THE UNITED STATES (33-10)

GENERAL FUND

[In thousands of dollars]

Receipt symbol	Receipt title	1967 actual	1968 estimate	1969 estimate
23-2411	Fees, Tax Court of the United States.....	83	79	79
TRUST FUNDS				
Tax Court judges survivors annuity fund:				
23-8115.1	0731—Deductions, employees salaries.....	9	8	8
23-8115.2	1499—Interest and profits on investments (I-950)---	5	3	3
23-8115.3	0732—Agency contributions (I-900).....	20	20	20
	Total.....	33	31	31

NARRATIVE STATEMENT ON PROGRAM AND PERFORMANCE

The Tax Court hears and decides cases involving income, estate and gift tax deficiencies, and claims for refunds of excess profits taxes under the special relief sections of the Internal Revenue Code, and cases involving determinations of excessive profits on contracts renegotiated by the Federal Government.

For 1969, the court proposed a trial program of 160 weeks to be held in approximately 50 cities. This program should result in closing approximately 6,800 cases.

The actual and estimated work volume of the court is presented in the following tabulation:

	Actual, 1966	Actual, 1967	Percent ¹	Esti- mated, 1968	Percent ¹	Esti- mated, 1969	Percent ¹
Filed.....	7,025	6,224	-11.4	5,800	-6.8	5,800	0
Reopened.....	91	116	27.4	100	-13.8	100	0
Closed.....	6,358	7,362	15.8	6,800	-7.6	6,800	0
Pending at close of year.....	11,523	10,501	-8.9	9,601	-8.6	8,701	-9.4
Written opinions by the court.....	440	433	-1.6	450	3.9	450	0

¹ Percentage increase or decrease over previous year.

JUSTIFICATION OF ESTIMATES, FISCAL YEAR 1969

SUMMARY OF THE REQUIREMENTS OF THE COURT FOR THE BUDGET YEAR

These estimates for the fiscal year 1969, provide for the salaries of the 16 judges of the court, 10 judges retired under the provisions of section 7447, Internal Revenue Code of 1954, as amended (eight of whom are expected to perform further full-time judicial duties under recall by the chief judge) the immediate staffs of these judges, and the administrative and operational personnel of the court. Also included in the estimates are the necessary funds for official travel, records shipments, rental for courtroom facilities in New York City, mailing expenses, the court's share of contributions to the Federal Insurance Contributions Act, to the civil service retirement fund, the Federal employee's group life insurance program, the Federal employee's health benefits program and the Tax Court judges survivors annuity fund, reimbursement of unemployment compensation costs, and the pro rata share of the costs of telephone communications and employee health program services (health unit) which are provided through agreements with the Treasury Department and the Department of Health, Education, and Welfare.

The total request contained in these estimates for the fiscal year 1969 is \$2,477,000 which is an increase of \$70,000 above the appropriation of \$2,407,000 the court received for 1968. This increase is to provide for the full-year pay costs authorized by title II, sec. 201 of Public Law No. 90-206.

SALARIES AND EXPENSES

Statement relating 1967, 1968, and 1969 programs

[In thousands of dollars]

1967 program (total costs)-----	2,193
Personnel compensation-----	+117
Personnel benefits-----	+10
Travel and transportation of persons-----	-4
Stenographic reporting-----	+10
Other increases-----	+10
1968 program (total costs)-----	2,336
Personnel compensation-----	+145
Other increases-----	+3
1969 program (total costs)-----	2,484

ANALYSIS BY ACTIVITIES

	1967	Decreases	Increases	1968	Decreases	Increases	1969
Administration and adjudication-----	2,193	4	147	2,336	0	148	2,484
Total program costs-----	2,193	4	147	2,336	0	148	2,484

EXHIBIT 22-E

NUMBER OF CIVILIAN PERSONNEL AT END OF YEAR

	1967		1968		1969	
	Full-time in permanent positions	Total	Full-time in permanent positions	Total	Full-time in permanent positions	Total
Salaries and expenses-----	146	154	159	162	159	162
Total actual and estimated employment, Tax Court of the United States-----	146	154	159	162	159	162
Number of youth opportunity campaign employees included in above total-----		8		3		3

EXHIBIT F

INTERFUND AND INTRAGOVERNMENTAL PAYMENTS, TAX COURT OF THE UNITED STATES

[In thousands of dollars]

Account title	Identification codes	1967 actual	1968 estimate	1969 estimate	Nature of transaction and payee
Agency contributions-----	33-10-0100-0-1-904	20	20	20	Contribution to tax court judges survivor annuity fund.
Interest and profits on investments.	33-10-8115-0-7-904	5	4	4	Interest received from Treasury.

TAX COURT JUDGES SURVIVORS ANNUITY FUND

This fund, established under 26 U.S.C. 7448, is used to pay survivorship benefits to eligible widows and dependent children of deceased judges of the Tax Court of the United States. Participating judges pay into the fund 3 percent of their salaries or retired pay to cover creditable service for which payment is required and such additional funds as are needed are provided through the annual appropriation to the Tax Court of the United States.

On June 30, 1967, 11 judges of the court were participating in the fund, and two eligible widows were receiving survivorship annuity payments.

Mr. STEED. We are very happy to welcome the new chief judge of the court, Judge William M. Drennen. We hope you will find your as-

sociation with the subcommittee to be as pleasant as we have always considered our associations with your predecessors. We have enjoyed having Judge Norman Tietjens with us. He not only always gave us the information we needed but we liked his philosophy too. I believe, Judge, we would like to start out this morning by permitting you to make a general statement, and then we will have some questions. Prior to that, it has always been our custom to always print the biography of a new official, so at this point in the record, we would like to insert your biography.

(The biography follows:)

BIOGRAPHICAL STATEMENT OF CHIEF JUDGE WILLIAM M. DRENNEN

William Miller Drennen, of Charleston, W. Va., was elected chief judge of the Tax Court of the United States, to served for a term of 2 years beginning on July 1, 1967, succeeding Chief Judge Norman O. Tietjens.

Chief Judge Drennen was born March 1, 1914, at Jenkins, Ky. He was educated at Ohio State University where he received a B.S. degree in 1936 and an LL.B. degree in 1938. From 1938 to 1940 while serving as law clerk to a judge of the U.S. District Court for the Southern District of West Virginia, he was admitted to the bar of West Virginia in 1939. From 1940 to 1958 he was associated with and later became a partner in the law firm of Brown, Jackson & Knight (now Jackson, Kelly, Holt & O'Farrell) of Charleston, W. Va. His legal career was interrupted during the period 1942 to 1945 when he served as air combat intelligence officer, U.S. Naval Reserve.

He is a past president of the West Virginia Tax Institute, and was a member of the board of directors for approximately 8 years. He is a member of the West Virginia State Bar, and a member of the American Bar Association (section of taxation), West Virginia Bar Association, and the Kanawha County Bar Association. During his residence in Charleston, W. Va., he served as a member of the city council of Charleston, as a member of the board of directors of the Charleston Chamber of Commerce and as a member of the board of trustees of the Charleston Memorial Hospital. He belongs to the American Judicature Society, Beta Theta Pi fraternity (social) and Phi Delta Phi fraternity (legal).

Judge Drennen was appointed to the Tax Court of the United States and took his oath of office on October 1, 1958, for a term expiring June 1, 1968, succeeding Judge Stephen E. Rice, deceased. His nomination for reappointment to a further 12-year term was sent to the Senate by the President on March 7, 1968.

He married the former Margaret Morton in 1940 and they have four children, two sons and two daughters. He resides at 8001 Aberdeen Road, Bethesda, Md. 20014.

GENERAL STATEMENT

Judge DRENNEN. This is my first opportunity to appear before the committee since my designation as chief judge of the court on July 1, 1967. I consider it a privilege to be here to discuss with you the appropriation request of the Tax Court of the United States for the fiscal year 1969.

The court is requesting for fiscal year 1969 an appropriation of \$2,477,000. This is an increase of \$70,000 above the \$2,407,000 appropriated for the operation of the court in fiscal year 1968. The entire amount of the increase is necessary to defray the full-year cost of the first step of the pay increases authorized by Public Law No. 90-206, approved December 16, 1967.

I wish to review briefly for you the work of the court. During the fiscal year which ended June 30, 1967, the court closed 7,362 cases. This total represents the greatest number of cases closed in any year since 1934. In 1967, 6,224 new cases were filed. As of June 30, 1967, our pending caseload was 10,501 cases, a reduction of 8.9 percent from the pending cases at the end of the fiscal year 1966.

In the first 8 months of this fiscal year, through February 29, 1968, 4,176 new cases were filed, 3,810 cases were closed, and the pending caseload was 10,912. We have estimated that a total of 5,800 cases will be filed this fiscal year, that 6,800 cases will be closed, and that the court would have 9,601 cases pending on June 30, 1968. Of course, that's cutting it a little close. Our prediction as to the number of cases to be closed may now appear to be a bit optimistic—our estimate was made in the light of last year's total—however, at the end of the fiscal year 1968 we still estimate that our pending case total should be under 10,000 cases. Despite the continued substantial volume of new cases filed, the court has maintained its program with no unusual increase in the pending caseload as of this date.

Although the court has no means of controlling the volume of cases it receives every effort is made to promptly schedule for trial all cases determined to be at issue. Our records indicate that as of June 30, 1967, 70 percent of the cases then pending had been before the court 18 months or less. We consider that the cases before the court ready for trial are generally being currently placed on calendars and no real backlog of such cases exists at any trial location.

Our estimates for the fiscal year 1969 anticipate a workload and accomplishment similar to that set out for this fiscal year. Such estimates appear now to be reasonable forecasts for the next fiscal year.

The proposed trial program of the court for 1969 has been set again at 160 weeks of trial sessions to be held in approximately 50 cities throughout the United States, including the District of Columbia. In this connection, the members of the committee may be interested to know that in May of this year the court will hold its first trial session within the State of Alaska. Heretofore, Alaska taxpayers' cases were heard at Seattle, Wash. How frequently future trial sessions will be needed in Alaska cannot now be determined.

We are also going to experiment this year with scheduling at least one trial session in every place we normally hold trial sessions, if there are any cases ready for trial. In the past we have scheduled trial sessions in some of these places only when there were a sufficient number of cases ready for trial to seemingly justify a session. This resulted in our getting to some few places only once every 2 or 3 years.

While I was in Honolulu last summer attending the ABA meeting, the tax bar of Hawaii suggested that the delay caused such infrequent visits led some taxpayers to either try to pay the tax first and sue for refund in the district court, or settle their cases for more than they thought they owed. Consequently, we are taking this step to alleviate that complaint and provide taxpayers throughout the country with comparatively equal service.

As a matter of fact, we are setting up trial sessions in Honolulu for the next 3 years to see how this works out.

It is my considered judgment that the court's budget now before you represents the best estimates available for the costs to be incurred for the efficient and economical operation of the court in fiscal year 1969.

Last year at these hearings my immediate predecessor, Chief Judge Tietjens, informed you of the plans which had been completed for a building to permanently house the Tax Court. The site approved for the building is at Second Street NW., between D and E Streets.

In response to Judge Tietjens' statement, you very kindly indicated a willingness to assist the court in solving its housing problem. With your permission, I desire to acquaint you with the present status of this building project and to renew the suggestion that the members of the subcommittee may be able to give needed aid to the court.

A request for funds to cover construction of the Tax Court building was not included in the 1968 budget submitted to the Congress. This item was cut from the General Services Administration budgetary proposal in the final markup of the 1968 budget prior to its submission to the Hill. The Senate Appropriations Committee recommended that the building construction be started and included a \$1,100,000 item for the substructure in H.R. 9960, the independent offices—HUD appropriation bill, 1968. This item subsequently was deleted in conference committee. The 1969 budget contains no construction money item for this building.

These delays, of course, are disappointing to the court, particularly since there appears to be general agreement that the court should be provided with suitable permanent quarters. Our concern now is that the added delay in funding this project may lead to other complications in obtaining timely construction. This past fall, the court was informed that the existing temporary-type building on the site approved for the Tax Court building, which was the old SEC temporary, was to be made available to the District of Columbia for renovation and use by the new Federal City College. This action was taken without prior clearance with the Tax Court. The disturbing aspect of this use of the premises is that relocation of such a tenant may be a very real problem and may serve as a further delaying factor in making the location available for Tax Court building construction when funds are appropriated.

The court continues to hope that this long-planned project can be undertaken with reasonable promptness. Separate housing is needed by the Tax Court and this is most desirable from the standpoint of the public as well as the Federal Government for the proper conduct of the court's functions. The American Bar Association has urged and requested the Congress to provide suitable permanent housing for the court.

As you all probably realize, we have been housed in the Internal Revenue building, which, in my opinion, is the worst place we could be housed because the Commissioner of Internal Revenue is a party litigant in every case in our court and this certainly does not leave a particularly good taste in the mouth of the taxpayer, especially if he happens to lose his case.

MR. CONTE. I couldn't agree with you more. This point has been brought up in the past.

Judge DRENNEN. The Tax Court remains the only Federal court in Washington not provided with suitable permanent quarters. The members of this committee are aware of the volume and importance of the court's work and its needs; for this reason, we ask for your continued support and assistance in the solution of our housing problem at the earliest date possible.

I wish to thank you for the time given me for this presentation, and to say that I will now be happy to answer any questions you may have concerning the work of the court generally, and to supply any additional information necessary to your consideration of these estimates. Thank you, sir.

SITE FOR NEW BUILDING

Mr. STEED. Judge, on this business of pushing you out in the street to make way for this college, who is the owner of the building that you are in?

Judge DRENNEN. The General Services Administration, I believe. You mean the owner of the building we are presently in? I guess it is Government owned. It is called the Internal Revenue Building. The building we are talking about, the site we are supposed to go into, is the one over here on Second between D and E, where the old SEC temporary building is located. That has been turned over by GSA under a lease, as we understand it, to the Federal City College for temporary purposes.

Mr. STEED. It is a temporary building on the site?

Judge DRENNEN. Yes, it has been there for some time. The SEC has moved out just recently.

Mr. STEED. You have no knowledge of what opportunity or plan the college has, to get itself a permanent home?

Judge DRENNEN. No, except what I have been in the newspapers. I have not seen any definite plan. We were not advised of this until after it was announced in the newspapers.

Mr. SCHOENFELDER. We brought you a little reading material to bring you up to date on it as nearly as we can. This article came out in the Washington Post in one of the recent Sunday issues, I think about a week ago. It indicates there are no specific plans at the present time and the article proposes that someone should start to do some planning to provide permanent quarters for the college.

Mr. STEED. Well, as I see it then, with them moving into this temporary building, even if funds became available to erect a new building for the court, you would have a site problem then.

Judge DRENNEN. GSA tells us they have an ironbound clause in there that they can vacate the premises in a month. Whether this will actually work with the college is another question. If it were some other type agency, I would have more confidence that we could get them out. We feel it will be difficult to get the college out of there until an adequate permanent home is provided for it.

JUDGES OF THE COURT

Mr. STEED. At this point, could you give us a one-line description of how many judges you have authorized, how many do you have on duty, and how many of the retired judges are currently doing some or any casework for you.

Judge DRENNEN. We are authorized 16 active judges. We also now have 10 retired judges; eight of them are active or have been recalled.

Mr. STEED. Are all the court positions currently filled?

Judge DRENNEN. No, sir; there are two vacancies.

Mr. STEED. Your ability to keep up with your caseload anticipates that these vacancies will be filled?

Judge DRENNEN. Yes, sir. We have been able to keep up with it despite the fact we have had some vacancies. But you do get into a pinch, particularly if we try this program of setting up trial sessions in more places around the country more frequently.

Mr. STEED. Also the fact that eight of your 10 retired judges are able to help you, at the age they are, this, at best, is not a long-range asset, is it?

Judge DRENNEN. That's correct. Most of them were at least 70 years old when they retired.

PENDING CASELOAD

Mr. STEED. Do you think that this kind of a backlog is a satisfactory figure, or do you hope to get it lower than that?

Judge DRENNEN. Of course, we would like to get it lower. I really think we will always have a pending caseload of somewhere in the area of 9,000 to 11,000 cases. This includes every case from the date the petition is filed until the pleadings are all in and the case can then be set for trial some place and disposed of. We have anywhere from 5,000 to 7,000 filed a year. I think we are always going to have approximately this caseload. It doesn't concern me. It is about the best we can hope for.

Mr. STEED. You feel that allowing for all the usual proceedings that ensue after a case is filed that by the time it comes current for trial you are able to take care of it?

Judge DRENNEN. Yes, sir. I think we have very few cases that are not scheduled for trial soon after they are ready for trial.

FUNDS TO ADMINISTRATIVE RESERVE

Mr. STEED. Were you required to place any of your 1968 funds in reserve as a result of Public Law 90-218?

Judge DRENNEN. We have placed \$75,000 of our 1968 appropriation.

Mr. STEED. Have you a supplemental request for the release of any of these funds?

Judge DRENNEN. We haven't at present.

Mr. STEED. You have been able to absorb these by virtue of the fact that you had unfiled vacancies. That is the only way you could have done it, I suppose.

Judge DRENNEN. That is correct. Yes.

WORKFLOW

Mr. STEED. There hasn't been any real significant change in the flow of your business then in terms of new cases filed and that sort of thing?

Judge DRENNEN. No. As I said, I think they are dropping off a little bit but this will fluctuate from year to year and there is no way to predict it, really.

Mr. STEED. The normal big influx of new type cases when major tax changes are made—you have gotten over that current hump then?

Judge DRENNEN. I think probably so, although we recently have had an increase of cases involving subchapter(s) corporations. This is 3 or 4 years after the law was passed and that is about how long it takes to get one of these matters before the court. I think possibly one reason we disposed of so many last year, a pattern had been established in these multiple corporation cases several years back and then they were starting to settle out after the pattern was set, and we disposed of maybe a hundred cases in one settlement or one trial in that way.

Mr. STEED. In connection with the origin of your cases, the justification material points out that Public Law 89-480 further amended

the extent of the provisions in the Renegotiation Act of 1951 through June 30, 1968. Does this mean after that date you won't have any more cases for this fund?

Judge DRENNEN. That is correct, unless the law is extended again. However, it would take a 2- or 3-year period after the renegotiation law lapses before these cases are processed through the Renegotiation Board and then come to the court for redetermination.

PERSONNEL

Mr. STEED. What is your personnel total now?

Judge DRENNEN. 155, I believe.

Mr. SCHOENFELDER. You mean at the moment, Mr. Chairman?

Mr. KEETER. On the payroll, we have 135 on the staff.

Mr. STEED. Could you give us that by classification? How you classify them?

Mr. KEETER. Can I submit that for the record? I will break it down.

Mr. STEED. Yes.

(The information follows:)

PERSONNEL ON ROLLS OF THE COURT AS OF MAR. 19, 1965

Grade	Number in grade	Position title	Positions	Salary
GS-16	4	Attorney (special assistant to chief judge)	1	\$25,176
		Clerk of the court	1	20,982
		Commissioner	2	44,760
GS-15	2	Administrative officer	1	21,469
		Assistant clerk of the court	1	18,404
GS-14	6	Assistant administrative officer	1	17,425
		Attorney	5	88,709
GS-13	5	Attorney	1	13,507
		Budget and fiscal officer	1	14,857
		Chief deputy clerk	1	14,857
		Librarian	1	13,507
		Reporter	1	14,407
GS-12	9	Assistant budget and fiscal officer	1	12,607
		Assistant chief deputy clerk	1	11,843
		Assistant librarian	1	11,461
		Attorney	5	58,069
		General services officer	1	11,843
GS-11	11	Assistant general services officer	1	9,979
		Attorney	10	96,570
GS-10	2	Administrative assistant	1	9,703
		Secretary (chief judge)	1	10,585
GS-9	37	Administrative assistant	1	8,861
		Attorney	12	96,648
		Chief, statistics and reports	1	8,861
		Deputy clerk	4	36,789
		Personnel management specialist	1	8,323
		Secretary	18	168,644
GS-8	14	Assistant secretary	13	110,260
		Deputy trial clerk	1	8,368
GS-7	14	Administrative clerk	1	6,734
		Admissions clerk	1	7,859
		Assistant deputy clerk	2	15,268
		Deputy trial clerk	2	15,268
		Editorial assistant	2	14,593
		Library assistant	1	8,084
		Secretary	4	28,961
		Statistical assistant	1	7,184
GS-6	6	Clerical	6	42,767
GS-5	14	Clerical	14	90,220
GS-4	5	Clerical	5	30,453
GS-3	3	Clerical	3	15,782
GS-2	2	Clerical	2	9,175
GS-1	1	Clerical	1	3,776
Total	135		135	1,283,598

SURVIVOR ANNUITY FUND

Mr. STEED. What is the situation with the judges survivors annuity fund at this time? Do you think it is in sound condition?

Judge DRENNEN. Yes, sir.

Mr. STEED. What type activity had you had with this fund since it was set up?

Mr. SCHOENFELDER. There have been only two claimants up to this point and both of these claimants are being paid survivors annuity. The current status of the fund, as of February 29, 1968, is as follows:

Judges electing under the survivors annuity plan-----	11
<hr/>	
Paid into the fund:	
Withholding and deposits-----	\$55,388
Interest on investments-----	6,945
Appropriations-----	135,000
<hr/>	
Total paid in-----	197,333
Paid from fund: annuities (2 widows)-----	53,797
Excess of income over expenses (current assets)-----	143,536
<hr/>	
Status of fund assets:	
Investments—Treasury bonds and bills (cost)-----	142,010
Cash balance with Treasury-----	1,526
<hr/>	
Total-----	143,536

Mr. STEED. Off the record.
(Discussion off the record.)

BUILDING PROJECT

Mr. STEED. Going back to the building program, of course we all realize that in these difficult budget conditions that exist now there has been a major cutback in all types of construction. It is unfortunate that your place on the calendar came up at a time when this is true. But, I still think that by some means we are going to have to keep pushing until we get the court a suitable permanent home.

Judge DRENNEN. We would certainly appreciate your help.

Mr. STEED. We know you are going to be here for a long time to come. It is begging the question to unduly delay it. We hope means can be found to go on with this project.

Judge DRENNEN. May I go off the record?

(Discussion off the record.)

Mr. STEED. Have you had any discussion with the GSA about an alternative site?

Judge DRENNEN. Yes. We have protested, of course, to the GSA. There was appropriated \$450,000 for the design. That design has been completed, and the building has been designed for that particular location. It is a rather difficult lot on which to put that size building. We have a beautifully designed building. It has been praised highly by the people both in New York and around here, and approval by the Fine Arts Commission and the National Capital Planning Commission.

Mr. STEED. Is it your understanding that this business of putting the college in there is going beyond the point of recall?

Judge DRENNEN. We protested to GSA right away. They assured us they could get them out of there at any time. I said I doubt very

seriously if you could get them out. We haven't heard anything else from them. We tried to follow up through the Bureau of the Budget. I saw in the newspaper about a week ago somebody was down there knocking out the first wall to renovate that building for the college so I assume it is close to underway anyway. They are trying to move them in there by September, by the opening of the fall term of school.

Mr. STEED. We will make some more inquiries into it from the other people involved and see if we can get it pinned down.

Judge DRENNEN. We certainly appreciate it. We have had a good bit of help from various Members of Congress, but at the last minute our project always gets the ax.

REPORTING SERVICES

Mr. STEED. It has been my understanding during the past year you have had a little difficulty with your reporting service. What are you faced with here.

Judge DRENNEN. We are faced with a cost increase but I think what happened is this. You see, these are competitive bids, on which we let these contracts. Last year the lowest bidder that we thought might be at all capable of doing the job was considerably lower than some of the ones that had been doing this work for the court previously. After this lowest bidder was given the contract and got into it, we found out that he just wasn't equipped, particularly at the price he had bid, to meet our requirements. So we had to have a meeting with him. It was mutually agreed that the contract be terminated because he underestimated costs and he wasn't providing the service that we needed.

We have a rather peculiar situation having these trial sessions all over the country and this one contractor has to provide reporters all over the country for us and he had never done this work before. I don't think he realized what a job it was. So we had to enter into another contract with the reporting company that had done the work before at a considerably higher price. It was 90 cents a page instead of 63, on which we had let the first contract.

Mr. STEED. How does the 90 cents compare to what you were paying before you got into this contract you had to cancel?

Judge DRENNEN. It is higher than we had been paying in the past but the previous contractor had advised us in advance that they were going to have to bid higher because they were not making any profit on it due to rising costs.

Mr. STEED. How does the 90 cents compare to similar situations in other areas?

Mr. SCHOENFELDER. It does not represent an unreasonable reporting cost as far as per page price is concerned. I might add to what the chief judge has said, Mr. Chairman. In this competitive bidding system you are always placed in the position of reviewing all the bids that are submitted and in determining how you should act in fairness to all of those that are involved in the competitive bidding process. The low-bid company we are referring to is Nationwide Reporting Co. The man who operates Nationwide is a Mr. Harry Ungarsohn who was an individual who had been in the reporting field for many many years, 30-odd years. He was financially reliable. However, he had done all of his reporting work out of New York City. He was

not stationed in Washington. Our previous experience with our contract reporters had been with those who are stationed in Washington. They had their headquarters in Washington and, therefore, we had immediate access to their organization and the officers of the organization in maintaining our contract. One of the factors that we had emphasized with Mr. Ungarsohn was that he had to establish a satisfactory office and a staff in Washington in order to maintain liaison with the court, and to manage the contract out of Washington. He failed to do this.

Basically, his problem was one of management. He didn't do the things he should have done in order to properly manage the contract. He is an individual reporter himself and he did not employ a qualified manager to take care of his contract. Consequently, he was dropping the ball every once in a while and we were going along to pick up the pieces.

In addition to a management problem, we found him to be a most unusual individual, and we had been forewarned before this contract was ever let that he was a difficult man to work with—an able man but a difficult man. He found it not possible to conform to the requirements of the contract as far as its procedures were concerned. He didn't like the way we wanted billing set up, this kind of thing. As a result of this confusion, the court came to the conclusion it simply could not continue because he, as the contract reporter, was not providing satisfactory service.

Mr. STEED. Mr. Conte.

Mr. CONTE. I would also like to welcome Judge Drennen here in his first appearance before the committee as chief judge of the Tax Court.

VACANCIES

Judge Drennen, how long have the two vacancies existed on the bench now?

Judge DRENNEN. The two vacancies that we have right now are a result of the retirements of Judges Bruce and Pierce in April and May of 1967.

We have had overlapping vacancies. In other words, we have had at least one vacancy for the last 3 or 4 years but not the same one all the time.

COURT FOR SMALL TAXPAYERS

Mr. CONTE. Last year, I asked about the proposed creation of a court for small taxpayers and Judge Tietjens at that time noted a report was in the process of being prepared. Has that report been finished and, if so, could you supply a copy for the record and briefly set forth its findings?

Judge DRENNEN. We recently received a request from the House Ways and Means Committee for a report on H.R. 3796 and H.R. 4759, which are successor bills to the one referred to by Judge Tietjens and are now pending before the Congress.

We have drafted a report in reply to that request and, in accordance with Bureau of the Budget Circular 19 which I just discovered existed a little while ago, our report was sent to the Bureau of the Budget for its approval. We haven't received a clearance from the Budget, so we haven't filed our report. We were in contact with the

Budget yesterday to find out what is the situation. We do not have a definite answer and we are not yet in the position to file our report. However, I have no objection to turning over a copy of our proposed report to you because I am sure this will be the general purport of our final report. We desire to carry out the will of the Congress, as you ladies and gentlemen determine is necessary procedure to properly adjudicate cases under the tax laws. The small tax claims bills that are presently pending in Congress I think possibly go a little too far in setting up a rigid type of procedure. Our problem is we don't know just what is the demand. It looks like the demand might really be directed toward better independent settlement procedures rather than to the procedures for handling small tax disputes after they get to the Tax Court.

However, if the demand arises from the small taxpayer's complaints that it is costing him too much to come into court and that it takes too long, I think we can set up within our present structure procedures to improve this situation to some extent. For example, we have set up what we call small tax dispute trial calendars. We have held two in New York, and have one scheduled for Chicago and one for Los Angeles, where we have the larger number of these cases and can put a large number of these cases on our trial calendar. In doing this we schedule them ahead of other cases which we don't normally do, in order to work them out. In one session in New York we had 80 cases on a calendar. The judge who was assigned to the trial calendar went there in advance and set up some pretrial conferences. As a result, most of the cases were settled and he tried two cases. I think six of them were continued and the rest were disposed of. That was without any change in the law or our rules. If the desire is to have a more immediate decision in these cases, after they are tried, it would probably require changing the law in some respects so we would not have to write opinions in every case. In order to do that, to give a bench decision in other words, we would have to have a change in the law because the present law requires us to file a written opinion in every tried case. But this could be a rather minor change.

(The following information was received subsequent to the hearings:)

TAX COURT OF THE UNITED STATES,
Washington, D.C., March 19, 1968.

Hon. TOM STEED,

Chairman, Subcommittee on Treasury, Post Office, and Executive Office of the President Appropriations, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN STEED: During the hearing before your committee this morning, one of the questions asked was the position of the court regarding the proposal to establish a small tax claims division within the Tax Court. I indicated that the court was at the present time clearing a report on such legislation which had been requested by the House Ways and Means Committee. Also, I discussed briefly some aspects of the proposed legislation on this subject.

After I returned to the court from the hearing, I received advice that the report letter to which I had referred could be released immediately to Mr. Wilbur Mills, Chairman, House Ways and Means Committee.

In view of the discussion in the committee hearing and Mr. Conte's question, I am forwarding a copy of the report to you and to Mr. Conte. If I can be of any further assistance on this matter, please let me know.

Sincerely,

WILLIAM M. DRENNEN, *Chief Judge.*

TAX COURT OF THE UNITED STATES,
Washington, D.C., March 19, 1968.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR MR. MILLS: This is in further reference to the request of Mr. John M. Martin, Jr., chief counsel, Committee on Ways and Means, for the views and recommendations of the Tax Court of the United States on H.R. 3796 (Mr. Rostenkowski) and H.R. 4759 (Mr. Long, Maryland), which bills propose to establish a small tax division within the Tax Court of the United States.

At the outset, let me emphasize that the court constantly endeavors to carry out its responsibilities with the objective of providing taxpayers reasonable opportunity to have their claims as to the application of the Internal Revenue Code fairly and expeditiously adjudicated. In furtherance of this objective, the court is ready at all times to perform such additional functions as the Congress may deem necessary. It is within this context that I respond to your inquiry.

From the background history, it appears that H.R. 3796 and H.R. 4759 are directed to small tax disputes which it is thought are not presently pursued to the point of litigation before the court. The court, of course, does not have information available as to the number and nature of such disputes nor as to the effectiveness, or ineffectiveness, of the settlement procedures of the Internal Revenue Service in disposing of such disputes. Similarly, we are not in a position to evaluate the impact of H.R. 3796 and H.R. 4759, if they became law, on such settlement procedures or the extent to which there would be an increase in the number of cases which would come before us.

Consequently, speaking for the court, I am unable to comment on the necessity for the proposed legislation. This is a judgment which the Congress will have to make after critical examination of information which will presumably be submitted by officials of the executive branch charged with the administration of the internal revenue laws, members of the bar and other taxpayers' representatives, and taxpayers themselves.

The court, as you know, already disposes of numerous small tax cases, many of which are handled by taxpayers themselves. Thus, for example, in the fiscal year ended June 30, 1966, over 7,000 petitions were filed with the court, approximately 2,000 involved asserted deficiencies in tax of less than \$2,500, and, of these, about one-third of the petitions appear to have been filed by the taxpayers pro se (on their own behalf without retaining counsel). The court has developed and is applying flexible techniques for dealing with such cases and these techniques are under continuing scrutiny with a view toward improvement. Among these more informal procedures are the following:

(a) In many cases, particularly those involving essentially questions of substantiation of taxpayers' claims that they do not owe additional taxes, the judge utilizes pretrial conferences to explain the law informally and explore the possibilities of settlement with the parties, often successfully. In this way, the taxpayer as well as the Government is saved the time and expense of unnecessary litigation.

(b) In scheduling trials, during the course of a scheduled trial session, every effort is made to meet the convenience of the taxpayer.

(c) Particularly in pro se cases, where actual trial occurs, the court permits the taxpayer wide latitude in presenting his case, and where appropriate, elicits information during the trial in order to assure that all the information necessary to a proper decision is available.

(d) As often as is justified by the docketed cases, special trial sessions are arranged so as to facilitate handling and disposition of small tax disputes. In such a special trial session held in New York City on October 31, 1966, of the 80 groups of cases calendared, 74 were settled without trial, four were postponed, and only two were actually tried. Since that time another special trial session has been held in New York and two additional such sessions are scheduled in the spring in Chicago and Los Angeles. We consider this type of session productive and intend actively to continue to pursue this method of disposing of cases involving small amounts arising in various areas of the United States as circumstances warrant.

An additional factor which should be borne in mind in reference to H.R. 3796 and H.R. 4759 is your bill H.R. 10100, which proposes comprehensive changes in the status of the Tax Court in that it would become a constitutional court under article III of the Constitution. As you know, H.R. 10100 includes provisions in

sections 275(a) and 911(c) of title 28 for a Small Claims Division of the court and the assignment of commissioners to handle such claims. You are also aware of the fact that Senator Long, chairman of the Finance Committee, has introduced a bill identical to yours, S. 2041, in the Senate.

The court is fully aware of the interest of some Members of Congress in establishing procedures to handle expeditiously disputes involving small tax deficiencies. As indicated above, we are continually trying to improve the handling of such cases ourselves. We believe that should it be determined that further special procedures for handling such small tax claims is necessary, this can be kept within the framework of your bill H.R. 10100 and Senator Long's bill S. 2041. The court believes that the provisions in these bills are sufficient to permit the establishment of equitable rules and special procedures which may be necessary in order to better handle small tax disputes.

In addition to these considerations, which we believe have a direct bearing on H.R. 3796 and H.R. 4759, there are several technical questions raised by these bills, such as whether the jurisdictional limit should be \$2,500, as provided in the bills, or some other figure, the manner of computing the amount involved in a small tax dispute, the advisability of extending the court's jurisdiction (which the proposed bills apparently do) to excise and employment taxes, and the need to correlate the procedures for disposing of small tax cases to existing provisions of the code dealing with the filing of written findings of fact and an opinion and with court review.

It appears to the court that perhaps in the first instance a policy decision should be made by the Congress as to the context of the approach for handling small tax disputes. Should it be determined that the principle involved in your bill, H.R. 10100, is to be enacted and the format contained therein relative to handling small tax disputes is adopted, a considerably different approach would have to be followed than would be the case should it be the decision of the Congress to follow the principles embodied in H.R. 3796 and H.R. 4759.

If I can be of further assistance to you or to the committee, I would be pleased to have you call upon me.

Sincerely,

WILLIAM M. DRENNEN, *Chief Judge.*

Mr. CONTE. The idea of having bench decisions would certainly save a lot of time in writing opinions on every little case.

Judge DRENNEN. Yes. We are in the position that everyone of these opinions must be reviewed by the chief judge and subject to possible disapproval by the court. You are somewhat reluctant to make a bench decision and have your own court reverse you. Not many of them are made under present law.

Mr. CONTE. You must be in a position where you are working night and day just going over opinions.

Judge DRENNEN. It takes a lot of time; a lot more than I realized.

TRIAL CALENDARS

Mr. CONTE. You talked about a period for fiscal 1969 of 160 weeks of trial work in some 50 major cities. How does this break down in terms of the amount of trial work per year assigned to each judge?

Judge DRENNEN. That is about what we have been doing in the past. If we have a full number of judges on the court, and are using the retired judges who are available, it would average out to about two to three trial sessions for each judge for each term of court. We have three terms of court a year, and the trial sessions are usually established for an estimated 2 weeks trial time. Sometimes trial calendars don't go that long but it means—well, I would guess the judge on the average would spend 10 or 11 weeks out of each year away from his office on trial work and the rest of time is spent writing opinions here in Washington.

CASES CLOSED

Mr. CONTE. Is there any particular reason that accounts for the record number of cases closed in 1967, some 1,000 more than 1966.

Judge DRENNEN. I don't know, Mr. Conte; I guess this is about the time—as I say this pattern had been set in prior years on how the court was going to decide these multiple corporation cases. Such a case might involve anywhere from 50 to 150 docket numbers for each case that would come up for trial. Once it was determined the courts were going to look at the substance of those transactions, then the cases started settling. My guess is the Internal Revenue Service settled a lot of cases before trial and we tried some of them. Each time we wrote an opinion that would take care of 100 docket numbers or cases. That built that large number of dispositions in 1967. That is just a supposition; I am not sure.

PAY COSTS

Mr. CONTE. That is quite impressive. Your \$70,000 increase would be for the pay raise passed by Congress, to defer that?

Judge DRENNEN. Yes.

TRAVEL COSTS

Mr. CONTE. Do you foresee any additional travel costs in 1969?

Judge DRENNEN. We may have added just a bit.

Mr. KEETER. We are still asking for \$51,000 in travel.

Mr. CONTE. Do you think that will be all right, even with Alaska?

Mr. KEETER. I think we can get through.

Judge DRENNEN. We combined the Seattle calendar with the Alaska calendar so there isn't too much additional transportation.

Mr. CONTE. Where do you hold these, in Alaska?

Judge DRENNEN. Anchorage.

NEW CASES

Mr. CONTE. I notice your estimate for cases to be filed for fiscal 1969 is the same as your fiscal 1968 estimate, and both of these are lower than the actual 1966 and 1967 levels. Do you feel that anything in particular is responsible for this, and would you expect to see this level in the 5,800 area continuing in future years?

Judge DRENNEN. I would expect it to continue at about that level. In the latter part of 1967 it started dropping off a little bit and this is our best estimate for 1968. We just projected it on into 1969.

TAX COURT BUILDING

Mr. CONTE. In regard to the building I am disturbed to see this building is being snatched from right under you. I think it is imperative, even with our financial difficulties of last year and this year, that a new building be constructed for your court. I am wondering whether the temporary nature of this agreement for the college was made clear to the officials of the District of Columbia.

Judge DRENNEN. I don't know. They assured us at GSA it was, but we have never seen the contract. We did take it up with GSA and they gave us that assurance.

Mr. CONTE. I want to assure you that I will work with the chairman here to see what we can do to get this ball rolling.

Mr. SCHOENFELDER. If we could go off the record.

(Discussion off the record.)

Mr. CONTE. I have no further questions.

Mr. STEED. Mrs. Reid.

CLOSED CASES

Mrs. REID. Thank you, Mr. Chairman. Is the figure correct that this past year you closed more cases than any year since 1934?

Judge DRENNEN. Yes. As I say, I think the reason for that was because of the type of cases that were being closed, the multiple-corporation type case which grew up in the construction business where a subdivider would build 250 houses and when he got up to the \$25,000 profit level he incorporated the next group of houses in a new corporation so they all stayed in the 22-percent tax bracket. That was the purpose of it. These cases started to come into court about 4 or 5 years ago and our court sustained the Commissioner of Internal Revenue. We were upheld by the courts of appeals. We looked to the substance of the transaction and treated it as the action of one corporation. Once that pattern was established then all these cases started to fall into line. I think that may be the principal reason we had so many closes in 1967, or one of the factors.

USE OF COMPUTERS

Mrs. REID. Would you say one of the reasons is that as the Internal Revenue Service becomes more computerized and it checks more returns the workload of the court will likewise increase?

Judge DRENNEN. It's hard to predict on that. If a man is told by a computer that he owes so much more taxes, he might settle rather than come into court. On the other hand, we may get more cases filed.

DUAL JURISDICTION

Mrs. REID. Last year, while discussing the question of dual jurisdiction involving your court and the district court, Judge Tietjens mentioned that the bar association is making a study of the jurisdictional tax problem, has this been completed?

Judge DRENNEN. The American Bar Foundation was assigned this project. It has been under study about 4 or 5 years and I don't believe a report has been filed yet.

STATUS OF COURT DOCKET

Mrs. REID. You mentioned on page 2 of your statement that at the end of this fiscal year your case total should be in the neighborhood of 10,000 then you go on to say, as the cases are ready for trial, they are immediately set on the calendar so no backlog exists at any trial location. Then the greater part of the backlog consists of cases still in the investigative stage and many of these I suppose never come to trial, is that true?

Judge DRENNEN. Not in the investigative stage, at least insofar as we are concerned. We don't have any power to investigate; it is not our function. But many of these cases are still in the state of initial pleadings. The pleadings have not been completed. Then in a lot of these cases we will get to a certain location to try cases once a year or twice a year so it takes some time to get them on a trial calendar. This is not because there are too many that we can't handle them, but we just can't get around to 50 cities any more frequently than we do with the number of judges available on the court.

Mrs. REID. The situation isn't as bad as it might appear in numbers then.

Judge DRENNEN. I think if we look down through the filing dates of most of the cases we have now, we get to those cases just about as soon as the parties are ready to go to trial. We have a lot of old cases but these are cases where for instance there has been a criminal tax charge and the taxpayer may be in the penitentiary and these cases are just held up. Maybe they are out of the country. These get quite old but we regularly put them on the court's calendar for report so we can keep check on them. At any time they are ready to go to trial, we place them on a trial calendar.

ASSIGNMENT FOR TRIAL

Mrs. REID. You commented that you scheduled trials at locations only when sufficient cases were ready for trial to make it worthwhile. Is there any way of knowing how much of an additional burden this places on the district court with persons who prefer not to wait and to seek relief through these channels?

Judge DRENNEN. I wouldn't have any idea. I suppose it has put some additional burden on them.

Mrs. REID. Can they be released through the district courts more expeditiously?

Judge DRENNEN. It probably depends on what district court it is in. If it is in the southern district of New York, my guess is they would not get out of there for several years. Our heavy case loads are in the New York and Los Angeles areas. My guess is that in neither of those places would they get any quicker relief. We have been sending judges to both New York and Los Angeles about once a month for several years. We try to handle it just as fast as we can. I doubt if the district courts are able to do any better, from what I read in the newspapers about the backlog in some of the district courts.

Mrs. REID. Let me say, I am very pleased to welcome you today also. That's all, Mr. Chairman.

CONCLUSION

Mr. STEED. Well, Judge, we appreciate your appearance here today and your cooperation. It looks like you are off to a good start and we hope you are able to maintain your ambitious program.

Judge DRENNEN. Thank you. I want to say I have enjoyed this experience and I appreciate your being so kind to me.

Mr. STEED. Thank you.

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