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INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT APPROPRIATIONS FOR 1970

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

SUBCOMMITTEE ON INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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G. HOMER SKARIN, *Staff Assistant to the Subcommittee*

PART 3

General Services Administration
Veterans' Administration

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MONDAY, MARCH 17, 1969.

VETERANS' ADMINISTRATION

WITNESSES

W. J. DRIVER, ADMINISTRATOR
A. W. STRATTON, DEPUTY ADMINISTRATOR
A. H. MONK, ASSOCIATE DEPUTY ADMINISTRATOR
J. D. SHYTLE, CONTROLLER
C. E. McGEE, ACTING DIRECTOR, BUDGET SERVICE
B. E. TURNER, ASSISTANT ADMINISTRATOR FOR MANAGEMENT ENGINEERING AND EVALUATION
E. J. GORMAN, MANAGER, ADMINISTRATIVE SERVICES
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R. C. FABLE, JR., GENERAL COUNSEL
J. W. STANCIL, CHAIRMAN, BOARD OF VETERANS' APPEALS
F. R. HOOD, DIRECTOR, INFORMATION SERVICE
G. L. HOLLAND, DIRECTOR, INVESTIGATION AND SECURITY SERVICE

ASSISTANT ADMINISTRATOR FOR CONSTRUCTION

V. P. MILLER, ACTING ASSISTANT ADMINISTRATOR FOR CONSTRUCTION
L. G. SCHWEICKART, DEPUTY ASSISTANT ADMINISTRATOR FOR CONSTRUCTION

DEPARTMENT OF DATA MANAGEMENT

P. J. BUDD, CHIEF DATA MANAGEMENT DIRECTOR
D. W. KLINE, CHIEF, BUDGET STAFF

DEPARTMENT OF MEDICINE AND SURGERY

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DR. H. M. SCHOOLMAN, DIRECTOR, EDUCATION SERVICE
DR. L. M. BERNSTEIN, DIRECTOR, RESEARCH SERVICE
W. D. ROSS, DIRECTOR, HOSPITAL CONSTRUCTION SERVICE

DEPARTMENT OF VETERANS' BENEFITS

A. W. FARMER, CHIEF BENEFITS DIRECTOR
J. C. PECKARSKY, DEPUTY CHIEF BENEFITS DIRECTOR
J. T. TAAFFE, DIRECTOR, COMPENSATION, PENSION, AND EDUCATION SERVICE
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Mr. EVINS. The committee will come to order.

We have with us this morning our friends from the Veterans' Administration, headed by the genial and able Administrator, W. J. Driver.

Mr. Driver, you have a very big budget. It is getting back to what it was at the end of World War II. In 1947 it reached a peak and then began to decline. For the past 2 years it is certainly on the increase. I will say this is a well-prepared budget. You have given us a lot of facts and information.

You may proceed, Mr. Driver.

Mr. DRIVER. Gentlemen of the committee, I am pleased to be here this morning to discuss with you the 1970 budget requirements of the Veterans' Administration.

GENERAL STATEMENT

The 1970 Veterans' Administration budget reflects our plans to continue to provide the Nation's veterans and their widows and orphans the full range of benefits to which they are entitled.

It provides for additional veterans benefits authorized by legislation enacted by the 90th Congress, including:

Increased disability compensation rates, effective January 1, 1969 (estimated 1970 costs—$222 million);

Higher income limitations and increased rates for pensioners, also effective January 1, 1969 (estimated 1970 costs—$124 million);

An increase in the Veterans' Administration home loan guaranty maximum from $7,500 to $12,500 (no significant additional 1970 costs); and

Liberalization of the post-Korean G.I. bill's education and training benefits, granting, for the first time in history, educa-

tional assistance to certain wives and widows of veterans (estimated 1970 costs—$71 million).

It provides for an expanding veterans population which continues to grow as Vietnam servicemen return to civilian life at the rate of more than 70,000 per month.

It provides additional health resources for veterans, new and improved specialized treatment facilities in hospitals, and expansion of medical research and training programs.

It anticipates increases in fund requirements for compensation and pensions, independent of new legislation requirements, as caseloads and average payments continue to increase.

It reflects continuing emphasis on economy in administration through increased use of automatic data processing methods, cost reduction efforts, and other programs to improve efficiency and increase economy in our administrative operations.

Our appropriation requests for 1970 total $7,741 million—$513 million more than 1969 appropriations, including anticipated supplementals. Approximately $318 million of this increase is in veterans benefit programs, $89 million in medical programs, $89 million in construction programs, and $16 million in general operating expenses. A comparative summary of 1969 and 1970 requirements, by appropriation account, is provided in the accompanying table.

(The table follows:)

VETERANS' ADMINISTRATION 1970 APPROPRIATION REQUESTS

[In millions]

Account	1969	1970	Change
General operating expenses	$207.0	$223.1	+$16.0
Benefit programs:			
Compensation and pensions	4,833.3	[1] 5,041.4	+208.1
Readjustment benefits	625.3	[1] 742.2	+116.9
Veterans insurance and indemnities	10.3	7.3	−3.0
Payment of participation sales insufficiencies	3.9		−3.9
Loan guaranty revolving fund	5.6	5.7	+.1
Total, benefit programs	5,478.4	5,796.6	+318.1
Medical programs:			
Medical care	1,466.5	1,541.7	+75.2
Medical and prosthetic research	48.0	59.6	+11.6
Medical administration and miscellaneous operating expenses	14.8	17.3	+2.5
Grants to Republic of Philippines	1.8	1.4	−.4
Total, medical programs	1,531.0	1,620.0	+89.0
Construction programs:			
Construction of H. & D.F.	7.9	96.4	+88.4
Grants for construction of State nursing homes	4.0	5.0	+1.0
Total, construction programs	11.9	101.4	+89.4
Total, Veterans' Administration	7,228.4	7,741.0	+512.6

[1] Excludes proposed legislation amounts as follows:

Compensation and pensions	−$106,000,000
Readjustment benefits	+800,000
Total, proposed legislation	−105,200,000

GENERAL OPERATING EXPENSES

Mr. DRIVER. This appropriation finances the administration of all nonmedical veterans' benefits—compensation, pensions, educational and training assistance, guardianship, contact, housing credit assistance and insurance, as well as data management activities of the Veterans' Administration. Major workload increases are being experienced in all of these programs, due to the increasing Vietnam veterans population, and the expansion and liberalization of benefits for all veterans under new legislation enacted by the 90th Congress. These increased loads have generated sizable and serious backlogs at our regional offices throughout the country, despite significant increases in employee productivity. Our 1970 budget request for this account represents the minimum required to reduce these backlogs to manageable levels and to restore satisfactory service to our veterans and their families.

We are requesting $223,065,000 for general operating expenses in 1970—an increase of $16,047,000 over 1969. The increase is distributed among elements funded from this account as follows:

General administration	+$746,000
Department of Data Management	+8,152,000
Department of Veterans Benefits	+7,149,000
Total increase	+16,047,000

GENERAL ADMINISTRATION

General Administration comprises my immediate office and top Staff Services of the Veterans' Administration. The increase of $746,000 in 1970 over 1969 is due principally to normal within-grade salary advances and the full-year cost of the pay raise effective July 14, 1968. Average employment will be held to the 1969 level.

DEPARTMENT OF DATA MANAGEMENT

$5.5 million of the $8.2 million increase in the Department of Data Management is represented by net additional requirements for purchase of 22 ADP computers currently being leased. All of these computers will be needed in our operations beyond the "purchase vs. lease" breakeven point, and purchase in 1970 will result in significant economic advantage to the Government over the years.

The lease of an additional large-scale computer for expanded ADP operations, an increase of 27 in average employment, and normal within-grade salary advancements account for the balance ($2.7 million) of the requested increase.

Our investments in ADP are yielding substantial dividends. Applications already installed and in operation are saving almost $20 million annually on a recurring basis, plus cumulative one-time savings of more than $17 million.

DEPARTMENT OF VETERANS BENEFITS

Our request of $178.6 million for the Department of Veterans Benefits is an increase of $7.1 million over the current fiscal year. The additional requirements result principally from increasing workloads generated by: (1) the increasing number of Vietnam veterans becoming

eligible for benefits, and (2) new legislation enacted by the 90th Congress expanding and liberalizing benefits for all veterans. These factors are expected to increase workloads of all Department programs in fiscal year 1970 over fiscal year 1969 requiring a net increase of 359 man-years and $4.5 million after giving effect to a substantial planned increase in employee productivity.

Increased average salaries, resulting principally from normal within-grade advancements and the full-year cost of the pay raise effective July 14, 1968, account for the balance ($2.6 million) of the total increase of $7.1 million requested for this department.

BENEFIT APPROPRIATIONS

Nearly $5.8 billion, or 75 percent, of our total appropriation requirements for fiscal year 1970 are for direct veterans benefit programs. This is an increase of $318 million over 1969. The increase is all in compensation and pensions and readjustment benefits appropriations.

COMPENSATION AND PENSIONS

Compensation and pensions appropriation requirements for 1970 total $5 billion, an increase of $208 million over 1969.

$175 million of this increase is attributable to the full year's cost in 1970 of recent legislation, effective for only a half year in 1969. Public Law 90–493, increasing veterans' disability compensation rates, effective January 1, 1969, will cost an estimated $111 million in 1969 and $222 million in 1970. Public Law 90–275 restructures the veterans' and survivors' pension system and increases income limitations, effective January 1, 1969, and is expected to cost $59 million in 1969 and $124 million in 1970.

The balance of the increase—$33 million—is due to small net increases in caseloads and average payments (other than those resulting from the above-mentioned legislation), slightly higher costs of subsistence allowances and burial benefits, and the availability in 1969 of a $9 million unobligated balance carried forward from 1968.

READJUSTMENT BENEFITS

Our 1970 appropriation requirements for readjustment benefits total $742 million, an increase of $117 million over 1969.

$83 million of this increase is for educational assistance allowance payments to post-Korean conflict veterans. The additional Vietnam era veterans becoming eligible for such allowances are expected to increase the average number of trainees in this category from 420,400 in 1969 to 488,000 in 1970.

The balance of the increase—$34 million—is due to increased requirements for educational assistance allowance payments to wives and widows of veterans under provisions of Public Law 90–631 (+$16 million), vocational rehabilitation for disabled veterans (+$2 million), and the availability in 1969 of a $16 million unobligated balance carried forward from 1968.

VETERANS INSURANCE AND INDEMNITIES

Our veterans insurance and indemnities appropriation provides for necessary transfers of appropriated funds to Veterans' Administration insurance trust and revolving fund accounts. An increase of $4 million in unobligated balances expected to be transferred to this account from surplus funds of the veterans special term insurance revolving fund will permit a reduction of approximately $3 million in our 1970 appropriation request from the 1969 level.

MEDICAL PROGRAMS

Of our total appropriation requirements for 1970, $1,620 million, or approximately 21 percent, is for medical programs. Our estimates reflect requirements for additional health resources for an expanding veteran population and for implementation and extension of improved treatment modalities. A total increase of $89 million in 1970 over 1969 is requested for medical appropriations as follows:

[In millions]

	1969	1970	Increase (+)
Medical care	$1,466.5	$1,541.7	+$75.2
Medical and prosthetic research	48.0	59.6	+11.6
Medical administration and miscellaneous operating expenses	14.8	17.3	+2.5
Grants to Republic of the Philippines	1.8	1.4	−.4
Total, medical appropriations	1,531.0	1,620.0	+89.0

MEDICAL CARE

For medical care, we are requesting $1,541,701,000, an increase of $75,248,000 over 1969. It will provide for:

The operation of 123,700 beds in Veterans' Administration facilities, a total system-wide inpatient average daily census of 123,800 and an increase of 9,405 inpatient beneficiaries treated—from 855,290 in 1969 to 864,695 in 1970;

An increase of 732,000 outpatient medical visits—from 6,742,429 in 1969 to 7,474,000 in 1970;

Activation of 10 alcoholism treatment units, 11 additional pulmonary emphysema units, 454 additional intensive/coronary care beds, and other new medical services;

Full activation of newly constructed hospitals at Gainesville, Florida (480 beds); Miami, Florida (1,056 beds); San Jaun, Puerto Rico (706 beds); and initial activation of Columbia, Missouri (472 beds);

Expansion of Veterans' Administration programs for education and training of a total of 40,000 medical residents and other professional, paramedical and administrative personnel in health-science fields—an increase of 4,000 over 1969—the largest contribution yet planned for the Veterans' Administration to contribute to both its own and the Nation's needs in this critical area; and

Continued efforts to correct staffing deficiencies and improve the ratio of hospital employees per 100 patients—from 120 in 1969 to 126 in 1970.

Of the budgeted increase of $75.2 million for medical care, more than $27 million is for "stand-still" funding of such built-in require-

ments as increased costs of drugs, medicines, supplies, and equipment, wage board increases, and normal within-grade salary advancements.

MEDICAL AND PROSTHETIC RESEARCH

Our requested budget authority of $59.6 million for Medical and Prosthetic Research is an increase of $11.6 million over 1969. This increase is the minimum required to close gaps which have occurred due to funding below plan for the past few years, and to provide the incentive necessary to make the hospital system attractive enough to obtain the full commitment of the academic communities. This commitment is critical to maintaining the desired standards of patient care within the Veterans' Administration hospital system.

This increase will be applied, principally, to strengthening and augmenting ongoing activities—such as scientifically evaluated research and cooperative studies. Additional efforts will also be expended in areas such as oral diseases, neuropsychiatry and clinical pharmacology.

MEDICAL ADMINISTRATION & MISCELLANEOUS OPERATING EXPENSES

The budgeted increase of $2.5 million for medical administration and miscellaneous operating expenses is to provide for built-in average salary increases, a modest increase in employment (21 man-years), a partial step toward correcting recognized deficiencies in Veterans' Administration's inservice training programs, and a conservative increase in our exchange of medical information program. These increases, so important to the sucessful accomplishment of our health services objectives, are distributed by program as follows:

	Thousands
Medical administration	+$714
Postgraduate and inservice training	+798
Exchange of medical information	+1,026
Total increase	+2,538

GRANTS TO THE REPUBLIC OF THE PHILIPPINES

Our 1970 fund requirements of $1.4 million for grants to the Republic of the Philippines are down approximately $400,000 from the current fiscal year. This is due, principally, to the completion this year of efforts to upgrade equipment and rehabilitate physical facilities of the Veterans Memorial Hospital at Manila. A total of $500,000 was appropriated for this purpose in 1967, of which $292,000 was obligated in 1968 and $208,000 in 1969.

CONSTRUCTION PROGRAMS

CONSTRUCTION OF HOSPITAL AND DOMICILIARY FACILITIES

Our request of $96.4 million in 1970 for construction of hospital and domiciliary facilities is the 10th annual increment of our long-range plan to replace, relocate, and modernize our medical facilities. Including our 1970 request, a total of $703 million will have been funded under this program. However, the funding level provided for the past 3 years has been substantially below our planned annual level

of approximately $100 million. Only $7.9 million was appropriated in 1969. Any reduction in our 1970 request of $96.4 million would further defer needed modernization of our hospital system. Our request provides:

$27.8 million for replacement and relocation hospitals, of which $25.4 million is to complete a 760-bed hospital and outpatient clinic at San Antonio, Tex.;

$56.3 million for modernization and other improvement projects, of which $47 million is to continue projects for which design is in progress, including major projects at Indianapolis, Ind., and Phoenix, Ariz.;

$3.0 million for research facilities;

$3.8 million for domiciliaries and nursing homes; and

$5.3 million for planning, administration, design construction supervision, and related staff activities.

GRANTS FOR CONSTRUCTION OF STATE NURSING HOMES

The request of $5 million for grants for construction of State nursing homes is an increase of $1 million over 1969. To date, we have approved grants for the construction of 1,734 nursing home beds for 18 projects in 13 States, requiring Federal Government contributions of $12.2 million. In addition, 12 States have expressed interest in projects totaling 1,743 beds. Appropriated funds are available for obligation for 3 years. They will be obligated only if applications are submitted and approved.

This concludes my opening statement—we will be pleased to provide any additional information you may desire.

Scope of the VA Budget

Mr. Evins. This is an excellent statement. It is quite comprehensive and covers a lot. It is very much to the point. You presented the figures and percentages and increases with great dispatch. You are on top of your job.

This morning we will have a general discussion of Veterans' Administration programs and a summary of your budget.

You outline large increases in most all fields—I believe there is one decrease in the grants to the Republic of the Philippines outlined, but in other activities there are substantial increases and this is due to five new laws passed by Congress liberalizing veterans' benefits, increasing programs, and bringing more veterans on the rolls.

You indicate by your testimony upwards of 70,000 per month new veterans are entering civilian life. In considering your general operating expenses, you maintain that the Veterans' Administration has a very low percentage rate of operating expenses per benefits received by those you serve; that the greatest amount of funds go to veterans themselves.

SAVINGS FROM ADP

On page 3 you say your ADP is yielding substantial dividends. You are saving $20 million annually on a recurring basis. Then you say you have accumulative one-time savings of $17 million. How did you arrive at this $17 million and how do you estimate you are saving $20 million annually in this area?

Mr. DRIVER. We have a table which shows this, Mr. Chairman.

First we consider the workload we are handling by program. For example, we estimate the number of people it would take to work out the changes that would be required to give effect to increases in compensation and pension rates provided by new legislation and we compare the administrative costs by using computer techniques and then compare that to the estimate of costs if we used the procedures that we had in effect prior to this time. We know we can do it with a fraction of the personnel that we had before.

Mr. EVINS. You already have a large number of computers and you want to buy more.

Mr. DRIVER. We want to buy some that we are now renting. We have about 34 computers in our data processing centers and 12 more located in hospitals.

Mr. EVINS. We know it is a big statistical operation. You have large numbers of veterans, a big payroll, and your insurance program so it is absolutely essential that you have your system computerized because of the vastness of it.

Mr. DRIVER. We would be still trying to put those rates into effect that were effective January 1 if we had to do it the way we were doing it before we got computers. With the computers, we could make the rates effective in that month.

Mr. EVINS. With the computers, you save an estimated $17 million, on the basis of what you would have paid individuals to do the work.

Mr. DRIVER. That is right, and that is after you amortize the cost of the computer equipment.

Mr. EVINS. How do you get $20 million a year savings?

Mr. DRIVER. This is an accumulative figure of the total number of projects which we are now processing with automatic data processing equipment. About 50 different projects.

INCREASE IN EMPLOYMENT

Mr. EVINS. Mr. Administrator, why do you need 6,082 new jobs then if you are making all these savings?

Mr. DRIVER. Most of the jobs we are asking for are in the medical area, Mr. Chairman.

Mr. EVINS. A total of 5,538 in the medical program areas, principally for medical care and 544 in other programs of the VA. This is an unusually large increase in job requests. With your expansion in computers, you still need 6,082 new jobs?

Mr. DRIVER. A computer can't handle a patient and every year we have an increasing number in both inpatient and outpatient care. The computer can't take care of the returning veteran when he comes in and wants to talk. We are flooded with returning men that want to know about their rights and benefits. This is just taking more people. There is no other way to put it.

As you indicated, we are handling workloads which now approximate what they were after World War II.

STATE VETERANS SERVICE PROGRAMS

Mr. JONAS. Doesn't every State have a veterans service program?

Mr. DRIVER. Not every State, Mr. Jonas.

Mr. JONAS. How many States do not?

Mr. DRIVER. I can't answer that. They have a good many.

Mr. JONAS. I think every county in my State, or most of them, has a full-time employee, a veterans service officer. We furnish many quarters in the courthouse. It seems to me these people are competent and qualified, with your guidance and direction, to acquaint the veterans with their rights.

Mr. DRIVER. There isn't a handful of them available to do what I am talking about.

Most of the people you are talking about, Mr. Jonas, represent the veteran as a representative presenting a case before a VA rating board but they don't even pretend to have the people to inform him of what he is entitled to when he comes home.

Mr. BOLAND. Aren't these really employees that the veterans service provides for particular localities but really aren't they more concerned with pensions—not disability pensions, but just the average pensioner who is interested in getting enough to live on? Isn't it almost an application of the welfare system?

Mr. DRIVER. They hold themselves out as being available to represent the veteran in dealing with Social Security or VA. They will take his case.

Mr. BOLAND. They don't give much advice in this area though.

Mr. DRIVER. They are not equipped in terms of numbers of people to receive the volume of returning servicemen and tell them what the programs are, how they go about getting them and the application process, and so forth.

Mr. BOLAND. Would we save money if we equipped them to do so?

Mr. DRIVER. I don't think so for the very reason that they operate under a great variety of organizations. Some are State programs and some are county. I think it would be extremely difficult to get any uniform information. I believe they would be most unwilling to assume this burden.

INCREASING COSTS IN ADMINISTRATION

Mr. EVINS. This committee wants to be generous and liberal with the veterans and we feel we are. We want to fund all the necessary programs that are of benefit to the veterans, but the cost continues to mount in the administration of those benefits. You have your general administration costs at the agency level, your administrative costs in the three operating departments and the administrative expense of the hospital construction program separate.

Mr. DRIVER. Yes, sir.

Mr. EVINS. Some people might think 6,082 employment increase in 1 year inordinately large.

Mr. DRIVER. If you will look at the medical loads, inpatient and outpatient, you would realize that it is just impossible to receive these additional patients in the hospitals and clinics, and treat them and give them followup care with the same people we have now. It is just a physical impossibility.

Mr. EVINS. Your 1969 appropriation was $6,975 million and you appeared before our committee already this year for a supplemental of $253,646,000, which, if granted, would provide a 1969 appropriation of $7,228,853,000. Then in your budget before us for 1970, estimates,

amount to $7,740,985,000, which is an increase of $512,132,000 over the 1969 including the $253,646,000 supplemental.

In other words, a half a billion dollars increase over last year with a quarter-of-a-billion-dollar increase in the supplemental pending for 1969.

Adding your supplemental for 1969 and your 1970 increase the increase is about $765 million.

Mr. DRIVER. It depends on how you treat the supplementals.

Mr. EVINS. The supplemental and the 1970 request from what we appropriated last year.

Mr. DRIVER. It is the $512 million with the supplementals included in both figures in 1970 and 1969.

Mr. EVINS. Aren't you able to estimate this more accurately? You come in with a supplemental and these large increases.

Mr. DRIVER. The supplemental we came in for in 1969 is due almost entirely to circumstances over which we had no control. New legislation was enacted after the budget was submitted. There was no way to anticipate this. In fact, we can't anticipate it when we present the budget.

Mr. TALCOTT. Is there any part of that over which you have any control?

Mr. DRIVER. I suppose you could say we have control over all the administrative areas, but if you say we must give the benefit, we must give the service when the man comes out of service. If he wants to go to school, we have to help him get in. Then the amount controllable slips down almost to the construction program, Mr. Talcott, and that, as you know, has been the one that we have curtailed when it is necessary to reduce funds. It defers the evil day if we are to keep the hospitals and clinics serviceable because construction costs continue to increase.

Mr. TALCOTT. The general fear that I have is that you people think that you don't have anything that you can control and you just let it go.

Mr. DRIVER. This, I assure you, isn't true. The administrative cost associated with administering these programs for veterans has come down almost half since World War II. It is below 3 percent today. I think this reflects a very strong concern on the part of all the people managing these programs to get the most for our money, to make sure we aren't wasting it. I must say we cannot do anything to hold down costs associated with programs covered in this budget, so long as we have wars and veterans returning from service.

COST CONTROL

Mr. TALCOTT. If you permit the cost of medication, hospitalization and all these things, to increase and increase and increase, this makes your administrative cost appear to be less and less, but to me it just demonstrates that your administrative people don't have control over——

Mr. DRIVER. Of course we have no control over the cost of drugs. This is something we have to compete with or compete for in the market like everyone else. We don't have control over salaries. The costs associated with the medical program, most of which is for the salaries of nurses, doctors, and all the remaining staff, we certainly don't control in the sense that we can do something to curtail them.

We are affected by what happens in wages across the country. I agree with you on that.

ALCOHOLIC TREATMENT PROGRAM

Mr. JONAS. May I raise a question of Dr. Engle?

You want to activate 10 alcoholism treatment units. Are these the first units we have had devoted specifically to alcoholism?

Dr. ENGLE. These will be the first units for which we feel we will attempt to provide some extra staff and special funding.

Mr. JONAS. Are these units to be in existing hospitals?

Dr. ENGLE. Yes, sir. Actually, Mr. Jonas, we have about 25 hospitals where there is some activity going on in this area and where special attention is being given to the problem of alcoholics. But in fiscal year 1970 for the first time we are going to try to provide some extra money so that additional staff can be given to the problem.

Mr. JONAS. You have a daily patent load of about 92,000 in your hospitals. Is there any way to develop figures which would indicate how many of that number are attributable to alcoholism?

Dr. ENGLE. We know that.

Mr. JONAS. How many would you say?

Dr. ENGLE. Something like 20 percent of our patient load have alcoholism either as the primary reason for hospitalization or as contributing to the need for hospitalization.

Mr. JONAS. What does it cost, in comparison, to take a man in a NP hospital whose sole problem is acute alcoholism in comparison with the treatment he would get in a center or unit devoted for that purpose? Would the cost be less in the latter place?

Dr. ENGLE. I would say the initial cost would be substantially higher, but hopefully with better treatment results the long-term cost would be much, much less and it is our hope that we will be able to treat these people effectively so they will not have to be readmitted to the hospital.

Mr. JONAS. I am just wondering, in view of the fact that 20 percent of your patients suffer from problems of alcoholism, why you don't expand this part of the treatment and take it out of general medical treatment?

Wouldn't you thereby reduce your NP load—but don't you also have some people with acute alcoholism in the G.M. & S. hospitals?

Dr. ENGLE. The load already is there.

Mr. JONAS. It just seems to me that a person suffering from that malady would require a different kind of treatment and perhaps less nursing care, certainly, than a person who has ulcers, or an extreme case of emphysema. Am I correct or not?

Dr. ENGLE. I am not quite sure I understand.

Mr. JONAS. I said I would think that a person whose main problem is alcoholism would require less nursing care, at least, than a person who is suffering from some general physical disability.

Dr. ENGLE. No; I think our thought with these special units is that it probably would require more nursing and other attention than other categories.

Mr. JONAS. Over the same length of time? I can see where you might require considerable nursing for 24 hours but over a long period of time?

Dr. ENGLE. You are referring to the treatment of the acute alcoholism syndrome?

Mr. JONAS. Yes.

Dr. ENGLE. The person who comes in who is really toxic in terms of ingesting large amounts of alcohol, but I am referring to the treatment not only as the acute episode, but also the followup with intensive group therapy attention so he will not have to be readmitted. I don't know whether we have specific figures for staffing ratios or not. Let me ask Dr. Chase.

Dr. CHASE. We have proposed staffing ratios for the units we intend to fund under this year's appropriation.

Mr. JONAS. You don't think the activation of 10 units will cut down on general hospital expenses? You think it will add to it?

Dr. ENGLE. These figures are calculated on the differences between caring for other categories compared to this type patient.

CONTRACT POTENTIAL FOR ALCOHOLISM TREATMENT

Mr. JONAS. Would it cost less or more to contract with States, most of whom I am quite sure, as ours does, have several treatment centers for alcoholism?

Dr. ENGLE. I am not familiar with the costs in the States.

Mr. JONAS. I would recommend somebody look into that because these costs, as the chairman has pointed out, are going up. If you could contract with a State to take care of this type problem——

Mr. DRIVER. These would be mostly non-service-connected patients, Mr. Chairman, and we're not permitted to do this.

Mr. JONAS. Do what?

Mr. DRIVER. We are not permitted to contract for their care outside.

Mr. JONAS. But you are permitted to take them in your hospitals.

Mr. DRIVER. If they can't afford the care and so certify under oath.

Mr. JONAS. If they certify you couldn't pay for a contract?

Mr. DRIVER. Not for outside attention. Only service-connected care.

Mr. JONAS. Assuming you can handle that type patient cheaper by contracting outside, isn't there a gap in the law that ought to be corrected?

Mr. DRIVER. If it were possible, but I would like to suggest this: We do support every year several hundred or several thousand patients in non-Federal hospitals.

Mr. JONAS. I know you do.

Mr. DRIVER. Inevitably the cost we pay per day for a patient is much higher than its costs to treat them in the VA system.

Mr. JONAS. The difference is you keep them longer in your hospitals than civilian hospitals.

Mr. DRIVER. I would say that isn't really true if you classify them by age group and by disease category. If you just look at the VA system with its far higher average age per patient, and if you look at the kind of patients treated, principally male patients, with few of the incidents associated with short-stay hospital episodes you find common in other hospitals, I think we suffer by that comparison.

OUTPLACEMENT OF HOSPITAL PATIENTS

Mr. JONAS. How many of your 92,000 patients are really in a medical condition that they could be handled satisfactorily in domiciliaries?

Dr. ENGLE. We take a census of patients once each year and try to have the physicians evaluate the number of people in hospital beds who they think could be cared for outside of a hospital. Last year the estimate was seven or eight thousand of our hospital population could be cared for outside. About 2,500 could be cared for in nursing homes. Nine hundred were considered suitable for domiciliary care.

Mr. JONAS. Is the cost less in a dom?

Dr. ENGLE. Yes.

Mr. JONAS. Why don't we expand the doms and get the people out of the hospitals?

Dr. ENGLE. We have done very dramatic things in this respect in recent years. Our bed total in the VA hospital system has fallen to a present level of 107,000 from 121,000 just a decade ago. This has happened because of the emphasis we have given to getting people out of hospital beds into domiciliary beds, into nursing home beds, foster home beds and the like. So we have given this every attention and we are continuing to put stress on that.

Mr. JONAS. Are you restricted in your contracts with States on your cooperative programs for nursing home operations to service-connected cases?

Mr. DRIVER. No, sir.

Mr. JONAS. I don't understand why you are not restricted there and you can move non-service-connected patients into nursing homes and you can't do it into alcoholism treatment centers.

Mr. DRIVER. The statute for nursing care specifically provides that we can do this. Of course, it is a savings to the Government, as you recognize, if we can put them in a nursing home either in a State nursing home or a private nursing home, and it also makes the VA hospital bed then available for somebody who needs it. This need was recognized and the statute provides for it. In the area of general medical care this legal provision has not been provided.

VA BEDS FOR ALCOHOLISM TREATMENT

Dr. ENGLE. Just one further point on the alcohol problem and how significant it is, Mr. Jonas. A bill has already been introduced in this Congress by Congressman Reuss of Wisconsin which would ask the VA to set up 1,000 beds in fiscal year 1970, 1,000 in fiscal year 1971, and an additional 2,000 in the subsequent 3-year period providing 4,000 beds in total reserved just for the care of alcoholism. Now, our pace is much slower than that. We are asking for a designation of 300 beds in fiscal year 1970.

Mr. JONAS. A hundred per unit?

Dr. ENGLE. It is about 30 per unit. Actually, you understand, there is no magic in this area. In large part it is an exploratory, research kind of endeavor, an attempt to find out how best to treat this particular kind of thing.

Mr. JONAS. I expect that the vast majority of cases in this category are not service-connected cases.

Mr. DRIVER. I think that is right.

Mr. JONAS. So you have another problem. You can't admit them unless you have a bed available.

Mr. DRIVER. And he can't afford to pay.

Mr. JONAS. You don't have authority to put them anywhere else.

Dr. ENGLE. Normal demand for treatment in an outside center will go up because there are many alcoholics who are presently not hospitalized because they do not have any other physical disability that we treat, but the minute we have an established unit there will be many additional alcoholics seeking hospitalization. So there won't be a trade of one for one. It will be an expansion.

Mr. EVINS. Place in the record what you propose to do in this treatment program that you have not been doing before.

Mr. BOLAND. Give us the total number of those who are now in VA hospitals for alcoholism as the only problem.

Mr. EVINS. Twenty percent.

Dr. ENGLE. Of the 92,000.

(The information requested follows:)

PLANNED PROGRAM FOR ALCOHOLISM TREATMENT UNITS

The presently operating units are for the most part research-oriented and skimpily staffed, as they are operating with whatever personnel can be borrowed from other services. Most of these units provide some group therapy and some physical medicine and rehabilitation services.

With the requested new funds, sufficient staff can be recruited to offer many other therapeutic modalities considered essential to effective treatment and rehabilitation of alcoholic patients:

(*a*) Acute detoxification.
(*b*) Post-hospital care.
(*c*) Family treatment.
(*d*) Social service work followup in the home.
(*e*) Liaison with community agencies.
(*f*) Sheltered workshop.
(*g*) Halfway house.
(*h*) Foster home care.

With adequate and qualified staff, the necessary psychiatric, social and vocational screening can be accomplished to determine which modalities are most suited for each patient. Educational devices are employed, such as, films and lectures. Vocational counseling and placement is extensively used. The most important modality is prolonged outpatient treatment, usually consisting of periodic group sessions, continued family therapy and counseling.

Dr. CHASE. We are proposing the funding of 10 units, five located in our psychiatric institutions and five in general hospitals. Of these 10, six are currently active in the alcohol treatment program.

Mr. EVINS. Six are currently active. What are they doing in these six at the present time? What do they propose to do in the 10 planned for complete program activation?

Dr. CHASE. What they have done in the six that are active in this group is that they have taken resources from their other programs, so they have been able to build their staff in this particular category to amplify the treatment of the alcoholic.

The typical program, though it varies from hospital to hospital, is one in which the patient declares he wishes to go under treatment for his alcohol problem. He must make this commitment.

Secondly, he is placed in a group environment where he is subjected voluntarily to an intensive psychotherapeutic approach using both drugs and group therapy technique.

The total expanded program normally lasts from 60 to 90 days.

During the first 30 days in the typical program he is confined to the hospital and undergoes a detoxification stage, as well as initiation of his psychotherapy. Then as he passes over this phase, he is provided greater latitude and freedom both in terms of hospital treatment, as well as in the community.

Mr. EVINS. What success are you having with your present operation in alcoholic treatment?

Dr. CHASE. I can speak only from my personal experience in one institution, and at the 6 month period. Better than 40 percent of these patients were in the obstinate category. This is better than the casual treatment of the alcoholic.

Mr. JONAS. We have some figures that are confusing.

The administrator's statement shows the inpatient average daily census to be 123,800. Somebody used the figure of 109,000 and then later in answer to Mr. Boland somebody said 92,000.

Dr. ENGLE. I think it is confusing, Mr. Jonas. The figure in the initial statement of the administrator includes average daily census outside of our own immediate system for which we have financial responsibility. Contract hospital beds, State domiciliaries——

Mr. JONAS. What is the 92,000?

Dr. ENGLE. That is referring to just our patient load in our VA hospital system, in our 166 hospitals.

Mr. JONAS. That would be the figure against which the 20 percent would be calculated?

Dr. ENGLE. Yes, sir.

EFFECT OF EXPENDITURE CONTROL ACT

Mr. EVINS. What was the effect of the Expenditure Control Act on your 1969 budget? Would you summarize that for the record for us?

Mr. MONK. In terms of people, Mr. Chairman, we had to reduce our June 30, 1968, employment by 3,400. This meant that for fiscal year 1969 we were about 6,000 under what we were up here asking for in a budget. Three thousand four hundred off the rolls and there were about 2,600 additional positions provided in the budget that we couldn't go ahead and fill.

Mr. EVINS. You are asking for about 2,600 more than you received and the expenditure control limits you or cuts you down by about 3,400?

Mr. MONK. Yes. Now, in terms of dollars, this resulted in an impoundment of about $15 million in the 1969 appropriation, which we were up here for the other day in a supplemental request to ask you to release to apply to the pay raise.

As far as the $6 billion cut is concerned in that law you referred to, we were not required to take any reduction other than the reduction that resulted from the cutback in employment.

Mr. EVINS. It only limited the VA to reduction in employment and not in any benefits. There was an exception for the VA.

Mr. MONK. That is correct.

Mr. EVINS. You lived with that; you administered the laws and I dare you say administer your laws efficiently and the veterans got their checks and received their benefits and the medical care and you're back now for these 6,082 new jobs.

Mr. DRIVER. What we succeeded in doing was limiting the service that we have been able to give. We have sizable backlogs in all of our regional offices and on top of this we are telling you that we will expect to receive requests for treatment from thousands of additional veterans on top of the number we cared for last year.

OPERATING BEDS IN VA HOSPITALS

Mr. EVINS. What is the ceiling set by law on the numbers of operating beds in the VA hospital system?

Mr. DRIVER. There isn't any ceiling set by law. There is one set by the authority of the President at 125,000.

Mr. EVINS. 125,000 and the average daily patient load is 92,000.

Mr. DRIVER. The 125,000 is hospital beds. We also can have 4,000 additional nursing beds.

Mr. EVINS. That is set by administrative action?

Mr. MONK. Yes. This was done a number of years ago by Presidential directive.

Mr. EVINS. About 125,000 is the hospital bed limit and in addition we have provided for VA and State domiciliary facilities, contract hospitals, and State and community nursing homes.

Mr. MONK. And we have 4,000 nursing beds in the VA system over and above the 125,000.

Mr. DRIVER. The effective limitation on the number of patients treated is the money provided in the Appropriation Act, as you well know, Mr. Chairman.

Mr. EVINS. You are living well within your ceiling.

Mr. DRIVER. Yes, sir.

CONSTRUCTION PROGRAM

Mr. EVINS. Another large increase we noticed in your budget, Mr. Administrator, is in your hospital construction. You have about $8 million on here for last year and you go up to about $96 million. It is a large increase. I know we have a long-range program of replacement and modernization of your hospital system. Last year did the expenditure control have an effect on your construction program?

Mr. DRIVER. The reduction to almost $8 million last year was a direct result of the President's budget. It was in advance of the expenditure control. We now want to go back on schedule.

Mr. EVINS. You now want to go ahead and resume your construction program in the amount of about $90 million?

Mr. DRIVER. That is right. We have been permitted to include in this budget $96.4 million which will enable us to get somewhat back on schedule.

Mr. EVINS. How many new hospitals are included for initiation of construction? I know there is a lot of modernization and improvements which are needed.

SAN ANTONIO, TEX., HOSPITAL

Mr. MONK. There is one brand new one here in San Antonio, Tex. We have some design money for a hospital on Long Island, Stony Brook.

Mr. JONAS. If you only had $7.9 million new money appropriated last year, how could you go ahead in San Antonio?

Mr. DRIVER. We had the design funds.

Mr. JONAS. Are you just beginning there?

Mr. DRIVER. We had the design funds previously.

What we are asking for now are construction funds. We asked for this construction money last year and didn't get it.

Mr. JONAS. What is to be the total cost?

Mr. DRIVER. The total cost is $26.9 million and we need to make up that total, $25.4 million.

Mr. MONK. We previously, Mr. Jonas, had the planning money appropriated by this committee.

Mr. JONAS. But you didn't slow down any actual construction by reason of the reduced sum last year?

Mr. DRIVER. No, sir. I think probably the results of last year would have been a slowdown more in the future than it would have been in the past year.

INSURANCE PROGRAMS

Mr. EVINS. Financing of these programs, other than administrative costs which is generally funded from the VA general operating expense appropriation, is provided through the following appropriation and funding accounts, and you list them.

Total insurance in force is going down from $76.2 billion in 1969 to $75.6 billion in 1970. Number of policies in effect is remaining about constant, 9.4 million. You estimate 9.5 million policies for $75.6 billion in 1970. That is a great insurance program for the benefit of the veterans and their families. Program costs increase $1.4 million in 1970 due to increase in payment to the SDVI revolving fund. That is the service disabled veterans insurance. Why this increase?

SERVICE DISABLED VETERANS INSURANCE

Mr. PETRAITIS. This is a program that insures disabled lives at standard premium rates, and this causes a deficiency or a loss.

Mr. EVINS. So it subsidizes the difference between the standard premium rate and the disabled situation?

Mr. PETRAITIS. Yes, sir.

Mr. EVINS. This allows the disabled to receive the insurance and we pay the premium differences.

Mr. DRIVER. He is service-connected insured and unable to get insurance because of his service-connected disability.

Mr. EVINS. This is another law we passed and this is another benefit. The disabled veteran could not get the insurance but now he can get the insurance and the Government picks up the difference. You will not find the insurance companies losing any money. You better sharpen your pencil when you deal with them. You cannot beat the insurance company.

Numbers of policies in force, at the end of 1970, is estimated at 77,000. These are disabled veterans who have taken advantage of this specialized insurance. Then you show your other insurance programs.

COST PER HOSPITAL BED

What is the average construction cost per hospital bed today as compared to, say, 5 years ago?

Mr. MONK. Today it is approaching $40,000 a bed.

Mr. EVINS. That would build a nice home.

Mr. MONK. Previously I would say it was $32,000 or $33,000 a bed.

Mr. EVINS. Thirty-two as against forty thousand dollars a bed, average cost?

Mr. MONK. Yes, sir. Construction costs are going sky high.

PRIVATE AND VA HOSPITAL OPERATING COSTS

Mr. JONAS. I will ask Dr. Engle to put in right here what is calculated—in running a private hospital, what is the average daily cost per patient, G.M. & S. and so forth?

Mr. MONK. We have some figures published by the American Hospital Association which show that in 1968—this is non-Federal general hospitals only—the average cost was about $64.35 per day.

Mr. JONAS. You are higher than Doctors Hospital here in Washington. They are only $57.

Mr. MONK. I am talking about private hospitals.

Mr. JONAS. The $64 is the average for private hospitals.

Mr. MONK. For private hospitals.

Our average is $39 in 1968.

Now, Mr. Jonas, since 1960 we have gone up from $24 to $39 and that is an increase of 64 percent. Outside hospitals, general hospitals, have gone up from $32 to $64, which is 100 percent.

So while our costs have increased in our system substantially, the increase has been less than it has on the outside.

Mr. JONAS. I know the costs in outside private hospitals are very high, but I think that $64 figure could hardly be the average.

Mr. MONK. You must remember that our figures include——

Mr. JONAS. I am talking about the $64 figure.

Mr. DRIVER. That doesn't include the professional care.

Mr. JONAS. And yours does?

Mr. MONK. Ours does.

Mr. JONAS. And you add that in?

Mr. MONK. In our costs everything is included.

Mr. JONAS. The $39 includes administration, drugs——

Mr. DRIVER. Everything. The physician's salary and nursing care.

Mr. MONK. The only thing that isn't in there, Mr. Jonas, is a depreciation of capital. We do not include a depreciation figure but, of course, any new equipment acquisitions or new hospitals, all that is included.

INDIANAPOLIS, IND., BED ADDITION

Mr. EVINS. Mr. Monk, you testified about 5 years ago the average cost per bed for construction in a new hospital was about $33,000. Now you say the costs are up to about $40,000. You have a request in here for a 178-new-bed addition at Indianapolis, Ind., for which you ask $17 million. That is $100,000 per bed.

Mr. MONK. Well, if that were only, Mr. Chairman, to add that 178 beds, that would be correct. But this project that we have for Indianapolis encompasses a lot of things other than additional beds. For one thing, it provides an outpatient clinic to be moved from downtown out to the hospital; it provides for full air conditioning of the hospital; it provides for enlargement of clinic spaces throughout the hospital. It provides for additional educational space. It provides for additional research space. It is a very comprehensive, involved project.

Mr. EVINS. And this is the most elaborate and most costly figure per bed in the experience of the VA, isn't it?

Mr. MONK. Well, you really can't relate the total cost of this project, to the beds involved.

Mr. EVINS. Couldn't you build a new one cheaper than that?

Mr. MONK. Well, no. If we were only building 178 beds, of course, we could build a new hospital cheaper, but this hospital has over 700 beds and we are in this project proposing to modernize it and bring it up to date. The bed addition here is kind of an incidental part of the project.

Mr. EVINS. It figures out at about $100,000 per bed for the addition.

Mr. MONK. Mr. Chairman, you can't attribute all that cost to the beds.

Mr. EVINS. It is the cost of the addition to the hospital. It may include a research center; it may include a lot of new devices; it may include a lot of new equipment; it may include research, but still it averages out to about $100,000 per bed.

Mr. MONK. But we are doing a lot of things to the other 700 beds that now exist there.

The air-conditioning project alone cost over $3 million.

Mr. EVINS. How old is the hospital at Indianapolis?

Mr. DRIVER. It was built in the early 1950's. It was not air conditioned when it was constructed.

Mr. JONAS. This $39 per day goes up to $43 in the 1970 budget; does it not?

Mr. MONK. Yes, sir, and, of course, private hospitals will go on up. I would like to put a chart in the record on that.

Mr. EVINS. The chart may be included in the record.

(The chart follows:)

COST PER PATIENT PER DAY FOR GENERAL HOSPITALS

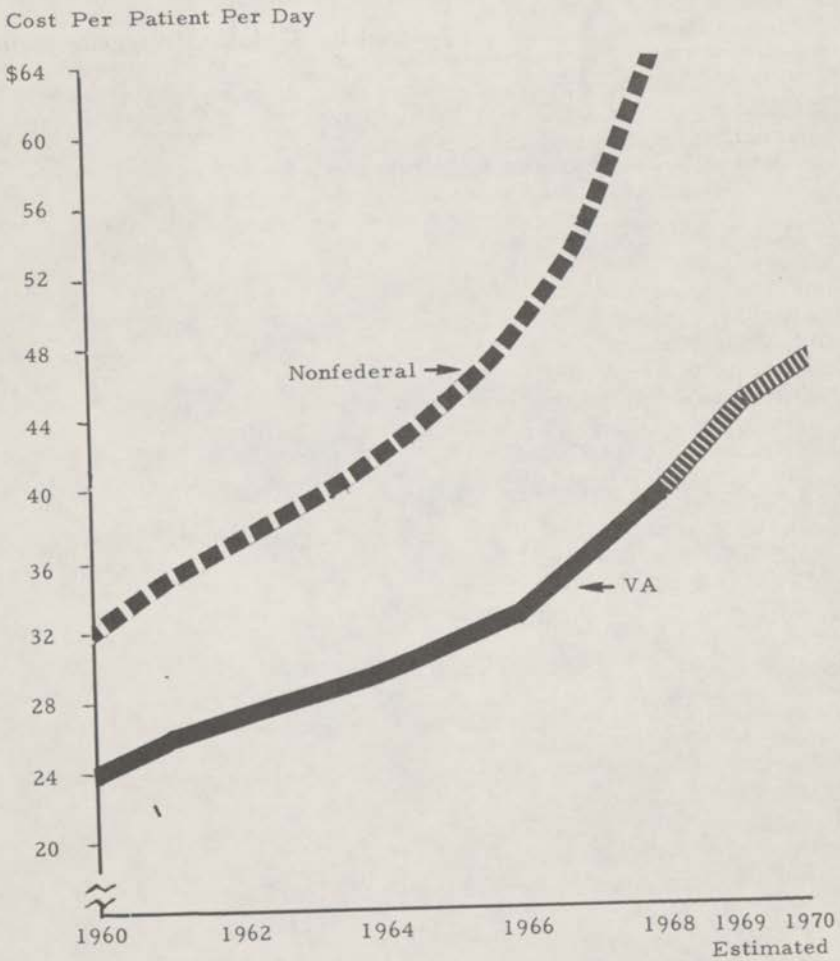
Year	VA cost index			Nonfederal short term general and other special [1] cost index		
	Per diem cost	Percent of 1960	Percent increase over 1960	Per diem cost	Percent of 1960	Percent increase over 1960
1960	$23.96	100	0	$32.23	100	0
1961	25.89	108	8	34.98	109	9
1962	27.10	113	13	36.83	114	14
1963	28.33	118	18	38.91	121	21
1964	29.43	123	23	41.58	129	29
1965	30.99	129	29	44.48	138	38
1966	32.46	135	35	48.15	149	49
1967	36.02	150	50	54.08	168	68
1968	39.34	164	64	64.35	199	99
1969 estimated	43.52	182	82	----------	----------	----------
1970 estimated	46.44	194	94	----------	----------	----------

[1] Source: 1960-67: "Hospitals," "Journal AHA,". Aug. 1, 1968, vol. 42, pt. 2, 1968.

Cost Per Patient Per Day for General Hospitals

- VA General Hospitals

- Nonfederal Short Term General and Other Special Hospitals



MEDICAL APPROPRIATION COSTS

Mr. EVINS. The medical care costs go up from $1,466.5 to $1,541.7 million. You are asking for an increase of $75.2 million. Medical and prosthetic research goes from $48.0 to $59.6 million, an $11.6 million increase.

Medical administration and miscellaneous operating expense goes up from $14.8 to $17.3 million, a $2.5-million increase, for a total of $89.3 million increase in these three medical program appropriations.

Well, we can't and will not quarrel with good medical care. We want the best and not second-rate medical care. We want the veterans to receive the benefits.

Medical administration is increased by $714,000. In-service training—that is for the doctors, nurses, and technicians—increases by $798,000, and here is a large increase, Dr. Engle, exchange of medical information, $1,026,000. Can't you disseminate this information among your colleagues a little cheaper than that?

EXCHANGE OF MEDICAL INFORMATION PROGRAM

Dr. ENGLE. The exchange of medical information program is an attempt on the part of the law to try and get educational programs into our smaller nonaffiliated hospitals, the ones in rural settings. Public Law 89–785 passed a few years back authorized the expenditure of up to $3 million a year to provide educational programs in our nonaffiliated hospitals, and we have never used——

Mr. EVINS. Define for the record a nonaffiliated hospital.

Dr. ENGLE. A hospital not associated formally with an academic institution like a medical school. These programs are designed——

Mr. EVINS. There are a lot of hospitals in the country and I imagine most of them are nonaffiliated.

Dr. ENGLE. About half of our hospitals are not affiliated.

Mr. EVINS. About half of your hospitals are affiliated with medical colleges and universities?

Dr. ENGLE. That is right.

Mr. EVINS. This $1,026,000 increase is to disseminate the results of your research, your discoveries, your findings and treatment, to nonaffiliated hospitals?

Dr. ENGLE. That is right, Mr. Chairman, and this would bring the total up to $2 million for the year and, as I say, Congress stated a few years back that up to $3 million could be used for this purpose. In the first year of the program, fiscal year 1968, we received $900,000. In the second year of the program we received $974,000 and this would bring it up to almost $2 million.

Mr. EVINS. What information does "X" hospital in Wyoming get from a hospital in New York or California?

Dr. ENGLE. In Miles City, Mont., this would be a program we expect to tie in by providing TV tapes and lectures, operating out of UCLA. It is a program designed to provide educational programs for all of the Western States. That would be an example for Miles City, Mont.

Mr. EVINS. It is education or entertainment?

Dr. ENGLE. It is definitely education.

Mr. EVINS. Is this confined exclusively to the staff or does the patient benefit?

Dr. ENGLE. This money is designed for the education of the staff, Mr. Chairman.

Mr. MONK. And the patient's benefit as a result of that.

Mr. EVINS. Referring to Mr. Driver's table, $512.6 million is the increase for all programs over last year. This is a half a billion dollars including the quarter of a million dollars in the supplemental.

Gentlemen, are there any further general questions?

EMPLOYMENT REDUCTION IN FISCAL YEAR 1969

Mr. BOLAND. You indicated, Mr. Administrator, there was a reduction of 3,400 employees as a result of the Expenditure Control Act in 1968. Where were some of the 3,400? Where did you take them from; where did you reduce them?

Mr. MONK. The bulk of it, Mr. Boland, came in the medical program. Most of our employees are in the medical program.

Mr. BOLAND. What type of employee?

Mr. MONK. They were across the board. However in the hospitals the lower grade employees suffered more. We suffered more of a loss in the lower grade employees for several reasons. One, the turnover is more rapid in that category and they wanted to preserve the direct patient care staff.

Now, this resulted in a higher average salary but the reduction came in the first 4 months of the fiscal year and it was done by attrition. We lose about 2 percent a month of our employees. The 2 percent is across the system. We lose about 2 percent a month, about 750 employees a month. We wanted to cut down to the June 30, 1966, level, which the law requires us to do, as rapidly as we could, so that we would have the least amount of disturbance in the system by not having to apply that, filling three out of four——

Mr. BOLAND. Do you have any difficulty in recruiting the lower grades for the hospitals?

Dr. ENGLE. We have more and more difficulty in the nursing assistants. Of the reduction, 3,000 were in the Department of Medicine and Surgery and of that 3,000, 1,500 were on nursing services. We have 1,500 fewer people working on nursing services now than we had last June 30.

Mr. BOLAND. As a result of that act?

Dr. ENGLE. Yes, sir.

Mr. BOLAND. That is all. Thank you.

PROJECTION OF FUTURE WORKLOAD AND COSTS

Mr. MARSH. I have a general question, Mr. Driver.

Several years ago, I think in 1963, the administration prepared a number of charts or statistics that projected the increase costs of pension benefits that would be paid to the various categories of veterans 10 or 20 years from now. I believe you projected it to 1995 if I am not mistaken.

Mr. DRIVER. That is right.

Mr. MARSH. Is there a similar series of statistics you could put in the record at this point to show what veterans' benefits will be assigned to veterans in the categories at the various levels?

Mr. DRIVER. Yes, sir. We have similar charts that are now projected to 2,000, something like that.

Mr. MARSH. Could you put those in the record at this point if the Chair will permit?

Mr. DRIVER. Yes, sir.

Mr. EVINS. Without objection, they will be included.

(The documents referred to follow:)

COMPENSATION AND PENSION

TOTAL CASES AND COSTS 1955–2000

These charts reflect the magnitude of the combined compensation and pension programs both as to number receiving benefits and the dollar amounts involved. The rising trend in cases and costs reflects the net result of varying forces within the programs. The downward trend in the post-Korean era has been reversed because of the participation in the Vietnam conflict. There will be a gradual increase until 1990 when it is expected the trend will again be downward.

The surge after 1980 until the peak in 1990 is attributable to the large numbers of World War II, Korean conflict and Vietnam era veterans and their dependents who will become eligible for pension benefits. At the peak year 1990 there will be an expected total of 7,034,000 veterans and dependents on the rolls with total payments estimated at $7,785 million.

TOTAL CASES AND COSTS, 1955-2000

Fiscal year	Number receiving benefits, average cases (thousands)	Direct benefit payments (millions)	Fiscal year	Number receiving benefits, average cases (thousands)	Direct benefit payments (millions)
1955 actual	3,424	$2,628	1969 estimate	4,637	$4,746
1956 actual	3,526	2,747	1970 estimate	4,706	4,938
1957 actual	3,615	2,826	1971 estimate	4,741	5,038
1958 actual	3,696	3,060	1972 estimate	4,773	5,096
1959 actual	3,794	3,223	1973 estimate	4,795	5,131
1960 actual	3,901	3,313	1974 estimate	4,815	5,163
1961 actual	4,089	3,567	1975 estimate	4,810	5,170
1962 actual	4,228	3,650	1980 estimate	5,163	5,320
1963 actual	4,323	3,812	1985 estimate	6,129	6,562
1964 actual	4,399	3,898	1990 estimate	7,034	7,785
1965 actual	4,472	4,040	1995 estimate	6,691	7,500
1966 actual	4,527	4,303	2000 estimate	5,767	6,493
1967 actual	4,553	4,390			
1968 actual	4,588	4,522			

COMPENSATION CLAIMS

DIRECT BENEFIT PAYMENTS, 1955–2000

Disability compensation

Disability compensation payments rose significantly in fiscal years 1958, 1959, 1963, 1965, 1968, and will rise again in 1969 because of legislation authorizing increased rates. Such payments will increase from $1,427 million in fiscal year 1955 to a high of $2,265 million in fiscal year 1975, in line with an upward case trend. Following the peak of $2,265 million projected for fiscal year 1975, it is expected that payments will follow the downward case trend with a slow decline in costs to approximately 72 percent of the current amount in fiscal year 2000.

Death compensation

Death compensation payments reached a peak of $473 million in fiscal year 1959 and then decreased slightly through fiscal year 1963. Payments increased in fiscal year 1964, with an additional increase projected through fiscal year 1975 due to upward trends in average payments. After fiscal year 1975 and continuing through fiscal year 2000, payments will level off and decline, following the downward case trend.

DIRECT BENEFIT PAYMENTS, 1955–2000

[In millions]

Fiscal year	Disability compensation payments	Death compensation payments	Fiscal year	Disability compensation payments	Death compensation payments
1955 actual	$1,427	$401	1969 estimate	$2,084	$526
1956 actual	1,449	415	1970 estimate	2,209	532
1957 actual	1,440	435	1971 estimate	2,234	542
1958 actual	1,555	469	1972 estimate	2,244	550
1959 actual	1,597	473	1973 estimate	2,250	556
1960 actual	1,578	471	1974 estimate	2,258	560
1961 actual	1,568	467	1975 estimate	2,265	562
1962 actual	1,561	456	1980 estimate	1,991	532
1963 actual	1,666	448	1985 estimate	1,964	545
1964 actual	1,696	462	1990 estimate	1,897	553
1965 actual	1,705	471	1995 estimate	1,724	539
1966 actual	1,830	483	2000 estimate	1,507	521
1967 actual	1,918	497			
1968 actual	1,954	517			

Pension Claims

DIRECT BENEFIT PAYMENTS, 1955–2000

Disability pension

Disability pension will be recognized as the program of most significance from the standpoint of payments. Even before fiscal year 1955 the dollar cost of these benefits was showing significant gains as the large group of World War I veterans, advancing in age and disability, became eligible. As the average age of these veterans is now 74 years, decreases are projected through fiscal year 1975. However, the program is expected to peak during fiscal year 1990, with significant gains projected during the period that World War II veterans comparably advance in age and disability, as in the case of the World War I veterans. After 1990 a decreasing trend is expected.

Death pension

Death pension payments have gradually increased from $263 million in fiscal year 1955 to $779 million in fiscal year 1968. A substantial increase in cost was experienced in fiscal year 1961 due to the new pension law (P.L. 86–211) which equalized eligibility requirements for widows and children of World War II and Korean conflict veterans with those applicable to survivors of World War I veterans. Steady increases in costs are expected to continue through the fiscal year 1995. Afterwards a decreasing trend is expected.

DIRECT BENEFIT PAYMENTS, 1955–2000

[In millions]

Fiscal year	Disability pension payments	Death pension payments	Fiscal year	Disability pension payments	Death pension payments
1955 actual	$537	$263	1968 actual	$1,272	$779
1956 actual	603	280	1969 estimate	1,286	850
1957 actual	657	294	1970 estimate	1,293	905
1958 actual	728	308	1971 estimate	1,304	958
1959 actual	815	338	1972 estimate	1,300	1,002
1960 actual	911	353	1973 estimate	1,282	1,043
1961 actual	1,072	460	1974 estimate	1,264	1,081
1962 actual	1,124	509	1975 estimate	1,240	1,103
1963 actual	1,151	547	1980 estimate	1,596	1,201
1964 actual	1,155	585	1985 estimate	2,699	1,354
1965 actual	1,224	640	1990 estimate	3,903	1,432
1966 actual	1,301	689	1995 estimate	3,769	1,468
1967 actual	1,263	712	2000 estimate	2,998	1,467

Direct Benefits Payments

Vocational Rehabilitation and Education Combined Programs, 1955–74

Direct benefits payments for the vocational rehabilitation and education programs reflect primarily the allowances paid directly to trainees, their parent or their guardian. However, in the vocational rehabilitation program, the cost of tuition, books, supplies, and equipment also is charged to direct benefits.

About 48 percent of the total direct benefits cost in fiscal year 1964 was attributable to the readjustment training program. In fiscal year 1965 readjustment training accounted for only 21 percent of the total costs and in fiscal year 1966 it was not a factor in the total costs due to termination of the Korean GI program under chapter 33, title 38, U.S.C., on January 31, 1965.

The Veterans Readjustment Benefits Act of 1966 (Public Law 89–358) accounts for the sharp increase in fiscal year 1967 and the rapid rise through the peak year of fiscal year 1974. Additional increases resulting from the impact of the Veterans Pension and Readjustment Assistance Act of 1967 (Public Law 90–77) are reflected here. Educational programs for wives of totally disabled veterans and for widows of veterans who died of service-connected causes are included beginning in fiscal year 1969.

Vocational rehabilitation and education programs, 1955–74

Fiscal year:	*Payments*
1955 actual	$705, 283, 700
1956 actual	805, 033, 700
1957 actual	806, 855, 600
1958 actual	725, 366, 200
1959 actual	596, 712, 000
1960 actual	400, 986, 100
1961 actual	249, 101, 024
1962 actual	152, 893, 144
1963 actual	97, 452, 245
1964 actual	70, 488, 807
1965 actual	51, 910, 564
1966 actual	48, 457, 506
1967 actual	305, 086, 133
1968 actual	491, 845, 446
1969 estimate	[1] 656, 187, 838
1970 estimate	761, 498, 000
1971 estimate	809, 600, 000
1972 estimate	819, 500, 000
1973 estimate	825, 900, 000
1974 estimate	822, 300, 000

[1] Includes Public Law 90-631 effective Dec. 1, 1968.

Mr. Driver. The projections went out the window when we got the third GI bill.

Mr. Evins. Would you include that in the statement you put in the record?

Mr. Driver. Yes, sir.

Mr. Evins. Could you give us a very brief thumbnail summary?

Veteran Population

Mr. Driver. We had started down in veterans population. We got below 26 million 3 or 4 years ago. Now we are going back up again. There are about 27.5 million. We are getting new veterans at a rate of about 850,000 a year and from prior wars there are about 300,000 deaths, so the net veteran population, based on a roughly 3.5 million armed force system, you can project into the future. In 1975, 28 million and 1980, 30 million and so forth.

Associated with these projections, all of the programs we are talking about are affected. The numbers we estimate would draw pensions in 1995 based on the veteran population and age group will just keep edging up. The same with the compensation rolls. They just keep going up.

We have a projection by year, a number of years into the future on each one of these programs.

Mr. EVINS. Mr. Wyman.

Mr. WYMAN. Mr. Driver, do you have any idea in round figures of the added cost in terms of appropriations required for your establishment because of the Vietnam war?

Mr. DRIVER. Because of the Vietnam war, we got the third edition of the GI bill. Readjustment benefits this year are about $800 million and I would say this is all associated with the Vietnam war.

I would qualify that to this extent—the law was enacted, in my opinion, mainly because of the feeling in the country and in the Congress associated with Vietnam.

That law made everyone eligible back to February 1955 when the Korean bill expired.

Two or 3 million people as war veterans were not directly associated with today's effort. But at least they are all eligible.

Mr. WYMAN. I did not have reference to that as much as I did to the numbers of wounded.

Mr. DRIVER. The medical population is relatively low.

Dr. ENGLE. Eleven percent are in the post-Korean group, and half of them are eligible on the basis of service in Vietnam. There are 4,000 patients in the hospital in any one day because of Vietnam service.

Mr. WYMAN. Are those building up now?

Dr. ENGLE. Yes. We are getting an increased number of patients that are transferred directly from military hospitals—about 400 a month.

Mr. WYMAN. A lot of those will have to be on a pension after they get out.

Dr. ENGLE. Yes.

Mr. WYMAN. Nobody knows what tomorrow will bring on the attrition, but do you have any projection of what the cost will be to the country for this Vietnam war from just your agency?

Dr. ENGLE. It would be difficult to project but it would be safe to make an estimate in terms of hospital care that this will increase later with the aging of this particular population. In other words, the older they get the more likely they will need hospital care and the cost will increase in the future rather than decrease.

Mr. MONK. I think it would be possible, Mr. Wyman, to develop an estimate projected out into the future. We could today put into the record a table as to how much in this budget we would estimate as being attributable to Vietnam.

Mr. DRIVER. We have usually never projected into the future until the war finishes, and then you know the size of the population.

We could do it based on that population.

Mr. WYMAN. We read in the paper that casualties have exceeded over 200,000. You must get an awful lot of these in your hospitals and you will get a great many for pensions.

Mr. DRIVER. Yes.

Mr. WYMAN. I would think you would have some kind of a tag on these to indicate whether they are Vietnam in source?

Mr. MONK. In pensions we are getting very, very few. This will come many years later as far as pensions are concerned.

Mr. DRIVER. That is associated with age and inability to work. Compensation is what he will get for service-incurred wounds. If he is totally disabled he will draw $400 a month.

Mr. WYMAN. You have no figures to indicate what of the compensation and pensions are attributable to Vietnam at this time.

Mr. DRIVER. Yes, sir. We would take the existing population of veterans from Vietnam and associated cost figures by program with each one.

Mr. WYMAN. Would that be a monstrous administrative burden? Could you supply it for the record?

Mr. STRATTON. Yes, sir.

(The information follows:)

ESTIMATED COSTS FOR VIETNAM VETERANS

[In thousands]

	Fiscal year 1969	Fiscal year 1970
Compensation:		
Veterans	$80,223	$114,855
Survivors	42,200	60,588
Pensions:		
Veterans	964	1,848
Survivors	962	1,927
Education:		
Vietnam era veterans	351,600	401,160
Sons and daughters	19,102	18,780
Wives and widows	210	2,610
Disabled veterans	6,111	7,877
Medical:		
Outpatient-medical	4,787	5,417
Outpatient-dental	3,741	3,842
Inpatient treatment	60,800	63,120

Mr. STRATTON. This would be reflective of your fee. We were talking about backlogs a moment ago. We have about 43,000 claims pending now for service-connected compensation. That is for something that happened in the service, and 33,000 of those are Vietnam era.

So if you want to exclude all of those, if the Vietnam situation changed, you can see that from the standpoint of our backlog we have an appreciable improvement.

Mr. DRIVER. I assume, Mr. Wyman, you wanted medical costs, compensation costs, education, anything associated with the man?

We know, for example, like the World War I veteran we spent in the range of $12,000 to $15,000 a man confined to certain money programs. That does not include medical care.

Mr. WYMAN. It is often said that it costs less for a man to be killed than for a man to be wounded. I presume this derives from these figures.

Mr. DRIVER. In life expectancy if he could draw several hundred dollars a month from us this would be true.

If he were killed the insurance he pays for would be paid to him. But his survivors would continue to draw payment.

Mr. WYMAN. But that insurance is funded.

Mr. DRIVER. If he is killed in Vietnam as the direct result of enemy action, we pay for that out of appropriated funds. If it is from natural causes, it is paid for from the premiums associated with the individual payments.

VIETNAM GI BILL

Mr. EVINS. You testified that about $850 million is the cost of the Vietnam GI bill per year.

Mr. DRIVER. This year, in 1970.

Mr. EVINS. Less than a billion dollars has been added for benefits for the Vietnam veterans.

Mr. DRIVER. Mostly when they attend school, Mr. Chairman.

Mr. WYMAN. Just in eduction.

Mr. DRIVER. It includes housing, too. But mostly it is education.

Mr. EVINS. Mostly education and housing.

Mr. DRIVER. Yes, sir.

GENERAL MEDICAL AUTHORITY

Mr. TALCOTT. Mr. Chairman, I have a couple of questions. What is your authority for getting into the field of alcoholism? Is it the general authority under which you can get into any medical field known?

Mr. DRIVER. Medical care of veterans is the legal terminology to use under our charter under title 38.

Mr. TALCOTT. So it would be possible for you to set up emphysema clinics?

Mr. DRIVER. We have them now.

Mr. TALCOTT. Yes, and really get into the problems of the hazards of cigarette smoking.

Mr. DRIVER. Yes.

Mr. TALCOTT. Within the authority you have right now.

Mr. DRIVER. I would say we are authorized to provide any form of medical care.

Dr. ENGLE. We are heavily involved in that right now, both in research and patient care. A majority of our general hospitals have units for the treatment of pulmonary emphysema.

Mr. TALCOTT. I think there was some rumor abroad that you had limited services.

Mr. DRIVER. No, sir; that is not right.

SAVINGS FROM AUTOMATIC DATA PROCESSING

Mr. TALCOTT. Here, where you talk about the automatic data processing equipment, in 1968 you are showing a savings of $3,878,000 for legislative increase in 1967 pension rates and DIC increases. Could you break that down? I am just picking out one item. Will you fully explain the details of how you make all these savings?

Mr. DRIVER. Yes, sir.

(The information requested follows:)

Comparison of estimated costs of implementing Public Law 90–77 under an automated plan versus a manual system

Manual system [1] (1,680,000 cases):	
Personal service costs	$3,878,600
Machine costs	500
Supplies	1,700
Total 1-time costs	[2] 3,880,800
Automated system (1,680,000 cases):	
Personal service costs	63,530
Machine costs	10,800
Travel	500
Supplies	2,000
Total 1-time costs	[3] 76,830

[1] Based on actual experience of implementing Public Law 83–698 in 1954.
[2] Equals $2.31 per case.
[3] Equals $0.0457 per case.

Cost/benefit analyses are developed in each instance requiring a decision by management relative to the most feasible course of action. A detailed evaluation is made of the cost of currently performing the job as opposed to the cost of implementing the system plus the cost of performing the job under automation. Full consideration is given to all significant items of expense such as personal services, travel, supplies, and rents and the application of factors for the amortization of equipment when appropriate.

PROPOSED LEGISLATION

Mr. TALCOTT. Then you talk about proposed legislation for 1970 and some of the costs. How do you know what the proposed legislation is going to be?

Mr. DRIVER. That was recommended in the budget.

Mr. TALCOTT. So you have some requests for authorizations in here that really are not in the budget yet.

Mr. DRIVER. Actually the budget contains three items that would reduce moneys. The proposals either are in the Bureau for clearance or they have just been submitted.

Mr. TALCOTT. There would be a good chance for the negative items to be passed by the Congress.

Mr. DRIVER. I do not think so, not based on our record in the past. Each one has been recommended before.

Mr. EVINS. It is easy to go up with legislation but it is hard to repeal veterans benefit legslation. Mr. McDade?

Mr. MCDADE. Thank you, Mr. Chairman.

I want to welcome Mr. Driver of Pennsylvania whose Pennsylvania heritage we gladly announce.

Mr. DRIVER. Thank you.

REVENUE AND EXPENDITURE CONTROL ACT

Mr. MCDADE. In connection with the question Mr. Boland asked about the Revenue and Expenditure Control Act, you mentioned a number of people who were permitted to be separated from the VA service. What does that mean in terms of dollars? What did it mean in terms of dollars to the VA?

Mr. MONK. About $15 million.

Mr. MCDADE. How was the $15 million reallocated?

Mr. MONK. It was not. We were up here for a supplemental appropriation the other day for pay raise increases, and we are asking in that supplemental to have the $15 million applied to the total of about $46 million, I believe, for the pay raise. So we are asking the Congress to authorize that $15 million to be applied to the pay raise.

Mr. MCDADE. Thank you, Mr. Chairman.

Mr. TALCOTT. I have one other question. Is there any more room in Texas for a VA facility?

Mr. DRIVER. There is a lot of room in Texas.

Mr. EVINS. This matter was deferred last year and they have had the planning under way for some time.

VETERANS POPULATION

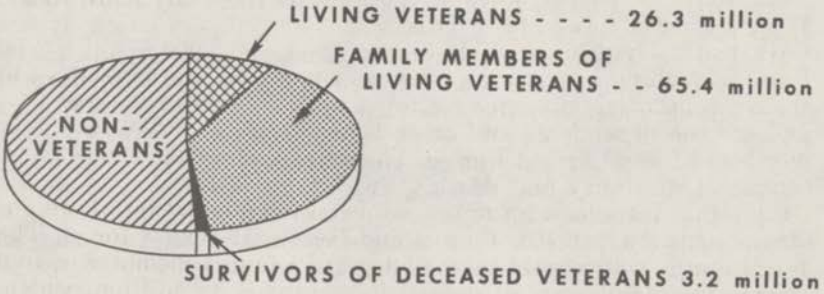
Gentlemen, discussing further the veterans population, if we go to the summary budget, it will be a good exercise in review for us. There are 26.3 million living veterans, 65.4 million family members of living veterans, and survivors of deceased veterans is 3.2 million, which is 94.9 million or 48 percent of the total population of the United States are potential recipients of veterans' benefits. The population grows.

We had testimony earlier that 70,000 more veterans are coming on the roll each month, 850,000 per year. We need to remember those figures. Place page 1–5 in the record.

(The page follows:)

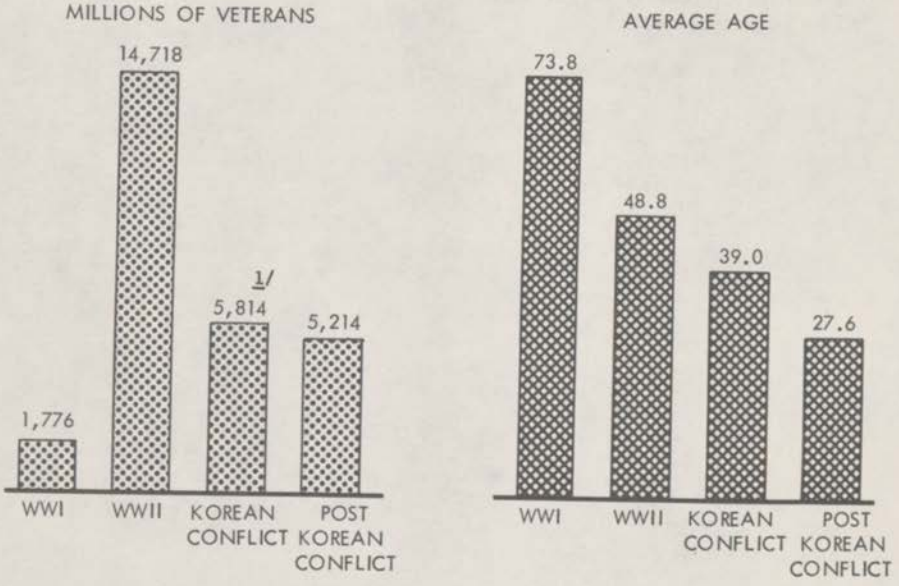
Veteran Population

On June 30, 1968 there were approximately 26.3 million veterans, 65.4 million family members of living veterans and 3.2 million survivors of deceased veterans. Thus 94.9 million or 48% of the total population of the United States were potentially recipients of veterans benefits provided by the Federal Government.



NUMBERS & AVERAGE AGE OF VETERANS IN CIVIL LIFE

June 30, 1968



1/ Includes 1,247 with WW II service.

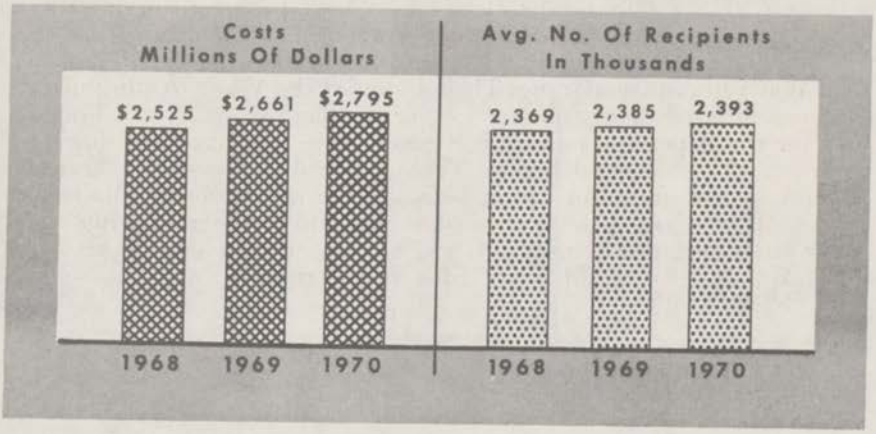
Mr. EVINS. This table shows the average age of World War I veterans is 73.8 years. World War II boys are climbing up to 48 or 50, Post-Korea, 27.6. They will be on the rolls for a long time, we hope.

The chart on the next page shows the population by wars. In 1961, the total veterans were 24,074,000. It jumped up in 1963 to 24,649,000. It continues to rise. In 1966, 25,575,000; 1968, 26 million; 1970, it is estimated 27,351,000 veterans. It is broken down by Spanish-American War, only 5,000 left in 1970. This is the veterans population. It shows the increase. By 1970 we will have 25 million, and 5,000 Spanish-American War veterans remaining. The mission of the VA is to administer the laws authorizing benefits for former members of the Armed Forces and for the dependents and other beneficiaries and deceased former members of such Armed Forces. These are broken down into service-connected disability and death, pensions for alleviation of financial needs—that includes a lot of us—education and training, housing and other credit assistance, insurance and health services. Your charts on 1–8 through 1–10 should be included in the record.

(The pages follow:)

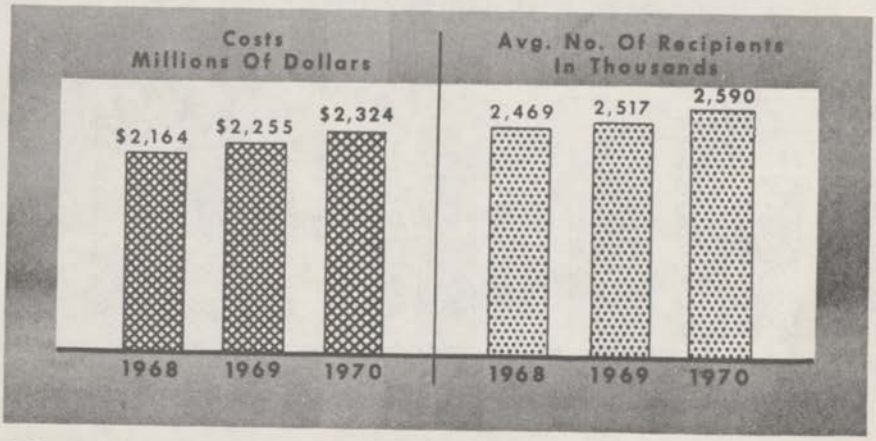
Compensation

This program provides compensation for living veterans who have suffered impairment of earning power from service-connected disabilities, death compensation or dependency and indemnity compensation to widows and dependents of veterans whose deaths are related to service-connected disabilities and special assistance to certain veterans to help them overcome both physical and economic handicaps.



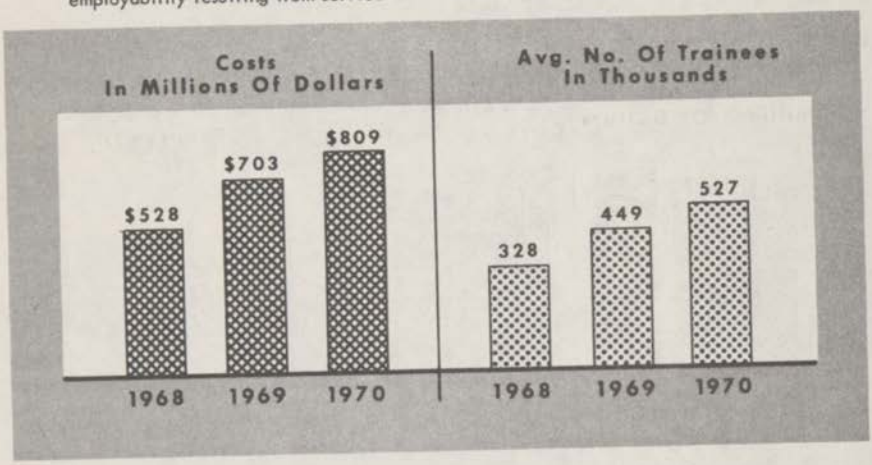
Pensions

This program provides financial assistance within a framework of need criteria to war veterans who are precluded from the pursuit of gainful employment because of age and disabilities not necessarily of service origin. Financial assistance is also provided to widows and children of deceased wartime veterans who are without adequate means of support.



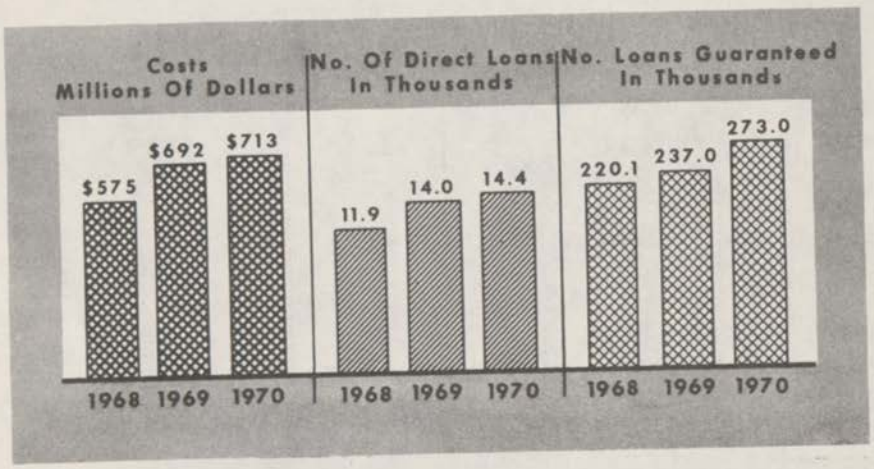
Educational and Training Assistance

This program provides educational assistance to post-Korean and Viet Nam era veterans and to children, wives and widows of certain deceased and disabled veterans. It also provides vocational rehabilitation to veterans to overcome loss of employability resulting from service — connected disabilities.



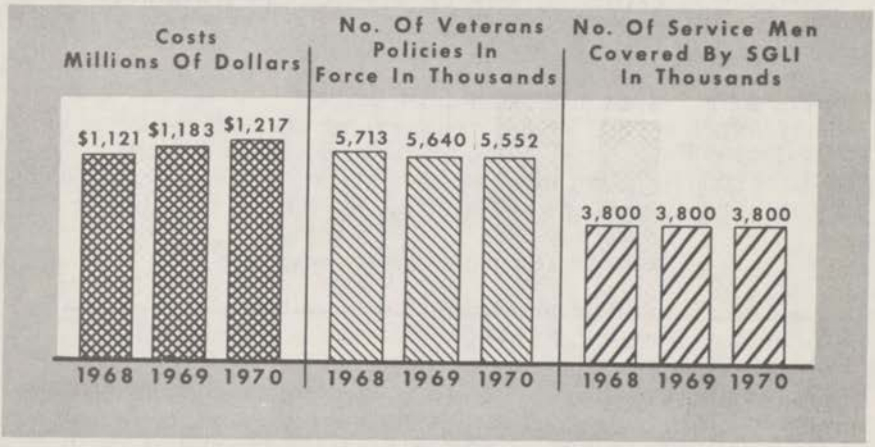
Housing And Other Credit Assistance

This program provides credit assistance to veterans to finance the purchase of homes, farms, and businesses by guaranteeing or insuring loans made by private lenders. In those rural areas and small cities and towns where private capital is not generally available, a program of direct home loans is provided.



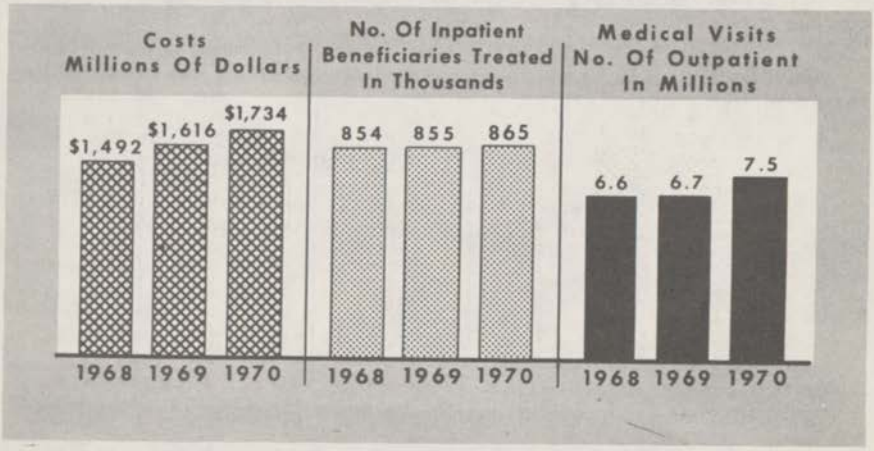
Insurance

This category is comprised of six life insurance programs, dating from 1919, established to provide insurance for servicemen who, for all practical purposes, lost their insurability by serving in the Armed Forces in wartime. All of the programs provide means for the serviceman to continue or to acquire insurance protection after separation from active duty. The Servicemen's Group Life Insurance program enacted in 1965 provides insurance protection for servicemen now on active duty.



Health Services

This program provides for medical care and treatment of eligible beneficiaries in VA hospitals, nursing homes, domiciliaries and outpatient clinics and in contract hospitals, nursing homes and State homes. It also provides for medical and prosthetic research activities, education and training of health-science personnel, administrative and supervisory activities and construction of medical facilities.



COMPENSATION, PENSIONS, AND EDUCATIONAL PAYMENTS

Mr. EVINS. It costs $2,795 million for compensation payments alone. This is nearly $3 billion for compensation. The average number of recipients is estimated in 1970 to be 2,393,000. The cost of pensions for 1970 is estimated at $2,324 million. The average number of recipients is 2,590,000. So there is about two and a half million receiving pensions. The total compensation and pensions is about $6 billion.

Mr. MONK. Just over $5 billion.

Mr. TALCOTT. The chart looks like there is a lot more in 1970 than there really is. It did not go up that much in 1970.

Mr. DRIVER. You mean the numbers drawing?

Mr. MONK. The scale is off. We will correct that chart for the record.

Mr. EVINS. Educational training assistance, $809 million, and there will be 527,000 recipients of education and training. You cannot count the value of this in dollars and cents in the years ahead.

HOUSING AND OTHER CREDIT ASSISTANCE

The direct loan program provides for 14,400 loans.

Guaranteed loans will be 273,000. This is the great bulk of the loan program.

Mr. MONK. The table on the left combines the cost for the two programs.

Mr. EVINS. $713 million is the total cost of the guaranteed and direct loan programs.

Mr. WYMAN. I do not understand that $713 million. You make direct loans and you guarantee loans. Do you have a total of $713 million in annual defaults under these programs?

Mr. MONK. No. The defaults, that is, the claim payments and the acquisition of houses which go into this program as a cost run about $400 million. The direct loans run about $250 to $260 million, and there are some other costs.

Mr. WYMAN. When you take a house back don't you sell it?

Mr. MONK. Yes, sir, but this is a cost figure. This is not a net figure we are showing in this table.

COMPENSATION AND PENSIONS

Mr. JONAS. If the chairman will yield before we leave these tables, referring to the table on page 1–8, compensation and pensions, if I understand that top table, you have 2,393,000 pensioners.

Mr. MONK. Recipients of compensation.

Mr. JONAS. Yes.

They receive $2,795 million. That is a little more than a thousand dollars per person.

Mr. MONK. Yes, that is correct.

Mr. JONAS. Using the same figures on the chart below, the 2,590,000 pensioners, a total cost of $2,324 million, that means the average pension is slightly less than $1,000 per person.

Mr. MONK. Yes, It is 800 some dollars.

Mr. JONAS. That is the average.

Mr. MONK. Yes. The average is a little over $1,000. But there are all degrees in there. These are living and dead.

Mr. JONAS. From 10 percent up to 100 percent.

Mr. DRIVER. Yes. The pension cases vary depending on whether they are survivors and what war.

Mr. TALCOTT. You can get a pension of more than 100 percent.

Mr. MONK. You can get statutory benefits on top of 100 percent.

Mr. DRIVER. For the loss of a limb you get an additional amount. You could have two 100 percent disabilities.

Mr. EVINS. Where is the table, Mr. Monk, showing the rate of compensation in pensions? Congress has kept raising the amount. Now it is $400 per month. It would be well to put that table in, showing what Congress has authorized by way of increases in compensations. It is in the budget summary, is it not?

Mr. MONK. We have a table on 2–9.

Mr. EVINS. Supply a table for the record at this point giving as an example the increases authorized by Congress for service-connected compensation.

Mr. DRIVER. Yes, sir; we will do that.

(The chart follows:)

History of Wartime Service-Connected Compensation Increases

Percent	PL 78-312 6/1/44	PL 79-662 6/1/46	PL 81-339 12/1/49	PL 82-356 7/1/52	PL 83-695 10/1/54	PL 85-168 10/1/57	PL 87-645 10/1/62	PL 89-311 10/31/65	PL 90-493 1/1/69
10	$11.50	$13.80	$15.00	$15.75	$17.00	$19.00	$20.00	$21.00	$23.00
20	23.00	27.60	30.00	31.50	33.00	36.00	38.00	40.00	43.00
30	34.50	41.40	45.00	47.25	50.00	55.00	58.00	60.00	65.00
40	46.00	55.20	60.00	63.00	66.00	73.00	77.00	82.00	89.00
50	57.50	69.00	75.00	86.25	91.00	100.00	107.00	113.00	122.00
60	69.00	82.80	90.00	103.50	109.00	120.00	128.00	136.00	147.00
70	80.50	96.60	105.00	120.75	127.00	140.00	149.00	161.00	174.00
80	92.00	110.40	120.00	138.00	145.00	160.00	170.00	186.00	201.00
90	103.50	124.20	135.00	155.25	163.00	179.00	191.00	209.00	226.00
100	115.00	138.00	150.00	172.50	181.00	225.00	250.00	300.00	400.00

Mr. EVINS. Gentlemen, the total budget picture is shown on page 2–3.

Benefit programs represent 74.9 percent. Medical programs, 20.9 percent. Construction program is 1.3 and the General Operating Expense is 2.9 percent. The total VA budget for next year, $7,741,000,000.

Now let's turn to the special analysis, Part 4. The first part of the budget is what the Administrator testified to. For instance, your total obligations shown on page 4–8 is $9,696,900,000. So our colleagues may know the full picture of the VA lets insert this table.

(The information follows:)

OBLIGATIONS

(in millions of dollars)

Appropriation/Fund Account	1968	1969	1970	Change
General operating expenses	$ 188.8	$ 207.0	$ 223.1	+ $16.1
Benefit Programs:				
Compensation and pensions	4,618.1	4,842.3	5,041.4	+ 199.1
Readjustment benefits	484.1	641.4	742.2	+ 100.8
Veterans insurance and indemnities	9.8	12.4	13.8	+ 1.4
Loan guaranty revolving fund	328.1	405.4	416.4	+ 11.0
Direct loan revolving fund	208.7	251.9	255.2	+ 3.3
Insurance revolving funds	254.8	255.8	247.3	- 8.5
Total, Benefit Programs	5,903.6	6,409.2	6,716.3	+ 307.1
Medical Programs:				
Medical Care	1,358.7	1,466.5	1,541.7	+ 75.2
Medical and prosthetic research	45.6	50.5	59.6	+ 9.1
Med. admin. & misc. oper. exp.	13.8	14.8	17.3	+ 2.5
Grants to the Rep. of Philippines	1.6	1.5	1.4	- .1
Canteen service	62.1	63.7	65.4	+ 1.7
Supply revolving fund	121.6	128.2	133.8	+ 5.6
Total, Medical Programs	1,603.4	1,725.2	1,819.2	+ 94.0
Construction Programs:				
Construction of hospital and domiciliary facilities	20.2	111.0	102.8	- 8.2
Grants for construction of State nursing homes	5.2	3.6	5.0	+ 1.4
Total, Construction Programs	25.4	114.6	107.8	- 6.8
Total, Appropriations and Funds	7,721.2	8,456.1	8,866.4	+ 410.4
Proposed Legislation:				
Compensation and pensions	...	...	- 106.0	- 106.0
Readjustment benefits	...	...	.8	+ .8
Total, Proposed Legislation	...	...	- 105.3	- 105.3
Trust Funds:				
Nat. ser. life insurance fund	743.2	791.6	830.6	+ 39.0
U.S. gov't. life insurance fund	93.7	102.5	102.9	+ .4
General post fund	2.2	2.3	2.3	...
Total, Trust Funds	839.1	896.3	935.8	+ 39.5
Total, VA	8,560.4	9,352.4	9,696.9	+ 344.5

The reason for these increases is that the loan guaranty program and the revolving funds are included in the obligations.

Mr. MONK. And the trust funds.

Mr. EVINS. Trust fund, supply fund, canteen service revolving fund, all of your obligations. The loan guaranty revolving fund is shown here. The direct loan revolving fund is $255,200,000 and the insurance revolving funds are $247,300,000. Then you add your other services, your supply revolving fund, $133.8 million. Your total obligations of the veterans program go up to $9,696,900,000. That is a much larger figure than would appear first. The budget authority is shown on 4–7, $7,911,400,000. Insert this table in the record along with the table on page 4–9, which shows budget outlays are estimated to be $7,699,400,000. You are going to expend considerably more next year?

Mr. MONK. The outlay is less.

(The pages follow:)

BUDGET AUTHORITY

(in millions of dollars)

Appropriation/Fund Account	1968	1969	1970	Change
General operating expenses	$189.2	$207.0	$223.1	+ $16.0
Benefit Programs:				
Compensation and pensions	4,605.5	4,833.3	5,041.4	+ 208.0
Readjustment benefits	426.7	625.3	742.2	+ 116.9
Veterans insurance and indemnities	5.7	10.3	7.3	- 3.0
Payment of participation sales insufficiencies	...	3.9	...	- 3.9
Loan guaranty revolving fund	.7	5.6	5.7	+ .1
Total, Benefit Programs	5,038.6	5,478.4	5,796.6	+ 318.1
Medical Programs:				
Medical care	1,361.6	1,466.5	1,541.7	+ 75.2
Medical and prosthetic research	45.9	48.0	59.6	+ 11.6
Med. admin. & misc. oper. exp.	14.0	14.8	17.3	+ 2.5
Grants to the Rep. of Philippines	1.3	1.8	1.4	- .4
Total, Medical Programs	1,422.8	1,531.1	1,620.0	+ 89.0
Construction Programs:				
Construction of hospital and domiciliary facilities	52.6	7.9	96.4	+ 88.4
Grants for construction of State nursing homes	4.0	4.0	5.0	+ 1.0
Total, Construction Programs	56.6	11.9	101.4	+ 89.4
Total Appropriations	6,707.0	7,228.4	7,741.0	+ 512.6
Participation Sales Authorization:				
Loan guaranty revolving fund	685.0	...	...	...
Direct loan revolving fund	165.0	...	...	...
Total, Participation Sales Auth.	850.0	...	...	...
Total, Appropriations and Funds	7,557.1	7,228.4	7,741.0	+ 512.6
Proposed Legislation:				
Compensation and pensions	...	...	- 106.0	- 106.0
Readjustment benefits	...	...	.8	+ .8
Total, Proposed Legislation	...	...	- 105.3	- 105.3
Deduct: Proprietary receipts from the public	- 1.8	- 1.7	- 1.7	...
Total, Federal Funds	7,555.3	7,226.7	7,634.0	+ 407.4
Trust Funds:				
Nat. ser. life insurance fund	692.5	703.2	714.8	+ 11.6
U.S. gov't. life insurance fund	48.2	45.1	44.4	- .7
General post fund	2.3	2.2	2.3	+ .1
Deduct: Proprietary receipts from the public	- 492.2	- 482.1	- 478.4	+ 3.7
Total, Trust Funds	250.8	268.4	283.0	+ 14.7
Deduct: Intragovernmental transactions	- 5.4	- 6.0	- 5.6	+ .3
Total, VA	7,800.7	7,489.1	7,911.4	+ 422.3

BUDGET OUTLAYS

(in millions of dollars)

Appropriation/Fund Account	1968	1969	1970	Change
General operating expenses	$188.4	$207.0	$223.1	+ $16.1
Benefit Programs:				
Compensation and pensions	4,605.3	4,823.0	5,022.6	+ 199.6
Readjustment benefits	462.1	630.0	738.0	+ 108.0
Vets. insurance and indemnities	9.3	12.4	13.8	+ 1.4
Loan guaranty revolving fund	180.6	235.2	- 155.1	- 390.2
Direct loan revolving fund	41.8	74.6	73.3	- 1.3
Insurance revolving fund	- 59.4	- 64.6	- 66.2	- 1.6
Total, Benefit programs	5,239.7	5,710.6	5,626.4	- 84.1
Medical Programs:				
Medical care	1,360.8	1,457.6	1,525.0	+ 67.4
Medical and prosthetic research	45.0	49.0	59.6	+ 10.6
Med. admin. & misc. oper. exp.	12.8	15.7	17.3	+ 1.6
Grants to Rep. of the Philippines	1.3	1.7	1.5	- .2
Canteen service revolving fund	- .4	.2	- .2	- .5
Supply revolving fund	.9	.9	.6	- .3
Total, Medical programs	1,420.4	1,525.1	1,603.8	+ 78.7
Construction Programs:				
Construction of hospital and domiciliary facilities	47.6	54.5	84.5	+ 30.0
Grants for construction of State nursing homes	1.9	4.0	3.2	- .8
Construction, Corregidor-Bataan Mem.	.5	.9	....	- .9
Total, Construction programs	50.0	59.4	87.7	+ 28.3
Total, Appropriations and Funds	6,898.5	7,502.1	7,541.0	+ 38.9
Proposed Legislation:				
Compensation and pensions	....	....	- 106.0	- 106.0
Readjustment benefits	....	....	.8	+ .8
Total, Proposed legislation	....	....	- 105.3	- 105.3
Deduct proprietary receipts from the public	- 1.8	- 1.7	- 1.7	....
Total, Federal Funds	6,896.7	7,500.4	7,434.0	- 66.4
Trust Funds:				
National service life insurance fund	470.9	626.5	666.8	+ 40.3
U. S. government life insurance fund	- 13.9	78.2	80.4	+ 2.2
General post fund	2.2	2.3	2.3	....
Sub-total, Trust funds	459.2	707.0	749.5	+ 42.5
Deduct proprietary receipts from the public	- 492.2	- 482.1	- 478.4	+ 3.7
Total, Trust funds	- 33.0	224.8	271.1	+ 46.2
Deduct Intragovernmental transactions	- 5.3	- 6.0	- 5.6	+ .3
Total VA	6,858.4	7,719.3	7,699.4	- 19.9

SUPPLY REVOLVING FUND

Mr. TALCOTT. Can you explain what you mean by supply revolving fund?

Mr. MONK. Yes, sir. This is strictly a revolving fund. We purchase supplies on a centralized basis, put them in a warehouse, and pay the vender out of a revolving fund. Then we sell the supplies to a hospital and charge the appropriation and reimburse the revolving fund.

Mr. TALCOTT. You need $133 million for that?

Mr. MONK. No. This is in the fund, and it turns over.

Mr. TALCOTT. This is gross obligations. There is no money.

The revolving fund is funded. There is no appropriation in this budget for this purpose.

Mr. TALCOTT. What is the plus $5.6 million?

Mr. MONK. That means we are going to obligate more in 1970 than we did in 1969. This just means we are going to turn over our inventory a little faster. The appropriation will have to pay the revolving fund about $5 million more than they did in 1969 because of more goods furnished out of the fund.

Mr. JONAS. May I ask a question there?

How much of your total medicine is purchased through the Defense Supply Agency?

Mr. MONK. How much do we buy a year through the defense medical supply operation in the way of drugs and medicine?

Mr. WHITWORTH. I do not have a figure.

Mr. MONK. Approximately $208,000 total per year is bought by VA from Defense Supply Agency for drugs and medicines.

Mr. JONAS. When you have a foreseeable need for a substantial amount of drugs do you check with them to see if they have a better price than you?

Mr. WHITWORTH. Yes, we do.

Mr. JONAS. How could they get a better price?

Mr. WHITWORTH. Sometimes they have larger quantities.

Mr. JONAS. You check that each time?

Mr. WHITWORTH. Each time.

Mr. JONAS. If they can buy cheaper than you, you buy through them?

Mr. WHITWORTH. We have an agreement with them.

Mr. JONAS. If you can buy cheaper through your own purchasing service, you do that.

Mr. WHITWORTH. Yes, sir.

Mr. JONAS. Does that apply to supplies other than medicine?

Mr. WHITWORTH. Yes, sir, it applies to all medical supplies.

Mr. JONAS. Anything other than medical supplies? What about food?

Mr. MONK. The GSA basically buys, except for local purchases, in quantities, nonmedical items. Aside from subsistance, we have practically gone out of the nonmedical items.

Mr. JONAS. You had a big supply service once.

Mr. MONK. We still do have a big supply service now. I will make the exception of subsistence items.

Mr. JONAS. You mean foodstuffs?

Mr. MONK. Yes. GSA does not buy foodstuffs for us. We buy them.

Mr. JONAS. If the Defense Supply Agency can buy food supplies cheaper, do you use that service?

Mr. MONK. We are working with the Defense Supply Agency. In some cases they are buying perishable items for us.

Mr. JONAS. But that would only be when you have a hospital facility adjacent to a military installation.

Mr. MONK. Actually they have a distribution system and we are using that system for certain perishable vegetables. We have been checking with them and working with them on other subsistence items. As of yet we have not been able to work out any kind of arrangement where it would appear to be more advantageous for them to buy for us. There are different standards involved. There is different packaging involved, and different requirements.

Mr. JONAS. I can see because all of your subsistence items will be for hospital patients, and you would require a different kind of diet than a military post.

Mr. MONK. That is correct.

Mr. JONAS. Except the military has a lot of hospitals, too.

Mr. MONK. We are buying subsistence for other Federal agencies—the Public Health Service, District of Columbia, and a number of other Federal agencies.

Mr. MCDADE. If the gentleman would yield, in other words, the words "supply revolving fund," as presented in the tables, does not reflect the amount you are going to spend for nonmedical or subsistence supplies, is that not correct?

Mr. MONK. It does not necessarily reflect that, you are correct. This is everything we are going to buy through a centralized purchasing arrangement, warehouse it and resell it.

Mr. MCDADE. Essentially you are going to spend $133.8 million for drugs and subsistence.

Mr. MONK. Essentially that is correct.

Mr. MCDADE. Where is the comparable figure for nonmedical supplies that you are going to purchase?

Mr. MONK. We would have to break that out.

Mr. MCDADE. What line item is it contained in?

Mr. MONK. The bulk would be in the medical care appropriation.

Mr. MCDADE. I realize that. I am trying to get a specific figure. Let us assume you are going to buy desks or furniture.

Mr. WHITWORTH. About $217 million for 1968.

Mr. MCDADE. Where does that appear?

Mr. WHITWORTH. It does not appear as a line item in the budget.

Mr. MCDADE. Where does it appear?

Mr. WHITWORTH. There is an item for medical equipment and so on. It is in each of these.

Mr. MCDADE. You are going to spend $217 million for nonmedical or subsistence supplies?

Mr. WHITWORTH. No, sir, that is our total bill.

Mr. MCDADE. That is the total bill?

Mr. WISE. Of the $217 million total they are going to buy $133 million through this fund. The rest will be essentially local purchase like buying eggs from the farmer down the road. You don't purchase that through this fund.

Mr. McDade. The balance goes through local purchases or GSA, is that correct?

Mr. Monk. That is correct.

Mr. McDade. How much through GSA?

Mr. Whitworth. About 6.9 percent through GSA or roughly $15 million.

Mr. McDade. The rest goes to local purchase.

Mr. Whitworth. GSA makes contracts from which we buy. That is not within the 7 percent. A considerable amount is bought from GSA contracts. They are scheduled contracts. A considerable amount is bought from our local purchase arrangements at our various hospital locations.

Mr. McDade. What percentage, can you tell me?

Mr. Whitworth. Locally?

Mr. McDade. Yes.

Mr. Whitworth. Including perishable subsistence a little under 50 percent is bought by our field stations.

BUDGET AUTHORITY AND APPROPRIATION REQUIREMENTS

Mr. Evins. Gentlemen, requiring action by the Congress is $7,635,-700,000. There is available without further action by the Congress $761.4 million, less some adjustments for inter-Governmental transactions, $485.7 million. The total budget authority is $7,911,400,000. We will place pages 2–4 and 2–5 in the record.

(The pages follow:)

ANALYSIS OF BUDGET AUTHORITY *

(in millions of dollars)

	1968	1969	1970
A. Requiring action by the Congress:			
1. Requested in this budget:			
a. Appropriations	....	....	$7,741.0
2. To be requested later:			
a. On enactment of proposed legislation..	....	....	-105.3
b. Other specific supplementals.....	....	$253.6	
Total requiring action by the Congress	....	253.6	7,635.7
B. Available without further action by the Congress:			
1. Current Authorizations:			
a. Appropriations	$6,707.0	6,974.7	....
b. Authorizations to spend from agency debt receipts	850.0	....	....
2. Permanent authorizations (trust funds)...	743.0	750.5	761.4
C. Less adjustment for intragovernmental transactions and proprietary receipts from the public	-499.3	-489.8	-485.7
Total - Budget Authority	7,800.7	7,489.1	7,911.4
Budget Authority Represented by Appropriations			
Enacted to date	6,707.0	6,974.7	....
Supplementals to be requested	....	253.6	....
Requested in this budget	....	....	7,741.0 1/
Total appropriations	6,707.0	7,228.4	7,741.0 1/

1/ Excludes proposed legislation ($ -105.3 million).

*BUDGET AUTHORITY (BA).
Budget authority for any year represents the authorizations to incur obligations becoming available during the year.

APPROPRIATION REQUIREMENTS

(in millions of dollars)

Appropriation/Fund Account	1968	1969	1970	Change
General operating expenses.....	$189.2	$207.0	$223.1	+ $16.0
Benefit Programs:				
Compensation and pensions	4,605.5	4,833.3	5,041.4[1]/	+ 208.1
Readjustment benefits	426.7	625.3	742.2[1]/	+ 116.9
Veterans insurance and indemnities	5.7	10.3	7.3	- 3.0
Payment of participation sales insufficiences	....	3.9	....	- 3.9
Loan guaranty revolving fund	.7	5.6	5.7	+ .1
Total, benefit programs	5,038.5	5,478.4	5,796.6	+ 318.1
Medical Programs:				
Medical care	1,361.6	1,466.5	1,541.7	+ 75.2
Medical and prosthetic research .	45.9	48.0	59.6	+ 11.6
Med. adm. and misc. oper. exp. ..	14.0	14.8	17.3	+ 2.5
Grants to the Republic of the Philippines	1.3	1.8	1.4	- .4
Total, medical programs	1,422.7	1,531.0	1,620.0	+ 89.0
Construction Programs:				
Construction of hospital and domiciliary facilities	52.6	7.9	96.4	+ 88.4
Grants for construction of State nursing homes	4.0	4.0	5.0	+ 1.0
Total, construction programs.	56.6	11.9	101.4	+ 89.4
Total, Appropriations and Funds ..	6,707.0	7,228.4	7,741.0[1]/	+ 512.6

1/ Excludes proposed legislation amounts as follows:

Compensation and pensions	$ -106.0
Readjustment benefits	+ .8
Total, proposed legislation..	-105.3

CHANGES IN VA APPROPRIATIONS AND FUNDS

Mr. EVINS. The general operating expenses goes from $189.2 million to $223.1 from 1968 to 1970.

You show an increase of $16 million. Actually it is an increase of $33.9 million from 1968 to 1970 for the general operating expenses. From 1969 to 1970 compensation and pensions goes up $208 million. Redjustment benefits increases $116.9 million.

You show a decrease in VA insurance and indemnities. How were you able to effect this reduction?

Mr. MONK. We have a larger transfer from the veterans special term insurance into the veterans insurance and indemnities. That results in a lesser appropriation requirement in 1970 than in 1969.

PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

Mr. EVINS. Your payment of participation sales insufficiencies, you show a decrease of $3.9 from 1969. Elsewhere in the budget there is a payment indicated.

Mr. MONK. We have to pay some insufficiencies and we are not asking for an appropriation of $5.7 million for that.

Mr. EVINS. $5.7 million. You are not carrying it under insufficiencies. You are carrying it under loan guaranty revolving funds. I think the revolving fund provides for a payment on insufficiencies, is that correct, Mr. Controller?

Mr. SHYTLE. That is very close.

Mr. EVINS. Why don't you carry it under payment under insufficiencies, if it is going to cost you $5.7 million for interest on these loans?

Mr. SHYTLE. We have a table that we are trying to find.

Mr. EVINS. You can clear that up for the record.

Mr. DRIVER. We find on 3–24 of volume II, $5,716,000 for participation certificates, as you said, Mr. Chairman.

I would say it is all that.

Mr. EVINS. There is the loan guarantee revolving fund. Some is for repurchases and other operating expense, but some is for payment of insufficiencies.

INCREASE IN MEDICAL COSTS

The other items are increased. The medical care is up $75.2 million. Medical and prosthetic research is up $11.6 million. Isn't that a little high?

Dr. ENGLE. We think this is the minimum necessary. There was an advisory committee that studied this whole problem for the Bureau of the Budget about a year ago, and they came forth with the observation that our increases since 1962 had just barely kept step with pay increases and other inflationary costs, and there was a big lag in terms of getting research.

Mr. EVINS. We are spending about $60 million a year on medical and prosthetic research. We have been doing that for several years.

Mr. DRIVER. That is our total for research in 1970.

Mr. BOLAND. How much is prosthetic?

Mr. MONK. $1.7 million.

CONSTRUCTION PROGRAM

Mr. EVINS. We mentioned earlier that your construction program is up from $7.9 to $96.4, an $88.4 million increase. Can't some of that be postponed or deferred? Is all of it the highest priority?

Mr. DRIVER. Yes. As I indicated earlier, if we postpone it, we add to the cost eventually.

Mr. EVINS. How many requests did you have from all of your installations for the construction program?

Your increase is $88.4 million. What was initially requested?

Mr. MONK. The request we made was for about $116 million.

Mr. EVINS. You requested $116 million from the Bureau of the Budget?

Mr. MONK. Yes, sir.

Mr. EVINS. Your facilities requests were more than that, I imagine.

Mr. MONK. Yes, they would be many times more than that.

Mr. EVINS. Insert 2–6 and 2–7 in the record.

(The pages follow:)

BUDGET ESTIMATES FOR 1970 1/

(in millions of dollars)

Appropriation/Fund Account	Budget Authority	Obligs.	Outlays	Appropriations	
				Requested	Incr. (+) Decr. (-) Over '69
General operating expenses	$223.1	$223.1	$223.1	$223.1	+ $16.0
Benefit Programs:					
Compensation and pensions	5,041.4	5,041.4	5,022.6	5,041.4	+ 208.0
Readjustment benefits	742.2	742.2	738.0	742.2	+ 116.9
Veterans insurance and indemnities	7.3	13.8	13.8	7.3	- 3.0
Payment of participation sales insufficiencies	....	....	....	....	- 3.9
Loan guaranty revolving fund	5.7	416.4	- 155.1	5.7	+ .1
Direct loans revolving fund	....	255.2	73.3	....	....
Insurance revolving funds	....	247.3	- 66.2	....	....
Total, Benefit programs	5,796.6	6,716.3	5,626.4	5,796.6	+ 318.1
Medical Programs:					
Medical care	1,541.7	1,541.7	1,525.0	1,541.7	+ 75.2
Medical and prosthetic research	59.6	59.6	59.6	59.6	+ 11.6
Med. admin. & misc. oper. exp.	17.3	17.3	17.3	17.3	+ 2.5
Grants to the Rep. of the Philippines	1.4	1.4	1.5	1.4	- .4
Canteen service revolving fund	....	65.4	- .2	....	....
Supply revolving fund	....	133.8	.6	....	....
Total, Medical programs	1,620.0	1,819.2	1,603.8	1,620.0	+ 89.0
Construction Programs:					
Construction of hospital and domiciliary facilities	96.4	102.8	84.5	96.4	+ 88.4
Grants for construction of State nursing homes	5.0	5.0	3.2	5.0	+ 1.0
Total, Construction programs	101.4	107.8	87.7	101.4	+ 89.4
Total, Appropriations and Funds	7,741.0	8,866.4	7,541.0	7,741.0	+ 512.6
Proposed legislation:					
Compensation and pensions	- 106.0	106.0	106.0		
Readjustment benefits	.8	.8	.8		
Total, Proposed legislation	- 105.3	- 105.3	- 105.3		
Deduct proprietary receipts from the public	- 1.7	....	- 1.7		
Total, Federal Funds	7,634.0	8,761.1	7,434.0		
Trust Funds:					
National service life insurance fund	714.8	830.6	666.8		
U. S. government life insurance fund	44.4	102.9	80.4		
General post fund	2.3	2.3	2.3		
Sub-total, trust funds	761.5	935.8	749.5		
Deduct proprietary receipts from the public	- 478.4	....	- 478.4		
Total, Trust funds	283.0	935.8	271.1		
Deduct Intragovernmental transactions	- 5.6	....	- 5.6		
Total, VA	7,911.4	9,696.9	7,699.4		

1/ For three year comparison see Budget Authority on page 4-7 Obligations on page 4-8 and Outlays on page 4-9.

PROPOSED FOR SEPARATE TRANSMITTAL

(in millions of dollars)

Account	1969 Supplementals			1970 Proposed Legislation
	Pay Raise	Other	Total	
General operating expenses	$7.9	$4.6	$12.5	...
Benefit Programs:				
Compensation and pensions	...	179.0	179.0	- $106.0
Readjustment benefits	...	14.2	14.2	.8
Total, Benefit Programs	...	193.2	193.2	- 105.3
Medical Programs:				
Medical care	31.4	14.8	46.2	...
Medical and prosthetic research	1.2	...	1.2	...
Med. admin. & misc. oper. exp.	.6	...	.6	...
Total, Medical Programs	33.2	14.8	48.0	...
Total, VA	41.1	212.6	253.6	- 105.3

1969 Supplementals:

Pay Raise. Supplemental funds of $41.1 million will be required in fiscal year 1969 for personnel pay increases effective in July 1968. Unbudgeted costs of these and wage board increases are estimated at $57.2 million for F.Y. 1969. However, $16.1 million will be absorbed within current appropriation amounts, including $15.5 million reserved pursuant to employment restriction provisions of the Revenue and Expenditure Control Act of 1968 (Public Law 90-364, section 201).

Other. Program supplementals totaling $212.6 million will be required in fiscal year 1969, principally for unbudgeted costs of legislation enacted subsequent to presentation of the 1969 Budget in January 1968. Such legislation--discussed elsewhere in this submission--expanded and liberalized veterans benefits and services in all major program areas.

Proposed Legislation, 1970:

Compensation and Pensions:

Legislative proposals to eliminate certain duplicative, inequitable or outmoded veterans' benefits would reduce 1970 VA budget authority requirements as follows (in millions):

Compensation - eliminate statutory payments for arrested tuberculosis	- $46.0
Burial benefits - eliminate duplication with social security	- 54.0
Pensions - count railroad retirement benefits as part of income in settin amount of veterans pension	- 6.0
Total reduction	- 106.0

Readjustment Benefits:

An increase of $.8 million is included for proposed legislation providing specially adapted housing for wheelchair veterans.

Mr. EVINS. There are three major activities, General Administration, Veterans Benefits and Data Management.

Insert pages 3–3 through 3–6 in the record.

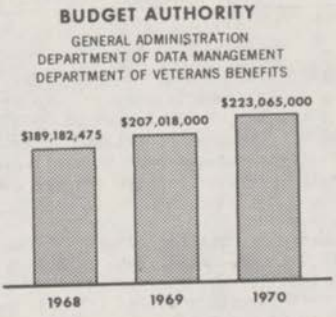
(The pages follow:)

GENERAL OPERATING EXPENSES

SUMMARY

The General Operating Expenses appropriation finances all non-medical administrative costs of the Veterans Administration. These costs are budgeted for under three major activities: (1) General Administration, consisting of the Office of the Administrator and eight agency-level staff offices; (2) the Department of Data Management; and (3) the Department of Veterans Benefits.

The Budget Authority request of $223.1 million in 1970 is $16.0 million above 1969 requirements:



Program costs, by activity and financing sources for the past, current, and budget year, are as follows:

($'s in thousands)

	1968	1969	1970	Change
Program:				
General Administration	$18,883	$20,784	$21,500	+ $716
Dept. of Data Management	12,783	15,323	23,377	+ 8,054
Dept. of Veterans Benefits	158,683	172,604	179,457	+ 6,853
Total Program Costs	190,349	208,711	224,334	+15,623
Adj. to Obligations	- 350	- 549	....	+ 549
Total Obligations	189,999	208,162	224,334	+16,172
Financing:				
Reimbursements	- 1,157	- 1,144	- 1,269	- 125
Unobligated balance lapsing	340	....	....	....
Budget Authority	189,182	207,018	223,065	+16,047
Proposed Supplementals				
Pay Raise	....	(7,900)	....	....
New Legislation	....	(4,600)	....	....

The proposed supplemental of $7,900,000 in FY 1969 is required to finance the pay raise effective July 14, 1968, under Executive Order 11413, issued pursuant to Public Law 90-206. The $4,600,000 is required to administer the provisions of new legislation enacted subsequent to submission of the FY 1969 Budget.

Budget estimates for each of the three "General Operating Expenses" activities follow.

General Administration

"General Administration" is one of three major budget activities of the "General Operating Expenses" appropriation. It consists of the Office of the Administrator and his agency level staff offices except the Office of the Assistant Administrator for Construction which is budgeted under the "Construction of Hospital and Domiciliary Facilities" appropriation. ($'s in thousands)

	1968	1969	1970	Change
Cost (obligations)	$18,883	$20,784	$21,500	+ $716
Average employment	1,491	1,522	1,522	....

	1968	1969	1970	Change
Costs (obligations):				
Office of Administrator	$1,289	$1,452	$1,485	+ $33
Information Service	617	673	701	+ 28
General Counsel	1,389	1,446	1,490	+ 44
Board of Veterans Appeals	3,643	3,965	4,075	+ 110
Asst. Admin. for Personnel	2,747	3,061	3,119	+ 58
Asst. Admin. for Management Engineering and Evaluation	1,367	1,491	1,627	+ 136
Administrative Services	3,594	3,979	4,134	+ 155
Controller	3,417	3,789	3,933	+ 144
Investigation & Security Service	819	928	936	+ 8
Total Costs	18,882	20,784	21,500	+ 716
Average Employment:				
Office of Administrator	80	80	80	....
Information Service	43	43	43	....
General Counsel	88	88	88	....
Board of Veterans Appeals	293	293	293	....
Asst. Admin. for Personnel	219	223	223	....
Asst. Admin. for Management Engineering and Evaluation	90	90	90	....
Administrative Services	346	353	353	....
Controller	275	293	293	....
Investigation & Security Service	57	59	59	....
Total Average Employment	1,491	1,522	1,522	....

The total estimated increase in this activity is $716 thousand of which $500 thousand is related to uncontrollable increases in payroll costs. These include the full year cost of the pay raise effective July 14, 1968, normal within grade salary changes, and an increase in the payment to the Employee Compensation Fund, Department of Labor, covering nonmedical personnel. The balance pertains to increased costs in employee travel, communications and the initial sharing of costs to maintain the Central Office Library.

Department of Data Management

The Department of Data Management, one of three operating Departments of the Veterans Administration, is responsible for the total agency effort in the field of automatic data processing and the technical management and support of agency communications facilities. ADP applications already installed and in operation are saving the VA $20 million on an annual recurring basis. In addition, cumulative one-time savings total more than $17 million.

($'s in thousands)

Costs	1968	1969	1970	Change
Funded from General Operating Expenses Appropriation	$12,783	$15,323	$23,377	+$8,054
Funded from Medical Programs	5,017	5,248	5,599	+ 351
Total Costs	17,800	20,571	28,976	+ 8,405

Costs and average employment distributed to the two basic functions of the Department are as follows:

($'s in thousands)

Function	1968	1969	1970	Change
Operations:				
Costs	$14,612	$17,472	$25,731	+$8,259
Average Employment	1,173	1,200	1,216	+ 16
Research and Development:				
Costs	$ 3,188	$ 3,099	$ 3,245	+ $146
Average Employment	274	243	254	+ 11
Total Cost	$17,800	$20,571	$28,976	+$8,405
Total Average Employment	1,447	1,443	1,470	+ 27

Major changes in total costs and employment from 1969 to 1970 are as follows:

Item	Change (thous.)
a. Increase in average employment for operations function for workload increases resulting from new and expanded applications to computer systems. (16 FTE)	+ $156
b. Increases in average employment to provide for researching and developing planned subsystems. (11 FTE)	+ 107
c. Other personal services cost increases include full year cost of the pay raise effective July 14, 1968 and normal within grade salary advances	+ 111
d. ADP Equipment--	
Purchase of 22, presently leased, computers.... $8,534	
Maintenance costs of computers to be purchased. 226	
Rental savings on computers to be purchased.... -3,267	
Net cost of computers	+ 5,493
Computers to be leased	+ 2,393
e. Other miscellaneous net increases	+ 145
Total Change	+$8,405

Department of Veterans Benefits

The Department of Veterans Benefits, one of three operating Departments of the Veterans Administration, is responsible for providing direct benefits and services (except medical) authorized by law to veterans, their widows and beneficiaries. Salaries and administrative expenses of the Department are funded from the "General Operating Expenses" appropriation and, to the extent of services provided the Department of Medicine and Surgery, from the "Medical Care" appropriation.

Costs	1968	1969	1970	Change
	($'s in thousands)			
Funded from General Operating Expenses Appropriation	$158,683	$172,604	$179,457	+$6,853
Funded from Medical Care Appropriation.	2,434	2,592	2,652	+ 60
Total Costs	161,117	175,196	182,109	+ 6,913
Average Employment	16,270	16,194	16,553	+ 359

Cost and average employment for each of the major activities of the Department of Veterans Benefits are as follows:

Costs	1968	1969	1970	Change
	($'s in thousands)			
Executive Direction	$5,520	$5,855	$5,929	+ $74
Guardianship and Chief Attorneys	13,361	13,927	14,382	+ 455
Contact	9,814	11,691	11,955	+ 264
Compensation, Pensions and Education	49,783	55,833	59,893	+ 4,060
Loan Guaranty	23,662	24,377	25,819	+ 1,442
Insurance	8,414	8,415	8,324	- 91
Office Services	50,563	55,098	55,807	+ 709
Total Costs	161,117	175,196	182,109	+ 6,913
Average Employment				
Executive Direction	392	386	386	....
Guardianship and Chief Attorneys	1,224	1,193	1,219	+ 26
Contact	1,068	1,210	1,224	+ 14
Compensation, Pensions and Education.	4,203	4,108	4,352	+ 244
Loan Guaranty	2,545	2,460	2,586	+ 126
Insurance	1,011	930	907	- 23
Office Services	5,827	5,907	5,879	- 28
Total Average Employment	16,270	16,194	16,553	+ 359

An analysis of the major changes in total costs of the Department from 1969 to 1970 follows:

Item	Change (thous.)
a. Workload increase--Additional manpower and payments for services due to growth in workload from new legislation and the increasing number of veterans in civil life and the advancing age of the veteran population. (359 FTE)	+$4,500
b. Other personal services cost increases include full year cost of the pay raise effective July 14, 1968 and normal within grade salary advancements	+ 2,400
c. Increased communications costs including charges for Federal Telecommunications System and Advanced Records System	+ $500
d. All other net--includes cost reduction items	- 487
Total Change	+$6,913

The chart on page 3–3 shows the increase. This is very good. To repeat it again on general administration, Office of Administrator goes up to $33,000.

Mr. MONK. $33,000.

Mr. EVINS. Information services, $28,000; General Counsel is up $44,000; Board of Veterans' Appeals, $110,000; you are creating some more Board of Veterans' Appeals, Mr. Stancil.

Mr. STANCIL. No, sir.

Mr. MONK. Mr. Chairman, if the employment in all of this category holds the same the increase is average salary and pay raise.

Mr. EVINS. Most of these increases are for average salary and pay raises?

Mr. MONK. Yes, sir. No increase in number of personnel for general administration.

Mr. EVINS. Administrative services go from $3,979,000 to $4,134,000, a $155,000 increase. Controller, goes up $144,000 and security services, $8,000. This is a $716,000 increase in general administration. That is how you break down your increased costs. Are you not able to reduce any of that, Mr. Administrator?

Mr. DRIVER. No, sir; it is just the steady increase in the salary rate.

END-OF-YEAR EMPLOYMENT

Mr. EVINS. What is the year end in employment? In 1969 it will be 1,506 and 1970 it is estimated to be 1,552. Why the increase of 46 in general administration?

Mr. DRIVER. We do not have any new jobs. I believe the 1969 level reflects the effects of the Revenue and Expenditure Control Act (Public Law 90–364).

Mr. EVINS. Staff offices, under general administration, your table on page 4–12 shows 1,506 in 1969 and for 1970, 1,552. That is 46 new jobs. Place the tables on pages 4–10, 4–11, and 4–12 in the record.

(The pages follow:)

VA EMPLOYMENT DATA

Account	Jurisdictional						Common Svc. Adjustments (all F.T.E.)	Net	
	Average Employment			End of Year Employment					
	Full Time	Part time and Intermittent FTE	Total	Full time Permanent Positions	All Other	Total		Average Employ. (FTE)	End of Year Employment 1/ Total
FY 1968									
General operating expenses	18,850	358	19,208	19,105	269	19,374	- 691	18,517	18,683
Medical care	123,545	8,933	132,478	124,215	19,683	143,898	+ 670	133,148	144,568
Medical & prosthetic research	3,264	231	3,495	3,266	685	3,951	...	3,495	3,951
Med. admin. & misc. oper. exp.	663	19	682	633	52	685	...	682	685
Construction of H&DF	389	64	453	381	53	434	...	453	434
Canteen service revolving fund	2,735	368	3,103	2,741	679	3,420	...	3,103	3,420
Supply fund	595	11	606	607	14	621	+ 21	627	642
Advances & reimbursements	...	...	...	...	...	...	...	...	...
Allocation accounts (Net)	...	...	...	75	21	96	...	...	96
Total VA	150,041	9,984	160,025	151,023	21,456	172,479	...	160,025	172,479
FY 1969									
General operating expenses	18,767	392	19,159 2/	18,594	699	19,293	- 701	18,458	18,592
Medical care	120,853	10,910	131,763	121,533	20,334	141,867	+ 680	132,443	142,547
Medical & prosthetic research	3,277	240	3,517	3,225	544	3,769	...	3,517	3,769
Med. admin. & misc. oper. exp.	638	26	664	630	58	688	...	664	688
Construction of H&DF	368	73	441	385	105	490	...	441	490
Canteen service revolving fund	2,589	426	3,015	2,596	853	3,449	...	3,015	3,449
Supply fund	608	14	622	597	11	608	+ 21	643	629
Advances & reimbursements	...	8	8	...	15	15	...	8	15
Allocation accounts (Net)	...	...	...	74	30	104	...	...	104
Total VA	147,100	12,089	159,189	147,634	22,649	170,283	...	159,189	170,283
FY 1970									
General operating expenses	19,140	405	19,545	19,500	320	19,820	- 709	18,836	19,111
Medical care	124,149	11,192	135,341	124,950	21,798	146,748	+ 688	136,029	147,436
Medical & prosthetic research	3,755	260	4,015	3,760	585	4,345	...	4,015	4,345
Med. admin. & misc. oper. exp.	657	28	685	650	59	709	...	685	709
Construction of H&DF	368	87	455	400	115	515	...	455	515
Canteen service revolving fund	2,663	435	3,098	2,670	808	3,478	...	3,098	3,478
Supply fund	604	14	618	605	11	616	+ 21	639	637
Advances & reimbursements	...	34	34	...	45	45	...	34	45
Allocation accounts (Net)	...	...	...	65	24	89	...	...	89
Total VA	151,336	12,455	163,791	152,600	23,765	176,365	...	163,791	176,365

1/ Excludes Disadvantaged Summer Youths.
2/ Includes full-time equivalent of 153 related to supplemental needs.

AVERAGE EMPLOYMENT 1/

1961-1970

Account	Actual								Estimates	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
GENERAL OPERATING EXPENSES:										
General administration	1,459	1,453	1,330	1,265	1,173	1,385	1,444	1,491	1,522	1,522
Dept. of Veterans Benefits	16,074	15,628	17,240	16,114	15,093	14,984	16,164	16,001	15,925	16,284
Dept. of Insurance	3,814	3,439	....	....	....	....	....	....	....	....
Dept. of Data Management			818	867	1,207	1,044	1,058	1,025	1,011	1,030
Total general oper. expenses	21,347	20,520	19,388	18,246	17,473	17,413	18,666	18,517	18,458	18,836
MEDICAL PROGRAMS:										
Medical care	128,238	130,612	130,352	129,809	129,227	128,370	130,338	133,148	132,443	136,029
Medical & prosthetic research	2,089	2,507	2,832	3,029	3,235	3,361	3,433	3,495	3,517	4,015
Med. admin. & misc. oper. exp.	852	855	862	852	772	663	714	682	664	685
Advances and reimbursements	....	....	....	....	....	....	....	....	8	34
Total medical programs	131,179	133,974	134,046	133,690	133,234	132,394	134,485	137,325	136,632	140,763
CONSTRUCTION OF H&DF	465	515	536	555	560	561	462	453	441	455
Total appropriations	152,991	155,009	153,970	152,491	151,267	150,368	153,613	156,295	155,531	160,054
FUNDS:										
Canteen service revolving fund	2,690	2,875	2,800	2,873	2,880	2,922	3,002	3,103	3,015	3,098
Supply fund	599	586	653	674	653	626	610	627	643	639
Total funds	3,289	3,461	3,453	3,547	3,533	3,548	3,612	3,730	3,658	3,737
TOTAL - VA	156,280	158,470	157,423	156,038	154,800	153,916	157,225	160,025	159,189	163,791

1/ Net average employment - employment paid from account indicated. Adjusted to reflect current structure. The peak employment year (full-time equivalent) was in February 1947, 204,151.

END OF YEAR EMPLOYMENT, 1961-1970 1/

Jurisdictional

Account	ACTUAL								ESTIMATED	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
General Operating Expenses										
Staff Offices	1,447	1,506	1,509	1,206	1,218	1,408	1,514	1,525	1,506	1,552
Dept. of Veterans Benefits	16,414	15,857	15,384	16,343	15,445	16,182	16,864	16,386	16,331	16,798
Dept. of Insurance	3,529	3,078	2,457	....	....	....	....	....	....	....
Dept. of Data Management	....	....	....	933	1,212	1,136	1,562	1,463	1,456	1,470
Total general operating expenses	21,390	20,441	19,350	18,482	17,875	18,726	19,940	19,374	19,293	19,820
Medical Programs										
Medical care	144,265	146,909	144,147	144,141	139,890	142,355	144,292	143,898	141,867	146,748
Medical & prosthetic research	2,762	3,308	3,538	3,701	3,721	3,857	3,885	3,951	3,769	4,345
Med. admin. & misc. oper. exp.	1,612	1,597	1,628	1,383	1,004	807	789	685	688	709
Advances and reimbursements	....	1	....	....	....	....	....	....	15	45
Total medical programs	148,639	151,815	149,313	149,225	144,615	147,019	148,966	148,534	146,339	151,847
Construction of H&DF	391	380	434	550	615	490	491	434	490	515
Total appropriations	170,420	172,636	149,097	168,257	163,105	166,235	169,397	168,342	166,122	172,182
Funds										
Canteen service revolving fund	2,955	3,172	3,040	3,148	3,214	3,272	3,356	3,420	3,449	3,478
Supply fund	643	611	631	652	638	618	615	621	608	616
General post fund	5	9	4	....	....	....	....	....	....	....
Total funds	3,603	3,792	3,675	3,800	3,852	3,890	3,971	4,041	4,057	4,094
Allocation accounts(Net)	87	134	131	114	102	103	106	96	104	89
Total end-of-year employment	174,110	176,562	172,903	172,171	167,059	170,228	173,474	172,479	170,283	176,365

1/ Excludes Disadvantaged Summer Youths.
Adjusted to reflect current structure.

Let us take a look at the chart on page 4–10. This shows the employment data. The average employment for 1968, 160,025; for 1970, 163,791.

The table on page 4–11 shows the average employment by general operating expenses, medical programs, construction for H. & D.F. and your funds. It goes from 159,189 in 1969, to 163,791 in 1970.

Mr. SHYTLE. That is right.

Mr. EVINS. Place in the record pages 3–7, through 3–9.

This is the compensation and pensions summary.

(The pages follow:)

COMPENSATION & PENSIONS

This appropriation provides for the payment of compensation, pensions and related benefits to veterans and their dependents.

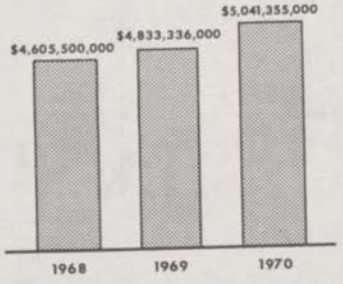
Compensation is payable to living veterans who have suffered impairment of earning power from service--connected disabilities. Death compensation or dependency and indemnity compensation is payable to the widow and dependents of veterans whose deaths are related to service-connected disabilities.

Pensions are benefits payable to wartime veterans and dependents of deceased veterans for nonservice-connected disability and death.

Other related benefits cover payments for special benefits to certain emergency officers of WW I, subsistence allowances to disabled veterans enrolled in vocational rehabilitation and education programs, burial benefits, and for other miscellaneous purposes.

Budget authority requirements in 1970 increase by $208,019,000 over 1969.

BUDGET AUTHORITY



Costs by major activity and budget authority for F.Y.'s 1968 - 1970 are as follows (in thousands of dollars):

	1968	1969	1970	Change
Compensation	$2,470,572	$2,610,003	$2,741,017	+$131,014
Pensions	2,051,865	2,136,302	2,197,279	+ 60,977
Other related benefits	90,964	96,001	103,059	+ 7,058
Total costs	4,613,402	4,842,306	5,041,355	+ 199,049
Change in unoblig. bal. & misc. adj.	- 7,902	- 8,970	.....	+ 8,970
Budget authority	4,605,500	4,833,336	5,041,355	+ 208,019
Proposed supplemental		(179,000)		

Recent legislative amendments will increase the amount of benefit payments to be made in 1969 and 1970. These include:

(1) The full year effect of Public Law 90-77, approved August 31, 1967, which increased most pension rates by 5.4% on October 1, 1967, liberalized other pension benefits, and initially provided certain wartime benefits to Vietnam veterans. The estimated additional cost in 1969 will approximate $30 million.

(2) Public Law 90-275, approved March 28, 1968, restructures veterans and survivors pension system, effective January 1, 1969, and increases income limitations by $200 for each category. It is estimated to cost $59.3 million for the last half of fiscal year 1969, and approximately $123.5 million in fiscal year 1970.

(3) Public Law 90-431, approved July 26, 1968, authorized part-time vocational rehabilitation training effective the same date. This will increase subsistence allowance costs by $2.8 million in 1969 and $3.6 million in 1970.

(4) Public Law 90-493, approved August 19, 1968, and effective January 1, 1969, increases the rates of most service-disabled veterans. It will also eliminate the statutory (q) rate payable for arrested TB, but retain those currently on rolls. Estimates of cost approximate $110.7 million in 1969 and $221.5 million in 1970.

A supplemental appropriation amounting to $179,000 thousand is required in 1969 to meet the increased requirements.

Compensation costs and average caseloads for fiscal years 1968 - 1970 are as follows ($'s in thousands):

	1968	1969	1970	Change
Costs				
Veterans	$1,953,879	$2,083,933	$2,208,589	$+124,656
Survivors	516,693	526,070	532,428	+ 6,358
Total	2,470,572	2,610,003	2,741,017	+131,014
Caseloads				
Veterans	2,003,598	2,015,155	2,020,250	+ 5,095
Survivors	365,460	369,412	372,770	+ 3,358
Total	2,369,058	2,384,567	2,393,020	+ 8,453

Pension costs and average caseloads for fiscal years 1968 - 1970 are as follows:

	1968	1969	1970	Change
Costs				
Veterans	$1,272,446	$1,286,078	$1,292,586	+$ 6,508
Survivers	779,419	850,224	904,693	+ 54,469
Total	2,051,865	2,136,302	2,197,279	+ 60,977
Caseloads				
Veterans	1,169,839	1,145,712	1,142,502	- 3,210
Survivors	1,049,124	1,106,330	1,170,213	+ 63,883
Total	2,218,963	2,252,042	2,312,715	+ 60,673

In addition to compensation and pension payments, a number of other veterans' benefits are paid from the "Compensation and Pensions" appropriation, as follows (in thousands of dollars):

Item	1968	1969	1970	Change
Ret. Officers pay..	$ 2,107	$ 2,011	$ 1,852	$- 159
Adj. Serv & Dependents pay.....	52	56	56	....
Subsistence Allow..	15,623	20,799	24,810	+ 4,011
Burial Benefits....	66,945	71,025	74,211	+ 3,186
Special Allow Dep..	389	400	410	+ 10
Death Gratuity.....	5,215	.....	.....	.....
Invalid Lifts & Dev	420	1,460	1,470	+ 10
Tort Claims.....	215	250	250	.....
Related Benefits.	90,964	96,001	103,059	+ 7,058

READJUSTMENT BENEFITS

Mr. EVINS. Tell us about the increases in readjustment benefits and insert pages 3–11 through 3–13 in the record.

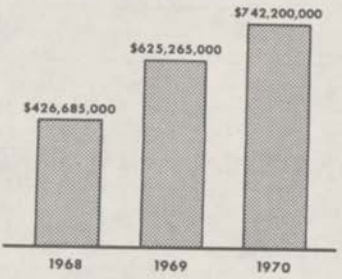
(The pages follow:)

READJUSTMENT BENEFITS

This appropriation provides educational assistance allowances for eligible children, wives and widows under the War Orphans' Education Assistance Act of 1956, as amended; education and training assistance to veterans of post-Korean military service; and special assistance to disabled veterans in the form of vocational rehabilitation, housing grants and automobiles and other conveyances.

Budget authority requirements in 1970 increase by $116,935,000 over 1969.

BUDGET AUTHORITY



Costs by major activity and Budget authority for Fiscal Years 1968-1970 are as follows (in thousands of dollars):

	1968	1969	1970	Change
Education and training	$ 466,346	$ 625,204	$ 723,560	+$ 98,356
Spec. assistance to disabled veterans	15,016	16,217	18,640	+ 2,423
Total costs	481,362	641,421	742,200	+ 100,779
Change in unobligated balances and other adjustments	- 54,677	- 16,156	.....	+ 16,156
Budget Authority	426,685	625,265	742,200	+ 116,935
Proposed supplemental	...	(14,200)	...	...

A supplemental appropriation of $14,200,000 is required to cover costs of legislation enacted subsequent to the budget request. Public Law 90-631, enacted October 23, 1968 and effective December 1, 1968 authorizes (1) educational benefits for wives and widows; (2) limitation of 48 months of assistance under two or more programs; (3) part-time farm cooperative training; and (4) one and one-half months of educational assistance for each month of service.

Education and training. Educational assistance payments under this activity are for; (1) sons and daughters of certain disabled and deceased veterans; (2) Post-Korean Conflict veterans, and; (3) wives and widows of certain deceased and disabled veterans. Benefits for World War II and Korean Conflict veterans terminated on January 31, 1965.

Costs for each of these categories are as follows (in thousands of dollars):

	1968	1969	1970	Change
Sons and daughters	$ 38,005	$ 38,204	$ 37,560	-$ 644
Post-Korean Conflict veterans	428,747	585,600	668,600	+ 83,000
Wives and Widows	.....	1,400	17,400	+ 16,000
WW II and Korean Conflict veterans	- 406	.....	.....	.....
Total costs	466,346	625,204	723,560	+ 98,356

Average number of trainees are as follows:

Sons and daughters	16,714	17,800	17,800	.....
Post-Korean Conflict	304,655	420,400	488,000	+ 67,600
Wives and Widows	.....	700	8,700	+ 8,000

Sons and daughters. Educational assistance allowances are provided to eligible children of veterans who are permanently and totally disabled or who died as a result of service-connected disability.

Post-Korean Conflict veterans. Effective June 1, 1966, educational assistance similar to that provided World War II and Korean Conflict veterans was initially extended to those who have served or continue to serve in the Armed Forces after February 1, 1955. PL 90-77 effective October 1, 1967 and PL 90-631, effective December 1, 1968 liberalized these benefits. The $83 million increase in 1970 over 1969 is entirely due to the projected increase in the average number of trainees from 420,400 to 488,000, which includes the impact of the annualization of the increased benefits provided by PL 90-631, effective December 1, 1968.

Wives and Widows. Educational assistance allowances are provided, effective December 1, 1968, for the first time, to widows of veterans who died of service-connected disabilities and to wives of veterans with a service-connected total disability permanent in nature.

Special assistance to disabled veterans. Vocational rehabilitation and other special assistance are provided disabled veterans under this activity. Costs for 1968-1970 are as follows (in thousands of dollars):

	1968	1969	1970	Change
Vocational rehabilitation	$ 7,132	$ 10,185	$ 13,128	+$ 2,943
Housing grants	4,416	4,512	4,512	....
Autos and other conveyances	3,468	1,520	1,000	- 520
Total costs	15,016	16,217	18,640	+ 2,423

Vocational rehabilitation. Payments are made to educational or training institutions to cover costs of tuition, books, supplies and equipment incident to the training of disabled veterans who are pursuing a course of vocational rehabilitation under provisions of 38 U.S.C. 31. The increase in 1970 costs is due to an estimated increase in the average number of vocational rehabilitation trainees from 9,600 in 1969 to 12,000 in 1970 due in part as a result of the first full year impact of part-time vocational rehabilitation training having been authorized effective July 26, 1968.

Housing grants. Financial assistance grants not to exceed $10,000 each are authorized to be paid for specially adapted housing to eligible seriously disabled veterans. 470 grants at an average per grant of $9,600 are estimated for both 1969 and 1970.

Automobiles and other conveyances. Payments not to exceed $1,600 to certain seriously disabled veterans are authorized toward the purchase of an automobile or other conveyance. The number of payments is expected to decrease considerably, from 2,170 in 1968 to 950 in 1969 and to 625 in 1970 due to the slowdown of applications expected to be received after the initial first-year impact of PL 90-77 which authorized assistance to veterans previously ineligible, effective October 1, 1967.

Mr. MONK. This is the increase in the caseload or the number of veterans in training. On page 3–12 it shows the breakdown of the load.

Mr. EVINS. The costs for sons and daughters is $644,000 less next year.

Mr. MONK. Yes, sir.

The load holds the same. Post-Korean conflict under the GI bill goes up 67,600 in average number of trainees. Wives and widows go up 8,000.

Mr. DRIVER. The increase is $98 million in cost.

Mr. EVINS. You are going to have 67,600 more post-Korean veterans receiving readjustment benefits.

Mr. MONK. Yes.

Mr. EVINS. How are you able to arrive at that precise figure?

Mr. MONK. It may not be precise. This is an estimate. And it may be too low.

Mr. EVINS. It may be too high.

Mr. DRIVER. It is generally based on the number entering training at the moment.

Mr. EVINS. And you multiply by 12. You come out with the round figure of 67,600.

Mr. DRIVER. Yes, sir. We look at last year's experience and give you our best estimate.

Mr. EVINS. Was 1969 the first year the wives and widows received education training?

Mr. DRIVER. That is right. The law was passed last year.

Mr. EVINS. And your estimate jumps up from 700 to 8,700.

Mr. DRIVER. Yes, sir, because the portion of the year it was in effect last year did not coincide with normal enrollment periods. Our estimate based on what is happening now is that they will enroll in that number.

Mr. EVINS. You have 8,700 applications of wives and widows for education and training on file.

Mr. SILBERMAN. 1,717 applications are presently in.

Mr. JONAS. We are paying out a substantial sum of money for readjustment benefits.

The Government is also heavily involved in unemployment compensation for veterans. What effort do you make to get these people into training immediately instead of having this hiatus during which they draw unemployment compensation?

Mr. DRIVER. We make every effort to contact him as soon as he comes home. In terms of the man serving in Vietnam, we try to contact him before he leaves Vietnam to try to get him to go to school immediately.

Mr. JONAS. What percent? Can you give us any figures on how many currently returning veterans are electing to take unemployment compensation instead of training?

Mr. DRIVER. I do not think they can take the compensation instead of training. I think they can take it for the portion they are not in training.

Mr. JONAS. Can they take both?

Mr. DRIVER. Yes. The average unemployment compensation payment to a veteran is much less than the average to anybody else.

But it is still true that they may take it and they do take it in many, many cases.

Mr. JONAS. What I am trying to see if you cannot develop some figures to show how many. If the veteran cannot get a suitable job immediately after discharge he can go into training; can't he?

Mr. DRIVER. He certainly can go into training. The question is the time of the year very often.

Mr. JONAS. How many are taking unemployment compensation?

Mr. DRIVER. We will develop some figures. In connection with the GI bill, a man who is discharged in May may not find it convenient at all to go to school until June or perhaps even September when the normal enrollment period starts. He is confronted with getting work or he may take advantage of the unemployment compensation.

Mr. TALCOTT. How many months is he eligible for unemployment compensation?

Mr. FARMER. Twenty-six weeks is the usual maximum.

Mr. TALCOTT. Half a year.

Mr. FARMER. That is right.

Mr. TALCOTT. Is that the average amount?

Mr. FARMER. The average is only about 9 weeks.

Mr. TALCOTT. That is pretty good.

Mr. DRIVER. It is very low compared with others.

Mr. JONAS. That is why I think this record would look better if we had a table that would show those figures if you can pull them out.

Mr. FARMER. We can get these from the Department of Labor easily on this point.

(The information follows:)

UNEMPLOYMENT COMPENSATION FOR VETERANS - CALENDAR YEAR 1968

State (1)	Number of Exservicemen Who Receives UCX 1/ (First Payments) (2)	Total Weeks Compensated (3)	Average Duration of Benefit Payment in Weeks (4)	Total UCX 1/ Payments (5)	Average UCX 1/ Payment per Week (6)
TOTAL	168,899	1,529,833	9.1	$68,712,185	$44.91
Alabama	2,627	30,995	11.8	$ 1,210,330	$39.05
Alaska	463	5,836	12.6	287,297	49.23
Arizona	1,869	17,969	9.6	756,538	42.10
Arkansas	1,409	13,240	9.4	517,838	39.11
California	32,637	313,053	9.6	15,645,370	49.98
Colorado	1,547	12,523	8.1	618,086	49.36
Connecticut	2,549	17,040	6.7	791,522	46.45
Delaware	492	3,389	6.9	152,704	45.06
District of Columbia	904	7,878	8.7	390,804	49.61
Florida	2,348	19,126	8.1	725,239	37.92
Georgia	2,404	22,637	9.4	977,404	43.18
Hawaii	925	11,849	12.8	659,842	55.69
Idaho	805	7,311	9.1	323,768	44.29
Illinois	5,282	36,257	6.9	1,492,105	41.15
Indiana	2,711	20,077	7.4	785,349	39.12
Iowa	1,076	11,669	10.8	565,045	48.42
Kansas	1,026	7,985	7.8	367,729	46.05
Kentucky	3,934	41,753	10.6	1,836,550	43.99
Louisiana	2,458	28,200	11.5	1,214,992	43.08
Maine	806	6,541	8.1	283,599	43.36
Maryland	2,911	20,940	7.2	975,138	46.57
Massachusetts	3,971	36,443	9.2	1,728,668	47.43
Michigan	7,195	56,865	7.9	2,511,900	44.17
Minnesota	3,053	30,553	10.0	1,313,620	42.99
Mississippi	692	5,973	8.6	185,217	31.01
Missouri	4,321	34,195	7.9	1,534,786	44.88
Montana	784	7,659	9.8	256,596	33.50
Nebraska	577	4,393	7.6	183,169	41.70
Nevada	728	5,860	8.0	258,678	44.14
New Hampshire	319	1,598	5.0	80,004	50.07
New Jersey	7,050	69,826	9.9	3,830,559	54.86
New Mexico	1,427	16,003	11.2	610,840	38.17
New York	12,020	94,510	7.9	4,194,050	44.38
North Carolina	2,093	17,491	8.4	701,106	40.08
North Dakota	865	8,627	10.0	361,878	41.95
Ohio	5,274	37,951	7.2	1,673,064	44.08
Oklahoma	1,497	16,106	10.8	578,834	35.94
Oregon	2,515	22,133	8.8	997,179	45.05
Pennsylvania	13,666	121,982	8.9	5,662,709	46.42
Rhode Island	1,072	8,647	8.1	412,585	47.71
South Carolina	1,522	13,791	9.1	577,404	41.87
South Dakota	457	4,376	9.6	163,152	37.28
Tennessee	4,245	50,143	11.8	1,979,462	39.48
Texas	5,229	46,712	8.9	1,975,265	42.29
Utah	1,364	14,229	10.4	624,696	43.90
Vermont	319	2,454	7.7	109,291	44.54
Virginia	1,061	8,312	7.8	334,208	40.21
Washington	4,860	35,135	7.2	1,393,024	39.65
West Virginia	3,206	34,508	10.8	1,348,722	39.08
Wisconsin	2,949	29,992	10.2	1,391,272	46.39
Wyoming	259	1,928	7.4	83,336	43.22
Puerto Rico	3,084	34,869	11.3	1,064,994	30.54
Virgin Islands	42	301	7.2	14,668	48.73

1/ Unemployment Compensation for Veterans.

Source: Unpublished Statistics of the Unemployment Insurance Service of the Department of Labor.

Mr. EVINS. Did I hear someone testify that you had 1,717 wives or widows that are applying for education?

Mr. SILBERMAN. Yes.

Mr. EVINS. You estimate there will be 8,700.

Mr. SILBERMAN. This is the current rate of applications.

Mr. EVINS. You have 1,717 now?

Mr. SILBERMAN. Yes.

Mr. EVINS. And you estimate there will be 8,700 next year.

Mr. SILBERMAN. As an average.

Mr. FARMER. That is between now and next July.

Mr. SILBERMAN. We have only had 3 months of this new law.

Mr. EVINS. On the next page where you discuss automobiles, the number of payments is expected to decrease considerably from 2,100 to 950. The first year after the law is passed they get the largest benefits and then begin to decline. Why is this not true of most recently enacted legislation?

Mr. DRIVER. The very first year we pick up the backlog and this will be the new cases coming out of service who are eligible, which would be lower.

Mr. EVINS. Education and training increases rather than declines as the years progress.

Mr. DRIVER. Yes. We pass the period of the initial impact of the GI bill and now it will increase as more and more come out of service and attend.

Mr. EVINS. It does not hold true in all cases, then?

Mr. DRIVER. The automobile is a one-shot business.

He cannot get an automobile in 1970, 1971, and 1972. If he were eligible for a car every year as he is to go to school, I would say this would increase.

Mr. EVINS. The $83 million increase in 1970 for the post-Korean conflict veterans over 1969 is entirely due to a projected increase in the average number of trainees from 420,000 to 480,000. Are these precise figures?

Mr. DRIVER. We hope so, but as you know, we had to come up for supplemental money last year.

HOUSING CREDIT ASSISTANCE PROGRAMS

Mr. EVINS. Let us take a look at your housing and credit assistance summary.

The indirect credit is given under the guaranteed loan program. The direct loans are given under the VA direct loan revolving fund. This chart shows you $155 million less in outlays in 1970.

LOAN GUARANTY PROGRAM

Both obligations and receipts are expected to increase in 1970 over 1969. The loan guaranty revolving fund.

Mr. DERVAN. The negative expenditure there, or an indication that receipts will exceed expenditures by $155 million is due to a change in the manner in which we propose to dispose of the properties which we acquire as a consequence of the foreclosure of guaranteed loans. As you know, Mr. Chairman, up until this point in selling a property for less than all cash, we have taken back from the purchaser of

that property a note and mortgage for the difference between our sales price and his cash payment. Subsequently, when we were able, because of favorable market conditions, to sell that note and mortgage taken back from the purchaser, we have sold it to a private investor under a repurchase agreement.

Beginning with 1970 we propose to undertake the same kind of operation which FHA has; namely, require the purchaser of the property to obtain private lender financing, in the form of an FHA-insured loan, a conventional loan, or if he is a veteran who is eligible for a guaranteed loan through a VA-guaranteed loan.

Mr. EVINS. Mr. Dervan, that make a good statement, but the figures show that the loan guarantees go up from 220,000 to 273,000 from 1968 to 1970.

Mr. DERVAN. Yes, sir.

REAL PROPERTY ACQUISITIONS

Mr. EVINS. Tell us how your real property acquisitions are coming along. You are recapturing more homes.

Mr. DERVAN. There was considerable improvement in fiscal 1968, sir. Foreclosures of guaranteed loans dropped very substantially. In 1967, as I recall, it was 21,200. In fiscal 1968, it dropped to about 16,700. There has been continued improvement in the first half of this year. We have continued to sell more properties than we acquired, and we have continued the trend of the past several years and have ended the year with a lesser number than the year before. At the end of fiscal 1968 we had about 1,400 lesser properties than the prior year, about 13,100, and currently as of December 31, we had reduced the total further to about 12,500.

Mr. EVINS. This chart on page 3–16 in the summary shows you the receipts from sales. In 1969 you estimate $164,308,000 for receipts.

Mr. DERVAN. Yes, sir.

Mr. EVINS. And $554,044,000 is your 1970 estimate.

Mr. DERVAN. Yes, sir.

Mr. MONK. That is the explanation of the chart on the preceding page which shows a negative outlay figure, sir.

Mr. EVINS. You are selling more of the properties that you have recaptured the mortgage on, and the others that you are making loans on are more stable. Is there a lesser incidence of foreclosure?

Mr. DERVAN. Yes, sir. There is a lesser incidence of foreclosure on the outstanding guaranteed loans in the last 2 or 3 years as compared to what it was in 1964, Mr. Chairman.

Mr. EVINS. Very good.

DIRECT LOAN PROGRAM

Direct loan revolving fund, obligations and receipts, shown on page 3–17. The total is estimated to be about $255 million obligations. Receipts are $194 million.

Insurance program is summarized on page 3–19.

Place pages 3–15 through 3–22 in the record.

(The pages follow:)

HOUSING CREDIT ASSISTANCE PROGRAMS

SUMMARY

The VA provides housing credit assistance to veterans of World War II, the Korean Conflict and, effective March 3, 1966, to Post-Korean Conflict veterans and active duty servicemen. Both direct and indirect credit assistance are provided:

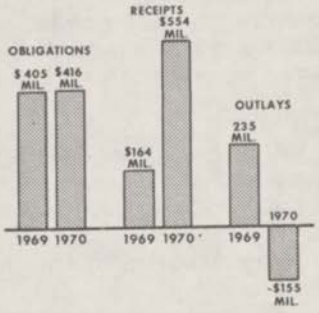
(1) Indirect credit assistance operates by substituting the guaranty of the Federal Government for the investment protection afforded by substantial down payments and shorter terms of loans under conventional mortgage terms. This indirect credit assistance program is funded through the VA Loan Guaranty revolving fund.

(2) In rural areas, small cities and towns, where private credit for VA guaranteed loans is found not to be generally available, VA makes home and farmhouse loans directly to veterans from funds advanced by the Secretary of the Treasury. This direct credit assistance program is funded through the VA Direct Loan revolving fund.

1970 budget estimates for the revolving funds referred to above are summarized in the succeeding paragraphs.

Loan Guaranty Revolving Fund

Both obligations and receipts are expected to increase in 1970 over 1969.



NOTE: Difference between obligations and receipts will not equal outlays because of change in obligated balances.

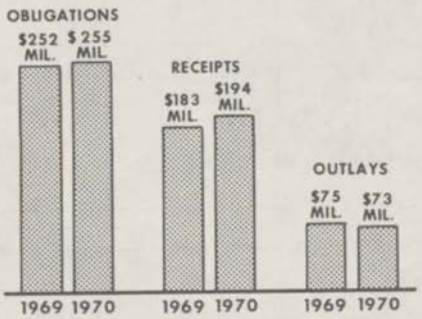
	1968	1969	1970
Loans guaranteed or insured	220,051	237,000	273,000

Estimates for selected 1970 budget items are as follows (in thousands of dollars):

	1968	1969	1970
Program			
Capital outlay			
Real property acquisitions	$201,128	$237,160	$235,950
Other	70,680	82,120	83,530
Operating expenses			
Interest on participation certificates	28,625	56,235	55,025
Other	27,657	29,918	41,850
Total costs (obligations)	328,090	405,433	416,355
Financing			
Receipts			
Sale of vendee loans	- 4,693	- 20,250	- 78,000
Sale of Properties	- 14,872	- 14,900	-337,600
Loan repayments	- 30,325	- 36,898	- 40,460
Interest on loans	- 57,138	- 66,800	- 67,500
Other	- 18,935	- 25,460	- 30,484
Total Receipts	-125,963	-164,308	-554,044
Unobligated balance transferred from Participation Sales Fund (Principal payments to holders of participation certificates)	- 700	- 6,275	- 51,800
Unobligated balance transferred to Participation Sales Fund (Principal collections on loans pledged to GNMA)	17,634	26,146	28,276
Unobligated balance lapsing	700	6,275	51,800
Change in unobligated balances	465,905	-261,650	115,129
Budget authority	685,665	5,621	5,716
Participation Sales Authorization	(685,000)	.....	.....
Payment of participation sales Insufficiencies (Approp.)	(665)	(5,621)	(5,716)
Outlays			
Total obligations	328,090	405,433	416,355
Total receipts	-125,963	-164,308	-554,044
Obligated balance transferred from Participation Sales Fund (Interest payments to holders of participation certificates)	18,462	46,307	44,510
Obligated balance transferred to Participation Sales Fund (Interest collections on loans pledged to GNMA)	- 27,100	-49,575	-59,679
Change in obligated balances	- 12,858	- 2,678	- 2,209
Outlays	180,631	235,179	-155,067

Direct Loan Revolving Fund

Obligations and receipts are expected to increase in 1970 over 1969.



NOTE: Difference between obligations and receipts will not equal outlays because of change in obligated balances.

	1968	1969	1970
Direct loans closed	11,903	14,000	14,400

Estimates for selected 1970 budget items are as follows (in thousands of dollars):

	1968	1969	1970
Program			
Capital outlay:			
Direct loans to veterans	$148,740	$177,800	$185,760
Other	559	625	719
Operating expenses:			
Interest on participation certificates	42,169	47,966	45,384
Other	16,914	19,120	21,350
Total cost	208,382	245,511	253,213
Change in undisbursed loan obligations	295	6,356	2,000
Total obligations	208,677	251,867	255,213
Financing			
Receipts:			
Sale of direct loans	- 2,922	- 4,760	- 4,760
Loan repayments	- 92,361	- 96,740	-102,400
Interest on loans	- 60,109	- 68,440	- 74,330
Other	- 11,384	- 13,250	- 12,913
Total receipts	-166,776	-183,190	-194,403

	1968	1969	1970
Unobligated balance transferred from Participation Sales Fund (Principal payments to holders of participation certificates)	- 59,828	- 73,253	- 73,728
Unobligated balance transferred to Participation Sales Fund (Principal collections on loans pledged to GNMA).....	80,785	78,600	72,400
Unobligated balance **lapsing**	256,368	73,253	73,728
Change in unobligated balances	-154,225	-147,277	-133,210
Budget authority (Participation Sales Authorization).....	165,000	.....	.....
Outlays			
Total obligations.....	208,677	251,867	255,213
Total receipts.....	-166,776	-183,190	-194,403
Obligated balance transferred from Participation Sales Fund (Interest payments to holders of participation certificates)	39,350	53,390	56,236
Obligated balance transferred to Participation Sales Fund (Interest collections on loans pledged to GNMA).....	- 45,254	- 47,745	- 44,460
Change in obligated balances	5,830	312	751
Outlays	41,825	74,634	73,337

INSURANCE PROGRAMS

SUMMARY

The Veterans Administration administers six life insurance programs for the benefit of servicemen, veterans and their beneficiaries. Financing of these programs -- other than administrative costs which are generally funded from the VA's "General Operating Expenses" appropriation -- is provided through the following appropriation and fund accounts:

Appropriation:
Veterans Insurance and Indemnities

Revolving Funds:
Service-Disabled Veterans Insurance (SDVI)
Veterans Special Term Insurance (VSTI)
Veterans Reopened Insurance (VRI)
Servicemen's Group Life Insurance (SGLI)

Trust Funds:
National Service Life Insurance (NSLI)
United States Government Life Insurance (USGLI)

Veterans Insurance and Indemnities

This appropriation provides for:

- Payments to the USGLI trust fund and directly to policyholders and beneficiaries for claims on war risk insurance issued to servicemen and veterans of World War I
- Payments to the NSLI trust fund and directly to policyholders and beneficiaries for claims on NSLI insurance issued to servicemen and veterans of World War II
- Payments to the SDVI revolving fund to supplement premium receipts in amounts necessary to pay claims on policies issued to Post-1951 veterans with service-connected disabilities

Program costs increase $1.4 million in 1970 due to an increase in payments to the SDVI revolving fund.

(in millions)

Item	1968	1969	1970	Change
Total Costs (obligations)....	$10.8	$13.4	$14.8	$+1.4
Receipts and reimbursements	- .9	- 1.0	- 1.0	.....
Transfer from VSTI revolving fund.....	- 2.0	- 2.5	- 6.5	-4.0
Change in unobligated balances.....	- 2.2	.4	....	- .4
Budget authority.....	5.7	10.3	7.3	-3.0

Service Disabled Veterans Insurance (SDVI)

The SDVI revolving fund is the financing mechanism for the insurance program for veterans with service-connected disabilities but who were otherwise insurable and whose service with the Armed Forces was after April, 1951.

Since the fund insures medically sub-standard lives at standard premium rates, it is not self-sustaining. Periodic transfers from the Veterans Insurance & Indemnities appropriation are required to meet current expenditures.

($'s in millions)

	1968	1969	1970
No. of policies in force, EOY.....	72,528	75,000	77,000
Amount of insurance in force, EOY...	$ 629.4	$ 650.0	$ 668.0
Obligations:			
Death claims.....	9.2	10.9	12.3
Other obligations.....	2.3	2.6	3.0
Revenue:			
Premiums earned.....	6.3	6.8	7.3
Payment from "Vets. Ins. & Indem."	1.6	4.2	6.0
Other revenue.....	2.2	2.8	3.1
Unobl. balance (+) deficit (-) EOY..	-1.1	- .8	+ .3

Veterans Special Term Insurance (VSTI)

The VSTI revolving fund is the financing mechanism for the insurance program authorized for insurable veterans who served in the Armed Forces after April 1951 and up to January 1, 1957. This was a companion program to the SDVI program for disabled veterans, discussed above.

($'s in millions)

Item	1968	1969	1970
No. of policies in force, EOY.....	628,142	624,000	620,000
Amount of insurance in force, EOY.....	$5,516.3	$5,478.0	$5,445.0

($'s in millions)

Item	1968	1969	1970
Obligations:			
Death claims	9.8	10.7	11.6
Other obligations	6.2	6.7	7.5
Revenue:			
Premiums earned	$33.4	$34.4	$36.1
Other revenue	10.4	12.7	14.3
Unobligated balance transfer to "Vets. Ins. & Indem."	2.0	2.5	6.5
Unobligated balance, EOY	206.2	233.4	258.2

Veterans Reopened Insurance (VRI)

The Veterans Reopened Insurance revolving fund is the financing mechanism for a program authorizing reopening of **National Service Life Insurance for one year for** certain disabled Veterans of World War II and the Korean Conflict.

($'s in millions)

Item	1968	1969	1970
No. of policies in force, EOY	198,825	196,000	191,000
Amount of insurance in force, EOY	$1,388.9	$1,372.0	$1,337.0
Obligations:			
Death Claims	6.9	8.1	9.1
Other Obligations	2.5	3.4	4.4
Revenue:			
Premiums earned	38.8	37.7	36.8
Other revenue	5.4	8.2	10.4
Unobligated balance, EOY	84.6	119.0	152.7

Servicemen's Group Life Insurance (SGLI)

The SGLI revolving fund is the financing mechanism for the insurance program authorized to provide group life insurance to members of the uniformed forces on active duty.

Item	1968	1969	1970
No. of policies in force, EOY	3,800,000	3,800,000	3,800,000
Amount of insurance in force, EOY	$38,000.0	$38,000.0	$38,000.0

Item	1968	1969	1970
Obligations:			
Premium payments to insurer.....	217.5	212.8	198.7
Other obligations.....	.2	.2	.2
Revenue:			
Withholdings from service pay....	83.0	84.0	84.0
Contributions - extra hazards....	134.6	129.0	114.9
Unobligated balance, EOY.....	a/	a/	a/

a/ Less than $50,000

National Service Life Insurance (NSLI)

The NSLI trust fund was established in 1940 as the financing mechanism for the World War II insurance program. Issuance of new policies ended in 1951.

($'s in millions)

Item	1968	1969	1970
No. of policies in force, EOY.....	4,590,082	4,538,000	4,468,000
Amount of insurance in force, EOY..	$30,204.5	$29,760.0	$29,006.0
Obligations:			
Death claims.....	354.9	369.2	380.9
Other obligations.....	388.3	422.4	449.7
Revenue:			
Premiums earned.....	501.2	494.1	488.4
Interest on investments.....	242.2	258.7	269.2
Payments from "Vets. Ins. & Indem."	5.4	6.0	5.6
Other revenue.....	240.8	116.2	115.8
Unobligated balance, EOY.....	5,920.7	6,004.1	6,052.5

United States Government Life Insurance (USGLI)

The USGLI trust fund was established in 1919 as the financing mechanism for the World War I (War Risk) insurance program.

($'s in millions)

Item	1968	1969	1970
No. of policies in force, EOY.....	218,213	207,000	196,000
Amount of insurance in force, EOY.....	$946.5	$901.0	$853.0
Obligations:			
Death claims	51.9	53.3	54.3
Other obligations	41.8	49.2	48.6
Revenue:			
Premiums earned	12.0	10.3	10.1
Interest on investments	35.8	37.7	37.2
Payments from "Vets. Ins. & Indem." ..	.1	.1	.1
Other revenue	106.3	22.3	21.1
Unobligated balance, EOY	860.0	827.9	793.4

Let us look at the summary of the medical programs. We know it is the greatest.

Insert pages 3–23 through 3–25 in the record.

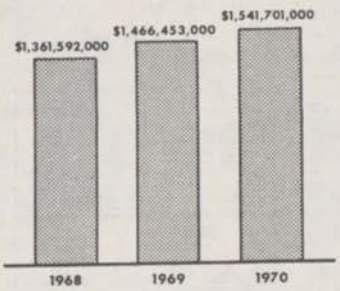
(The pages follow:)

MEDICAL CARE

The Medical Care appropriation provides for medical care and treatment of eligible beneficiaries in Veterans Administration hospital, nursing home care, domiciliary, restoration center and outpatient clinic facilities; contract hospitals--other Federal and non-Federal; State domiciliaries and nursing homes--on a grant basis; contract community nursing homes; and through the hometown physicians and dentists outpatient program on a fee basis. In addition, funds are provided for training of medical residents and other professional, paramedical, and administrative personnel in health-science fields to support the Agency's medical care programs and the Nation's manpower demand in these shortage categories.

Budget authority for 1970 increases $75,248,000 over the 1969 requirement.

BUDGET AUTHORITY



Program costs, financing and average employment for the past, current and budget years are as follows (dollars in thousands):

	1968	1969	1970	Change
Program:				
VA Facilities:				
Hospital care	$ 1,084,468	$ 1,161,347	$ 1,218,473	+ $ 57,126
Nursing care	18,998	25,033	25,445	+ 412
Restoration care	2,784	3,386	4,163	+ 777
Domiciliary care	30,810	32,441	33,365	+ 924
Outpatient services	183,981	189,893	203,566	+ 13,673
Misc. benefits and services	15,188	16,460	17,477	+ 1,017
Subtotal	1,336,229	1,428,560	1,502,489	+ 73,929
Non-VA Facilities:				
Hospital contracts	16,570	15,366	14,573	- 793
Community nursing	11,750	17,754	19,371	+ 1,617
State nursing	2,303	5,626	6,296	+ 670
State domiciliaries	6,780	8,147	7,972	- 175
Subtotal	37,403	46,893	48,212	+ 1,319
Total program costs	1,373,632	1,475,453	1,550,701	+ 75,248
Adj. to obligations	- 4,749	...	...	...
Total obligations	1,368,883	1,475,453	1,550,701	+ 75,248

(Table continued next page)

	1968	1969	1970	Change
Financing:				
Unobligated balance lapsing..	2,932	...	...	...
Reimbursements	- 10,223	- 9,000	- 9,000	...
Budget authority	1,361,592	1,466,453	1,541,701	+ 75,248
Total supplemental included above:				
Payraise	...	(31,395)	...	...
Legislation	...	(14,794)	...	...
Total	...	(46,189)	...	...
Average Employment:				
Neuropsychiatric hospitals...	35,807	34,621	34,517	- 104
General hospitals	77,991	77,847	80,712	+ 2,865
Nursing care units	2,286	2,828	2,828	...
Restoration centers	264	296	361	+ 65
Domiciliaries	2,867	2,878	2,868	- 10
Outpatient services	13,188	13,218	13,990	+ 772
Misc. benefits & services ...	745	755	753	- 2
Total	133,148	132,443	136,029	+ 3,586

The fiscal year 1970 funding increase of $75,248,000 and staffing increase of 3,586 will provide for:

a. The operation of 123,696 beds in Veterans Administration facilities, a total inpatient average daily census of 123,832 and an increase of 9,405 inpatient beneficiaries treated:

Inpatients Treated

	1968	1969	1970	Change
VA Facilities:				
General hospitals	643,010	652,279	664,974	+ 12,695
Neuropsychiatric hospitals..	119,416	114,721	110,026	- 4,695
Subtotal	762,426	767,000	775,000	+ 8,000
Nursing care units	6,074	6,700	6,700	...
Restoration centers	2,222	3,053	3,784	+ 731
Domiciliaries	28,098	26,392	25,930	- 462
Subtotal, VA	798,820	803,145	811,414	+ 8,269
Non-VA Facilities:				
Contract hospitals	25,445	21,445	20,120	- 1,325
Community nursing	11,418	11,700	14,200	+ 2,500
State domiciliaries	15,778	14,000	13,541	- 459
State nursing	3,022	5,000	5,420	+ 420
Subtotal, Non-VA	55,663	52,145	53,281	+ 1,136
Total	854,483	855,290	864,695	+ 9,405

b. An increase of 731,571 outpatient medical visits and completion of 2,609 more outpatient dental examination cases and 1,960 more outpatient dental treatment cases:

Outpatient Activity

	1968	1969	1970	Change
Medical outpatient visits ...	6,564,030	6,742,429	7,474,000	+731,571
Outpatient dental exams	79,143	96,463	99,072	+ 2,609
Outpatient dental treatments.	66,507	84,814	86,774	+ 1,960

c. Activation of new medical services at various Veterans Administration hospitals as follows:

New Medical Services

	Activations		
	Total Thru FY 1969	Planned FY 1970	Total Thru FY 1970
Alcoholism Treatment Units.....	...	10	10
Blind Clinics in NP Hospitals.....	...	1	1
Cardiac Catheterization Labs.....	53	3	56
Clinical Radioisotope Services ...	68	4	72
Day Hospitals	5	10	15
Electron Microscopy Units	16	6	22
Epilepsy Centers	...	1	1
Hemodialysis Units	30	4	34
Intensive/Coronary Care Beds	910	454	1,364
Mental Hygiene Clinics	71	2	73
Open Heart Surgery Centers	22	2	24
Organ Replacement Centers	...	5	5
Prosthetic Treatment Centers	5	2	7
Pulmonary Emphysema Units	68	11	79
Pulmonary Function Labs.....	85	9	94
Reference Laboratories	3	3	6
Speech Pathology Units	55	9	64
Stereotactic Brain Surgery Centers	...	3	3
Supervoltage Therapy Units	19	1	20

d. Expansion of Veterans Administration programs for education and training of medical residents and other professional, paramedical and administrative personnel in health-science fields to accomodate 39,854 trainees:

VA Medical Education and Training, No. of Trainees

	1968	1969	1970	Change
Physicians, Dentists, Nurses.....	5,048	5,401	6,017	+ 616
Therapists, Technicians, etc.....	26,503	30,151	33,592	+ 3,441
Medical Administrative Employees..	208	220	245	+ 25
Total	31,759	35,772	39,854	+ 4,082

e. Continuation of efforts to correct staffing deficiencies and improve the ratio of hospital employees per 100 patients:

	1968	1969	1970	Change
General hospitals	145.3	149.1	155.8	+ 6.7
Neuropsychiatric hospitals	81.8	83.5	86.8	+ 3.3
All VA Hospitals	116.8	120.0	125.8	+ 5.8

f. Activation of newly constructed hospitals:

Full activation of VA hospitals:

Gainesville, Florida	480 beds
Miami, Florida .....1,056 beds	
San Juan, Puerto Rico	706 beds

Initial Activation of VA hospital:

Columbia, Missouri	472 beds

The budget for the medical care appropriation increases $75,248,000 over 1969. That is a very good chart, it shows you at $1,361,592,000 in 1968, $1,466,453,000 in 1969 and $1,541,701,000 estimated for 1970.

Mr. TALCOTT. May I ask what the objective of the medical care program is for the veterans? Is it to provide a medical care program equivalent to the average citizen or is it more or above average, or is it more comparable to the welfare client?

Dr. ENGLE. It is to provide care and treatment equal to the quality of the university and comparable community situation.

Mr. EVINS. Your total program is to provide medical care and treatment for eligible beneficiaries in VA hospitals, nursing homes, domiciliaries, restoration centers, and outpatient clinic facilities; contract hospitals; State domiciliaries and nursing homes—on a grant basis; contract community nursing homes; and through the hometown physicians and dentist outpatient care program on a fee basis.

TRAINING OF HEALTH SERVICE PERSONNEL

In addition, funds are provided for training of medical residents and other professional paramedical and administrative personnel in health-science fields; to support the agency's medical care programs and the Nation's manpower demand in these shortage categories.

Tell us about the supporting of the Nation's manpower demands in these shortage categories.

Dr. ENGLE. There is general acknowledgement that there is a large shortage of health service personnel in the country right now, including shortages in the VA.

Mr. EVINS. Aren't you able to recruit most of the personnel you need and want?

Dr. ENGLE. It is very difficult to get psychiatrists or pathologists or anesthesiologists.

Mr. EVINS. You do not train those, you recruit them when they are available.

Dr. ENGLE. We do a share of training in all of the medical and paramedical specialties.

Mr. EVINS. This is the reason we have the first-class medical care, which is second to none.

Dr. ENGLE. We think it is the most important thing we are doing because it benefits not only the Veterans Administration but the entire Nation.

Mr. EVINS. Your chart on page 3–23 shows the funding increases in all categories except two. Your contract hospitalization costs are slightly down, from $15.4 to $14.6 million and the State domicilaries, non-VA facilities are also down slightly.

Dr. ENGLE. As we are doing more in our own system we rely less on the contract facilities.

MEDICAL CARE AVERAGE EMPLOYMENT

Mr. EVINS. This is a very good chart. Average employment in the hospitals and other facilities is shown on page 3–24. It is estimated to increase in 1970 by 3,586. In your neuropsychiatric hospitals you will have 104 less, yet you are building up alcoholic centers in these hospitals. How are you going to build them up and the personnel go down?

Dr. ENGLE. The alcohol treatment centers are present in both the general and psychiatric hospitals.

Largely the bed reduction in the system is in psychiatry. Most of our bed reductions have been in psychiatric hospitals. Here we mirror what is happening outside of the system. There have been progressive decreases in psychiatric beds in State and county hospitals for many years and we are showing the same change.

Mr. EVINS. You have less personnel in the neuropsychiatric hospitals.

Mr. DRIVER. You notice in the chart under inpatients treated in our general hospitals we continue each year to treat more patients but in the psychiatric hospital the inpatient treatment has dropped.

Mr. EVINS. I was talking about employment. Your employment is up in the general hospitals.

Mr. DRIVER. That is because more patients are treated. And it is down in psychiatric because we have a bigger turnover.

INPATIENTS TREATED

Mr. EVINS. The next chart shows inpatient workloads, the number of inpatients treated, and an estimated increase in general hospitals of 12,695. The number of patients treated in neuropsychiatric hospitals is down.

Mr. DRIVER. Yes, sir.

Mr. EVINS. Restoration centers. Tell us about those in a word.

Dr. ENGLE. These are sections in our domiciliary units where we are trying to put stress on social work and psychology services and get people rehabilitated and get them back out in the community.

Mr. EVINS. In your non-VA facilities, the community nursing has the largest increase in patients.

Mr. MONK. Yes, sir.

Mr. EVINS. How does this operate? Is this contracts with nursing homes?

Mr. MONK. Yes, we can reimburse on the basis of up to 40 percent of the cost of care in a VA general hospital..

Mr. EVINS. There are more and more nursing homes being built throughout the country and they like to have their bed capacity filled. So they like to contract with the VA to treat the veterans in their community facilities.

Mr. DRIVER. These are all placed there after they have been in VA hospitals for treatment.

Mr. EVINS. They are transferred from the hospitals to the community nursing homes?

Mr. DRIVER. That is right.

Mr. EVINS. You estimate there will be 14,200 of those next year.

Mr. MONK. In numbers of patients, yes.

Mr. EVINS. Very good.

NEW MEDICAL SERVICES ACTIVATION

Your activation of new medical services in VA hospitals is shown. How many of those are there?

Dr. ENGLE. There will be 142. Actually, what it will really represent will be staffing the units.

Mr. EVINS. There are not 142 listed here.

Dr. ENGLE. A total of 142 different units are involved. The reason it does not show as 142 is because the intensive coronary care program is listed in terms of the number of beds rather than number of units.

There are 56 different units represented in that one line. In all but four of these cases, it represents instances where this current fiscal year we have provided the physical changes and provided the equipment for the unit, but because of reductions in personnel we have not been able to staff them. So in fiscal year 1970 it is our hope to be able to staff these units that will have been made ready, so to speak, this current fiscal year.

Mr. EVINS. The alcoholic treatment units added will total 10; blind clinics, you will add one; and cardiac catheterization labs will total 56.

Mr. DRIVER. Yes, sir. We have 53 now and will add three new ones in 1970.

Mr. EVINS. That adds to 142 new units.

Mr. MONK. Yes, sir.

Mr. EVINS. Throughout the system.

Dr. ENGLE. Yes, sir. In a way it is perhaps unfortunate that we call them new because they really represent our attempt to keep up with changes in the practice of medicine.

You note all through here they reflect some of the progressive things that have happened in medicine all over the country. The fact that we now know how to keep people with chronic kidney disease alive, we know how to operate on the heart and keep patients alive—all of these improvements have been made in the practice of medicine and we endeavor to keep up with them. This is our attempt to secure appropriate funding for this purpose.

Mr. TALCOTT. What is a reference laboratory?

Dr. ENGLE. These are special activities where concentrations of skills occur. For example, one of the three reference laboratories in fiscal year 1970 is cytogenetics where they can do special tissue typing which is necessary for organ transplants. This one reference laboratory would do that work for all the other VA hospitals. Another of the three would be for special hormone analysis. You cannot possibly do this in all of the hospitals. You have to concentrate your talents in some.

Mr. EVINS. You have about four categories in which you have entirely new units. The others are extensions.

Mr. WYMAN. What is a stereotactic brain surgery center? This is brand new. I am just curious.

Dr. ENGLE. This refers to the kind of surgery that is done for Parkinson's disease where through very complicated apparatus they can localize the region in the brain and decide how to get to it.

Dr. CHASE. It is done by viewing the skull in what amounts to three dimensions and in a three dimensional approach they can place probes within the brain tissue, localize them and destroy brain tissue of a type to relieve the symptoms. It is used not only in Parkinson's disease but to relieve untrackable pain.

Mr. WYMAN. How large a center would this be? What does it take in terms of personnel and equipment?

Dr. CHASE. What we are requesting is an average of 20 employment, and $240,000 to activate the three centers at Syracuse, N.Y., Durham, N.C., and Long Beach, Calif.

This is for a full year.

Mr. WYMAN. Thank you.

VA HOSPITAL STAFFING RATIOS

Mr. EVINS. What is the number of employees in a hospital relative to patients treated?

Dr. ENGLE. The overall average for the system is 1.26 employees for every patient.

Mr. EVINS. 1.2 to 1. What is the ratio in the general medical field outside the VA system?

Mr. MONK. More than three.

Mr. EVINS. About 3 to 1?

Mr. MONK. More than 3 to 1.

Dr. ENGLE. In our general hospital system it is about 1.5 to 1. But this is significantly lower than any community hospital.

Mr. EVINS. The reason for the lower employee per patient ratio is that most of them are in nursing care and not in the intensive care wards.

Dr. ENGLE. It is hard to make direct comparisons but our average length of stay is longer than in the community hospitals because we are dealing with a patient population that is older, with more chronic disease and more multiplicity of diseases.

Mr. EVINS. What is the desired ratio?

Dr. ENGLE. Some years ago we thought we knew enough to have specific figures. I think we have to acknowledge that we do not have any specific standard that is accurate. We know that it should be higher than what we have now because in the standards that we have developed we have shown that we are significantly short of staffing.

As an example, we have developed standards in nursing and our current figures would indicate that we are short about 6,000 people in our nursing services in general hospitals.

Mr. DRIVER. In that connection, the nursing beds that are operated by the VA are separate from this. This only includes acute medical care. The nursing staff ratio is about 0.74 to 1 in the nursing units that we operate.

This is in the general medical area.

Mr. EVINS. This is the general hospitals?

Mr. DRIVER. That is right, sir.

Mr. EVINS. I was looking at your chart on the bottom of page 3–25. You are trying to increase the ratio of employees per 100 patients.

Mr. DRIVER. That is right.

Mr. EVINS. General hospitals it is 149.1 in 1969 to 155.8 in 1970. That is a significant change.

Mr. DRIVER. We are trying to add 6.7 employees per 100 patients.

Mr. MONK. So the ratio will go up from 1.49 employees per patient to 1.55 employees per patient.

Mr. EVINS. I understand.

Mr. MONK. This table is in terms of 100 patients.

Mr. EVINS. In all VA hospitals it goes up from 120 to 125 per 100.

Mr. MONK. That is correct, sir.

Mr. EVINS. Again what is the desired ratio?

Dr. ENGLE. We cannot be absolutely sure but we think a reasonable standard would be 100 for the psychiatric hospitals. In other words, about a 1-to-1 ratio. And something in the neighborhood of 2 to 1 for the general hospital patients.

Mr. EVINS. Doctor, can't you shift some of your personnel around? We hear in some cases that they have employees running over one another.

In other places we hear they do not have enough doctors, nurses and attendants.

Dr. ENGLE. We are doing that in every way we can. That is the only way we can get by.

Mr. EVINS. You borrow from one to supply the other.

Dr. ENGLE. Yes, sir.

Mr. EVINS. You transfer from the hospitals where they are in excess to where the demand is great.

Dr. ENGLE. Yes, sir.

MEDICAL AND PROSTHETIC RESEARCH

Mr. EVINS. The Medical and Prosthetic Research appropriation which provides for the conduct of the VA medical research program and the development and testing of orthopedic and sensory aids to improve the care and rehabilitation of the disabled. It is a no-year-end appropriation for which funds unobligated at the end of the year remain available.

Insert pages 3–27 and 3–28 in the record.

(The pages follow:)

MEDICAL AND PROSTHETIC RESEARCH

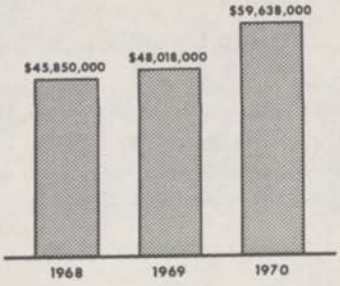
This appropriation provides funds for the conduct of the Veterans Administration's medical research program. It also provides for a prosthetic research program for the development and testing of prosthetic, orthopedic and sensory aids to improve the care and rehabilitation of the disabled. It is a "no year" appropriation in which funds unobligated at the end of a fiscal year are available for obligation in the ensuing fiscal year.

The general objectives of the programs are directed toward their important impact upon the Veterans Administration hospital patient care and teaching programs which are basic to the agency's medical mission. The primary goals are the development of excellent and diversified research and its application to all of the Veterans Administration patient care programs.

During fiscal year 1968, medical research activities were conducted in 145 Veterans Administration installations with a total of 5,450 investigators participating in the program.

Budget authority for 1970 increases $11,620,000 over the 1969 requirement.

BUDGET AUTHORITY



Program costs, financing and average employment for the past, current and budget years are as follows (dollars in thousands):

	1968	1969	1970	Change
Program:				
Medical	$ 43,797	$ 48,994	$ 57,961	+ $ 8,967
Prosthetic	1,386	1,457	1,677	+ 220
Total costs	45,183	50,450	59,638	+ 9,188
Adj. to obligations	403	...	...	...
Total obligations	45,586	50,450	59,638	+ 9,188
Financing:				
Unobligated balance available:				
Start of year	- 2,169	- 2,432	...	+ 2,432
End of year	2,432	...	...	...
Budget Authority	45,850	48,018	59,638	+ 11,620
Payraise supplemental included above	...	(1,168)	...	...

	1968	1969	1970	Change
Average Employment:				
Medical	3,459	3,479	3,970	+ 491
Prosthetic	36	38	45	+ 7
Total	3,495	3,517	4,015	+ 498

Because of the application to 1969 program requirements of 1968 unobligated balances, budget authority for 1970 increases $11,620,000 as contrasted with a program cost increase of $9,188,000. The additional funds will provide for increased costs of ongoing research activities and expansion of research in medical and prosthetic fields of particular significance to the Veterans Administration medical care mission.

Specifically the increase will provide for:

a. An average employment increase of 498 at a cost of $5,307,000, and $686,000 in other payroll costs, such as within grade average salary increases. This increase in employment will permit additional support for: approved research projects and co-operative studies; career development programs--clinical and medical investigators; new and expanded research in specific areas of particular need; and improving the standards of VA animal facilities.

b. Augmentation of research support, such as required supplies and materials, equipment, and laboratory alterations and improvements.

c. Expansion of efforts in prosthetic research and development.

Funds for research construction projects are not included in this account but are provided in the appropriation "Construction of Hospital and Domiciliary Facilities".

Mr. EVINS. How much did you carry over from last year in this appropriation fund?

Dr. ENGLE. Last fiscal year we carried forward $2,432,000.

Mr. EVINS. You jump from $45.9 million in 1968 to $48.0 million in 1969 and up to $59.6 million in 1970. You had a little over $2 million in carry-over. You are a little steep here.

Dr. ENGLE. That would represent a $9.2 million increase in costs in 1970.

Mr. EVINS. During 1968 medical research activities were conducted in 145 VA installations with a total of 5,450 investigators. What do these investigators do? What is the nature of the research?

Dr. CHALMERS. They deal largely with problems which are important to our long term understanding of medical illness and also in our VA hospitals they are interested in clinical problems related directly to the care of veterans.

These include problems of the management of coronary artery disease and alcoholism as we have discussed before, liver disease, which presents a very serious problem in VA hospitals, and cancer in collaboration with the National Cancer Institute.

Mr. EVINS. In 1968 you had $2,169,000 brought forward and in 1969 you had $2,432,000 brought forward at the start of the year. Do you estimate there will be a carry-over next year?

Mr. MONK. No, sir.

Mr. EVINS. It is no-year appropriation.

Mr. MONK. It is a no-year appropriation but we do not estimate a carry-over next year.

Mr. EVINS. You have for the past 2 years. I thought Dr. Engle said there would be over $2 million in obligated funds.

Dr. ENGLE. No, Mr. Chairman. I said we had a carryover at the start of the year.

Mr. EVINS. You contracted and committed it all.

Dr. CHALMERS. That was an obligatory carryover which we were not permitted to spend last year but was released for this year.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Mr. EVINS. Of the Medical Administration appropriation the exchange of medical information activity represents more than one-half of the requested increase of $2.5 million.

Dr. ENGLE. As we said a moment ago, this is to help the hospitals in the smaller communities.

Mr. MONK. $3 million per year for 5 years is the authority in the basic act.

Dr. ENGLE. We have never used the $3 million.

Mr. EVINS. We will place the charts on 3–29 and 3–31 in the record.

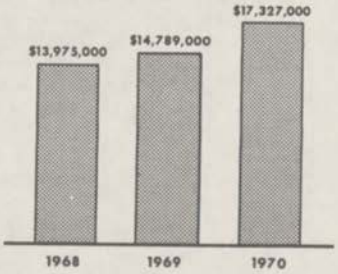
(The pages follow:)

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

This appropriation provides funds for: (1) Central Office administration and supervision of all Veterans Administration medical programs--including development and implementation of policies, plans and program objectives; (2) Postgraduate and Inservice Training activities in support of the various medical care programs--including costs of tuition, travel, lecturer's fees and training services and equipment; and (3) Exchange of Medical Information between the VA and other elements of the Nation's medical-scientific community.

Budget authority for 1970 increases $2,538,000 over the 1969 requirement.

BUDGET AUTHORITY



Program costs, financing and average employment for the past, current and budget years are as follows (dollars in thousands):

	1968	1969	1970	Change
Program:				
Medical administration....	$ 10,867	$ 11,667	$ 12,381	+ $ 714
Postgraduate and inservice training	1,868	2,148	2,946	+ 798
Exchange of medical information	146	974	2,000	+ 1,026
Total program costs	12,881	14,789	17,327	+ 2,538
Adj. to obligations	952	...	...	...
Total obligations	13,832	14,789	17,327	+ 2,538
Financing:				
Unobligated balance lapsing	143	...	...	...
Budget authority	13,975	14,789	17,327	+ 2,538
Payraise supplemental included above	...	(589)	...	...
Average employment.....	682	664	685	+ 21

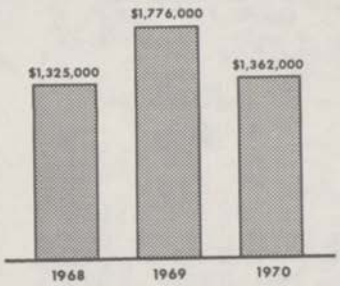
The increase of $2,538,000 over the amount appropriated for 1969 consists of: (1) $714,000 for Administration activities to provide for added costs related to the employment increase required to improve program management and evaluation and support the expansion of education and training activities, legislative and other payroll increases, and supply, equipment and other supportive costs; (2) $798,000 for Postgraduate and Inservice training activities to provide for additional educational assignments requiring travel, tuition support and lecture fees for Veterans Administration employees; and (3) $1,026,000 for Exchange of Medical Information activities at Veterans Administration hospitals not affiliated with medical schools, particularly for the educational grant program, installation of closed circuit educational television and augmentation of video tape capabilities.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES

This appropriation provides grants-in-aid to the Republic of the Philippines for medical care and treatment of eligible Philippine Commonwealth veterans and new Philippine Scouts, and for programs of medical research and training of health service personnel. In addition, $500,000 was appropriated in 1967 to remain available until expended, for making grants to assist in the replacement and upgrading of equipment and in rehabilitating the physical facilities of the Veterans Memorial Hospital.

Budget authority for 1970 decreases $414,000 from the 1969 level.

BUDGET AUTHORITY



Program costs and financing for the past, current and budget years are as follows (dollars in thousands):

	1968	1969	1970	Change
Program:				
Medical care and treatment	$ 1,222	$1,196	$1,262	+ $ 66
Medical research & training	63	100	100	...
Hospital rehabilitation and equipment	292	208	...	- 208
Total costs - obligations	1,577	1,504	1,362	- 142
Financing:				
Unobligated balance available:				
Start of year	- 500	- 208	...	+ 208
End of year	208	...	...	
Unobligated balance lapsing	40	480	...	- 480
Budget authority	1,325	1,776	1,362	- 414

This funding level is in accord with the provisions of Public Law 89-612, approved September 30, 1966, which expanded the scope of the grants program and extended it for five years to June 30, 1973. Costs decline by $142,000 reflecting an increase in patients treated and cost per patient day, more than offset by completion of budgeted hospital equipment, plant and rehabilitation efforts. Research and training grants are maintained at the $100,000 level authorized by law.

Major indicators of comparative program levels are as follows:

	1968	1969	1970	Change
Average daily patient census	453	437	452	+ 15
Cost per patient day	$ 7.37	$ 7.50	$ 7.65	+ $0.15
Patients treated	2,669	4,637	4,796	+ 159

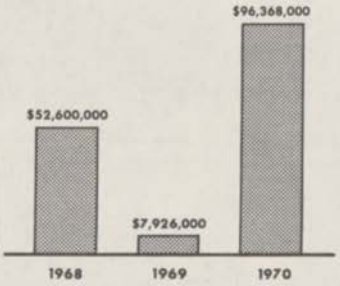
Mr. EVINS. Also insert pages 3–33 through 3–40 on Construction of Hospital and Domiciliary Facilities and Grants for Construction of State Nursing Homes.

(The pages follow:)

CONSTRUCTION OF HOSPITAL AND DOMICILIARY FACILITIES

The Construction of Hospital and Domiciliary Facilities appropriation provides for (1) construction of new facilities; (2) modernization of existing facilities; (3) alteration and improvement of facilities; and (4) expenses of the Office of Assistant Administrator for Construction. It provides funds for architectural planning and acquisition of sites in addition to construction funds.

BUDGET AUTHORITY

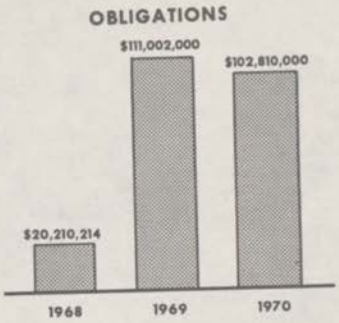


A comparison of budget authority by activity follows:

Activity	1968	1969	1970	Change
	(in millions of dollars)			
Hospitals:				
Replacement & Relocation.....	$33.6	$ .7	$27.9	+$27.2
Modernization.....	1.0	...	50.7	+ 50.7
Other Improvements.....	11.0	2.1	9.5	+ 7.4
Research Facilities.....	3.1	...	3.0	+ 3.0
Total Construction.....	48.7	2.8	91.1	+ 88.3
General Administration.....	3.9	5.1*	5.3	+ .2
TOTAL.....	52.6	7.9	96.4	+`88.5

*Expanded to include total cost of Office of Construction. Comparative cost for 1968 was $5.1 million.

A three year comparison of obligations follows:



The relationship of budget authority to obligation follows:

	1968	1969	1970
	(in millions of dollars)		
Budget Authority	$ 52.6	$ 7.9	$ 96.4
Unobligated Balance Brought Forward	+ 109.1	+ 141.5	+ 38.4
Unobligated Balance Carried Forward	- 141.5	- 38.4	- 32.0
OBLIGATIONS	20.2	111.0	102.8

The 1970 new budget authority provides funds for the following construction projects:

Project	Total Estimated Cost	Amount Requested
	(in thousands of dollars)	
New Projects		
Hampton, Virginia - Phase IV Modernization - Design Funds	$ 6,314	$ 358
Los Angeles, California - Phase III Modernization - Design Funds	15,087	800
Allen Park, Michigan - Centralized Tray & Dishwashing	120	120
Boston, Massachusetts - Improve Electrical System	382	382
Denver, Colorado - Expand Pathology Unit	242	242
Durham, North Carolina - Air Conditioning	3,422	3,418
Martinez, California - Complete Air Conditioning Bldg. No. 1	230	230

Project	Total Estimated Cost	Amount Requested
	(in thousands of dollars)	
New Projects - cont'd		
New Orleans, Louisiana - Convert 4 Elevators to Automatic	$ 136	$ 136
Wadsworth, Kansas - New Chapel	189	189
Wood, Wisconsin - Modernize Old Hospital for Domiciliary Use	2,500	2,500
Various Stations - Miscellaneous Projects $25,000 to $100,000	977	977
Various Stations - Education & Training Facilities	2,000	2,000
Continuing Projects		
San Antonio, Texas - 760 Bed Hospital - Construction Funds	26,912	25,412
Stony Brook, New York - 500 Bed Hospital - Design Funds	25,221	636
Tampa, Florida - 760 Bed Hospital - Construction Funds	21,641	1,800
Hines, Illinois - Phase II Modernization - Design Funds	12,937	232
Indianapolis, Indiana - 178 Bed Addition, Research, Outpatient Clinic Consolidation - Construction Funds	17,665	17,065
Muskogee, Oklahoma - General Modernization & Air Conditioning - Construction Funds	1,854	1,741
Phoenix, Arizona - 328 Bed Addition - Construction Funds	12,165	11,515
St. Louis, Missouri - Modernization & Research - Construction Funds	1,845	1,696
Tuskegee, Alabama - Modernization - Construction Funds	4,871	4,601
Waco, Texas - Modernization & Air Conditioning - Construction Funds	8,088	7,593
White River Junction, Vermont - Modernization - Construction Funds	3,137	2,537
Miami, Florida - 120 Bed Nursing Home - Construction Funds	1,411	1,340
Boston, Massachusetts - Research Addition - Construction Funds	1,949	687
Denver, Colorado - Research Addition - Construction Funds	1,456	1,379
Madison, Wisconsin - Research Addition - Construction Funds	1,583	592
Washington, D. C. - Research Addition - Construction Funds	1,749	354
Subtotals	176,083	90,532
Administrator's Discretionary Fund	500	500
TOTAL	176,583	91,032

A summary of obligations for 1969 and 1970, identifying major projects, follows:

Major Projects	Obligations 1969	Obligations 1970
	(in thousands of dollars)	
Design Contracts		
Chicago, Illinois (SS) - 500 Bed Hospital	$	$ 1,300
San Francisco, California - 540 Bed Building Replacement		660
Seattle, Washington - 240 Bed Addition & Modernization	650	
Stony Brook, New York (LI) - 500 Bed Hospital		1,400
Hampton, Virginia - Modernization		300
Hines, Illinois - Modernization Phase II		610
Indianapolis, Indiana - 178 Bed Addition, Air Conditioning & Outpatient Clinic	600	
Los Angeles, California - Modernize VA Center Phase III		600
Muskogee, Oklahoma - Modernization & Air Conditioning	85	
Phoenix, Arizona - 328 Bed Addition Phase I	595	
St. Louis, Missouri - Modernization & Research	100	
Durham, North Carolina - Air Conditioning		195
Louisville, Kentucky - Air Conditioning	125	
Wood, Wisconsin - Modernize Hospital Building for Domiciliary		VA Designed
Miami, Florida - 120 Bed Nursing Home	71	
Madison, Wisconsin - Research Addition	88	
Construction Contracts		
Lexington, Kentucky - 370 Bed Hospital Phase I	11,900	
San Antonio, Texas - 760 Bed Hospital & Outpatient Clinic		24,300
San Diego, California - 811 Bed Hospital & Outpatient Clinic	30,800	
Tampa, Florida - 720 Bed Hospital	18,810	
Dallas, Texas - Modernization	9,750	
Indianapolis, Indiana - 178 Bed Addition, Air Conditioning & Outpatient Clinic		16,020
Marion, Illinois - Modernization Phase I	2,400	
Muskogee, Oklahoma - Modernization & Air Conditioning		1,665
Phoenix, Arizona - 328 Bed Addition Phase I		10,900
St. Louis, Missouri - Modernization & Research		1,600
Tuskegee, Alabama - Modernization		4,300
Waco, Texas - General Modernization & Air Conditioning		7,100
White River Junction, Vermont - Modernization		2,950
West Haven, Connecticut - New Exterior Wall Surface	2,065	
Wood, Wisconsin - Modernize Hospital Building for Domiciliary		2,375
Miami, Florida - 120 Bed Nursing Home		1,242
Boston, Massachusetts - Research Addition	1,165	
Madison, Wisconsin - Research Addition		1,420
Durham, North Carolina - Air Conditioning		3,070
Ft. Wayne, Indiana - Air Conditioning		991
General Administration	5,322	5,336
Other Miscellaneous	26,476	14,476
TOTAL	111,002	102,810

General Administration provides for the expenses of the Office of Construction. This office is responsible for the preparation of preliminary plans, design, and construction of projects for Veterans Administration facilities, and related staff functions.

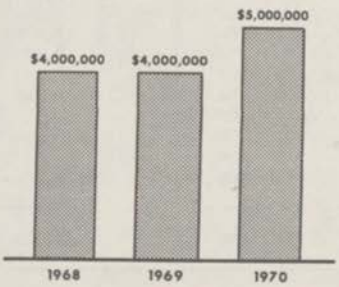
General Administration costs and employment for the past, current and budget years are as follows:

Employment & Costs	1968	1969	1970
Average Employment	395	373	373
Costs (in thousands)			
Personal Services	$4,786	$4,967	$4,967
Travel & Transportation of Things	117	156	167
Other Contractual Services	73	42	42
Other Costs	141	157	160
TOTAL	5,117	5,322	5,336

GRANTS FOR CONSTRUCTION OF STATE NURSING HOMES

This program provides for grants to assist the States in the construction of State home facilities for furnishing nursing care to war veterans. The grant may not exceed 50% of the total cost of the project and may not exceed not more than 1 1/2 beds per 1,000 war veterans in the State. Congress enacted the program August 19, 1964, (FY 1965) and authorized an appropriation of $5 million per year for the five year period 1965-1969. Appropriations are available for obligation for a period of three years. Grants are also provided to the States for one-half of the cost not to exceed $5.00 per day, of the care of veterans in these nursing homes under the Medical Care Appropriation. Public Law 90-432, dated July 26, 1968, extended the program five additional years, through 1974.

BUDGET AUTHORITY



Status of Authorizations, Appropriations and Obligations (FY 1965 through FY 1970) is as follows:

(in thousands of dollars)

FY	Authorization	Appropriation	Obligations
1965	$ 5,000	$ 0	$ 0
1966	5,000	2,500	2,291
1967	5,000	4,000	2,680
1968	5,000	4,000	5,207
1969	5,000	4,000	3,633 (est.)
1970	5,000	5,000 (est.)	5,000 (est.)
TOTAL	30,000	19,500	18,811

A total of $14.5 million has been appropriated through FY 1969. Commitments for grants have been made and funds obligated for the following projects:

(in thousands of dollars)

Location	Number of Beds	Estimated Total Cost	Amount of VA Participation
Augusta, Georgia.....	192	$ 2,065	$ 982
Bennington, Vermont (#1).....	22	252	122
Bennington, Vermont (#2).....	40	1,124	401
Bristol, Rhode Island.....	30	753	364
Ft. Dodge, Kansas.....	88	800	400
Grand Island, Nebraska.....	100	2,012	744
King, Wisconsin (#1).....	200	2,881	1,181
King, Wisconsin (#2).....	200	3,344	1,545
Marshalltown, Iowa.....	80	1,070	532
Menlo Park, New Jersey (#1)....	100	2,073	1,030
Menlo Park, New Jersey (#2)....	100	1,783	892
Norman, Oklahoma.....	50	460	230
Quincy, Illinois.....	200	2,717	1,359
Tilton, New Hampshire.....	50	580	290
Vineland, New Jersey (#1).....	100	1,297	592
Vineland, New Jersey (#2).....	100	2,305	858
TOTAL.....	1,652	25,516	11,522

The appropriation balance of $3.0 million is available for projects currently under review. Formal applications have been received for three such projects covering 239 beds with an estimated VA participation requirement of approximately $1.9 million. The States have indicated interest in constructing twelve additional projects under this program.

The 1970 appropriation request of $5 million will be required to cover projects for States that have expressed a desire to participate in the program. To date twelve States with projects to provide 1,743 beds have contacted VA with an interest in securing financial assistance under this program. This potential VA participation will amount to approximately $12.1 million.

Mr. EVINS. How many stations of all types do you have in the VA system?

Mr. DRIVER. 258.

Mr. EVINS. Prosthetic centers, canteen services, outpatient clinics, and so on, 258 various types of facilities within the VA. We will place in the record the rest of the summary pages.

(The pages follow:)

APPROPRIATION STRUCTURE

Fund requirements of the Veterans Administration are provided through 10 appropriations, 11 revolving funds and 3 trust funds, consisting of:

Appropriations

COMPENSATION AND PENSIONS: Payments for compensation, pensions and other miscellaneous benefits and allowances.

READJUSTMENT BENEFITS: Education and training, special assistance to disabled veterans.

VETERANS INSURANCE AND INDEMNITIES: Payments to Servicemen's Indemnity, National Service Life Insurance, Military and Naval Insurance, and Service-disabled Veterans insurance.

MEDICAL CARE: Maintenance and operation of VA facilities, outpatient care, contract care, and Grants for State home care.

MEDICAL AND PROSTHETIC RESEARCH: Medical research and prosthetic research.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES: Central Office medical administration, Medical education and training, and Exchange of medical information program.

GENERAL OPERATING EXPENSES: Staff Offices, Department of Data Management and Department of Veterans Benefits.

CONSTRUCTION OF HOSPITAL AND DOMICILIARY FACILITIES: Construction of new and replacement hospitals, modernizing existing hospitals and domiciliaries, minor improvement at field installations, construction for nursing homes, research construction and the cost of the Office of Assistant Administrator for Construction.

GRANTS FOR CONSTRUCTION OF STATE NURSING HOMES: Grants to assist States in construction of State home facilities for nursing care to veterans.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES: Medical care and treatment of Philippine veterans; medical research and training; and maintenance and equipment grants.

PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES: Established November 3, 1967 for payment of insufficiencies required by the trustee on account of outstanding participations in Direct Loan Revolving Fund assets or Loan Guaranty Revolving Fund assets.

Revolving Funds

LOAN GUARANTY REVOLVING FUND: Established July 1, 1961 to fund the non-administrative expenses incident to the management, operation and sale of properties acquired when veteran borrowers fail to keep up their payments on VA guaranteed or insured loans.

Revenue is derived principally from the sale of loans and participation certificates.

DIRECT LOAN REVOLVING FUND: Direct loans are made to veterans for the purchase, construction or improvement of homes in specified geographical areas where mortgage loans by private lenders and guaranteed by the VA cannot be secured.

CANTEEN SERVICE REVOLVING FUND: Established in 1946 to fund program to furnish merchandise and services to veterans in hospital and domicilaries.

RENTAL, MAINTENANCE AND REPAIR OF QUARTERS: Financing mechanism for maintaining housekeeping units located at VA hospital, Perry Point, Maryland that are leased to Federal employees.

SERVICE-DISABLED VETERANS INSURANCE FUND: Finances claim payments on non-participating policies issued to service-disabled veterans who served in the Armed Forces after April 25, 1951. Insures medically sub-standard veterans. Claim payments exceed premium receipts each year. Funds are derived from premium and V.I. & I. appropriation.

SOLDIERS' AND SAILORS' CIVIL RELIEF FUND: Finances claims arising from guaranty of premiums of commercial life insurance held by servicemen while in service and two years thereafter. Payments financed from collection of claims receivable and appropriations as needed.

VETERANS REOPENED INSURANCE: Established in 1965 as the financing mechanism for a program authorizing reopening of National Service Life Insurance for one year, for certain disabled veterans of World War II and the Korean Conflict.

VETERANS SPECIAL TERM INSURANCE FUND: Finances claims on nonparticipating insurance issued to veterans who served between April 25, 1951 and January 1, 1957.

VOCATIONAL REHABILITATION REVOLVING FUND: Loans are made up to $100 to disabled veterans eligible for vocational rehabilitation who are without sufficient funds to meet their expenses. Repayments are used to make new loans.

SERVICEMEN'S GROUP LIFE INSURANCE: Established in 1965 as the financing mechanism to provide Group Life Insurance to members of the uniformed forces on active duty. Premiums, including the cost of administration, are deducted monthly from the Servicemens' pay and remitted by each uniform service to the VA and in turn to the primary insurer. The Government contributes toward the military extra hazard cost by paying for all death claims over a certain maximum as defined by law.

SUPPLY REVOLVING FUND: A self sustaining revolving fund. Finances, on a reimbursable basis, the procurement of supplies and equipment throughout the VA; and three Supply Depots.

Trust Funds

GENERAL POST FUND: Consists of gifts, bequests, and proceeds of property left in the care of VA facilities by former beneficiaries, unpaid pension money standing to the credit of beneficiaries who die without pensionable heirs and proceeds from effects of such beneficiaries who die leaving no heirs or without having otherwise disposed of their estates. Such funds are used to promote the comfort and welfare of veterans at hospitals and homes where no general appropriation is available.

NATIONAL SERVICE LIFE INSURANCE FUND: Started in 1940 as financing mechanism for World War II insurance. Closed to new issues in 1951. Income derived from premiums, interest and transfers from Veterans Insurance and Indemnities appropriation.

UNITED STATES GOVERNMENT LIFE INSURANCE FUND: Started 1919 as financing mechanism for converted insurance issued under War Risk Insurance Act of 9/2/14, as amended. Closed to new issues April 1951. Income derived from premiums, interest on investments and transfers from Veterans Insurance and Indemnities appropriation.

VA STATIONS BY TYPE

(as of November 30, 1968)

CENTRAL OFFICE

Washington,D.C.

CANTEEN SERVICE FIELD OFFICES

Atlanta, Ga.
New York, N.Y.
San Francisco, Calif.
St. Louis, Mo.
Washington, D.C.

DATA PROCESSING CENTERS

Austin, Tex.
Hines, Ill.
Los Angeles, Calif.
Philadelphia, Pa.
St. Paul, Minn.
Washington, D.C.

PROSTHETIC CENTER

New York, N.Y.

VETERANS BENEFITS OFFICE

Washington,D.C.

REGIONAL OFFICE AND INSURANCE CENTER

Philadelphia,Pa.
St. Paul Minn.

MARKETING CENTER

Hines, Ill.

RECORDS PROCESSING CENTER

St. Louis, Mo.

FOREIGN OFFICES

Manila, Philippines
Balboa, Canal Zone
Rome, Italy (VA Office for Europe)
Mexico City, Mexico

SUPPLY DEPOTS

Hines, Ill.
Bell, Calif. 1/
Somerville, N.J.

REGIONAL OFFICE AND HOSPITAL CENTERS

Togus, Maine
White River Junction, Vt.
Jackson, Miss.
Des Moines, Iowa
Fort Harrison, Mont.
Fargo, N. Dak.
Sioux Falls, S. Dak.
Cheyenne, Wyo.
Boise, Idaho
Wichita, Kans.
Reno, Nev.
San Juan, P.R.

REGIONAL OFFICES

Boston, Mass.
Providence, R.I.
New York, N.Y.
Buffalo, N.Y.
Hartford, Conn.
Newark, N.J.
Pittsburgh, Pa.
Baltimore, Md.
Roanoke, Va.
Huntington, W.Va.
Atlanta, Ga.
St. Petersburg, Fla.
Winston-Salem, N.C.
Columbia, S.C.
Nashville, Tenn.
New Orleans, La.
Montgomery, Ala.
Cleveland, Ohio
Indianapolis, Ind.
Louisville, Ky.
Chicago, Ill.
Detroit, Mich.
Milwaukee, Wis.
St. Louis, Mo.
Lincoln, Nebr.
Denver, Colo.
Albuquerque, N. Mex.
Salt Lake City, Utah
San Francisco, Calif.
Los Angeles, Calif.
Phoenix, Ariz.
Seattle, Wash.
Portland, Oreg.
Waco, Tex.
Little Rock, Ark.
Muskogee, Okla.
Manila, Philippines
Honolulu, Hawaii
Wilmington, Del.
Houston, Tex.
Juneau, Alaska
Manchester, N.H.

OUTPATIENT CLINICS (INDEPENDENT)

Boston, Mass.
Brooklyn, N.Y.
Los Angeles, Calif.
Lubbock, Texas
Philadelphia, Pa.
San Antonio, Texas

HOSPITALS AND DOMICILIARIES

Albany, N.Y.
Albuquerque, N.Mex.
Alexandria, La.
Allen Park, Mich.
Altoona, Pa.
Amarillo, Texas
American Lake,
Tacoma, Wash.
Ann Arbor, Mich.
Atlanta, Ga.
Augusta, Ga.
* Forest Hills Division
* Lenwood Division
Baltimore, Md.
Batavia, N.Y.
Bath, N.Y.
Battle Creek, Mich.
Bay Pines, Fla.
Beckley, W.Va.
Bedford, Mass.
Big Spring, Texas
Biloxi, Miss.
*Biloxi Division
* Gulfport Division
Birmingham, Ala.
Bonham, Texas
Boston, Mass.
Breckville, Ohio
Brockton, Mass.
Bronx, N.Y.
Brooklyn, N.Y.
Buffalo, N.Y.
Butler, Pa.
Canandaigua, N.Y.
Castle Point, N.Y.
Charleston, S.C.
Chicago, Ill. (Res.)
Chicago, Ill. (S.Side) 1/
Chicago, Ill. (W.Side)
Chillicothe, Ohio
Cincinnati, Ohio
Clarksburg, W.Va.
Cleveland, Ohio
Coatesville, Pa.
Columbia, Mo. 1/
Columbia, S.C.
Dallas, Texas
Danville, Ill.
Dayton, Ohio
Denver, Colo.
Downey, Ill.
Dublin, Ga.
Durham, N.C.
East Orange, N.J.
Erie, Pa.
Fayetteville, Ark.
Fayetteville, N.C.
Fort Howard, Md.
Fort Lyon, Colo.
Fort Meade, S. Dak.
Fort Wayne, Ind.
Fresno, Calif.
Gainesville, Fla.
Grand Island, Nebr
Grand Junction, Colo.
Hampton, Va.
Hines, Ill.
Hot Springs, S. Dak.
Houston, Texas
Huntington, W.Va.
Indianapolis, Ind.
*Cold Spring Road Division
*Tenth Street Division
Iowa City, Iowa
Iron Mountain, Mich.
Jefferson Barracks, Mo.
Kansas City, Mo.
Kerrville, Texas
Knoxville, Iowa
Lake City, Fla.
Lebanon, Pa.
Lexington, Ky.
Lincoln, Nebr.
Little Rock, Ark.
*Little Rock Division
*North Little Rock Division
Livermore, Calif.
Long Beach, Calif.
Los Angeles, Calif.
*Brentwood Division
*Wadsworth Division
*Hazard Park 1/
Louisville, Ky.
Lyons, N.J.
Madison, Wis.
Manchester, N.H.
Marion, Ill.
Marion, Ind.
Marlin, Texas
Martinez, Calif.
Martinsburg, W.Va.
Memphis, Tenn.
Miami, Fla.
Miles City, Mont.
Minneapolis, Minn.
Montgomery, Ala
Montrose, N.Y.
Mountain Home, Tenn.
Murfreesboro, Tenn.
Muskogee, Okla.
Nashville, Tenn.
Newington, Conn.
New Orleans, La.
New York, N.Y.
Northampton, Mass.
Northport, N.Y.
Oklahoma City, Okla.
Omaha, Nebr.
Oteen, N.C.
Palo Alto, Calif.
*Menlo Park Division
*Palo Alto Division
Perry Point, Md.
Philadelphia, Pa.
Phoenix, Ariz.
Pittsburgh, Pa.
(Leech Farm)
Pittsburgh, Pa.
*Aspinwall Division
*Pittsburgh Division
Poplar Bluff, Mo.
Portland, Oreg.
Prescott, Ariz.
Providence, R.I.
Richmond, Va.
Roseburg, Oreg.
Saginaw, Mich.
St. Cloud, Minn.
St. Louis, Mo.
Salem, Va.
Salisbury, N.C.
Salt Lake City, Utah
San Antonio, Texas 1/
San Diego, Calif. 1/
San Fernando, Calif.
San Francisco, Calif.
Seattle, Wash.
Sepulveda, Calif.
Sheridan, Wyo.
Shreveport, La.
Spokane, Wash.
Stony Brook
Long Island, N.Y. 1/
Syracuse, N.Y.
Tampa, Fla. 1/
Temple, Texas
Tomah, Wis.
Topeka, Kans.
Tucson, Ariz.
Tuscaloosa, Ala.
Tuskegee, Ala.
Vancouver, Wash.
Waco, Texas
Wadsworth, Kans.
Walla Walla, Wash.
Washington, D.C.
West Haven, Conn.
West Roxbury, Mass.
White City, Oreg. 2/
Wilkes-Barre, Pa.
Wilmington, Del.
Wood, Wis.

1/ Hospital not activated.
2/ Domiciliary which has no hospital
* Separate hospitals.

Mr. EVINS. We have had an overall look at the budget. Tomorrow we will go into volume 2 and the next day volume 3 for a further review.

TUESDAY, MARCH 18, 1969.

Mr. EVINS. The committee will come to order. We will resume our hearings this morning with our friends of the Veterans' Administration and take up volume 2 of the 1970 budget estimates.

GENERAL OPERATING EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Direct program costs:			
1. General administration	18,834	20,770	21,486
2. Data management	12,673	14,318	22,947
3. Veterans benefits:			
(a) Executive direction	4,851	5,147	5,221
(b) Contact	9,710	11,589	11,853
(c) Compensation, pension, and education	49,783	53,170	59,893
(d) Loan guaranty	23,552	23,740	25,819
(e) Guardianship	13,325	13,899	14,354
(f) Insurance	7,721	7,745	7,654
(g) Office services	48,743	52,589	53,838
Total direct program costs, funded	189,192	202,967	223,065
Reimbursable program:			
1. General administration	49	14	14
2. Data management	110	205	430
3. Veterans benefits:			
(b) Contact	104	102	102
(d) Loan guaranty	110	100	----
(e) Guardianship	36	28	28
(f) Insurance	693	670	670
(g) Office services	55	25	25
Total reimbursable program costs	1,157	1,144	1,269
Total program cost funded [1]	190,349	204,111	224,334
Change in selected resources [2]	−350	−549	----
Total obligations	189,999	203,562	224,334
Financing:			
Receipts and reimbursements from: Federal funds	−1,157	−1,144	−1,269
Unobligated balance lapsing	340	----	----
Budget authority	189,182	202,418	223,065
Budget authority:			
Appropriation	189,221	195,000	223,065
Transferred to other accounts	−39	−482	----
Appropriation (adjusted)	189,182	194,518	223,065
Proposed supplemental for civilian pay act increases	----	7,900	----
Relation of obligations to outlays:			
Obligations incurred, net	188,842	202,418	223,065
Obligated balance, start of year	11,720	11,692	11,692
Obligated balance, end of year	−11,692	−11,692	−11,692
Adjustments in expired accounts	−429	----	----
Outlays, excluding pay increase supplemental	188,441	194,818	222,765
Outlays from civilian pay act supplemental	----	7,600	300

[1] Includes capital outlay as follows: 1968, $1,264,000; 1969, $1,072,000; 1970, $9,810,000.
[2] Selected resources as of June 30 are as follows (in thousands of dollars):

	1967	1968 adjustments	1968	1969	1970
Unpaid undelivered orders	1,596	−72	1,177	628	628
Advances	7	----	4	4	4
Total selected resources	1,603	−72	1,181	632	632

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimated	1970 estimated
Personnel compensation:			
Permanent positions	149,971	160,065	166,870
Positions other than permanent	1,696	1,954	2,268
Other personnel compensation	1,011	437	1,358
Total personnel compensation	152,678	162,456	170,496
Direct costs:			
Personnel compensation	151,990	161,793,	169,833
Personnel benefits: Civilian employees	12,229	12,906	13,534
Travel and transportation of persons	2,865	3,183	3,543
Transportation of things	1,141	1,131	1,097
Rent, cummunications, and utilities	7,238	8,928	9,505
Printing and reproduction	2,009	2,239	2,255
Other services	6,945	7,502	8,299
Supplies and materials	1,459	1,555	1,531
Equipment	1,264	1,072	9,810
Grants, subsidies, and contributions	1,899	2,600	3,600
Insurance claims and indemnities	153	58	58
Total direct costs	189,192	202,967	223,065
Reimbursable costs:			
Personnel compensation	688	663	663
Personnel benefits: Civilian employees	50	47	47
Travel and transportation of persons	23	13	13
Rent, communications, and utilities	47	178	405
Printing and reproduction	61	43	43
Other services	283	195	93
Supplies and materials	5	5	5
Total reimbursable costs	1,157	1,144	1,269
Total costs, funded	190,349	204,111	224,334
Change in selected resources	−350	−549	
Total obligations	189,999	203,562	224,334

PERSONNEL SUMMARY

Total number of permanent positions	19,552	19,130	19,813
Full-time equivalent of other positions	358	392	405
Average number of all employees	18,634	18,561	19,005
Average GS grade	6.9	7.0	7.0
Average GS salary	$8,300	$8,824	$8,914

Let us take a look at general operating expenses.

Mr. Administrator, you are asking for $223,065,000 for general operating expenses appropriation. This does not include general administration under "Construction of hospital and domiciliary facilities appropriation" or medical administration under "Medical administration and miscellaneous operating expenses appropriation" in the Department of Medicine and Surgery. Can you supply for the record at this point, together with the administrative cost for general operating expenses, the other two, so we can have a total.

Mr. DRIVER. Yes, sir.

(The information requested follows:)

Cost of administration

	1970 estimate
General operating expenses	$223,065,000
Medical administration and miscellaneous operating expenses: Medical administration	12,381,000
Construction of hospital and domiciliary facilities: General administration	5,336,000
Total	240,782,000

Mr. EVINS. Now for the first part of general operating expenses cost you are asking for an increase of $16,047,000. This is broken down on page 1–2.

PURCHASE/LEASE OF COMPUTERS

One of the large increases is for the purchase of 22 computers, presently leased. I notice you are going to lease two additional large computers. What is the policy decision for purchasing some and leasing others? Surely by now you must have arrived at a conclusion it is more economical to purchase than to lease or it is more feasible to lease than to purchase, but you follow both practices.

Mr. MONK. Mr. Chairman, we would like to purchase them all.

Mr. EVINS. I notice in your budget some are to be leased and some are to be purchased.

Mr. MONK. We requested money in the budget to purchase all of the computers, but we compromised.

Mr. EVINS. You feel it is more economical to purchase rather than lease but the Budget Bureau did not approve funds to purchase them all?

Mr. MONK. That is correct.

Mr. EVINS. Do you hope to purchase the additional two computers within a few years?

Mr. MONK. Yes, sir.

Mr. TALCOTT. When you purchase them at the beginning aren't you likely to make some pretty bad mistakes and buy a machine you do not need and then are stuck with it?

Mr. MONK. That could be possible, but it is not very probable in our case.

Mr. TALCOTT. Isn't the benefit of leasing the first year to see if you can use the machine and if the manufacturer will provide the machine that will perform the function you want it to perform?

Mr. MONK. There is some advantage to that, Mr. Talcott. Of course, we get a credit. If we purchase within the first few years, we get a credit back on a certain amount of the lease money we had paid. They will apply a certain portion of what we have paid as rental toward the purchase price.

Mr. TALCOTT. Can you put in the record that portion of the typical lease-purchase agreement?

(The information follows:)

The following represents a typical purchase/option contract from an authorized Federal supply schedule price list:

EXERCISE OF PURCHASE OPTION

(*a*) *Terms and conditions*

Machines purchased by exercise of the option under paragraph 17, special item 132–4, shall be subjected to the terms and conditions in this paragraph 12.

(*b*) *Prices*

(1) The purchase price for a machine purchased under this contract shall be IBM's established price on the date the option is exercised, less a credit determined by multiplying the purchase option percentage applicable to the machine during the period of accrual by the basic monthly rental and extra use charges (exclusive of any single use-charges or any taxes while rented under special item 132–4) paid by the Government for such machine during the fol-

lowing accrual periods, as applicable. Any extra use charges averaged under rental shall be credited on the same averaged basis.

(*a*) For a machine which was being rented by the Government under contract GS–00S–54453 on October 1, 1965, the accrual period shall be from October 1, 1965, through either the day before the effective date of purchase, or September 30, 1967, whichever occurs first.

(*b*) For a machine rented by the Government under a Federal supply schedule contract and having the first day of basic monthly rental after October 1, 1965, the accrual period shall begin on the first day of basic monthly rental and continue through the day before the effective date of purchase, but in no event for more than 2 years.

Special features removed prior to the effective date of purchase shall be excluded from the entire credit computation; machine capacity decreases shall likewise be treated as having occurred at the beginning of the accrual period.

(2) The purchase price for a machine which was being rented by the Government under contract GS–00S–54453 on October 1, 1965, and which thereafter remains on continuous rental within the Government until purchased, shall be the lower of either—

(*a*) The purchase price under the provisions of paragraph 12.b.(1), or

(*b*) For machines shown in the price list as having been announced prior to November 1, 1963, refer to paragraph 13 on this contract.

	Description	Type	Model	Item 132-4 Basic Monthly Rental	Item 132-9 Purchase Price (Excluding Taxes)	Item 132-13 Maintenance Group	Monthly Charge	Per-Call Class	Recording Class	Availability Status	Option %
*	ALPHABETICAL ACCOUNTING MACH	403	K 1	400.00	20,600.00	C	97.25	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	K 2	375.00	19,460.00	C	92.75	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	R50	400.00	21,410.00	C	82.25	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	R51	360.00	20,000.00	C	77.25	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	R52	330.00	19,270.00	C	75.75	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	R53	375.00	20,270.00	C	77.75	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	R54	385.00	21,140.00	C	80.50	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	R55	355.00	20,410.00	C	79.25	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	S50	320.00	21,380.00	C	78.75	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	S51	285.00	19,970.00	C	73.75	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	S52	260.00	19,240.00	C	72.50	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	S53	295.00	20,240.00	C	74.50	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	S54	310.00	21,110.00	C	77.00	1	2	B	60%
*	ALPHABETICAL ACCOUNTING MACH	403	S55	285.00	20,380.00	C	76.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XA1	590.00	28,200.00	C	134.00	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XA2	565.00	27,060.00	C	130.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XD1	565.00	27,930.00	C	132.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XD2	540.00	26,790.00	C	127.75	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XK1	520.00	27,200.00	C	130.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XK2	495.00	26,060.00	C	125.75	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XR0	500.00	27,910.00	C	115.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XR1	460.00	26,500.00	C	110.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XR2	430.00	25,770.00	C	108.75	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XR3	475.00	26,770.00	C	110.75	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XR4	485.00	27,640.00	C	113.50	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XR5	455.00	26,910.00	C	112.25	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XS0	420.00	27,880.00	C	111.75	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XS1	385.00	26,470.00	C	106.75	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XS2	360.00	25,740.00	C	105.50	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XS3	395.00	26,740.00	C	107.50	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XS4	410.00	27,610.00	C	110.00	1	2	B	60%
*	COMPUTING ACCOUNTING MACHINE	403	XS5	385.00	26,880.00	C	109.25	1	2	B	60%
*	ACCOUNTING MACHINE	407	A 1	800.00	50,350.00	C	149.00	1	2	B	55%
*	ACCOUNTING MACHINE	407	A 2	835.00	52,100.00	C	152.00	1	2	B	55%
*	ACCOUNTING MACHINE	407	A 3	920.00	56,350.00	C	171.00	1	2	B	55%
*	ACCOUNTING MACHINE	407	E 4	675.00	45,450.00	C	134.00	1	2	B	55%
*	ACCOUNTING MACHINE	407	E 8	400.00	30,720.00	C	49.00	1	2	B	55%
	ACCOUNTING MACHINE	407	F 4	500.00	29,400.00	C	120.00	1	2	B	55%
	ACCOUNTING MACHINE	407	F 5	425.00	29,200.00	C	100.00	1	2	B	55%
*	ACCOUNTING MACHINE	407	F 6	375.00	29,000.00	C	90.00	1	2	B	55%
	ACCOUNTING MACHINE	407	F 7	320.00	28,800.00	C	80.00	1	2	B	55%
*	COMPUTING ACCOUNTING MACHINE	407	XA1	930.00	57,050.00	C	182.00	1	2	B	55%
*	COMPUTING ACCOUNTING MACHINE	407	XA2	965.00	58,800.00	C	185.00	1	2	B	55%
*	COMPUTING ACCOUNTING MACHINE	407	XA3	1,050.00	63,050.00	C	204.00	1	2	B	55%
*	COMPUTING ACCOUNTING MACHINE	407	XE4	805.00	52,150.00	C	167.00	1	2	B	55%
	COMPUTING ACCOUNTING MACHINE	407	XF4	630.00	36,180.00	C	158.00	1	2	B	55%
	COMPUTING ACCOUNTING MACHINE	407	XF5	545.00	35,800.00	C	133.00	1	2	B	55%
*	COMPUTING ACCOUNTING MACHINE	407	XF6	475.00	35,500.00	C	123.00	1	2	B	55%
	COMPUTING ACCOUNTING MACHINE	407	XF7	420.00	35,300.00	C	113.00	1	2	B	55%
*	ACCOUNTING MACHINE	408	A 1	1,055.00	63,300.00	C	237.00	1	2	B	55%
*	ACCOUNTING MACHINE	408	A 2	1,090.00	65,400.00	C	248.00	1	2	B	55%
*	ACCOUNTING MACHINE	408	A 3	1,175.00	70,500.00	C	271.00	1	2	B	55%
*	ACCOUNTING MACHINE	409	A 1	1,365.00	79,300.00	C	257.00	1	2	B	55%
*	ACCOUNTING MACHINE	409	A 2	1,400.00	81,400.00	C	268.00	1	2	B	55%
*	ACCOUNTING MACHINE	409	A 3	1,485.00	86,500.00	C	291.00	1	2	B	55%
*	NUMERICAL ACCOUNTING MACHINE	416	C 7	220.00	17,575.00	C	68.50	1	**	B	55%
*	NUMERICAL ACCOUNTING MACHINE	416	C14	180.00	14,550.00	C	64.75	1	**	B	55%
*	NUMERICAL ACCOUNTING MACHINE	416	E16	155.00	13,900.00	C	57.50	1	**	B	55%
*	NUMERICAL ACCOUNTING MACHINE	416	F16	140.00	13,850.00	C	54.75	1	**	B	55%
*	NUMERICAL ACCOUNTING MACHINE	419	A 1	425.00	19,650.00	C	68.50	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	A 2	400.00	18,300.00	C	63.75	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	A 7	415.00	19,500.00	C	66.50	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	A 8	390.00	18,150.00	C	61.75	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	A12	335.00	16,420.00	C	56.75	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	B 1	400.00	19,460.00	C	66.25	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	B 2	375.00	18,110.00	C	61.00	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	C 1	355.00	19,240.00	C	64.00	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	C 2	330.00	17,890.00	C	58.75	1	2	B	60%
*	NUMERICAL ACCOUNTING MACH	419	C 6	275.00	16,160.00	C	54.00	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	C14	255.00	15,920.00	C	49.50	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	D14	230.00	15,890.00	C	41.75	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	P 1	430.00	19,990.00	C	96.75	1	2	B	60%
*	NUMERICAL ACCOUNTING MACHINE	419	T 1	185.00	12,250.00	C	36.50	1	2	B	60%
*	NUMERICAL ACCOUNTING MACH	419	T 2	195.00	12,400.00	C	38.50	1	2	B	60%
*	REPRODUCING PUNCH	513	3	100.00	5,300.00	C	56.50	1	**	B	55%
*	REPRODUCING PUNCH	514	1	125.00	6,000.00	C	39.25	1	2	B	50%
*	REPRODUCING PUNCH	514	2	110.00	5,550.00	C	38.75	1	2	B	50%
*	REPRODUCING PUNCH	514	3	100.00	5,600.00	C	37.50	1	2	B	50%

* = Announced prior to 11-1-65

Recording Class

** = Information required to meter, if practicable, will be furnished upon request.

UNL = This is an unlimited use machine.

Availability Status

A = Available

B = Supply subject to availability. Any such machines subject to availability which may be furnished for purchase upon initial installation will be newly manufactured as provided in Paragraph 3.b. of Special Item 132-9.

Mr. BUDD. Yes, sir. Most companies have the policy that the first 2 years anywhere between 50 and 55 percent of your rental cost is credited to the purchase of that piece of equipment.

Mr. TALCOTT. That is a good deal, isn't it?

Mr. BUDD. Yes, sir; except that if you are going to have long-term use of that computer, you actually are spending in those first 2 years substantial sums which could go toward the purchase of that computer. If you are paying a million dollars a year lease for a computer and you are going to keep it for many years, that means that $500,000 is lost to you. It goes for the lease purposes. Only $500,000 goes to credit. Our particular situation is such that we do not feel we have the prospect of not keeping these computers.

We know that these are the ones we want. Our experience has been such that the computers we bought in 1960, 1961, 1962, we still have and are still using. They have proven to be very worthwhile purchases and computers that we need for the coming years.

Mr. TALCOTT. Has it been necessary for you to sell any of the computers you purchased?

Mr. BUDD. No, sir. We have every computer we obtained in the early 1960's in full use.

Mr. TALCOTT. Are they the card type?

Mr. BUDD. We have some card type and some tape type and disc type and the various techniques.

Mr. TALCOTT. As soon as you can implement the tape and disc type you will want to get rid of the card type because they are inefficient as compared to the tape.

Mr. BUDD. Not for many years. We have so many activities in our agency, as massive as it is, that have not been converted that we will use punchcards for many years. Even though we are using some of the new techniques. We see ourselves using the punchcards for many years. The purchase of these computers will more than amortize themselves even with purchase at this point.

Mr. TALCOTT. One other general question on computers.

Most of yours are IBM's, do you have some sort of deal or collusion to just buy theirs? There must be computers on the market that are as good, yet you seem to be stuck with IBM.

Mr. BUDD. No, sir. We do have a Honeywell computer. There are digital PDP computers in the VA. Most of them are IBM, you are right. In each instance we make a detailed study and analysis of the computers available. We then select the one which offers the most economic advantage to the Federal Government. I can say that the VA has not had any difficulty from other manufacturers. The other corporations are certainly competitive. They have not in any way complained as to our selection. They recognize that our selection is a proper one.

Mr. JONAS. If the gentleman would yield, if you will look at page 1–71 you will see a long list of IBM's, and I do not see anything else on there except one Honeywell.

Mr. BUDD. Yes, sir.

Mr. JONAS. Do you acquire these computers on a competitive basis?

Mr. BUDD. Yes, sir, we do.

Mr. JONAS. Who draws the specifications?

Mr. BUDD. We always draw the specifications.

Mr. JONAS. Do you draw them so they are tailormade to fit only one manufacturer's product?

Mr. BUDD. Absolutely not.

Mr. JONAS. Do you have a list of your specifications so we can take a look at them.

Mr. BUDD. Yes, sir.

(A copy of the clinical lab info processing system specifications was furnished to the committee.)

Mr. JONAS. I do not see how one manufacturer of equipment can get 95 percent of your business, since the field is so competitive.

Mr. BUDD. If I may, sir, I believe the latest inventory of computers in the Federal Government as of June 30, 1968, IBM has 28 percent.

Mr. JONAS. Let us keep it with VA. You are not running the rest of the Government. You certainly have not distributed your business around among the manufacturers, with only one computer out of the whole list manufactured by other than the one company.

Mr. BUDD. I would like to suggest, sir, there are other reasons. Once you get into a position of having a certain computer, these computers must be compatible. Different manufacturers are not all compatible. When you consider a new competitive situation of procuring more computers, you have to consider the cost to you of the programing that would be involved and compatibility and flexibility in the use of those computers. All of these factors enter into any consideration for an additional computer.

Mr. TALCOTT. The thing that disturbs me and maybe some of the other people is that once you obtain a computer and you target in on one, then it seems to me they have carte blanche the rest of the time and you are a big organization. They know that no other computer would be acceptable to you. So they can charge you any price they want, practically.

Mr. BUDD. No, sir. The prices are predicated on the Federal supply schedule which is negotiated every year by the GSA. We are not in a position of any negotiation, so to speak. The prices are set by the GSA in negotiations with the manufacturers.

Mr. TALCOTT. So the VA can buy the computer at the same price as any other Government agency?

Mr. BUDD. Yes, sir.

Mr. JONAS. I thought you just told me these were acquired on a competitive bid basis.

Mr. BUDD. Yes, sir. Maybe I can explain that better. I am sorry I did not do well. The last computer that we needed was for a clinical laboratory operation in Boston.

We drew up specifications, and the supply service issued an invitation to bid. It went out to some 16 to 20 computer manufacturers. They looked at the specifications and they came in with proposals as to how and what they would charge for the hardware to meet this particular specification. In this particular case it came out an IBM computer, a small 1800. That is the competition. We have no difficulty in that.

Mr. EVINS. What is the average annual maintenance cost when you are leasing computers in the VA? What is going to be your maintenance cost after you purchase them?

Mr. BUDD. When you lease a computer the lease cost includes the maintenance. We are at this point, with the computers we own—paying a quarter of a million dollars.

RENTAL CREDITS AND MAINTENANCE

Mr. EVINS. When you purchase a computer the payments you made are deducted from the purchase cost. The annul payments you made for leasing are partially applied to the purchase price.

Mr. MONK. Fifty percent.

Mr. BUDD. Yes, sir. I thought you were referring to the cost of maintaining a computer.

Mr. EVINS. The leasing cost is deducted in the amount of 50 percent when you purchase.

Mr. BUDD. Yes.

Mr. EVINS. You have some figures in here, maintenance cost after you purchase.

Mr. BUDD. Yes. The computer like the automobile has to have preventive maintenance. It has to be oiled and greased.

Mr. EVINS. Can't you train your people to be skilled to do the maintenance? This is tied in with the contract. This is where the difficulty is. You are locked in the contract. You buy it outright and then you are tied to using their maintenance service at a good price for the life of the computer.

Mr. MONK. We are working with GSA right now to try to determine whether it would be possible for us to train and maintain people for maintenance purposes.

Mr. EVINS. I think you could do that. They have you locked in. I think it is very fine to purchase these computers, but I dislike the idea of having to pay a high service fee to them after you own them outright.

Mr. TALCOTT. Mr. Chairman, there is another problem. I hope I am not getting out of order because the computers come up a little later. After we buy a computer then we have to have people on our own payroll to operate, maintain, and service and do all of these things. It is my understanding that there is a great shortage of computer personnel, that we just don't have sufficient personnel in the Federal Government to operate the computers we have.

Mr. MONK. This is one of the problems, Mr. Talcott, in deciding whether we should attempt to do our own maintenance with in-house personnel or contract.

Mr. TALCOTT. Have you talked to the Civil Service Commission about their training programs for training people involved in computers?

Mr. BUDD. Yes.

Mr. MONK. We have been involved with GSA and Civil Service Commission, yes, sir.

Mr. TALCOTT. This seems to be a serious problem to me, that we are not keeping abreast of modern "technocracy."

Mr. DRIVER. The fact remains that even paying them to service the equipment it is cheaper to buy it than to rent it, over the years.

Mr. EVINS. Mr. Administrator, in the future when you purchase these computers see if you can get out of the contract to pay an annual

service fee. I think it is fine to purchase them, but after you purchase them, they are on the payroll. See if you cannot get out from that contract. That will save some money.

I throw that out as a suggestion.

Mr. TALCOTT. How many more computers do you expect to buy in the next 10 years?

Mr. BUDD. At this point we are ask'ng for money to add one computer in July, and that is the extent of our plan. That happens to be the last procurement in our plan for ADP. This is a 5-year plan we developed in 1964.

Mr. TALCOTT. After we buy this you won't come back to us for 5 years for another one?

Mr. BUDD. I do not think we should say that because I do not think we are wise enough to foresee the future. New programs are developed, new laws are passed, we have new ideas of what can or cannot be automated. I think to make a blanket statement to say that this is the end would be a foolish statement on my part.

Mr. TALCOTT. I would not want that.

Mr. JONAS. If the gentleman will yield, I cannot reconcile what you say and what is on page 1–71. I take it from that you are getting ready to buy 22 computers in 1970 at a cost of $8,534,000, all but one of which is to come from the same company. You already have purchased $8 million worth from it. When you finish this, there will be a $16 million you spent with one company for computers.

Mr. BUDD. No, sir. You will notice in the top listing, analysis of VA-owned computers, there is a Digital Equipment Corp. computer.

Mr. JONAS. $35,000.

Mr. BUDD. Yes, sir.

Mr. JONAS. And the other is $58,000.

Mr. BUDD. That is right, sir.

Mr. JONAS. What I interrupted to find out is this——

Mr. DRIVER. These computers are already on hand. We are renting them now but they are in the VA.

Mr. JONAS. Computers planned for purchase.

Mr. DRIVER. That is right. But they are already in place in a lease-option agreement.

Mr. JONAS. I understand. But you are still going to acquire 22 computers outright for about $8 million in 1970.

Mr. DRIVER. That is right. I believe Mr. Budd's answer to Mr. Talcott was in terms of equipment not presently on hand. I believe you asked how many did we expect to get in the next 10 years, aside from those already in place either owned or leased. The answer today is one, but quite obviously with large areas of heavy record holdings in the VA not automated there is a great deal of room for more automation.

Mr. TALCOTT. I am asking to see if we cannot use these 100 percent before we start buying a lot more computers and this is what I am fearful you will be doing.

Mr. BUDD. No, sir.

Our records will show that our utilization of computers exceeds the normal limits that can be expected of sound computer utilization.

Mr. TALCOTT. Does any other agency of the Government use your computers?

Mr. BUDD. Yes. We share from time to time at various places. We have a standing sharing agreement with Internal Revenue Service at one of our data processing centers.

Mr. EVINS. Gentlemen, try to inject some competition into this purchase business. It involves a lot of money and volume. You had $226,000 increase for just maintaining the machines. That is a large charge after you have purchased them. Then you want to lease two more. We will place in the record pages 1–1 and 1–2.

(The pages follow:)

Appropriation Language

For necessary operating expenses of the Veterans Administration, not otherwise provided for, including uniforms or allowances therefor, as authorized by law; not to exceed $1,000 for official reception and representation expenses; purchase of one passenger motor vehicle (medium sedan for replacement only) and hire of passenger motor vehicles; and reimbursement of the General Services Administration for security guard services; $223,065,000: Provided, that no part of this appropriation shall be used to pay in excess of twenty-two persons engaged in public relations work.

General Statement

This appropriation provides for all administrative expenses of the VA except those in the Department of Medicine and Surgery and the Office of the Assistant Administrator for Construction. Activities under this heading are organized into three categories: General Administration, Department of Data Management and Department of Veterans Benefits.

General Administration includes the Office of the Administrator and eight other agency-level supporting staff offices. Executive direction, control and overall guidance for the Agency's missions are provided by these offices. The Department of Data Management includes field and central office elements concerned with the management and operation of the Agency's automatic data processing program. The Department of Veterans Benefits contains all activities involved in the administration of non-medical benefits to veterans and their dependents.

The FY 1969 estimate includes a proposed supplemental appropriation of $12,500,000. These additional funds will support the payment of the pay raise effective July 14, 1968 and the cost to administer new legislation enacted subsequent to the submission of the FY 1969 Budget.

The FY 1970 request of $223,065,000 is a net increase of $16,047,000 above the total amount for FY 1969. This increase is attributable primarily to the additional cost required to support the manpower to administer new legislation workload in addition to a normal increase in workload and the purchase of ADP computer equipment presently being leased. A more detailed highlight of the significant changes follows:

($'s in thousands)

Workload increases - additional manpower and payments for services due to growth in workload from new legislation and the increasing number of veterans in civil life and the advancing age of the veteran population. (386 Average Employment)		+ $4,763
ADP Equipment -		
Purchase of 22, presently leased, computers	+$8,534	
Maintenance costs of computers to be purchased	+ 226	
Annual rental savings on computers to be purchased	- 3,267	
Net cost of computers		+ 5,493
Computers to be leased (annual)		+ 2,393
Total ADP equipment		+ $7,886
Salary Increase - includes the full-year cost of pay raise (PL 90-206) effective July 14, 1968, normal within-grade salary changes and other advancements.		+ 3,011

	($'s in thousands)
Communications cost - increased cost including charges for Federal Telecommunications System and Advanced Records System.	+ 500
All Other Net	- 113
Net increase	+ $16,047

SUMMARY OF REQUIREMENTS

The following table presents fiscal year comparisons of average employment and appropriation requirements for the "General Operating Expenses" appropriation.

($'s in thousands)

	1968	1969	1970	Incr. (+) Decr. (-)
General Administration:				
Average employment	1,491	1,522	1,522	....
Total costs	$18,882	$20,784	$21,500	+ $716
Dept. of Data Management:				
Average employment	1,447	1,443	1,470	+ 27
Total costs	$17,800	$20,571	$28,976	+ $8,405
Dept. of Veterans Benefits:				
Average employment	16,270	16,194	16,553	+ 359
Total costs	$161,118	$175,196	$182,109	+ $6,913
Grand Total:				
Average employment	19,208	19,159	19,545	+ 386
Total costs	$197,800	$216,551	$232,585	+ $16,034
Common Service adjustment	- 7,451	- 7,840	- 8,251	- 411
Total net costs	190,349	208,711	224,334	+ 15,623
Change in selected resources	- 350	- 549	....	+ 549
Total obligations	$189,999	$208,162	$224,334	+ $16,172
Less: Reimbursements	- 1,157	- 1,144	- 1,269	- 125
Add: Unobligated balance lapsing	+ 340	....	....	....
Total Budget Authority	$189,182	$207,018	$223,065	+ $16,047
Supplementals:				
Pay Increase	....	($7,900)	....	....
New Legislation	....	($4,600)	....	....

The justification for each of the major activities is presented in subsequent sections of this Volume.

A listing of permanent positions by grade follows.

Mr. EVINS. We will look at the Administrative Summary on page 1-9.

(The page follows:)

INTRODUCTION

"General Administration" is one of three VA activities funded from the "General Operating Expenses" appropriation--the others being "Department of Data Management" and "Department of Veterans Benefits". This activity consists of the Office of the Administrator and all agency-level staff offices, except the Office of the Assistant Administrator for Construction (which is funded from the "Construction of Hospital and Domiciliary Facilities" VA appropriation).

SUMMARY OF REQUIREMENTS
($'s in thousands)

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Office of the Administrator.....	$1,289	$1,452	$1,485	+ $33
Information Service.....	617	673	701	+ 28
General Counsel.....	1,389	1,446	1,490	+ 44
Board of Veterans Appeals.....	3,643	3,965	4,075	+ 110
Assistant Administrator for Personnel.....	2,747	3,061	3,119	+ 58
Assistant Administrator for Management Engineering and Evaluation.....	1,367	1,491	1,627	+ 136
Manager, Administrative Services....	3,594	3,979	4,134	+ 155
Controller.....	3,417	3,789	3,933	+ 144
Investigation and Security Service..	819	928	936	+ 8
Total Costs	18,882	20,784	21,500	+ 716

Requirements of each of the above offices are presented and justified in the following pages.

Mr. EVINS. Office of the Administrator, up $33,000, Information Service, $28,000, General Counsel, $44,000; Board of Veterans' Appeal, $110,000; Assistant Administrator for Personnel, $58,000; Assistant Administrator for Management Engineering and Evaluation, $136,000; and the Manager of Administrative Services, $155,000; and Controller $144,000.

Mr. Administrator, can't you consolidate some of those management operations?

Mr. DRIVER. We keep trying, sir, but it is pretty difficult. The agency keeps getting bigger and bigger.

OFFICE OF THE ADMINISTRATOR

Mr. EVINS. Let us turn over to Office of Administrator. Place in the record pages 1-11 through 1-13.

(The pages follow:)

OFFICE OF THE ADMINISTRATOR

The Administrator is responsible to the President for the administration of veterans' affairs and the laws which govern them.

The Office of the Administrator provides the executive direction of the VA -- including agency-level planning and advisory functions -- congressional liaison service, and the adjudication of appeals by contractors from decisions of VA contracting officers.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment.....	80	80	80	
Costs:				
Personal services.....	$1,193,876	$1,365,000	$1,397,600	+ $32,600
Travel and transportation of persons.....	31,128	40,400	40,400	
Transportation of things.	405	400	400	
Other services.....	49,513	29,000	29,000	
Supplies and materials...	8,277	9,000	9,000	
Equipment.....	6,112	8,600	8,600	
Total costs.....	1,289,311	1,452,400	1,485,000	+ 32,600

Average employment

The amount requested for personal services is necessary to support the Administrator's staff, distributed as follows:

Administrator	37	37	37
Administrator's Advisory Council	21	21	21
Contract Appeals Board	9	9	9
Congressional Liaison Service	13	13	13
Total	80	80	80

The increased personal services cost includes the normal within grades and the annualization of the pay raise which was effective in FY 1969.

Administrator

The Administrator is directly responsible for the establishment of the basic policies governing agency operation; the development and maintenance of its basic organization structure; the interpretation of laws pertaining to veterans' affairs,

and the establishment of supplementary regulations; the stimulation and approval of long-range plans; and the development and maintenance of favorable relations with important organizations, groups, and individuals interested in veterans' affairs.

Administrator's Advisory Council

The Administrator's Advisory Council, under a Chairman, advises the Administrator on policies, plans, research programs, organization, emergency planning functions, and whether established programs are meeting their objectives. It is also responsible, through the Associate Deputy Administrator, for developing and operating the Planning-Programming-Budgeting System for the agency. The Chairman of the Administrator's Advisory Council is assisted by a Deputy Chairman who is also a member of the Council. The Council is concerned with such matters as how veterans compare with non-veterans, what are the handicaps and needs of veterans in various categories, what new programs are needed, what changes to established programs should be made, and the long-range impact of both existing and proposed programs upon sociological and economic welfare of the veterans population as a whole.

Contract Appeals Board

The Contract Appeals Board is an integral part of the Office of the Administrator. Under the Chairman, this board, by delegation of authority from the Administrator, acts as his authorized representative to ascertain the facts and circumstances attending appeals by contractors from decisions of VA contracting officers; and to render final decision on such appeals in accordance with contract provisions.

Congressional Liaison Service

The Congressional Liaison Service, under a Director, furnishes assistance and advice, with respect to benefits provided under laws administered by the VA, to Members of Congress, and their secretarial staffs, and to veterans, their dependents and beneficiaries, referred by Members of Congress; and promotes the prompt and efficient processing and adjudication of claims brought to its attention; and maintains liaison at the Capitol and at the Senate and House Office Buildings to keep the Administrator and his principal assistants informed of matters of importance to the VA.

Other Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and Transportation of persons				
Employee travel	$30,747	$40,000	$40,000	
Local	381	400	400	
Total	31,128	40,400	40,400	

These funds are required for the necessary trips to be made by the Administrator, Deputy Administrator and Associate Deputy Administrator, members of their staffs, Chairmen and members of the Administrator's Advisory Council, Contract Appeals Board, and Congressional Liaison Service in carrying out their assigned responsibilities.

Transportation of things	405	400	400

These funds are to provide for shipment of household goods and personal

effects of employees transferred to this office.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Other services - Contractual				
Representation & reception	$ 1,000	$ 1,000	$ 1,000	
Miscellaneous contractual services	48,513	28,000	28,000	
Total	49,513	29,000	29,000	

The Administrator receives various foreign dignitaries, officials of veterans organizations, new members of Congress, new White House staff members, and other groups with which liaison is maintained to brief them on various programs administered by the VA. Miscellaneous services include consultant fees; surveys; seminars; conference costs; repairs to furniture and equipment, office furnishings; and, necessary maintenance; training; court reporters utilized in hearings before the Contract Appeals Board; and various other services acquired through contract.

Supplies and materials				
Office supplies and materials	8,277	9,000	9,000	

These funds will provide for miscellaneous office supplies and other materials for the entire staff of the Administrator's Office and necessary supplies for the Administrator's staff meetings, briefings, and top management training programs.

Equipment				
Furniture, furnishings and equipment	6,112	8,600	8,600	

For normal replacement of equipment and furnishings which meets the agency's standards for replacement.

Mr. EVINS. The Administrator is asking for an increase of $32,600 in personal service costs.

Mr. MONK. That is the pay increase.

Mr. EVINS. Let us take a look at 1-15, 1-16, and 1-17, information services, and insert those pages in the record.

(The pages follow:)

INFORMATION SERVICE

The three-fold mission of Information Service is (1) to keep veterans and their dependents informed of their rights and benefits as provided by law and the proper procedures to be followed in applying for such benefits; (2) to keep the general public informed in regard to VA operations, activities and policy determinations through the release of general information to a wide variety of media, and by answering thousands of inquiries received from newspaper and magazine representatives, Members of Congress, veterans' organizations, and other individuals and organizations; and (3) to counsel and advise the Administrator, his principal assistants, and field station Managers and Directors concerning public interest and reactions as they concern the determination of VA policies.

In providing accurate information through Information Service, VA not only fulfills an obligation to veterans, but also eliminates countless inquiries which would otherwise impose an added administrative burden.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment.....	43	43	43	
Costs:				
Personal services.....	$557,237	$610,600	$626,600	+$16,000
Travel & Transportation of persons.....	15,795	15,900	20,300	+4,400
Transportation of things..			1,500	+1,500
Other services.....	39,866	42,000	43,000	+1,000
Supplies & materials.....	4,489	4,300	4,300	
Equipment.....			5,000	+5,000
Total costs.....	617,387	672,800	700,700	+27,900

Average employment

Estimated requirements cover the personal services needs of the Central Office staff and eleven field offices.

Central Office	20	20	20
Field	23	23	23
Total	43	43	43

Central Office Staff

At national level performs full array of informational duties, including preparation of news releases, benefits fact sheets, statistical summaries, radio and television material, magazine articles, speeches, official statements, etc.

Also answers in-person, telephone, and correspondence inquiries and fulfills requests received from media representatives, Members of Congress, veterans organizations and the general public.

Counsels and advises the Administrator and his principal assistants concerning public interest in and reactions to the determination and execution of VA policies. Provides supervision for Information Service field offices.

In addition to VA duties at Washington level, spearheads informational activity for ever-growing Government-wide programs such as Veterans Day and the President's Committee for Employment of the Handicapped. Also provides assistance for other general programs such as National Hospital Week and National Mental Health Week.

Field Personnel

The typical field office is staffed by one Information Specialist and a secretary and serves a five-state area, which includes an average of 20 VA hospitals and regional offices, about 2,400,000 veterans, 165 daily newspapers, 800 weekly newspapers, 545 radio stations and 55 television outlets.

At regional and local levels, the 11 field offices localize and distribute national news releases, radio and television material, other informational data, and originate similar materials adapted to the areas they serve.

Field personnel advise and counsel VA field station Managers and Directors on informational and community relations matters; respond to inquiries and requests from regional media and organizations and assist VA operating officials with such special occasion functions as hospital dedications and open houses, as well as providing assistance through the promulgation of correct procedures to follow in seeking benefits, the need for hospital volunteers, the furthering of community acceptance and employment of disabled veterans upon discharge from the hospital, the on-time return of VA pension income questionnaires, etc.

Field personnel assist at the regional and local levels with such programs as Veterans Day, National Employ the Handicapped Week, National Hospital Week, and National Mental Health Week.

	Other Costs			
	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and transportation of persons:				
Employee travel	$15,416	$15,600	$20,000	+$4,400
Local travel	379	300	300	
Total	15,795	15,900	20,300	4,400

These funds will provide for visits of Information Service Field Representatives to major VA installations in their multi-state areas to advise, counsel and assist VA field station Managers and Directors on informational and community relations matters, and a small amount for Central Office personnel. The additional requirements are to provide for resumption of minimal coverage of the VA field stations which it has been necessary to curtail because of unavailability of funds.

Transportation of things

Shipment of household goods	1,500	+1,500

These funds are to provide for shipment of household goods and personal effects.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Other services - Contractual	$39,866	$42,000	$43,000	$+1,000

Funds requested under this heading are to provide for the production of "Here's to Veterans" transcribed radio series. This program, which is broadcast regularly by 2,400 radio stations, is made possible through the contribution of public service time valued at $6 million annually, and brings important benefits information to millions of veterans. A five-minute transcribed program, "Sound Track Five", going to 600 radio stations weekly, is also produced with these funds. Any lessening of our number of pressings would result in a decline in VA's informational impact upon veterans.

In addition, the funds will provide 3,500 records containing VA information spot announcements voiced gratis by stars of the entertainment world, as well as a "spot" platter on Veterans Day for 4,000 radio stations. These are used by virtually every radio outlet in the country, and are a valuable adjunct to VA's informational program, reaching into every community in the nation. Increase in requirements is attributable to higher production costs.

Supplies and materials	4,489	4,300	4,300	

This amount includes approximately $3,700 for newspapers and periodicals. Also included are funds for miscellaneous office supplies and materials.

Equipment - Furniture			5,000	+5,000

For oft-postponed replacement of fully depreciated furniture exceeding standards for replacement. This furniture is beyond economical repair or refinishing.

INFORMATION SERVICE

We talked about this somewhat yesterday. There is an increase in every object class. This is to keep the veterans informed of their rights and benefits. What is the difference between a right and a benefit?

Mr. HOOD. Very little distinction, actually.

Mr. EVINS. You say you keep the veterans informed of their rights and benefits. What is the difference?

Mr. HOOD. I do not think there is any real difference.

Mr. EVINS. Just a little phraseology you have thrown in.

Mr. HOOD. That is right.

Mr. EVINS. You also keep the general public informed, and I believe they are pretty well informed.

You seem a little heavy on the information services, $700,700.

Mr. TALCOTT. Mr. Chairman, if I may interrupt, I am a little concerned about employee travel. This is up $4,400, which is almost a 25-percent increase. Yet we have a real tough budget problem all over the Government. Why is it necessary for this increase?

Mr. HOOD. That increase is what we think is minimal travel necessary to perform the service. In fiscal 1967 it was $21,000. Then we took the cut to $15,900 to absorb part of the reduction necessary to be made in the agency.

Mr. TALCOTT. It was $15,795 in 1968.

Mr. HOOD. Yes, sir. In 1969 it will be about the same thing.

Mr. TALCOTT. So you got along in 1968, and 1969 on about $15,000. Why jump up now when we have such a tough budget problem?

Mr. HOOD. We were about $21,000 in 1967. We do not think we are asking for restoration of any more than the minimum amount of travel that should be done.

Mr. TALCOTT. What is the shipment of goods? Why $1,500 there that we never had before?

What kind of goods are we shipping?

Mr. HOOD. There is a transfer of personnel and it is a most unusual situation where we have not had one for 2 years. My guess actually would be that this small increment proposed for fiscal 1970 probably would be exceeded. You cannot foresee your transfers that far ahead, but we will probably have some in fiscal year 1970. It is a rare situation when we have not had a transfer in 2 years.

Mr. TALCOTT. So you are asking for an increase in the budget on something that may happen?

Mr. HOOD. It is very likely to happen. If it does happen, it is an obligation that will have to be met.

Mr. TALCOTT. Mr. Chairman, here might be a good place to be put in the record and I would like to request it if you have no objection, of what is included in shipment of household goods. It is my understanding that you pay for termination of leases sometimes. You pay for taking up their carpet, for cleaning their drapes, or for selling or the net loss on selling a refrigerator.

Mr. DRIVER. There are prescribed regulations covering them.

Mr. TALCOTT. Could we put that in the record at this point?

Mr. DRIVER. Yes, sir.

(The information follows:)

PAYMENT OF TRAVEL AND TRANSPORTATION EXPENSES

1. Transportation and storage of household goods and personal effects not to exceed 11,000 pounds net weight for employees with immediate families and 5,000 pounds net weight for employees without immediate families. However, if in an individual case an employee without immediate family possesses household goods and personal effects exceeding the 5,000-pound limit, the limit may be extended up to 11,000 pounds net weight; provided that (1) the employee acquired all or a substantial portion of the property because he had been the head of or a member of a larger household (as when the employee's spouse has died), and (2) it is determined under regulations prescribed by the department head that hardship would result from application of the 5,000-pound limit.

2. Allowances for subsistence and transportation for the employee; for members of an employee's immediate family; for the use of privately owned automobile in connection with permanent change of station; for round trip between old and new official stations to seek permanent residence quarters and for subsistence expenses of the employee and his immediate family while occupying temporary quarters when an employee is transferred to a new official station.

3. Allowance for miscellaneous expenses which could include, but are not limited to, the following:

(1) Disconnecting and connecting appliances, equipment and utilities involved in relocation, and cost of converting appliances for operation on available utilities.

(2) Cutting and fitting rugs, draperies and curtains moved from one residence quarters to another.

(3) Utility fees or deposits that are not offset by eventual refunds.

(4) Forfeiture losses on medical, dental, and food locker contracts that are not transferable.

(5) Automobile registration, driver's license and use taxes imposed when bringing automobiles into some jurisdictions.

4. Allowance for expenses incurred in connection with real estate transactions and unexpired leases.

5. Allowance for travel and transportation expenses of appointees and student trainees assigned within the 50 States and the District of Columbia.

6. Travel and transportation expenses in connection with leave for returning to place of residence between tours of duty outside the continental United States.

7. Transportation expenses for return of an employee's immediate family and household goods and personal effects from a post of duty outside the continental United States to his place of actual residence in the United States prior to the employee's return.

8. Transportation of house trailers.

9. Transportation and emergency storage of privately owned motor vehicles.

Mr. TALCOTT. In addition to employee travel you have shipment of all these household goods.

Mr. DRIVER. That is on a permanent change of station by an employee.

Mr. TALCOTT. Is it sometimes just plain economically beneficial to make a transfer?

Mr. DRIVER. I have not seen the employee who came out ahead even with the new law. Never, Mr. Talcott.

Mr. EVINS. Let us take a look at the Office of General Counsel, he has 88 aboard and he is asking for $44,600 increase. Place in the record 1–19 and 1–20.

(The pages follow:)

GENERAL COUNSEL

The General Counsel is the chief officer of the Veterans Administration in all matters of law and legislation.

The primary responsibilities of the Office of the General Counsel are: (1) rendering advice and opinions directly and through chief attorneys; (2) reviewing for legal correctness all regulations and directives; (3) collaborating with the Department of Justice on litigation; (4) supervising and coordinating matters pertaining to proposed legislation, Executive orders and proclamations; (5) maintaining liaison with appropriate committees of both Houses of Congress. A summary of the major workloads of the Office is shown in a subsequent section.

SUMMARY OF REQUIREMENTS

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment:	88	88	88	
Costs:				
Personal services	$ 1,217,560	$ 1,366,100	$ 1,410,700	+$ 44,600
Travel and transportation of persons	3,072	5,300	5,300	
Transportation of things	123			
Other services	251	900	900	
Supplies and materials	10,757	11,000	11,000	
Equipment	3,783	4,500	4,500	
Insurance claims and indemnities	153,390	58,000	58,000	
Total costs	1,388,936	1,445,800	1,490,400	+ 44,600

SUMMARY OF MAJOR WORKLOADS

General Counsel opinions	1,832	1,805	1,830
Litigation briefs	1,220	1,720	1,550
Legislative-history files maintained*	1,528	2,825	1,620
Legislative reports prepared	342	350	350
Studies conducted and resumes prepared	382	318	325

*The number of bills introduced concerning veterans serves as the base upon which the number of legislative-history files maintained is determined. Experience has shown the first session of a Congress to be more active in the introduction of bills than the second session.

OTHER COSTS

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and transportation of persons				
Employee travel	$ 2,806	$ 5,000	$ 5,000	
Local travel	266	300	300	
Total	3,072	5,300	5,300	

These funds are to provide for the necessary travel of witnesses and employees appearing on behalf of the Government in connection with litigation in which the VA is concerned.

Funds also are required for employees of this Office to visit field stations to coordinate the handling and administration of legal matters with chief attorneys and to participate in annual national conventions of service organizations.

Transportation of things	123		

This amount was used for transfer of an employee from a field station to this Office. No transfers are anticipated in FY 1970.

Other services--contractual	251	900	900

Since the enactment of P. L. 89-93, the VA must reimburse the Department of the Army for handling our patent cases. This includes an amount based on their estimate of the cost for this purpose, and also an amount required for employees' attendance at legal seminars and other professional training conducted outside the agency.

Supplies and materials			
Office supplies and materials .	10,757	11,000	11,000

For purchase of law books for legal library, such as new legal texts and treatises, and for replacement, where necessary, and continuations of existing services. Also for miscellaneous office supplies.

Equipment			
Office furniture, furnishings, and equipment	3,783	4,500	4,500

For the replacement of equipment no longer economically useful.

Insurance claims and indemnities	153,390	58,000	58,000

To provide for payment of claims arising under the Federal Tort Claims Act not in excess of $2,500 and for compromise settlement of litigated claims which accrued prior to January 18, 1967, as approved by the Attorney General of the United States. The amount requested does not include payments of compromise settlements in tort claims where the claim is eligible for payment under 38 USC 351.

Mr. EVINS. You anticipate 1,830 opinions. Litigation briefs, 1,550. You are going to have less than last year. Legislative reports, 350, the same as last year; studies conducted and résumés prepared. What kind of studies are these? Are they getting you in the study field, Mr. Fable?

Mr. FABLE. Yes, Mr. Chairman. That particular element includes the preparation of committee reports, the checking of committee reports, the preparation of statement for Members of Congress, the preparation of pamphlets, the checking of committee prints, and the preparation of committee prints, all done in connection with our legislative work.

Mr. EVINS. We are getting you in the report reviewing and writing business over there?

Mr. FABLE. Yes, sir.

Mr. EVINS. You do not have to go into court very much, do you? These are all benefits provided by law.

Mr. FABLE. We are getting into court a little more than we used to in view of the *Tracy* v. *Gleason* decision.

Mr. EVINS. What did that decision hold?

Mr. FABLE. That is a decision which holds that decisions of the Administrator which terminate benefits are reviewable in the courts.

Mr. EVINS. I though the decision of the Administrator was final.

Mr. FABLE. So did we, sir.

Mr. DRIVER. There is a clink in the armor.

Mr. FABLE. What happened is that the Court of Appeals for the District of Columbia in the *Wellman* case back in the late fifties decided that a forfeiture imposed by the Administrator could be reviewed by the courts. Then they had a subsequent case, the *Thompson* case.

Mr. EVINS. Are these guardianship cases?

Mr. FABLE. They were forfeiture cases involving communism. In 1967 they had the *Tracy* case which was a guardianship case. That is where they reversed their prior holding in the *Sinlad* case.

Mr. EVINS. The Administrator is very wise but might make a little mistake on a guardianship case if you were not there to advise him. Generally, the actions of the Administrator are final. You do not review many of the Administrator's decisions.

Mr. FABLE. That is correct, sir.

Mr. JONAS. Subject to appeal to the judge over there.

Mr. DRIVER. That is after his decision, sir.

Mr. EVINS. You advise the Administrator well so he won't have to get into court too much.

ASSISTANT ADMINISTRATOR FOR PERSONNEL

Let us take a look at Assistant Administrator for Personnel.

That is 223 jobs. You are asking for $57,700 increase next year. The same number of personnel but an increase in every category, except in the purchase of equipment. Is this for pay raises also?

Miss PARSONS. Pay raises, yes, and some additional for travel.

BOARD OF VETERANS APPEALS

Mr. TALCOTT. Mr. Chairman, I have a question I would like to ask. On page 1–24 "Shipment of household goods," you state we estimate one employee will be transferred in 1969 and eight in fiscal 1970. Can

you tell me who the one employee is in 1969? We are three-fourths through the year so I am sure you have many spotted by now and the eight in fiscal 1970.

Mr. STANCIL. Page 1–24 is Board of Veterans Appeals.

Mr. TALCOTT. Yes, under "General operating expenses and general administration."

Mr. STANCIL. I will supply the name of the employee in 1969 for the record.

Mr. TALCOTT. And the eight for 1970.

Mr. STANCIL. That is an estimate based on past experience in filling vacancies. A certain number of people are transferred in from the regional offices, the people with the kind of experience that will permit them to perform effectively with minimum training.

Mr. TALCOTT. You would not estimate an 800 percent increase over the year before. That cannot be an estimate. You must have somebody in mind you are transferring.

Mr. MONK. We do have in mind the retirements coming up and the replacements that will have to be made.

Mr. TALCOTT. I would like to have a little better explanation. I think we are getting a little loose when we estimate eight like this. I would like to see how close you estimated.

Mr. MONK. I think we can supply that.

(The information follows:)

The eight transfers from field offices estimated for fiscal year 1970 is about the normal number of vacancies filled each year from this source. No specific individuals have been identified for transfer in fiscal year 1970. The single transfer in fiscal year 1969 is a physican (Dr. Alcide D. Pellerin), a hard-to-fill position. The single transfer in fiscal year 1969 is abnormally low, the result of employment restrictions imposed by the Revenue and Expenditure Control Act of 1968.

Mr. TALCOTT. On page 1–25, under "Office furniture and equipment," in 3 years, 1968–70, you propose to spend $67,257. I estimate this is about $230 for each of the 293 employees. This seems to me to be a little high.

Mr. MONK. This is the equipment item on page 1–25?

Mr. TALCOTT. I have added up for 1968, 1969, and 1970; I get $67,257 for those 3 years.

Mr. STANCIL. The biggest item for the last 2 or 3 years was an expenditure for dictation equipment, the remote dictating equipment setup where all the recording machines are centralized in one location with the dictating instruments on each attorney's desk.

Mr. TALCOTT. The problem is that this was really a pretty level expenditure over the years; $36,457 for 1 year, and totaling $67,257 for 3 years.

Mr. DRIVER. The others were half of that; 1969, is $14,200.

Mr. EVINS. We certainly did not mean to overlook the Board. Let us place in the record 1–21 through 1–25 and 1–27 through 1–32.

(The pages follow:)

BOARD OF VETERANS APPEALS

The Board of Veterans Appeals is a statutory Board, its authority defined in 38 U.S.C., Chapter 71. All questions on claims for benefits under laws administered by the Veterans Administration are subject to review on appeal. The Board provides this appellate review, independent of the operating elements responsible for initial adjudication.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment	293	293	293	
Costs:				
Personal services	$3,547,074	$3,897,700	$3,997,000	+$99,300
Travel and transportation of persons ...	13,745	14,400	18,000	+ 3,600
Transportation of things	4,206	500	4,400	+ 3,900
Other services	37,183	32,000	32,700	+ 700
Supplies and materials	4,660	6,000	6,000	
Equipment	36,457	14,200	16,600	+ 2,400
Total costs	3,643,325	3,964,800	4,074,700	+109,900

Average employment

Estimated requirements cover the Chairman's immediate office, Associate Members, Attorney Advisers, Medical Advisers, and Administrative Support. Distribution by organizational element of the average employment levels for the past, current, and budget years is summarized below:

Office of Chairman	11	11	11
Members	41	41	41
Attorney Advisers	93	93	93
Medical Advisers	6	6	6
Administrative Support	142	142	142
Total	293	293	293

Personnel requirements for accomplishing the Board's mission are determined by use of work measurement techniques and principles. Estimates for measured activities are developed by applying work performance standards to anticipated workloads. Staffing requirements for planning, program direction and supervision, as well as personnel in the limited nonmeasurable areas, are dictated by experience. The anticipated increase in the appeals workload during fiscal years 1969 and 1970 would justify an increase in average employment, but we propose to hold to last year's employment level of 293. Our goal is to absorb the additional workload through continuing gains in productivity and efficiency.

Personal services costs are based on average salaries in effect on July 14, 1968, with adjustment for periodic within-grade increases and for normal advancement of employees. In addition, fiscal year 1970 requirements provide for funds to cover increases under the second phase of the Federal Salary Act of 1967, PL 90-206, for the year. The funds for fiscal year 1969 include salary act increases, second phase, for only part of the year commencing July 14, 1968.

Office of Chairman

Pursuant to statute, the Chairman is responsible to the Administrator for the activities of the Board of Veterans Appeals in the consideration and determination of appeals for benefits under all laws administered by the Veterans Administration. The proposed staffing is required to effectively plan, direct, and coordinate manpower resources and to assure that the Board's mission is accomplished efficiently and economically.

Members

This budget calls for thirteen sections of the Board, each composed of three members. Each Section is a quasi-judicial body whose principal function is to consider all applications on appeal properly before it, conduct hearings on appeal, evaluate the evidence of record, and enter decisions in writing on the questions presented on appeal.

The special qualifications of members assure the veteran that his appeal will receive sympathetic understanding. Members must be lawyers or doctors who have served in the armed forces in time of war. All members are appointed by the Administrator with the approval of the President of the United States.

Attorney Advisers

The Attorney Adviser staff assists the Board Members by preparing briefs of research and tentative decisions.

Medical Advisers

These physicians serve as principal medical advisers to the Chairman and, in their respective specialties, to the Board Sections and Attorney Advisers on individual case issues. They also furnish technical and professional assistance on policy matters of a medical nature and in disseminating medical principles and guidelines having impact on benefit-entitlement decisions.

Administrative Support

Administrative support for the Board Sections includes maintenance of the docket, scheduling hearings, correspondence, mail and record activities, secretarial services, etc.

Summary of Workload

General

Initial ratings and other adjudicative determinations on claims for benefits are made by agencies of original jurisdiction (hereinafter referred to as VA field offices). Letters informing claimants of such decisions also inform them of the right to appeal.

A veteran, his dependents, and beneficiaries dissatisfied with a field office determination have one year to appeal to the Board of Veterans Appeals. The

claimant initiates the appeal by sending his field office a written notice of disagreement. In return, he and his legal representative, if any, get a statement of the case informing them of the facts, the applicable laws and regulations, and why the determination was made. In practice, this explanation satisfies many claimants. Those who are not are afforded an opportunity to complete a written appeal pointing out or alleging specific error of fact or law in the statement of case. He may also submit additional evidence or argument. If the field office still cannot grant the benefit, the entire record is certified to the Board of Veterans Appeals for de novo review and decision.

Workload Distribution and Analysis

The variety of legal, medical, and technical problems submitted to the Board is almost infinite. Major issues involve compensation, pension, education, insurance, medical treatment, home loans, waiver of indebtedness or overpayments, homes and automobiles for disabled veterans, and payment for unauthorized medical care.

We estimate a workload of 24,000 cases for fiscal year 1969 and 24,500 cases for fiscal year 1970. Many of the decisions entered in these cases will involve multiple issues and include contested claims by two or more claimants. For budgetary purposes, the workload has been consolidated into six broad categories, as follows:

	1968 Actual	1969 Estimated	1970 Estimated
Total Case Receipts	23,750	24,000	24,500
Disability Benefits	19,031	19,000	19,200
Death Benefits	2,322	1,900	2,100
Loan Guaranty Waiver of Indebtedness	1,287	1,400	1,400
Insurance	287	800	800
Educational Assistance	287	400	500
Waivers (exclusive of Insurance & Loan Guaranty) and Forfeitures	536	500	500

Workload estimates have been developed by applying experience factors to trends in workload from which appeals were received. In fiscal year 1970, out of projected two million-plus adjudicative determinations that could be appealed, only about 2 per cent are expected to actually appeal. Last year, 40,081 appeals were filed and we estimate that 40,500 and 41,000 will be filed in fiscal years 1969 and 1970, respectively. The projected upward trend in the annual filing rate is based primarily upon the anticipated impact of the Veterans' Readjustment Benefits Act of 1966, Public Law 89-358, and the Veterans' Pension and Readjustment Assistance Act of 1967, Public Law 90-77. Another factor is the ever-increasing veteran population, including those who have served in the Viet Nam conflict. An important factor, too, is the increasing average age of a large segment of the veteran population--mostly World War II veterans. As these veterans grow older the need for supplementing their earning capacity increases, thus more claims are filed for veterans' benefits.

Other Costs

Travel and transportation of persons

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Employee travel	$ 13,538	$ 14,000	$ 17,600	+ $3,600
Local travel	207	400	400	
Total	13,745	14,400	18,000	+ 3,600

Funds requested will provide for travel expenses incurred in (a) visits by traveling sections of the Board to field stations for the purpose of conducting hearings; (b) travel of the Chairman and his staff for the purpose of participating in major service organization conventions and other meetings pertaining to veterans affairs; and (c) travel expenses incurred by new employees transferred from the field.

The major portion of travel requirements for fiscal years 1969 and 1970 is for visits by traveling sections of the Board to field stations for purposes of conducting hearings in appealed cases. In fiscal year 1968, traveling sections of the Board visited 28 offices of original jurisdiction and conducted 422 formal hearings. This budget provides funds for Travel Board visits to 27 field offices in fiscal year 1969 and fiscal year 1970. This is a continuing program in which the Board schedules visits to each field office at intervals of approximately 18 months, provided the workload is sufficient to justify the visit. These hearings are of material assistance to appellants in fully developing their appeals and to the Board in equitably and objectively deciding the appeals.

For more than a year we have followed a procedure at hearings on appeal in Washington whereby a senior attorney participates with the three associate members in the conduct of hearings. While he does not have a vote in the proceedings, he is able to personally observe the witnesses, to question them, and hear their testimony. In all personal hearings a senior attorney prepares the decision or brief for the consideration of a section of the Board. The attorney's participation in the hearing provides a better background for preparing the decision and assures a more timely decision of higher quality. The additional funds requested in fiscal year 1970 are to permit expansion of this procedure to travel board hearings.

Transportation of things

Shipment of household goods	4,206	500	4,400	+ 3,900

Estimated costs of shipping household goods and personal effects for employees to be transferred from field stations.

The increased cost for 1970 over 1969 is due to the greater number of employees expected to be transferred. We estimate one employee will be transferred in fiscal year 1969 and eight in fiscal year 1970.

Other Services - Contractual

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Independent Medical Expert Opinions	$ 22,100	$ 23,300	$ 24,000	+ $ 700
Machine Service Contracts	12,397	6,700	6,700	
Employee Training	960	1,000	1,000	
Miscellaneous Contractual Services	1,725	1,000	1,000	
Total	37,182	32,000	32,700	+ 700

The most significant contractual services cost is for procuring expert medical opinions under the provisions of Public Law 87-671 (38 U.S.C. 4009 (a) and (b)). When, in the judgment of the Board, expert medical opinion, in addition to that available within the Veterans Administration, is warranted by the medical complexity or controversy involved in an appeal case, the Board is authorized to secure an advisory medical opinion from one or more independent medical experts who are not employees of the Veterans Administration. The increased cost for 1970 will provide for 7 additional opinions.

Costs for machine service contracts are for maintenance of the Board's remote control dictating equipment located in Washington, D.C. and Wilkes-Barre, Pennsylvania.

Supplies and Materials

Office supplies and materials	4,660	6,000	6,000	

Estimated costs for miscellaneous non-stock administrative office supplies and materials. This covers all office supplies--paper, pens, pencils, tape, folders, rubber stamps, etc.--books, including medical books, dictionaries, and periodicals.

Equipment

Office furniture, furnishings, and equipment	36,457	14,200	16,600	+ 2,400

Estimated costs are for normal replacement of equipment which meets the standards for replacement and for non-serviceable items of furniture requiring replacement.

ASSISTANT ADMINISTRATOR FOR PERSONNEL

The Assistant Administrator for Personnel is the agency Director of Personnel, and is directly responsible to the Administrator for the agency-wide personnel management program. The Assistant Administrator for Personnel also serves as the Equal Employment Opportunity Officer for the VA, and in this capacity is responsible for advancing the positive action programs established for assuring equal employment opportunity for all persons.

The primary responsibilities of the Office of the Assistant Administrator for Personnel are (1) furnishing advice and assistance to top agency officials on personnel policy and operational matters, (2) establishing objectives and initiating programs to obtain, develop and maintain an effective work force, (3) formulating plans, policies, systems, procedures and instructions for agency-wide personnel management, (4) and providing service to the operating Departments on all aspects of day-to-day field personnel operations.

SUMMARY OF REQUIREMENTS

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average Employment.....	219	223	223	
Costs:				
Personal services.....	$2,659,230	$2,975,600	$3,017,900	+$42,300
Travel and transportation of persons.....	33,552	36,200	51,200	+15,000
Transportation of things....	532	2,800	5,000	+ 2,200
Other services.....	31,998	24,900	30,000	+ 5,100
Supplies and materials.....	15,630	6,100	10,000	+ 3,900
Equipment.....	6,434	15,600	4,800	- 10,800
Total Costs.....	2,747,376	3,061,200	3,118,900	+ 57,700

Average Employment

Personal services required for the Office of the Assistant Administrator for Personnel are distributed as follows:

Office of Assistant Administrator..	10	10	10
Employee Management Relations and Equal Employment Opportunity.....	33	36	36
Management, Evaluation and Classification.....	43	43	43
Staffing and Development.....	73	73	73
Salary and Wage Administration.....	15	15	15
Central Office Personnel Operations	45	46	46
Total	219	223	223

Office of Assistant Administrator

The staff in the immediate office of the Assistant Administrator is required for overall planning, direction, and coordination of the manpower resources of the Office of Personnel; assuring currency, consistency, and equitable application of personnel policies; and furthering economical and efficient conduct of a complex personnel management program.

Employee-Management Relations and Equal Employment Opportunity

The proposed staffing is required to accomplish effectively the agency-wide employee-management relations and equal employment opportunity functions which include such activities as:

Planning and developing agency policies, programs, regulations, and procedures pertaining to employee-management cooperation; employee relations and benefits; employee conduct and discipline; grievances; employee hearings and adverse action appeals.

Adjudicating and recommending action on all employee grievance and disciplinary action appeals.

Providing direct policy guidance to Departments and field stations on union-management relations, and maintaining close liaison with national headquarters of employee organizations.

Developing policies, procedures and instructional issuances for VA-wide application in furthering a positive program of equal employment opportunity.

It is anticipated that in fiscal year 1970, as in the past several years throughout the Federal Government, there will be a further growth in union membership within the Veterans Administration. A concomitant of this increased unionism will be the development of many new problems in employee-management relations, e.g., precedent types of unit disputes; negotiation impasses; grievance arbitrations; challenges by one employee organization to the exclusive recognition status of another employee organization; and requests by unions for recognition of small groups of heretofore unorganized employees. In addition, professional associations of employees will be seeking local and national recognition such as that formerly associated only with employee organizations considered as unions. These developments will give rise to many matters for which field station managements do not have precedents, and will require prompt, positive, and direct guidance and assistance. It is also likely that existing policies and practices will require major modifications.

In fiscal year 1970, the functional area of equal employment will require continuing emphasis for advancing the VA positive action programs for equal employment opportunity, and for furthering the programs for providing economic and educational assistance to disadvantaged youths and adults.

Management, Evaluation and Classification

The proposed staffing is required to accomplish the agency-wide systems, evaluation, position classification, and position management functions for the Office of Personnel which include such activities as:

Planning and developing more efficient and economical systems and methods for agency-wide personnel operations, including all personnel activities relating to the application of ADP to personnel functions and operations.

Management, Evaluation and Classification (Continued)

Providing necessary administrative management support for the Office of Personnel, including budget formulation and execution; travel, publications, and reports control; preparation of recurring and special reports; and liaison for agency-wide personnel and employment reporting.

Evaluating the effectiveness of personnel operations throughout the agency, conducting functional surveys on programs of special emphasis, and visiting field stations to evaluate personnel policies and programs.

Providing leadership and direction for the agency position classification and position management programs; classifying all centralized positions; handling classification appeals; and initiating action for the development of new or revised standards for grade evaluation of Classification Act and wage administration positions.

The emphasis in the systems activity during fiscal year 1970 will be on the further refinement and improvement, as practical, of the personnel aspects of the PAID system and on collaboration with the Department of Data Management in the redesign of that system to provide daily input and more timely output for personnel transactions. In the personnel program evaluation function, surveys will be geared toward assisting stations in improving program effectiveness. In the position management and classification areas, on-site audits will be made to verify the appropriateness of the application of new wage standards under the Coordinated Federal Wage System; selected professional and technical positions will be reviewed to ascertain that classification standards for such VA positions assure a competitive position in a tight labor market; and lower grade positions, e.g., clerical, assistant, and technician positions, will be studied for restructuring possibilities in order to improve manpower utilization, to increase advancement opportunities for employees with potential, and to help reduce turnover in lower grade positions.

Staffing and Development

The proposed staffing is required to accomplish the agency-wide recruitment, staffing, training and development functions, and employee recognition and incentive programs which include such activities as:

Planning and developing agency policies, programs, regulations and procedures pertaining to recruitment, staffing, training, development, manpower planning, employee performance, incentives and recognition.

Developing special policies, procedures and regulations pertaining to the appointment and employment of physicians, dentists, nurses, and other excepted personnel under Title 38, U.S.C., Ch. 73.

Developing qualification standards and rating schedules for VA positions which are not subject to Civil Service Commission approval.

Providing leadership and direction for comprehensive and continuing agency employee training programs.

Administering the Management Personnel Inventory which is used in the identification and selection of personnel for key management, professional and administrative positions.

In the area of manpower acquisition and staffing, special emphasis will be placed, during fiscal year 1970, on initiating further improvements in the coordinated VA-wide program for recruitment of needed professional, technical, and administrative personnel; upgrading the quality of VA recruitment literature; improving

Staffing and Development (Continued)

and expanding recruitment exhibits and displays to enhance on-site recruitment effectiveness at colleges, universities, and meetings of professional organizations; continuing the realistic updating of agency qualification standards based on VA experience, current labor market conditions, and practices of non-Government employers; developing new agency promotion guidelines and plans; and effecting necessary changes in the appointment and employment policies for Title 38 personnel to further the recruitment and retention of physicians, dentists, and nurses.

Increased emphasis in fiscal year 1970 will also be directed in other staffing and development functions. These include: the development of training materials to assist field stations in training employees for health service occupations, to further the national effort to increase the supply of manpower in this area, and to upgrade the administrative and technical skills of employees to meet operational needs; the extension of manpower planning activities to provide better data to operating officials on prospective manpower requirements in major career fields, and to provide assistance to officials in monitoring career systems for recruitment and development programs.

Salary and Wage Administration

The proposed staffing is necessary for effective accomplishment of the agency salary and wage administration functions which include such activities as:

Planning, developing and recommending agency policies, programs, regulations and procedures in the area of salary and wage administration and hours of duty for all VA employees, including medical personnel, wage board employees, and purchase and hire employees.

Conducting wage and salary surveys, constructing and recommending wage schedules, and carrying out studies and research to make pay determinations for employees under administrative pay systems.

Providing resource assistance for the VA member on the National Wage Policy Committee, established by the Civil Service Commission for the installation and operation of the Coordinated Federal Wage System.

Furnishing guidance and advice to Departments and field stations on operational problems in the areas of salary and wage administration, and hours of duty.

During FY 1970, continuing special attention will be required to be directed to policies and practices relating to the pay and hours of duty for Title 38 personnel (physicians, dentists, nurses, residents, and interns), and to special salary studies on a nationwide or locality basis for other shortage category positions. This is directly related to critical problems in the recruitment and retention of personnel for medical and para-medical occupations in a tight labor market, coupled with substantive changes occurring in salary and working conditions for such occupations.

Conversion to the Coordinated Federal Wage System, begun in fiscal year 1969, will continue, on a phased basis, throughout fiscal year 1970, with implementation concentrated in fiscal year 1970. Assistance will be provided to VA stations serving as "lead" agency in the conduct of wage surveys for the labor market areas in which they are located, and to construct wage schedules applicable to all Federal agencies for the labor market areas in which a VA station serves as the "lead" agency.

Central Office Personnel Operations

The proposed staff is required to conduct the full range of personnel management operations, including classification, placement, training, employee relations, and a comprehensive health program for the Central Office; Washington, D. C. Data Processing Center; and Washington, D. C. Veterans Canteen Service Area Office.

In fiscal year 1970, there will be continuing need for: recruitment of architects and engineers to assure quality staffing for the long-range VA construction program; direct out-of-area recruitment of typists and stenographers because of present and anticipated shortages for such personnel in the Washington, D. C. area; staffing and controlling a pool of typists and stenographers to meet work emergencies and vacancy needs of organizational elements serviced; conducting clerical, skills and supervisory training to assure a high level of employee performance and to improve manpower utilization; and furthering special emphasis programs for minority group members, women, disadvantaged, and the handicapped. Special attention will be given to updating supervisory and skills training courses, and to initiate new training courses to meet specific operational needs of management officials and supervisors.

Other Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (−)
Travel and transportation of persons	$33,552	$36,200	$51,200	+$15,000

The estimated $51,200 for travel is required for such items as: training of field station personnel in the conduct of wage surveys under the new Coordinated Federal Wage System, i.e., providing leadership and technical assistance in collection and refinement of wage data and review of application of wage administration standards; on-campus recruitment of professional, technical and administrative personnel; conducting on-site personnel management evaluations at field stations; providing direct assistance and guidance to local managements on employee-management matters, including negotiation of agreements; special purpose trouble-shooting visits to field stations to provide needed program assistance; permanent transfer and special details of field personnel to Central Office; and miscellaneous special travel needs that arise. The travel increase can be attributed to the need to implement the new Coordinated Federal Wage System, special emphasis on recruiting professional and technical personnel, and also to increase field visitations to render advice on employee-union matters.

Transportation of things				
Shipment of household goods.....	532	2,800	5,000	+2,200

The $2,200 increase in fiscal year 1970 will be needed to cover the estimated cost of shipment of household goods and personal effects of field station employees transferred to Central Office to fill new positions and anticipated vacancies, stemming from retirement and other types of losses.

Other Services - Contractual	31,998	24,900	30,000	+5,100

This amount is needed for career development activities for top management personnel; recruitment advertising and exhibits; and attendance of personnel at training meetings and seminars. Approximately $13,000 of these funds will be used for health services provided Central Office employees by other agencies.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (−)
Supplies and Materials	$15,630	$6,100	$10,000	+$3,900

This amount is required for the purchase of needed special items of office supplies, medicines and linens for the health room, and the purchase of supervisory training films for VA-wide use, which were deferred from the previous fiscal year.

Equipment	6,434	15,600	4,800	-10,800

Funds requested will be used for replacing outmoded and worn-out furniture and equipment.

Mr. EVINS. Mr. Talcott points out you have a total of 293 employees of which 41 are members; 93 attorney-advisers; six medical advisers and 142 for administrative support and 11 in the office of the chairman. The budget provides for 13 sections of the Board, each composed of three members. This is a quasi-judicial body, which writes decisions to inform the veteran with a written opinion.

On page 1–23 is a breakdown of the workload; disability benefits, you will review about 19,200 cases; death benefits, 2,100 cases; and loan guaranty, waiver of indebtedness, that is a pretty good one; 1,400 of those.

I did not know you looked over the waiver of indebtedness I thought that was in the loan guaranty program.

Mr. STANCIL. The question of waiver of loan guarantee indebtedness is within the appeal jurisdiction of the Board and has been for the last 2 or 3 years.

Mr. EVINS. How many of those do you approve?

Mr. STANCIL. Grant the waiver?

Mr. EVINS. Yes.

Mr. STANCIL. The percentage roughly approximates that in the other types of cases and has ranged anywhere from 12 to 14 percent over the last year or two.

Mr. EVINS. Twelve or 14 percent get their indebtedness waived. The other percentage does not. Insurance cases, what is the nature of the insurance cases that the Board handles?

Mr. STANCIL. The insurance cases are a very small part of our load and involve such things as who is the designated beneficiary, and was a change of beneficiary made, and so forth.

Mr. EVINS. Doesn't the insurance service decide that?

Mr. STANCIL. Subject to appeal.

Mr. EVINS. They come to you on appeal?

Mr. STANCIL. Yes, sir.

RELEASE OF VETERAN HOME BUYER FROM LIABILITY

Mr. JONAS. This may or may not be the appropriate place to raise this subject, but since you are on loan guaranty waiver, it occurs to me—and I am afraid I might forget it later on—I am concerned over the growing number of cases where a GI will pay a year or so on a loan and then sell his house. He does not know himself, does not consult counsel and does not get a release. Then the purchaser defaults and does not make any payments or very few payments, and you go back on the maker of the note, which is legally proper. But what steps are you taking to inform the mortgagors when they execute notes and mortgages that if they make transfers of the property without getting releases they are not released of their liability until the loan is paid off?

Mr. DERVAN. We have taken a number of steps in the past 2 years to make the veteran who is selling his property more aware of the possibilities of getting a release from liability. One of the steps that we have taken for a number of years is when he gets his certificate of eligibility initially, and when he has his loan guaranteed initially, we send him pamphlets which explain in very considerable detail just how to go about getting a release when he comes to sell his property.

We recognize, as you do, that a number of years may elapse between the closing of the loan and the subsequent sale of the property and he

may have forgotten this material. To remind him at the time he is contemplating sale, we have asked lenders whenever they receive an inquiry from the veteran homeowner asking for a payoff balance, which indicates that he is contemplating the sale of the property, to send him a little pamphlet which we call "Selling Your GI Home," which explains in detail just what he should do to protect himself by getting a release.

In respect to servicemen, particularly, Mr. Jonas, we have secured the cooperation of the Department of Defense in distributing this pamphlet to servicemen who are the recipients of change of station orders, or who are about to receive their change of station orders, which explains again just what can be done to get a release from liability. One other thing that we have put into effect in the past year is that we have developed for all but seven States, where it cannot be developed, an approved assumption of liability clause, which is legally acceptable to us, and which picks up the indemnity liability of the original veteran. So if for some reason, Mr. Jonas, they cannot wait to process a release of liability incident to the sale of a property, this clause can be inserted in the deed conveying the property from the veteran owner to the transferee. That takes care of the legal liability and then we can pass on the question of credit.

Mr. JONAS. You mean you accept that clause in the deed transferring the property as a legal assumption of the debt and release of the mortgager?

Mr. DERVAN. Yes, sir.

Mr. JONAS. I do not think so.

Mr. DERVAN. I say we have developed a clause which if included in the deed is legally acceptable for the assumption of the veteran indemnity and his mortgage liability.

Mr. JONAS. I know it is legally acceptable by the purchaser, but I am talking about binding the VA to accept it.

Mr. DERVAN. No, it does not bind us to accept it. It will be accepted, though, if we find that the transferee meets the requirements of the law in respect to credit.

Mr. JONAS. I do not quite understand that.

Mr. DRIVER. After the transaction takes place, Mr. Jonas, we can look at his credit at the time he transferred the property and if we decided it was acceptable, we then after the fact release the veteran. The assumption clause in the deed makes it unnecessary to persuade the new owner to sign an assumption agreement after the sale.

Mr. JONAS. Do you have to approve these transfers?

Mr. DERVAN. Yes, sir.

Mr. JONAS. Why would it not be advisable at the time of the approval of the transfer to call attention to the transferor that unless he gets a release he remains liable?

Mr. DRIVER. It would be if we knew about them.

Mr. JONAS. How do you know about them if you have to approve the transfer?

Mr. DERVAN. We do not approve the transfer.

Mr. DRIVER. We do not know at the time he transfers unless he comes to us.

Mr. JONAS. I am trying to make it easier for the person who is selling his property to get out from under the legal liability of the balance due.

Mr. MONK. There is no requirement now that we, the VA, be notified if a veteran sells his property after he has a GI loan on it. We only know that if it is brought to our attention in connection with the credit investigation.

Mr. JONAS. Is it not normally brought to your attention?

Mr. DRIVER. Not unless there is a default.

Mr. JONAS. So there can be thousands of transfers that you never know about.

Mr. DERVAN. Hundreds of thousands.

Mr. DRIVER. All these cases you talk about are coming up in that fashion. It is rare that a veteran will come to us and have us turn down the exchange of liability and release and then there is a default, although those cases do occur.

Mr. JONAS. He runs a risk in coming to you because you may not approve the new risk.

Mr. DRIVER. At least we put him on notice that he has a pretty bad deal on his hands; yes, sir.

Mr. JONAS. One other thing I would like is this: Can you assure the committee that in all of these cases you pursue your remedies against the transferee who assured the mortgage?

Mr. DRIVER. Yes, sir.

LEGAL LIABILITY—WAIVERS

Mr. JONAS. I have heard of some cases in which the original mortgagors who transferred feel that you have not exhausted all efforts to collect out of the person who assumed the indebtedness, and that some of your regional offices have immediately, upon default, undertaken to collect out of the original maker of the note?

Mr. DRIVER. We put him on notice. There is no question about that. We pursue everybody we can, because it is rare that you are going to collect.

Mr. DERVAN. As a matter of fact, Mr. Jonas, there is a definite collection policy. Once it has been established that the transferee is legally liable, then the priority of collection efforts is first against the transferee because in effect he agreed to indemnify the original veteran purchaser. But if efforts to collect from the transferee do not prove productive, then there is no alternative except to make a demand upon the original veteran.

Mr. JONAS. Then if the second obligor, the man who is secondly liable by reason of assuming the mortgage, if you cannot collect out of him and you go back on the original maker of the note and mortgage, then he can apply for a waiver, is that right?

Mr. STANCIL. That is right.

Mr. JONAS. Those are the kind of waiver cases on appeal that come to you.

Mr. STANCIL. That is right.

Mr. JONAS. What does he have to prove to get a waiver? You don't need a waiver if he is insolvent. He doesn't. What does he have to establish?

Mr. STANCIL. The test prescribed in the law and regulations is that the veteran seeking the waiver must not have been at fault in the default and to require that he pay the indebtedness would result in a severe hardship.

Mr. EVINS. Do you do anything to encourage the veterans to hold their homes? When a man owns a home a good citizen is born. Let us see if we can get them to hold these homes. Uncle Sam has provided a means to achieve a home, he should retain it.

If you had a policy of encouraging it, it would be helpful.

BOARD OF VETERANS APPEALS—EQUIPMENT

Mr. STANCIL. Mr. Talcott asked about the equipment and I did not answer. I have a specific list of what we spent the money for, if you would like me to put it in the record.

Mr. TALCOTT. It looks about $230 an employee for equipment over a 3-year period. That is too high.

Mr. STANCIL. In fiscal year 1968 we spent $36,457. That was for six typewriters that cost $2,646, the balance for updating of remote recording equipment. In fiscal 1969, an additional expenditure of $7,895 for dictating equipment, $3,918 for additional dictating equipment needed in the hearing rooms and $2,387 for furniture, desks, tables, and things of this kind.

Mr. TALCOTT. This is $230 for each of the 293 employees and most of the equipment should last for 10 or 20 years.

Mr. STANCIL. Yes, sir.

Mr. TALCOTT. When you start adding it up there you could get about $700 or $800 per person over a 9-year period.

Mr. STANCIL. 1968 was the year in which we purchased an entire dictating machine installation. That ran this item up. Normally our expenditures for equipment will run about as shown for 1969 and 1970.

Mr. TALCOTT. For these 3 years we spent $230 for each of the 293 employees. I think most of this equipment will last 5 to 10 years and the desks might last 20 years.

Mr. MONK. Not for each of the 3 years. For the 3 years total.

Mr. DRIVER. I misunderstood. I thought you thought it was $700 or $800 for the 3-year period.

ASSISTANT ADMINISTRATOR FOR MANAGEMENT ENGINEERING AND EVALUATION

Mr. EVINS. Let us take a look at the operation of the office of the assistant administrator for management engineering and evaluation. This office seeks ways to improve the management and operation of VA programs and evaluates the effectiveness.

I imagine your evaluation is that the VA is very effective and is doing a good job. Is that your conclusion?

Mr. TURNER. Yes, sir.

Mr. EVINS. You made a good report on that. You have 90 employees to tell the VA that it is doing a good job. You are evaluating the programs and you come up with an affirmative answer. You are asking for $104,800 increase. Look on page 1–35, transportation of things, it goes up three times from 1968; from $5,529 to $16,900. Shipment of household goods; that improves the morale doesn't it?

Mr. TURNER. This is largely due, Mr. Chairman, to a turnover problem we have in the Internal Audit Service. Since this past July we have had a 33-percent turnover of our 40 people in that Service. These are all management analysts. We have to replace them, which has

become a difficult problem. They do a lot of travel and it is hard to keep them.

Mr. EVINS. How many are on board in this office now?

Mr. TURNER. In the Internal Audit Service sir, we have 40 people. Thirty-three are management specialists or management analysts. The other seven are supervisory or clerical.

Mr. EVINS. You have a large turnover and your "transportation of things" has gone up five times in the last 2 years.

Mr. TURNER. That is right.

Mr. EVINS. They do not like to stay in one office. You cannot keep them onboard.

Mr. TURNER. We cannot keep them long. They stay about 2 or 3 years. We must train them; if they have children they will move to a nontraveling job.

Mr. TALCOTT. Mr. Chairman, this is not keeping them onboard, this is moving one employee who wants to stay with the agency from one place to another.

If they quit, they do not get any transportation.

Mr. DRIVER. You have to replace them.

Mr. TURNER. This is recruiting people as replacements.

Mr. DRIVER. If they are in the field station and we bring them to Washington, we pay for a permanent change of station. These people are recruited internally. They are familar with the programs at one station and come to a traveling job with Washington.

Mr. EVINS. But they do not stay on the job. You better have another study how to retain them on the job.

BOARD OF VETERANS' APPEALS

Mr. JONAS. If the chairman will yield to me for a general question, I am not entirely sure it is a good idea. Do you mean, Judge Stancil, that when you have vacancies on your Board you bring people in from the regional offices who served on evaluation boards? They are passing on their own decisions?

Mr. STANCIL. No, only part of them come from regional offices. Our recruiting is not that narrow. We bring attorneys from private practice, from other Government agencies and a certain number of young men just out of law school who stood in the upper part of their class, to get a good age spread and good variety of backgrounds. A certain number of these people we do bring in from regional offices.

Mr. JONAS. How many of your present staff of people who pass on appeals did you recruit and bring into Washington from regional rating boards?

Mr. STANCIL. This is a guess subject to more careful check. I would say not over 25 percent. I would like to comment on the possibility of passing on their own work. If a man comes in from a regional office, he is disqualified to pass on anything he has had a hand in in the field.

Mr. JONAS. I understand that. But he is not the only one. You mean you disqualify him from working on any case that came out of the region, or just those that he participated in the lower decision?

Mr. STANCIL. For a period of time he will be disqualified from handling anything out of the office where he worked or any other case where there would be any question about his objectivity. I would like to clarify one point about recruiting from field offices. A rating board

man is transferred into the Board of Veterans Appeals as an attorney-adviser, not as a board member. As attorney-adviser he is like a clerk to the judge. He does research and he writes tentative decisions. But the decision is made by the associate member of the Board.

Mr. JONAS. I understand, but he has pretty substantial influence.

Mr. STANCIL. We hope he has pretty substantial capability, and his influence would stem from his capability.

Mr. JONAS. I am raising the question with you and the Administrator whether that is a good arrangement.

Mr. DRIVER. He does not pass on his own decisions.

Mr. JONAS. But he passes on decisions that were made in the office out of which he came.

Mr. DRIVER. Only after a reasonable period of cooling off.

Mr. JONAS. Do you think that is a good idea? Is that the best way to insure independence of judgment by the Appeals Board?

Mr. DRIVER. Yes, sir. I do not think there is any prejudice especially when you realize his opinion has to be associated with two others to become a decision. I do not think there is any danger.

Mr. EVINS. You have a policy of excusing him in cases where he participated.

Mr. DRIVER. He must, yes, sir.

TRANSPORTATION COSTS

Mr. TALCOTT. Mr. Chairman, there is one other question about transportation besides the problem Mr. Jonas raises. It seems to me that transportation costs can be buried in a number of places here. There is "transporation of things," for household goods; there is "employee travel," which includes family travel expenses, which is different from local travel; then there is "other services," for storage of household goods.

Mr. MONK. Yes, sir. We also have beneficiary travel.

Mr. DRIVER. Veterans who travel to a hospital, for example.

Mr. TALCOTT. There is no employee travel in that category.

Mr. DRIVER. Not in that category.

Mr. TALCOTT. "Personal benefits" includes real estate costs, subsistence and temporary expenses and other miscellaneous moving expenses.

Mr. MONK. There is no travel in that. The two items where travel would appear for employees would be "employee travel" and "transportation of things."

Mr. EVINS. Let us place in the record pages 1–33 through 1–35 and turn to 1–37, administrative services management. We will also insert pages 1–37 through 1–41 in the record.

(The pages follow:)

ASSISTANT ADMINISTRATOR FOR MANAGEMENT ENGINEERING AND EVALUATION

This office seeks ways to improve the management and operation of VA programs, and evaluates the effectiveness of VA management. Principal kinds of work: conducting internal audits (comprehensive management or program audits - not fiscal audits); conducting special studies and reviews of procedures, methods and organization; managing agency-wide paperwork programs (records, forms, correspondence, mail and administrative issues); stimulating and coordinating the agency-wide cost reduction program; helping with the development and evaluation of work measurement and standards for all VA programs; implementing laws and regulations governing employee and beneficiary travel; and giving advice and assistance (management consultant services) to departments and staff offices in any of these management program areas.

Summary of requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment	90	90	90	
Costs:				
Personal services	$1,251,410	$1,374,600	$1,425,800	+ $ 51,200
Travel and transportation of persons	100,050	103,200	139,600	+ 36,400
Transportation of things	5,529	3,000	16,900	+ 13,900
Other services	4,580	5,000	7,400	+ 2,400
Supplies and materials	1,272	2,000	1,400	- 600
Equipment	4,335	3,000	4,500	+ 1,500
Total costs	1,367,176	1,490,800	1,595,600	+ 104,800

Average employment

Estimated requirements cover the personal service needs of the Office of the Assistant Administrator and three services as summarized below:

Office of Assistant Administrator	4	4	4
Internal Audit Service	40	40	40
Management Engineering Service	25	25	25
Management Services Staff	21	21	21
Total	90	90	90

The personal service cost increase reflects the higher pay scale effective July 1968, pay for one extra day in FY 1970, periodic step increases, and advancement of internal auditors as provided in the Civil Service Training Agreement approved April 20, 1959.

Office of the Assistant Administrator

The Assistant Administrator plans, coordinates and supervises the work of the office as a whole. He has one Executive Assistant and two clerical assistants - a total of four. No increase is requested for Fiscal Year 1970.

Management Services Staff

Management Services Staff has 21 employees for Fiscal Year 1969. No increase is requested for Fiscal Year 1970. This staff manages the agency-level paperwork programs of the VA, which include -

- o creation, maintenance, and disposition of records.
- o preparation, coordination, and effective use of administrative issues (manuals, regulations, circulars, pamphlets, etc.).
- o design and effective use of forms, form letters, and other correspondence media.
- o receipt, distribution, and dispatching of mail.
- o implementation of laws and regulations covering employee and beneficiary travel.

Internal Audit Service

Personnel in this service conduct comprehensive management audits of VA programs and activities at field stations and in Central Office. The need for, and the importance of, this type of management control at the corporate level is recognized both in Government agencies and in private industry. The VA internal audit function was established by Congress in the Independent Office Appropriation Bill of 1954 (House Report 550, 83d Congress, 6/11/53). The Committee on Government Operations established guidelines for the internal audit function in all Government agencies (House Report 456, 88th Congress, 6/25/63). VA's Internal Audit Service operates in accordance with those guidelines.

Forty people are assigned to this service in FY 1969. No increase is requested for 1970.

Management Engineering Service

This service conducts a broad program for agency-wide management improvement which includes:

- o helping Departments, Staff Offices, and field stations to analyze, design, and install better procedures, methods, organization and management controls.
- o providing staff leadership for the cost reduction and manpower utilization programs. (Departments and Staff Offices reported savings of $38.4 million and 1474 man-years during FY 1968).
- o providing staff leadership in the development and use of effective measurements and standards for management and operations, including productivity measures and quality control systems.

No increase in present staffing of 25 people is requested for 1970.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and transportation of persons				
Employee travel	$99,856	$103,000	$139,200	+ $ 36,200
Local travel	194	200	400	200
Total	100,050	103,200	139,600	+ 36,400

The requested increase in travel funds for FY 1970 is required to provide for a projected increase in management audits, special studies and reviews to be conducted at field stations; travel incident to filling of vacancies resulting from above average employee turnover; and travel incident to the training and development of new employees.

Transportation of things				
Shipment of household goods	5,529	3,000	16,900	+ 13,900

To pay for shipment of household goods and personal effects for employees expected to be transferred from field stations.

Other services	4,580	5,000	7,400	+ 2,400

To provide fees for attendance of employees at management conferences, seminars, and training conducted outside the Agency; funds for furniture and fixtures maintenance; and annual payment for affiliation with the American Society for Public Administration.

Supplies and materials				
Office supplies and materials	1,272	2,000	1,400	- 600

For non stock administrative supplies and materials.

Equipment				
Equipment, furniture and furnishings	4,335	3,000	4,500	+ 1,500

For normal replacement of equipment in line with current Agency standards.

ADMINISTRATIVE SERVICES

The Manager, Administrative Services is responsible for providing varied administrative services for Central Office, as well as several VA-wide services.

Summary of requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment	346	353	353	
Costs:				
Personal services	$2,444,028	$2,654,300	$2,701,200	+$ 46,900
Travel and transportation of persons	3,722	4,300	4,300	
Transportation of things	77,906	85,500	85,500	
Rents, communications and utilities	368,938	508,200	576,000	+ 67,800
Printing and reproduction	419,348	420,000	420,000	
Other services	116,158	134,000	174,000	+ 40,000
Supplies and materials	153,406	153,500	153,500	
Equipment	10,253	19,400	19,400	
Total costs	3,593,759	3,979,200	4,133,900	+ 154,700

Average employment

Personal services requirements provide for the Office of the Manager and three Services. Dollar requirements for fiscal year 1970 are based on average salaries in effect with funds to cover normal within-grade increases and for normal advances of employees. In addition, fiscal year 1970 requirements provide for funds to cover increases under PL 90-206 for the entire year. Funds for 1969 includes increases beginning July 14, 1968. Where applicable, personnel requirements are based on work rate standards applied to workloads.

Office of Manager	7	7	7
Office Operations Service	267	270	270
Building and Supply Service	48	47	47
Audio Visuals Service	24	29	29
Total	346	353	353

The Manager, Administrative Services also has jurisdiction over the Publications Service which is funded and justified under the Supply Fund.

Office of Manager

The Manager, Administrative Services is responsible to the Associate Deputy Administrator for providing general office service support for Central Office and certain specialized operating services on a VA-wide basis. Administrative Services has staff as well as operational responsibility for the VA printing and reproduction and the audio visuals programs; the remaining functions are operational. The proposed staffing is required to effectively plan and coordinate manpower resources in order to carry out the mission of Administrative Services.

Office Operations Service

The largest Administrative Services operation. Approximately 75% of its efforts relate to VA-wide programs and the remaining 25% to Central Office support. Some of the services furnished VA-wide are supplemental claimant identification, claims folder location, development of veterans' records, adjustment of duplicate and confused claims cases, language translation, centralized processing of notices of death, allotment of claim numbers to regional offices and the issuance of Presidential Memorial Certificates. Central Office support consists of receipt, distribution and dispatch of mail and teletypes, employee travel, telephone and records management services.

Workload estimates have been projected on forecasts obtained from the departments which indicates an increase in the number of new deaths, new disability claims and applications for education and training. Projections for workload items where program forecasts are not directly applicable are based on past experience. Staffing requirements are determined by use of work measurement techniques and principles, assuming that improvements in organization, simplification of work procedures will increase productivity and at the same time maintain quality of service.

	1968 Actual	1969 Estimated	1970 Estimated
Mail Processed	3,860,200	3,876,900	3,898,000
Transfer of Claims Folders	40,100	40,100	40,200
Index Searching & Filing Actions	2,479,300	2,964,900	3,129,100
Locator Searching & Filing Actions	2,835,000	3,116,500	3,205,600
New Death Cases Processed	319,300	335,300	351,300
RO Claim Numbers Registered	605,200	703,900	768,800
Adjustment Actions	44,800	48,200	50,200
Correspondence Processed	76,900	77,000	77,300
Memorial Certificates Issued	117,400	134,100	140,500
Cases Completed	41,400	41,400	41,500
Teletype Message Actions	355,100	355,100	356,400
Travel Requests	4,800	5,500	5,600
Records Filed	20,800	20,800	21,000
Records Surveyed	11,900	11,900	11,900

Building and Supply Service

Provides the following services for Central Office and the Data Processing Center located in Washington, D. C.; real property management, emergency preparedness, supply activities, personal property management including accountability, storage, issue, control, repair and maintenance, labor, transportation and drayage services. Provides funds to automatically issue all stock items for Central Office.

Audio Visuals Service

Provides agency wide guidance for the operation of a balanced and effective audiovisuals program. Produces and distributes visuals media including exhibits, charts, motion pictures, film strips, still photography, etc. Maintains a centralized library of motion pictures and film strips and distributes them on a national basis both within and outside the Veterans Administration. Presents exhibits within VA, professional and scientific meetings and to the general public.

Other Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and transportation of persons				
Employee travel	$ 470	$1,000	$1,000	
Other travel	3,252	3,300	3,300	
Total	3,722	4,300	4,300	

Employee travel provides for necessary trips by our exhibit technicians to present medical and scientific exhibits at major veterans service organization and medical association meetings and visits to field stations by the Manager and Assistant Manager. Other travel includes funds to purchase D. C. tokens for use by all Central Office and rental of one medium sedan for use by the Administrator.

Transportation of things				
Freight, express and drayage	8,283	9,700	9,700	
Parcel post reimbursement	62,507	68,000	68,000	
Rental of trucks from GSA pools	7,116	7,800	7,800	
Total	77,906	85,500	85,500	

Freight, express and drayage includes all miscellaneous shipping costs for Central Office (excluding Publications Service) of printed materials for binding; supplies and samples to other VA installations; shipments of punched cards and tapes to Data Processing Centers and exhibits shipped to conventions and medical association meetings.

Funds for parcel post reimbursement represents total estimated costs for fiscal years 1969 and 1970 based on the semi-annual mail samplings. Estimates provide for increased costs established in PL 90-206 effective January 1968.

Funds required for rental of trucks from GSA pools cover the estimated requirement for rental on a full time basis.

Rents, communications and utilities				
Communications	314,574	454,400	522,200	+ 67,800
Regular mail reimbursements	31,700	31,100	31,100	
Equipment rentals	22,664	22,700	22,700	
Total	368,938	508,200	576,000	+ 67,800

This estimate covers the cost of all communication services for staff offices in Central Office including telephone, teletype, commercial telegraph and postage other than parcel post. Included in fiscal year 1969 estimate is a 26% increase for FTS intercity service and a 21% increase in fiscal year 1970. FTS costs represents the equalization method of billing for intercity service. Under this plan, cost of the largest using agencies will be billed a pro rata share of the FTS system costs as determined by its percentage of total system usage. Fiscal year 1970 reflects an increase for additional telephone lines to allow for the expansion of our present system and for additional trunking and switching equipment to alleviate the present overloaded conditions. The amount included for the Advanced Record System represents VA Central Office pro rata share based on the agreed reimbursement to the General Services Administration to provide nation-wide teletype service.

Decrease in regular mail cost in fiscal years 1969 and 1970 results from a change in the method of mailings between all regional offices and Central Office.

Equipment rentals provide for photocopy machines in the Photocopy Service Center and for other organizational elements located outside of the VA Building.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Printing and reproduction	$419,348	$420,000	$420,000	

To provide funds to reimburse the Supply Fund for all printing and reproduction for all staff offices other than the Assistant Administrator for Construction. Requirements include VA forms and form letters, manuals, circulars, printed envelopes, charts, photostats and other reproduction services including those produced by the VA printing plant, Government Printing Office, commercial printers and other government agencies.

Other services

Repair of furniture and equipment	7,883	8,500	8,500	
Maintenance and repair of buildings	66,590	57,900	57,900	
Miscellaneous contractual services	41,685	67,600	107,600	+ 40,000
Total	116,158	134,000	174,000	+ 40,000

To provide for miscellaneous services on a contractual basis. Includes funds for preventative maintenance and upkeep of office furnishings for issue in lieu of purchasing new items; alteration and repair to buildings on a reimbursable basis. Other services provided for are translation services, laundry service for all Central Office, maintenance contracts on mail and remote control dictating equipment; an increase of $40,000 provides for the pro rata share of the total estimated 1970 library cost related to services provided non-medical employees; services for the graphic arts function performed by commercial sources, and reimbursable services to the Department of Agriculture for the reproduction of motion picture films, TV films and spot announcements which keep veterans and their dependents informed of their rights and benefits.

Supplies and materials	153,406	153,500	153,500

This estimate provides funds for all stock items which are issued to staff offices and departments in Central Office. Also includes operating supplies such as typewriter and calculator parts, photographic film, chemicals, materials for exhibit construction, artists' materials such as ink, lettering pens, headliner paper and film, visatype symbols, hand tools, shipping cases, supplies and miscellaneous parts for the upkeep of photocopy equipment and pneumatic tube system.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Equipment	$10,253	$19,400	$19,400	

For replacing office equipment which is required for efficient operations and services. This equipment can no longer be economically repaired and meets the standards for replacement.

MANAGER, ADMINISTRATIVE SERVICES

Mr. EVINS. How does the Administrative Services differ from the Assistant Administrator for Management? They are both similarly engaged in management operations and services?

Mr. MONK. The manager of Administrative Services is the housekeeper for the central office. He runs the mail room, the files and provides the housekeeping and has the liaison with GSA in the maintenance of our building.

Mr. EVINS. Don't you have that in a branch in the Assistant Administrator for Management and Evaluation?

Mr. MONK. It could be.

Mr. EVINS. You have two big jobs, one manages in the headquarters and one in the field—the Assistant Administrator for Management Engineering and Evaluation.

Mr. DRIVER. Evaluation Management is in the field. The Administrative Services in Washington is strictly a housekeeping activity.

Mr. EVINS. It shows on page 1–38 what he does. Mail processed, 3,898,000.

Locator searching and filing, over 3 million actions, index searching of files, over 3 million cases.

Mr. DRIVER. This is because veterans do not give us a number to locate their records.

Mr. EVINS. You have 353 jobs in this activity and 90 in Management Engineering and Evaluation.

Mr. DRIVER. Yes, sir.

Mr. TALCOTT. May I ask a question regarding page 1–39, on rents, communications, utilities? The communication costs are projected at $522,000. This is an increase of $207,000 since 1968 and $249,000 since 1967, almost 100 percent increase. Can you explain why that is?

Mr. GORMAN. That increase is basically due to the increased telephone and teletype costs. Specifically that increase of $67,800 you see in communications represents central office pro rata share of our reimbursement to GSA for agency network teletype.

Mr. TALCOTT. The problem with that $67,800 figure is that it is just the increase over your estimate for 1969. But it is some $200,000 over your actual of 1968.

Mr. GORMAN. That is right. That also includes increased costs for telephone service, long distance, commercial, and FTS service, also increased regular mail reimbursements.

Mr. EVINS. Let us look at the office of the Controller. We will place in the record pages 1–43 through 1–45.

OFFICE OF THE CONTROLLER

The VA Controller is the top financial management officer of the agency. On a VA-wide basis, the responsibilities of his office cover the areas of fiscal audit, budget, finance and statistics.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment	275	293	293	
Costs:				
Personal services	$3,123,252	$3,481,800	$3,637,200	+$155,400
Travel and transportation of persons	116,464	128,010	141,700	+ 13,690
Transportation of things	6,222	6,050	6,100	+ 50
Other services	155,608	162,600	162,600	
Supplies and materials	4,926	4,500	4,500	
Equipment	10,081	6,040	11,800	+ 5,760
Total costs	3,416,553	3,789,000	3,963,900	+ 174,900

Average employment

Funds included for personal services are required to support the manpower needs to carry out the responsibilities of this office. Cost increases reflect annualization of the pay raise effective July 14, 1968, normal within grade step increases, and increase in the non-medical portion of the agency payments to the Employees Compensation Fund, Department of Labor. Employment by Service follows:

Immediate Office	4	3	3
Audit Staff	24	25	25
Budget Service	28	30	30
Finance Service	145	162	162
Reports & Statistics Svc.	74	73	73
Total	275	293	293

Immediate Office

The staffing of 3 employees is required to effectively plan, direct and coordinate manpower resources and to assure that the mission of the Controller is accomplished efficiently and economically.

Audit Staff

An average of 25 employees is required in the audit function. 3 are resident auditors at data processing centers, 18 are traveling auditors and 4 are assigned central office control functions. This staff conducts audits and evaluation of financial management activities at all VA hospitals, regional offices, insurance and data processing centers, soldiers homes and state nursing homes; prepares detailed reports on findings, containing, where necessary, recommended improvements in procedures and systems and the correction of deficiencies.

Budget Service

An average of 30 employees is necessary to accomplish assigned agency-wide budget activities in 1970. This service provides agency direction in the formulation of budget estimates; reviews departments and staff office estimates and recommends agency budget levels; coordinates and consolidates agency budget estimates for presentation to the Bureau of the Budget and Congress; prepares apportionment requests to the Bureau of the Budget and fund allocation to departments and staff offices upon enactment of appropriations; maintains continuous review of expenditures related to departments and staff office financial plans; performs the programming and budgeting required in the development of VA multi-year program and financial plan.

Finance Service

An average of 162 employees (92 in Central Office, 50 in the Austin DPC and 20 in the Hines DPC) is required to meet assigned agency-wide functions in fiscal and financial administration and operations. The increase of 17 shown in FY 1969 covers the additional needs at the Austin DPC generated by the Property and Loan Accounting Control and Evaluation (PLACE) system. This transfer of the collections activities to a centralized location and the accompanying maintenance of data for accounting and servicing through the automated system has been more than offset by savings at the field stations as they lost this workload.

This service conducts research in the application of new techniques and procedures in financial operations and management information systems; determines entitlement propriety and validity of payments, collections and related activities; determines policies related to accounting for cost, receipts, disbursements, assets and liabilities; provides appropriate fiscal services in field management, analysis and EDP systems control, in specific functional areas such as insurance, compensation and pension, property loans and agency payroll; conducts finance activities in Central Office and the Austin DPC and maintains fund controls at the Hines DPC; maintains agency financial control accounts; reviews, analyses and consolidates field station financial reports; developes consolidated balance sheets and financial statements; controls cash balances and financial transactions with the Treasury Department; prepares administrative accounting reports.

Reports and Statistics Service

An average of 73 employees is required to accomplish assigned reporting and major statistical functions agency-wide. This service conducts statistical reporting activities for the departments, staff offices and the entire agency; controls the creation of new or additional reporting requirements and the preparation of reporting instructions; assembles and disseminates consolidated reports of substantive program and administrative operations data; analyzes reported data to identify program or administrative problem areas and to evaluate the effectiveness of the reporting system; conducts statistical research to develop demographic and economic data on veterans, their families and survivors; prepares and publishes vital statistics data on the veteran population, current and projected; analyzes

Reports and Statistics Service

patient stay in hospital and immediate and long-term results of treatments; analyzes morbidity levels among veterans - incidence, prevalence and mortality.

Other Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and transportation of persons				
Employee travel	$116,464	$128,010	$141,700	+ $13,690

Travel is required to conduct on-site evaluations of field station operations as they relate to the Controller's responsibility in the functional areas of budget, financial management and fiscal auditing, reports management and statistical research. The increase in 1970 is attributable to a heavier schedule on system monitoring and extended coverage.

Transportation of things	6,222	6,050	6,100	+ 50

Anticipated costs for moving employees from field stations to Central Office positions.

Other Services - Contractual			
Research & Statistical Contracts	145,820	150,000	150,000
Misc. Contractual Services	9,788	12,600	12,600
Total	155,608	162,600	162,600

Research and statistics contracts are primarily with the Bureau of the Census supplemented by services from other agencies such as Bureau of Labor Statistics, the American Hospital Association and the Department of Health, Education and Welfare. These contracts are for services rendered in collecting, processing and tabulating information on current social and economic status of veterans and their families and their widows and on the morbidity of veterans.

Miscellaneous contracts are for services such as (1) repair of furniture and equipment, (2) maintenance and repair services, (3) employee training and services obtained from the Defense Contract Audit Agency.

	1968 Actual	1969 Estimate	1970 Estimate
Supplies and Materials	4,926	4,500	4,500

These costs are for non-stock administrative office supplies, special supply items used in presentation and briefings and maintaining the Administrator's chart room.

CONTROLLER

Mr. EVINS. The Controller is the top financial officer of the agency. He has 293 jobs, the same as 1969, he requests an increase of $174,900, the major part of which is for increases in pay cost.

Mr. SHYTLE. It covers budget, finance and reports and statistics activities at the agency level. The $155,400 is for pay raise and within-grades and some other average grade increases.

Mr. EVINS. What is the nature of the equipment you are going to purchase for $5,760?

Mr. SHYTLE. That is for four typewriters, four adding machines, and four calculators that we are planning to purchase. These are the tools of our trade. Without those we cannot function.

Mr. EVINS. You cannot use those computers for this?

Mr. SHYTLE. No, sir. This is a smaller type gear.

Mr. EVINS. He has a lot of statistics and a lot of information to get up as evidenced by this budget.

Mr. SHYTLE. Yes, sir.

Mr. EVINS. You did a lot of work on this budget?

Mr. SHYTLE. Yes, sir.

Mr. EVINS. I want to commend you. It has a lot of detail and is well done. Place pages 1–47 through 1–49 in the record.

(The pages follow:)

INVESTIGATION AND SECURITY SERVICE

The Investigation and Security Service formulates and recommends general policies, plans, and procedures of VA wide application pertaining to the following activities: investigation; security; discrimination complaints and contract compliance under EO 11246, and coordination of all matters relating to Title VI of P. L. 88-352.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average Employment . . .	57	59	59	
Costs:				
Personal Services . . .	$741,623	$832,700	$842,100	+ $9,400
Travel and transportation of persons . . .	60,572	70,400	70,900	+ 500
Transportation of things .	679	1,500		- 1,500
Other Services	14,339	22,000	22,000	
Supplies and materials . .	436	500	500	
Equipment	969	900	1,000	+ 100
Total Costs	818,618	928,000	936,500	+ 8,500

The Investigation and Security Service generally performs the following functions: conducts investigations, surveys, and special studies of administrative irregularities VA wide, as well as of organizations, firms, or individuals having official dealings with the VA and submits reports with conclusions and recommendations to the Administrator and Department heads; conducts inquiries for veterans whose absence is unexplained and presumed to be dead after seven years absence; operates a technical laboratory for examination of questioned documents and other material subject to laboratory analysis; circularizes data concerning veterans reported as missing to all VA field stations, FBI, national service organizations, etc.; analyzes and processes anonymous complaints with recommendations as to appropriate action; reviews and processes investigation reports from the FBI and other government agencies; reviews and evaluates for adequacy investigative reports prepared by VA field stations; administers agency-wide personnel and document security program and processes clearances for employees requiring access to classified data; processes discrimination complaints and makes final determina-

tions as to action required to deal with discrimination with the VA; conducts contract compliance reviews and makes appropriate recommendations to assure that VA supply and construction contractors are providing equal employment opportunity as required by EO 11246; coordinates all matters within the VA involving compliance with Title VI of the Civil Rights Act of 1964; maintains liaison and acts in cooperation with officials of other agencies in connection with the above activities; advises and assists VA field stations in matters relating to the above activities through five field representatives stationed at Atlanta, Boston, Chicago, Dallas, and San Francisco.

Staffing requirements for the investigative, security and administrative support functions are projected at present levels.

The workload of the contract compliance activity can best be described as open-ended. The Department of Labor has designated VA as "Compliance Agency" for the pharmaceutical industry, for all VA construction contractors, and for all contractors who do the predominant dollar volume of their Federal business with the VA. This encompasses approximately 300 corporations with some 4,000 locations as well as approximately 60 construction projects involving some 360 subcontractors. The Rules and Regulations of the Labor Department's Office of Federal Contract Compliance call for "regular compliance reviews" of all Federal contractors for which the agency is designated Compliance Agency.

In the Discrimination Complaints program, during the second half of FY 1968, the rate of receipt of complaints was approximately 62% greater than for the first half of the fiscal year. If this trend continues it will become necessary at such time as this anticipated additional workload materializes to request additional personnel in proportion with the additional workload.

The following table shows major workloads:

	1968 Actual	1969 Estimated	1970 Estimated
Investigations	137	150	150
Laboratory opinions	134	150	150
Security cases reviewed and adjudicated	758	700	750
FBI reports reviewed and processed	1,176	1,500	1,500
Missing veterans circularized	57	60	60
Discrimination complaint cases closed	181	225	250
Contract compliance surveys:			
Suppliers	355	443	619
Construction contractors	152	244	244

Other Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and transportation of persons				
Employee travel	$59,827	$69,500	$70,000	+ $500
Local travel	745	900	900	
Total	60,572	70,400	70,900	+ 500

Travel funds are primarily required for agency-wide travel by investigators, contract compliance officers, discrimination complaints officers, and field representatives in the performance of the functions for which the Service has been assigned responsibility. Other travel requirements are for supervision and training. The estimate for local travel, including rental of GSA automobiles, is included.

Based on past experience and workload projections, travel requirements for FY 70 are as follows:

Investigations	$30,000
Field Representatives	20,000
Contract compliance	10,000
Discrimination complaints	6,000
Supervision	2,000
Training	2,000
	70,000

	1968 Actual	1969 Estimated	1970 Estimated	Decr. (-)
Transportation of Things				
Shipment of household goods	$ 679	$ 1,500	$	- $1,500
Other Services Contractual	14,339	22,000	22,000	

Requirements for fiscal year 1970 are:

Office of Federal Contract Compliance, Dept. of Labor	2,800
Civil Service Commission	15,750
Training	3,000
Miscellaneous	450
	22,000

The Office of Federal Contract Compliance, Dept. of Labor is to be reimbursed $2,800 for the VA's share of the interagency program known as Area Coordinators for the contract compliance program required under EO 11246. The Civil Service Commission is to be reimbursed for an estimated 35 full field investigations at $450 each required by EO 10450. Training at $3,000 is estimated for FY 70. Miscellaneous costs are for repairs to equipment, credit reports, etc.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Supplies and materials				
Office supplies and materials	436	500	500	

Funds are for materials used in the operation of the technical laboratory such as photographic supplies, chemicals, etc., and also for miscellaneous non-stock administrative supplies.

Equipment				
Equipment, furniture and fixtures	969	900	1,000	+ 100

Funds required for FY 1970 are for one recording machine with attachments; one replacement typewriter under the agency replacement program.

INVESTIGATION AND SECURITY SERVICE

Mr. EVINS. In the investigative and security services, you have 59 jobs, the same as 1969, and you are asking for an increase of $8,500. You conduct investigations and surveys and special study for administrative irregularities VA-wide, as well as organizations, firms and individuals having official dealings with VA; operate a technical laboratory for examination of questioned documents. Where is that laboratory?

Mr. MONK. It is right here in our central office.

Mr. EVINS. This activity reviews and processes investigation reports from the FBI and other Government agencies. What are your findings in these secret documents?

Mr. HOLLAND. Things that we cannot very often divulge.

Mr. EVINS. A little hanky-panky going on.

Mr. HOLLAND. People who complain to other Federal agencies, largely the FBI.

Mr. EVINS. Are they complaining about the VA officials, or about the veterans.

Mr. HOLLAND. Sometimes the veterans and sometimes the VA.

Mr. EVINS. Do you ever find anything regarding the VA officials that is irregular?

Mr. HOLLAND. We have not so far, sir.

Mr. EVINS. You do not need 59 jobs, then?

Mr. HOLLAND. We need 59. That is the same as last year, sir. Our workload has about doubled.

Mr. EVINS. You are not telling us much what you do. It is all secret. You conduct contract compliance reviews and make appropriate recommendation to assure that the VA supply and construction contracts are providing equal employment opportunity as required in Executive Order 11246. What does that Executive order tell you to do?

Mr. HOLLAND. That Executive order requires firms that are contractors for Government agencies to practice equal employment.

Mr. EVINS. What do you enforce under the Civil Rights Act, title VI?

Mr. HOLLAND. Title VI has to do largely with the grant of Federal funds to organizations in the private sector. We have a minimum involvement with title VI programs. It is largely a matter for HEW.

Mr. EVINS. Civil Service is involved with that and the Department of Justice is involved with it.

Specifically what does your office do?

Mr. HOLLAND. On title VI?

Mr. EVINS. Yes.

Mr. HOLLAND. On title VI up until recently we had, as I said, a very minimum involvement because the VA makes very few grants to any source.

Mr. EVINS. You say you have five offices, Atlanta, Boston, Chicago, Dallas, and San Francisco, under your jurisdiction. The men in these offices do the leg work?

Mr. HOLLAND. Yes, sir.

Mr. JONAS. If the chairman will yield—if I get a letter from a veteran saying his compensation has been reduced or he is at a certain level and his neighbor across the street is rated much higher and is less disabled, and he thinks discrimination has entered into it, what do I do—send it to you and you investigate it?

Mr. DRIVER. No, sir. That is not the kind of investigation we are talking about. That would be reviewed by the adjudication activity.

Mr. JONAS. In the regional office?

Mr. DRIVER. And here, too.

If you wrote here we would undoubtedly review both cases here.

Mr. JONAS. I would not write. I would transmit the letter.

Mr. DRIVER. In that case we would probably refer it to the regional office and they would send you a report.

CONTROLLER TRAVEL

Mr. TALCOTT. Mr. Chairman, there is one other thing on page 1–45 about transportation. All through this budget travel seems like it is going up very high. Here 1968 to 1970 is an increase of some $25,000 and the explanation for it is, heavier schedule on system monitoring and extended coverage. Can you tell me what that means?

Mr. SHYTLE. This is travel and transportation. That breaks down $7,600 to the Audit Division, and the other $6,000 is needed to monitor and to help install new mechanized systems that affect our financial operations. This is the way of the future, as we see it. Most of this increase in travel is related to Mr. Budd's centralized computer operations. We do have to send people to the stations and help them convert financial data from the old system to a new system when it goes into a computerized operation.

Mr. TALCOTT. Then when you tell us how much more inexpensive a computer is, and how much we can decrease our cost, do you add this as an increased cost?

Mr. DRIVER. Yes, sir. It is in the analysis before we go to the computer.

INVESTIGATION AND SECURITY SERVICE

Mr. EVINS. Mr. Holland cuts down his transportation of things by $1,500. He does not have any cost at all for 1970. This shows that he had too much in 1969. He expended $679 in 1968 and $1,500 in 1969.

DEPARTMENT OF DATA MANAGEMENT

We will turn over to the Department of Data Management. We discussed yesterday and today the operation of Mr. Budd's office. Let us place in the record 1–53 through 1–55.

(The information follows:)

INTRODUCTION

The Department of Data Management is one of three operating Departments of the Veterans Administration -- the other two being the Department of Veterans Benefits and the Department of Medicine and Surgery.

The Department is organized into a Central Office and ten field stations. The Department's organizational structure together with the estimated employment for each organizational unit appears on Page 1-63.

MISSION

The mission of the Department is twofold:

(1) The management and control of automatic data processing (ADP) activities and equipment for the agency and;

(2) The technical management and support of agency communications facilities.

The mission is essentially one of service - to conduct studies, to develop systems, to operate equipment and to furnish advice to VA management on matters relating to ADP and communications. This support service encompasses all fields of VA activity. The Department uses its resources to serve the veteran through the appropriate organizational arm of the Veterans Administration.

ACCOMPLISHMENTS

For almost a decade the Veterans Administration has continuously improved agency program and administrative operations through the application of contemporary information processing methods. Significant among such methods have been the employment of modern information processing techniques to automate extensively (1) the authorization, processing, and disbursement of disability compensation, pension, and educational benefits; (2) the processing of insurance premium payments and the payment of dividends and policy awards; (3) the processing of all agency personnel data and the regular issuance of salary checks for all employees; (4) the systematic compilation of agency operational data for management planning and evaluation purposes; and a broad range of other program and administrative information processing requirements. A Table on Page 1-58 identifies the growth of automated applications in the Veterans Administration. These applications are resulting in annual recurring savings of almost $20 million plus cumulative one-time savings of $17.2 million. The following listings and charts depict economies from automatic data processing.

ECONOMIES FROM AUTOMATIC DATA PROCESSING IN THE VA (RECURRING)

ACTION	ANNUAL SAVINGS
Conversion of Government Life Insurance Accounts	$ 4,539,000
Computer Rental Savings	3,500,000
Mergers of Data Processing Branches	2,300,000
Personnel & Accounting Integrated Data Pay System (PAID)	1,800,000
Conversion of Compensation and Pension Accounts to ADP	1,500,000
Automated Management Information System (AMIS)	1,110,000
Pension Adjustments (PL 90-275)	724,000
Place Jr.	720,000
Engineering Performance and Inspection Integrated System	483,000
Conversion of Insurance Actuarial Operations	391,000
Refinement & Expansion of the Insurance Data Processing Subsystem	247,000

ACTION	ANNUAL SAVINGS
EAM Equipment Substitution Program	$ 222,000
Redesign of Compensation & Pension Benefits System	200,000
Consolidation of Field Station Supply & Dietetic Processing	186,000
Annual Income Questionnaire Processing System	179,000
Automatic Reinstatement of Government Life Insurance Policies	128,000
Automation of Insurance Awards (Insurance Subsystem)	125,000
Purchase of EAM Equipment	116,000
Computer Preparation of School Letters	112,000
Transfer of Data Processing Activities from Somerville Supply Depot to Philadelphia Data Processing Center	107,000
Computer Preparation of Insurance Notices	106,000
LOG I - Interim Depot System	85,000
Control of Adjudication End Products	72,000
Sorting and Reconciling Insurance Collections	69,000
ADP Inventory Control System	66,000
Reprogramming the Insurance Subsystem & Liability Accounting (Insurance Subsystem)	54,000
Shipment of Transaction Data by Air Freight	50,000
Processing Notices of Death	43,000
ADP System for Preparation of National Service Life Insurance Policies	40,000
Portfolio Loan Accounting for Delinquent Accounts	38,000
Computer Sort of Miscellaneous Transactions Input	35,000
Storage & Retrieval of Dividend Information	35,000
Lease of EAM Equipment from a Commercial Firm	35,000
Cash Surrender of Government Life Insurance Policies	34,000
Combining Loan Repayment Card With Payment Receipt & Notice of Approval of Policy Loan	34,000
Pharmacy Inventory System	33,000
Input & Control Revision (Compensation & Pension System)	32,000
Relocation of Somerville ADP Activity to Philadelphia & Hines DPC.	32,000
Government Life Insurance Underwriting Changes	30,000
Maintaining Loan Guaranty Real Property Accounting Records	30,000
Transfer of Field Station EAM Processing	28,000
Processing Insurance Loan Repayments	25,000
Nutritional Analysis by Computer	25,000
Purchase of Leased Data Transmission Equipment	24,000
Selective Field Update Feature	24,000
Education Award Letters	19,000
Fee Basis Medical Test Procedure	15,000
Streamlining Supply Depot Operations	13,000
Processing of TWX Hold Check, Suspend-Stop Pay Notices	12,000
Management Personnel Inventory System	12,000
Automation of Compensation & Pension Accounting System	12,000
Change In Sorting Insurance Premium Bills	11,000
Processing Matured Endowment Policies	11,000
Tape-to-Tape Transfer of Insurance Records	8,000
Annual Patient Census	4,000
Distribution, Maintenance and Control of Administrative Issues	4,000
Use of Computer Techniques for Applying Insurance Dividend Credits Toward Loan Repayments	3,000
Total Annual Recurring Savings	$19,892,000

ECONOMIES FROM AUTOMATIC DATA PROCESSING IN THE VA
(ONE-TIME SAVINGS)

Fiscal Year	Items	Savings
1961	Payment of Regular 1961 Government Life Insurance Dividend (accelerated)	$ 1,232,500
1962	Payment of Special Government Life Insurance Dividend (accelerated)	1,232,500
1963	Payment of Regular & Special Government Life Insurance Dividends (accelerated)	1,300,000
1964	Automatic Increase of Dependency and Indemnity Compensation Payments	99,000
	Payment of Regular Government Life Insurance Dividend (accelerated)	1,375,000
1965	Payment of Regular Government Life Insurance Dividend (accelerated)	1,377,000
	Automatic Adjustment of Pension Rates	1,750,000
1966	Legislative Increase Service Connected Compensation Rates	1,905,000
1967	Legislative Increase - Dependency and Indemnity Compensation Payments	280,000
	Federal Salary & Fringe Benefits Act of 1966	152,500
	Veterans Readjustment Benefits Act of 1966	1,500,000
	ADP Program to Effect TDIP Premium Reduction	128,000
1968	Legislative Increase 1967 Pension Rates & DIC Increase	3,800,000
	Federal Pay Raise 1967	206,000
	DIC Increase 1967 (Widows) PL 90-207	68,000
1969	Federal Pay Increase - 1968	134,500
	Pension Adjustments (90-275)	456,000
	Automatic DIC Increase - Widows 1969 (PL 90-207)	109,000
	Automatic Enrollment Process (PL89-358)	98,000
	Other Miscellaneous One-Time Savings	10,600
Total One-Time Savings		$17,213,600

ADP ACCOMPLISHMENTS

Mr. EVINS. He lists the accomplishments. There are a number of accomplishments. On page 1–58 he identifies the growth of automatic processing in the VA. Again he says that these applications will result in annual savings of $20 million. You have a firm figure of savings of $20 million a year, and $17.2 million as a one-time saving.

EMPLOYMENT

Last year in the 1969 budget you showed, Mr. Budd, 1,430 employees proposed, 8 less than 1968. Now this budget shows 1,443, or an increase of 13 over 1969. There is a little change from your previous budget. What resulted in your changing of the figures? Last year you showed 1,430 for 1969 and this year you show 1,443.

Mr. BUDD. Yes, sir.

Mr. EVINS. Thirteen more.

Mr. BUDD. This is due to increased workload, sir.

Mr. EVINS. Why didn't you keep your statistics consistent?

Mr. BUDD. The new laws certainly have an impact on our operation. The various compensation and pension laws are all part of computer operations. The records of discharged veterans, the 70,000 per month, all go through our computers.

Mr. EVINS. That does not have anything to do with the job. You showed in the justification last year 1,430 and this year you show 1,443.

Mr. BUDD. Yes, sir.

This workload was not at that time known to us and was not in our budget.

Mr. EVINS. It is not the workload. It is the personnel.

Mr. DRIVER. Changes in the law required us to place people in here to handle the new laws after the budget was submitted.

Mr. EVINS. After the budget was submitted you had to revise your figures?

Mr. DRIVER. That is right.

Mr. EVINS. That was 13 more after the law was passed. Now you are adding 27 more in your computer operations which is supposed to be efficient and require less personnel.

Mr. DRIVER. Yes. This reflects the full year effect of laws enacted after the 1969 budget was submitted. The 1970 estimate includes the full year impact.

Mr. EVINS. 1,470 for 1970.

Mr. DRIVER. That is right. When you pass laws that affect millions of people, this is inevitable.

Mr. EVINS. You went up 13 over the 1969 estimate and now you estimate a further increase of 27 for 1970. I cannot see that your Department of Data Management and Computers which are costing so much money and are cutting down on personnel.

EMPLOYMENT SAVINGS THROUGH ADP

Mr. DRIVER. Without these increases we would probably have much larger increases reflected in the Department of Veterans Benefits.

Mr. TALCOTT. Mr. Chairman, may I ask to be submitted in the record how many additional positions would the VA need if we did not have computers?

Mr. BUDD. We have that.
Mr. DRIVER. Yes, sir.
(The information requested follows:)

MANPOWER SAVINGS FROM ADP

	February 1963	February 1969	Fiscal year 1970 budget
Recurring cumulative savings (millions)	$2.5	$86.1	$105.9
1-time savings (millions)	3.7	17.2	21.4
Total cumulative recurring and 1-time savings (millions)	6.2	103.3	127.3
Net cumulative personal services savings (millions)	5.7	97.9	114.5
Full-time equivalent man-years (cumulative)	1,395	17,484	19,741
Average annual salaries used in calculations	$4,100	$5,600	$5,800

Mr. EVINS. About how many is it?
Mr. BUDD. Close to 19,000.
Mr. EVINS. Mr. Budd, explain your chart on pages 1–56.
You show one-time savings and total recurring savings and total recurring and one-time savings.
Mr. BUDD. Yes, sir.
Mr. EVINS. This is a very dramatic chart.
Mr. BUDD. The first bar shows the one-time savings.
Mr. EVINS. That is after you purchase the equipment.
Mr. BUDD. Yes sir. These are the type of benefits that come from computerized operations. If I may I will use the example that was of interest to Mr. Talcott yesterday, when we have an increase in compensation rates. Before we had a computerized operation, this placed a tremendous workload on the regional offices in the Department of Veterans Benefits. They would have to pull the folder, calculate the adjusted rates, notify the veterans drawing compensation of the increased rates.
Mr. EVINS. Now the computer does that, but you have to have 27 more men to run the computer.
Mr. BUDD. Yes, sir.
Under the old system it would cost anywhere—depending on the type of change in the law—from a million dollars to $3 or $4 million to make that change.
Today we write a program for the computer and at probably a cost less than $100,000 we are able to automatically change the rates in the computer, generate notices from the computer to the veterans, and thereby save millions of dollars.
Mr. EVINS. I think they are time savers. I am not sure dollarwise.
You do this a little faster and you have it very conveniently before you. But you have to have a lot of personnel to tabulate it.
You have to have a lot of manpower to operate the machines. Let us look at this chart on page 1–58. Let us take VA payroll, what you did before and what you have done since your computers and how much was saved. Do you get the checks out faster?

AUTOMATED PAYROLL

Mr. BUDD. Before 1966, our 220 stations had different payroll systems. Some of our stations had manual payroll systems. They had a 5 by 8 time card, others handled it mechanically. We established an

agencywide payroll system. Our full 170,000 employees are paid from a centralized computerized system for the agency. This allowed us to make significant savings in our offices and allowed us to provide a service to our personnel service and fiscal service that would otherwise not be practical. This is another activity that enables us to save money when Congress passes a pay raise. When pay raises were passed before we were automated it would cost anywhere from $150,000 to $250,000.

Mr. EVINS. Formerly they drew the payroll checks in the regional offices.

Are they now all drawn at one centralized computerized operation?

Mr. BUDD. Yes, sir.

Mr. EVINS. You pay 170,000 employees every 2 weeks out of one machine?

Mr. BUDD. Yes, sir.

Mr. WYMAN. Is this because if you did not have the computer you would have to have a secretary take the card, make out a ledger sheet entry and send out a check? Is it just a mechanical difference?

Mr. BUDD. Yes. There is the clerical activity of calculating the pay.

In our hospital system, in Dr. Engle's hospitals, many of his employees receive premium pay, night differential, overtime, and this becomes quite a burden upon the fiscal division and the personnel division in their recordkeeping.

What we are able to do is, by having a single system, to generate the time card automatically to the coming pay period. They fill in the necessary data. We key punch it and put it in the computer and the computer does the calculations and generates the tape for Treasury to issue the check.

Mr. WYMAN. That is done at the VA hospital in Manchester, New Hampshire, and are programed into a computer in Washington?

Mr. BUDD. They are programed into a central computer. All the stations are paid out of one computer on the standard payroll system that uses the same technique.

Mr. TALCOTT. Where is that computer?

Mr. BUDD. It is in Austin.

Mr. TALCOTT. You have something else in Texas.

Mr. BUDD. No, sir. It is a part of our overall plan and scheme of putting our big applications together and to do it most economically.

Mr. TALCOTT. The sabotage of that would really foul up the Government.

Mr. DRIVER. It would foul up the VA employees.

COMPUTER USE IN HOSPITALS

Mr. EVINS. What use is made of computers in your hospitals? How many are used in the hospital program today? I recall several years ago VA requested funds for computers in your hospital program. What has resulted?

Mr. BUDD. We have in our Washington hospital today one computer where we have a research and experimental project. Starting last July we installed on an operational basis what we call the admissions and discharge system. On admission of a veteran we create a master record. This automatically notifies the ward that a veteran has been admitted and notifies the dietetics and the information desk and the chaplain

that you have a patient. This record is then used for the various purposes in the hospital. We are now adding on a radiology subsystem. We are in the middle of a test now and come the beginning of next month we will be able to input a doctor's order for a radiology test. It goes to the radiology section. They know the veteran is coming and they will schedule him. The system will have a facility of producing responses through the machine wherever results are negative. We hope that with this we can build a system which will be a prototype for the Veterans' Administration.

GROWTH OF ADP

Mr. EVINS. Your chart shows on page 1–58 the growth of ADP applications. Originally it was only compensation and pension in 1962. Now there is a whole category of uses of the computer.

SHIPMENT OF HOUSEHOLD GOODS

Mr. TALCOTT. Mr. Chairman, on page 1–67, there is an item of $50,000 for the shipment of household goods. Can you tell me how many employees will be transferred?

Mr. BUDD. I believe the average for household goods under the new law comes to something like $2,500 to $3,000.

Just a moment, please.

Mr. TALCOTT. This is a 30-percent increase. Is there any reason for that?

Mr. BUDD. Yes, we are expecting that kind of a change.

LEASE BACK/RENTAL OF EAM EQUIPMENT

Mr. TALCOTT. There is one statement at the bottom of the page which says that savings that will result from leasing arrangements with lease-back firms as opposed to formerly leasing directly with the manufacturer are cheaper.

Why is that? The middleman has to get paid something.

Mr. BUDD. Yes, sir. It is a matter of terminology. The terms rental and lease are synonymous in some circles and in some they use rental when you are getting your equipment from the manufacturer and lease-back when you go to a third party. Many companies have come into being in the past few years who have decided that they can make a profitable enterprise by buying computers from the manufacturers and then leasing them to customers at a 10-, 20-, 25-percent reduced rate. What we did, working with GSA, we were leasing some of our electrical accounting machines from IBM. We put out for bid that we had x number of machines. I think it came out to something like 200. One company gave us a good bid which allowed us to make a saving. They bought some of the machines from IBM, but continued to lease them to us at this reduced rate.

Mr. TALCOTT. This seems strange that a third party can lease it cheaper than a manufacturer.

The explanation, I guess, is all right. Have you had advice from the Justice Department that if you put out bids for computers that the lowest price may have some antitrust or monopoly implications regarding IBM for reducing the price so low?

Mr. BUDD. I do not believe I understand the question.

Mr. TALCOTT. It appears to me that you are not putting the bids out to the lowest bidder.

There must be some reason for it. I am wondering if you put it out to the lowest bidder, if IBM would sweep the whole field. Would they reduce the prices to such an extent that they would wipe out all other people and subject themselves to an antitrust suit?

Mr. BUDD. No. They compete very diligently in all opportunities. As I read the papers, they lost a big one with Defense for 150 computers which Burroughs was awarded.

Mr. TALCOTT. That was because of the software agreements.

Mr. BUDD. Yes. There are many determinations that go into determining which computer you select, the software, as you say. Delivery dates make a difference. When a person needs a computer sometimes you cannot wait. We had the situation last year with Public Law 275. We needed more hardware quickly and had we been looking for other computers the delivery date would have made a difference.

Mr. MONK. If the company were willing to do this, they could make it pretty rough on everybody else in the business.

They apparently have all the business they can do in the price structure they have. There isn't any real reason for them to want to do that. They have consistently refused, for example, to reduce their price for volume sales on electric typewriters to GSA.

Mr. TALCOTT. This is something I can't understand.

Mr. EVINS. We are going to have to move on.

DATA PROCESSING CENTERS—LOCATION AND NUMBER OF COMPUTERS

We have 10 data processing centers as shown on page 1–65. Place in the record a statement as to the number of computers in each one of your 10 data processing centers, the location, the cost and the functional use.

(The information requested follows:)

INVENTORY OF COMPUTERS—DEPARTMENT OF DATA MANAGEMENT—VETERANS' ADMINISTRATION

Data processing centers	Computers: Model	Number	Purchase or rental cost	Functional use
Atlanta, Ga	360/20	2	$168,000	Service to adjacent field stations.
Austin, Tex	360/65	1	[1] 1,145,000	VA payroll system.
	360/65	1	2,581,000	Loan guaranty system.
	360/50 [2]	1	[1] 1,004,000	Management information system.
	360/40	1	961,000	Logistics.
	360/20	1	201,000	Supply and dietetics.
	1401	1	449,000	Veterans assistance discharge system. Service to adjacent field stations. Patient treatment file.
Boston, Mass	360/20	2	170,000	Service to adjacent field stations.
	1800	1	[1] 74,000	Clinical laboratory system.
Hines, Ill	7080	1	2,618,000	Compensation and pension.
	360/65	1	2,248,000	Education.
	1251	1	252,000	Service to adjacent field stations.
	360/20	2	174,000	
	1401	2	569,000	
Los Angeles, Calif	1401	1	173,000	Service to adjacent field stations.
	360/30	1	[1] 120,000	Clinical laboratory system.
	360-20	1	85,000	
Philadelphia, Pa	7080	1	2,601,000	Insurance accounts.
	360/40	1	717,000	Insurance awards.
	360/20	2	166,000	Service to adjacent field stations.
	1401	2	563,000	Inpatient discharge data system.
St. Louis, Mo	360/20	2	164,000	Service to adjacent field stations.
St. Paul, Minn	360/20	2	167,000	Insurance accounts.
	1401	2	836,000	Service to adjacent field stations.
Washington, D.C	360/40	1	361,000	Automated hospital information system.
	360/20	2	169,000	Service to adjacent field stations.
Manila	([3])			Service to regional office.
Total		36	18,736,000	

[1] Rental costs.
[2] Shared with IRS.
[3] Electric accounting equipment.

Mr. JONAS. Are you planning to move additional computers to Texas?

Mr. BUDD. The one computer we are asking for here is for Austin.

Mr. JONAS. You are not planning to move any from Chicago or any other location?

Mr. BUDD. At some point, sir.

Our long-range plan provides for what we call a national data processing center and this provides for certain major applications to be together in order that we may optimize the utilization of our equipment and integrate the system and the information.

This provides eventually for these applications to be in one location. We have the facility in Austin. We have a data processing center, which has the space.

Mr. JONAS. The answer is that you are ultimately planning to concentrate most of your computer activities in Austin?

Mr. DRIVER. That is not true. We have large computer activities in Chicago; we have large ones in Philadelphia and Los Angeles. These are going to continue.

Mr. JONAS. I understood you to say the long-range plan was for consolidating.

Mr. DRIVER. For certain activities. We are planning to put in Austin activities relating to the issuance of checks. The activities related to automating medical activities have not been placed. These could be in Chicago, Philadelphia, Los Angeles—this sort of thing.

Mr. BUDD. Our plans provide for eight or nine data processing centers.

Mr. EVINS. You list 10 in your budget.

Mr. TALCOTT. This question has still been avoided. There is going to be some transfer of equipment?

Mr. DRIVER. There will be an exchange of activities among the 10 computer activities but not a concentration in the sense of transferring any, all or most to Austin.

RESEARCH AND DEVELOPMENT ACTIVITIES IN ADP

Mr. EVINS. Take a look at your research. You show a lot of language on page 1–75. Since the manufacturers and the sellers supply all this equipment to the VA, why can't they supply you with the information? After you get the equipment in, you have to do the research. Tell us in a few words the nature of some of the commonsense, practical research that you are doing.

Mr. BUDD. One of the most important ones is the automated hospital information system, as I said, for the Washington hospital. We are also developing a system in our loan guaranty area—our portfolio loan account. We have some 300,000 portfolio loan accounts in the Veterans' Administration. These are being handled by some 47 or 48 offices, regional offices, and we are designing and developing a system to put these under computer.

Our logisitics system—we just converted the VA supply depot system to a computer. As you know, there are three VA supply depots; one in California, one in Illinois and one in New Jersey.

Mr. EVINS. This tells you in a practical way what supplies you have on hand and where they are located, on a card. Is that what you get from it?

Mr. BUDD. It keeps a perpetual inventory and lists for the depot personnel——

Mr. EVINS. This is not research. This is results of the use of a computer.

Mr. BUDD. This is not the same type of research as——

Mr. EVINS. Give us some of the practical research you are doing.

Mr. BUDD. All right, sir.

In our annual report, on page 146, sir, we have a couple of items there which represent the research that you are describing. We are testing what is called the visual display equipment. They are cathode ray tubes. This appears to have a good potential for inputting data into the computer and for withdrawing data from the computer. We are testing this particular type of device in Chicago to see if we can use it with the catalog file. Let a person sit before a tube and with a keyboard, input data to update the catalog files. If they want to know what is in that catalog file, with a few keys they can extract information on that.

We are installing for Dr. Engle's staff use a couple of the visual display devices which they will attempt to use and experiment with to see if we can cut down on some of the paper reports we are getting. Instead of getting monthly, quarterly, semiannual reports, Dr. Engle feels maybe if we had this type of device and the file was readily available that we then could use this device and eliminate the need to generate some of the paper that we now generate.

Mr. EVINS. Instead of Dr. Engle getting quarterly or semiannual reports from his hospitals, you would have it on a card on his desk every day?

Mr. BUDD. No, sir. Even better would be to have it in the computer and available for him to call upon when he needs it.

Mr. EVINS. That is the number of patients, the amount of supplies, the dates entered, the type treatment; all this will be supplied.

Mr. BUDD. Yes, sir. The technology and equipment is here as far as storing the information in the computer and pulling it out is concerned. It is a matter of economics and system design.

Mr. EVINS. We understand why you need your payrolls put out with an efficient system. The insurance program is computerized. Now then, you want to supply all the information to the doctor and serve it up to him on a card?

Mr. DRIVER. Or on a screen.

EMPLOYMENT

Mr. EVINS. You have 254 jobs you are asking for. I thought you were supposed to cut down on the number of jobs. Every time you go into an operation with computers you add more jobs.

Mr. TALCOTT. He says he saved 19,000 jobs.

Mr. EVINS. He doesn't show it in this budget. You haven't been able to demonstrate it here before the committee.

ADP SUBSYSTEMS

Mr. EVINS. Describe your subsystems work, Mr. Budd.

Mr. BUDD. Well, we have laid out our general scheme to the VA activities and have broken it down into about 12 subsystems. This is a systematic approach to identifying the work to be done, putting it in the proper priority ——

Mr. EVINS. Now, the doctor who runs a hospital knows the work that needs to be done. He knows how to run his hospital. You have men out there with flexibility to run a hospital and you give him a card telling him how to run the hospital.

Mr. BUDD. There is a critical shortage of professional personnel as was testified to yesterday. One of the things we are busying ourselves with, as many others are in this country, trying to find ways to adopt and adapt a computer to facilitate that shortage.

Mr. EVINS. We want you to spell out the practical results. A hospital manager runs his hospital and the doctor is the overall administrator and he gives them his counsel and advice and you are thinking of ways to get the information to him faster. Is that about what the subsystems research consists of?

Mr. BUDD. Not only to give it to him faster but to do some of the work that has to be done that is absolutely essential in the hospital.

Mr. DRIVER. We are there trying to relieve the hospital people of all the administrative activities we can, taking recordkeeping and that sort of thing out of their daily chores and making it automated.

FISCAL ACCOUNTING SUBSYSTEM

Mr. EVINS. You talk about your fiscal accounting subsystem. Here is one example. You say "This system provides a centralized online direct access fiscal accounting system for the VA. It will handle the fiscal accounting. It amounts to over $1.5 billion a year. All financial transactions will be provided either by gathering data from other subsystems or by providing for basic processing within the fiscal accounting subsystem. Significant benefits are—what?

Mr. SHYTLE. What we are proposing to do here is centralize in a computer, in one computer operation, a master record for each one of our stations. In other words, we intend to close the general ledger as we know it in each station. We are not taking anything away from management at all because he will still operate with cost ceilings and personnel ceilings the way we do now. He will be the boss, but instead of having these clerks out there that maintain the records and files for him, we are hoping that in the future we will have one record and he can call on that computer——

Mr. EVINS. You are going to have more clerks in Washington. You will bring more in Washington. You are going to concentrate and centralize.

Mr. SHYTLE. Centralized accounting.

AUTOMATED PATIENTS RECORDS

Mr. WYMAN. Mr. Driver said one of the reasons for this, as I understand it, is to take the record making out of the administration.

Mr. DRIVER. Recordkeeping.

Mr. WYMAN. Now, when you have a patient when he comes in, he has to have some entries made——

Now, whether you have some fifty thousand computers, some girl will have to do that——

Mr. DRIVER. But when he comes back the tenth time and wants to see the record of his previous nine visits, we think it would be better if the information didn't have to be stored in the hospital.

Mr. WYMAN. There is no question about that.

When he goes on and there are bedside notes and there is a doctor's report, that has to be done each time does it not?

Mr. BUDD. Once you put it in computer form—during the patient's stay there are occasions—for example, if a doctor orders urinalysis and blood test, forms must be filled out to show the man's name, identifying factors and other data. Having it in the computer, with one button on the ward terminal you push that button and it identifies John Doe. You can put in other buttons to do exactly what you want automatically instead of having somebody write this out. Once this information is captured upon admission, you can use it over and over.

Mr. WYMAN. You are capturing the information but not limiting it to the programing of the computer in the first instance. You can't do that, can you? You are going to have to put it in there. You will have to have people to put it in there.

Mr. DRIVER. But they won't have to keep track of it over and over and over.

Mr. WYMAN. How many people are you saving by not having them do it over and over?

Mr. DRIVER. Thousands.

We have 7 million out-patients and 800,000 in-patients. This means that 8 million people will be treated in a medical way.

Mr. WYMAN. But your nurses, staff and janitorial services are not in this recapturing. You have a staff separate from this?

Mr. DRIVER. Nurses today are making records on individual patients in the ward today.

Mr. WYMAN. I understand that, but where are the jobs going to be eliminated that this computerized sub-system process is going to make possible?

Mr. BUDD. I am not so sure, sir, we should talk in terms of eliminating jobs. This really isn't our job today. Our problem is to fill the void that we have in not being able to do what we should do.

The various studies that have been made have pointed out that doctors and nurses spend anywhere from 25 to 40, 45 percent of their time in clerical work. If you have a shortage of nurses, and you have a shortage of doctors, one way you effectively fill that shortage, is by relieving them of this particular work which is below, really, the level for which they have been trained.

You are not making good utilization of those professionals. This is really the first problem.

Now, I don't have any doubt that in some areas—and this is why we are treating this as a research project—we have 165 hospitals and we are using the Washington hospital to develop this system—to really find out some of the answers to the questions you are asking.

Many people in this country are pursuing this. No one has yet come up with a single installed operating system that would answer these questions.

Mr. DRIVER. Mr. Wyman, yesterday Dr. Engle testified that our latest survey of nurses in the Veterans Administration indicates we are some 6,000 short of what we need to take care of the patient population today. This would go a long way toward relieving this shortage.

Mr. WYMAN. It would give them additional time.

Mr. DRIVER. That is right. To spend in nursing instead of on administration.

Mr. EVINS. You haven't demonstrated sufficiently that you reduce the number of jobs by buying the expensive computers. And you go page after page here, beginning with 1–82, showing feasibility study on research, development and installation by year and this is almost meaningless. As far as I am concerned, that doesn't support much.

Insert pages 1–65 through 1–81 at this point.

OPERATIONS

Introduction

The Operations functions consist of Central Office direction and the performance of work at ten Data Processing field locations.

The Data Processing Centers are located at:

Atlanta, Ga.	Manila, P.I.
Austin, Texas	Philadelphia, Pa.
Boston, Mass.	St. Louis, Mo.
Hines, Ill.	St. Paul, Minn.
Los Angeles, Calif.	Washington, D.C.

MAJOR FUNCTIONS

The principal activities in the Operations functions are:

- Directing the overall activities of the Department of Data Management.
- Operating the Data Processing Centers.
- Preparing and coordinating procedures and instructions for data processing.
- Conducting ADP systems audits.
- Developing and conducting a continuing program of evaluation and review of the internal management of the Department.
- Providing administrative support for the Department, such as: budget, publications, work measurement, and records management.
- Providing technical and management direction for the VA communications systems, including data transmission.
- Maintaining liaison with other government agencies and industry concerned with data processing and electronic communications.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr.(+) Decr.(-)
Average Employment	1,173	1,200	1,216	+ 16
Costs				
Personal Services	$9,791,287	$11,139,000	$11,387,000	$+248,000
Travel & Trans. of Persons	64,876	105,000	105,000	
Trans. of Things	201,887	280,000	340,000	+60,000
Rents, Comm. & Utilities	2,911,501	4,088,000	3,215,000	-873,000
Printing & Reproduction	514,294	600,000	650,000	+50,000
Other Services	430,185	450,000	640,000	+190,000
Supplies & Materials	481,794	610,000	660,000	+50,000
Equipment	216,642	200,000	8,734,000	+8,534,000
TOTAL JURIS. COSTS	$14,612,466	$17,472,000	$25,731,000	$+8,259,000

Employment

The increase of 27 average employment in FY 1969 and of 16 in FY 1970 is due to workload increases resulting from new and expanded applications to our computer systems. The additional employees requested are the following type:

Maintenance Computer Programmers
Computer Systems Operators
Peripheral Equipment Operators
Card Punch Operators
Computer Technicians
Mail & File Clerks

New and expanded applications requiring additional manpower are:

- PL 90-275
  This legislation expands the current three level income increment system to one in which there are as many as 28 income levels. It also provides substantial increases for many protected pension law cases if they choose to elect. The processing of the Annual Income Questionnaires also becomes a more complex program.

- Veterans Assistance Data System
  This is a new ADP system which generates a series of letters to veterans upon discharge from active service advising them of the various benefits and services available to them. Pertinent data from the serviceman's discharge report are referred to the VA from the Department of Defense which is used to prepare a letter appropriately tailored to the individual veteran. This service is being offered to about 70,000 veterans a month.

- Patient Treatment File (Interim)
  This is a centralized data file that contains treatment and other basic information on each beneficiary receiving care at VA expense.

- Nationwide Portfolio Loan System and Related Statistics
  This is a centralized system which provides data for accounting, servicing and nationwide statistical reporting on portfolio loans owned by the VA.

- Procurement Storage and Distribution (LOG I)
  This is a centralized automated system which will process daily transactions embracing the procurement, storage and distribution of approximately $250 million worth of supplies and equipment purchased annually.

- Automated Management Information System (AMIS)
  This system uses a large scale computer to maintain an expansive data bank, which is updated monthly by all field stations and includes data on patient care, pharmacy, dietetics, hospital workloads, productivity data for compensation, pension, education, insurance, loan guaranty and a summary of personnel statistics.

- Centralized Accounting for Local Management (CALM)
  This is a computer system which centralizes fiscal accounting for all VA field stations and Central Office. The system integrates the logistics system with the PAID system and will provide prompt and accurate fiscal information on VA operating appropriations and the supply fund.

Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr.(+) Decr.(-)
Personal Services	$9,791,287	$11,139,000	$11,387,000	$+248,000

The personal services costs provide funding for the staff required to perform the operations function. Included is the Veterans Administration's contribution to the Civil Service Retirement Fund, the employees' life and health insurance program and the impact of the October 1967 and July 1968 employee pay raises.

Travel & Transportation of Persons	$64,876	$105,000	$105,000	

In FY 1969 the increase is for the additional travel that will be required in connection with increased workload from new applications and consists primarily of travel by Central Office employees to the Data Processing field stations.

Transportation of Things				
Parcel Post	$139,996	$220,000	$250,000	$+30,000
Shipment of Household Goods	26,412	30,000	50,000	+20,000
Other	35,479	30,000	40,000	+10,000
TOTAL	$201,887	$280,000	$340,000	$+60,000

Parcel post cost increases in both fiscal years 1969 and 1970 are due to a greater volume of shipments. These costs are incurred by the Data Processing field stations from mailings to the regional offices and hospitals serviced by DDM. Increased requirements for the shipment of household goods for transferred DDM employees are due primarily to the increased allowances now provided transferring employees (PL 89-516). Other transportation costs are expected to increase in FY 1970 on account of shipping costs resulting from the planned relocation of equipment between stations to obtain maximum utilization effectiveness.

Rents, Communications & Utilities				
EAM Equipment Rental	$258,865	$178,000	$178,000	
Computer Equipment Rental	1,955,818	3,371,000	2,393,000	-978,000
Other	696,818	539,000	644,000	+105,000
TOTAL	$2,911,501	$4,088,000	$3,215,000	$-873,000

Electric Accounting Machine (EAM) Rental

1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
$258,865	$178,000	$178,000	

The reduction of EAM equipment rental in both fiscal years 1969 and 1970 is due to savings that will result from leasing arrangements with leaseback firms as opposed to formerly leasing directly from the manufacturer.

Computer Rental

1968 Actual	1969 Estimated	1970 Estimated	Incr.(+) Decr.(-)
$1,955,818	$3,371,000	$2,393,000	$-978,000

Analysis of Computer Rental by Type

Computers		R E N T A L				
	*	1968 Actual	*	1969 Estimated	*	1970 Estimated
IBM 360/20's	(16)	$360,000	(16)	$466,000		$
IBM 360/30's	(1)	40,000	(1)	69,000	(1)	120,000
IBM 360/40's	(2)	573,000	(3)	662,000		**50,000
IBM 360/65's	(1)	869,000	(3)	2,060,000	(2)	2,149,000
IBM 1800					(1)	74,000
Honeywell 1201	(1)	114,000	(1)	114,000		
TOTALS	(21)	$1,956,000	(24)	$3,371,000	(4)	$2,393,000

*Number of computers leased at end of each fiscal year.
**Represents a portion of the 360/40 system at the Washington VA Hospital not planned for purchase.

In 1969 24 computers will be leased. The increase in FY 1969 is due to the addition of 3 computers to accommodate the expanding workload. One computer, an IBM Model 360/65 will be used in conjunction with the CP&E program at Hines, Illinois, in accomplishing the impact of PL 90-275. An IBM Model 360/40 replaces a 360/30 at Philadelphia currently being used for the insurance program. Refinement and expansion of insurance data processing, including the related use of an optical recorder as an input device creates the need for the larger computer. An IBM Model 360/65 computer has been added at Austin, Texas, to accommodate projects that have reached the development stage and require computer time for program testing. This computer will be shared with the Regional Center of Internal Revenue Service at Austin, Texas. Also, included is an IBM Model 360/30 to support a regional clinical laboratory system and other hospital functions for the VA's medical facilities in the Los Angeles, California area.

In FY 1970 it is planned that only four computer systems will be leased, if the others included are purchased. The IBM Model 360/65 computer at Austin, Texas being shared with the Internal Revenue Service will continue. An additional large scale computer will be added at Austin to further accommodate implementation of the Agency's automation plans, specifically for (1) Beneficiary Identification and Records Locator System, (2) The Centralized Accounting for Local Management System, (3) The Logistics System, (4) The Loan Guaranty System, and to provide the capability for developing an operating system so that full potential power of present and planned computer systems can be realized. This is accomplished through concurrent processing of several unrelated programs within the computer. Also, the development and testing of the clinical laboratory system for the Los Angeles area will continue. In addition, it is planned to install an IBM Model 1800 computer in the VA Hospital at Boston, Mass. This computer will be used to: (1) expedite the processing of laboratory requisitions, (2) improve procedures governing the collection and control of patient specimen (3) expedite laboratory test findings and provide cumulative laboratory result data in a readily accessible medium. Twenty-two computers on lease in FY 1969 are planned for purchase in FY 1970, this accounts for the reduction of $978,000 in computer rental. The equipment portion starting on Page 1-70 of this budget contains additional information and justification on these computers.

Other Rental

1968 Actual	1969 Estimated	1970 Estimated	Incr.(+) Decr.(-)
$696,818	$539,000	$644,000	$+105,000

In FY 1969 other rental provides $230,000 for mail costs; $282,000 for telephone, teletype and data transmission leased lines, plus miscellaneous equipment rental of $27,000. The decrease from FY 1968 in the total "other rental" is due to elimination of space rental charges at the Austin Data Processing Center. In FY 1970 the increase of $105,000 includes additional mail costs ($36,000), telephone and teletype ($20,000) and data transmission costs ($49,000).

Printing and Reproduction

$514,294	$600,000	$650,000	$+50,000

Funds requested are for all non-standard tabulating machine cards and marginal punched paper for the VA. In addition, VA forms and form letters, printing costs of manuals, Interim Issues, Technical and Information Bulletins for DDM are included. The increases in both FY 1969 and FY 1970 is due to the additional computer applications being installed that will increase use of tabulating machine cards and paper.

Other Services

Maintenance of Owned Equipment	$283,575	$284,000	$510,000	+226,000
Rental of Outside Computers	7,794	51,000	15,000	-36,000
Misc. Services	138,816	115,000	115,000	
TOTAL	$430,185	$450,000	$640,000	$+190,000

Included in this object and representing the major portion is funding for the maintenance of owned equipment. All owned computers and EAM equipment are maintained in proper operating condition on a contract basis. Estimated requirements are based on contract prices. The increase in FY 1970 is to provide for maintenance for the 22 computers that are planned for purchase. The acquisition of one additional large scale computer in FY 1970 is expected to reduce the need for purchasing time from other government agencies and commercial sources, which accounts for the reduced projection for the item "Rental of outside computers".

Supplies and Materials

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Standard Tab Cards and Paper	$288,052	$400,000	$425,000	$+25,000
Magnetic Tape	70,911	75,000	100,000	+25,000
Other Operating & Office Supplies	122,831	135,000	135,000	
TOTAL	$481,794	$610,000	$660,000	$+50,000

Tab cards, pin feed paper and magnetic tape constitute the major expense in supplies and materials. Requirements for these items are directly related to computer operating time and the type of application being processed. In both fiscal years 1969 and 1970, increases are projected commensurate with the additional computer time and applications planned. Funds requested for "other operating and office supplies" are for computer and EAM equipment ribbons, reproduction paper, technical books, journals, and miscellaneous office supplies.

Equipment

$216,642	$200,000	$8,734,000	$+8,534,000

A major portion ($8.5 million) of the estimated equipment costs in FY 1970 represents the purchase costs of 22 computers. By July of FY 1970, 20 of the 22 computers planned for purchase in FY 1970 will have been in operation in the VA on a lease basis for an average of two years or more. In view of the long term use anticipated from these computers and in keeping with the policy expressed in the Bureau of Budget Circular No. A-54, purchase will result in an economic advantage to the government. Past experience attests to these economies as evidenced by the Table titled "Analysis of VA Owned Computers - Purchase vs Lease" which appears on Page 1-71 of the budget.

Other additional data in the form of tables and narrative, captioned as below, appear in the following pages:

- Costs of Computers Planned for Purchase in FY 1970 (Table)
- Computers Planned for Purchase - Analysis of Purchase vs Lease (Table)
- Narrative Justification by Type of Computer
- Purchase vs Lease - 22 Computer Systems (Chart)

Analysis of VA Owned Computers - Purchase vs Lease

Type of Computer	Year Purchased	Year of Break Even	Purchase Price	Annual Savings After Break Even	Est. Cumulative Sav. Thru FY 70
IBM 1401	1963	1966	$449,000	$103,000	$412,000
IBM 7080	1962	1964	2,618,000	1,258,000	7,548,000
IBM 1401	1962	1964	283,000	128,000	768,000
IBM 1401	1963	1965	285,000	120,000	600,000
IBM 7080	1962	1965	2,601,000	1,160,000	5,800,000
IBM 1401	1962	1964	245,000	138,000	828,000
IBM 1401	1962	1967	318,000	177,000	531,000
IBM 1401	1963	1966	173,000	43,000	172,000
IBM 1401	1962	1965	460,000	174,000	696,000
IBM 1401	1963	1965	376,000	146,000	730,000
IBM 1620	1964	1967	60,000	21,000	63,000
DEC-PDP-8	1966		35,000		
IBM 1620	1964	1967	56,000	19,000	57,000
IBM 1620	1961	1965	74,000	21,000	105,000
DEC-PDP-8	1966		58,000		
IBM 1130	1966	1971	63,000	15,000	
	TOTAL		$8,154,000	$3,523,000	$18,310,000

Costs of Computers Planned for Purchase in FY 1970

Type	Location	Annual Rental	Net Purchase Cost - July FY 70
IBM 360/20's	(16)*	$491,000	$1,464,000
IBM 360/40	VAH - Wash., D.C.	149,000	311,000
IBM 360/40	Austin, Texas	400,000	961,000
IBM 360/40	Philadelphia, Pa.	242,000	717,000
IBM 360/65 #1	Austin, Texas	1,049,000	2,581,000
IBM 360/65	Hines, Illinois	822,000	2,248,000
Honeywell 1201	Hines, Illinois	114,000	252,000
TOTAL	(22)	$3,267,000	$8,534,000

*These 16 computers are located in each of the Data Processing field stations except Manila.

Computers Planned For Purchase - Analysis of Purchase vs Lease
(as of FY 1970)

Computer Type	No.	Annual Rent	Net Purchase Cost	Termination of Rental Credits	Rental Losses if not Purchased
360/20	16	$491,000	$1,464,000	*	$491,000
360/40	1	149,000	311,000	9/67	149,000
360/40	1	400,000	961,000	6/68	400,000
360/40	1	242,000	717,000	3/71	121,000
360/65	1	1,049,000	2,581,000	5/69	1,049,000
360/65	1	822,000	2,248,000	9/70	411,000
1201	1	114,000	252,000	5/68	114,000
TOTAL	22	$3,267,000	$8,534,000		$2,735,000

* Rental credit will have terminated on all 360/20's prior to FY 1970

Narrative Justification By Type of Computer

Purchase of 16 IBM 360/20's

These computers are currently installed and in operation at the following locations and will continue on a rental basis thru FY 1969:

Atlanta, Ga.	2	Philadelphia, Pa.	2
Austin, Texas	1	St. Louis, Mo.	2
Boston, Mass.	2	St. Paul, Minn.	2
Hines, Ill.	2	Washington, D.C.	2
Los Angeles, Calif.	1		

Total net purchase price as of July FY 1970 is $1,464,000. These computers are small card oriented computers that have replaced electric accounting machine equipment. They render service to the regional offices and hospitals. They have speed and flexibility and offer greater capacity at less cost.

Purchase of 3 IBM 360/40's

These computers will continue on a rental basis thru FY 1969. The location and net purchase cost of each is:

Washington VA Hospital	$311,000
Austin, Texas	961,000
Philadelphia, Pa.	717,000

Washington - 360/40

This computer is used at the Washington, D.C. VA Hospital for the Automated Hospital Information System (Pilot AHIS). This is a research study of selected hospital functions namely; admission/disposition, radiology and related patient information and ward care functions.

Austin 360/40

This computer operates on an interconnected or mutually supporting basis with a Model 360/65 computer. These computers with random access capabilities are used in the areas of Patient Care, Manpower Administration, Loan Guaranty, Logistics, Facility Planning and Construction and the Automated Management Information System. Combined production and maintenance testing has reached the total capability of each of these computers.

Philadelphia - 360/40

This computer will be used with an IBM 7080 computer in the Refinement and Expansion of Insurance Data Processing Subsystem (REIDS). The system will facilitate research for new and improved methods of matching input speeds to the processing speeds of the computer. The currently used keypunch method is a slow tedious and costly process. This computer provides the important feature of accommodating an optical character recognition input document processing device. This is expected to reduce sharply the costly keypunching and verifying of input data.

Purchase of One IBM 360/65 - Austin
(1st) Net Purchase Cost - $2,581,000

This computer will be on a rental basis thru fiscal year 1969. The computer is used on an interconnected basis with a 360/40 and as mentioned earlier, both computers have reached maximum capacity with the applications that include Patient Care, Manpower Administration, Loan Guaranty, Logistics, Facility Planning and Construction and the Automated Management Information System.

Purchase of One IBM 360/65 - Hines
Net Purchase Cost - $2,248,000

This computer will provide the capability needed to accommodate the expansion of the Compensation, Pension and Education system because of PL 90-275. Current computer capacity at Hines is inadequate. Due to a shortage of memory, audit routines to check on the validity of payments cannot be incorporated in the system. Entire runs must be written where routine modifications would suffice if memory capacity was not limited. The larger computer will make possible the automatic production of letters of notification to beneficiaries regarding income limitations. Processing annual income questionnaires under the present program and with current equipment is time consuming because of the patch work computer programs due to memory limitation. Delivery of this computer is scheduled for delivery in September of FY 1969 and will be maintained on a rental basis for the balance of that fiscal year.

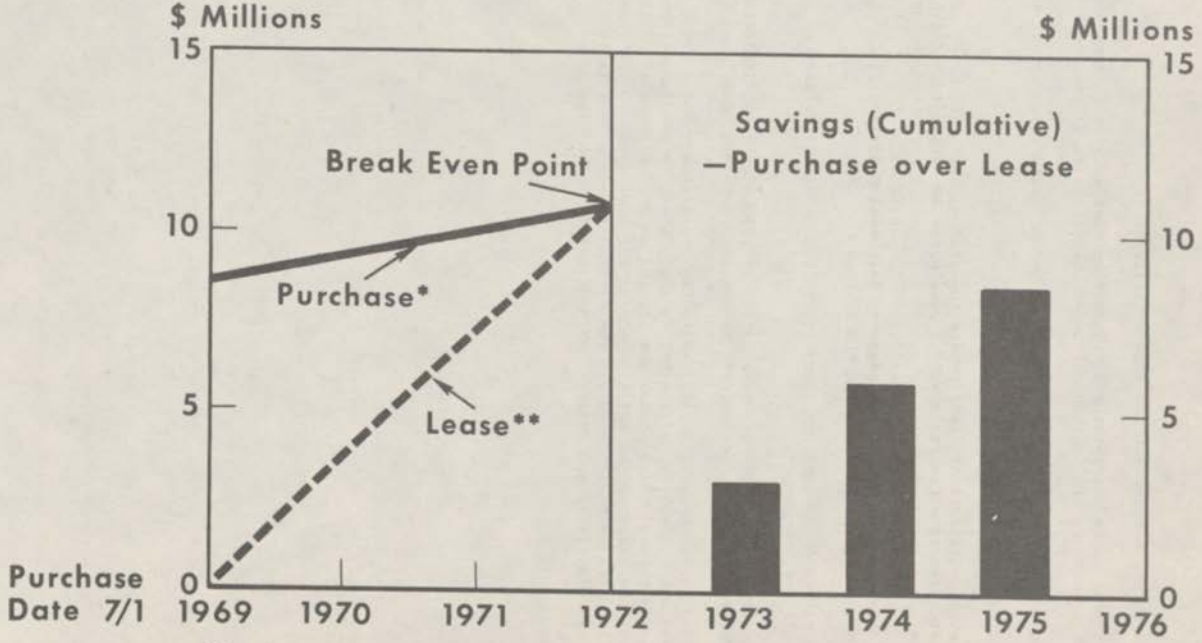
Purchase of One Honeywell 1201 - Hines
Net Purchase Cost - $252,000

This computer was installed to handle the increased workload resulting from PL 89-358 (Cold War Bill) and to alleviate an overload on the IBM 7080 located at Hines and used for the Compensation, Pension, and Education programs. It is an integral part of the computer system at Hines and its accrued rental credit allowance renders it an excellent purchase value, having a break-even point of a little over 24 months from the date of purchase.

Potential Benefits and Conclusions

The potential benefits attributable to the major investment opportunities described in the preceding pages covering "equipment" are very substantial. Significant economies will result from the computer purchases as depicted by the "Analysis of Purchase vs Lease" tables. Also, the computer capabilities of the VA both owned and leased will facilitate the timely installation of the subsystems planned for automation. This will include the installation of the Operating System, an expanded Automated Management Information System, the Loan Guaranty System, Logistics, Centralized Accounting for Local Management and the Beneficiary Identification and Records Locator Systems. These latter four systems alone will result in recurring annual savings estimated at over $5 million. This anticipated return is further enhanced by the benefits to be derived from the Operating System.

PURCHASE VERSUS LEASE
22 COMPUTER SYSTEMS



*Purchase & Interest plus Maintenance & Interest

**Lease plus Interest

RESEARCH AND DEVELOPMENT

Introduction

The Research and Development function consists of:

Identifying areas susceptible to automation that will yield monetary savings, improved manpower utilization, or improved service to VA beneficiaries.

Conducting research and experimentation in ADP systems, equipment and techniques

Designing, developing and installing new ADP systems.

Maintaining liaison with data processing elements of government, industry and equipment manufacturers in order to keep pace with communications and computer technology.

Performing cost estimating in order to determine cost of present systems and economic advantages of proposed ADP systems.

Training and developing employees in the technical specialties of ADP systems analysis and programming.

Conducting research and experimentation in communications, including the rapid transmission of data, communications control computers, and input/output devices

Workload assignments in accomplishing the above consist of a group of planned subsystems, each requiring a feasibility study phase, a development phase and an installation phase. These phases are planned on a time phase schedule. Workload priorities are based on the relationship of the subsystems to each other, the potential benefits to be achieved and the maximum resources available. Planned subsystems are identified and briefly defined starting with Page 1-78.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr.(+) Decr.(-)
Average Employment	274	243	254	+ 11
Costs				
Personal Services	$3,093,000	$3,009,000	$3,135,000	$+126,000
Travel & Trans. of Persons	95,000	90,000	110,000	+20,000
TOTAL COSTS	$3,188,000	$3,099,000	$3,245,000	$+146,000

Employment

In FY 1969, the reduction in employment is due to the employment restrictions imposed by PL 90-364. In FY 1970, the increase is to provide the manpower necessary in researching and developing planned subsystems in a priority sequence. Page 1-77 identifies the manpower requirements by subsystem for each of the three fiscal years.

Costs

Personal service costs provide funding for the Research and Development staff. Included is the Veterans Administration's contribution to the Civil Service Retirement Fund, the employee's life and health insurance program and the impact of both the October 1967 and July 1968 employee pay raises.

Travel costs are those required in connection with feasibility studies, and designing and developing new systems. Travel consists of visits to the Data Processing Centers and other VA field stations. Also included is travel in conjunction with training employees. Requirements are greater in FY 1970 due to a greater number of employees and projects being undertaken are expected to reach the phase that will require more travel to field stations.

Miscellaneous support costs (communications, rents, printing and reproduction, etc.) for the Research & Development function amount to less than 3% of the total R&D costs and are included in the appropriate objects under the Operations function.

Manpower Requirements By Subsystem

Subsystem	1968 Actual	1969 Estimated	1970 Estimated
Patient Care	72	70	71
Manpower Administration	9	7	8
Loan Guaranty	14	24	24
Logistics	31	17	20
Facility Planning & Construction	21	8	6
Scientific & Technical Information	2	2	2
Financial Benefits	18	14	15
Plant & Facility Operation & Maintenance	4		
Insurance	17	13	14
Beneficiary Identification & Record Locator	4	19	20
Automated Management Information System (AMIS)	24	19	16
Fiscal Accounting	14	15	20
Total Subsystems	230	208	216
Trainees	10	8	10
Planning & Research	4	3	4
Overhead & Administration	30	24	24
Total Manyears	274	243	254

A brief description of each subsystem appears on the next few pages followed by a series of charts identifying the planned phases of the projects comprising each subsystem.

BRIEF DESCRIPTION OF SUBSYSTEMS

Patient Care Subsystems

This subsystem will provide an integrated automatic data processing system to serve the daily operational requirements connected with the care of patients in VA hospitals of all types, outpatient clinics, nursing homes, restoration centers, and domiciliaries. It will encompass in varying degrees the following activities:

1. Pre-admission and admission activities
2. The input, storage and retrieval of patient information resulting from doctors' orders for diagnostic and treatment procedures, including laboratory tests, radiography, electro-diagnostic procedures and other clinical services.
3. Ordering of regular and special diets.
4. Scheduling and rescheduling of specialized facilities such as radiology and the operating room.
5. Automated record keeping and report generation relating to patient absences, transfers and predischarge planning.
6. Disposition activities, including accumulation of information for patient records and statistical updating.
7. Post-hospitalization activities, including scheduling of appointments, follow-up visits, medications and other treatment.

Significant benefits to be derived are:

1. Improve service to patients by relieving doctors, nurses and other medical personnel from burdensome paperwork.
2. Provide better and more timely information for medical research purposes.
3. Improve utilization of the resources of personnel, materials, facilities and funds by improved scheduling of patients, personnel and services.

Manpower Administration Subsystem

This is a centralized computer system which generates salary checks and earnings and leave statements for approximately 160,000 VA employees every two weeks. A master record maintained for each employee on magnetic tape is updated at regular intervals. Personnel actions, employment reports, other special reports, and complete cost accounting information is also generated by the system. The PAID (Personnel and Accounting Integrated Data Pay System) portion of this subsystem was completed in 1966. Future plans include a redesign of the system to take full advantage of the capabilities of third generation computers and advanced teleprocessing techniques. Also an expansion of the system to incorporate data on employee education and training, skills inventory, management personnel inventory, classification and wage administration activities. Significant benefits derived are:

1. Capture of employment data for multipurpose use.
2. Improves service in personnel and fiscal operations by making machine data available sooner.

3. A reduction in the number of employees previously engaged in manual payroll activities.

Loan Guaranty Subsystem

The Loan Guaranty subsystem will centralize and integrate data processing requirements for the maintenance of portfolio loans and property management. Related fiscal and statistical processing will be accomplished as a by product of systems operation. Statistical files on loans guaranteed and insured by the VA will be established and processed by the computer. Significant benefits to be derived are:

1. Reduce clerical and accounting costs at field stations.

2. Enhance communications with borrowers.

3. Provide more timely and accurate information which will result in improved loan service.

Logistics Subsystem

The Logistics subsystem will embrace the procurement, storage and distribution functions of the VA's vast supply program. It will systematically and automatically service functions such as requisitioning, purchasing, item management, cataloging, receiving, warehousing, delivery, traffic management, and related statistical activities. The most significant benefits are:

1. Reduced costs and more accurate supply accountability.

2. Enable VA to optimize dollar investments in warehouses and field stations.

3. Obtain procurement reduction in unit costs of items.

Facility Planning and Construction Subsystem

This subsystem will provide computer support to assist in the planning and construction of VA medical facilities. The system will provide (a) Detailed medical requirements and cost information for determining which alternative combination of medical programs and services will be the most desirable for any given facility, (b) The tool for planning, scheduling and controlling medical facilities projects and related manpower resources, (c) Timely summary and detailed reports and statistics for efficient operation and management, (d) Tool for financial management of the construction program. The most significant benefits are:

1. Shorten the time lag between recognition of need and provision of facilities which will result in savings by reducing the effect of spiraling costs, personnel costs and the amount of modification and replanning required.

2. Increase the quality of information which will provide an improved base for management decisions regarding construction policies.

Scientific and Technical Information Subsystem

This subsystem will provide computer capability for the use of information storage and retrieval techniques. Special emphasis will be given to fast response through the use of teleprocessing techniques, as well as visual display and other devices for rapid retrieval of information. Improvements brought in by the new generation of computer equipment make the application of these techniques desirable. Studies to be undertaken will include the utilization of information in the

following areas:

1. Indexing and Cataloging
   a. Medical Reference Information
   b. General Reference Service

2. Legal Information System
   a. Administrative Manuals
   b. Legal Citations
   c. Legal Digest

3. Medical Research Information System
   a. Current and Completed Research
   b. Research Activities in Planning Stages
   c. Medical Research Reporting

The significant benefits anticipated from the system are savings of manpower by eliminating the "search" for information and by making available results of actions already taken and recorded, thus eliminating duplication of effort.

Financial Benefits Subsystem

The Financial Benefits subsystem is an operating system which integrates and centralizes data processing for the compensation and pension, education, and guardianship programs. The basic activity under this subsystem is the compensation and pension benefit payment system which was converted to computer operations in 1962. Planned expansion and refinement of this basic system includes award writing, adjucation and guardianship. Significant benefits are:

1. Reduced costs and improved service.

2. Relieves professional adjudicators of laboriously handling stereotyped awards and increases uniformity of adjudicative action by automatic quality reviews.

3. Provides for a prompt and economic implementation of legislative changes in rates or benefits.

Insurance Subsystem

The Insurance subsystem is an operating system which integrates all of the major activities concerned with the handling of insurance accounts. The first step in automating insurance operations was completed in 1960. Currently, almost six million insurance accounts are on the computer. The system was recently reprogrammed to better utilize the computer and among other refinements, ZIP Code capability was added to the system. Future plans include a study of computer generation of routine correspondence, exploration of an improved method of providing transaction history information. Significant benefits are:

1. Reduced costs and improved service.

2. Provides actuarial data more rapidly with greater reliability.

3. Reduction of errors and better management of liability accounting records.

Beneficiary Identification and Records Locator Subsystem

This subsystem will replace the present manual index and locator activities and will be used to index, store, and retrieve basic identification data for all VA beneficiaries. The subsystem will be accessible to all VA stations in a fast response manner and will contain sufficient cross references to readily provide information that may be needed in other VA subsystems. Over 30 million index records are currently being maintained with more than 700,000 being added each year. Significant benefits to be derived are:

1. Reduced costs and improved service by providing an immediate response to inquiries for information.

2. Improves accuracy.

Automated Management Information System

This subsystem will encompass all areas of management and operational reporting. It will provide the information needed at all levels of management (Central Office and the field) and will include management reporting information; financial management information; budget information; forecasting of resources requirements for existing programs; forecasting impact of proposed legislation; forecasting requirements for facilities through use of statistics and mathematical models; and the capability to apply advanced management techniques to VA programs and activities. The most significant benefits to be derived from this subsystem are:

1. Assists the management decision process for determining the optimal combinations and sequences in the use of resources.

2. Relegates to machines all routine decisions, leaving for human consideration only those requiring mental facilities.

Fiscal Accounting Subsystem

The Fiscal Accounting subsystem will provide a centralized on-line direct access fiscal accounting system for the VA. It will handle the fiscal accounting for appropriations amounting to over $1.5 billion per year. All financial transactions will be provided either by gathering data from other subsystems or by providing for basic processing within the fiscal accounting subsystem. Significant benefits to be derived are:

1. Provide for more effective management and utilization of funds.

2. Reduced costs.

Department of Veterans Benefits

Mr. Evins. Department of Veterans Benefits. We are all familiar with the Department of Veterans Benefits and the various programs.

The regional offices are the operating elements of the department. How many regional offices do you maintain?

Mr. Farmer. Fifty-seven.

FX TELEPHONE SERVICE

Mr. Evins. You install FX telephone service in additional communities where local factors clearly indicate a need to make Government assistance more accessible to the public. What is the nature of these telephones?

Mr. Farmer. Foreign exchange is a word used by the telephone company to indicate that, by dialing a local number, you end up speaking to someone in a distant city. Using Chattanooga or Knoxville as an example, a person in Knoxville can dial a local number and end up talking to the regional office at Nashville.

Mr. Evins. The Administrator doesn't want people from Knoxville and Chattanooga calling him. He is a busy man.

Mr. Driver. We would want to call the local and regional office where the records would be.

Mr. Evins. You are going to get all those records up here in a computer and then they will have to call up here?

Mr. Driver. No, sir; they are still in the regional office.

Mr. Evins. All of this is designed to improve service to the veterans.

How much does this FX telephone system cost? This is a new service. How much does it cost?

Mr. Farmer. We have it in 34 cities at this stage. To give you an actual cost figure, I would have to turn to Mr. Budd because, oddly enough, this comes under the cognizance of data management, but I can tell you that it is done at a very cheap rate.

Mr. Evins. How much does it cost?

Mr. Budd. We will have to supply that for the record.

Mr. Evins. You don't know the answer?

Mr. Budd. No, sir.

(The information follows:)

The actual cost for FX telephone service in 34 cities is little over $5,000 per month, or about $60,000 a year.

Mr. Driver. You will recall that after World War II we opened 1,054 contact offices all over the country, with one or two contact representatives in each one to take care of the man coming out of the service. This is an effort not to get back into that system again. We think it is far cheaper to pay the freight for him to call a local office; to call a regional office from a local number, rather than stationing contact people all over the country.

Mr. Evins. Why don't you let him write a letter?

Mr. Driver. It costs more to answer a letter than to answer the telephone.

Mr. Evins. You do it quickly——

Mr. Driver. We are trying to make the VA more accessible to the returning serviceman. There is no question about that.

Mr. EVINS. You have the county service officer and the service organizations assisting the veterans. Everybody is sympathetic to the veterans, and you put up a free telephone where he can call and check his records.

Mr. DRIVER. And we are still having difficulty meeting demands for service from the man coming back now.

Mr. EVINS. You list five new laws. You always list these laws that the Congress passes for more benefits.

Page 1-97 shows the organization of the Department of Veterans Benefits. It is a very efficient one.

Place in the record pages 1-95 through 1-99.

(The pages follow:)

GENERAL STATEMENT

The Department of Veterans Benefits is one of three operating (line) Departments of the Veterans Administration -- the others are the Department of Medicine and Surgery and the Department of Data Management.

The Department of Veterans Benefits, headed by the Chief Benefits Director, administers all of the direct benefits to eligible veterans and their widows and beneficiaries. Typical of the services provided are compensation, pension, education, insurance, loan guaranty, and guardianship.

In discharging its responsibilities to the approximately 25.6 million veteran population, the Department of Veterans Benefits is organized into a Central Office headquarters, and 58 operating field installations.

- The Central Office is responsible for: developing Department-wide policies and procedures; evaluating station management; providing assistance and guidance to field installations; and assuring the efficient and economical operation of all programs of benefit and services. It serves as the top policy and staff center for all direct benefits operations.

- The Regional Offices are the operating elements of the Department. They are responsible for work on a day-to-day basis with the veteran his dependents, and beneficiaries to carry out the program of benefits and services provided by regulation and law.

A chart showing the organizational structure is presented on page 1-97.

During the past year, the Department continued its efforts to improve service to veterans and to effect operating economies wherever practical. Typical of these are the following projects:

- Expanded Contact service to military hospitals, separation points and military installations.

- Installed FX telephone service in additional communities where local factors clearly indicate a need to make Government assistance more accessible to the public. This service permits residents of a selected city to have the same telephone access to the Veterans Administration as residents of a city with a full-time Contact location.

- Established veterans assistance centers in additional major cities to serve as the focal point for coordination of federal activities at the local level. These centers help recently discharged veterans achieve (a) the highest possible educational and vocational level; and (b) a rapid social and economic adjustment to civilian life.

- Installed the first phase of a system entitled "Redesign of Compensation, and Pension System" which expands and refines the centralized data processing of compensation, pension and education payments.

- The centralization of all less active claims folders at the VA Records Processing Center has been completed which placed 12.8 million folders of this type on file in one location.

The following new legislation enacted during the 90th Congress had a significant effect on workload:

- PL 90-275 -- Restructuring of VA pensions.
  Liberalizes the provisions relating to payment of pensions.

- PL 90-431 -- Part-time vocational training.
  Improves vocational rehabilitation training for service-connected veterans by authorizing pursuit of such training on a part-time basis.

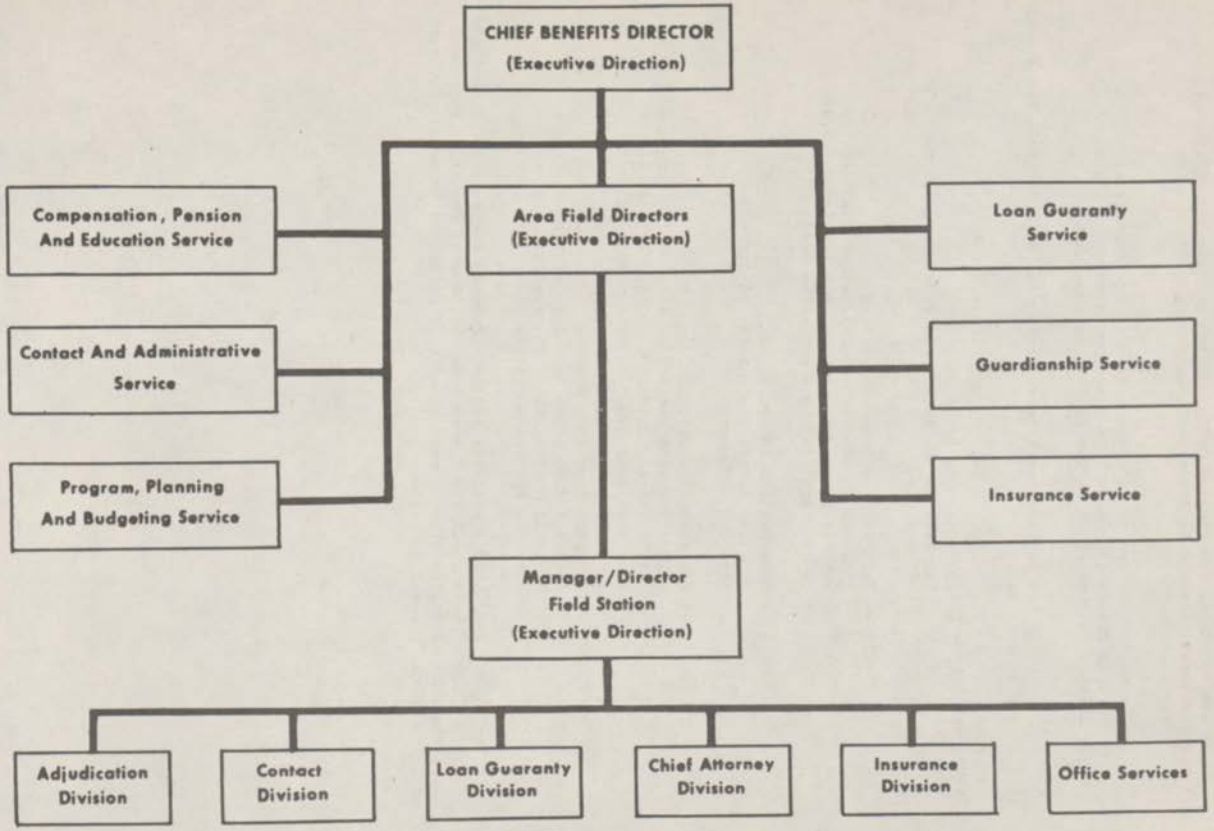
- PL 90-493 -- Compensation increase.
  Provides increases in rates of compensation for disabled veterans.

- PL 90-631 -- Educational assistance.
  Amends law with respect to eligibility for, and the period of limitation on, educational assistance available under existing legislation.

- PL 90-301 -- Veterans home loan program.
  Amends the veterans home loan program and the National Housing Act with respect to interest rates on insured mortgages.

The fiscal year 1970 administrative requirements for this Department are $178.6 million. These costs are funded from the General Operating Expenses appropriation. Justification of requirements is contained in detail for each activity on the succeeding pages.

ORGANIZATION OF THE DEPARTMENT OF VETERANS BENEFITS



SUMMARY OF REQUIREMENTS

FY 1968-1970 "General Operating Expenses" requirements of the Department of Veterans Benefits are shown in the following table:

Summary of Costs, by Major Object

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Personnel compensation	$130,625,338	$140,815,000	$145,612,000	+$4,797,000
Personnel benefits	10,457,742	11,062,000	11,460,000	+ 398,000
Total personal services & benefits	141,083,080	151,877,000	157,072,000	+ 5,195,000
Travel and transportation of persons	2,349,812	2,588,000	2,618,000	+ 30,000
Transportation of things	874,492	763,000	763,000	
Rents, communications, and utilities	5,150,687	6,380,000	6,884,000	+ 504,000
Printing and reproduction	1,340,946	1,450,000	1,450,000	
Other services	6,484,332	7,476,000	7,760,000	+ 284,000
Supplies	965,493	962,000	962,000	
Equipment	969,721	800,000	1,000,000	+ 200,000
Grants to states	1,898,893	2,900,000	3,600,000	+ 700,000
Total costs	$161,117,456	$175,196,000	$182,109,000	+$6,913,000
Common service adjustment 1/	-2,434,000	-2,592,000	-2,652,000	- 60,000
Net costs	$158,683,456	$172,604,000	$179,457,000	+$6,853,000
Change in selected resources	-543,141	-196,000		+ 196,000
Obligations	$158,140,315	$172,408,000	$179,457,000	+$7,049,000
Reimbursements	-998,133	-925,000	-825,000	+ 100,000
Appropriation estimate	$157,142,182	$171,483,000	$178,632,000	+$7,149,000

1/ Department of Veterans Benefits provides Management, Finance, and Administrative services to the Department of Medicine and Surgery at Regional Offices - Hospital Centers - amounts shown as "Common Services" reflect the costs of these services.

Summary of Costs, by Activity

Executive Direction	$ 5,519,462	$ 5,855,000	$ 5,929,000	+$ 74,000
Guardianship and Chief Attorney	13,361,083	13,927,000	14,382,000	+ 455,000
Contact	9,814,395	11,691,000	11,955,000	+ 264,000
Compensation, Pension and Education	49,782,599	55,833,000	59,893,000	+ 4,060,000
Loan Guaranty	23,662,202	24,377,000	25,819,000	+ 1,442,000
Insurance	8,414,283	8,415,000	8,324,000	- 91,000
Office Services	50,563,432	55,098,000	55,807,000	+ 709,000
Total cost	$161,117,456	$175,196,000	$182,109,000	+$6,913,000

Summary of Average Employment by Activity

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Executive Direction	392	386	386	
Guardianship and Chief Attorneys.	1,224	1,193	1,219	+ 26
Contact	1,068	1,210	1,224	+ 14
Compensation, Pension and Education	4,203	4,108	4,352	+244
Loan Guaranty	2,545	2,460	2,586	+126
Insurance	1,011	930	907	- 23
Office Services	5,827	5,907	5,879	- 28
Total Average Employment	16,270	16,194	16,553	+359

The increase of $6.9 million in the budget year over the current year is due primarily to nondiscretionary increases. An analysis of the major changes in total costs of the department from the past year (fiscal year 1968) to the budget year (fiscal year 1970) is shown below:

(dollars in thousands)

FY 1968 (Total Costs)		$161,117
Decreases:		
Cost Reductions	$ 400	
Employment	246	
Increases:		
Nondiscretionary:		
Pay Raises	6,200	
Within Grades	1,377	
Civil Service changes, etc.	1,944	
One extra paid day	530	
Other Program Increases:		
Communication costs	1,229	
Counseling	845	
Grants to States	1,301	
Overtime	677	
Miscellaneous	622	
FY 1969 Estimate (Total Costs)		$175,196
Decreases:		
Cost Reductions	$ 200	
Increases:		
Nondiscretionary:		
Pay Raise	340	
Within Grades	1,539	
Reclassifications	513	
Communication costs	504	
Counseling	421	
Grants to States	700	
Other Program Increases:		
Employment and Workload	3,096	
FY 1970 Estimate (Total Costs)		$182,109

Summary of Requirements

Mr. Evins. Your summary requirements are shown on 1–98. There is an increase in every item. Personal services and benefits are greatly increased, $5,195,000.

Mr. Monk. That is a combination of those two top figures, Mr. Chairman.

Mr. Evins. That is your total.

Then you show a compensation, pension, and education, summary of cost activity. It goes up from $55.8 million to 59.8 million, and increase of $4 million. Why?

Mr. Driver. We initiallly have to process the case at the original office, either adjudicate it——

Compensation, Pensions, and Education

Mr. Evins. Compensation, pensions, and education is all on computer records. You can push a button and get the answer on a card.

Mr. Driver. After it is placed in the system, but in order to adjudicate his case in the first place, you have to have people at the local level.

Mr. Wyman. This is part of Vietnam, isn't it?

Mr. Driver. Most of the education load is really Vietnam.

Mr. Evins. Place pages 1–103 and 104 in the record.

(The pages follow:)

EXECUTIVE DIRECTION

Executive direction provides the planning, direction and supervision of the Department in an integrated program of veterans' benefits and is comprised of staffs assigned to the following major components:

- o Chief Benefits Director
- o Field Directors
- o Managers

The Chief Benefits Director is responsible to the Administrator for the operation of the Department and is responsible for expenditures involving approximately five billion dollars annually, the operation of field offices, and staff elements in Central Office utilizing a total estimated employment of 16,553 in 1970.

Field Directors are directly responsible for the operation of assigned stations. Each Director has assigned responsibility for a geographic area comprising approximately one-fourth of the field stations under the jurisdiction of the Department of Veterans Benefits.

Managers provide direct overall management and administrative direction of the field office operations.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment	392	386	386	
Costs				
Personnel compensation	$4,971,689	$5,294,000	$5,363,000	+$ 69,000
Personnel benefits	446,570	442,000	447,000	+ 5,000
Total personal services & benefits	5,418,259	5,736,000	5,810,000	+ 74,000
Travel and transportation of person	98,643	115,000	115,000	
Other services	2,560	4,000	4,000	
Total costs	5,519,462	5,855,000	5,929,000	+ 74,000
Common service adjustment	-668,000	-708,000	-708,000	
Net Costs	$4,851,462	$5,147,000	$5,221,000	+$ 74,000

The distribution of employment between the departmental and field staffs is summarized below:

Departmental	46	47	47	
Field	346	339	339	
Total	392	386	386	

Employment and Workload

This program is entirely supervisory and therefore produces no measurable workload items.

The departmental staffing consists of Chief Benefits Director, Deputy Chief Benefits Director, Evaluation Staff, Field Directors, with supporting staff and clerical personnel.

The field personnel consists of managers, assistant managers at larger stations, management analysts, and clerical personnel. This employment will also provide management services to the Department of Medicine and Surgery on a reimbursable basis at those stations having both hospital and regional office activities.

Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Personal services				
Payroll costs	$5,418,259	$5,736,000	$5,810,000	+ $74,000

Funds requested for personal services are required to support the above staffing including the agency share of benefits such as retirement, hospitalization, and insurance.

Travel and transportation of persons			
Employee travel	$ 98,643	$ 115,000	$ 115,000

Funds requested will provide for travel expenses incurred in (a) supervising, evaluating, surveying, and coordinating field station operations; (b) the travel of managers and staff members to Central Office and other locations for the purpose of attending conferences and meetings pertaining to the business of veterans affairs; and (c) travel expenses incurred by the transfer of employees between stations.

Other services			
Representation allowance	$ 1,727	$ 3,000	$ 3,000
Official residence allowance	833	1,000	1,000
Total	$ 2,560	$ 4,000	$ 4,000

Funds are required to pay residence and representation allowances for managers at foreign installations as provided for by Public Laws 86-116 and 86-707.

GUARDIANSHIP AND CHIEF ATTORNEY

Mr. EVINS. The guardianship and chief attorney account for assets of $636,560,000 in beneficiary estates. You save $2 million for beneficiaries and you recaptured a great deal; you recovered $4.3 million for the U.S. Government as a result of 8,360 recovery actions. Then you completed 54,958 actions relating to loan guaranty matters, and you participated in 3,490 civil court actions.

You say you participate in 3,490 civil court suits. Tell us the nature of these civil court suits.

Mr. FARMER. These are primarily in connection with the tort suits.

CONTACT

Mr. EVINS. Let's talk about your contact offices, pages 1–109 and 1–111. They furnish advice and information on benefits. You say you have established one-stop contact offices. How many of those are there in the VA system?

U.S. VETERANS ASSISTANCE CENTERS

Mr. FARMER. Well, sir, in a sense all of them are one-stop but we especially designated 21 of them in the largest regional offices to serve as the focal point where assistance could be rendered primarily to Vietnam veterans, both in employment and civil service information. This is a program that has been designated as USVAC, U.S. Veterans Assistance Center.

Mr. EVINS. You have 21 one-stop offices and 57——

Mr. DRIVER. They are part of the 57. It is just that there we invite in other agencies of the Government who have programs for veterans to see if we can't deal with all of these problems at once.

Mr. EVINS. You have 57 regional officers and centers, and U.S. Veterans Assistance Centers, and you have an office in Rome, Italy. You have 18 regional offices. You have three non-VA hospital locations, and the VA Central Office. How about the three non-VA hospital locations? What is the nature of those?

Mr. FARMER. One of those is in the Air Force Hospital, Minot, S. Dak. another is in St. Elizabeths Hospital, here in Washington, the third one is at the Veterans Memorial Hospital in Manila, P.I.

EMPLOYMENT

Mr. TALCOTT. Mr. Chairman, may I ask a question on page 1–110? In your 1969 justifications last year you said average employment was going to be 1,126. That is 84 different from our estimate for this year. I think that the people who make out the budget from year to year don't even look back at the last budget, to be that far wrong.

Mr. FARMER. Indeed we do, sir, and I am well aware of the increase you refer to. It is explained partly in the same terms that Mr. Budd put it. After we put our 1969 budget to bed, we did have an increase in workload associated with the several laws that are referred to here and we did have to devote some manpower to contact where we did not contemplate devoting to it when we put the budget together.

Mr. Evins, why can't you use State offices in disseminating this information?

Mr. DRIVER. We do to the extent they are able to participate.

Mr. EVINS. Here is the summary of your requirements. Departmental employment go from 25 to 28. Three new jobs. Field, from 1185 to 1196. Eleven more, for an increase of 14 more jobs.

Turn to compensation, pension, and education. Insert pages 1–113 through 1–119 in the record.

(The pages follow:)

COMPENSATION, PENSION AND EDUCATION

The mission of the Compensation and Pension programs is to serve veterans and their dependents by equitable and uniform administration of all laws governing: disability compensation, disability pension, service pension, death compensation, dependency and indemnity compensation, death pension and burial allowance.

The Education program provides vocational counseling and educational assistance to veterans and servicemen with service after January 1, 1955; vocational counseling and educational assistance to sons and daughters of deceased or permanently and totally disabled veterans; and vocational counseling, supervision and assistance during a course of training to help veterans with service connected disabilities prepare for suitable occupations which take account of their disabilities and capitalize on their abilities. By the enactment of Public Law 90-631, widows of deceased veterans and wives of permanently and totally disabled veterans, also became entitled during fiscal year 1969 to the same educational assistance previously available to their children.

Highlights

Approximately 1,840,000 claims were adjudicated in FY 1968. This exceeded by 2% the number adjudicated in FY 1967. Even larger increases are expected in fiscal years 1969 and 1970. A greater proportion of annual income questionnaires will require adjudicative action as part of the restructuring of the pension program authorized in PL 90-275. This accounts for a major part of the estimated increase in workload.

Over 2 million veterans received compensation for service connected disabilities. Approximately 1.2 million veterans received non-service connected disability pension.

Dependents of 1.4 million deceased veterans received death compensation, dependency and indemnity compensation, or pension payments.

Approximately $4.5 million was paid to veterans and their dependents in compensation and pension benefits.

Applications for educational benefits under all laws amounted to 538,000 and about 393,000 persons entered training for the first time. There were over 700,000 who were in training at some time during the year.

Over 74,000 persons received educational counselling, including those who had previously entered training.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average Employment				
Departmental	128	128	132	+ 4
Field	4,075	3,980	4,220	+ 240
Total	4,203	4,108	4,352	+ 244

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Costs				
Personnel compensation	$40,276,269	$44,127,000	$46,801,000	+$2,674,000
Personnel benefits	3,179,615	3,446,000	3,681,000	+ 235,000
Total personal services and benefits	$43,455,884	47,573,000	$50,482,000	+$2,909,000
Travel and transportation of persons	549,621	636,000	666,000	+ 30,000
Other services	3,878,201	4,724,000	5,145,000	+ 421,000
Grants to states	1,898,893	2,900,000	3,600,000	+ 700,000
Total costs	$49,782,599	$55,833,000	$59,893,000	+$4,060,000

The distribution of employment between departmental and field staffs is summarized as follows:

Departmental				
Office of Director	6	6	6	
Administrative (Clerical)	22	22	22	
Policy	52	48	47	- 1
Program Administration	48	52	57	+ 5
Total	128	128	132	+ 4
Field				
Office of Adjudication Officer.	428	425	445	+ 20
Rating Board	562	568	593	+ 25
Authorization	2,346	2,352	2,497	+ 145
Vocational Counseling, Training & Adjustment	256	285	300	+ 15
Services	483	350	385	+ 35
Total	4,075	3,980	4,220	+ 240

Employment and Workload

Employment requirements are developed through utilization of a work measurement system which is based on anticipated workloads. Workload will continue to reflect an upward trend as more Vietnam Conflict veterans become eligible for benefits and more claims are received from the aging veteran population.

New legislation, the constant personnel turnover and the ever-changing complexity of the program, require considerable training time. This must be absorbed within the framework of total program employment requirements developed through the work measurement system.

This estimate projects increased productivity, improvement in processing workload and in procedural detail. Still the total volume of workload fully justifies the increase of 244 man years requested for FY 1970.

Total claims reflects a decrease in FY 1970, however, this is due to the number of one time actions in FY 1969 in connection with the processing of income questionnaires due to the restructuring of the pension program. Excluding these items from FY 1969, a trend of continual increase is apparent for a period of years. Education workload is also experiencing a sustained upward swing as new legislation involves more potential trainees and as more Vietnam Conflict veterans are taking advantage

of educational benefits available to them. In relating workload increases to employment requirements, it must be understood that personnel involved in education activities are concerned with all phases of the program, from the time of initial application, through entrance into training and concluding with termination of enrollment. Therefore, for each trainee on the rolls, a course of study or training has been approved, guidance counseling has been available if required, training establishments have been surveyed from time to time and in some instances assistance has been provided in obtaining suitable employment.

Summary of Major Workloads

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Compensation and Pension Claims				
Initial Disability	175,706	250,000	258,000	+ 8,000
Non-original	331,316	363,000	364,000	+ 1,000
Dependency and Income	866,256	1,459,000	1,408,000	- 51,000
New Death	156,144	169,000	179,000	+ 10,000
Burial	273,061	298,000	308,000	+ 10,000
Statement of Case	36,771	38,000	38,000	
Total	1,839,254	2,577,000	2,555,000	- 22,000

Initial Disability Claims - Claims recorded under this title are for compensation or pension and are submitted by veterans or by third parties on behalf of living veterans. The number of claims completed in FY 1968 was approximately 12% higher than in FY 1967. Notwithstanding the anticipated increase in claims originating from veterans of the Vietnam Conflict, most of the overall increase is attributable to veterans of World War II now filing a claim for the first time. This reflects the worsening or manifestation, as this group of veterans age, of disabilities heretofor of insufficient consequence to warrant payment of compensation or need for VA treatment. This trend can be expected to continue as can the growing number of claims by veterans of the Vietnam Conflict.

Non-original Claims - These claims relate to compensation, dependency and indemnity compensation or pension and refer to entitlement to benefits based on disabilities considered in prior adjudication on or for new disabilities not previously adjudicated. Approximately 13% more of these claims were completed in 1968 than in 1967. Just as in the case of initial claims, and for generally the same reasons, this increase is originating with World War II veterans. This trend is also expected to continue. Non-original consideration of claims by Vietnam Conflict veterans will also continue to mount with the growing number of such veterans who have or will have applied for benefits.

Dependency and Income Claims - Workload counted in this category is comprised of two distinct groups. The first group includes disability or death claims which are concerned primarily with entitlement of the veteran, his dependents or beneficiaries to benefits based on dependency status, income or estate factors. The second group is confined to those annual income questionnaires which result in award adjustment due to changes in dependency, income or estate factors. It is estimated that restructuring of the pension program authorized in PL 90-275, will cause an increase of approximately 15% in the number of cases requiring adjudicative review because of changes in income. The decrease in workload in 1970 is due to the number of one time actions processed in the year the law was enacted.

New Death Claims - The first dependency and indemnity compensation, compensation and/or pension claims received subsequent to the death of the veteran is included under this title. An initial determination is made regarding entitlement to monetary benefits where death is determined to be service connected or death pension in those instances where death is not due to service. About 2% more claims were adjudicated in FY 1968 than in FY 1967. Further increases are expected in ensuing years in line with the projected death rate in the veteran population.

Burial and Accrued Reimbursement Claims - Included in this code are claims for statutory burial allowance and claims for compensation or pension payable as reimbursement of the expenses of last sickness and burial. Almost 3% more claims were completed in FY 1968 than in FY 1967. Further increases are expected in fiscal years 1969 and 1970.

Notice of Disagreement - Initial ratings and other determinations on claims for compensation or pension, also decisions on applications for educational benefits, may be appealed at the option of the claimant or applicant. Upon such appeal VA must prepare a statement of the case wherein all significant facts and evidentiary material available to the adjudicator must be set out in writing for the information of the claimant and related to the decision to which he is appealing. Level of workload in this area tends to follow the overall workload.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Education				
Annual Average Trainees:				
Vocational Rehabilitation	6,845	9,600	12,000	+ 2,400
Sons and Daughters	16,714	17,800	17,800	
Wives and Widows		700	8,700	+ 8,000
Readjustment Training	304,655	420,400	488,000	+67,600
Total	328,214	448,500	526,500	+78,000
Counseling:				
Fee Basis:				
Vocational Rehabilitation	4,887	8,300	10,200	
Dependents	17,722	17,900	18,200	
Readjustment Training	18,981	20,400	22,500	
Total	41,590	46,600	50,900	+ 4,300
VA Staff:				
Vocational Rehabilitation	24,053	28,200	35,800	
Dependents	4,452	6,900	8,400	
Readjustment Training	4,275	2,100	3,400	
Total	32,780	37,200	47,600	+10,400

Vocational Rehabilitation - The number of veterans in training during FY 1968 was approximately 15% higher than in FY 1967. This increase included peacetime veterans, some disabled veterans of World War II who had been unable to enter training earlier, and of course, disabled Vietnam Conflict veterans. The estimates for FY 1969-

1970 reflect these factors plus an increase in the number of discharges of Vietnam veterans. Also included are approximately 1200 annual average trainees in FY 1969 and 2700 in FY 1970 expected in training on a part-time basis as authorized in PL 90-431.

Educational Assistance to Dependents of Deceased or Totally and Permanently Disabled Veterans

Sons and Daughters - This group of trainees includes the children of deceased veterans and totally and permanently disabled veterans, as well as children of veterans of the "New" Philippine Scouts and the Philippine Commonwealth Army who served with U. S. Armed Forces during World War II. An increase in average trainees of almost 6% was recorded in FY 1968 over FY 1967. Approximately the same increase is anticipated in FY 1969 and FY 1970.

Wives and Widows - PL 90-631 dated October 23, 1968, provides widows of deceased veterans and wives of totally and permanently disabled veterans the education benefits presently available to children of deceased or totally and permanently disabled veterans. An annual average of 700 trainees is expected in FY 1969. This will increase to approximately 8700 in FY 1970.

Readjustment Training - PL 89-358 and PL 90-77 provides readjustment training opportunities for veterans who served in active duty after January 31, 1955. These benefits are similar to those afforded veterans of World War II and the Korean Conflict. The annual average trainees increased by almost 60% in FY 1968 over FY 1967. Further increases may be expected in subsequent years as more Vietnam Conflict veterans are discharged and greater results are achieved in the motivation of disadvantaged veterans.

Counseling - Vocational counseling is provided for disabled veterans, for dependents of deceased or totally and permanently disabled veterans and when necessary for Readjustment trainees. This counseling is performed by VA staff counselors or at one of approximately 175 guidance centers around the country which are under contract with VA to provide a portion of this work. The number of cases completed in FY 1968 was about 2% less than in FY 1967. However, in view of new legislation (PL 90-631) and the anticipated increases in the number of disabled veterans expected to enter training, substantial increases in caseload are anticipated in 1969 and 1970.

Costs

The total administrative costs chargeable to this program are itemized below:

Personal Services

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Payroll Costs	$43,455,884	$47,573,000	$50,482,000	+$2,909,000

Payroll costs are sufficient to finance the requested employment and include such items as contributions to the Civil Service Retirement fund and payments to employees life and health insurance programs. Also included is an allowance for within-grade raises and for salary increases provided by Executive Order No. 11413 dated June 11, 1968.

Travel and transportation of persons

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Employee travel	$ 235,648	$ 286,000	$ 286,000	
Beneficiary travel	313,973	350,000	380,000	+$ 30,000
Total	$ 549,621	$ 636,000	$ 666,000	+$ 30,000

Employees are reimbursed for costs incurred while in official travel status. This includes travel in connection with permanent change of station, temporary duty, attendance at meetings or conferences as well as in the performance of normal duties, such as compliance surveys, supervisory visits at contract guidance centers and in the placement and supervision of disabled veterans.

The increases in 1969 and 1970 are due to the anticipated increase in enrollment and in the number of training institutions which will require a greater number of compliance surveys.

All Vocational Rehabilitation trainees, all dependents of deceased or totally and permanently disabled veterans as well as certain Readjustment trainees must be counseled. The cost of transportation of these people from their residence to the counseling location is paid by VA and is charged to Beneficiary travel. The estimated costs in 1969 and 1970 reflect the increase in anticipated counseling activity.

Other Services

Miscellaneous contractual services.	$ 13,929	$ 15,000	$ 15,000	
Book handling charges	32,468	30,000	30,000	
Fee basis counseling	2,458,695	3,079,000	3,360,000	+$281,000
Reporting allowance	1,373,109	1,600,000	1,740,000	+ 140,000
Total	$3,878,201	$4,724,000	$5,145,000	+$421,000

Miscellaneous contractual services are charged with the cost of scoring tests completed by prospective trainees as part of the counseling procedure. Book handling charges are paid for services rendered in providing books and supplies to disabled veterans in their training program. Fee basis counseling refers to cost of counseling services provided by guidance centers. The estimated costs for fiscal years 1969 and 1970 are based on the number of cases to be referred to guidance centers at an average cost of approximately $66 per case. Institutions of higher learning and other training establishments are annually paid $3 per enrolled student to cover the cost of administrative functions concerning veterans or dependents. This is based on enrollment as of October 31 of each year and the payment is charged to Reporting allowance. The estimated cost for 1969 and 1970 are based on the enrollment levels expected in these years.

Grants to states

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Grants to states	$1,898,893	$2,900,000	$3,600,000	+$700,000

As a part of their normal operations, state approval agencies inspect and approve courses at schools and training institutions where trainees are enrolled or are about to enter. Contracts are negotiated individually with each approval agency and cover all levels of educational attainment from colleges and universities to establishments offering flight training, farm apprentice or on the job training. The increase in costs for 1969 and 1970 is attributed to several factors: (1) the increasing numbers of people in training, and the expansion in the number of training establishments, causes state approval agencies to spend more time on VA matters, (2) some states which in past years were able to absorb the low cost of this service, now find this is no longer possible, (3) higher salaries of state employees plus higher travel cost tend to increase reimbursement for expenses incurred, and (4) the administrative expense allowance for state approval agencies as provided in PL 90-631.

Mr. EVINS. Under the highlights of your work you indicate approximately 1,840,000 claims were adjudicated in 1968. Over 2 million veterans received compensation for service-connected disabilities and dependents received death compensation and dependent compensation or dependent benefits and approximately $4.5 billion was paid to dependents and so forth in compensation benefits.

Field personnel will increase in this area from 3,980 in 1969 to 4,220 in 1970.

You told us earlier that you had all this compensation and pensions on computers.

Mr. DRIVER. You knew who the veterans were; you know their number and the amount and you punch a button and a check comes out.

That will take care of those we adjudicated——

Mr. EVINS. You want 244 more in compensation and pensions. I thought if there was one area computerized, it was that.

Mr. TAAFFE. We are not letting the computer make the decision.

WORKLOAD INCREASE

Mr. TALCOTT. On page 1–114 they say this estimate projects increased productivity and then the increase is 244 man-years for 1970. That doesn't seem to add up, to me.

Mr. MONK. We have a bigger workload, Mr. Talcott, and if we didn't have the increased productivity we would be asking for more than 244 man-years.

Mr. TALCOTT. I wonder if you could justify this?

Mr. MONK. Yes, sir.

Mr. TALCOTT. I believe by putting in a percentage increase in workload and percentage increase in the number of employees it would show that.

Mr. MONK. We would like to include right here a table that would show the increase in the workload, the increase in the productivity.

(The information referred to follows:)

ADJUDICATION, WORKLOAD AND MAN-HOURS

	Fiscal year—				
	1966	1967	1968	1969 (estimate)	1970 (estimate)
C. & P. claim actions	1,728,386	1,833,988	1,839,254	2,577,000	2,555,000
Applications and Authorizations, education	262,636	1,756,111	2,024,427	2,427,000	2,891,000
Counseling and Training Act	108,510	191,371	185,281	216,100	227,000
Entitlement determinations	2,251,143	2,626,998	2,697,915	2,830,000	2,890,000
Review activities	160,130	160,130	43,999	50,000	50,000
Total workload (units)	4,510,805	6,568,598	6,790,876	8,100,100	8,613,000
Standard man-hours [1]	6,114,967	7,584,060	7,613,284	8,067,631	8,488,584
Available man-hours [2]	7,236,230	8,441,420	8,178,174	8,421,326	8,743,680
Productivity [3]	84.5	89.8	93.1	95.8	97.0

[1] Workload times work rate standards, standard man-hours.
[2] Available man-hours are based on budgeted employment adjusted for other paid employment.
[3] This is a reflection of all work produced to the total man-hours expended (including supervisory and overhead employees).

Mr. WYMAN. On page 1–113 these are things we can't do much about, but you say approximately $4.5 million. That must be billion?

Mr. FARMER. Yes, this is a typographical error.

Mr. PRYOR. Say the 91st Congress increased veteran benefits across the board, service-connected disability cases, non-service-connected disabilities, all of these that you have listed here on page 1–113. Say if we made an across-the-board increase of all these recipients——

Mr. EVINS. We did that last year five times.

Mr. PRYOR. What I am asking though is, what happens mechanically when we do this? Does each card have to be changed?

Mr. DRIVER. This is where the computer does the job. If you increase the people presently on the roll, we can do it under an automated system but if the man comes out of service tomorrow and he has a leg lost and comes to us for compensation, we have to process his case manually, organize it, set it up, and then tell the computer what to do next month, the month after and so on. That is where the big workload comes in at the regional office.

Mr. EVINS. Loan guaranty program, insert pages 1–121 through 1–123.

(The pages follow:)

LOAN GUARANTY

The loan guaranty program administers loan benefits to eligible veterans and servicemen under laws enacted by Congress. The principal objective of this program is to assist eligible veterans and servicemen to obtain credit on favorable terms for the purchase or construction of homes to be occupied by them and their families. Credit assistance has also been provided for the establishment and operation of farming or business ventures.

The assistance consists of the guaranty or insurance of loans made by private lenders. In rural areas, small cities and towns where private credit is not generally available for guaranteed or insured loans, the Veterans Administration may make loans directly to veterans and certain servicemen for homes and farm residences.

The servicing and management of loans and properties acquired by the Veterans Administration, as the consequence of the extension of credit, is also an important function.

Highlights

The number of guaranteed or insured loans to veterans increased 31 percent above FY 1967.

During the year 220,051 loans were made to veterans with a VA guaranty and 11,903 were made directly by the Veterans Administration.

More than 79 percent of loans made were to veterans or servicemen with entitlement under Public Law 89-358. The majority of these went to persons who would have been ineligible for loans prior to approval of Public Law 89-358.

New defaults on guaranteed loans were nearly 12 percent below fiscal year 1967.

Claims paid were down 21 percent from the previous year.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment				
Departmental	84	84	86	+ 2
Field	2,461	2,376	2,500	+ 124
Total	2,545	2,460	2,586	+ 126
Costs				
Personnel compensation	$20,954,532	$21,589,000	$ 22,931,000	+$1,342,000
Personnel benefits	1,656,075	1,685,000	1,785,000	+ 100,000
Total personal services & benefits	$22,610,607	$23,274,000	$ 24,716,000	+$1,442,000
Travel & transportation of persons	271,732	308,000	308,000	
Other services	779,863	795,000	795,000	
Total costs	$23,662,202	$24,377,000	$ 25,819,000	+$1,442,000

The distribution of employment between the departmental and field staff is summarized on the next page.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Departmental				
Office of Director	2	2	4	+ 2
Deputy Director	13	12	12	
Construction & Valuation	8	8	8	
Loan Policy	14	14	14	
Liquidation	13	12	12	
Property Management	9	8	8	
Administrative	25	28	28	
Total	84	84	86	+ 2
Field				
Office of L/G Officer	189	182	190	+ 8
Construction & Valuation	429	414	436	+ 22
Loan Processing	380	367	385	+ 18
Loan Service & Claims	635	608	640	+ 32
Property Management	382	369	378	+ 9
Services Section	446	436	471	+ 35
Total	2,461	2,376	2,500	+ 124

Employment and Workload

Employment requirements are determined by utilizing a work measurement system which converts estimated workloads to manpower and a continued upward trend in productivity has been forecast. The employment increase of 126 in 1970 over 1969 is directly related to increased workloads such as appraisal requests, applications, loans closed and average number of loans owned. These items will support the majority of the increase requested. The major workload items for the Program are listed below:

Appraisal requests received (units)	354,874	394,200	455,800	+	61,600
GI loan appraisal requests	340,229	376,300	436,800	+	60,500
Direct loan appraisal requests	14,645	17,900	19,000	+	1,100
GI loan applications received	253,788	284,100	328,000	+	43,900
Direct loan applications received	19,875	26,300	27,000	+	700
Direct loans sold & guaranteed	243	400	400		
GI loans closed	220,051	237,000	273,000	+	36,000
Direct loans closed & fully disbursed	11,903	14,000	14,400	+	400
Defaults reported on GI loans	84,292	89,500	93,500	+	4,000
GI claims vouchered	16,709	20,300	20,200	-	100
Average number of loans owned	274,453	297,759	323,349	+	25,590
Property acquisitions	23,091	27,500	27,400	-	100
Properties sold	24,187	28,350	28,220	-	130
Properties on hand-end of year	13,179	12,329	11,509	-	820

The increase in appraisal requests and loan applications for guaranteed and insured loans are (1) based on an increasing number of potential homeowners in the post-Korean veteran population, and (2) predicated on the assumption that the maximum allowable interest rate will be adjusted as necessary from time to time to meet loan market demand and that there will be reasonable availability of private capital for mortgage investment. Direct loan appraisal requests and loan applications will rise slightly as a result of increasing demand by post-Korean veterans in non-urban areas. Loan closings in 1969 and 1970 will follow the trend in appraisals and applications.

A moderate increase in the number of defaults reported on guaranteed and insured loans is expected, because of an increased number of outstanding loans; however, the rate of defaults is expected to remain at approximately 3 percent of the total loans outstanding and the rate of curing defaults is also expected to hold steady at approximately 83 percent.

Because of the success in curing defaulted loans and the expectation that the economy will remain strong and prosperous, the decline in guaranty claims processed will continue.

Sales of loans to private investors are not expected to improve appreciably and consequently the number of loans owned will increase in 1969 and 1970.

Sales of acquired properties are expected to continue to exceed acquisitions. As a result, properties on hand will decrease in both 1969 and 1970.

Costs

The administrative costs chargeable to this program are estimated below:

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Personal services				
Payroll costs	$22,610,607	$23,274,000	$24,716,000	+$ 1,442,000
Travel and transportation of persons				
Employee travel	$ 271,732	$ 308,000	$ 308,000	
Other services				
Miscellaneous contractual services	$ 779,863	$ 795,000	$ 795,000	

The estimate of $24,716,000 requested for fiscal year 1970 will permit the estimated staffing. This amount includes VA's contribution to the Civil Service Retirement Fund and its share of expense for the employees life and health insurance programs.

This estimate is primarily related to staff requirements for on-site appraisals, construction inspections, and supervision of fee appraisers, fee compliance inspectors, and in connection with the management and selling of acquired properties, and the supervision of management brokers and sales brokers. The estimate of travel funds also takes into account travel by VA personnel engaged in the servicing of defaulted guaranteed or insured loans, as well as those loans owned by VA. An increase is requested in 1969 and 1970 consistent with the anticipated workload increases.

The costs for appraisals, compliance inspections, and credit reports incident to the guaranteeing, insuring and making of loans are normally paid by the veterans, builders or sellers associated with such transactions. However, VA also procures such services as a means of validating, on a spot-check basis, the reports submitted with loan papers. Further, VA obtains appraisals in all cases where holders of GI loans give notice of intention to foreclose. In addition, there are some cases each year involving controversies over construction problems, and in such cases it is often necessary for VA to engage the services of engineering firms.

LOAN GUARANTY

Mr. EVINS. Here are the highlights: During the year, 220,051 loans were made to veterans with a VA guaranty. 11,903 were made directly by the Veterans' Administration. How does this compare with 1968 and 1969?

Mr. DERVAN. There is a substantial increase in the guaranteed loan volume and for 1967 the total was approximately 167,000 and in 1966 it was about 151,000. As to direct loans, the direct loans in 1968 are slightly above the 1967 level, which was 11,700.

Mr. EVINS. You are doing a good job over there, Mr. Dervan, but do you need 126 more people to help you make these loans?

Mr. DERVAN. There is a considerable increase in the workload. So far, in the first half of this year we have 116,000 loans guaranteed. We are projecting for the year a total of 237,000 and for fiscal 1970 we are projecting a total of 273,000, which is quite a jump from 1966 when it was 151,000.

Mr. EVINS. How long does it take for a discharged veteran of Vietnam who decides he wants a home to get a guarantee? The processing of the paper. How long does it take? What is the time lag?

Mr. DERVAN. Once the lender submits the application to us, sir, we can have a commitment out to him inside of 5 work days. Generally, it is less than that.

Mr. EVINS. It used to be longer than that, so you have cut down on the time factor.

Mr. DERVAN. Yes, we have, sir. We have put in a telephone appraisal assignment system under which, instead of a lender or a real estate broker writing to us and requesting the assignment of a fee appraiser—and we work with fee personnel—a telephone call can be made and we will assign the appraisal to a specific fee appraiser over the telephone and eliminate this writing in and out.

HIGHER INTEREST RATES

Mr. EVINS. How are high interest rates affecting VA loans? It will cost the veteran a lot more for his home now that the interest rates have gone up.

Mr. DERVAN. As you noted, undoubtedly, from the morning paper, the prime rate was increased yesterday to 7.5 percent. This is one further upward thrust on interest rates and, as we see it now, mortgage money is apt to tighten in the next 4, 5 to 6 months.

Mr. EVINS. Won't that cut down on the number of loans?

Mr. DERVAN. It can have this effect. However, the Administrator does have the authority to adjust the interest rate from time to time to such rate as he determines to be required by current mortgage market conditions.

Mr. EVINS. We'd better let the Administrator run the Federal Reserve Board. That is the man who needs to adjust the rates.

Mr. DRIVER. You mean downward, not upward.

Mr. EVINS. Downward.

Mr. MARSH. What would be the effect of this increase in the prime rate on areas that have been marginal as far as qualifying for direct loan assistance is concerned?

Will those areas now become areas that will be eligible for direct loan assistance?

Mr. DRIVER. Well, they become more and more eligible as guarantee loans disappear from view. Now, to the extent that the increase in the prime rate takes mortgage money out of the market and therefore makes guarantees less and less available, it would tend to make them more in demand unless, as Mr. Dervan indicated, we then step in and raise the interest rate to keep our loan guarantee program attractive.

Mr. MARSH. I come from an area that is not unlike many other areas in the United States where, really, the guarantee program has never really met the need of the smaller communities. Where there has always been an interest in trying to establish a more effective, direct program.

Now, even though in recent years your guarantee program has tried to meet the need in those areas, it has always been necessary to try and get a direct loan. In many areas they are going to request direct assistance.

Mr. DRIVER. We will review each one of them to see to what extent guarantee loans are available.

Mr. EVINS. Mr. Chairman, I am sure you are aware of the fact that this committee is sympathetic toward the direct loan program. It helps the boys in the rural areas and on the farms where credit is not available and where interest rates are high.

Mr. Marsh has asked a very timely question. You have a lesser percentage of loss in this area. The guarantee program borrows money from the direct loan program to make it operate.

Mr. MARSH. I agree with the chairman's views. I hope the administration will adopt an openminded attitude and will prepare to move toward the direct program in these areas.

Mr. DRIVER. We will certainly look at it. I know you realize that the funds available to us for direct lending certainly can't in any sense take the place of the guarantee program. In direct lending how many dollars have we put out?

Mr. DERVAN. We have put out altogether, Mr. Driver, since the program started in 1950, 286,000 loans which represent about $2.6 billion or $2.7 billion. In the guaranty loan program, we have guaranteed in the neighborhood of 7 million loans for something like $70 billion.

Mr. EVINS. $2 billion in the direct, $70 billion in the guaranteed. There is a difference showing you have only loaned about $2 billion to GI's in direct loans to acquire homes. It is out of proportion to the $70 billion in the guaranties.

We hope you will look at this problem with some favor and a sympathetic attitude.

Mr. DRIVER. We will certainly continue reviewing it.

As these rates increase, the guaranty program won't be functioning in many places, rural and urban.

Mr. EVINS. Place in the record pages 1–125 through 1–127, the insurance programs.

(The pages follow:)

INSURANCE

The Veterans Administration is responsible for six life insurance programs for veterans, servicemen, and their beneficiaries. These programs are:

U. S. Government Life Insurance	Service-Disabled Veterans Insurance
National Service Life Insurance	Veterans Reopened Insurance
Veterans Special Term Insurance	Servicemens Group Life Insurance

Each fund is credited with its own premium and interest payments as well as other income, and each is similarly debited with its own disbursements. Claims under the USGLI and the NSLI Programs which are traceable to extra hazards of military service are paid by the Government.

The administrative cost is borne by the Government except for the Veterans Reopened and Servicemens Group Life Insurance Programs. The latter program is only supervised by the Veterans Administration as all claims are paid by the primary commercial insurer, but the Government reimburses the insurer for the military extra hazard costs.

In addition to these insurance programs, the Veterans Administration also administers Article IV of the Soldiers and Sailors Civil Relief Act of 1940, as amended. These provisions require that the Government guarantee premium payments to commercial insurance companies on life insurance policies carried by servicemen during active military service.

Each of the above programs is explained in detail in Part 4, Insurance Funds.

The following estimate represents the administrative costs for the Program to effectively administer a program of life insurance for the benefit of servicemen, veterans and their beneficiaries within the framework of laws by Congress.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average Employment				
Departmental	85	84	84	
Field	926	846	823	- 23
Total	1,011	930	907	- 23
Costs				
Personnel compensation	$7,795,517	$7,803,000	$7,720,000	-$83,000
Personnel benefits	607,835	599,000	591,000	- 8,000
Total personal services and benefits	$8,403,352	$8,402,000	$8,311,000	-$91,000
Travel and Transportation of persons	10,931	13,000	13,000	
Total costs	$8,414,283	$8,415,000	$8,324,000	-$91,000

The Insurance Service activities are carried on by departmental and field activities at two stations. The following table reflects the distribution by activity:

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Departmental				
Office of Director	6	6	6	
Planning Staff	6	6	6	
Assistant Director for Policy	17	17	17	
Assistant Director for Standards & Evaluation	16	15	15	
Assistant Director for Program Administration	16	16	16	
Office of Chief Actuary	24	24	24	
Total	85	84	84	
Field				
Insurance Officer and Technical Staff	83	64	60	- 4
Dir. Pay, Ded., USGLI, Misc. Accts. & Svc. Sec.	564	470	449	-21
Underwriting Section	145	132	126	- 6
Claims Section	134	180	188	+ 8
Total	926	846	823	-23

Employment and Workload

The projected workload contemplates no new legislation having a significant impact on insurance will be enacted during the estimating period and the number of policies in force will decline from 5,762 thousand in 1968 to 5,555 thousand in 1970.

The maintenance of these policies generates workloads which are converted into man year requirements through a work measurement system which is kept current by ipdating standards commensurate with changes in operations. Cost reduction savings of 26 man years for 1969 and 14 man years in 1970 have been considered in these estimates.

These savings represent improvements in administrative procedures and a refinement and expansion of the Insurance Data Processing System.

The following chart on the next page summarizes the major workload items in support of the employment.

The workload trends as indicated below reflect a slight decline in the majority of items.

Disability and Death Insurance Claims Actions reflect increases in both 1969 and 1970 over the past year due to the increased age of the insureds.

Workloads

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Reinstatements	110,069	77,500	70,100	- 7,400
Maintenance of Active Accounts	5,762,000	5,655,000	5,555,000	-100,000
Disability and Death Insurance Actions	132,782	138,400	148,200	+ 9,800
Underwriting Actions	536,025	582,300	579,400	- 2,900
Loans, Surrenders & Endowments	138,897	136,300	134,200	- 2,100
Adjustments	1,088,342	1,030,300	997,600	- 32,700
Correspondence	1,042,448	956,000	930,700	- 25,300
Return Mail	80,792	80,000	77,500	- 2,500
Refunds	65,751	65,300	65,000	- 300

Costs

The administrative costs chargeable to this program are itemized below:

Personal services

Payroll costs	$8,403,352	$8,402,000	$8,311,000	-$91,000

The payroll cost estimate of $8,311,000 will permit a staffing level of 907 including the Veterans Administration's contribution to the Civil Service Retirement Fund and its share of expenses for the employees life and health insurance programs.

Travel and transportation of persons

Employee travel	$ 10,931	$ 13,000	$ 13,000

Funds will provide for travel expenses incurred by departmental staff in supervising, evaluating, surveying, and coordinating field station operations; detail of personnel to Central Office and the attendance of staff officials at conferences and seminars. A small increase in 1969 and 1970 is estimated due to increased travel costs.

INSURANCE

Mr. EVINS. You have six insurance programs. You are asking for 23 less jobs. That is the first decrease I have found. We are very familiar with this program.

Refer to office services. Place in the record pages 1–129 and 1–135.

(The pages follow:)

OFFICE SERVICES

The administrative functions such as budgeting, fiscal payments, and reporting, maintaining records, handling mail, and personnel administration are included in the Office Services category. In the Department of Veterans Benefits these activities are accomplished by three separate programs.

Administrative

This program is responsible for planning and directing department policy and procedures in regard to general office administration; paperwork, records and property management; and publication controls.

Program Planning and Budgeting/Finance

This program is responsible for all budgetary programs; development of fund and budgetary estimates, effective and efficient usage of all funds; adequacy, efficiency and quality of Finance Field operations; establishment and maintenance of departmental-wide work measurement standards; preparation of long range program plans, policies and objectives; and cost reduction and manpower utilization.

Personnel

This program represents field employees responsible to the Station Manager for personnel activities such as recruitment and placement; policies and procedures and the incentive awards program.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average employment				
Departmental	110	111	111	
Field	5,717	5,796	5,768	- 28
Total	5,827	5,907	5,879	- 28
Costs				
Personnel compensation	$35,701,162	$ 38,876,000	$ 39,001,000	+$125,000
Personnel benefits	2,859,741	3,010,000	3,027,000	+ 17,000
Total personal services and benefits	$38,560,903	$ 41,886,000	$ 42,028,000	+$142,000
Travel & transportation of persons	877,482	904,000	904,000	
Transportation of things	874,492	763,000	763,000	
Rents, comm. & utilities	5,150,687	6,380,000	6,884,000	+ 504,000
Printing & reproduction	1,340,946	1,450,000	1,450,000	
Other services	1,823,708	1,953,000	1,816,000	- 137,000
Supplies & materials	965,493	962,000	962,000	
Equipment	969,721	800,000	1,000,000	+ 200,000
Total costs	$50,563,432	$ 55,098,000	$ 55,807,000	+$709,000
Common service adjustment	-1,766,000	-1,884,000	-1,944,000	- 60,000
Net Costs	$48,797,432	$ 53,214,000	$ 53,863,000	+$649,000

The Office Services activities are performed by departmental and field staffs. The distribution of this employment is summarized in the following table:

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Departmental				
Administrative	44	45	45	
Program Planning & Budgeting	66	66	66	
Total	110	111	111	
Field				
Office of Chief	53	50	50	
Administrative	3,299	3,381	3,365	- 16
Finance	2,192	2,190	2,183	- 7
Personnel	173	175	170	- 5
Total	5,717	5,796	5,768	- 28

Employment and Workloads

Estimated requirements for Finance and Administrative are derived through utilization of a work measurement system. Estimated workloads of the substantive programs are utilized in determining the estimated workloads of these activities as a base for the employment requirements.

Better ways to get the job done are continually being sought to improve operations and reduce costs, but the impact of new legislation has increased the employment requirements in 1969 and 1970 over 1968. Cost reduction projects with estimated savings of 14 man years in 1969 and 4 man years in 1970 have been considered in these estimates. These savings represent the two projects related to the expansion of data processing systems and other administrative improvements.

The following tables reflect a summary of the major workloads in support of the estimated employment for Finance and Administrative.

Workloads

Finance Services

Veterans Benefits	7,060,751	7,075,000	7,093,000	+ 18,000
Administrative Services	491,904	496,000	497,000	+ 1,000
Receipts and Disbursements	3,813,941	3,276,000	3,560,000	+ 284,000
ADP Input Transactions	7,505,786	7,915,000	7,744,000	- 171,000
General Accounting Transactions	2,360,398	2,349,444	2,349,444	
Loan Accounting Transactions	3,605,357	3,897,912	4,289,912	+ 392,000
Remittances	22,637,901	22,100,000	20,295,000	-1,805,000

- o Veterans Benefits - represents all transactions pertaining to benefit payments not processed by the computer plus all accounts receivable transactions and the review of monthly certificates of attendance.

Increased enrollment in on-the-job training will however increase the certificates of attendance in 1969 and 1970.

- Administrative services - represents payment for housekeeping function such as employee travel, supplies, miscellaneous services, and employee accounts processing.

  No major changes are anticipated.

- Receipts and Disbursements - represents work performed by agent cashiers -- processing advices of payment issuing receipts and other cash transactions.

  An estimated increase in loans owned supports the upward trend in this category over the current year.

- ADP Input - represents the work performed by ADP input personnel such as review and coding of awards, flexotyping awards, and handling other documents processed through the ADP control point.

  The one-time volume of work generated by PL 90-275 is reflected in 1969 with an increase projected for 1970 excluding initial impact of the new legislation.

- General Accounting - represents all accounting activities, with the exception of the loan accounts.

  No major change is anticipated.

- Loan Accounting - represents maintenance of portfolio, property and tenants accounts and related activities such as acquisition and sale of property.

  Workload in this area shows a slight increase in 1969 and 1970 in accordance with the increased workloads of the substantive programs.

- Remittances - represents receipt of payments from veterans for insurance payments.

  The decrease is commensurate with the decline in the number of policies in force.

Administrative Service

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Mail, messenger, index	126,608,006	136,007,000	138,626,000	+2,619,000
Telecommunications	1,844,357	1,271,000	1,163,000	- 108,000
Publications	90,400,622	82,830,000	72,918,000	+9,912,000
Folder lookups	34,656,486	37,902,000	39,110,000	+1,208,000
Transcription	9,740,638	9,527,000	9,727,000	+ 200,000

- o Mail messenger and indexing - represents the processing of all incoming and outgoing mail, all indexing transactions including referrals for identifying numbers, addresses, change of name and other pertinent information.

- o Telecommunications - represents all actions taken by the teletype operators in processing incoming and outgoing messages, conference calls, and relaying messages to Net Control Stations.

- o Publications - represents receipt, inventory control and distribution of all forms, form letters, and publication media; also, the reproduction of any material susceptible to multiple copies and required in VA business.

- o Folder Lookups - represents all reference to the storage files as a result of receipt of mail, and oral or written requests for folders. Includes sorting and arranging material for filing as well as the removing and returning of files to the storage file.

- o Transcription - represents operation of centralized remote control transcription units to type the majority of letters, forms and form letters, for all activities at the station.

Estimated increases in the major items are based on increased workloads in the substantive programs and a full year's impact of new legislation.

Costs

The administrative costs chargeable to this Service are itemized below:

Personal services

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Payroll	$38,560,903	$41,886,000	$42,028,000	+$142,000

Personal service costs are commensurate with the staffing required as demonstrated by the work measurement system. Minimal increases (1%) have been allowed for within-grades and the salary increases as provided by law.

Travel and transportation of persons

Employee travel	$ 65,075	$ 66,000	$ 66,000
Local travel	66,434	78,000	78,000
Reimbursements GSA vehicles	745,973	760,000	760,000
Total	$ 877,482	$ 904,000	$ 904,000

Travel costs are paid in behalf of employees and their dependents on permanent changes of station, round trip travel between old and new official stations to seek permanent residence quarters prior to permanent change of station, and temporary duty travel in connection with conferences, meetings, surveys and such other administrative travel as required in connection with the employees official duties. Increases in the current year; and stabilization in the budget year will provide for

the consistent scheduling of conferences, meetings, and surveys, necessary in the operation of the Program.

Local travel includes all travel within a metropolitan area of an employees duty station and is paid by tickets, tokens, and cash fares for taxis and mileage. The majority of this type of transportation is utilized by Agent Cashiers traveling to and from Federal Despositories and the Federal Disbursing Offices and officials requiring personal contact with veterans and their dependents residing within the immediate area of the employees duty station. To a large extent this type of travel is of a recurring nature, therefore, the increase in the current year is to cover the normal rate increases being experienced in the local transportation.

Reimbursement GSA vehicles covers the rental of passenger vehicles from Government motor pools. Vehicles are rented on a long-term or a trip basis. The majority of our costs are for rental on a long-term basis with the vehicles being assigned to personnel whose official duties require constant traveling such as attorney investigators, field examiners, and other officials whose duties require personal contact with veterans and their beneficiaries.

Transportation of things

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Shipment of household goods	$ 208,468	$ 205,000	$ 205,000	
Other shipments	166,012	50,000	50,000	
Rental GSA trucks	5,012	5,000	5,000	
Parcel post reimbursement	495,000	503,000	503,000	
Total	$ 874,492	$ 763,000	$ 763,000	

This object includes charges for transportation of things and their care while in the process of being transported and is classified as follows:

Shipment of household goods and personal effects includes the cost of freight, express, crating, packaging and handling for employees and their dependents on a permanent change of station. Costs from year to year show minimal fluctuations.

Other shipments represents the costs of shipping records between stations. The decrease in 1969 and 1970 is due to the completion in 1968 of the project to ship inactive files to the Records Processing Center.

Trucks from Government motor pools (rental GSA trucks) are required in a few instances for mail deliveries from and to Post Offices and the Insurance Center, St. Paul, R.O. (Fort Snelling) where volume of records and area covered is greatly in excess of normal station operations. Costs are relatively stable and recurring in nature.

Parcel post covers funds required for reimbursement to the Postal Service to cover shipment of records between stations. Amounts are established by agreement with the Post Office and based on sampling techniques for establishing volume. Increased funds are required to cover rate and volume increases.

Rents, communications and utilities

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Telephone, telegraph & telecommunications	$ 2,438,435	$3,305,000	$3,809,000	+$504,000
Rental of office machines	352,503	405,000	405,000	
Mail	2,314,418	2,570,000	2,570,000	
Rental real property	45,331	100,000	100,000	
Total	$ 5,150,687	$6,380,000	$6,884,000	+$504,000

Telephone, telegraph and telecommunication costs run the gamut in communication from long distance commercial calls to the rental of post office boxes. The majority of the costs are in three categories: (1) Communications provided through the General Services Administration such as the federal telephone system covering long distance tie lines, recurring telephone costs for GSA operated switch boards, and (2) the automated records system providing telegraph and teletype; and (3) cost for telephone communications secured from commercial telephone companies.

Services provided through GSA are budgeted for at negotiated rates which are determined through usage and pro-rated back to the using agencies. Commercial costs are in accordance with rates established at that locale. Costs are 81% GSA and 19% commercial. Increased costs represent payments to GSA based on these negotiated rates and are uncontrollable at the Agency level.

Funds are requested for rental of general office machines such as accounting machines, photocopy machines, and microfilm and proofing machines.

Funds for mail represent total estimated costs to be incurred by the Department of Veterans Benefits field stations based on a sampling of past year actual experience. Actual payments for each current year are made based on this latest sampling.

Printing and Reproduction

	$ 1,340,946	$1,450,000	$1,450,000

Funds are requested for VA forms and form letters, printed envelopes and letterheads, special printing and reproduction services, printing costs of manuals, and technical and information bulletins. These funds also include standard forms when these items are specially printed or assembled to order. Also includes funds for payment to General Services Administration for centralized field duplicating service provided a few of our stations.

Other Services

Repair of furniture & equipment	$ 373,827	$ 395,000	$ 395,000	
Miscellaneous services	1,449,881	1,558,000	1,421,000	-$137,000
Total	$ 1,823,708	$1,953,000	$1,816,000	-$137,000

Funds for the repair of furniture and equipment represents costs of annual maintenance contracts for adding machines, calculators and accounting machines with the balance used for miscellaneous repairs as needed for typewriters and other machines not under an annual maintenance contract.

Miscellaneous services covers contracts for services by individuals, institutions, and organizations and some of the major items of cost are listed below.

1.	Contracts negotiated for the purpose of obtaining credit reports on individuals, firms, and educational or training institutions indebted to the United States as a result of illegal or erroneous payments.	$150,000
2.	Validation of the Rating Schedule.	750,000
3.	Contractual protective delivery service for transporting government funds from the regional office to Federal Reserve Banks.	10,000
4.	Guard service at a limited number of stations.	10,000
5.	Contractual services for repair, alterations and maintenance of buildings not provided by GSA.	70,000
6.	Payments for health services obtained from separate health units.	65,000
7.	All other administrative costs incurred by field stations such as costs incident to court proceedings in connection with Guardianship activities, stenographic services, and preparation of briefs in connection with the Chief Attorney program.	40,000
8.	Shared overseas administrative support costs with the Department of State.	240,000
9.	Vocational Research and Administrative Advisory Committee Consultants (38 U. S. C. 1661, 1662).	20,000
10.	Employee Health Maintenance Service (VA Circular 62-12).	3,000
11.	Social Security Certifications (38 U. S. C. 422).	10,000

Supplies and materials

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Office supplies	$863,786	$ 855,000	$ 855,000	
Books	69,275	73,000	73,000	
Operating & maintenance	32,432	34,000	34,000	
Total	$965,493	$ 962,000	$ 962,000	

Funds are requested for supplies and materials such as photocopy paper and general administrative office supplies.

Funds are requested for (1) legal books, supplements to existing sets of digests and citations, and subscriptions to various annual annotations and pocket and pact issues required to maintain existing Chief Attorney libraries on a current basis, and (2) a limited number of technical books, journals, and periodicals for other elements of the regional office.

Funds are requested for miscellaneous operating and maintenance supplies required for normal operations such as (1) lock boxes for loan guaranty, (2) supplies for health units, and (3) routine supplies not classified as office supplies and materials.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Equipment	$969,721	$800,000	$1,000,000	+$200,000

Funds are requested for the initial purchase or replacement of office furniture including such items as desks, chairs, filing cabinets, typewriters, duplicating machines, accounting machines, adding machines, transcribing and dictating equipment.

The continuing increase in the workload processed by the computer will require that funds for capital outlay be available to replace and augment our supply of flexowriters. In addition the continuing increase in the number of veterans and their beneficiaries applying for benefits will require an expansion in filing equipment.

OFFICE SERVICES

Mr. EVINS. The functions are budgeting, maintaining records, handling mail; personnel administration. That is included in the office service category.

In the Department of Veterans Benefits these activities are accomplished by three separate programs—administration, planning, and personnel.

The same switching of figures occurs in this instance as we accounted for earlier and I suppose it is the same reason.

Mr. DRIVER. Yes, sir.

Mr. EVINS. You say Congress passed laws after you made up your budget. Last year you forecast in the office services 11 less than 1968. You made it look good. Then when the budget came along it was 5,825 for 1968 against 5,814 for 1969.

Now, I see in 1969 it jumped 93 to 5,907.

Mr. DRIVER. This is all due to the increased workload resulting from the new legislation.

Mr. EVINS. You increased it last year after the laws were passed and then you jumped it 93 more this year in office services.

Mr. DRIVER. This was for a part of the year. This is the total year reflecting the increase.

Mr. EVINS. This is for office services doing the detail work in all your branch offices.

Mr. DRIVER. Yes, sir.

Mr. MONK. Does the 1967 show a decrease?

Mr. DRIVER. Twenty-eight.

Mr. MONK. There is an increase in the middle column.

Mr. EVINS. The big increase is in 1969 when a decrease had been proposed.

Mr. MONK. Yes, that is correct.

Mr. WYMAN. What would be your average on board count on that 5,900 jobs at any given time?

Mr. SILBERMAN. They are all full. We had over 5,900 employees on duty in this area at the end of February.

Mr. TALCOTT. On page 1–133 there is an item for $205,000 for shipment of goods, which is enormously larger than the employee travel amount of $66,000.

Usually the travel is higher than the shipment of goods in the other subdivisions. For instance, in general administration under Assistant Administrator for Management Engineering and Evaluation, the employee travel increases $36,000 and the shipment of goods increases only $13,000.

Mr. DRIVER. Travel is less of a function of this activity. Travel in connection with their duties, than it is in the other areas.

Mr. TALCOTT. Isn't this the employee travel when you are changing posts?

Mr. SILBERMAN. This particular item, as Mr. Driver says, concerns the shipment of household goods for the entire Department. This has been the catchall for the entire Department, whereas the travel is for one specific function, as he indicated, for office services.

In other words, in 1970 there will be about 55 people for the entire Department of Veterans Benefits who will be relocated from station to station. This runs around $3,500 per move.

Mr. TALCOTT. So you treat this Department differently than you treated the other departments?

Mr. SILBERMAN. This is the servicing organization for the Department of Veterans Benefits and in this particular item we show the shipment of household goods and overall equipment for the entire Department.

Mr. TALCOTT. Very well.

Mr. EVINS. Pages 129 and 135 are in the record. Also, include your language on compensation, page 2–3, 2–4, 5–3, and 5–4.

(The page follows:)

COMPENSATION AND PENSIONS

The Veterans Administration is responsible for administering a program of compensation and pension which has its statutory basis in title 38, United States Code, "Veterans' Benefits."

Program Objective

This nation has always honored its debt to the men who served in her defense. Compensation for loss of earning capacity resulting from disabilities incurred in service has long been, and continues to be, the basic financial benefit program. A similar benefit, Dependency and Indemnity Compensation, provides for the dependents of men who have been killed in military service or have died as a result of disease or injuries received in service. Financial assistance - Pension - is extended to war - time veterans who have become permanently and totally disabled as a result of disabilities not related to service. Financial aid in the form of pension is also provided to widows and children of deceased wartime veterans whose deaths were not related to service.

Program Scope

The compensation and pension programs exert a considerable impact on the national economy. In fiscal year 1968, over $4.6 billion was paid to about 3.2 million living veterans and to dependents of some 1.4 million deceased veterans. The chart on page2-5, illustrates the total program cost by categories and major war periods, for the past fiscal year. Payments of compensation will continue to increase at fairly predictable rates in the years to come. While the caseload and dollar trend of pension payments will vary between certain war categories, there is an overall total growth pattern through the budget year. This is best reflected in the chart shown on page 2-7.

The Budget Estimate

The cost of the compensation and pension program is governed by the basic laws authorizing these benefits. In any given year the size of the job is largely dictated by factors outside its control. These factors, birth, marriage, disability, retirement, death rates and legislated program changes relate to the total remaining veteran population and the surviving families of deceased veterans.

The total effect of these factors, during fiscal year 1968, on the size of the VA's job was determined by the more than 175,700 original claims for disability compensation and pension that were adjudicated; decisions made on 331,000 reopened claims and claims for increased benefits; 866,000 claims based on changes in income and dependents; 156,000 claims for death compensation, dependency and indemnity compensation and death pension; and 273,000 burial claims. These basic workload factors ultimately resulted in changes to the composition of the benefit payment rolls.

From a veteran population of over 26 million as of June 1968, an average of nearly 2,004,000 veterans were receiving disability compensation at a cost of more than $1.9 billion. It is estimated that the average number will increase to about 2,020,000 in 1970 at a cost of around $2.2 billion. The increase in cost is largely attributable to the higher compensation rates payable to veterans effective January 1, 1969 under Public Law 90-493.

The number of veterans receiving pension is estimated to decline from an average of almost 1,170,000 in 1968 to about 1,143,000 in 1970. However, costs are estimated to increase from $1,272,446,000 in 1968 to $1,292,586,000 in 1970, due to certain rate increases and the initial entitlement to pension of certain veterans as provided by Public Law 90-275, effective January 1, 1969. The continuing full year effect of Public Law 90-77 is also a factor.

The survivors of over 1.4 million deceased veterans were receiving death compensation, dependency and indemnity compensation, or death pension as of June 1968. Total expenditures for these benefits reached $1.3 billion. It is estimated that the average number of deceased veteran survivor cases will increase to over 1.5 million in 1970 with costs mounting to more than $1.4 billion.

Appropriation Language

For the payment of compensation, pensions, gratuities, and allowances, including burial awards, burial flags, subsistence allowances for vocational rehabilitation, emergency and other officers' retirement pay, adjusted service credits and certificates, as authorized by law; and for payment of amounts of compromises or settlements under 28 U.S.C. 2677 of tort claims potentially subject to offset provisions of 38 U.S.C. 351, $5,041,355,000 to remain available until expended.

Legislative Changes

Three significant legislative changes affecting this program were:

- Public Law 90-275, approved March 28, 1968 and effective January 1, 1969 restructures veterans and survivors pension system and increases income limitations by $200 for each category. It is estimated to cost $59,264,000 for the last half of fiscal year 1969, and approximately $123,464,000 in fiscal year 1970.

- Public Law 90-431, approved July 26, 1968, authorizes part-time vocational rehabilitation effective on that date. This will increase subsistence allowance costs by $2,800,000 in 1969 and by $3,600,000 in 1970.

- Public Law 90-493, approved August 19, 1968, and effective Janaury 1, 1969, increases the rates of most service-disabled veterans. It will also eliminate the statutory (q) rate payable for arrested TB, but retain those (q) cases currently on rolls. Estimates of cost approximate $110,700,000 in 1969 and $221,500,000 in 1970.

COMPENSATION AND PENSIONS

One of the basic purposes of the Department of Veterans Benefits is to administer programs designed to compensate veterans or their dependents for disabilities or death resulting from military service.

Disability Compensation

Compensation is payable under Public Law 2, 73rd Congress, as amended by subsequent laws. Under this law, the Administrator of Veterans' Affairs was authorized and directed to adopt and apply a schedule of ratings. The ratings are based, as far as practicable, upon average impairments of earnings capacity. Presently, disability claims are adjudicated under the 1945 Schedule for Rating Disabilities. The Schedule provides 10 grades of disability for which compensation will be based; namely, multiples of 10 - from 10% through 100%. The rates payable effective January 1, 1969, as a result of Public Law 90-493 are:

Service-connected disability

Degree	Rate
10 percent	$23
20 percent	43
30 percent	65
40 percent	89
50 percent	122
60 percent	147
70 percent	174
80 percent	201
90 percent	226
100 percent	400

Certain cases are compensated as prescribed by law to a maximum of $1,000 a month for specified disabilities where there has been incurred, the anatomical loss, or the loss of use, of arms, legs, or for blindness. Additional benefits are also payable to a veteran with dependents whose service-connected disabilities are rated at 50 percent or more. Compensation for disabilities incurred under non-extra-hazardous conditions during peacetime are 80 percent of the wartime rate. Effective October 1, 1967, all disabilities incurred subsequent to August 4, 1964 will be compensated at wartime rates.

Death Compensation

Death compensation is payable to the widow, unmarried children under 18 (or until 23 if attending a VA-approved school), helpless children, and dependent parents of servicemen or veterans who died before January 1, 1957, from a service-connected cause not the result of willful misconduct. This benefit is intended to offset, in part, the economic loss which the family sustained as a result of the veteran's death.

Monthly payments to eligible survivors are as follows:

	Wartime rate	Peacetime rate
Widow only	$87	$70
Widow, 1 child	121	97
Each additional child	29	23
No widow, 1 child	67	54
No widow, 2 children	94	75
No widow, 3 children	122	98
Each additional child	23	18
1 dependent parent	75	60
2 dependent parents (each)	40	32

The wartime rate may be payable in peacetime cases if the death was the result of extra-hazardous service.

Dependency and Indemnity Compensation

This benefit is payable to widows, unmarried children under 18 (as well as certain helpless children and those between 18 and 23 if attending a VA-approved school) and certain parents of veterans or servicemen whose service-connected death occurred on or after January 1, 1957. If the veteran's death occurred before January 1, 1957, his survivors have a right to elect either death compensation or servicemen's indemnity, if any is payable, or dependency and indemnity compensation. Once they receive dependency and indemnity compensation, however, they may not reelect to receive death compensation.

Payments for Widows: The monthly rate payable to a widow is based on a fixed amount of $120 plus 12 percent of the deceased serviceman's basic pay. Payment may be increased, under certain conditions, where there are two or more children, up to $28 for each child in excess of one.

Payments for Children: Children of deceased veterans are paid in equal shares, whenever there is no widow entitled, at the following monthly rates:

(a) One child	$80
(b) Two children	115
(c) Three children	149
(d) More than 3 children, 149 plus $29 for each child in excess of three	

Payments for Parents: Monthly rates of payment vary according to the number of parents, the amount of their individual or combined total annual income, and whether or not they live together (or, if remarried, living with a spouse). New law rates were restructured with a corresponding rate scale on the basis of $100 increments within each income category; made effective on January 1, 1969 by Public Law 90-275.

Mr. EVINS. Look at chart 2–5. This shows the compensation and pensions actual cost, fiscal year 1968. The veterans and survivors pension payments were $2,051 million; $2,051 million for pensions and compensation payments were $2,470 million. You have over $4 billion for compensation and pensions.

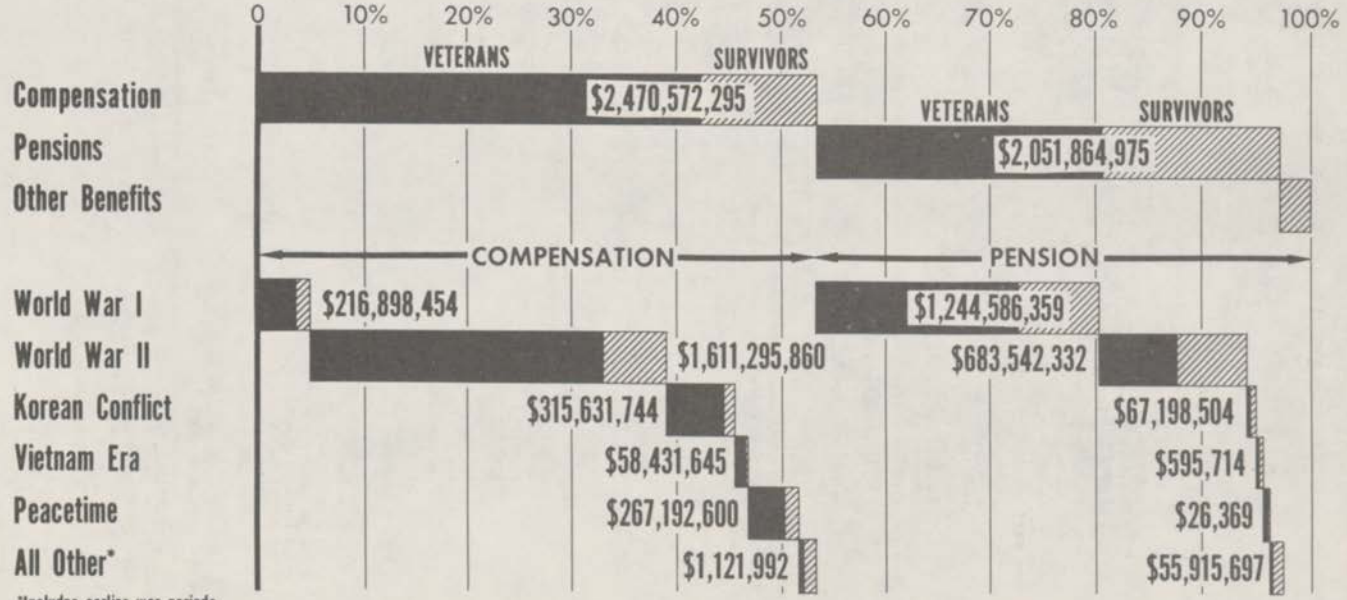
Place this chart in the record. It is very impressive.

(The chart follows:)

COMPENSATION AND PENSIONS

ACTUAL COST-FISCAL YEAR 1968

TOTAL $4,613,401,651



*Includes earlier war periods
Excludes $90,964,381 "other benefits" Not related to specific war periods.

COMPENSATION AND PENSIONS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Compensation:			
(a) Veterans:			
Spanish-American War	216	185	174
World War I	152,850	143,070	146,263
World War II	1,334,886	1,322,508	1,476,901
Korean conflict	257,515	260,510	290,470
Vietnam era	38,974	79,812	114,855
Peacetime service	169,439	163,248	179,926
Total living veterans	1,953,879	1,969,333	2,208,589
(b) Survivors:			
Prior to Spanish-American War	47	45	43
Spanish-American War	859	780	715
World War I	64,049	63,410	62,586
World War II	276,410	273,552	269,162
Korean conflict	58,117	58,177	58,322
Vietnam era	19,458	39,864	60,588
Peacetime service	97,754	87,906	81,012
Total deceased veterans	516,693	523,734	532,428
Total compensation	2,470,572	2,493,067	2,741,017
2. Pensions:			
(a) Veterans:			
Prior to Spanish-American War	3	3	3
Spanish-American War	11,809	9,339	7,800
World War I	876,131	806,283	781,729
World War II	358,458	398,623	466,867
Korean conflict	25,735	28,925	34,320
Vietnam era	287	920	1,848
Peacetime service	22	21	19
Total living veterans	1,272,446	1,244,114	1,292,586
(b) Survivors:			
Prior to Spanish-American War	1,199	1,117	1,030
Spanish-American War	42,904	41,172	39,600
World War I	368,455	381,841	402,300
World War II	325,084	360,081	403,399
Korean conflict	41,464	47,750	56,434
Vietnam era	309	960	1,927
Peacetime service	4	3	3
Total deceased veterans	779,419	832,924	904,693
Total pensions	2,051,865	2,077,038	2,197,279
3. Other:			
(a) Retired officers	2,107	2,011	1,852
(b) Adjusted service and dependents pay	52	56	56
(c) Subsistence allowance	15,623	17,999	24,810
(d) Burial benefits	66,945	71,025	74,211
(e) Special allowance, dependents	389	400	410
(f) Invalid lifts and other devices	420	1,460	1,470
(g) Tort claim settlements	215	250	250
(h) Death gratuities	5,215	----	----
Total other	90,964	93,201	103,059
Total program costs, funded	4,613,402	4,663,306	5,041,355
Change in selected resources [1]	4,702	----	----
Total obligations (object class 42.0)	4,618,104	4,663,306	5,041,355
Financing:			
Unobligated balance available, start of year	−21,574	−8,970	----
Unobligated balance available, end of year	8,970	----	----
Budget authority (appropriation)	4,605,500	4,654,336	5,041,355
Relation of obligations to outlays:			
Obligations incurred, net	4,618,104	4,663,306	5,041,355
Obligated balance, start of year	365,944	378,795	398,101
Obligated balance, end of year	−378,795	−398,101	−416,896
Outlays	4,605,253	4,644,000	5,022,560

[1] Selected resources as of June 30 are as follows: Accounts receivable (benefit overpayments collectible from beneficiaries) 1967, $22,021,000; 1968, $26,723,000; 1969, $26,723,000; 1970, $26,723,000.

Mr. EVINS. The next chart shows average costs going up.

Mr. MONK. Both pensions and compensation are going up.

Mr. EVINS. The same is shown on the summary of requirements, page 2–9. Your increases are on page 2–11. You say this is due to the laws Congress has passed.

Place pages 2–10 through 2–15 in the record.

(The pages follow:)

Benefit Costs:	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Compensation.....	$2,470,572,295	$2,610,003,000	$2,741,017,000	+131,014,000
Pensions.....	2,051,864,975	2,136,302,000	2,197,279,000	+60,977,000
Other related benefits.....	90,964,381	96,000,616	103,059,000	+7,058,384
Total cost.	4,613,401,651	4,842,305,616	5,041,355,000	+199,049,384
Adjustment of cost to obligations (net)	4,702,499 1/	....	....	....
Total obligations....	4,618,104,150	4,842,305,616	5,041,355,000	+199,049,384
Unobligated balance available, start of year (-).....	-21,573,766	-8,969,616	....	+8,969,616
Unobligated balance available, end of year.....	8,969,616	....	....	....
Appropriation....	$4,605,500,000	$4,833,336,000 2/	$5,041,355,000	$208,019,000

1/ Change in selected resources.
2/ Includes supplemental of $179,000,000.

Summary of Changes

1969 appropriation		$4,654,336,000
Appropriations available from prior year		8,969,616
Proposed supplemental:		
Legislation enacted subsequent to budget request - P.L. 90-275, P.L. 90-431, and P.L. 90-493	$172,764,000	
Reprograming due to Vietnam activities	$6,236,000	179,000,000
Total available for obligation, 1969		4,842,305,616
1970 appropriation		5,041,355,000
Total change		+199,049,384

Explanation of Changes

Increases:

A. Veterans compensation..... $124,656,000
Of the $124,656,000 increase, $110,800,000 will be used to finance higher rates provided by PL 90-493. $13,856,000 more will be required to meet the rising costs basically attributable to the increasing number of Vietnam era veteran accretions to the rolls.

B. Survivors compensation..... $6,358,000
This increase is attributable to rising caseloads, particularly in the Vietnam era activity, as well as to a rise in average payment costs, where the proportion receiving the higher DIC rates continues to increase.

C. Veterans pensions..... $6,508,000
This net increase reflects higher rates and other liberalizations provided by PL 90-275 ($44,500,000) offset by the continuing caseload decline in the earlier war period categories where the age and mortality rates are a factor.

D. Survivors pension..... $54,469,000
This increase is related to both caseload and average payment increases with $19,700,000 of the increase due to PL 90-275. Caseload increase is due principally to the continuing upward trend in the number of World War I and World War II survivors coming on the rolls. PL 90-275 will add some new cases. The increase in average payment is mainly attributable to the higher rates provided by PL 90-275.

E. Other related benefits..... $7,058,384
The increase is basically attributable to the increased costs of subsistence allowance due to new legislation (PL 90-431), and increasing Vietnam era activities. Burial benefit costs account for most of the remaining increase.

Compensation

Compensation is a monetary benefit payable to a veteran or his dependents because of the veteran's service-connected disability or death. The major objectives are: (1) to compensate those living veterans who have suffered the loss of or reduction of earning capacity resulting from service-connected disabilities; and (2) to afford benefits to the widow and dependents of veterans whose deaths are related to service-connected disabilities to make up for the loss of family income.

Estimated costs for veterans disability compensation and survivors death compensation and dependency and indemnity compensation are as follows:

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Veterans.....	$1,953,878,865	$2,083,933,000	$2,208,589,000	+$124,656,000
Survivors.....	516,693,430	526,070,000	532,428,000	+6,358,000
Total compensation	$2,470,572,295	$2,610,003,000	$2,741,017,000	+$131,014,000

Veterans: An average of 2,020,250 disabled veterans will receive compensation payments in 1970 at an estimated cost of $2,208,589,000. This is an increase of $124,656,000 over 1969, nearly all of which is attributable to the full year effect of the higher rates provided by Public Law 90-493. Some increase is caused by the projected growth in caseload due to the increasing trend being experienced in the Vietnam era and Korean conflict categories which more than offsets the declining caseloads of the earlier war period categories composed of the more aged veterans. The Vietnam era roll accretions assume that the current strength for the Armed Forces will be maintained and that the casualties associated with the Southeast Asian crisis will not lessen. The increase in the Korean conflict category reflects the accretions to this roll experienced during the past few years.

The increases in average payment for 1969 and 1970, reflect recent legislation (Public Law 90-77, effective October 1, 1967) which extended wartime rates to Vietnam veterans whose disabilities were incurred, or aggravated, in service subsequent to August 4, 1964 and the major increase in rates to most service-disabled veterans on January 1, 1969 authorized by Public Law 90-493.

The table on page 2-9, shows total cost, the average annual payment and the number of disabled veterans, by war period category, who will be receiving disability compensation in 1970.

Survivors: Widows, children and parents of over 372,000 veterans whose deaths resulted from service will receive death compensation or dependency and indemnity compensation payments in 1970 at an estimated cost of $532,428,000. This is an increase of $6,358,000 over 1969 and is attributable to budgeted increases in caseloads and average payment. The caseload is estimated to increase slightly, with the projected growth of the Vietnam roll geared to the experienced Southeast Asian activities, more than offsetting declining World War I, World War II, and prior war caseloads caused by deaths of widows and parents, and children terminations.

The increase in average payment in each of the budget years is basically related to: (1) the increasing proportion of cases receiving the higher dependency and indemnity compensation rates over those receiving the "old" death compensation rates, and (2) the effect of recent military pay increases on the dependency and indemnity compensation rates payable to widows in each of the budget years.

The table on page 2-9, shows total cost, the average annual payment and the average number of survivor cases, by war category, who will be receiving death compensation or dependency and indemnity compensation in 1970.

Pensions

Pensions is a monetary benefit which is based upon the concept of furnishing a partial measure of financial support to war veterans and their dependents who are in need. The major objectives of the pension program are: (1) to provide, within a framework of need criteria, financial assistance to war veterans who are permanently and totally disabled, housebound, or in need of regular aid and attendance by virtue of disease or injury without regard to service origin; and (2) to afford, within a framework of need criteria, financial aid to the widows and children of veterans of wartime service whose deaths are unrelated to service. On January 1, 1969 a more realistic need criteria will be established as authorized by Public Law 90-275. This law not only restructures the veterans and survivors pension system, it also increases certain rates and raises the maximum income limitation by $200 for veterans and widows. Estimated costs for veterans pensions and survivors pensions are as follows:

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Veterans.....	$1,272,445,853	$1,286,078,000	$1,292,586,000	+$6,508,000
Survivors.....	779,419,122	850,224,000	904,693,000	+54,469,000
Total pension	2,051,864,975	2,136,302,000	2,197,279,000	+$60,977,000

Veterans: Over 1,142,500 veterans are expected to be receiving pension in 1970 at a cost of $1,292,586,000 which is $6,508,000 more than the amount paid in 1969. The increase in cost is due to the full year effect of Public Law 90-275, which became effective on January 1, 1969. As this act raises the maximum income limitation by $200 it is estimated that the normal decline in caseload will be lessened in the initial calendar year of impact, i.e., the last half of fiscal year 1969 and the first half of fiscal year 1970.

The budgeted increase in average annual payment, from $1,123 in 1969 to $1,131 for 1970, is primarily due to the higher rates provided to most pensioners by Public Law 90-275 effective January 1, 1969.

The table on page 5, shows total cost, average annual payment, and the average number of pensioners, by war period category, who will be receiving disability pension in 1970.

Survivors: Widows and children of over 1,170,000 deceased war veterans will receive pension benefits in 1970 at a cost of $904,693,000. This is a budgeted increase of $54,469,000 more than the $850,224,000, estimated for 1969. The growth of the non-service-connected death pension roll is largely dominated by the World War II category as the incidence of death continues to rise among this reservoir of veterans. Some general increase is anticipated after January, 1969 because of the higher income limitations authorized by Public Law 90-275.

The budgeted increase of $4.00 in average payment for 1970, from $769 to $773 is primarily attributable to the higher rates provided by Public Law 90-275 effective January 1, 1969.

The table on page 5, shows total cost, average annual payment, and the average number of survivor cases, by war period category, that will receive pension benefits in 1970.

Other Related Benefits

These miscellaneous benefits cover payments which are not readily combined with either of the preceding compensation or pension categories. Actual and estimated costs are summarized below and pertinent statements follow for each category:

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Total costs	$90,964,381	$96,000,616	$103,059,000	+$7,058,384

Retired officers: Emergency officers of World War I and certain officers of the Regular Establishment who have retired because of service-connected disability are entitled to special retirement benefits. The caseload is declining because of the deaths among this group. The average annual payment in 1968 was $2,633. Increases to $2,718 for 1969 and to $2,724 for 1970 are projected, as these individuals are entitled by law to certain cost-of-living rate adjustments.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Total costs.....	$2,106,547	$2,011,000	$1,852,000	-$159,000
Annual average payment.....	$2,633	$2,718	$2,724	+$6
Average caseload.	800	740	680	-60

Adjusted service and dependents pay: Claims made pursuant to the provisions of the World War Adjusted Compensation Act of 1924 as amended, are payable from this appropriation. Adjusted service certificate activities, including unexpended balances in the fund, were transferred in 1966 to this appropriation.

During 1968, costs of the combined activity were $51,717. It is estimated that $56,000 will be expended in each of the fiscal years 1969 and 1970 for this purpose.

Subsistence allowance: Payments are made to disabled veterans enrolled in vocational rehabilitation and education programs. Actual costs in 1968 reflect active participation by Vietnam era veterans as anticipated. The increased activity in this area is expected to continue through 1970. In addition, Public Law 90-431 effective July 26, 1968, authorized part-time vocational rehabilitation training for the first time. It is estimated this Act will add $2,800,000 in costs in 1969 and $3,600,000 in 1970.

Total costs.....	$15,622,758	$20,799,000	$24,810,000	+$4,011,000
Annual average payment.....	$2,282	$2,167	$2,068	-$99
Average caseload.....	6,845	9,600	12,000	+2,400

Burial benefits: The Administrator is authorized to: (1) pay an allowance of $250 (plus transportation charges where death occurs under VA care) to defray the burial and funeral expenses of a deceased veteran, and (2) furnish a flag to drape the casket of each deceased veteran entitled thereto. The increase in costs is mainly related to the estimated increase in veterans' deaths.

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Total costs.....	$66,944,741	$71,024,616	$74,211,000	+$3,186,384
Burial Allowances Cost.....	$65,481,130	$69,424,616	$72,531,000	+$3,106,384
Average payment.....	$262	$262	$262	....
Number.....	249,707	265,000	277,000	+12,000
Burial Flags Cost.....	$1,463,611	$1,600,000	$1,680,000	+$80,000
Average Payment.....	$6.39	$6.40	$6.40	....
Number.....	229,046	250,000	263,000	+13,000

Special allowances, dependents: Under certain conditions, a special allowance (38 USC 412) is payable to dependents of certain veterans who died after December 31, 1956, but who were not fully and currently insured under the Social Security Act. The estimated increases projected in cases and costs assume that current strengths and death rates for the Armed Forces will be maintained through 1970.

An average of 390 cases were paid $389,013 in 1968. An average of 400 cases costing $400,000 is estimated for 1969 and 415 cases costing $410,000 are estimated for 1970.

Invalid Lifts and other devices: The Administrator may furnish an invalid lift to veterans in receipt of pension under 38 USC 617 based on the need of regular aid and attendance. An increase of $244,012 in costs in 1968 to $419,878 is attributable to Public Law 90-77. This Act liberalized the basis for the award of devices and equipment to include most aid and attendance cases in need. It is estimated such costs will increase to a total of $1,460,000 in 1969 and $1,470,000 in 1970.

Tort claim settlements: Payments of compromises or settlements under 38 USC 351 resulting from litigation under the Federal Tort Claims Act are made from this appropriation.

During 1968, eighteen compromise payments were made at a cost of $215,086. Such payments are estimated to cost $250,000 in 1969 and again in 1970.

Death gratuities: Public Law 89-214, approved September 29, 1965, authorized a death gratuity of not to exceed $5,000 for payment to the eligible beneficiary of a veteran whose death occurred during the period from January 1, 1957 through September 28, 1965, and was attributed to certain hazards of service. Actual costs in 1968 were $5,214,641. Any future activity in this program should be negligible as the last date for making application was November 1, 1967.

READJUSTMENT BENEFITS

PROGRAM AND FINANCING (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Education and training:			
(a) World War II education	2		
(b) Korean conflict veterans	−408		
(c) Sons and daughters	38,005	38,204	37,560
(d) Post-Korean conflict veterans	428,747	572,800	668,600
(e) Wives and widows			17,400
Total education and training	466,346	611,004	723,560
2. Special assistance to disabled veterans:			
(a) Vocational rehabilitation	7,132	10,185	13,128
(b) Housing grants	4,416	4,512	4,512
(c) Automobiles or other conveyances for disabled veterans	3,468	1,520	1,000
Total special assitance to disabled veterans	15,016	16,217	18,640
Total program costs, funded	481,362	627,221	742,200
Change in selected resources [1]	2,744		
Total obligations (object class 42.0)	484,107	627,221	742,200
Financing:			
Unobligated balance available, start of year	−73,577	−16,156	
Unobligated balance available, end of year	16,156		
Budget authority	426,685	611,065	742,200
Budget authority:			
Appropriation	427,200	612,000	742,200
Transferred to other accounts	−515	−935	
Appropriation (adjusted)	426,685	611,065	742,200
Relation of obligations to outlays:			
Obligations incurred, net	484,107	627,221	742,200
Obligated balance, start of year	5,761	27,753	38,274
Obligated balance, end of year	−27,753	−38,274	−43,329
Outlays	462,115	616,700	737,145

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

Grants, subsidies, and contributions	470,762	615,516	728,072
Insurance claims and indemnities	10,600	11,705	14,128
Total costs, funded	481,362	627,221	742,200
Change in selected resources	2,744		
Total obligations	484,107	627,221	742,200

[1] Selected resources as of June 30 are as follows: Accounts receivable (benefit overpayments collectible from beneficiaries) 1967, $1,058,000 (1968 adjustment, −$39,000); 1968, $3,763,000; 1969, $3,763,000; 1970, $3,763,000.

Mr. EVINS. You pointed this out yesterday. In post-Korean conflict veterans, you will have an average monthly enrollment of 488,000 at a cost of $668.6 million, 41,800 children will receive training in 1970 with an average monthly enrollment of 17,800 at a cost of $37.6 million.

Wives and widows, 18,200 expected to receive training in 1970 with average monthly enrollment of 8,700 at a cost of $17.4 million, and vocational rehabilitation, an average enrollment of 12,000 in this category at a cost of $13.1 million.

It was about 1966 this program began to increase.

Mr. MONK. That is right.

Mr. EVINS. Place pages 2–17, 2–18, and 2–20 in the record.

(The pages follow:)

READJUSTMENT BENEFITS

The Veterans Administration is responsible for administering a program of vocational rehabilitation and education which has its statutory basis in title 38, United States Code, "Veterans' Benefits."

Program Objective

There are four principal program objectives designed to provide educational and rehabilitative assistance to veterans and certain classes of beneficiaries. Specifically, they are (1) to restore lost educational opportunities to veterans whose education or training plans were interrupted by active service in the Armed Forces since February 1, 1955, (2) to facilitate vocational rehabilitation training to veterans to overcome loss of employability resulting from service-connected disability and to assist them in preparing for, finding and holding suitable employment, (3) to furnish an opportunity to the sons and daughters of veterans who died from service-connected disease or injury or who are permanently and totally disabled from such disabilities the opportunities for education to which they may have aspired but for the service-connected death or disability of their veteran-fathers, and (4) to extend educational benefits to the widows of veterans who died of service-connected disabilities and to wives of veterans with a service-connected total disability permanent in nature for the purpose of assisting them in preparing to support themselves and their families at a standard of living level which the veteran, but for his death or service disability, could have expected to provide for his family.

Program Scope

The "World War II GI Bill" together with its "Korean GI Bill" successor enabled almost 11 million veterans to receive education and training and thus enhance their readjustment to useful, productive civilian occupations.

In an effort to provide comparable assistance to the men currently serving their country in uniform, the 89th Congress enacted the "Cold War" GI Bill. This legislation, known as the Veterans Readjustment Benefits Act of 1966 (Public Law 89-358) currently entitles over 5 million post-Korean veterans to certain educational benefits and provides that these benefits will continue for all future veterans. Provision was also made in this law for certain training while still in service.

No distinction is made between wartime and peacetime service. The program became effective June 1, 1966, and provides financial assistance to veterans who served on active duty after January 31, 1955, to obtain educational opportunities which were interrupted due to military service.

Under this program, a total of 997,600 persons entered training during the period June 1, 1966 through October 31, 1968, of which 932,400 were veterans and 65,200 were servicemen.

Supplementing this educational program, VA administers two other important educational and rehabilitative programs; namely, a Vocational Rehabilitation Program for seriously disabled veterans, and a War Orphans' and Widows' Educational Assistance Program for sons and daughters, also widows/wives of deceased or permanently and totally disabled veterans.

As of June 1968, a total of 721,000 disabled veterans had entered vocational rehabilitation training, of which 620,000 were World War II veterans, 76,000 were Korean veterans and 25,000 were peacetime veterans.

During this same period 121,400 sons and daughters of deceased veterans or permanently and totally disabled veterans have received educational assistance allowances to help finance their education.

The Budget Estimate

Highlights of the Budget Estimate follow:

- Post-Korean Conflict Veterans-- 972,400 veterans are expected to receive training in 1970, with an average monthly enrollment of 488,000 trainees, at a cost of $668.6 million.

- Sons and Daughters -- 41,800 children will receive training in 1970, with an average monthly enrollment of 17,800, at a cost of $37.6 million.

- Wives and Widows -- Recently enacted legislation, Public Law 90-631, authorizes educational benefits for wives and widows. 18,200 are expected to receive training in 1970, with an average monthly enrollment of 8,700, at a cost of $17.4 million.

- Vocational Rehabilitation -- 23,200 veterans will receive some vocational rehabilitation assistance in 1970, with an average monthly enrollment of 12,000, at a cost, from this appropriation of $13.1 million.

Appropriation Language

For the payment of readjustment and rehabilitation benefits to or on behalf of veterans as authorized by law (38 U.S.C. chapters 21,31 (except section 1504), and 33-39), $742,200,000, to remain available until expended. (38 U.S.C. 3021; Independent Offices and Department of Housing and Urban Development Appropriation Act, 1969.)

Legislative Changes

Public Law 90-631, Effective December 1, 1968

This law, enacted October 23, 1968, further expands and liberalizes educational benefits, as follows:

- Extends educational benefits to widows of veterans who died of service-connected disabilities and to wives of veterans who are permanently and totally disabled from service-connected disabilities.

- Authorizes an aggregate period, not in excess of forty-eight months, for which any person may receive assistance under two or more laws.

- Entitles each eligible veteran to one and one-half months of educational assistance for each month or fraction thereof of service on active duty after January 31, 1955.

- Makes farm cooperative training, as authorized in Public Law 90-77, available on a part-time basis.

The estimated cost of this law is $14.2 million in 1969 and $71.2 million in 1970.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr.(+) Decr.(-)
Education and training..	$466,345,950	$625,203,838	$723,560,000	$+ 98,356,162
Special assistance to disabled veterans	15,016,351	16,217,000	18,640,000	+ 2,423,000
Total cost	481,362,301	641,420,838	742,200,000	+100,779,162
Adjustment of cost to obligations (net).....	2,744,328	....	....	....
Total obligations	484,106,629	641,420,838	742,200,000	+100,779,162
Unobligated balance available, start of year (-)	-73,577,467	-16,155,838	....	+ 16,155,838
Unobligated balance available, end of year.	16,155,838	....	....	....
Budget authority	426,685,000	625,265,000	742,200,000	+116,935,000
Transferred to other accounts	515,000	935,000	....	-935,000
Appropriation	427,200,000	626,200,000 1/	742,200,000	+116,000,000

1/ Includes supplemental of $14,200,000

Summary of Changes

1969 appropriation	$612,000,000
Appropriation available from prior year	16,155,838
Proposed supplemental:	
Legislation enacted subsequent to budget request (PL 90-631, enacted October 23, 1968, and effective December 1, 1968)	14,200,000
Less: Transfer to Veterans insurance and indemnities	-935,000
Total available for obligation, 1969	641,420,838
1970 appropriation	742,200,000
Total change	+100,779,162

Mr. EVINS. How current are these estimates?

Mr. SHYTLE. They are relatively current. They were made just a matter of a few months ago. We have tried to watch this in order to give you as good estimates on benefits as we can.

Mr. MONK. We made these low, Mr. Chairman, both in 1969 and 1970. We may be back up here in 1969 for more money for this appropriation, and also in 1970.

Mr. EVINS. The best minds and the best computers make mistakes.

Mr. MONK. That is right.

VETERANS INSURANCE AND INDEMNITIES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs, funded:			
1. Military and naval insurance:			
(a) Payment to U.S. Government life insurance fund	80	83	84
(b) Direct payments to policyholders and beneficiaries	1,800	1,700	1,587
2. National service life insurance:			
(a) Payment to national service life insurance fund	5,526	5,954	5,565
(b) Direct payments to policyholders and beneficiaries	1,220	1,198	1,250
3. Service-disabled veterans insurance fund: Payment to service-disabled veterans insurance fund	1,600	4,250	6,000
4. Servicemen's indemnities: Payments to beneficiaries	52		
5. Other expense	282	10	10
Total operating costs, funded	10,560	13,195	14,496
Capital outlay funded:			
6. Policy loans made	204	230	260
7. Policy liens established	17	16	15
Total capital outlay	221	246	275
Total program costs, funded—obligations	10,781	13,441	14,771
Financing:			
Receipts and reimbursements from Non-Federal sources:			
Policy loans repaid	−159	−180	−200
Policy liens repaid	−67	−65	−69
Premiums earned	−558	−573	−563
Interest on loans	−43	−45	−46
Optional income settlement	−134	−137	−140
Unobligated balance available, start of year	−1,820		−9
Deficiency start of year		335	
Unobligated balance transferred from other accounts	−2,000	−2,500	−6,500
Unobligated balance available, end of year		9	
Deficiency end of year	−335		
Budget authority	5,665	10,285	7,253
Budget authority:			
Appropriation	5,150	9,350	7,253
Transferred from other accounts	515	935	
Appropriation (adjusted)	5,665	10,285	7,253
Relation of obligations to outlays:			
Obligations incurred, net	9,820	12,441	13,762
Obligated balance, start of year	15	557	579
Obligated balance, end of year	−557	−579	−535
Outlays	9,277	12,419	13,806

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Investments and loans, net	221	246	275
Grants, subsidies, and contributions	7,206	10,287	11,649
Insurance claims and indemnities	3,354	2,908	2,847
Total obligations	10,781	13,441	14,771

Mr. EVINS. Veterans insurance and indemnities. Your appropriations provide for national service life insurance and military and naval insurance and other insurance indemnity programs. The total financing goes from $13,441,000 to $14,770,000 for 1970.

Place 2-27 through 2-29 in the record.

(The pages follow:)

VETERANS INSURANCE AND INDEMNITIES

This appropriation provides funds for:

Military and Naval Insurance

National Service Life Insurance

Service-Disabled Veterans Insurance

Servicemen's Indemnities

Appropriation Language

For military and naval insurance, national service life insurance, servicemen's indemnities, and service-disabled veterans insurance, to remain available until expended, $13,753,000 of which $6,500,000 shall be derived from the Veterans Special Term Insurance Fund.

The transfer from the Veterans Special Term Insurance Fund results from the favorable mortality experience on insurance written against that fund. Receipts have been well above claims payments, thereby producing an annual increase in the retained earnings of the fund.

Summary of Requirements

Program	1968 Actual	1969 Estimate	1970 Estimate
1. Military and Naval Insurance:			
(a) Payment to USGLI fund	$ 80,486	$ 83,000	$ 84,000
(b) Direct payments to policyholders and beneficiaries	1,800,083	1,700,000	1,586,759
2. National Service Life Insurance:			
(a) Payments to NSLI fund	5,526,290	5,954,000	5,565,000
(b) Direct payments to policyholders and beneficiaries	1,219,538	1,198,000	1,250,000
3. Service-Disabled Veterans Insurance: Payment to S-DVI Fund	1,600,000	4,250,000	6,000,000
4. Servicemen's Indemnities: Payments to beneficiaries	52,033	....	....
5. Other expense	281,577	10,000	10,000
6. Policy loans made	203,655	230,000	260,000
7. Policy liens established	17,180	16,000	15,000
Total obligations	$10,780,842	$13,441,000	$14,770,759

	1968 Actual	1969 Estimate	1970 Estimate
Financing			
1. Premiums earned	$ 558,025	$ 573,000	$ 563,000
2. Interest on loans	42,934	45,000	46,000
3. Optional income settlement	133,539	137,000	140,000
4. Policy loans repaid	158,847	180,000	200,000
5. Policy liens repaid	67,190	65,000	60,000
Total receipts	960,535	1,000,000	1,009,000
Unobligated balance, start of year	+1,820,066	-335,241	+8,759
Unobligated balance, transferred from Veterans Special Term Insurance Fund	+2,000,000	+2,500,000	+6,500,000
Unobligated balance, end of year	+ 335,241	- 8,759	....
Budget Authority (Appropriation)	+5,665,000	+10,285,000	+7,253,000
Total financing	$10,780,842	$13,441,000	$14,770,759
Budget Authority (Appropriation)			
Current appropriation	$5,150,000	$9,350,000	$7,253,000
Transfer from Readjustment Benefits appropriation	515,000	935,000	....
Appropriation (adjusted)	$5,665,000	$10,285,000	$7,253,000

1. Military and Naval Insurance. - Payments are made as a reimbursement for certain expenses of the United States Government Life Insurance Fund and for claims on war risk insurance issued to servicemen and veterans of World War I.

(a) Payments to the U. S. Government Life Insurance Fund: Payments are made on claims for total permanent disability or death traceable to extra hazards of military service. Payments are also made on claims for certain other non-permanent total disabilities traceable to extra hazards of military service.

(b) Direct payments to policyholders and beneficiaries: Payments of $5.75 per month per $1 thousand of war risk insurance held are made to veterans becoming permanently and totally disabled for as long as the disability shall continue. Upon the death of a veteran receiving payments for disability, the remaining value of the policy is paid to the beneficiary as a death award.

2. National Service Life Insurance. - This appropriation pays certain expenses of the National Service Life Insurance Fund and receives premiums and pays claims on non-participating insurance policies issued to certain disabled veterans of World War II. Authorization for use of premium receipts for the payment of claims is provided by 38 U. S. Code 719 (b).

(a) Payments to the National Service Life Insurance Fund: Payments are made for death claims traceable to extra hazards of service in the amount when added to the reserve of the policy is equal to the actuarial value of the claims. In the event of total disability traceable to the extra hazard of service the amount transferred will be sufficient to meet the current payments from the fund. In addition, payments are made for gratuitous insurance issued aviation cadets, illegitimate children and certain persons who were unable to make application for National Service Life Insurance. The fund is also reimbursed when recovery of erroneous payments or overpayments is waived and for death claims on policies under waiver of premium while the insured is on active military duty.

(b) Direct payments to policyholders and beneficiaries: Payments are made on non-participating policies issued to World War II veterans with service connected disabilities. Claims may also be paid in cases where: (1) applicants for insurance were rejected for medical reasons and subsequently died in the line of duty; (2) deaths occurred after application, but before effective date of the policy; (3) Insurance was discontinued because the insured was discharged to accept a commission, was absent without leave, or was court-martialed; and (4) policyholders terminated their insurance for the cash value or matured endowments.

3. Service-Disabled Veterans Insurance. - Payments are made to the Service-Disabled Veterans Insurance Fund to supplement the premium and other receipts of the fund in amounts necessary to pay claims on insurance policies issued to veterans with service-connected disabilities, but who were otherwise insurable. Payments will be required each year to meet increasing expenses. The large increase in 1969 and 1970 over 1968 is due to the increasing number of policyholders in this program, the increasing costs due to advancing age of the insureds and the replenishing of badly depleted capital.

4. Servicemen's Indemnities. - Benefit payments were made to beneficiaries of servicemen who died prior to January 1, 1957, while on active service or within a period of 120 days after separation from active service. Payments were in the amount of $10,000 less any National Service Life and/or U. S. Government Life Insurance carried by the deceased. Beneficiaries received 120 equal installments, plus interest at the rate of 2.25 per cent per year. The program was completed in Fiscal Year 1968.

COMPENSATION AND PENSIONS

Mr. TALCOTT. You have a statement on page 2–13 that says widows and children of over 1,170,000 deceased veterans receive $904 million. That is less than $800 a year per widow. That is far below the poverty level. Is there something wrong about those figures?

Mr. STRATTON. Those are the pensions to widows for nonservice connected deaths and those payments run considerably lower than those of survivors of veterans who die in service. It is also based on their income which can vary considerably.

Mr. TALCOTT. We don't have a very good plan for widows, a pension plan for widows of servicemen then, do we?

Mr. DRIVER. The pension program has never pretended to be totally supporting. The pension rate, for example, which is paid to a widow of a veteran who dies for reasons not related with military service is far less than the compensation to a widow of a veteran who dies because of his service.

Mr. TALCOTT. Thank you.

VOCATIONAL REHABILITATION REVOLVING FUND

Mr. EVINS. We have another good program where you loan a veteran $100 to get started in his vocational rehabilitation program. Most of those are paying out.

Place 2–31 in the record.

(The page follows:)

Mr. EVINS. What is the status of the revolving fund, Mr. Dervan?

Mr. DERVAN. On page 3–4 we show as of June 30, approximately $723 million available for making direct loans during the balance of the program which will expire in 1975.

Mr. EVINS. $723 million available for this purpose?

Mr. DERVAN. Yes, sir.

Mr. EVINS. Are you getting many applications from the veterans?

Mr. DERVAN. Yes, sir; we are.

Mr. EVINS. How many are you processing or approving a month?

Mr. DERVAN. Last year we closed——

Mr. EVINS. On an average a month, how many direct loans do you make a month?

Mr. MONK. About a thousand.

Mr. DERVAN. We close about a thousand a month, sir.

Mr. EVINS. You still have money in the fund. You are still liquid.

These repayments are made to the fund and then you loan them money through the Guaranty Loan Fund.

Mr. DERVAN. We loan the money to other applicants for direct loans, sir. We do have authority and have had in the past few years to effect transfers of unobligated funds in the Direct Loan Fund to the Loan Guaranty Fund when such becomes necessary to meet our obligations in the Loan Guaranty Fund.

Mr. EVINS. How many applications for direct loans are diverted ultimately to the Guaranty Loan Fund? A fellow comes in and wants a direct loan and you say, "We can't make it; we don't have the money, but we suggest you try the other avenue, the other route," and you get them over into this category.

Mr. DERVAN. Before we send him a direct application form, we refer him to specific lenders who have indicated a willingness to make guaranteed loans in the area in which he desires to purchase his home. Only when we get letters from these lenders saying that they are unable or decline to make a guaranteed loan will we send him a direct loan application.

Mr. EVINS. You didn't answer my question. You told us about the process, how you go about it, but you didn't tell how many are actually converted. Do you have any way of finding out how many of the men who really want to make direct loans are converted?

Mr. DERVAN. I would have to estimate and this is a rough estimate: About 50 percent.

Mr. EVINS. Fifty percent go into the other avenue.

On page 3–4 you look like you are pretty liquid. Total available for making loans is $3,972 million. Do you want to explain this table? Then your retained earnings, $57 million.

Mr. MONK. Mr. Chairman, I think the most significant thing on this table is the third from the bottom figure down there of the net earnings in the direct loan fund——

Mr. EVINS. $185,550,000.

Mr. MONK. That is correct, sir, and in the Loan Guaranty Revolving Fund, the loan program, we have had a net loss through June 30 of $108 million so in the total operation we are ahead $77 million as of the end of fiscal year 1968.

VOCATIONAL REHABILITATION REVOLVING FUND

Chapter 31, paragraph 1507, of 38 U.S.C. provides for a revolving fund for making advances, not in excess of $100 in any case, to veterans commencing or undertaking courses of vocational rehabilitation. The vocational rehabilitation revolving fund, under regulations prescribed by the Administrator, makes advances up to $100 to those disabled veterans who are without sufficient funds to meet their expenses. Repayments are used to make new advances.

Summary of Requirements

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Number of loans made	2,432	4,000	4,300	+ 300
Average amount per loan	$100	$100	$100	....
Number of loans outstanding..	2,043	2,043	2,043	....
Average amount per loan outstanding	$50	$50	$50	....
Cost of loans made	$243,158	$400,000	$430,000	+$30,000
Loan repayments	$229,047	$400,000	$430,000	+$30,000

These advances or loans are repaid in such installments as may be determined by the Administrator (usually $10 per month) by proper deductions from future payments of subsistence allowance, compensation, pension, or retirement pay.

In the period from 1944 through 1947 Congress made available a total of $2 million to this fund. This fund, to date, has returned $1.6 million as surplus, leaving only $400 thousand for current activities.

There were 3,466 loans made in 1959, 3009 in 1960, 2,742 in 1961, 2,262 in 1962, 2,165 in 1963, 2,488 in 1964, 2,542 in 1965, 2,258 in 1966, 2,194 in 1967, and 2,432 in 1968.

Increased loan activity in this fund is projected in both 1969 and 1970, as the result of Public Law 90-431, enacted July 26, 1968, which authorized part-time rehabilitative training. This will cause a greater number of veterans to pursue vocational rehabilitation.

Administrative expenses are borne by the appropriation "General operating expenses."

Mr. EVINS. The ones that are more sound, more liquid, and more pay back are the boys in the farm and local areas and you take their money and give it to the other boys and they default. It is discrimination against the rural boys.

This is an impressive table. Place 3–4 in the record.

(The page follows:)

The following table indicates by source the cumulative amount of funds that were available for making direct loans and their use through June 30, 1968:

From authorized Treasury advances	$1,730,077,996
From repayments of principal	667,843,328
From sale of loans	477,582,007
From sale of participation certificates	1,097,000,000
Total available for making loans	3,972,503,331
Less: Capital funds transferred to the Loan Guaranty Revolving Fund	−505,718,022
Net available	3,466,785,309
Status of direct lending as of June 30, 1968:	
Funds expended for 286,030 direct loans	2,673,481,468
Loan funds committed but not disbursed	30,644,291
Funds reserved for loans in process	39,432,060
Balance available for new loans	723,227,490
Total	3,466,785,309
Result of operations:	
Total borrowed from Treasury	1,733,055,599
Less: Repayments to Treasury	−2,977,603
Captial transferred to Loan Guaranty Fund	−505,718,022
Interest bearing capital	1,224,359,974
Earnings through June 30, 1968:	
Income	680,168,721
Less: Interest payments to Treasury	−368,180,703
Other expenses	−20,451,062
Interest expense on participation certificates	−105,986,033
Net earnings	185,550,923
Less: Earnings transferred to the Loan Guaranty revolving Fund	−128,152,978
Retained earnings June 30, 1968	57,397,945

Loan Guaranty Revolving Fund

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Capital outlay, funded:			
1. Real property acquisitions	201,128	237,160	235,950
2. Property improvements	21,800	28,750	30,245
3. Claims paid	18,864	23,345	24,240
4. Repurchase of loans sold, net	24,561	23,925	22,785
5. Cash advances—vendee loans	1,513	1,600	1,700
6. Loans acquired	3,942	4,500	4,560
Total capital outlay, funded	271,808	319,280	319,480
Operating costs, funded:			
7. Commission and discount on sale of participation certificates—participation sales fund	1,220	723	
8. Property management expense	11,297	10,800	10,550
9. Sales expense	15,140	18,395	18,300
10. Interest expense on participation certificates	28,625	56,235	55,025
11. Loan placement fee			13,000
Total operating costs, funded	56,282	86,153	96,875
Total program, costs funded—obligations	328,090	405,433	416,355
Financing:			
Receipts and reimbursements from:			
Federal funds: Investment income from participation sales fund	−918	−1,970	−2,435
Non-Federal sources:			
Loans repaid:			
(a) Vendee loans	−29,408	−35,818	−39,200
(b) Acquired loans	−917	−1,080	−1,260
Sale of loans	−4,693	−20,250	−78,000
Sale of properties	−14,872	−14,900	−337,600
Collection of claims receivable (veterans indebtedness)	−4,786	−4,975	−5,300
Other repayments	−1,983	−2,300	−2,500
Interest on loans	−57,138	−66,800	−67,500
Rental and other revenue	−11,248	−16,215	−20,249
Unobligated balance available, start of year:			
Authorization to spend agency debt receipts		−260,000	
Fund balance	−246,290	−452,195	−450,545
Unobligated balance transferred from participation sales fund	−700	−6,275	−51,800
Unobligated balance transferred to participation sales fund	17,634	26,146	28,276
Unobligated balance available, end of year:			
Authorization to spend agency debt receipts	260,000		
Fund balance	452,195	450,545	565,674
Unobligated balance lapsing (redemption of participation certificates)	700	6,275	51,800
Budget authority	685,665	5,621	5,716
Budget authority:			
Transferred from other accounts (current definite)	665	5,621	5,716
Appropriation (adjusted)	665	5,621	5,716
Authorization to spend agency debt receipts	685,000		
Relation of obligations to outlays:			
Obligations incurred, net	202,127	241,125	−137,689
Obligated balance, start of year	10,692	23,550	26,228
Obligated balance transferred from participation sales fund	18,462	46,307	44,510
Obligated balance transferred to participation sales fund	−27,100	−49,575	−59,679
Obligated balance, end of year	−23,550	−26,228	−28,437
Outlays	180,631	235,179	−155,067

Note.—The above statement excludes the following exchanges of nonworking capital assets: The settlement of VA-guaranteed or insured loans by the acquisition of real property (1968, $193,565,000; 1969, $238,590,000; 1970, $237,370,000); the settlement of defaulted VA-owned loans by acquisition of real property (1968, $66,340,000; 1969, $76,888,000; 1970, $76,258,000); the acquisition of vendee loans in exchange for real property (1968, $276,552,000; 1969, $330,000,000; 1970 $0).

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 actual	1969 estimate	1970 estimate
Assets:				
Treasury balance	256,982	475,745	476,773	594,111
Accounts receivable, regular—net	5,939	3,625	5,800	6,700
Interest collections held by or for trustee—Participation sales fund	1,831	5,417	7,361	10,222
Interest collections in escrow for trustee—Participation sales fund	−1,446	−3,134	−4,221	−4,171
Loans receivable, net:				
Vendee accounts	934,914	1,139,217	1,363,006	1,195,263
Acquired loans	19,993	20,485	22,105	23,525
Advances for bidding at public sales, and sales commission	153			
Claims receivable	38,224	51,155	49,792	54,737
Allowance for losses	−30,579	−36,931	−35,900	−39,500
Claims receivable, net	7,645	14,224	13,892	15,237
Real property owned	156,338	142,328	136,689	127,639
Valuation allowance	−7,246	−6,908	−6,500	−6,100
Property acquisitions pending settlement	−5,333	−3,923	−3,700	−3,500
Equity in real property	143,759	131,496	126,489	118,039
Total assets	1,369,769	1,787,075	2,011,205	1,958,926
Liabilities:				
Current:				
Accounts payable and accrued liabilities	16,748	29,248	34,918	40,888
Deferred credits	268	209	250	300
Total, current liabilities	17,016	29,457	35,168	41,188
Long term:				
Participation certificates outstanding—Participation sales fund	304,000	728,300	982,025	930,225
Principal collections in escrow for trustee: Participation sales fund	1,092	2,334	2,359	2,939
Principal payments to be applied to redemption of participation certificates	−2,461	−20,322	−52,238	−37,842
Net—long-term liabilities	302,631	710,312	932,146	895,322
Total liabilities	319,646	739,770	967,314	936,510
Government equity:				
Non-interest-bearing capital:				
Start of year	955,206	1,155,206	1,155,206	1,155,206
Transfer from "Direct loans to veterans and reserves revolving fund" (80 Stat. 679)	200,000			
End of year	1,155,206	1,155,206	1,155,206	1,155,206
Deficit, end of year	−105,084	−107,901	−111,315	−132,790
Total Government equity	1,050,122	1,047,305	1,043,891	1,022,416

REVENUE, EXPENSE, AND, RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Revenue	69,290	84,985	90,184
Expense	−69,681	−95,520	−113,725
Net operating loss	−391	−10,535	−23,541
Nonoperating income:			
Proceeds from sale of properties:			
Cash proceeds	14,872	14,900	337,600
Other (vendee loans)	276,552	330,000	
Net book value of properties sold	−294,529	−343,400	−341,250
Net gain or loss from sale of properties	−3,105	1,500	−3,650
Proceeds from sale of mortgages:			
Cash proceeds	4,707	20,250	78,000
Asset value of mortgage sold	−4,693	−20,250	−78,000
Net gain from sale of mortgages	14		
Net loss for year	−3,482	−9,035	−27,191
Analysis of deficit:			
Deficit, start of year	−105,084	−107,901	−111,315
Appropriations: Reimbursement for insufficiencies on participation certificates sold	665	5,621	5,716
Deficit, end of year	−107,901	−111,315	−132,790

ANALYSIS OF GOVERNMENT EQUITY (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 actual	1969 estimate	1970 estimate
Unobligated balance	246,290	712,195	450,545	565,674
Invested capital and earnings	1,106,463	1,305,422	1,525,492	1,352,064
Subtotal	1,352,753	2,017,617	1,976,037	1,917,738
Net long-term liabilities	−302,631	−710,312	−932,146	−895,322
Undrawn authorization		−260,000		
Total Government equity	1,050,122	1,047,305	1,043,891	1,022,416

Note.—This statement excludes unfunded contingent liabilities under loan guarantees and insurance programs as follows: 1967, $16,326,000,000; 1968, $17,483,000,000; 1969, $17,580,000,000: and 1970, $17,991,000,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Other services	27,657	29,918	41,850
Investments and loans	271,808	319,280	319,480
Interest and dividends	28,625	56,235	55,025
Total obligations	328,090	405,433	416,355

LANGUAGE CHANGE

Mr. EVINS. Loan Guaranty Revolving Fund, which we have discussed and you want to change the language in the bill—

Because of the uncontrollable nature of expenditures in the Loan Guaranty Program, we are again requesting that the limitation on expenditures be removed * * * It is also proposed to continue the authority for transfer of unobligated balances including retained earnings of the Direct Loan Revolving Fund to provide for the timely payment of obligations of the Loan Guaranty Fund.

Why should we do that?

Mr. DERVAN. There have been times in the past, Mr. Chairman, when the input of funds into the Loan Guaranty Revolving Fund did not coincide with the obligations we had to meet, although looking

at it over the entire year, the input did meet outgo, but in these times when obligations exceed the funds that we have available at the particular time, then it has been necessary to transfer the funds and this transfer authority helps us this way to meet our contractual obligation under the Loan Guaranty Revolving Fund.

Mr. EVINS. You can come forward with a supplemental request and take care of any emergency that might arise.

Mr. MONK. Mr. Chairman, we have asked you to do this every year and we know how you feel about it.

PARTICIPATION SALES INSUFFICIENCIES

PROGRAM AND FINANCING [In thousands of dollars]

	1968 actual	1969 est.	1970 est.
Financing: Unobligated balance lapsing		3,884	
Budget authority (appropriation)		3,884	
Budget authority:			
Appropriation (definite)	665	9,505	5,716
Transferred to other accounts	−665	−5,621	−5,716
Appropriation (adjusted)		3,884	
Relation of obligations to outlays: Obligations incurred, net			
Outlays			

Mr. EVINS. Tell us about your participation sales insufficiencies.

You say, "A definite amount will be required for 1970." How much?

Mr. MONK. $5,716,000.

Mr. EVINS. Mr. Monk, in the middle of the page there, it says minus $38,925,000 interest on equal amount of loans in the pool.

Mr. MONK. I will ask Mr. Dervan to speak on that.

Mr. DERVAN. Under the ground rules which have been established for determining insufficiencies in respect to participation sales, we are required to relate the interest which accrues to the holders of participation sales to the interest which is realized on an equal amount of loans pledged as the basis for the participation sale, despite the fact that the amount of loans pledged may exceed the face amount of the participation certificates outstanding.

The table on page 3–14 shows that the interest accrued on the participation sales—for example, in 1968—was $19,285,000. The interest realized on the loans pledged to support the participation certificates was $17,147,000. Thus there was an interest deficiency of $2.1 million which was absorbed initially from available investment income of $357,000 an insufficiency appropriation of $665,000 with a carryover to fiscal 1969 of the difference, $1,116,000.

Mr. EVINS. The insufficiency is going up each year then.

Mr. DERVAN. Not much.

Mr. MONK. Mr. Chairman, I have a very comprehensive table on the insufficiencies which, with your permission, I would like to put in the record, which traces it from the start of the participation-sale program through 1970.

Mr. EVINS. It may be included in the record.

(The table follows:)

ANALYSIS OF F.Y. 1968, 1969 AND 1970 INSUFFICIENCIES AND BUDGET AUTHORITY
($'s in thousands)

	Direct Loan			Loan Guaranty			Combined			
	1968	1969	1970	1968	1969	1970	1968	1969	1970	TOTAL
Reconciliation of Participation sales authorization to Participation certificates sales:										
Unused authorization - B.O.Y.	$ ...	$ ...	$ ...	$ ...	$260,000	$ ...	$ ...	$260,000	$ ...	$ ...
Participation sales authorization (Bud.Auth.)	165,000	...	...	685,000	...	...	850,000	...	...	850,000
Participation certificate sales	-165,000	...	...	-425,000	-260,000	...	-590,000	-260,000	...	-850,000
Unused authorization - E.O.Y.	...	...	...	260,000	...	...	260,000	...	...	...
Reconciliation of participation sales insufficiencies to Budget Authority										
Interest accrued on part. cert. for which insufficiencies are authorized:										
1967 Sales-Interest rate of 5.17%	9,900	7,787	7,107	6,784	5,344	4,885	16,684	13,131	11,992	41,807
1968 Sales-Interest rate of 6.26%	2,425	10,519	10,519	12,501	26,188	34,709	14,926	36,707	35,228	86,861
1969 Sales-Interest rate of 6.16%	...	...	...	...	14,175[1]	16,047	...	14,175	16,047	30,222
Total	12,325	18,306	17,626	19,285	45,707	45,641	31,610	64,013	63,267	158,890
Interest on equal amount of loans pledged in the mortgage pool:										
1967 Sales-Interest rates:D.L. 5.18%;L.G. 5.62%	-8,735	-7,091	-6,199	-6,750	-5,154	-4,785	-15,485	-12,245	-10,984	-38,714
1968 Sales-Interest rates:D.L. 5.54%;L.G. 5.68%	-1,871	-8,489	-7,740	-10,397	-21,292	-18,593	-12,268	-29,781	-26,333	-68,382
1969 Sales-Interest rates:D.L. ... ;L.G. 5.86%	...	...	...	...	-13,766[2]	-15,547	...	-13,766	-15,547	-29,313
Total	-10,606	-15,580	-13,939	-17,147	-40,212	-38,925	-27,753	-55,792	-52,864	-136,409
Insufficiency:										
1967 Sales	1,165	696	908	34	190	100	1,199	886	1,008	3,093
1968 Sales	554	2,030	2,779	2,104	4,896	6,116	2,658	6,926	8,895	18,479
1969 Sales	...	...	...	...	409	500	...	409	500	909
Total	1,719	2,726	3,687	2,138	5,495	6,716	3,857	8,221	10,403	22,481
Financed by:										
Investment income (net) from Participation sales fund (GNMA)										
1967 Sales	-589	-775	-275	-34	-190	-100	-623	-965	-375	-1,963
1968 Sales	-30	-350	-750	-323	-600	-550	-353	-950	-1,300	-2,603
1969 Sales	...	...	...	...	-200	-350	...	-200	-350	-550
Total	-619	-1,125	-1,025	-357	-990	-1,000	-976	-2,115	-2,025	-5,116
Retained earnings										
1967 Sales	-576	79[3]	-633	...	...	...	-576	79	-633	-1,130
1968 Sales	-524	-1,680	-2,029	...	...	...	-524	-1,680	-2,029	-4,233
1969 Sales	...	...	...	...	...	...	...	...	...	...
Total	-1,100	-1,601	-2,662	...	...	...	-1,100	-1,601	-2,622	-5,363
Carried forward to subsequent year-1968 Sales	...	...	...	-1,116	...	...	-1,116	...	...	-1,116
Brought forward from prior year-1968 Sales	...	...	...	...	1,116	...	...	1,116	...	1,116
Budget Authority										
1967 Sales-Indefinite appropriation	...	...	...	...	...	...	...	...	...	...
1968 Sales-Definite appropriation	...	...	...	665	5,412	5,566	665	5,412	5,566	11,643
1969 Sales-Definite appropriation	...	...	...	...	209	150	...	209	150	359
Total	...	...	...	665	5,621	5,716	665	5,621	5,716	12,002

1/ Interest for 9 months and 19 days
2/ Interest for 9 months and 19 days less .5% servicing fee.
3/ Addition to retained earnings resulting from loans set aside in excess of a ratio of 1 for 1 prior to June 1967 when additional participation certificates were sold without the pledging of additional loans, and also the small differential in respective interest rates.

Mr. WYMAN. This is really a subsidy for the use of working capital for things at a higher rate than your loans.

Mr. MONK. You could look at it that way, I think.

Mr. WYMAN. It is going to continue? What is the life of these PC's?

Mr. DERVAN. The PC's that have been issued have ranged with maturities all the way up to 20 years.

Mr. WYMAN. So this will go on?

Mr. DERVAN. Yes. These loans are the securities for those PC's and will have to be maintained in a pledge status until the PC's mature.

Mr. WYMAN. Is there a right on the holder of the PC's to trade them in, sell them? They are in $5,000 units, aren't they?

Mr. DERVAN. Yes, sir.

Well, he does not have any right to call upon us to pay these prior to their maturity date. We may, however, if the situation made such desirable in some instances, refund these certificates. They are traded in the market. They are negotiable.

NET LOSS IN LOAN GUARANTY FUND

Mr. EVINS. We saw earlier the liquidity of the loan fund. Now let's look at page 3–17, the losses.

You say the $108 million net loss existing in loans in the guaranty fund at the close of 1968 is the net cost today. $108.5 million exclusive of administrative costs. You don't include that. This has resulted in paying claims for the guaranty, or insurance issued on 7.2 million loans in the amount of $70 billion.

The net loss reflects the result of liquidation properties as well as claimants. On this basis there has been an average loss of $446 on the claims paid through June 1968. Cast in other terms, the loss has resulted—and you make it appear less—0.153 percent of the dollar value guaranteed or insured. Do you consider this acceptable?

Mr. DERVAN. Yes, sir.

This is 15 cents loss per $100 of credit.

Mr. EVINS. Taking those that are acquired—those that acquired homes, and a credit has been made of $70.9 billion, nearly $71 billion——

Mr. DERVAN. It is roughly fifteen hundredths of 1 percent, Mr. Chairman. The $108 million is roughly fifteen hundredths of 1 percent, sir, of the credit extended to veterans.

Mr. EVINS. You are doing a large business and the loss ratio you consider is very small.

Mr. DERVAN. Yes, sir. This covers a period of 24 years and it takes into account all losses that have been incurred including those incurred by reason of disasters and by reason of changing economic conditions in various localities, such as occurred in Wichita and Detroit a number of years ago.

Under the circumstances, I consider our 3.3 percent foreclosure rate to be acceptable. Cast in other terms, it means that almost 97 out of every 100 veterans who obtained guaranteed loans have repaid or are presently repaying the loans in accordance with their contracts.

Mr. EVINS. Mr. Dervan is a very agile man. He can turn a $108 million loss into an attractive figure.

Mr. MARSH. With the increase in the prime interest rate what effect will it have on the number of foreclosures on loans outstanding?

Mr. DRIVER. It should go down. There has been an improvement as the interest rates have risen.

Mr. MARSH. Your loan repayments on loans outstanding should improve?

Mr. DRIVER. That is right.

ACQUIRED PROPERTIES

Mr. MARSH. Following that through, with the number of properties you now hold because of previous defaults, can you move those properties under the existing loans?

Mr. DRIVER. At the present interest rate; yes, sir.

Mr. MARSH. Will that enable you to move these properties that you are holding?

Mr. DRIVER. This picture has improved year by year too. We show a continuing improvement, a decline in the number of properties on hand.

Mr. MARSH. With the increase in the prime rate, can you give added impetus, now, as a matter of policy, to move the properties that you are holding in your large holdings?

Mr. DRIVER. Yes, sir. We can give added impetus, but I don't know that it will make much difference because of the places they are located, most of them.

Mr. MARSH. That is what I want you to say.

Mr. DRIVER. Our holdings are concentrated in less than a dozen, I would say, 10 or 12 principal places. The economic conditions that created these large holdings probably won't change any because of the increase in the prime rate. Therefore, the market for these houses won't brighten, unless we were to sell them at a sacrifice.

Mr. MARSH. As a matter of policy, have you thought of coordinating with HUD and their need for low-cost housing and low-interest rate housing to see if something can be worked out in these types of arrangements to take advantage of your holdings and letting loans that are on those properties at a substantially reduced interest rate to see if you can get rid of those.

Mr. DERVAN. We have been contacted upon many occasions by private entities who are very much interested in making available to low-income citizens housing which these people can afford. We have been able to do some business with these entities and we have sold properties either to them directly which in turn they have sold, or we have sold the properties to the lower income citizen who was referred to us by them.

As Mr. Driver pointed out, however, the problem largely comes down to either the price at which we can afford to sell these properties without taking an unjustified loss, or their location in respect to the employment of the potential purchasers.

Mr. EVINS. Supply for the record a list of the major locations where VA has properties on hand and the number of units.

Mr. DERVAN. You will find this at the end of the book on page 5–19.

Mr. EVINS. Place this in the record at this point, and pages 3–17, and 3–20, 3–21, 3–22, 3–25, 3–26, and 5–19.

(The pages follow:)

The $108,565,693 net loss existing in the Loan Guaranty Fund at the close of fiscal year 1968 is the net cost to date, exclusive of administrative expenses, which has resulted from paying claims for the guaranty or insurance issued on 7.2 million loans in the amount of $70.9 billion. The net loss reflects the results of the liquidation of properties as well as claims payments.

On this basis, there has been an average loss of $446.63 on the claims paid through June 30, 1968. Cast in other terms, the loss has been 0.153 percent of the dollar value guaranteed or insured.

The elements which made up the net cumulative loss through fiscal year 1968 are as follows:

Expenses and Losses:		
Guaranty losses, net 1/		$184,259,299
Operating expenses and losses:		
Property expense	$162,235,813	
Selling expense	129,419,479	
General expense	3,264,489	
Write-offs	3,348,410	
Commission on sale of participations	2,155,946	
Interest expense on Participation Certificates	43,993,124	
Provision for valuation allowance on unsold properties	6,908,127	351,325,388
Total expenses and losses		$535,584,687
Income:		
Interest collection on veterans indebtedness		$ 2,056,792
Operating income:		
Gross profit on sale of property	$ 67,858,227	
Interest on loans	293,419,017	
Rental and miscellaneous income	54,213,803	
Net premium on sale of vendee accounts.	8,165,311	
Income from Participations sales fund..	1,305,844	424,962,202
Total income		$427,018,994
Net loss		$108,565,694
Less: Appropriation for insufficiencies paid on participation certificates		-665,000
Deficit June 30, 1968		$107,900,694

1/ For all practical purposes, guaranty losses, net, are the difference between payments to holders for claims against defaulted guaranteed or insured loans and the value of properties conveyed to the VA.

Program Expenditures

The Loan Guaranty Revolving Fund requirements in FY 1969 are expected to be $405.4 million or $77.3 million more than they were in FY 1968.

The FY 1970 requirements are expected to be $416.4 million or $11.0 million more than in FY 1969, due primarily to the payment of loan placement fees by VA.

The following table summarizes the actual and estimated significant items of cost:

	1968 Actual	1969 Estimated	1970 Estimated
Capital outlay, funded:			
Real property acquisitions	$201,127,496	$237,160,000	$235,950,000
Claims paid	18,863,550	23,345,000	24,240,000
Repurchase of loans sold, net	24,561,219	23,925,000	22,785,000
Loans acquired	3,942,482	4,500,000	4,560,000
Capital improvements to acquired properties	21,799,689	28,750,000	30,245,000
Cash advances - vendee loans	1,513,153	1,600,000	1,700,000
Total	271,807,589	319,280,000	319,480,000
Operating costs, funded:			
Property management expense	11,297,261	10,800,000	10,550,000
Property sales expense	15,139,610	18,395,000	18,300,000
Commission on sale of participation certificates	1,219,991	723,000	
Interest expense on participation certificates	28,625,025	56,235,000	55,025,000
Loan placement fee	....	....	13,000,000
Total	56,281,987	86,153,000	96,875,000
Total program costs, funded obligations	328,089,576	405,433,000	416,355,000

Real property acquisitions

Private lenders who have acquired property as a result of foreclosure on defaulted guaranteed or insured loans may elect to convey that property to the Veterans Administration. The following table reflects this activity:

Number of property acquisition vouchers processed	16,763	19,600	19,500
Average cost per acquisition	$11,998	$12,100	$12,100
Total cost	$201,127,496	$237,160,000	$235,950,000

Claims paid

These payments are made to lenders in accordance with the Veterans Administration guaranty contract and represent the difference between the amount owed by the veteran on a defaulted loan and the value of the foreclosed property (as established by Veterans Administration). These payments are in addition to property acquisition costs.

	1968 Actual	1969 Estimate	1970 Estimate
Number of claims	17,435	20,300	20,200
Average cost per payment	$1,082	$1,150	$1,200
Total cost	$18,863,550	$23,345,000	$24,240,000

Capital improvements to acquired properties

After conveyance of the property to the Veterans Administration, repairs are often necessary to place the property in salable condition. Improvements of a permanent nature, additions, and alterations, plus rehabilitation costs when capitalized.

Number of properties	22,150	26,500	26,300
Average cost per property	$984	$1,085	$1,150
Total cost	$21,799,689	$28,750,000	$30,245,000

Repurchase of loans sold, net

Pursuant to Veterans Administration Regulation 4600, dated March 22, 1962, the mortgage loans, which have been created incident to the sale of Veterans Administration acquired properties are sold with full recourse in the event of default:

Number of loans repurchased	2,252	2,200	2,100
Average cost per repurchase	$10,906	$10,875	$10,850
Total cost	$24,561,219	$23,925,000	$22,785,000

Loans acquired

Guaranteed or insured loans in a default status may be purchased by the Administrator to avoid foreclosure when it is felt that forebearance will allow obligors to cure the defaults:

Number of loans acquired	268	300	300
Average cost per acquisition	$14,709	$15,000	$15,200
Total cost	$3,942,482	$4,500,000	$4,560,000

Cash advances - vendee loans

Cash expenditures are not involved in the establishment of vendee loans. However, small cash advances are occasionally made to borrowers to cover taxes hazard insurance and necessary repairs. The amounts are added to the current vendee loan balances.

Property management expense

The cost of ownership of Veterans Administration acquired properties is financed from this fund. These costs include local real estate taxes, services performed by management brokers and maintenance of the property.

	1968 Actual	1969 Estimate	1970 Estimate
Average number of properties owned	13,410	12,487	11,712
Average cost per property	$842	$865	$900
Total cost	$11,297,261	$10,800,000	$10,550,000

Property sales expense

Include brokers fees and advertising costs incident to the sale of properties owned by the Veterans Administration.

Number of sales	23,219	27,250	27,100
Average cost per sale	$652	$675	$675
Total cost	$15,139,610	$18,395,000	$18,300,000

Commission on sale of Participation Certificates

Represents the Veterans Administration portion of the cost of marketing serial participation certificates through a nationwide group of underwriters, by the Government National Mortgage Association as Trustee. No sales are proposed for 1970.

Total cost	$1,219,991	$723,000	....

Interest Expense on Participation Certificates

This item represents the amount of interest expense accrued holders of participation certificates.

Total cost	$28,625,025	$56,235,000	$55,025,000

Loan placement fee

Beginning in FY 1970 properties will be sold for all cash and purchasers will obtain their own financing. As part of this plan, VA will pay or absorb discounts required by lenders for making loans to purchasers.

Total cost	....	....	$13,000,000

Program Condition

The program expenditures and financing transactions outlined in the preceding pages will result in the following program condition at the close of fiscal years 1968, 1969 and 1970:

	1968 Actual	1969 Estimated	1970 Estimated
Assets:			
Treasury balance	$475,745,211	$476,772,651	$594,110,651
Current receivables:			
Accounts receivables, net	3,624,884	5,800,000	6,700,000
Interest collections on deposit with trustee	2,282,778	3,140,000	6,051,000
Total current receivables	5,907,662	8,940,000	12,751,000
Invested capital:			
Loans receivable:			
Vendee accounts	1,139,217,108	1,363,006,000	1,195,263,000
Acquired loans	20,485,002	22,105,000	23,525,000
Veterans Indebtedness:			
Claims receivable	51,154,627	49,791,751	54,737,751
Allowance for losses	-36,930,379	-35,900,000	-39,500,000
Claims receivable, net	14,224,248	13,891,751	15,237,751
Real Property:			
Real property owned	142,327,683	136,689,000	127,639,000
Valuation allowance	-6,908,127	-6,500,000	-6,100,000
Property acquisition pending settlement	-3,923,138	-3,700,000	-3,500,000
Equity in real property	131,496,418	126,489,000	118,039,000
Total invested capital	1,305,422,776	1,525,491,751	1,352,064,751
Total assets	1,787,075,649	2,011,204,402	1,958,926,402
Liabilities:			
Current accounts payable and accrued liabilities	29,249,048	34,918,000	40,888,000
Deferred credits	209,194	250,000	300,000
Total current liabilities	29,458,242	35,168,000	41,188,000
Long-term:			
Participation certificates outstanding	728,300,000	982,025,000	930,225,000
Principal collections held by or for trustee to be applied to redemption of participation certificates	-17,987,995	-49,880,000	-34,903,000
Net long-term liabilities	710,312,005	932,145,000	895,322,000
Total liabilities	739,770,247	967,313,000	936,510,000
Government equity:			
Non interest-bearing capital	1,155,206,096	1,155,206,096	1,155,206,096
Deficit end of year	-107,900,694	-111,314,694	-132,789,694
Total Government equity	1,047,305,402	1,043,891,402	1,022,416,402
Total Liabilities and Equity	1,787,075,649	2,011,204,402	1,958,926,402

Average Loss per Property Sold

	Fiscal Year 1967	Fiscal Year 1968
Net Claim Amount	$874	$881
Additional Cost to Acquire	11,528	11,755
Capitalized Improvements and Rehabilitation Cost, et cetera	762	899
Net Property Expense	403	360
Selling Expense	615	632
Total Cost	$14,182	$14,527
Less: Selling Price	12,278	12,609
Average Loss Per Property Sold	$1,904	$1,918

The cumulative average loss per property sold, as of June 30, 1968, was $1,525.

This measure represents the difference between the selling price of properties and all amounts expended in connection with the acquisition, repair and maintenance, and the sale of the properties, including the amount of the net claim paid to the holders of the defaulted guaranteed or insured loans. Resales of properties owned by VA are counted as separate sales and included in the averages. Net property expense is the total property expense less rental income.

Some of this loss is recovered through collections of veterans' indebtednesses and from interest income received from loans made incident to the sales of properties.

Concentration of Acquired Properties

Station	June 30, 1968	June 30, 1967	June 30, 1966
St. Petersburg	2,226	2,098	1,361
Waco	1,653	1,773	1,967
Chicago	985	1,130	1,336
Los Angeles	977	987	1,061
Albuquerque	902	727	531
Detroit	618	744	1,328
Cleveland	577	507	452
Denver	439	558	572
St. Louis	357	373	....
Wichita	353	498	785
Montgomery	329	409	502
Houston	301	358	585
San Francisco	296	389	420
New York	277	378	345
Boise	268	....	....
New Orleans	....	386	548
Muskogee	....	305	....
Seattle	....	....	513
Group Total	10,558	11,620	12,306
Group Total as a % of U.S. Total	(80.1)	(79.7)	(78.4)
All other RO's	2,621	2,968	3,373
All Other RO's as a % of U.S. Total	(19.9)	(20.3)	(21.6)
U.S. TOTAL	13,179	14,588	15,679

Mr. Evins. Considering $7 billion worth of credit, $108 million is not as great a loss as some other losses that we see in the Government. What is the status of the insurance funds?

Insurance Programs

Mr. Petraitis. It is in good shape. As the chairman noted under the benefit appropriations item on page 2–25, the veterans insurance and indemnities appropriation, we are asking for only $7,235,000 for 1970 in new additional appropriations; $6,500,000 will be transferred from the veterans special term life insurance program that has some extra earnings.

All other programs are in fine shape and require no supplement. This year our dividend is a little larger by $13 million than last year, for a total of $236 million.

Mr. Evins. Place in the record 4–3 through 4–5.

(The pages follow:)

SUMMARY

The Veterans Administration administers five life insurance programs for the benefit of servicemen, veterans, and their beneficiaries and oversees the administration of a sixth. Those for which the Veterans Administration is directly responsible are as follows:

United States Government Life Insurance (USGLI) which had its origin in World War I and was closed to all but World War I veterans in 1940, and to all new issues in 1951. There are now about 218,000 policyholders remaining.

National Services Life Insurance (NSLI) which had its origin in 1940 during World War II. This program was closed to all new issues in 1951. Currently, there are about 4.6 million policyholders.

Service-Disabled Veterans Insurance (S-DVI) which was added in 1951 during the Korean Conflict by amendment to the original NSLI Act. It provides insurance only to veterans with service connected disabilities. This insurance is still available and we have about 73,000 policyholders.

Veterans Special Term Insurance (VSTI) which was also added during the Korean Conflict. It covers insurance issued principally to Korean conflict veterans, after April 1951 and before January 1957. There are about 628,000 policyholders.

Veterans Reopened Insurance (VRI) which was issued for a period of one year, beginning May 1, 1965 for certain service and nonservice disabled veterans who had active service during the period October 8, 1940 to January 1, 1957. This program was closed to applications May 2, 1966. There are about 199,000 policyholders.

The administrative expenses of the Veterans Reopened Insurance program are charged to the insureds. Administrative expenses in connection with the other programs are borne by the General Operating Expenses appropriation.

Five separate funds, three revolving funds and two trust funds, have been established in the U. S. Treasury as the financing mechanisms of the five programs. All premiums and collections on insurance issued under a fund are credited to that fund and all payments on such insurance is made from that fund. Each of the program funds is operated on a commercial basis to the extent possible consistent with all applicable statutes.

These programs make a significant contribution toward providing reasonably adequate insurance protection for veterans, their families and dependents. Disability income benefits are available on an optional basis, with the exception of S-DVI. The policies provide for waiver of premium in the event of total disability. Permanent plan policies provide for additional benefits in the form of loans at modest interest rates, cash surrender values, paid-up insurance and extended insurance features.

The Government life insurance programs have a significant impact on the economy.

- Through FY 1968, payments to beneficiaries and to living policyholders have totaled about $21.6 billion since the inception of the various programs.

- Beneficiaries of deceased policyholders were paid about $10.7 billion. Policyholders received about $7.8 billion in dividends and about $3.1 billion in disability payments, matured endowments, surrender value, and interest on dividend credit and deposit accounts.

- On several occasions insurance dividend payments have been made on an accelerated basis; however, current plans contemplate making these payments on the anniversary dates. Normal dividend payments are expected to exceed $200 million each year.

- Death claim payments are expected to continue at about $460 million per year and disability payments at about $23 million.

In addition to these five insurance programs, the Veterans Administration also administers Article IV of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended. Under its provisions the Government guarantees premium payments to commercial insurance companies on life insurance policies carried by servicemen during active military service.

A new insurance program was established for members of the uniform services beginning September 29, 1965. Known as Servicemen's Group Life Insurance, it provided for group life insurance coverage by non-government insurers and is paid for by payroll deduction. The Veterans Administration negotiated the insurance contract with the primary insurer and serves as the agent for receiving premiums paid by service personnel and transmitting premiums payable to the primary insurer. A revolving fund was created for this purpose. All claims and payments will be administered by the insurer, with an annual accounting for its experience and activity under this program of insurance.

The following table shows data relative to each of the five insurance programs for which the Veterans Administration is responsible:

Issued	U.S. Gov. Life Ins. (USGLI) WWI	National Service Life Ins. (NSLI) WWII	Service-Disabled Vet. Ins. (S-DVI) Korean	Veterans Special Term Ins. (VSTI) Korean	Veterans Reopened Ins. (VRI) WWII-Korean	Total
Beginning date	1/1/19	10/8/40	4/25/51	4/25/51	5/1/65	xxxx
Closing date	4/25/51	4/25/51	Open to New Issues	12/31/56	5/2/66	xxxx
Policies in force, 5-yr term	2,233	2,221,959	36,382	460,556	----	2,721,130
Policies in force permanent plans	215,980	2,368,123	36,146	167,586	198,825	2,986,660
Total policies in force	218,213	4,590,082	72,528	628,142	198,825	5,707,790
Total ins. in force ($'s in millions)	$947	$30,204	$629	$5,516	$1,389	$38,685
Average amt. per policy	$4,337	$6,580	$8,679	$8,782	$6,986	$6,778
Avg. attained age in FY 1968	68.9	47.0	35.3	36.2	45.7	xxxx
Annual death rate per 1,000	42.5	6.1	13.1	1.5	4.4	xxxx

Mr. EVINS. Page 4–7 shows you the number of policies in force.

Refer to the Veterans Special Term Insurance Fund. That is about 620,000 policies in force. The operating cost is shown on page 4–14, Veterans Reopened Insurance Fund; 161,000 policies in effect for $1,147,000,000. That is a lot of insurance for the disabled. That is a worthy program.

Mr. WYMAN. At page 4–3 you say "These programs make a significant contribution toward providing reasonably adequate insurance protection for veterans, their families and dependents."

The way things are going these days, there is some question about what is "reasonably adequate," isn't there?

Mr. DRIVER. I am glad the word "contribution" is in there because it certainly doesn't come anywhere near meeting the total insurance needs at all. As you are pointing out, a $10,000 coverage, for example, today compared to one in World War I or II is not the same money.

Mr. WYMAN. Has there been any thought on it in the Administration, to increase the fund for a larger amount for the veterans?

Mr. DRIVER. There has been a great deal of attention given to this, but it has not done anything.

Mr. EVINS. Place pages 4–7 through 4–29 in the record.

(The pages follow:)

SERVICE DISABLED VETERANS INSURANCE

The Service-Disabled Veterans Insurance Fund was established in 1951 as the financing mechanism for the insurance program authorized by section 620 of the National Service Life Insurance Act of 1940, as amended.

The fund receives premiums and other collections and pays claims on insurance policies issued to veterans with service-connected disabilities, but who are otherwise insurable and whose service with the Armed Forces was after April 1951. The veterans must apply in writing for the insurance within one year from the date the disability was determined to be service-connected (38 U.S.C. 722). The plans are the same as those in the National Service Life Insurance Fund but the insurance is nonparticipating.

Since the fund insures medically substandard lives at standard rates of premiums, the fund is not self-sustaining. Revenue is not sufficient to meet costs of operation. It is operated on virtually a pay-as-you-go basis by making periodic transfers from the Veterans Insurance and Indemnities appropriation to meet current expenses.

Since policies are still being issued there is a general increase in the activity of the fund as shown in the following table:

	June 30, 1968	June 30, 1969	June 30, 1970
Number of policies in force ...	72,528	75,000	77,000
Amount of insurance in force	$629,435,000	$650,000,000	$668,000,000

The program plans and program condition are included below. The estimates included in these statements are based on actuarial analyses and established trends.

Program Plans

	1968 Actual	1969 Estimate	1970 Estimate
Program			
1. Death claims	$ 9,238,265	$10,880,937	$12,322,279
2. Cash surrenders & matured endowments	453,322	510,000	560,000
3. Other expense	3,000	3,063	2,721
4. Policy loans made	1,805,992	2,090,400	2,390,200
5. Policy liens made	9,381	9,600	9,800
Total obligations	$11,509,960	$13,494,000	$15,285,000

	1968 Actual	1969 Estimate	1970 Estimate
Financing			
1. Premiums earned	$ 6,275,434	$ 6,782,020	$ 7,276,000
2. Interest income	268,099	317,127	373,380
3. Payment from Veterans Insurance and Indemnities	1,600,000	4,250,000	6,000,000
4. Optional income settlements	1,235,160	1,647,937	1,871,279
5. Other income	360	582	821
6. Policy loans repaid	709,462	791,204	841,120
7. Policy liens repaid	8,151	9,130	9,400
Total receipts	$10,096,666	$13,798,000	$16,372,000
Unobligated balance, start of year	318,352	-1,094,942	-790,942
Unobligated balance, end of year	1,094,942	790,942	-296,058
Total financing	$11,509,960	$13,494,000	$15,285,000

Program costs

Operating costs consisting of death, cash surrender and matured endowment claims are expected to increase by about $1.6 million each year for the next two years. New policy loans are expected to increase slightly in the next two years.

Financing

Payments from this fund are financed primarily from premium receipts and periodic transfers from the Veterans Insurance and Indemnities appropriation. In 1968, transfers from the appropriation amounted to $1.6 million to meet current expenses. Income is expected to be well below the total expenses which will necessitate a transfer of $6 million in 1970.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimate	1970 Estimate
Total assets	7,628,511	9,356,308	12,076,688
Current liabilities	1,423,768	1,548,000	1,632,000
Long term liabilities	48,994,529	55,197,000	61,730,000
Government equity	-42,789,786	-47,388,692	-51,285,312

Policy loans make up about 95% of the assets with cash as the bulk of the remainder. The outstanding loans are expected to increase by about $1.4 million each year for the next two years.

Miscellaneous accounts payable constitute about two thirds of the current liabilities. Premiums paid in advance of the reporting period make up about one third.

The long term liabilities or operating reserves represent payments that would have to be made if the fund were dissolved at the end of the specific fiscal year involved.

The government equity consists of non-interest bearing capital of $4.5 million and the deficit of the fund. The capital consists of a $1 million transfer from Readjustment Benefits appropriation in 1952 and $3,500,000 as direct appropriations from the General Fund of the Treasury between 1952 thru 1957. The deficit is expected to increase by about $8.5 million in the next two years.

SOLDIERS' AND SAILORS' CIVIL RELIEF

The Soldiers' and Sailors' Civil Relief Fund finances claims that result from the guarantees of premiums due on commercial life insurance policies held by servicemen while they are in service and for 2 years after discharge (72 Stat. 487). The Government guarantees the repayment of any indebtedness not liquidated by the insured himself. Claims paid, on applications for coverage submitted and approved prior to October 6, 1942, are not reimbursable to the fund. Claims receivable are established for any payments made on applications for coverage submitted after that date, since these payments are reimbursable to the fund.

The program plans are included below:

	Program Plans		
	1968 Actual	1969 Estimated	1970 Estimated
Program			
1. Claims paid	$ 7,248	$ 2,025	$ 6,360
2. Loans - receivables established	1,604	5,872	6,000
Total obligations	$ 8,852	$ 7,897	$ 12,360
Financing			
1. Recovery of receivable writeoffs	$ 122	$ -0-	$ -0-
2. Loans repaid	2,943	7,000	7,000
Unobligated balance, start of year	31,404	25,617	24,720
Unobligated balance, end of year	-25,617	-24,720	-19,360
Total financing	$ 8,852	$ 7,897	$ 12,360

Program costs

The activity of the fund is indicated in the following table:

Claims paid			
Number of settlements	5	3	4
Average cost per settlement	$1,441	$675	$1,590
Receivables established			
Number of settlements	10	16	16
Average cost per settlement	$160	$367	$375

The cost per settlement varies considerably depending on the face value of policies covered and the length of coverage. Although the number of cases is not expected to vary much in the next two years the amount paid will be considerably more in 1970 than in 1969 because of the higher average cost.

Financing

1. Obligations of the fund are financed from recovery of receivable writeoffs, loans repaid, and appropriations as required.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimated	1970 Estimated
Total assets	$ 39,352	$ 37,327	$ 30,967
Current liabilities	3,632	3,632	3,632
Government equity:			
Non-interest bearing capital	2,028,000	2,028,000	2,028,000
Deficit (-)	-1,992,281	-1,994,306	-2,000,666
Total government equity	$ 35,719	$ 33,694	$ 27,334

The total assets as of June 30, 1968 are comprised of $29,249 in available cash and $10,103 in loans receivable.

The current liabilities are amounts due payees that could not be paid because of a lack of a current mailing address.

The non-interest bearing capital is a cumulative amount derived from Congressional appropriations to the fund.

The deficit is the cumulative excess of expenses over the small revenue of the fund.

VETERANS SPECIAL TERM INSURANCE

The Veterans Special Term Insurance Fund was established for veterans who served in the Armed Forces after April 1951 and up to January 1, 1957.

The issuance of policies under the National Service Life Insurance Fund was discontinued April 25, 1951, at the time that the Servicemen's Indemnity Act was passed. This act provided the servicemen with coverage while they were in service, but made no provisions for any benefits after their separation. The veteran was entitled to make application for insurance under the Veterans Special Term Insurance Fund, provided he made application within 120 days after separation. On January 1, 1957 the issuance of new policies was discontinued.

Originally only 5 year renewable term insurance plans were issued. In 1958 policyholders were given the right to convert to a permanent plan or to a more liberal plan of term insurance. The permanent plans would build up a reserve, thereby entitling the insureds to a cash surrender value, or a loan value of up to 94% thereof. Although the insurance is nonparticipating, a one time special dividend was authorized by Congress in 1961 because of the large accumulated surplus in the fund. The payment of the dividends was completed in 1964.

Since no new policies are issued, the volume is expected to decrease as shown in the following table:

	June 30, 1968	June 30, 1969	June 30, 1970
Number of policies in force	628,142	624,000	620,000
Amount of insurance in force	$5,516,291,000	$5,478,000,000	$5,445,000,000

The program plans are shown below. The estimates included in these statements are based on actuarial analyses and established trends.

Program Plans

Program	1968 Actual	1969 Estimate	1970 Estimate
1. Death claims	$ 9,769,267	$ 10,711,000	$ 11,636,000
2. Disability claims	253,285	268,000	287,000
3. Cash surrenders	1,704,070	1,900,000	2,150,000
4. Matured endowments	2,000	....	....
5. Other expense	8,995	10,000	10,000
6. Policy loans made	4,296,855	4,483,517	5,023,000
7. Policy liens established	9,800	7,700	7,000
Total obligations	$ 16,044,272	$ 17,380,217	$ 19,113,000

	1968 Actual	1969 Estimate	1970 Estimate
Financing			
1. Premiums earned	$ 33,429,267	$ 34,353,000	$ 36,117,000
2. Interest on U.S. Securities	7,200,902	9,089,206	10,154,039
3. Other interest income	460,779	580,794	707,961
4. Optional income settlements	1,542,413	1,623,000	1,764,000
5. Other income	2,584	2,369	2,300
6. Policy loan repaid	1,173,397	1,398,000	1,623,000
7. Policy lien repaid	4,550	8,631	8,700
Total receipts	43,813,892	47,055,000	50,377,000
Unobligated balance, start of year	180,445,760	206,215,380	233,390,163
Unobligated balance transferred to Veterans Insurance and Indemnities Appropriation	-2,000,000	-2,500,000	-6,500,000
Unobligated balance, end of year	-206,215,380	-233,390,163	-258,154,163
Total financing	$ 16,044,272	$ 17,380,217	$ 19,113,000

Program Costs

Operating costs, consisting of death, disability and cash surrender claims are expected to increase about $1.2 million in each of the next two years. New policy loans made are expected to continue in the present trend and increase by $.7 million in the next two years.

Financing

Payments from this fund are financed primarily from premium receipts and interest on U. S. Securities. Premium receipts are expected to increase by $.9 million in 1969 and by $1.8 million in 1970. The greater increase in 1970 is due to the large number of term policies due for renewal. The total annual receipts is expected to increase by approximately $6.1 million in the next two years. The repayment of loans is not expected to keep up with the amount of new loans granted, thereby increasing the balance to be repaid.

In 1968, $2 million was transferred to the Veterans Insurance and Indemnities appropriation, $2.5 million is to be transferred in 1969 and $6.5 million in 1970. These transfers are made possible because of the excess in the retained earnings of the fund.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimate	1970 Estimate
Total assets	$228,108,586	$258,619,163	$287,021,163
Current liabilities	8,761,492	9,013,000	9,253,000
Long term liabilities	217,569,722	246,761,000	277,289,000
Retained earnings	1,777,373	2,845,163	479,163

A reasonable amount of cash income is held in the cash account for current expenses with the remaining excess invested in interest bearing U. S. Securities. These investments, $214.1 million in 1968 constitute 93.8% of the total assets. There should be sufficient capital in 1969 and 1970 to increase these investments by about $54 million. The outstanding policy loans are expected to increase by about $3 million each year for the next two years.

Premiums paid in advance of the reporting period constitute 88% of the current liabilities. Miscellaneous accounts payable make up most of the remainder.

Favorable mortality and investment experience on insurance written in this fund has kept operating costs well below the amount of revenue, thereby producing an annual increase in the retained earnings of the fund. The transfers to the Veterans Insurance and Indemnities Appropriation are made from these retained earnings.

VETERANS REOPENED INSURANCE

This revolving fund finances payment of claims and administrative costs on nonparticipating insurance policies issued after April 30, 1965, and prior to May 3, 1966, under the three insurance programs, Veterans Service-Disabled Standard Insurance, Veterans Service-Disabled Rated Insurance, and Non-Service-Disabled Insurance (38 USC 725). The administrative costs of these programs are borne by the policyholders.

Separate accounting and actuarial records are maintained for these three programs for the purpose of determining the actual costs and to provide the basis for adjusting program premium rates independently as required by law.

Service Disabled Standard Insurance Program

This program finances payment of claims on insurance policies issued to veterans with service-connected disabilities, but who were otherwise insurable according to established good health standards.

	June 30, 1968	June 30, 1969	June 30, 1970
Number policies	167,375	165,200	161,000
Insurance in force	$1,189,882,000	$1,177,000,000	$1,147,000,000

Service-Disabled Rated Insurance Program

This program finances payment of claims on insurance issued to veterans with service-connected disabilities who do not qualify for insurance at standard premium rates solely because of their service-incurred disability.

Number of policies	30,885	30,280	29,500
Insurance in force	$196,443,000	$192,590,000	$187,685,000

Non-Service-Disabled Insurance Program

This program finances payment of claims on insurance issued to veterans with non-service incurred disabilities who are unabled to obtain commercial insurance even at substandard rates.

Number of policies	565	520	500
Amount of insurance	$2,615,000	$2,410,000	$2,315,000

Program:	1968 Actual	1969 Estimated	1970 Estimated
1. Death claims	$ 6,917,763	$ 8,079,500	$ 9,105,500
2. Disability claims	54,270	85,000	110,000
3. Matured endowments	10,983	....	32,000
4. Cash surrenders	686,669	1,164,000	1,636,000
5. Payment to "General Operating Expenses" Appropriation	628,577	605,000	605,000
6. Other expense	7,742	7,500	7,500
7. Policy loans made	1,029,400	1,528,871	2,000,000
8. Policy liens established	42,680	37,609	34,000
Total obligations	$ 9,378,084	$ 11,507,480	$ 13,530,000

	1968 Actual	1969 Estimated	1970 Estimated
Financing:			
1. Interest on U.S. Securities	$ 3,327,930	$ 5,602,025	$ 7,456,884
2. Other interest income	34,604	71,175	110,616
3. Insurance premiums	38,833,560	37,697,450	36,822,200
4. Administrative cost premiums ...	1,017,572	993,050	969,600
5. Optional income settlements ...	780,055	821,000	870,000
6. Other income	4,742	4,300	4,300
7. Policy loans repaid	113,975	619,000	949,400
8. Policy liens repaid	47,306	45,000	41,000
Total receipts.....	$44,159,744	$45,853,000	$47,224,000
Unobligated balance start of year **	49,830,511	84,612,171	118,957,691
Unobligated balance end of year ****	-84,612,171	-118,957,691	-152,651,691
Total financing	$ 9,378,084	$ 11,507,480	$ 13,530,000

Program costs

The combined death and disability claims for the fund will increase about $1 million in each of the next two years.

The administrative costs should reduce slightly to $605,000 in 1969 and remain about the same in 1970.

Policyholders may borrow up to 94% of the cash value of their policies. New loans will continue in an upward trend as the policy reserves increase.

Financing

The expected excess of about $34 million in cash receipts over expense in each of the next two years will be available for investment in U. S. Securities. This accounts for the continued rise in interest income.

Other interest income on policy loans and liens will increase each year in line with the increase in loan and lien balances.

Insurance and administrative cost premiums will continue to decrease in line with the general decrease in policies in force.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimated	1970 Estimated
Total assets	$88,833,275	$123,995,191	$158,679,291
Current liabilities	2,877,083	2,793,000	2,741,000
Long term liabilities.....	80,162,726	114,205,950	147,354,650
Retained earnings	5,793,466	6,996,241	8,583,641

A reasonable amount of cash income is held for current expenses with the remaining excess invested in interest bearing U. S. Securities. These investments, $87.1 million in 1968, constitute 98% of the total assets. There should be sufficient capital to increase these investments in each of the next two years. Cash and outstanding policy loans and liens make up the remaining assets.

Premiums paid in advance of the reporting period constitute 77% of the current liabilities. Miscellaneous accounts payable make up the remaining 23%.

Long term liabilities or operating reserves are amounts actuarially determined and set aside to assure payment of future benefits and should continue on an upward trend for several years.

Retained earnings are the cumulative earnings in excess of those set aside as operating reserves. They provide an additional safety margin against adverse contingencies.

SERVICEMEN'S GROUP LIFE INSURANCE

The Servicemen's Group Life Insurance fund was established in Fiscal Year 1966 in accordance with PL 89-214 (38 U.S.C. Sec. 765-776) to handle the financing of the Servicemen's Group Life Insurance program. All members of the uniformed services on active duty September 29, 1965, the effective date of the program, were automatically insured in the amount of $10,000. All future members are automatically insured on their first day of duty. Members may elect in writing not to be insured under the program or to be insured for only $5,000. There are no other alternatives. The insurance is against death only. No provision was made for disability benefits.

Members are insured for the full amount of $10,000, unless they have elected otherwise, regardless of any NSLI or USGLI they may be carrying. The insurance continues 120 days after release or separation from active service. At any time during the period the insurance is in force the insured may request that his policy be replaced by a plan currently written by one of the companies participating in the program. The insurance will be granted without a medical examination.

The Prudential Insurance Company of America is the primary insurer. As of July 1, 1968 there were 586 other commercial companies participating in the program as reinsurers with about 20 as converters.

The Servicemen's Group Life Insurance Fund receives sums withheld from the pay of members and contributions from the appropriations of concerned departments for the extra hazards of service cost. The fund then pays to the primary insurer all premiums and extra hazard cost on the group life insurance policy covering insured members. It also reimburses the Veterans Administration for the nominal cost of its operation. However, neither the revolving fund nor the Veterans Administration is involved in the handling of claims or the payment of proceeds from the insurance. All claims are handled between the service departments and the primary insurer. All payments incident to them are made by the primary insurer.

The program plans are included below:

Program Plans

	1968 Actual	1969 Estimate	1970 Estimate
Program			
1. Premium payments	$217,487,265	$212,799,323	$198,725,000
2. Payment to "General operating expenses" appropriation	170,157	175,000	175,000
Total obligations	$217,657,422	$212,974,323	$198,900,000
Financing			
1. Withholdings from service pay	$ 83,007,884	$ 84,000,000	$ 84,000,000
2. Contributions for extra hazards of service	134,634,381	128,974,323	114,900,000
Unobligated balance, start of year	15,713	556	556
Unobligated balance, end of year	- 556	- 556	- 556
Total financing	$217,657,422	$212,974,323	$198,900,000

Program Costs

The small decrease in the 1969 estimates for premium payments to the insurers over the actuals for 1968 is due to the decreased rate of extra hazards contributions.

The payment to "General operating expenses" appropriation represents the reimbursements for the Veterans Administration's expense in administering the program.

Financing

1. The estimated withholdings from service pay are based on 3.5 million members at a $2.00 per month premium.

The rate of extra hazard contributions fluctuated during 1968 but averaged about 162% of the withholdings. The 1969 and 1970 estimates for contributions for extra hazards of service are computed at about 145% of the withholdings.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimate	1970 Estimate
Total assets	$556	$556	$556
Government equity	556	556	556

The assets consist entirely of cash on hand and is offset as the unobligated balance in Government equity.

NATIONAL SERVICE LIFE INSURANCE

The National Service Life Insurance fund was established in 1940 as the financing mechanism for World War II servicemen's and veterans' insurance program by the National Service Life Insurance Act of 1940 (72 Stat. 1154). Over 22 million policies have been issued under this program. About $16.2 billion have been paid to policyholders and beneficiaries in the form of disability and death benefits and matured endowments and dividends. The issuance of new policies ended in 1951. A gradual general decline in the activity of the fund will continue as indicated in the following table:

	June 30, 1968	June 30, 1969	June 30, 1970
Number of policies in force....	4,590,082	4,538,000	4,468,000
Amount of insurance in force...	$30,204,183,517	$29,760,000,000	$29,006,000,000

The program plans are included below. The estimates included in these statements are based on actuarial analyses and established trends.

Program Plans

	1968 Actual	1969 Estimate	1970 Estimate
Program			
1. Death claims	$354,935,541	$369,220,000	$380,877,000
2. Disability claims	3,493,655	3,994,000	4,500,000
3. Matured endowments	57,848,530	38,907,000	59,104,000
4. Cash surrenders	40,708,181	40,950,000	41,200,000
5. Dividends	111,553,923	211,770,020	216,235,000
6. Interest paid on dividend deposits	8,489,226	9,256,570	9,253,861
7. Other expense	183,575	150,410	150,139
8. Policy loans made	115,611,130	117,000,000	119,000,000
9. Policy liens made	348,633	325,000	300,000
10. Loans and investments	50,000,000	....	....
Total obligations	$743,172,394	$791,573,000	$830,620,000
Financing			
1. Premiums earned	$501,157,262	$494,097,000	$488,369,000
2. Interest on U.S. Securities	215,303,725	229,963,904	238,636,431
3. Other interest income	26,928,237	28,715,096	30,608,569
4. Payment from "Veterans Insurance and Indemnities" appropriation	5,405,290	5,954,000	5,565,000
5. Optional income settlement	45,417,161	44,569,000	47,500,000
6. Other income	1,176	1,000	1,000
7. Policy loans repaid	70,035,345	71,429,864	68,003,000
8. Policy liens repaid	323,692	301,500	278,500
9. Loans and investments repaid	125,000,000	....	....
Total revenue and other receipts	$989,571,888	$875,031,364	$878,961,500
Unobligated balance, start of year	5,674,291,973	5,920,691,467	6,004,149,831
Unobligated balance, end of year	-5,920,691,467	-6,004,149,831	-6,052,491,331
Total financing	$743,172,394	$791,573,000	$830,620,000

Program costs

The value of maturing endowment policies will decrease by about $19 million in 1969 but then increase by about $20 million in 1970. This is due to the fluctuating effective dates of this type of insurance.

The large amount of dividends to be paid in 1969 over those paid in 1968 is due primarily to approximately one half of the fiscal year 1968 dividends having been paid during fiscal year 1967. The estimates for 1969 and 1970 are for a full year's dividend.

All other operating costs show an increase of about $12 to $16 million in each of the next two years.

New policy loans should continue to increase normally each of the next two years.

An investment of $50 million was made in a Federal Home Loan Bank bond.

Financing

Payments from this fund are financed primarily from premium receipts and interest on U. S. Securities.

Premium receipts are expected to decrease by about $6 to $7 million in each of the next two years. This is due to the reduction in number of policies in force.

The increase in interest on securities is proportionate to the increase in the investment balance.

Other interest income consists of interest earned on policy loans and liens and premiums in arrears.

The payments from "Veterans Insurance and Indemnities" appropriation are statutory reimbursements for death and disability claims resulting from the extra hazards of military service.

The outstanding balance of $125 million in Federal Home Loan and Federal Farm Loan Bank bonds was repaid in 1968.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimate	1970 Estimate
Total assets	$6,958,157,805	$7,085,445,212	$7,183,263,212
Current liabilities	335,338,592	333,596,000	332,074,000
Long term liabilities	6,531,506,486	6,655,150,000	6,750,160,000
Retained earnings	91,312,727	96,699,212	101,029,212

A reasonable amount of cash income is held in the cash account for current expenses with the remaining excess invested in interest bearing U. S. Securities. These investments, $6,228 million in 1968 constitute about 89.5% of the total assets. There should be sufficient capital to increase these investments by $125 million in the next two years. Policy loans of about $702 million constitute most of the remaining assets.

Current liabilities are comprised mostly of the following:

(a) Dividends due the insured, but left on credit or deposit. These constitute about $69.8 of the total. They bear interest for the insured and are a safeguard in case of premium shortages.

(b) Matured contracts payable representing amounts due policyholders and beneficiaries on matured contracts pending issuance of awards. These constitute about 6.2% of the total current liabilities.

(c) Unearned premiums which are premiums paid in advance of the end of the reporting period. These amount to about 21% of the total current liabilities.

Long term liabilities or operating reserves are amounts actuarially determined and set aside to assure payment of future benefits.

Retained earnings are the cumulative earnings in excess of those set aside as operating reserves. They provide an additional safety margin against adverse contingencies.

U. S. GOVERNMENT LIFE INSURANCE

The U. S. Government Life Insurance fund was established in 1919 (72 Stat. 1161) to receive premiums and pay claims on insurance issued under the provisions of the War Risk Insurance Act. Approximately 1,150,000 policies have been issued under this program. About $2.9 billion in benefits have been paid to policyholders and beneficiaries from the fund. The gradual decline in the activity of the fund will continue as indicated in the following table:

	June 30, 1968	June 30, 1969	June 30, 1970
Number of policies in force	218,213	207,000	196,000
Amount of insurance in force	$946,513,000	$901,000,000	$853,000,000

The program plans are included below. The estimates included in these statements are based on actuarial analyses and established trends.

Program Plans

	1968 Actual	1969 Estimated	1970 Estimated
Program			
1. Death claims	$51,932,708	$53,272,239	$54,305,479
2. Disability claims	17,051,479	17,064,118	16,909,998
3. Matured endowments	3,096,099	2,976,643	3,601,523
4. Cash surrenders	4,558,940	4,570,000	4,590,000
5. Dividends	7,834,863	16,506,375	16,500,000
6. Interest paid on dividend deposits	505,269	531,530	498,459
7. Other expense	4,063	4,095	3,541
8. Policy loans made	8,674,830	7,500,000	6,500,000
9. Policy liens made	42,585	35,000	30,000
Total obligations	$93,700,836	$102,460,000	$102,939,000
Financing			
1. Premiums earned	$11,964,880	$10,342,827	$10,060,000
2. Interest on securities	32,627,298	34,644,702	34,206,745
3. Other interest income	3,186,555	3,085,298	2,987,255
4. Payment from "Veterans Insurance & Indemnities," appropriation...	76,283	83,000	84,000
5. Optional income settlement	11,918,916	12,201,000	12,067,000
6. Other income	1,615	1,483	1,200
7. Policy loans repaid	11,134,779	9,960,000	9,040,000
8. Policy liens repaid	52,023	40,690	31,800
9. Investments and loans repaid	83,250,000	....	....
Total receipts	$154,212,349	$ 70,359,000	$ 68,478,000
Unobligated balance, start of year ..	799,475,563	859,987,076	827,886,076
Unobligated balance end of year	-859,987,076	-827,886,076	-793,425,076
Total financing	$ 93,700,836	$102,460,000	$102,939,000

Program costs

The large amount of dividends to be paid in 1969 over those paid in 1968 is due primarily to approximately one half of the fiscal year 1968 dividends having been paid during fiscal year 1967. The estimates for 1969 and 1970 are for a full year's dividend. Normally the gross annual dividends would show a downward trend due to the number of policies maturing each successive year.

All other operating costs show an upward trend of a little over $1 million each year thru 1970.

New policy loans and liens thru 1970 should continue in a downward trend due to the decreasing number of policyholders.

Financing

Payments from this fund are financed primarily from premium receipts and interest on U. S. Securities. The cash revenue for 1969 was less than the cash disbursements. The necessary additional cash was obtained by redeeming U. S. Securities.

Additional securities will be redeemed in the next two years with a resultant decrease in interest earned.

Other interest income consists of interest earned on policy loans; liens and premiums in arrears.

The payment from "Veterans Insurance and Indemnities" appropriation are statutory reimbursements for death and disability benefits resulting from the extra hazards of military service.

Operating results and financial condition

The following table summarizes the current and estimated financial condition of the fund:

	1968 Actual	1969 Estimate	1970 Estimate
Total assets	$959,325,674	$923,748,265	$885,111,265
Current liabilities	19,873,518	18,863,000	17,229,000
Long term liabilities	912,678,893	880,492,000	845,457,000
Retained earnings	26,773,263	24,393,265	22,425,265

Investments in U. S. Securities amounting to $876,400,000 as of June 30, 1968 constitute about 91.4% of the total assets. About $32 million in securities will have to be redeemed in 1969 and $36 million in 1970 in order to meet current expenses. Policy loans constitute most of the remaining assets.

Current liabilities are comprised mostly of the following:

(a) Dividends due the insured but left on credit or deposit. These constitute about 68.8% of the total. They bear interest for the insured and are a safeguard in case of premium shortages.

(b) Matured contracts payable representing amounts due policyholders and beneficiaries on matured contracts pending issuance of awards. These constitute about 16.3% of the total current liabilities.

(c) Unearned premiums which are premiums paid in advance of the end of the reporting period. These amount to about 12.5% of the total current liabilities.

Long term liabilities or operating reserves are amounts actuarially determined and set aside to assure payment of future benefits.

Retained earnings are the cumulative earnings in excess of those set aside as operating reserves. They provide an additional safety margin against adverse contingencies.

Mr. EVINS. Refer to National Service Life Insurance, pages 4–23, 4,468,000 policies in force for $29 billion in insurance. The VA has a very comprehensive insurance program. It is very efficiently maintained and operated.

U.S. Government Life Insurance, page 4–27, 196,000 policies in force for $853 million in insurance.

COST OF NEW LEGISLATION

Mr. DRIVER. The chart on 5–10 you might want to look at, Mr. Chairman. We have talked so much about new legislation. On 5–10 you will see for the past 10 years the impact there of new legislation and you can see how heavily the legislation has gone up, mainly motivated by the Vietnam situation.

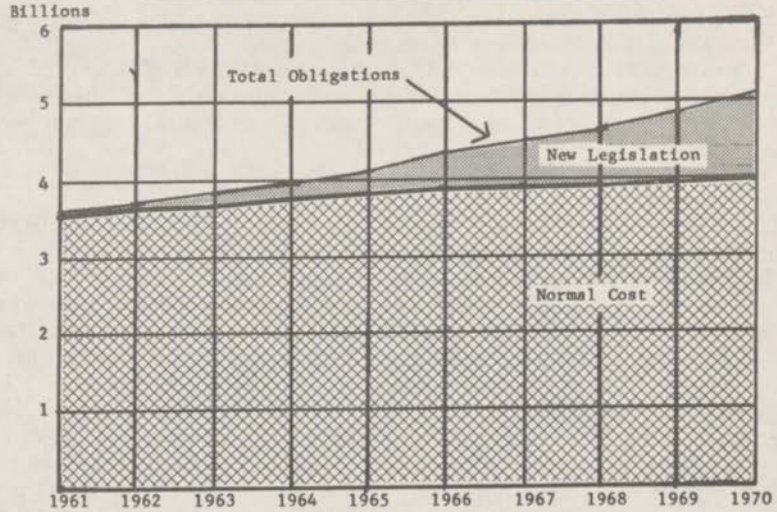
Mr. EVINS. The normal cost and the new legislation and the total obligations.

Mr. DRIVER. Yes, sir.

Mr. EVINS. Place this chart on page 5–10 in the record.

(The page follows:)

COST OF NEW LEGISLATION DURING PAST 10 YEAR PERIOD



FISCAL YEAR	NORMAL COST	NEW 1/ LEGISLATION	TOTAL OBLIGATIONS
	(In Millions)		
1961	$3,534	$88	$3,622
1962	3,620	88	3,708
1963	3,678	190	3,868
1964	3,750	209	3,959
1965	3,803	305	4,108
1966	3,880	512	4,392
1967	3,894	600	4,494
1968	3,941	67	4,618
1969	3,962	880	4,842
1970	3,985	1,056	5,041

1/ Represents cumulative cost estimate of all new legislation enacted within the past 10 years. In 1962, there was no legislation with any significant cost effect.

Mr. EVINS. If there are no further questions, we will suspend until ten o'clock tomorrow.

WEDNESDAY, MARCH 19, 1969.

Mr. EVINS. The committee will come to order.

We will resume our hearings this morning with our friends of the Veterans' Administration. We will take up volume III of the budget estimates concerned with the Department of Medicine and Surgery.

DEPARTMENT OF MEDICINE AND SURGERY

Dr. Engle, do you have a statement that you want to present to the committee?

Dr. ENGLE. No formal statement, Mr. Chairman.

Mr. EVINS. Do you have an informal statement you want to make?

Dr. ENGLE. I can say this: That the Veterans' Administration Department of Medicine and Surgery is responsible for the operation of 166 hospitals, a very large and very complex responsibility, at a point in time where there is an ever-increasing number of eligible veterans. As the Administrator pointed out, the veteran population is now up at the level of 27 million; at a point in time where hospital costs are increasing astronomically; at a point where the practice of medicine has become more and more sophisticated.

I believe that it is posing special problems which will be delineated during the course of the testimony, such as problems in terms of recuitment of scarce category personnel and in terms of funding.

I think in summary we can say with considerable justification, and considerable pride also, that due to the very sympathetic and generous support of the Congress we have been able to provide to the veteran population a high quality of medical care and that the Veterans' Administration Department of Medicine and Surgery has made a real contribution to medicine in the whole Nation as well as to the eligible veteran population.

Mr. EVINS. Very good.

I notice in your statement, Dr. Engle, and in your justification that much detail and time is devoted to reports of the American Hospital Association and the American Medical Association and statements of the President pertaining to research and what is being accomplished for medicine in general. In addition to medical care for the veterans, as you indicated in your statement; that the knowledge gained in the research, the knowledge gained in education and training programs is disseminated throughout the country for the benefit of all the citizens.

MEDICAL PROGRAM APPROPRIATIONS, FISCAL YEAR 1970

The Department of Medicine and Surgery is one of the three major operating departments of the Veterans' Administration. You point out that the 1970 budget for medical programs in the Department exceeds $1.6 billion. Actually, the figure is $1,625,028,000 budgeted for next year. This is broken down into five appropriations: First, the "Medical administration and miscellaneous operating expenses" with a total of $17,327,000, including exchange of medical information, at $2 million, medical administration at $12.4 million, and postgraduate and in-service training at $2.9 million.

Second the "Medical and prosthetic research" appropriation, which is a no-year appropriation totaling $59,638,000.

Third, your "Medical care" appropriation at a level of $1,541,701,000 to provide for the care of veterans inpatient and outpatient treatment. Then you have the fourth appropriation Grants to the Republic of the Philippines with a total of $1,362,000, which is the one item which is less than last year.

Then fifth, you have the appropriation grants for "Construction of State nursing homes," at a $5 million level, an increase of $1 million over last year.

All of this is set forth in volume III on pages 1–1 through 1–7. We will place these pages in the record at this point.

(The pages follow:)

Introduction

The Department of Medicine and Surgery is one of three operating Departments of the Veterans Administration - the others being the Department of Veterans Benefits and the Department of Data Management.

The Department of Medicine and Surgery is headed by a Chief Medical Director who is responsible to the Administrator of Veterans Affairs for all Agency medical programs. Collectively, Agency medical programs now require annual appropriations exceeding $1.6 billion.

A chart outlining the organizational structure of the Department of Medicine and Surgery appears on the last page of this summary.

Appropriation Structure

The Veterans Administration is responsible for providing medical treatment and care to eligible veterans as authorized by law (Title 38 United States Code). Medical program financial requirements for fiscal year 1970 are set forth in this estimate under five operating appropriations and four non-appropriated fund accounts, described as follows:

Appropriation Accounts:

1. Medical Administration and Miscellaneous Operating Expenses (Annual Appropriation): Provides for the administration by a Central Office Staff of all medical programs of the Veterans Administration including a program of postgraduate and inservice training to support the medical care programs, and the exchange of medical information between the Veterans Administration and other elements of the nation-wide medical-scientific community.

2. Medical and Prosthetic Research (No-Year Appropriation): Provides for a program of medical research and a program of prosthetic testing and development to support the medical care program.

3. Medical Care (Annual Appropriation): Provides for maintenance and operation of Veterans Administration hospitals, domiciliaries, restoration centers, nursing bed care facilities, and outpatient clinics; care of beneficiaries in contract hospital and nursing home facilities not under jurisdiction of the Veterans Administration; aid to State or Territorial homes for support of veterans eligible for care by the Veterans Administration; and programs for training health-science personnel to increase the nation's manpower supply in these scarce category fields.

4. Grants to the Republic of the Philippines (Annual Appropriation): Provides grants-in-aid to the Republic of the Philippines for medical care and treatment of eligible veterans of the Philippine Commonwealth Army and new Philippine Scouts, and for grants to the Veterans Memorial Hospital for medical research and training.

5. Grants for Construction of State Nursing Homes (Annual Appropriation): Provides grants to assist the states in the construction of State facilities for furnishing nursing home care to war veterans.

Non-Appropriated Accounts:

1. Rental, Maintenance and Repair of Quarters: This account sets forth rental income and expense amounts for 126 housekeeping units located at VA Hospital Perry Point, Maryland. The rental income is used to defray all operating, maintenance, repair and modernization expenses for these quarters.

2. Canteen Service: This fund finances the operation of canteens of all VA hospitals and domiciliaries. These activities are under the management of the Veterans Canteen Service, established by Congress in 1946. Income from sales has made this a self-sustaining activity with any excess profits paid to the Treasury.

3. Supply Fund: Under a revolving fund arrangement financed by reimbursements from using appropriations, this fund provides for procurement of certain supplies and centrally acquired equipment for the entire Agency, the operating expenses of three VA Supply Depots and the Marketing Center, the cost of the Service and Reclamation program in the depots, and procurement or production and distribution of printed matter for the Agency. VA Supply Depots also provide items and services to other government agencies when advantageous to the government.

4. General Post Fund: This fund consists of gifts, bequests, and proceeds of sale of property left in the care of the facilities by former beneficiaries or the general public; patient's fund balances and proceeds of sale of effects of beneficiaries who die leaving no heirs or without having otherwise disposed of their estates. Such funds are used to promote the comfort and welfare of veterans at hospitals and homes where no general appropriation is available for this purpose, or where the items desired are sufficiently low on the priority list as would preclude their being provided from appropriated funds on a timely basis.

Average Employment and Appropriation Requirement Summaries

Comparative fiscal year average employment and appropriation requirements for the Department of Medicine and Surgery programs are shown on the following tables.

Summary of Average Employment (FTE) Requirements by Appropriation

Appropriation Title	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Medical Administration and Miscellaneous Operating Expenses	682	664	685	+ 21
Medical and Prosthetic Research:				
Medical Research	3,459	3,479	3,970	+ 491
Prosthetic Research	36	38	45	+ 7
Sub-Total	3,495	3,517	4,015	+ 498
Medical Care	133,148	132,443	136,029	+ 3,586
Total	137,325	136,624	140,729	+ 4,105

Summary of Appropriation Requirements (In thousands of dollars)

Appropriation Title	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Medical Administration and Miscellaneous Operating Expenses				
Medical Administration	$ 10,958	$ 11,667	$ 12,381	+$ 714
Postgraduate & Inservice	2,117	2,148	2,946	+ 798
Exchange of Medical Information Programs	900	974	2,000	+ 1,026
Sub-Total	13,975	14,789	17,327	+ 2,538
Medical and Prosthetic Research				
Medical Research	44,472	46,616	57,961	+ 11,345
Prosthetic Research	1,378	1,402	1,677	+ 275
Sub-Total	45,850	48,018	59,638	+ 11,620
Medical Care	1,361,593	1,466,453	1,541,701	+ 75,248
Grants to the Republic of the Philippines	1,325	1,776	1,362	- 414
Grants for Construction of State Nursing Homes	4,000	4,000	5,000	+ 1,000
TOTAL	1,426,743	1,535,036	1,625,028	+ 89,992

Appropriation Changes for 1970 (In thousands of dollars)

Appropriation Title	Legislative and Other Payroll Increases	Workload Changes	Other Program Requirements	Total
Medical Administration and Miscellaneous Operating Expenses	+$ 183	+$ 458	+$ 1,897	+$ 2,538
Medical and Prosthetic Research	+ 686	+ 10,934		+ 11,620
Medical Care	+ 16,580	+ 13,975	+ 44,693	+ 75,248
Grants to the Republic of the Philippines		- 414		- 414
Grants for Construction of State Nursing Homes			+ 1,000	+ 1,000
Total	+ 17,449	+ 24,953	+ 47,590	+ 89,992

A net increase of $89,992,000 will be required for operation of Agency medical programs in fiscal year 1970, comprised of the following: (a) $17,449,000 or 19.4% of the increase will be required for legislated wage and salary increases and other payroll adjustments; (b) Workload adjustments result in a net increase in financing requirements of $24,953,000 or 27.7% after giving consideration to the additional workload requirements for treating increased numbers of beneficiaries in VA hospitals and outpatient clinics, administration of new laws, undertaking new medical and prosthetic research studies, and activating newly constructed medical facilities. The financing requirements for these purposes are partially offset by savings to be realized through discontinuance of operation of excess hospital beds; and (c) a net increase of $47,590,000 or 52.9% in financing other program requirements such as establishment of new medical services, expanded education and training program efforts, increased grants for State nursing homes construction, and capital outlay needs.

Amounts shown in the fiscal year 1969 columns of the estimate include supplemental appropriation requirements for the current fiscal year to pay that portion of the additional unbudgeted cost increases that cannot be absorbed within available funds. Listed on the following page by appropriation are gross current year costs of PL 90-206 pay benefits and related increases, PL 83-763 wage rate increases, PL 90-429 and PL 90-432 increased per diem reimbursements to State Homes and Community Nursing Homes, increased outpatient workloads, and other non-controllable increases. Also shown is that part which the Agency is absorbing, and net supplemental appropriation requirements.

Purpose	Medical Administration and Miscellaneous Operating Expenses	Medical and Prosthetic Research	Medical Care	Total
		(In thousands of dollars)		
PL 90-206 Pay Raise	$589	$1,480	$39,562	$41,631
PL 90-206 Postal Rate Increases			51	51
PL 83-763 Wage Rate Increases		50	7,000	7,050
PL 90-429 Increased Community Nursing Home per diem			3,298	3,298
PL 90-432 Increased State Homes Per Diems			3,809	3,809
Increased Outpatient Workloads:				
113,754 Medical Staff Visits			910	910
125,675 Medical Fee Visits			983	983
15,300 Fee Dental Exams			383	383
16,591 Fee Dental Treatment cases completed			3,358	3,358
Executive Order #11429 (9/9/68) Beneficiary Travel Increases			1,100	1,100
Increased Federal Contract Hospital Per Diems			902	902
Gross Supplemental Requirement	589	1,530	61,356	63,475
Amount Absorbed	-	362	15,167	15,529
Net Supplemental Requirement	589	1,168	46,189	47,946
Percent of Gross Supplemental Requirement Absorbed		23.7	24.7	24.5

Consistent with Bureau of the Budget policy, no amount is included in the fiscal year 1970 appropriation requirements for the cost of wage rate increases that will be approved between July 1, 1969 and June 30, 1970, nor for the third phase of the Public Law 90-206 pay increase which becomes effective in July, 1969.

Legislated Wage, Salary, and Other Payroll Increases

This section of the estimate justifies legislated wage, salary and other payroll adjustments that for the same common reasons will apply to two or more appropriations of the Agency medical program budget submission. These common type payroll adjustments all result in increased financing requirements for fiscal year 1970, as described below. The following table summarizes the payroll increases by purpose and appropriation.

Purpose	Medical Administration and Miscellaneous Operating Expenses	Medical and Prosthetic Research	Medical Care	Total
		(In thousands of dollars)		
a. Annualization of costs of PL 90-206 effective in FY 1968	$23	$59	$1,510	$1,592
b. Within Grade Avge. Salary Incr.	75	280	4,635	4,990
c. Social Security (PL 89-97)			87	87
d. Wage Rate (PL 83-763)		33	7,500	7,533
e. Bureau of Employees Compensation Payments (PL 86-767)			148	148
f. Consultant and Attending Rate Increase	85	314	2,700	3,099
Total	183	686	16,580	17,449

a. An increase of $1,592,000 is required to annualize the cost of PL 90-206, Federal Employees Act of 1967, for pay benefits that were effective July 14, 1968. Payment of these benefits in fiscal year 1969 will be for only 251 workdays compared to the 261 paid workdays for which payment will be required in fiscal year 1970.

b. An increase of $4,990,000 is required to provide an overall average increment of $36.52 per employee for the cost of within-grade salary advances provided by law. The increment paid in each respective appropriation will vary somewhat from the overall average because of the variance in average grades and salaries. These increments are computed in accordance with criteria established by the Bureau of the Budget and take into account the time lapsed in filling vacancies and position management practices. The minimal longevity step increase for the overall

average salary level of Medical employees is $191.00 which evidences the considerably higher increment that would be paid if the foregoing practices were not observed.

c. An increase of $87,000 is required for annualization of the cost of Social Security payments which will rise from 4.40% to 4.90% effective January 1, 1969, pursuant to PL 89-97, Social Security Amendments of 1965.

d. An increase of $7,533,000 in PL 83-763 wage board costs in fiscal year 1970 over fiscal year 1969 consists entirely of the annualization of the estimated wage board increases that will be approved during the period July 1, 1968 to June 30, 1969. The increase of $7,533,000 in fiscal year 1970 is shown in accordance with the wage board policy contained in Bureau of the Budget Circular No. A-11, Revised.

e. An increase of $148,000 is required for increased Bureau of Employees Compensation Payments. The Secretary, Department of Labor, has advised that pursuant to PL 86-767, the Department of Medicine and Surgery's share of benefit payments from the Employees Compensation Fund will be $2,577,000 in fiscal year 1970 as compared to $2,429,000 in fiscal year 1969.

f. An increase of $3,099,000 is required to provide funds to raise reimbursement rates paid consultants and attendings from $50 and $25 per visit to $75 and $40 per visit respectively, effective January 1, 1970. Annualization of these increases in FY 1971 will require an additional $3,099,000 in that fiscal year.

MEDICAL ADMINISTRATION PROGRAMS

Mr. EVINS. Doctor, you have been running your medical administration programs previously for $12 or $13 million. In 1969 it will get up to $14.8 million. For 1970 you are projecting $17,327,000.

Of course, we all recognize medical costs are increasing, but why can't we hold the administration costs down in the Veterans' Administration as an example?

Dr. ENGLE. Well, the majority of this increase has to do with things other than supervisory responsibilities or straight administration; $2 million of the $17.3 million is tied in with the exchange of medical information program which we had an opportunity to comment on the other day.

Then the postgraduate and in-service training activities total $2.9 million which relate to our efforts to educate employees on our rolls.

The medical administration activity at a level of $12.4 million for the supervisory echelons here in Washington constitutes, of course, a very, very small percentage of the overall expenditures in the agency, less than one-half of 1 percent. We have 664 employees physically located in Washington, charged with supervising over 140,000 employees out at the different field stations.

Mr. EVINS. 140,000 in the field stations. How many in Washington supervising that number?

Dr. ENGLE. 664. This is a figure substantially lower than was obtained some years back.

Mr. EVINS. You have about 664 supervisory personnel in the Washington headquarters just for the medical department?

Dr. ENGLE. That is right.

Mr. EVINS. How many more did you bring in a few years ago as a result of abolishing the area medical director supervisory levels?

Dr. ENGLE. We ended up with a significantly lower number of people. What you are referring to is the system that we had a few years back where we had seven area offices physically located out in the field in different parts of the country.

Mr. EVINS. Most all of those were brought into Washington?

Dr. ENGLE. Correct. Each one had 40 employees, a potential of 280 between the seven offices. Actually, we never got over about 253. We abolished those offices. We have no offices at all now in field. I have five immediate assistants called regional medical directors who now perform the functions.

Mr. EVINS. About 280 employees. How many did you wind up with following the consolidation in Washington?

Dr. ENGLE. Now we have 45 located in Washington who operate out of my office, responsible for supervising the field stations.

Mr. EVINS. You reduced the 280 to about 45 as a result of that action?

Mr. DRIVER. Yes.

Dr. ENGLE. Yes. To be candid about it, some other components in the central office had to be beefed up a little but the overall effect was a reduction of over 100 people. So we actually saved with that change the equivalent of 100 full-time employees.

Mr. EVINS. Wouldn't your hospitals operate just as efficiently where they have direct communication with you and your staff rather than having to go through another level?

Dr. ENGLE. I genuinely feel we are operating much more effectively. I think this is the best system we have ever had.

Mr. JONAS. May I ask a question?

Mr. EVINS. Yes.

POSTGRADUATE AND INSERVICE TRAINING ACTIVITIES

Mr. JONAS. How do you account for the substantial increase in postgraduate and inservice training? Is that due to more people taking postgraduate courses or higher costs, or what?

Dr. ENGLE. In part; yes, sir. Also it is due to the larger number of employees we expect to have in fiscal 1970.

Mr. JONAS. How many do you expect to have?

Dr. ENGLE. Something in the neighborhood of 4,100 more people in fiscal 1970 than in fiscal 1969. But in part it is also related, Mr. Jonas, to the ever-increasing acknowledgment on our part that we have got to do a better job of educating our employees, our professional employees in particular, by detailing them from one station to another so that they can be oriented with respect to new techniques, and by allowing them to attend institutes and conferences.

Mr. JONAS. How often do you give graduate training to a doctor on the staff?

Dr. ENGLE. Let me ask Dr. Schoolman what the average is.

Dr. SCHOOLMAN. We have almost 20,000 physicians, dentists, and nurses—more than 20,000—in the service. In this fiscal year, slightly over 4,000, or only one-quarter will have received some postgraduate or inservice training. If we attempted to give even one-half of our 20,000 professional people attendance at only one professional meeting, which would be considered by all standards to be the absolute barest minimum, we would use up the total amount being asked for under travel for this purpose.

This represents a beginning attempt to compensate for a woefully inadequately budgeted area that is a constant difficulty to us in recruitment and maintaining our staff.

Mr. JONAS. I asked how often do you send doctors to take graduate courses.

Dr. SCHOOLMAN. There were about 4,000 such episodes in this fiscal year.

Mr. JONAS. That would take you about 5 years to have them all take one course. I am trying to find out if you are going through the whole list and giving some postgraduate instruction to all of your physicians, or are sending the same ones back each year?

Dr. SCHOOLMAN. In general, the most common episode here is the scientific meeting. The scientific meeting is a recurrent phenomenon each year. We attempt to distribute the available funds throughout the system to allow for physicians at all hospitals to attend the scientific meetings, but there is, because of the nature of the scientific meetings at which there is presentation of new and experimental work, obviously an increased attendance among those people who are actively engaged in research, to present the results of their research.

Mr. JONAS. I have not been able to ask my question in a clear manner, apparently.

Dr. SCHOOLMAN. Sorry, sir.

Mr. JONAS. What I am trying to find out is whether you continue to send the same ones year after year or are you trying to go through your entire list? You can send all of your people in about 5 years if you send them at the rate of 4,000 each year so that they can all attend at least one session.

Dr. SCHOOLMAN. What I am trying to explain is the requirements of the presentation of new research is such that probably about 2,500 of the 4,000 visits tend to be made by the same people each year at scientific meetings. The other 1,500 then are rotated on the basis of requests made to the central office from the stations for travel.

Mr. JONAS. Since obviously you cannot send all of them each year, do you send the ones who apply, or how do you select which of your staff people to send to these conferences?

Dr. CHALMERS. This is decided at the local level, depending on whether the hospital director thinks such-and-such a person deserves to go to a meeting.

Mr. JONAS. During this last year, for example, did you have more applications and requests than you were able to accommodate?

Dr. CHALMERS. Many more.

Dr. ENGLE. Three or four times as many.

Dr. CHALMERS. Some people make trips at their own expense because of that. We feel a physician in a hospital and nurses and dentists should go to at least one meeting per year.

Mr. JONAS. Since you obviously cannot do as much as you would like in this field, the increase proposed in 1970 of $798,000 is an arbitrary figure.

Dr. SCHOOLMAN. It is an attempt to make some inroad into a very marked deficiency in this area.

Mr. JONAS. I know. That is such an odd sum, I wondered why you asked for $798,000, why you didn't round it out at $800,000.

Mr. DRIVER. This was reduced at several levels, I assure you.

Mr. JONAS. You finally got your request $2,000 under $800,000.

Mr. MONK. That is right. We will get to a detailed tabulation of how this is spent later on in the hearings.

Mr. TALCOTT. Mr. Chairman.

Mr. EVINS. Mr. Talcott.

Mr. TALCOTT. Is there any record of how long a person stays with the Veterans' Administration after he achieves this very special higher education and training? It is my understanding or feeling that as soon as he gets a pretty good education he leaves the Veterans' Administration for some private endeavor.

Mr. DRIVER. He won't get it under this program. This is a very restrictive program, it is a matter of days, not even weeks.

Mr. TALCOTT. But this is cumulative, though. He gets the special training, then he gets other special training. There are four or five different opportunities for training of the same person in the Veterans' Administration.

Mr. EVINS. I think it is well to point out at this point that this postgraduate, inservice training figure of $2,946,000 is only a small, a very small part of your overall training program.

EDUCATION AND TRAINING BUDGET

Page 2–119 shows you are asking for $96,053,000 for education and training. It increases about $17 million over last year including $1,950,000 for training under "Medical administration and miscellaneous operating expenses." Then we find that in your budget for hospital construction you are asking for $2 million for training classrooms.

Mr. DRIVER. That is right.

Mr. EVINS. So it is almost $100 million for the overall training program. The training program is getting as high as medical care. We don't discount the value of training but it is getting very high.

Mr. MONK. The table on page 2–119 does include the medical administration part of this cost but it does not include the $2 million for the construction.

Mr. EVINS. Turn over to page 4–1.

Mr. JONAS. That does not include research, either?

Mr. MONK. No, sir.

Mr. EVINS. On page 4–1 you have an outline of medical administration summary requirements, postgraduate and inservice training, you have this broken down. Next year I think you should have a separate tab for education and training set out right there so we will know what education and training is.

Mr. MONK. And incorporate it all?

Mr. EVINS. Make it separate. You have it all throughout the budget now. It is hard to find it when it is buried here, there, and everywhere. I think it would be a good idea to have your medical care in one item and education and training in another. See if you cannot do that next year.

Mr. SHYTLE. Yes, sir.

Medical Care Budget

PROGRAM AND FINANCING

[In thousands of dollars]

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Direct operating costs, funded:			
1. Maintenance and operation of VA facilities:			
(a) Neuropsychiatric hospitals	307,795	327,654	332,669
(b) General hospitals	727,880	784,309	825,864
(c) Nursing home care	18,808	24,833	25,166
(d) Domiciliary care	29,964	31,741	32,349
(e) Restoration centers	2,761	3,350	4,045
(f) Outpatient care	181,145	181,533	200,483
(g) Miscellaneous benefits and services	15,097	15,210	17,068
2. Contract care:			
(a) Hospitalization	16,570	14,464	14,573
(b) Nursing home	11,750	14,456	19,371
3. Grants for State home care:			
(a) Domiciliary	6,780	5,940	7,972
(b) Nursing home	2,303	4,024	6,296
Total direct operating costs, funded	1,320,853	1,407,514	1,485,856
Capital outlay, funded:			
1. Maintenance and operation of VA facilities:			
(a) Neuropsychiatric hospitals	6,693	7,000	10,705
(b) General hospitals	33,663	34,905	41,807
(c) Nursing home care	190	200	279
(d) Domiciliary care	846	700	1,016
(e) Restoration centers	23	36	118
(f) Outpatient care	1,050	1,154	1,511
(g) Miscellaneous benefits and services	91	150	409
Total capital outlay	42,556	44,145	55,845
Total direct program costs, funded	1,363,409	1,451,659	1,541,701
Reimbursable program:			
1. Maintenance and operation of VA facilities:			
(b) General hospitals	8,437	7,428	7,428
(f) Outpatient care	1,786	1,572	1,572
Total reimbursable program costs	10,223	9,000	9,000
Total program costs, funded	1,373,632	1,460,659	1,550,701
Change in selected resources [1]	−4,749		
Total obligations	1,368,883	1,460,659	1,550,701
Financing:			
Receipts and reimbursements from:			
Federal funds	−7,888	−6,944	−6,944
Non-Federal sources (38 U.S.C. 611)	−2,335	−2,056	−2,056
Unobligated balance lapsing	2,932		
Budget authority	1,361,592	1,451,659	1,541,701
Budget authority:			
Appropriation	1,361,593	1,420,264	1,541,701
Transferred to other accounts	−1		
Appropriation (adjusted)	1,361,592	1,420,264	1,541,701
Proposed supplemental for civilian pay act increases		31,395	
Relation of obligations to outlays:			
Obligations incurred, net	1,358,660	1,451,659	1,541,701
Obligated balance start of year	96,533	90,770	99,653
Obligated balance end of year	−90,770	−99,653	−116,354
Adjustments in expired accounts	−3,627		
Outlays, excluding pay increase supplemental	1,360,796	1,411,569	1,524,812
Outlays from civilian pay act supplemental		31,207	188

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders 1967, $38,962,000 (1968 adjustments, −$767,000); 1968, $33,446,000; 1969, $33,446,000; 1970, $33,446,000.

OBJECT CLASSIFICATION

[In thousands of dollars]

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	899,610	949,172	989,043
Positions other than permanent	57,944	74,733	81,207
Other personnel compensation	24,553	26,252	28,691
Total personnel compensation	982,107	1,050,157	1,098,941
Direct costs:			
Personnel compensation	976,018	1,044,791	1,093,575
Personnel benefits: Civilian employees	76,928	78,309	81,835
Benefits for former personnel	43	50	55
Travel and transportation of persons	11,387	11,505	12,863
Employee travel	1,074	1,439	1,467
Transportation of things	3,500	3,565	3,676
Rent, communications, and utilities	24,315	25,748	27,497
Printing and reproduction	993	1,000	1,020
Other services	62,717	69,331	82,613
Supplies and materials	117,654	129,756	138,173
Provisions	45,069	44,746	43,948
Equipment	29,834	30,078	30,855
Lands and structures	12,069	8,877	17,356
Grants, subsidies, and contributions	9,084	9,964	14,268
Subtotal	1,370,685	1,459,159	1,549,201
Quarters and subsistence charges	−7,276	−7,500	−7,500
Total direct costs	1,363,409	1,451,659	1,541,701
Reimbursable costs:			
Personnel compensation	6,089	5,366	5,366
Personnel benefits: Civilian employees	464	403	403
Rent, communications, and utilities	2,446	2,151	2,151
Other services	242	216	216
Supplies and materials	982	864	864
Total reimbursable costs	10,223	9,000	9,000
Total costs, funded	1,373,632	1,460,659	1,550,701
Change in selected resources	−4,749		
Total obligations	1,368,883	1,460,659	1,550,701

PERSONNEL SUMMARY

	1968 actual	1969 estimate	1970 estimate
Total number of permanent positions	126,555	123,822	127,340
Full-time equivalent of other positions	8,933	10,910	11,192
Average number of all employees	134,348	133,340	137,087
Average GS grade	5.2	5.2	5.2
Average GS salary	$6,723	$7,018	$7,054
Average salary, grades established by 38 U.S.C. 73	$12,065	$12,746	$12,757
Average salary of ungraded positions	$5,507	$5,911	$6,141

Mr. EVINS. Going down this tab, medical care is up $75,248,000. This is due to more legislation and more patients as a general answer. Is that right, Doctor?

Dr. ENGLE. About $17 million is due to pay increases.

Mr. EVINS. $17 million is due to pay increases. How much is due to increased medical costs? What can be done about increased medical costs?

Dr. ENGLE. We are doing our best to study this in every way that we can. As was pointed out the other day in response to Mr. Jonas' question, our per diem costs in the Veterans' Administration have gone up at a much lesser rate than have costs in community hospitals.

Mr. JONAS. What is your attrition rate, current turnover rate of professionals?

Mr. MONK. About 1.5 percent per month for doctors.

Mr. JONAS. That is 18 percent per year?

Mr. MONK. Yes, sir. Generally, overall we are about 2 percent, just at 2 percent.

Mr. JONAS. You have a lower turnover rate among your professional people.

Mr. MONK. With respect to doctors, we have a little lower than we do generally. Nurses are a little higher than doctors.

VA NURSING PERSONNEL

Dr. ENGLE. Nurses are running at a level of about 30 percent turnover rate per year, which compares favorably with other rates of turnover.

Mr. JONAS. What are the principal reasons for the turnover in nursing?

Dr. ENGLE. I think the principal reasons are that it is a profession which is in extremely short supply. People can just pick up and move from one part of the country to another. Some of the younger group like to move around the country, the younger nurses, and look for a husband in the process.

Mr. JONAS. They don't want to marry one of your patients?

Mr. DRIVER. The age does not attract much of that.

Dr. ENGLE. Our patient population are not exactly good marriage prospects.

Mr. DRIVER. They can't even keep their benefits unless they are married for a certain length of time.

Mr. TALCOTT. Isn't it true that the Veterans' Administration offers to a nurse a very good opportunity to get some good general practice and a special education, and then their intention is to move on before they ever start to really contribute to the Veterans' Administration?

Dr. ENGLE. I don't think this is unique to the Veterans' Administration. Again, our turnover rates are less than they are in community hospitals. I don't think it is an attempt on their part to get good training and then use it elsewhere.

Mr. JONAS. I would think your salary scale for nurses compares favorably with outside.

Dr. ENGLE. Well, it is a highly mixed up field; it is changing almost daily. In some places we are very competitive; in other places, mainly the larger urban populations such as New York, Chicago, and Los Angeles, we are having much more difficulty. In New York in particular, the rates have increased to just tremendous levels.

CONSTRUCTION OF STATE NURSING HOMES

Mr. EVINS. Your grants for the construction of nursing homes have been maintained at the level of $4 million per year for the past 2 years. Why the increase to $5 million?

Dr. ENGLE. We think this is a pretty good buy, Mr. Chairman, because if the States put up more nursing homes, according to the statutes we only have to pay up to $5 per day for the care of the veteran in a State nursing home and the State picks up the rest of the cost. Of course, if we had to fund this in a community nursing home or in our own nursing home the figures would be substantially higher. So we think this is good business.

Mr. EVINS. You have sufficient applications to utilize the $5 million?
Dr. ENGLE. Yes, sir.

MEDICAL EMPLOYMENT LEVELS

Mr. EVINS. The total medical appropriation request is $1,625,028,000 as against $1,535,036,000 in 1969, an increase of $89,992,000. Now, let's take a look at the summary of your employment. In the medical administration and miscellaneous operating expense program for 1968 you had 682; in 1969, because of the reduction in expenditures you were cut back to 664; and now you propose to go up to 685 for next year, an increase of 21. As Mr. Jonas pointed out, an increase in employment is in the medical and prosthetic research program. It goes up from 3,517 in 1969 to 4,015 in 1970, or an increase of 498 in average employment. Could you tell the committee how many positions you asked for in this category?

Dr. ENGLE. 498 more positions.

Mr. EVINS. I mean, was this figure cut, was it reduced at the Budget Bureau?

Dr. ENGLE. Yes, it was reduced.

Mr. EVINS. You want 498 more positions in research than you had last year?

Dr. CHALMERS. This is actually quite a marked cut in employment over what we requested. Our extensive contributions in research may be able to improve patient care in the Veterans' Administration, and especially in recruiting more physicians and nurses and other professional people.

Mr. EVINS. You bring in the new people for research, or is this research done by the staff personnel?

Dr. CHALMERS. The leaders are on the staff and they employ other people to do the work. A number of our employees are technicians who come to work for people who are also taking care of patients. We feel this is a very effective means of recruiting doctors to take care of patients, by offering them the facilities to do the work. We are in a very competitive area here in which the medical and dental schools and other hospitals are using research opportunities and space to attract physicians to a greater and greater extent. So that in addition to adding to the quality of medical care by having the research going on in the hospital, we feel this is crucially important in this area also.

Mr. EVINS. How many of your research personnel are also in the education and training program simultaneously? They might be in training, even though they are carried on the rolls as research employees.

Dr. CHALMERS. People who are engaged primarily in research are also doing some training, and people who are primarily in training are also doing some research, but they are carried on the rolls by their major activity.

Mr. MONK. Doctor, isn't it a fair assumption to make, that the majority of people requested here in medical research are basically technicians?

Dr. CHALMERS. Largely, yes.

Mr. MONK. And laboratory workers. These people are not generally involved in education, as such.

Mr. EVINS. They are technicians?

Dr. ENGLE. That is right. Most of the physicians are hired from medical care funds. The 498 positions refer to technical personnel.

Mr. EVINS. Technical personnel.

The next category, medical care, is increased from 132,443 in 1969 to 136,029, or an increase in 1970 of 3,586 new staff. You testified earlier as to the need for increased personnel in medical care. Are these nurses, technicians, custodial employees, laundry, and food-care workers throughout the system?

Dr. ENGLE. 1,500 of that total are nurses or nursing aides—1,800 I should say.

Mr. EVINS. 1,800 will be nursing service personnel?

Dr. ENGLE. As we said, at the present moment our nursing service personnel is about 1,500 below the level that we had June 30, 1968. This would get us back to where we were before.

Mr. JONAS. Do you have a record here to show how many you had on board as of January 1, how many unfilled jobs you had in your department?

Mr. MONK. Unfilled positions as of January?

Mr. JONAS. Yes; or for any recent date?

Mr. MONK. Of the number of full-time permanent, Mr. Jonas, as of February 15 within our ceiling we had 122 unfilled positions.

Mr. JONAS. You mean throughout the Veterans' Administration?

Mr. MONK. Throughout the Veterans' Administration and basically in the Department of Medicine and Surgery. I think there were 80 in the Department of Medicine and Surgery. You see, we had the ceiling on full-time permanent positions.

Mr. JONAS. And what is the ceiling?

Mr. MONK. For the agency it was 147,634.

Mr. JONAS. Of that number, you had all of them filled except for 122?

Mr. MONK. Yes, sir.

Mr. EVINS. You are asking for 6,082 total positions in the overall budget and 4,889 of that number are in the medical care program.

Mr. MONK. Mr. Chairman, 5,500 of that 6,000 are in medical programs.

Mr. EVINS. 5,500?

Mr. MONK. Yes, sir; that is an end-of-year figure. The 6,082 is the end-of-year figure, and of that 6,082 about 5,538 are in the medical programs and 544 in the other programs.

Mr. EVINS. About 500 in all your other programs, and about 5,500 of the increase in the number of jobs will be in medical programs?

Mr. MONK. That is right.

Mr. EVINS. Will they all be utilized in medical care, these 5,538 new positions?

Mr. MONK. That figure would also include the medical and prosthetic research positions. They are all included in the medical programs.

Mr. EVINS. All right.

Mr. JONAS. Assume that the expenditure control is extended and that the employment limitations are likewise extended. You cannot use all these jobs you are asking for.

Mr. MONK. We would be held, then, Mr. Jonas, to the middle column figure.

Mr. EVINS. That would be the 136,000?

Mr. DRIVER. Roughly.

Mr. MONK. That is correct for full-time permanent.

Mr. EVINS. We understand the picture. You are asking for about 6,000 jobs. You were cut back about 3,400 last year by the Expenditure Control Act, and of these 6,000, 5,500 are to be used in medical programs?

Mr. MONK. That is correct for full-time permanent.

Mr. EVINS. The rest of them are scattered throughout the Veterans' Administration?

Mr. MONK. That is correct.

Mr. EVINS. Gentlemen, you have four other accounts that are not direct appropriations. We will review those quickly.

RENTAL, MAINTENACE, AND REPAIR OF QUARTERS

Rental, maintenance, and repair of quarters; how is this funded? It is nonappropriated.

Mr. MONK. That is from rentals only.

Mr. EVINS. That is the property you own at Perry Point, Md.?

Mr. MONK. Yes; sir. We took over a powderplant there with a number of quarters.

Mr. EVINS. You get enough rental there to maintain it?

Mr. MONK. Yes, it is self-sustaining.

CANTEEN SERVICE REVOLVING FUND

Mr. EVINS. Next we have the canteen service. Congress originally established this service and it is now paying for itself. You are also paying into the Treasury some of the earnings?

Mr. MONK. Yes; sir.

SUPPLY FUND

Mr. EVINS. What about the supply fund? That is another nonappropriated account.

Mr. MONK. That is right. We went into that previously.

Mr. JONAS. You are still selling cigarettes at the canteen?

Mr. DRIVER. Selling, but not giving them away.

Mr. TALCOTT. You sell cigarettes and then treat them for emphysema.

You see, I can't let Mr. Jonas get these barbs in without my counteracting them.

Mr. JONAS. A harmless agricultural product.

CONSULTANTS AND ATTENDINGS RATE INCREASES

Mr. EVINS. You are asking for $3,099,000 to provide for consultant and attending reimbursement rates to be increased.

Dr. ENGLE. Yes.

Mr. EVINS. Why can't you hold the line?

Dr. ENGLE. This is one remarkable instance where inflation has not taken place since 1946.

With the new Department of Medicine and Surgery created after World War II, these consultants and attendings rates were established of $25 and $50 per visit, and this has not changed from that time until the present. Within recent years there has been an increas-

ing number of complaints about this, particularly in smaller communities, where physicians have had to leave their private practice to come out and visit at the Veterans' Administration hospital for either $25 if they were attendings, or $50 if they were consultants. We just feel compelled after this long interval to make some change. We propose this increase in the attendings from $25 to $40 and consultants from $50 to $75, and to do this for only half of the year. These rates are calculated on the basis of the change going into effect January 1.

Mr. JONAS. Is this $25 or $40 per day or per patient?

Dr. ENGLE. For a day or any part of the day.

Mr. JONAS. How long can you keep them there?

Dr. ENGLE. It could be anywhere from 10 minutes to 23 hours, 59 minutes. We have many instances where a neurosurgeon comes out to a Veterans' Administration hospital and does a complicated brain operation which may take 8 or 10 hours and he gets only $25 or $50 per day. This is the rate for all or any part of a day.

Mr. JONAS. I don't see how you get them.

Mr. EVINS. You get some corresponding benefits as a result of your research and other methods of cooperation.

An increase of $87,000 is required for annualization of social security; an increase of $7,500,000 for wage board increases, and $148,000 for increased Bureau of Employee Compensation benefits as required by law. That is a summary of your increases.

Place in the record the language on pages 2–5 through 2–9.

(The pages follow:)

GENERAL STATEMENT

This appropriation provides for expenses necessary for the maintenance and operation of Veterans Administration hospitals, nursing home care units, domiciliaries and restoration centers and outpatient clinics, and the care and treatment of eligible beneficiaries in contract hospitals, community nursing and state nursing home facilities and state home domiciliaries. In addition, training of medical residents and interns and other professional, paramedical, and administrative personnel in the health-science fields is provided to support the Agency's medical care programs and the Nation's manpower supply in these shortage categories.

Among the more significant changes in medical care program operating levels encompassed in the fiscal year 1970 budget estimate are the following:

1. The full activation of the new general hospitals at Gainesville, Florida (480 beds), Miami, Florida (1,056 beds) and the larger replacement general hospital at San Juan, Puerto Rico (706 beds) and the initial activation of the new 472 bed general hospital at Columbia, Missouri.

2. Funds to establish new medical services, such as intensive/coronary care units, organ replacement units, open heart surgery, etc., are planned in fiscal year 1970 to be activated at various stages throughout the year. A detailed explanation of each of these new services is provided in the "Justification of Estimates" section of this submission.

3. In its continued policy of providing better service at a lower cost the department has established a $3,000,000 cost reduction program for fiscal year 1970 which has been applied against the appropriation request. This is a continuing program which strives to achieve greater efficiency and economy in the application of the department's resources to the accomplishment of its mission through the use of new managerial and operational techniques.

4. Funding increases to provide for an expanded ongoing program of maintenance and repair to protect the department's extensive investment in real and personal property. The additional funds also will provide for the purchase of replacement and additional equipment to promote the upgrading of existing facilities, and the implementation of new facilities to provide the latest most effective modalities for the treatment of our eligible veteran beneficiaries.

5. A significant item in this estimate is the department's plan to materially expand its efforts in the training of health service personnel for the benefit of both VA medical care programs and the national needs. In furtherance of its primary mission of medical care for veteran beneficiaries, the department proposes to increase its educational effort within the medical care appropriation by $15.0 million or approximately 20 percent. This amount is required to cover stipend and salary costs of additional instructors and trainees, instructional materials and equipment and space alterations or additions. The expansion of the present VA training programs will assist in alleviating shortages of highly trained and well-qualified personnel in health-service fields.

6. During fiscal year 1969 funds were provided to expand the restoration program on a limited scale. In fiscal year 1970 a further extension of this program is contemplated. The restoration program affords special training to selected beneficiaries, who have received maximum hospital treatment, to better fit them for a return to the community as purposeful and independent citizens. Further growth of this program is planned for future years in order to promote restoration of veterans to community living and provide more beds for those veterans in need of hospital care.

7. Workload increases predominantly in the outpatient programs and numbers of patients treated in inpatient programs are projected in fiscal year 1970. Outpatient medical and dental caseloads are estimated to increase by about 736,000 to nearly 7,660,000, and patients treated in VA hospitals by 8,000 to about 775,000. The chart on the succeeding page outlines past and projected experience with respect to inpatient services.

The following factors contribute to these workload trends.

a. Increased use of Outpatient programs such as pre-bed and post-hospitalization care as authorized by Section 612, Title 38, U.S.C. This provides required medical care on an outpatient basis, thereby reducing the necessity for hospital beds as well as the cost and length of stay involved in an inpatient status of care.

b. As a result of the establishment of many new medical services, improvements in hospital staffing ratios and expansion of extended care programs, hospital beds previously occupied by patients with chronic or long-term illnesses have now been freed to accomodate those patients with short-term or acute illnesses.

ACTIVITY CLASSIFICATIONS

Fiscal year 1970 appropriation requirements are presented in this estimate under the following major activity classifications:

Neuropsychiatric Hospitals

In fiscal year 1970 the VA will operate 38 hospitals designated as neuropsychiatric hospitals which primarily provide care and treatment of patients with psychiatric and neurological disabilities.

An estimated average of 44,755 beds are to be operated with an average census of 39,775 of which approximately 3,000 will be medical, surgical or tubercular patients. This represents decreases of 1,600 operating beds and 1,699 patient census in fiscal year 1970 below fiscal year 1969 operating levels. These decreases result primarily from a lessening of demand in some areas, increased productivity per operating bed due to increased turnover rates and an increased use of outpatient treatment modalities.

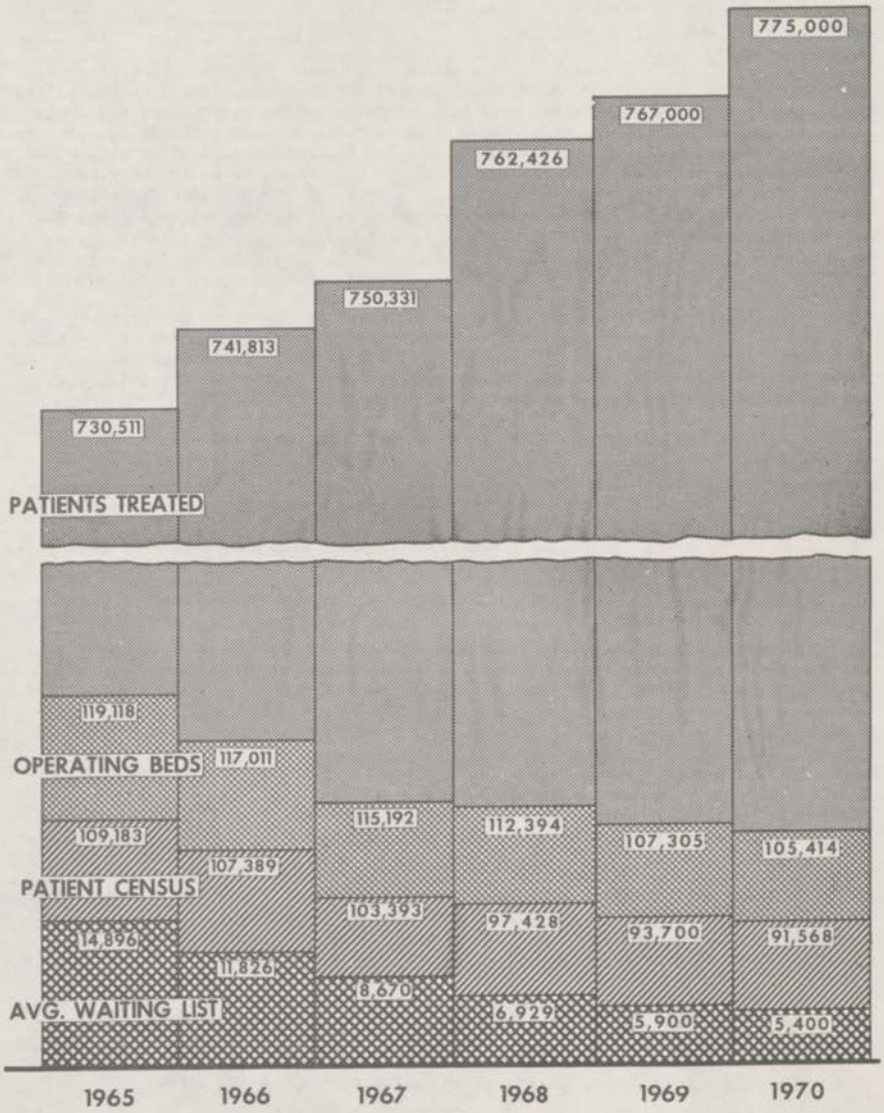
General Hospitals

It is planned to operate 129 general hospitals in fiscal year 1970, an increase of one over fiscal year 1969 with the opening of the new hospital at Columbia, Missouri. These hospitals provide care primarily for medical, surgical and tubercular patients but also provide treatment facilities for psychiatric and neurological type patients.

An average of 60,659 operating beds and 51,793 patient census, of which, over 6,000 are patients with psychiatric and neurological disabilities, are estimated for fiscal year 1970. These are net decreases of 291 operating beds and 433 patient census below the fiscal year 1969 planned operating levels.

The full activation of new hospitals at Gainesville, Florida; Miami, Florida, and San Juan, Puerto Rico, along with the initial activation of the new hospital at Columbia, Missouri will provide increases of 872 operating beds and 830 patient

TRENDS IN MEDICAL SERVICES IN VA HOSPITALS



census. These increases will be offset by decreases of 1,163 operating beds and 1,263 patient census caused by a reduced demand within various geographic areas, and new treatment modalities which provide greater turnover per bed. The continued stress on the use of outpatient facilities throughout the hospital system contributes to a lessening need in operating beds.

Domiciliaries/Restoration Centers

In fiscal year 1969 the VA expanded the restoration program to provide increases of approximately 140 operating beds and 193 patient census. In fiscal year 1970 an additional 120 operating beds will be converted to restorative use along with an increase of 166 restoree census, bringing the operating levels in the restoration centers to 1,019 operating beds and 968 patient census. This will allow for more flexibility and a better balance in workload between domiciliary and restoree loads and better facilitate the objectives of the restoration programs; namely, to restore an increasing number of patients to society as useful and productive citizens.

Nursing Home Care

The VA Nursing Care program achieved its required operating bed level of 4,000 at the end of fiscal year 1967, and has continued to raise the census levels each year with an average census in fiscal year 1968 of 3,468. It is expected this load will rise to a level of 3,815 in fiscal year 1969 and remain at this level until such time as additional beds become available.

To supplement the above-mentioned VA Nursing Home Care program, the VA contracts for nursing care with State and Community Nursing Home Care institutions. During fiscal year 1970 the Community Nursing Care census is expected to increase by 250 to a total of 3,550 as the demand for such services continues to rise. The census in the State Nursing program will increase by 300 to a total of 3,450. About270 of the increase will be transfers from the State Home Member program with the balance due to a continuing trend of greater demand.

Contract Hospitalization

The VA also supplements its inpatient program through the use of contract hospitals for eligible beneficiaries mainly where VA hospital beds either are not reasonably available or sufficient in number. During fiscal year 1970 the patient census is expected to decline by 137 to a total of 1,613 which is comprised of a census of 1,170 in non-federal hospitals and a 443 census in federal hospitals.

This estimated reduction in census does not represent any diminution of care for eligible veterans but rather forecasts the availability of hospital beds within new or existing VA facilities within which these veterans may receive treatment.

Outpatient Care

The Veterans Administration provides outpatient medical and dental care for eligible beneficiaries in all of its hospitals and independent outpatient clinics. In addition, the services of private physicians and dentists are obtained on a fee basis to provide necessary and essential care where VA facilities are not readily available.

In fiscal year 1970 it is estimated that 581,246 additional medical staff visits, 3,535 additional dental staff examination and/or treatment cases completed, 150,325 additional medical fee visits and 1,034 additional dental fee examination and/or treatment cases completed will be experienced above the fiscal year 1969 levels.

The continued discharge of Vietnam era veterans to the care of the VA and the impact of new treatment modalities within the VA hospital system which decrease the patient's hospital stay and releases him for further treatment as an outpatient, are the basic causes of these substantial workload increases.

Miscellaneous Benefits and Services

This activity includes those items of expense not directly connected with the medical care and treatment of beneficiaries such as beneficiary travel, care of the dead, operation of housekeeping and non-housekeeping quarters and the cost of furnishing supply, engineering, housekeeping and other administrative support services to other VA departments on a non-reimbursable basis.

State Homes

The VA Domiciliary program is supplemented by contracts with State Homes for the care and treatment of eligible beneficiaries. In fiscal year 1970 a beneficiary load of 6,240, which is a drop of 270, is expected to be obtained. This drop in patient load is in direct relationship with the increased load in State Nursing Homes as transfers continue to be effected as these nursing facilities become more numerous and readily available to the veteran patient.

Achievement of high quality medical care in VA hospitals and clinics results largely through the close affiliation maintained with the nation's medical schools and the continuing programs of research and education within the Department of Medicine and Surgery. This combination has produced a favorable atmosphere, whose retention is imperative. It is essential that VA medical installations keep abreast of the progress being made in the rapidly changing field of medical care and treatment. Failure to keep pace will jeopardize both the valuable affiliation ties with the nation's medical schools and the agency's ability to attract and retain the services of the caliber of physician who will assure that our veteran beneficiaries obtain the very best care and treatment.

VA Medical Workloads

Mr. Evins. You point out significant changes in medical care in the last year, activation of new hospitals. How many more hospital beds are you going to be operating in 1970 than you operated in 1969?

Dr. Engle. Actually, we are going to be operating a few less. We are going to be operating about 1,891 fewer beds in 1970 than in 1969, but we are going to be giving about 730,000 more out-patient visits and we expect to treat about 8,000 more patients in VA hospitals even with that reduced level of beds. We mentioned the other day the really dramatic changes taking place whereby we are getting by with fewer beds but we are treating more veterans mostly on an out-patient basis.

Mr. Evins. The patients treated is shown in the chart on page 2–7.

Mr. Monk. That is a very interesting chart.

Mr. Evins. Your waiting list is going down, from about 15,000 to 5,000.

Mr. Monk. Yes, sir.

Mr. Evins. You have been able to cut the waiting list by about 10,000?

Dr. Engle. Right. Even that is a far better picture than is shown here. In psychiatry, a few years ago we had 12,000 and 15,000 waiting. As of March, we had a list of 600 in psychiatry and about 5,000 for medical and surgical cases. Of the 5,000, about 3,000 were in Puerto Rico. That was a peculiar situation there.

Mr. Evins. What brings about this dramatic decrease?

Dr. Engle. I think a number of factors. One, changes in the practice of psychiatry where we have now an enlightened public and a better way of treating people on an out-patient basis rather than in-patient; there is more recognition that you should get people out of the hospitals and into the community. Another thing is the assistance that we have gotten under Public Law 88–450 where we can utilize community and State home nursing facilities. So that on any one day we have some responsibility for about 10,000 patients in nursing home beds.

A third thing is medicare, medicaid, and other social legislation where many people are availing themselves of opportunities other than Veterans' Administration opportunities; the increasing number of people with private hospital insurance is also in this category.

Mr. Evins. Medical costs are going up, the number of hospitals that are being built is increasing, there are more available medical services, and yet the Veterans' Administration is treating more patients. The demand is ever-growing, ever-increasing.

Mr. Jonas. May I ask a question?

Mr. Evins. Surely.

Length of Hospital Stay

Mr. Jonas. A veteran who is eligible comes into a hospital with a broken leg. Now, normally if no complications develop, how long do you keep him in the hospital?

Dr. Engle. The average length of stay for a fracture I would have to ask the professional people.

Dr. Chase. I wouldn't be able to answer that definitively for you, Mr. Jonas. I can give you a ball park figure.

Mr. JONAS. It depends on the local surgeon who treats him, I guess.

Dr. CHASE. That is right. And the location of the fracture, how it is treated, whether it would be an open reduction or a simple casting. If the purpose of your question is: Do we utilize rapid outpatient procedures in these cases? the answer is yes. As soon as the fracture has been immobilized, if a wound has been created in an attempt to fix the fracture, then as soon as the wound edges are sealed an attempt is made to place him back in his community and to provide then continued care.

Mr. JONAS. Can you give us for the record a little more definite information as to the length of stay for, say, an appendectomy, a fracture, and a few other operable cases?

Dr. CHASE. Yes, sir.

(The information follows:)

The following information concerning the length of stay of patients discharged from VA hospitals has been selected on the basis of the principal condition for which veteran patients received hospital care. In general, VA patients are treated for more than one disability during any episode of hospital care. This factor tends to increase the average duration of stay over that which would have been required if the indicated principal diagnosis had been the only treated condition.

To describe duration of stay in terms of a single number such as the average length of stay is quite difficult. In consequence, the following table shows not only the average duration of stay but also the number of patients discharged after specified periods of hospital care. The treatment of multiple conditions is reflected by the extended durations for some patients. In addition, age is also a factor which lengthens stay. Many VA patients are in the higher age brackets.

PATIENTS DISCHARGED FROM VA HOSPITALS ACCORDING TO PRINCIPAL DIAGNOSIS AND AVERAGE LENGTH OF STAY CALENDAR YEAR 1967

Diagnostic code (ICDA)	Selected principal diagnosis	Number of cases	Average length of stay (days)	Number of patients with indicated number of days of stay					
				1 to 4	5 to 9	10 to 14	15 to 29	30 to 89	90 plus
584.0	Cholelithiasis	3,247	31.8	84	189	398	1,269	1,214	93
221.0	Pilonidal cyst	1,161	20.5	155	235	252	387	124	8
260.0	Diabetes mellitus without complications	8,797	28.6	664	1,168	1,461	3,111	2,106	287
420.1	Acute coronary occlusion	9,573	32.5	1,383	753	711	3,340	3,107	279
461.0	Hemorrhoids with or without ulcer	6,411	16.4	728	1,296	1,545	2,189	628	25
510.0	Hypertrophy of tonsils and adenoids	789	7.8	368	264	76	61	17	3
541.0	Ulcer of duodenum without perforation	9,143	24.6	601	1,281	1,549	3,485	2,101	126
550.0	Acute appendicitis without peritonitis	743	11.8	82	392	112	119	36	2
560.0	Inguinal hernia without obstruction	13,446	18.9	418	2,189	4,230	5,085	1,440	84
571.0	Gastroenteritis and colitis except ulcerative	2,047	13.4	536	530	343	453	172	13
600.0	Pyelitis, pyelocystitis, pyelonephritis	2,293	28.2	556	323	338	513	468	95
602.0	Calculi of kidney and ureter	3,296	19.7	843	746	444	715	491	57
610.0	Hyperplasia of prostate	9,714	31.5	578	668	1,085	3,805	3,261	317
	FRACTURES								
812	Fracture of humerus	1,172	28.5	355	126	92	204	313	82
813	Fracture of radius and ulna	1,170	19.5	483	151	122	188	182	44
820+821	Fracture of femur	3,718	72.9	262	223	232	702	1,386	913
823	Fracture of tibia and fibula	1,562	42.8	305	188	139	325	401	204

Mr. JONAS. Off the record.

(Discussion off the record.)

Mr. JONAS. Do you tell the committee that you are reducing the length of stay?

Dr. ENGLE. We are.

Mr. JONAS. In surgery cases, that is?

Dr. ENGLE. In medical and surgical cases our length of stay has gone down by about 3 days per case in the last 2 years.

Mr. MONK. The turnover rate, which is not the length of stay but is reflected by the length of stay, in 1958—throughout our system—was 36.2. As of January 1969 it was 60 percent.

Mr. JONAS. That is about double.

Mr. MONK. Well, we have gone up 66 percent. I did a little figuring with this roughly. To handle the same number of patients at the old turnover rate would have required at least 25,000 more operating beds.

Mr. JONAS. Fantastic.

Mr. MONK. At present per diem rates this would have cost us over $300 million additional per year.

Mr. EVINS. It continues to improve.

Comparison of 1965 levels with 1970, rounding off the figures, the patient census has gone down from 109,000 to 92,000, operating beds have declined from 119,000 to 105,000 in the same 5-year period. Yet the patients treated increased from 1965 to 1970 from 731,000 to 775,000.

At this point we will place in the record pages 2–10 and 2–11.

(Pages 2–10 and 2–11 follow:)

JUSTIFICATION OF ESTIMATES

This section of the estimates sets forth average employment and monetary requirement decreases and increases projected for operation of VA medical care programs in fiscal year 1970.

Within a medical system so vast and complex as that operated by the Veterans Administration many changes in program operating levels, upward or downward, will occur each year. The Veterans Administration considers it important to identify decreases in operating levels resulting from management improvement programs or other actions as well as increased requirements for operation of medical care and treatment programs during the budget year.

Many of the computations for operating bed and patient/member load adjustments are developed on an individual station basis. These adjustments range from food and drug costs only, where a few patients are involved, to progressively greater cost changes, including salaries of treatment staff, where bed sections or ward changes are to be effected. For new hospitals, consideration must be given to the need for advance hiring and training of personnel before wards are activated and patients admitted.

The $75,248,000 net increased requirements in fiscal year 1970 over fiscal year 1969 consist of decreases of (1) $975,000 for workload reductions in VA domiciliaries, contract hospitals, and State Home member census; and, (2) $3,000,000 for management improvement actions; and increases of (1) $16,580,000 for payroll changes, (2) $14,950,000 for activation of new facilities and other workload changes, (3) $7,353,000 for increased usage of utilities, drugs, etc., (4) $14,870,000 for new medical services and (5) $25,470,000 for other program improvements.

Charts reflecting planned workload, employment, and financing levels for the comparative years appear on the following pages. Specific explanation and justification for the program changes are set forth in the printed pages immediately following these charts.

SUMMARY OF WORKLOADS, POSITIONS AND EMPLOYMENT CHANGES

Activity	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
NUMBER OF INSTALLATIONS				
Neuropsychiatric Hospitals	38	38	38	...
General Hospitals	128	128	129	+ 1
Domiciliaries/Restoration Centers	18	18	18	...
Nursing Home Care - VA	63	63	63	...
Outpatient Clinics	202	202	203	+ 1
WORKLOADS				
Operating Beds				
Neuropsychiatric Hospitals	49,200	46,355	44,755	- 1,600
General Hospitals	63,194	60,950	60,659	- 291
Domiciliaries	13,528	13,383	13,263	- 120
Restoration Centers	759	899	1,019	+ 120
Nursing Home Care - VA	4,000	4,000	4,000	...
Total	130,681	125,587	123,696	- 1,891
AVERAGE DAILY BENEFICIARY CENSUS				
Neuropsychiatric Hospitals	43,749	41,474	39,775	- 1,699
General Hospitals	53,679	52,226	51,793	- 433
Domiciliaries	12,593	12,642	12,628	- 14
Restoration Centers	609	802	968	+ 166
Nursing Home Care - VA	3,468	3,815	3,815	...
Sub-Total VA Facilities	114,098	110,959	108,979	- 1,980
Contract Hospitalization	2,022	1,750	1,613	- 137
State Home Domiciliaries	7,466	6,510	6,240	- 270
State Home Nursing Care	1,794	3,150	3,450	+ 300
Community Nursing Care	2,805	3,300	3,550	+ 250
Total	128,185	125,669	123,832	- 1,837
PATIENTS TREATED				
Neuropsychiatric Hospitals	119,416	114,721	110,026	- 4,695
General Hospitals	643,010	652,279	664,974	+ 12,695
Sub-Total All Hospitals	762,426	767,000	775,000	+ 8,000
Domiciliaries	28,098	26,392	25,930	- 462
Restoration Centers	2,222	3,053	3,784	+ 731
Nursing Home Care - VA	6,074	6,700	6,700	...
Total VA Facilities	798,820	803,145	811,414	+ 8,269
OUTPATIENT CARE				
Medical Visits				
Staff	5,369,516	5,558,754	6,140,000	+ 581,246
Fee	1,194,514	1,183,675	1,334,000	+ 150,325
Total	6,564,030	6,742,429	7,474,000	+ 731,571
Dental Exams. - Cases Completed				
Staff	71,856	74,856	76,856	+ 2,000
Fee	7,287	21,607	22,216	+ 609
Total	79,143	96,463	99,072	+ 2,609
Dental Treat. - Cases Completed				
Staff	56,972	58,937	60,472	+ 1,535
Fee	9,535	25,877	26,302	+ 425
Total	66,507	84,814	86,774	+ 1,960
FULL-TIME EQUIVALENT EMPLOYMENT				
Consultants and Attendings	938	938	945	+ 7
Nurses	15,598	15,823	16,622	+ 799
Dentists	749	794	842	+ 48
Physicians	7,216	7,443	7,741	+ 298
Clin. & Couns. Psychologists	704	740	856	+ 116
Wage Rate Employment	34,011	33,062	33,193	+ 131
Purchase & Hire	179	180	180	...
Other Personnel	73,753	73,463	75,650	+ 2,187
Total	133,148	132,443	136,029	+ 3,586

MEDICAL CARE FUNDING INCREASE

Mr. EVINS. The table on page 2–11 shows the summary of the workload, the positions and the employment changes. The costs by activity are shown on page 2–12. There is an increase in almost every category.

Let us take a look at some of your increases as shown on page 2–17 and following—$16,580,000 for legislative salary changes. Can you absorb some of this?

Dr. ENGLE. No, sir.

Mr. EVINS. You are requesting $14,950,000 for activation of new facilities and other workload changes.

Mr. SHYTLE. That is for initial activation costs of one new hospital and to complete the activation of three others.

Mr. EVINS. Are they the hospitals shown on the top of page 2–18?

Mr. SHYTLE. That is right.

Mr. EVINS. You have a $7.4 million increase for drugs, utilities, maintenance and repair shown on page 2–19.

Mr. SHYTLE. Yes, sir.

NEW MEDICAL SERVICES

Mr. EVINS. The number of new medical services alluded to the other day is shown on page 2–21. Ten alcoholic treatment units, one blind clinic. This page also provides the various new medical services planned. Place this in the record.

(Page 2–21 follows:)

4. *Explanation of Request for Increase of $14,870,000 for New Medical Services.*—The increased 1,745 staffing and $14,870,000 requested under this section of the estimate covers (1) 465 average employment and $5,239,000 for designated stations to activate new medical services on a full year's basis, (2) 1,006 average employment and $7,038,000 to operate 454 intensive/coronary care beds for 10 months, (3) 252 average employment and $2,309,000 for certain new medical services to be activated for three-quarters of a year; and (4) 22 average employment and $284,000 to operate new medical service programs at 12 stations for one-half a year. The new medical services not established on a full year's basis in fiscal year 1970 will require $2,232,000 annualization in fiscal year 1971:

NUMBER OF NEW MEDICAL SERVICES PLANNED IN VA MEDICAL FACILITIES

Service	Activations			
	Planned as of June 30, 1969	Planned, fiscal year 1970	Total through fiscal year 1970	Goal, fiscal year 1974
Alcohol treatment units		10	10	60
Blind clinics		1	1	7
*Cardiac catheterization	53	3	56	56
*Clinical radioisotope	68	4	72	80
Day hospitals	5	10	15	40
*Electron microscopy	16	6	22	70
Epilepsy centers		1	1	5
Hemodialysis units	30	4	34	41
*Intensive/coronary care beds	910	454	1,364	2,253
Mental hygiene clinics	71	2	73	82
Open heart surgery	22	2	24	24
Organ replacement centers		5	5	31
Prosthetic treatment centers	5	2	7	15
*Pulmonary emphysema units	68	11	79	119
*Pulmonary function labs	85	9	94	119
Reference laboratories	3	3	6	6
*Speech pathology	55	9	64	109
Stereotactic brain surgery		3	3	5
Supervoltage therapy	19	1	20	28

* Services marked by an asterisk are planned for activation at most general hospitals. Therefore no individual station listing has been provided. Those unmarked services will serve regional areas, and the planned locations are identified on the following pages. Activation of these services in fiscal year 1970 must be at different time intervals because of variances in space alterations, equipment deliveries, etc.

Mr. SHYTLE. From that point on for several pages we justify in detail each one of the new medical service categories.

Mr. EVINS. We will place 2-24 through 2-36 in the record.

(The justification pages follow:)

(1) ALCOHOL TREATMENT UNITS

Introduction. In the Annual Census of Patients remaining in VA hospitals on October 31, 1962, alcoholism was considered a factor in the hospitalization of 18.9%. This figure rose to 20% in the Annual Census taken November 30, 1966. This progression is even more evident in the figures for patients discharged with the principal diagnosis of alcoholism. This figure rose from 11,571 in calendar year 1965 to 15,768 in 1966, a 36.3% increase.

The peak incidence is in the age brackets of 35 to 55. This coincides with the predominant age group for all living veterans and the number estimated for 1975. In subsequent years there will be a gradual shift toward predominance of older age groups. However, the incident rate for the 35 to 55 age group will remain in sizable numbers through 1985. This takes into account the 4,553,000 Post-Korean Conflict veterans (as of June 30, 1967).

Because of the ambivalence of attitude toward alcoholism, medical facilities for the treatment and rehabilitation of alcoholics are in general woefully inadequate. This VA program will fill a serious need which has been long unmet. If and when non-VA facilities do become available, it may be possible to initiate collaborative efforts with state and community agencies to the end that VA facilities will supplement, rather than duplicate other facilities.

Units Planned. Ten units are planned for fiscal year 1970. Each unit will be staffed by registered nurses, nursing assistants, a psychiatrist, a psychologist, a social worker, PMR and clerical personnel for approximately 25 personnel per unit. Units should average 30 beds. Personnel will devote much of their time to intensive and extensive post hospital care, which is planned as an integral part of the rehabilitation program.

Funds Requested. Increases in average employment of 150 and $1,275,000 are necessary to activate 10 new units with three-quarter year support. A list of station activations follows:

Locations	Employment (Average FTE)	Recurring Costs (In thousands of dollars)
Brockton, Mass.	15	$127.5
East Orange, N. J.	15	127.5
Indianapolis, Ind.	15	127.5
Lincoln, Nebr.	15	127.5
Los Angeles, Calif.	15	127.5
Lyons, N. J.	15	127.5
Minneapolis, Minn.	15	127.5
Nashville, Tenn.	15	127.5
Northampton, Mass.	15	127.5
Salem, Va.	15	127.5
Total	150	1,275.0

(2) BLIND CLINICS

Introduction. Blindness is found in significant numbers among patients in VA psychiatric hospitals. When these patients are given specific blindness services, their psychiatric health improves and their dependence for care upon staff decreases. These services will be given by seven (7) psychiatric blind rehabilitation units, in existing hospitals, geographically spaced over the country. Blind psychiatrically ill patients in neighboring hospitals will be transferred to the nearest unit for the intensive rehabilitation treatment episode and then either discharged or returned to the transferring hospital. More wholesome living for these patients, less dependence upon staff for the daily personal care

that patients would rather do themselves if they were able, and some discharges will be outcomes of these units.

The number of patients who will receive intensive blind rehabilitation episodes at the clinic planned for activation in fiscal year 1970 is estimated at 55. The goal for fiscal year 1974 is 385.

Units Planned. The long range plan for Blind Clinics in NP hospitals proposes that this program will have been established in 7 hospitals by fiscal year 1974, with the initial activation planned in fiscal year 1970, 3 in fiscal year 1971, 1 in fiscal year 1972, and 2 in fiscal year 1973 to complete the program.

Funds Requested. Recurring increases of 8 average employment and $76,000 are requested to activate a clinic at Northampton, Massachusetts in fiscal year 1970 on a full year basis.

(3) CARDIAC CATHETERIZATION

Introduction. Heart catheterization studies both within and outside of the VA were in major part supported initially by research funds. Now that the development stages of a majority of existing techniques are over, this has become a primary and essential service function and should be supported by patient care funds. Furthermore, since the support of an adequate facility for these purposes is costly, it cannot be absorbed within existing levels of hospital budgeting without impinging to a serious degree on other service functions.

Potential Workload. Data submitted by 43 field stations included the information that the average workload for 43 laboratories was 3,500 catheterizations per year through fiscal year 1967. However, rapid progress in the field has altered initial estimates for the future drastically. As opposed to an initial projected workload of 3,550 catheterizations during fiscal year 1969, 4,277 were reported for fiscal year 1968, and over 5,000 are anticipated for fiscal year 1969. In addition, technical advances and increased clinical knowledge havemade angiographic techniques a common rather than an occasional procedure (4,074 in fiscal year 1968). In contrast to previous estimates, it is now anticipated that an increase of at least 1,000 procedures (catheterizations plus angiography) per year will occur through fiscal year 1974.

Laboratories Planned. Fifty-three VA hospitals will be operating these units at the end of fiscal year 1969, and it is planned to activate additional facilities in most new, relocation or major modernization projects in GM&S hospitals in the future.

Space. The Department of Medicine and Surgery, in coordination with the Construction Service, has developed criteria for catheterization laboratory space and equipment for all new hospital construction and for major modernization projects of existing facilities. There are no requirements for space modifications in existing facilities submitted herewith.

Funds Requested. A recurring increase of 12 average employment and $112,000 is required to initiate 3 new laboratories in fiscal year 1970 on a full year basis.

(4) CLINICAL RADIOISOTOPE

Introduction. Radioisotopes have been used in the VA since late in 1947. Due to licensing requirements of the Atomic Energy Commission, the highly specialized instrumentation required, and the newness of the entire field of nuclear science, this program was established as a research activity.

As a result of developmental work over the past twenty years the use of radioisotopes for routine diagnostic procedures, and to a lesser degree for therapy, has become a normal part of the professional services of a hospital. Since the techniques and instrumentation cut across all other disciplines, such as medicine, surgery, radiology and basic science, the growing trend in medical schools is to recognize this field as a separate department, as it is presently constructed in the VA.

Potential Patient Load. By fiscal year 1973 it is estimated that at least 82 VA hospitals will be licensed for clinical use of radioisotopes and will diagnose 100,000 cases per year. In fiscal year 1969 an estimated 80,000 patients are to be tested based on prior year projections.

Extent of Program. Through fiscal year 1969 funds were provided for the activation of the clinical radioisotope program at 68 hospitals. Four additional hospitals will receive support in fiscal year 1970.

Space. No major construction needs are foreseen for the clinical uses of radioisotopes. In new hospitals a clinical radioisotope suite is being planned consisting of less than 1,000 n.s.f. except in unusual situations. Specialized needs can be handled in the research laboratories where such facilities are available.

Use of Private or Other Public Sources. It is impracticable to contract for services of this type, since they are as essential for quick use as other diagnostic procedures. The licensing requirements of Atomic Energy Commission also make the use of independent facilities within VA the only suitable source of this service.

Funds Requested. A recurring increase of 8 average employment and $212,000 are necessary to support 4 new clinics on a full year basis.

(5) DAY HOSPITALS

Introduction. The past 15 years have witnessed the development of day hospitals for the treatment of the mentally ill in many state and private hospitals in this country and abroad. The day hospital offers all the treatment facilities available for the seriously ill patient without separation from home, family, and community, thus avoiding the development of hospital dependency, regression, and chronicity, and more readily facilitates readjustment to previous normal living and working conditions.

This treatment program is primarily for veteran patients not previously hospitalized; therefore, these patients will usually be processed by direct admission. However, this will not preclude admitting other veteran patients who had previously been hospitalized and whose psychiatric disease has again become severe enough to require rehospitalization. Assuming a reasonable amount of success with this type of treatment modality, the Agency would consider extending this Day Hospital treatment program to long-term bed occupants who have otherwise been immobilized and might benefit by this different treatment approach.

The first treatment program study was initiated during fiscal year 1966 at the VA Hospital, Minneapolis, Minnesota. Four additional studies were undertaken during fiscal year 1966 at the VA Hospitals at Cincinnati, Ohio; Denver, Colorado; Houston, Texas; and New York, New York. A formal review and evaluation at the several operations was carried out by the staff of the Assistant Chief Medical Director for Management and Evaluation during the mid-portion of calendar year 1967. The resulting recommendation that the Day Hospital program be made operational was approved by the Chief Medical Director on March 7, 1968.

Potential Patient Load. It is estimated that when operational, a Day Hospital will have an average daily patient census of 25.

Day Hospital Treatment Programs Planned. Ten new units are planned for activation in fiscal year 1970.

Funds Requested. Recurring increases of 90 average employment and $876,000 are required for activation of the 10 units on a three-quarter year's support basis at the following locations:

Locations	Employment (Average FTE)	Recurring Costs (In thousands of dollars)
Boston, Mass.	9	$87.6
Bronx, N. Y.	9	87.6
Chicago, Ill. (W/S)	9	87.6
Dallas, Tex.	9	87.6
Gainesville, Fla.	9	87.6
Kansas City, Mo.	9	87.6
Salt Lake City, Utah	9	87.6
Seattle, Wash.	9	87.6
St. Louis, Mo.	9	87.6
Topeka, Kans.	9	87.6
Total	90	876.0

(6) ELECTRON MICROSCOPY

Introduction. The effectiveness of Electron Microscopy for revealing findings not discernible by Light Microscopy alone has made a systematic program for acquiring the electron microscopes essential. The practical value of the new microscope for diagnostic needs as well as the training aspect for residents to keep the VA residency program abreast of advancements reveal definite applications for the new microscopes.

Electron Microscopy will be a part of the armamentarium of most larger clinical laboratories within the next ten years and, at the present time, some clinical laboratories are installing additional Electron Microscopes due to the increased workload and needs for patient care. Failure to equip VA laboratories where strong Pathology programs so warrant would seriously hamper and detract from the VA program.

Units Planned. Through fiscal year 1969, 16 units are in clinical use. Six additional units are planned for fiscal year 1970. Expansion of this program by 48 more units is programmed through fiscal year 1974.

Funds Requested. The recurring increase of 12 average employment and $124,000 is required to establish 6 new units on a full year's basis in fiscal year 1970.

(7) EPILEPSY CENTERS

Introduction. Although the majority of patients with epilepsy show a favorable response to good, routine neurological care and treatment, there are a certain number whose epilepsy is so severe that even well-trained and thoroughly competent neurologists are unable to afford them relief of their symptoms. Such patients would be benefited by being hospitalized for study at an Epilepsy Center where they would be able to obtain the special attention and specialized care their condition demands. The evaluation they would receive would be the most thorough, and during hospitalization they would be closely observed by a team who have had special training in the care and treatment of such difficult problems of epilepsy. The patient's condition would be thoroughly reevaluated; necessary diagnostic

procedures of the most advanced type would be carried out; behavioral functioning tests would be performed; and social and vocational evaluation would be made available. The patient's medication would be meticulously adjusted; the latest forms of anticonvulsive preparations would be administered; psychological support and therapy would be available; neurosurgical intervention would be offered, if indicated; and the entire milieu of the treatment center would be geared to the patient's problem with epilepsy at all times.

Units Planned. Five centers are planned to be set up on a VA Neurological Bed Service Unit, four to six beds of which will be set aside as an Epileptic Diagnostic and Treatment Center for the care of patients referred for advanced epilepsy care. The personnel assigned to the Center would comprise two nurses, a social worker or a psychologist, an Electroencephalographic technician, and a secretary. One center is planned for fiscal year 1970, two centers in fiscal year 1971, and one each in fiscal years 1972 and 1973 to complete the program.

Funds Requested. Recurring increases of 3 average employment and $39,000 is necessary to activate the initial center at West Haven, Connecticut in fiscal year 1970 on a three-quarter year basis.

(8) HEMODIALYSIS UNITS

Introduction. One of the recent major breakthroughs in medicine has been the demonstration that certain individuals with irreversibly impaired renal function, or with no functioning kidney tissues, can be kept alive and in a fairly normal state of health through regularly scheduled hemodialysis. This has been sufficiently well established that it has passed from medical research into the realm of patient care.

The VA recognizes its responsibility to the veteran who would benefit from this modality of treatment. This parallels the progressive development of like services in University and Community hospitals for the general public.

Potential Patient Load. When the program was activated, projections were based primarily on vital statistics data from the general population and from mortality data on veterans dying of kidney disease. During the approximately five years that the program has been conducted, it has been confirmed that at least 300 candidates per year seem suitable for the treatment. One factor that has contributed to this figure has been that with experience the original criteria for patient selection have been modified as experience has demonstrated that they were too rigid.

It is anticipated that the patient population in VA units will increase from approximately 275 on 1 July 1968 to approximately 500 on 30 June 1969, based on the assumption of adherence to construction schedules, procurement of equipment and success in recruitment of personnel.

Present indications are that the above estimates of demand for chronic hemodialysis for veterans are very conservative. At the present time the demand for this treatment is such that admissions to the units are occurring as rapidly as additional personnel, space and/or equipment are obtained.

Unit Capacity. VA treatment units at the present time vary in size from 6-10 beds. Currently an average of 12 patients is being treated in each unit. A limiting factor in this capacity has been the recognition during the past 1-2 years that optimum patient welfare requires three periods of dialysis per week rather than two.

The estimate of capacity also includes consideration of care of patients who require acute dialysis and of those suffering from temporary complications requiring

longer periods in the unit.

Planned Units. Thirty units will be active at the end of fiscal year 1969. Four additional units are planned for fiscal year 1970, with a total of 41 units programmed in fiscal year 1974.

Space. Modification of space is required to develop facilities which will permit efficient, safe and satisfactory treatment. Facilities not programmed within C of H&DF appropriations will receive consideration in future budgets as plans are developed. However, renovation of space is not a deterrent to activating a unit and it is proposed to activate all units regardless of when renovation will take place. This may impose some temporary problems for the staff but the urgency of the program requires that such action be taken.

Funds Requested. Recurring increases of 80 average employment and $1,040,000 are required to activate 4 units for a full year in fiscal year 1970 at the following locations.

Locations	Employment (Average FTE)	Recurring Costs (In thousands of dollars)
Chicago, Ill. (Res.)	20	$260
Little Rock, Ark.	20	260
Minneapolis, Minn.	20	260
San Juan, P. R.	20	260
Total	80	1,040

(9) INTENSIVE/CORONARY CARE BEDS

Introduction. Intensive care is provided for critically ill patients whose special medical requirements cannot be met in the usual ward environment. Its objectives are:

a. To provide continuous concentrated care.

b. To make available specialized and lifesaving measures.

c. To provide fully qualified professional personnel who are specifically trained to recognize the need for and to be able to initiate and continue the type and kinds of care to meet the special needs of these patients.

d. To assure the most effective use of complicated equipment in the application of this specialized care.

Coronary care beds are designed for a special form of intensive care for patients who have suffered acute coronary occlusion.

Potential Patient Load. In fiscal year 1968, 33,600 patients were treated in the intensive care beds. This total includes medical, surgical and coronary care patients. Special coronary care is also required for some of the patients who undergo cardiac surgery and who require careful monitoring post-operatively. The trend in cardiac surgery, made possible through research advances, is on the increase and the demand for post-operative care in facilities equipped and staffed for this purpose will significantly improved the chances for survival for many of these patients. A special Department of Medicine and Surgery Task Force reported on August 1, 1966 a critical shortage of intensive care beds in our hospital system and recommended a minimum need of 1,124 beds not including the need for coronary care beds.

Beds Planned. By the close of fiscal year 1968, 63 hospitals will have initiated intensive care/coronary care beds with a total capacity of 910 beds.

For fiscal year 1970 an additional 454 beds have been planned.

Space. It is expected that space modification will be necessary at all selected stations. The extent of renovations and alterations has not been determined. However, those hospitals requiring alterations which must be considered within the Construction of Hospital and Domiciliary Facility appropriation will receive priority consideration.

Funds Requested. Recurring increases of 1,006 average employment and $7,038,000 are necessary to activate 454 beds in fiscal year 1970 on a ten-month basis.

(10) MENTAL HYGIENE CLINICS

Introduction. With the concept of comprehensive treatment for patients with psychiatric disabilities, new Mental Hygiene Clinics are required to provide for continuity of total patient care, depending upon treatment demand in the community. Establishment of new VA hospitals in metropolitan areas of the country which provide comprehensive care for psychiatric patients will require the establishment of new clinics or the augmentation of existing clinics. Because of the increasing demands for the services of outpatient mental hygiene activities, additional space and personnel consisting of a team will be required in clinics already established. In 1968, over 82,000 patients were on the rolls of the 67 existing Mental Hygiene Clinics.

Potential Workload. It is assumed that the demand for the outpatient mental hygiene clinic services will continue to increase. Past experience have demonstrated this increased demand. There has been a progressive increase every quarter. For example, the patient loads in Mental Hygiene Clinics were:

43,241	January 1, 1960
48,214	January 1, 1961
54,430	January 1, 1962
57,227	January 1, 1963
61,677	January 1, 1964
66,456	January 1, 1965
71,509	January 1, 1966
78,672	January 1, 1967
82,388	March 31, 1968

It is estimated that the patient load in the Mental Hygiene Clinics will increase an average of about 4,000 each in the succeeding years.

Staffing. A team consisting of 1 psychiatrist, 1 clinical psychologist, 1 psychiatric social worker and 1 occupational therapist are required to provide treatment for 100 patients or 2,500 visits.

Centers Planned. Sixty-seven clinics were in operation as of June 30, 1968, 4 are planned to be activated in fiscal year 1969, and 2 additional clinics activated in fiscal year 1970.

Funds Requested. The recurring increase of 8 average employment and $176,000 are necessary to activate 2 additional clinics on a full year basis in fiscal year 1970 at Hines, Illinois and Northport, New York.

(11) OPEN HEART SURGERY

Introduction. The VA has developed an open heart surgical program concomitant with the improvement in the instrumentation and knowledge that had developed

throughout the medical profession. The recent development of artificial valves, disposable equipment, and other new techniques of management has further increased the value of open heart surgery in the VA hospitals. The largest volume of open heart surgical procedures in the VA are the acquired heart disease group, which require valve replacement in most cases.

Preparation for and the carrying out of surgical procedures on veterans with heart disease is expensive and time consuming. The procedure, once a cardiac abnormality, has been detected requires:

Surgical Procedure: The conduct of the surgical procedure requires a large number of highly skilled personnel including a surgeon, anesthesiologist, cardiologist, nurses, pump technicians and monitoring technicians.

Post-Operative Care: Intensive nursing and professional care in the post-operative period is mandatory and goes on for 48 to 120 hours. This care requires, often times, repeated examinations and continuous monitoring of the patient's condition. Numerous lab examinations are often required.

Potential Patient Load. In calendar year 1964, of 4,046 discharge diagnoses in the VA coded as chronic valvular heart disease there was a potential pool estimated at 1,000 cases eligible to be considered for valvular surgery. It is felt that with continued improvement in valve design and other technical supports and increased diagnostic capabilities the patient load will rise to 1,200-1,500 cases per year the next five years. The number of patients treated by elective open heart surgery in VA hospitals in fiscal year 1968 was 670. There was a backlog of 150 patients as of June 30, 1968. Several developing new centers and catheterization units will further expand this backlog.

Centers Planned. There were 22 centers in operation as of the end of fiscal year 1968. Two additional centers are planned in fiscal year 1970.

Space. Space requirements for Open Heart Surgery do not require any major renovation or alteration.

Funds Requested. Recurring increases of 10 average employment and $164,000 are necessary to activate the 2 new units in fiscal year 1970 on a full year basis at the following locations:

	Employment (Average FTE)	Recurring Cost	Non-Recurring Cost	Total Cost
		(In thousands of dollars)		
Atlanta, Ga.	5	$82	$65	$147
Memphis, Tenn.	5	82	65	147
Total	10	164	130	294

(12) ORGAN REPLACEMENT CENTERS

Introduction: Kidney - Each year approximately 1,200 veterans die from renal failure. Recent improvement in kidney transplantation in humans both from related and unrelated donors (cadaver) has yielded a 50-75% two year survival following transplantation. Over 250 patients are on chronic renal dialysis in the VA at the present time. Potential salvage of approximately 600 of the 1,200 patients by the use of either transplantation or dialysis or both can be reasonably projected. The VA at the present time therefore is salvaging approximately one-half of these patients by dialysis and/or transplantation. Last year 75 kidney transplants were completed to bring the VA total to 350 kidney transplants, or 25% of all kidney transplants in the U.S.A.

Liver- Liver transplantation has been successfully carried out on an experimental basis at one VA hospital. Five of nine patients are surviving at the present time.

The prospects are that this procedure may develop into as successful a therapeutic tool as kidney transplantation once the problem of procurement and preservation of cadaver organs is accomplished.

Heart - Heart transplantation is a highly experimental procedure which has successfully been accomplished in 55 cases, including the first VA heart transplant, who still survives at this writing. Of this group, approximately 25% still survive, the longest up to a year. The VA has approved two of its VA hospitals for heart transplantation when indicated cases develop.

Units Planned. Five replacement units are to be fully funded in fiscal year 1970. The estimated load of kidney transplants will be between 100-150 a year. Continued re-evaluation of all aspects of this problem is to be made as liver, lung and heart transplantations become increasing feasible. At present planning calls for eight new centers in fiscal year 1971, and 6 each year for fiscal years 1972, 1973 and 1974, for a total of 31 units planned.

Funds Requested. Recurring increases of 168 average employment and $1,860,000 are necessary to activate the 5 units for a full year at the following locations:

Denver, Colo.	Nashville, Tenn.
Durham, N. C.	St. Louis, Mo.
Los Angeles, Calif.	

(13) PROSTHETIC TREATMENT CENTERS

Introduction. Prosthetics is a highly specialized field which is constantly undergoing changes and improvements as the result of a dynamic research, development, and education program. It is impractical to maintain trained personnel to provide major prosthetics services in every VA hospital and outpatient clinic. We have therefore started a program to reorganize and expand prosthetics activities at 15 selected hospitals to be designated as Prosthetic Treatment Centers where the more difficult problem cases may be referred. Presently established Prosthetics Services at some 60 other stations will be continued and strengthened, and the furnishing of major prosthetic appliances and services will eventually be limited to a maximum of 75 stations. The remaining VA hospitals will continue to furnish only minor appliances and medical supplies.

Units Planned. Five centers have been activated through fiscal year 1968. Two new centers are planned in fiscal year 1970, and eight additional centers are planned for fiscal year 1971.

Patient Load. The steadily growing overall VA prosthetics patient load will not be affected as a result of establishment of Prosthetic Treatment Centers. The patient load in many of our smaller VA hospitals will gradually be reduced, with a resulting increase in the patient load at stations having Prosthetic Treatment Centers or expanded Prosthetics Services.

Funds Requested. The recurring increase of 6 average employment and $81,000 are necessary to activate the fiscal year 1970 units at Richmond, Virginia and San Franscisco, California planned on a three-quarter year basis.

(14) PULMONARY EMPHYSEMA UNITS

Introduction. The reports of the Office of Vital Statistics and of the VA, disclose that deaths from emphysema and related disorders continue to increase at an unprecedented rate.

Hospital discharges have increased about threefold (300%) in 11 years. The scope of increase in both primary and total diagnosis is indicated in the following table:

Year	Primary Diagnosis	Total Diagnosis (Including Primary Diagnosis)
1956	6,848	Not Available
1960	11,801	Not Available
1964	16,424	43,766
1965	17,744	44,433
1966	17,475	43,896
1967	18,220	46,641

One VA hospital (VAH Madison), by careful study, had shown that the thoroughgoing treatment of emphysema, utilizing well established modern modalities, enhanced the quality of patient care so that the number of days of hospitalization required was reduced by about 30 percent, and that the duration of useful life between diagnosis of emphysema and death was increased by about 30 percent.

The emphysema unit may not be less than 20 beds, usually is 40 beds, and in the larger hospitals may be either 60 or 80 beds. Due allowances have been made for variation in size in making the request for each hospital.

Potential Patient Load. The VA hospital patient population with the primary diagnosis of emphysema has been identified through the Annual Census of Patients Remaining. A review of these data for the period 1956-1962 shows a 50 percent increase, from 1,200 to 1,790, in patients hospitalized with emphysema. To give consideration to the advancing age of the veteran, projections through fiscal year 1970 were developed based on attained age of the veteran population and continuation of present age specific incidence. It has been estimated that 2,810 patients will be in GM&S hospitals at any one time in fiscal year 1970 with the primary diagnosis of emphysema.

It should be noted that the patient load quoted above does not include any of those patients in GM&S hospitals in whom the emphysema is a secondary diagnosis, nor does it include patients with both emphysema and a mental disorder being treated in psychiatric hospitals or services since emphysema would appear as the secondary diagnosis to the primary psychiatric disorder. This group is first identified in data reported for 1967.

Further, an increasing number of surgeons have been requesting intermittent positive pressure breathing treatments to be given post-operatively to their patients. The objective is to avert the post-operative complication of pulmonary emboli which is a serious matter. There are no precise data as to what this load may amount to.

Units Planned. Based on the patient load projected through fiscal year 1970, it has been estimated that most general hospitals will require support for a special emphysema treatment ward. Sixty-eight special pulmonary emphysema treatment units have been established through fiscal year 1968.

Funds Requested. Recurring increases of 109 average employment and $909,000 are requested to fully activate 11 additional units in fiscal year 1970.

(15) PULMONARY FUNCTION LABORATORIES

Introduction. For several years prior to fiscal year 1967, the VA Research Service conducted researches in pulmonary function measurements at various hospitals. These researches led directly to the development of specific techniques

which are basic to patient care, practical for routine use, and constantly reliable under routine hospital conditions. Clinical demands upon these laboratories have grown so large that the technicians and laboratory personnel are no longer capable of meeting the service demand nor can they perform the pressing need for continuing research in pulmonary function.

Potential Patient Load. Patients with a primary diagnosis of a pulmonary disorder totalled 6,848 in 1956, and the volume has increased to 18,220 in 1967. In addition, there must be added those with other than primary diagnoses of emphysema. either with or without bronchitis. This number for 1967 is 28,421 for a total workload of 46,641. All of these patients require pulmonary function studies. In addition, most VA surgeons request pulmonary function studies for their older patients so that surgical procedures can be planned which are within the tolerance of the patients pulmonary function. There are no precise quantitative data available on this specific aspect but the load is growing. Pulmonary function tests are two sorts: (a) blood studies for the concentrations of oxygen and carbon dioxide and blood acidity, and (b) ventilatory measurements consisting of five separate tests. Each technician can be expected in a full day's work to complete the function measurements on 5-7 patients per day, in addition to his required activities in equipment maintenance. It is estimated that between 80 and 90 percent of patients with pulmonary insufficiency will require these eight tests. It is well recognized that 10 to 20 percent of the patients with pulmonary insufficiency will require complete study because of the complexity of the problem which they present. These complete studies will take not less than two hours, but frequently up to half-day per patient.

Laboratories Planned. Through fiscal year 1969, 85 hospitals have received special support for pulmonary function laboratories, with 9 additional programmed for fiscal year 1970. It is planned eventually to complete the program at 119 general hospitals.

Space. Alterations and renovations are of minor nature and where required can be accomplished within the minor improvement limitations.

Funds Requested. Recurring increases of 30 average employment and $326,000 are requested to activate 9 new units on a full year basis.

(16) REFERENCE LABORATORIES

Introduction. The VA Reference Laboratory System was designed to assist the smaller laboratories by providing sources for the performance of more complex procedures; to maintain quality by conducting surveys; making advisory visits; and by providing training.

Units Planned. Based on studies and analyses of the system it has been concluded that the 9 better equipped and better staffed Reference Laboratories will be able to provide more diversified and prompt service. As a part of the revision, a new function will be assumed by the Reference Laboratory system, the developmental activities in connection with evaluation, and modification, if indicated, of laboratory instruments and methodologies.

In addition, 3 special reference units were established during fiscal year 1967, and 3 new special laboratory units, namely, thyroid study, cytogenetics immunoelectrophoresis, and steroid hormones are planned in fiscal year 1970.

Use of Private or Other Public Source. We estimate that the tests performed at the present time by the existing Reference Laboratories for other VA stations would be more expensive if obtained from other sources on a fee basis. Furthermore, training facilities, developmental activities, quality control evaluation studies and consultation services would not be available by such an arrangement,

thereby requiring additional needs for these purposes.

Funds Requested. Recurring increases of 10 average employment and $108,000 are needed to activate 3 additional laboratories at Hines, Illinois, Memphis, Tennessee, and San Francisco, California on a half-year basis.

(17) SPEECH PATHOLOGY

Introduction. Speech, language, and hearing disorders are increasingly prevalent among our hospitalized patients. Where Speech Pathology Units have been established, the treatment benefits have been quickly apparent, and the workload quite demanding. With communicative disorders of a seriously disabling nature affecting 7 percent of our patients, a regional approach would not be feasible. Our most serious problem is caring for brain-damaged patients with aphasis. This may result from penetrating wounds of the skull or as a consequence of stroke, and leaves afflicted patients with disruptive language deficits. The majority of aphasic patients can be restored to effective functioning.

Planning. At least 4,000 patients with significant communicative disorders will be found on the VA rolls on any given day. Treatment services for these conditions are required in all of our hospitals. To meet the greatest need, first attention is being directed to the large and medium-size hospitals. The contemplated programs will also serve to enhance our training facilities and enable us to make a significant contribution to national health needs. Participation with regional stroke centers could readily be effected. Through fiscal year 1968, programs have been established at 55 hospitals.

Space. Space requirements are modest and no construction costs are entailed.

Funds Requested. The recurring increase of 12 average employment and $176,000 are required to establish 9 additional units on a half-year basis.

(18) STEREOTACTIC BRAIN SURGERY

Introduction. Demands for neurosurgical care in chronic disease in veterans are continually increasing. As a result, specialized stereotactic neurosurgical techniques are increasingly necessary for selected patients and an increasing variety of conditions. This specialization of techniques can only be applied by a highly skilled staff trained and experienced in their particulars. This highly integrated team can best be formed by creating Stereotactic Brain Surgery Centers, selected on the basis of strategic geographic location, population density, and estimated patient demand.

Units Planned. The first centers to be activated are programmed in fiscal year 1970 when three centers are planned. Two additional activations are scheduled for fiscal year 1971.

Funds Requested. Recurring increases of 20 average employment and $240,000 are necessary to activate the three centers at Bronx, New York, Durham, North Carolina, and Long Beach, California on a full year basis.

(19) SUPERVOLTAGE THERAPY

Introduction. Supervoltage therapy has become a major treatment modality for cancer and related disorders. This type of treatment is the preferred method of X-ray therapy for deep seated malignancies, and refers to therapy in the multi-million volt range. The equipment used includes cobalt units, betatrons and linear accelerators. The advantages of supervoltage over conventional therapy are:

(1) Treatment time reduced so that therapist can handle more cases;

(2) No skin damage and less radiation sickness;

(3) Greater depth dose allowing the delivery of a large dose over a shorter period of time thus decreasing treatment time and shortening the period of hospitalization.

Space. The supervoltage unit planned for fiscal year 1970 requires renovation and alteration to provide proper facilities and has been programmed in the Construction of Hospital and Domiciliary Facilities appropriation.

Use of Private or Other Public Sources. In accordance with Title 38, U.S.C. Sections 5053 and 5054 (PL 89-785), consideration is given to sharing community and other facilities.

Funds Requested. The recurring increase of 3 average employment and $38,000 is to provide for three-quarters of a year's support for the unit to be established in fiscal year 1970 at San Juan, Puerto Rico.

Mr. EVINS. Then on page 2–43 you have a $25.5 million increase for other program improvements. Tell us about these increases.

Mr. SHYTLE. There is $13 million for residents and other training, and our capital outlays program is $11.7 million.

The balance is $351,000 in reimbursement for automatic data processing services and one other minor item which is an increase of $419,000 in research and development in hospital administrative matters.

HEALTH MANPOWER NEEDS

Mr. EVINS. You state that for the "optimum care" in hospitals it was found in a recent study 257,200 more professional and technical workers in addition to the 1,332,100 employed would be needed. Among the 257,200 additional staff needed would be 79,500 registered nurses, 9,200 medical technologists, 5,100 social workers, 3,900 radiology technologists, 3,500 dietitians, 2,900 physical therapists 2,300 occupational therapists, 1,900 pharmacists and 500 speech pathologists and audiologists.

These are just some goals you are setting forth.

Dr. ENGLE. These are national goals and represent the shortages.

Mr. EVINS. These are the declared goals that are desirable.

Dr. ENGLE. This particular figure doesn't represent a goal. It represents an evaluation of the present situation.

I think it is a valuation of how many people we are short right now.

Dr. SCHOOLMAN. It is probably an underestimate because as we improve our delivery of medical services——

Mr. EVINS. This is all a part of the national problem.

Tell us about your new space requirements for training. You have a lot of language about needing more space for training, such as conference rooms, study rooms, laboratories and classrooms.

EDUCATION SPACE REQUIREMENTS

Dr. SCHOOLMAN. Mr. Chairman, there is a tremendous need for refurbishing the space for education and training in VA hospitals. This arises initially out of the fact that only in the 89th Congress was legislative authority for training directed, and therefore in the past construction of hospital facilities educational space was a difficult accomplishment. All of our hospitals that have been constructed so far have been constructed without the kind of goals and educational needs illustrated. In order for the VA to truly use its facilities and participate in the great expansion of training that is necessary to help the manpower problem, it must modify existing space for educational needs or increase the amount of total space. We estimate that actually we will need, in order to accomplish the overall goals we have set of training upward of 80,000 people a year, an additional million and a half net square feet of education space.

Mr. EVINS. We need not go into all of the equipment replacements such as the boilers, and the air-conditioning units. You have a lot of detail on various facilities and equipment needed.

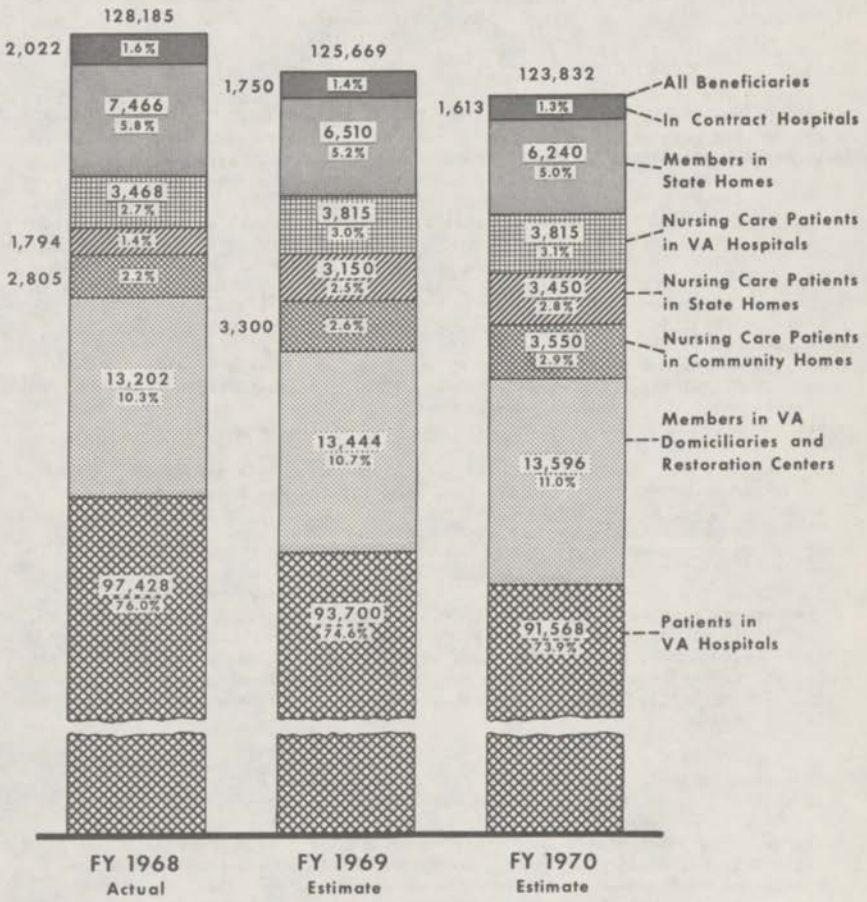
INPATIENT BENEFICIARY COMPOSITION

Let us look at the chart on page 2–53. The number of members in domiciliaries and restoration centers increase. Nursing care patients are on the increase. Nursing care patients in State homes are on the increase. Nursing care patients in VA hospitals remain about the same. Members in State homes remain about the same. In contract hospitals there is a slight increase. This table shows you the changes in the inpatient loads.

Place the chart on page 2–53 in the record and pages 2–43 through 2–50.

(The pages follow:)

Change In Composition Of Inpatient Beneficiary Loads



5. Explanation of Request for Increase of $25,470,000 for Other Program Improvements

The increased monetary amounts requested under this section of the estimate cover (a) $13,000,000 for expansion of the residency and other training programs; (b) $11,700,000 for capital outlay expenditures, (c) $351,000 for automatic data processing services, and (d) $419,000 for Research and Development in Medical Care systems.

a. Residency and Other Training Programs

It is universally recognized that there is an alarming shortage of skilled health manpower in the nation, one which poses great danger to the health of the growing population. A number of reports on the national level and studies in at least 34 states by a variety of public and private agencies attest to this. A Bureau of Health Manpower publication indicates that there were close to 2.8 million workers in the health occupations in 1966, and that there will be a need of from more than 3.7 million to almost 4.0 million health workers in 1975. This will mean a net increase of between 100,000 and 130,000 health workers a year in the decade ending in 1975, or a rate of increase 50 percent higher than that of the past decade. For "optimum care" in hospitals, in 1966, it was found in a recent study by the Public Health Service and the American Hospital Association that 257,200 more professional and technical workers, in addition to the 1,332,100 employed, would be needed. Among the 257,200 additional staff needed would be 79,500 registered nurses, 9,200 medical technologists, 5,100 social workers, 3,900 radiologic technologists, 3,500 dietitians, 2,900 physical therapists, 2,300 occupational therapists, 1,900 pharmacists, and 500 speech pathologists and audiologists.

The Veterans Administration, as part of the country's total medical complex, is not exempt from this national scarcity and has a dual role in this regard. First, the Veterans Administration represents the largest unified system of hospitals in the country and therefore is the largest single employer of health personnel in hospitals. On any given day approximately 135,000 work in VA hospitals, including more than 5,000 physicians, 700 dentists, and 15,000 nurses. Therefore, it is a matter of self interest, that the agency's great capacities be used to assure, as a minimum, the maintenance of the present national supply which each day is growing more and more inadequate to the total need. Thus, when the Veterans Administration provides training to contribute to the creation of health workers it is contributing to the maintenance and possible increase of the total base supply from which it draws for its own needs.

Second, VA hospitals, generally large and composed of all services (other than women's and children's), and staffed with highly qualified and dedicated physicians and ancillary personnel, have tremendous potential for training. This has been recognized frequently by competent observers outside of the agency. The Subcommittee on Facilities of the President's Commission on Heart Disease, Cancer and Stroke, commended the VA's "leadership role" in health manpower education and training, but also added significantly that "here, too, however, a vast resource is being incompletely utilized." A specially created advisory committee of the National Academy of Sciences - National Research Council, in a report to the Office of Science and Technology, said recently that "the Advisory Committee agrees unanimously that, on the basis of past performance and its current status in the field, the Veterans Administration has the experience and competence to assume a much broader role in health manpower training." And, in his message to America's servicemen and veterans, early in 1968, the President said: "There is room in the VA system to train even more. And there is a pressing need in the nation for more. I have directed the Administrator of Veterans Affairs to step up the

training of medical specialists." To help overcome the medical manpower shortage in America, and at the same time to improve care to America's veterans, the agency's goal will be to train as many specialists a year in the VA system as can be accommodated.

As suggested in the preceding paragraphs, any thought that training for VA purposes can be separated from training for national purposes is difficult to defend; one cannot help being a part of the other. There is an unceasing explosion of medical knowledge and skill which is without boundary, and its effective conversion into actual medical care is inconceivable on a compartmentalized basis. For example, open-heart surgery and hemodialysis require teams of medical specialists and new types of auxiliary personnel. As such advanced techniques develop, they must be taught wherever and whenever the circumstances permit. There is no time and much to be lost in drawing hard and fast lines of institutional responsibility for the implanting of such new knowledges. Every medical institution must share an unquestionable responsibility to extend itself to the utmost, and in doing so benefits its own patients as well as other patients.

Every health service trainee in a VA hospital that has the facilities and expertise to conduct training of quality is an asset directly and indirectly to the care of the veterans in that hospital. Merely having the trainee as their student is an incentive to his staff mentors to keep up with knowledge and advances in the particular field. Obviously this benefits the patients of the staff. Most trainees come into VA hospitals for clinical training which supplements their school work. Thus they bring with them a certain measure of fresh didactic knowledge which cannot help making an impression on those of the regular staff who are immersed in the clinical environment. In other words, the teachers, as in all teaching situations, learn also from the students. Very importantly, there is no question that though the training programs are first and foremost educational experiences, much valuable patient care service under appropriate professional supervision is rendered as a by-product of the teaching-learning situation. Finally, every trainee is a potential recruit to regular VA employment when he has finished his total program. If the Veterans Administration does not get him, his training at the VA hospital has already paid for itself in good measure in the other ways mentioned above; and if he takes employment elsewhere, the Veterans Administration has repaid a debt to the health manpower pool in consideration of the great number of health services workers it draws therefrom. Indeed, considering the large number of veterans, it is a safe judgment that somewhere, sometime, someone in a veteran's immediate family may benefit from the service given him by a person who learned his skill in a VA hospital.

Up to this point in time the Veterans Administration has been providing training significant in relation to the total number of the nation's students in a variety of health disciplines, for example: almost 50 percent of all graduating medical school students; 21 percent of all graduating clinical psychology students at the Ph.D. level; 22 percent of all persons in dietetic internship training; 25 percent of those in postgraduate hospital pharmacy training; 20 percent of all students performing social work in a clinical setting; 10 percent of all medical residents. In the very fundamental nursing discipline, 45 percent of all American university programs in basic professional nursing send students to VA hospitals for clinical training, as do 19 percent of the Associate degree programs, and 10 percent of the diploma programs.

The time has come when VA resources in personnel, space, and equipment are strained to the utmost insofar as education and training are concerned. If the Veterans Administration is to accomplish what is expected of it, what it is capable of doing, and what it is eager to do in recognition of the

complementary benefits to the medical care of veterans and of the rest of the population, adequate funds must be provided. This estimate represents only that which is minimally essential to a first significant expansion of training in the form of an increase of 4,082 trainees over fiscal year 1969, including a paid full-time employment equivalent of 828 requiring $10,855,000 payroll costs. To accomplish this, there needs to be provided an increase of VA staff for instructional purposes amounting to 152 personnel and the supporting payroll amount of $2,145,000. Recent analysis of space available in VA hospitals for education and training indicates that currently existing educational space will not permit the increased training projected herein. Additional classrooms, laboratories, study areas, conference rooms, etc., much of which will be useable in all types of training programs, can be created through minor improvement projects from space which is now in marginal use. For the minimum modification of space an increase of $2,000,000 in fiscal year 1970 over fiscal year 1969 is requested under the capital outlay section which follows.

This estimate continues for fiscal year 1970, $300,000 for other contractual services. In a time of fast and continuing change in the technology of medicine it is imperative that certain considerations and actions be accomplished. It must be determined whether existing training program objectives, curricula, and methods are turning out skills which are indeed needed in VA and other hospitals; and if not, how to modify these programs or design new programs, content, and methods. It is necessary to determine whether and how training should be developed to meet developments in medicine which indicate radical changes in procedure in the relatively near future; for example, what skills from the highest to the lowest will be needed in the teams which will engage in heart transplantations, and how will these be taught? Immediately, in order to assure that physicians and other professionals use their time for duties which only they should perform, it is necessary to determine what functions can be siphoned off from these persons and relocated logically to others, thereby creating new types of health workers for whose training, it will be necessary to develop substantive materials, methodology, and accreditation. These developmental activities, pilot programs, and studies will generally be conducted in conjunction with medical schools, universities, and other appropriate institutions on a contractual basis.

In order to carry out the goals of the Education and Training Program described in this section, an increase of $13,000,000 is required in fiscal year 1970 over fiscal year 1969.

The following table summarizes the number of trainees in VA educational programs for the comparative years.

	1968 Actual	1969 Estimate	1970 Estimate
Physicians, Dentists, Nurses	5,048	5,401	6,017
Therapists, Technicians, etc.	26,503	30,151	33,592
Med. Administrative Employees	208	220	245
Total	31,759	35,772	39,854

5. Explanation of Request for Increase of $25,470,000 for Other Program Improvements (continued).

b. Capital Outlay

Capital Outlay requirements consist of (1) object class 31 replacement and additional equipment, (2) object class 32 replacement and additional building services equipment, and (3) minor improvement projects having construction costs of less than $25,000.

A summary of the Capital Outlay requirements (in thousands of dollars) for fiscal year 1969 and fiscal year 1970 is as follows:

	1969 Cost	1970 Cost	Increase (+) Decrease (-)
Object 31 Replacement Equipment	$12,626	$17,513	+ $4,887
Object 31 Additional Equipment:			
for Existing Facilities	6,074	9,902	+ 3,828
for New Medical Services	6,418	193	- 6,225
for Major Construction Projects	4,960	3,247	- 1,713
Total Object 31 Addt'l Equipment	17,452	13,342	- 4,110
Total Object 31 Equipment	30,078	30,855	+ 777
Object 32 Repl. Bldg. Svc. Equip.	6,747	13,776	+ 7,029
Object 32 Addt'l Bldg. Svc. Equip.	2,130	3,580	+ 1,450
Total Object 32 Equipment	8,877	17,356	+ 8,479
Minor Improvements (exclusive of installed equipment)	6,482	8,926	+ 2,444
Capitalized Expenses for Installing Object Classes 31 & 32 Equipment	213	213	...
TOTAL CAPITAL OUTLAY	45,650	57,350	+ 11,700

1. Object Class 31 Equipment Requirements

Object class 31 equipment requirements for Medical Care appropriation activities are identified under two headings as (a) replacement equipment and (b) additional equipment. Fiscal year 1970 Medical Care appropriation requirements for object class 31 equipment total $30,855,000. This is an increase of $777,000 over the fiscal year 1969 requirements of $30,078,000, comprised of the following:

(a) Replacement Equipment. The fiscal year 1970 total requirements of $17,513,000 for replacement equipment is an increase of $4,887,000 over fiscal year 1969. The Medical Care equipment replacement program was developed collaboratively with the Bureau of the Budget, and determines replacement requirements in accordance with prescribed equipment life expectancy tables and use standards. These criteria require that equipment items be repaired, refinished, or refurbished and continued in useful life as long as economically feasible. The majority of medical equipment items require replacement within 10 to 15 years after being placed in use. However, many other items such

as office furniture and beds generally are used for periods of 20 to 30 years or longer.

The funding plan for replacement of object class 31 equipment for fiscal years 1969 and 1970 is shown below:

	1969	1970
	(In thousands of dollars)	
Requirements remaining from the prior fiscal year	$17,524	$24,039
Plus value of items due for replacement in current year	19,541	34,291
Adjusted requirements	37,065	58,330
Less:		
Planned obligations	12,626	17,513
Planned purchases from Construction of hospital and domiciliary facilities appropriation (Replacement equipment furnished and installed by contractors for construction projects)	300	300
Anticipated value of property to be acquired from excess declaration of other agencies	100	100
Requirements remaining at end of fiscal year	24,039	40,417

The projected year-end unfunded requirements remaining may be further reduced depending on the progress of construction work and the extent of actual acquisitions of excess property from other agencies.

(b) Additional Equipment. Fiscal year 1970 total requirements of $13,342,000 is a decrease of $4,110,000 from fiscal year 1969. These requirements provide additional equipment for existing facilities, for new medical services, and for newly constructed facilities.

(1) Additional equipment requirements for existing facilities of $9,902,000 for fiscal year 1970, is an increase of $3,828,000 over fiscal year 1969.

The additional equipment requirements for existing facilities for fiscal year 1970 is based on a need of VA hospitals and clinics to adequately and concurrently equip their facilities as new medical and administrative techniques are perfected. The amounts programmed include provisions for Central Office planned improvements in equipment utilization at existing facilities in functional areas such as physical medicine and rehabilitation, surgical monitoring, pharmacy, innovative programming in psychology, etc. and for other essential items of additional operating equipment which

was determined only after extensive Central Office review of individual items requested by heads of VA field stations.

In all cases the station head certified that the additional equipment items requested were essential to the mission of the station and explained satisfactorily why the items requested would not replace other items now in use. The items requested included highly specialized equipment becoming available through rapid technological advances such as multi-channel amplifying recording equipment, radiographic and telefluoroscopic equipment, radio paging systems, laundry washing, pressing and folding equipment, automatic glassware washers, remote control dictating systems and mechanized filing equipment.

(2) Those new medical services without Construction and for which equipment funds are requested in fiscal year 1970 are shown below:

New Medical Service	Total (In thousands of dollars)
Pulmonary Emphysema Units	$18
Pulmonary Function Laboratories	55
Open Heart Surgery	120
Total	193

(3) The fiscal year 1969 requirements of $3,247,000 needed to provide additional equipment for other newly constructed facilities is exclusive of the $193,000 of equipment needed for new medical services as explained in the preceding paragraph. This is a decrease of $1,713,000 from planned fiscal year 1969 expenditures. Current procedures for financing object class 31 initial portable and fixed operating equipment needed for newly constructed facilities require the station director to develop collaboratively with his service and division chiefs, from approved architectural specifications and working drawings, additional equipment requirements for construction projects after taking into account (a) equipment items already on hand that can be continued in use in the new facility, and (b) those items whose useful lives have expired and are to be replaced from the "Equipment Replacement" amounts described in the preceding section of this estimate. Total equipment requirements are then reviewed by the Agency and available for further review by the Bureau of the Budget prior to apportionment of funds for purchase of the equipment.

The construction projects for which the requested funds are required in fiscal year 1970 are shown on the following page.

1970 Projects

Stations	Project No.	Description
Batavia (Rochester), N. Y.	GSA	Outpatient Clinic move to New Fed. Bldg.
Boston, Mass.	GSA	Outpatient Clinic move to New Fed. Bldg.
Cheyenne, Wyo.	5078	Surgical Suite
Cleveland, Ohio	5278	Day Treatment Center&Mental Hygiene Clinic
Columbia, Mo.	5194	Relocation Hospital
Des Moines, Iowa	5154	Modernization Program
Hines, Ill.	5391	Replacement Hospital
Iowa City, Iowa	5164	Addition to Bldg. #1 for Laboratory
Kansas City, Mo.	5203	Enlarge Clinical Laboratory
Minneapolis, Minn.	5183	Chemistry Laboratory
Northport, N. Y.	5624	Replacement Hospital
Palo Alto, Calif.	5587	Research Addition
Perry Point, Md.	5144	Modernization Program
Philadelphia, Pa.	5410	Alterations for Research (Housekeeping)
Pittsburgh, Pa. (GM)	5427	Centralized Tray Service
San Fernando, Calif.	5558	Convert Wards from TB to GM
West Haven, Conn.	5068	Regional Office-Clinic Consolidation
Wood, Wisc.	5222	Alterations to 10th Floor, Bldg. #111

2. Object Class 32 Building Service Equipment Requirements

Object class 32 requirements total $17,356,000 for fiscal year 1970 which includes $5,633,000 for those portions of minor improvement costs properly chargeable to the object class 32 classification. Total object class 32 costs are distributed as follows:

Object Class 32 Building Service Equipment

Classification	1969	1970	Increase (+)
Replacement - Minor Improvements	$1,650	$3,306	+ $1,656
" - Other	5,097	10,470	+ 5,373
Sub-Total - Replacements	6,747	13,776	+ 7,029
Additions - Minor Improvements	1,380	2,327	+ 947
" - Other	750	1,253	+ 503
Sub-Total - Additions	2,130	3,580	+ 1,450
TOTAL	8,877	17,356	+ 8,479

(a) Replacement Equipment. Fiscal year 1970 requirements of $13,776,000 is an increase of $7,029,000 over fiscal year 1969.

With full recognition of the substantial outlays required, this program has been undertaken with the economic objectives of extending the useful life of existing medical facilities and reducing the cost of future major modernization construction projects. This program of replacing building services equipment was initiated at the beginning of fiscal year 1966, and is being administered in the general pattern applied to the object class 31 operating equipment replacement program. Receipts of excess equipment obtained from other Agencies and building services replacement equipment installed by contractors during major construction are taken into account in determining annual funding requirements. Updating of the building service equipment replacement funding requirements is effected annually through physical inspection of items to be replaced.

To indicate the scope of the replacement program, a few selected items of building service equipment due for replacement in fiscal year 1970 are denoted in chart below:

Building Service Equipment Item	No. of Items	Internal Revenue Svc. Life Expect.	Average Age of VA Items to be Replaced	Unit Cost (in thousands of dollars)	Total Cost (in thousands of dollars)
Boiler Unit 10,000 PPH	6	33	36	$55	$330
Boiler Unit 25,000 PPH	28	30	33	65	1,820
Electric Feeder Distrib. Centers	20	26	31	75	1,500
Electric Generators 100 K.W.	20	20	22	10	200
Transformer 500 K.V.A.	400	32	37	4	1,600
Transformer over 1,000 K.V.A.	30	25	27	15	450
Hot Water Generators 500 G.P.H.	150	31	37	1	150
Hot Water Generators 1,500 G.P.H.	150	31	37	3	450
Elevators Passenger & Service	80	30	34	60	4,800
Elevators Freight	20	32	36	35	700
Electric Generators 300 K.W.	50	21	25	18	900
Electric Generators over 300 K.W.	150	21	21	65	9,750

The funding plan for replacement of object class 32 equipment for fiscal year 1969 and fiscal year 1970 is shown in the following table.

	1969 (In thousands of dollars)	1970 (In thousands of dollars)
Unfunded requirements remaining from prior fiscal year	$28,962	$28,165
Plus value of items due for replacement in current fiscal year	6,115	8,446
Adjusted requirements	35,077	36,611
Planned obligations - minor improvement replacements	1,650	3,306
Planned obligations - other replacements	5,097	10,470
Estimated value of equipment to be received from Construction of Hospital & Domiciliary Facilities appropriation (replacement equipment furnished and installed by contractor for construction projects)	150	150
Estimated value of equipment to be acquired from excess declarations of other agencies	15	15
Requir. remain. at end of fiscal year	28,165	22,670

Mr. EVINS. Place in the record 2–55 through 2–60.
(The pages follow:)

HOSPITAL CARE

Veterans Administration Hospitals - Introduction

The estimates presented herein are predicated on Agency plans to provide care and treatment to such proportion of the patient demand as can be accommodated, consistent with the ability to staff and operate the additional beds without sacrificing high quality medical care.

On June 30, 1968, the Veterans Administration operated 38 neuropsychiatric hospitals and 128 general hospitals for a total of 166 hospitals, counting separate divisions of consolidated hospitals. Activation of the larger San Juan replacement hospital late in fiscal year 1969 will not change the number of hospitals operated by the Agency. The activation of the new general hospital at Columbia, Missouri in fiscal year 1970 will adjust the number of general hospitals planned for operation on June 30, 1970 to 129, bringing the overall total of hospitals to 167.

Estimated hospital workloads for fiscal year 1970 show an increase of 8,000 patients treated and net decreases of 1,891 operating beds and 2,132 average patient census from the fiscal year 1969 planned workloads. The fiscal year 1970 estimates will provide for the treatment of 775,000 patients and operation of 105,414 beds at an approximate 87% of occupancy rate with an estimated average daily patient census of 91,568.

Patients Admitted, Treated and Discharged

During fiscal year 1968 there were 647,241 admissions and 654,683 discharges of patients in VA hospitals with a total of 762,426 patients treated during this period. The number of patients treated in fiscal year 1968 increased by 12,095 over the prior year by expanding the use of the post-hospital care and nursing home care programs, and improved diagnostic and therapeutic techniques. A commensurate increase of 19,107 occurred in the number of patients discharged.

In fiscal year 1969, the trend of treating more patients in fewer hospital beds is expected to continue with an increase of 4,574 more patients treated planned over fiscal year 1968 levels.

The estimated number of patients to be treated for fiscal year 1970 represents an increase of 8,000 over fiscal year 1969. This is based on increases to be generated from improved hospital bed utilization and requested improvements in quality of patient care.

The 45,648 patients admitted during 1968 through the pre-bed care (PBC) program accounted for approximately 7.1 percent of all VA hospital admissions. Surgical cases account for two out of three of the PBC admissions.

The post-hospital care program speeded the release of 283,691 patients, enabling them to return to their homes at an earlier date. While the exact number of bed days made available by this program for admission of other patients cannot be determined, even one or two days of hospitalization saved per patient substantially affects the Agency's bed availability.

The average monthly turnover rate (percentage of average census discharged) for all types of patients in VA hospitals was 56.0 per cent in fiscal year 1968, compared to 51.2 percent in fiscal year 1967 and 48.0 percent in fiscal year 1966.

Trends relating to patients admitted to, treated in and discharged from VA hospitals are reflected in the table on the following page.

	1966	1967	1968	Total Change 1968-1967	Percent Change 1968-1967
Patients Admitted	614,338	624,856	647,241	+ 22,405	+ 3.6%
Patients Treated	741,813	750,331	762,426	+ 12,095	+ 1.6%
Patients Discharged	619,160	635,576	654,683	+ 19,107	+ 3.0%

Average Operating Beds

Changes in average operating bed levels at VA facilities for the comparative fiscal years are shown below.

	1968	1969	1970	Incr. (+) Decr. (-)
NP Hospitals	49,200	46,355	44,755	- 1,600
General Hospitals	63,194	60,950	60,659	- 291
Total	112,394	107,305	105,414	- 1,891

Waiting List of Beneficiaries Eligible for Admission to VA Hospitals

Quarter Ending	Psychiatric Patients		Med., Surg. Patients		Total		Incr. (+) Decr. (-)
	1967	1968	1967	1968	1967	1968	
Sept. 30	4,856	2,793	4,263	3,995	9,119	6,788	- 2,331
Dec. 31	4,056	2,500	2,832	3,755	6,888	6,255	- 633
Mar. 31	4,151	2,723	4,619	5,087	8,770	7,810	- 960
June 30	3,437	1,971	4,288	4,473	7,725	6,444	- 1,281
Quarterly Average	4,125	2,497	4,001	4,327	8,126	6,824	- 1,302

The waiting list in FY 1968 tended to stabilize at about 6,900 per month, with approximately 43% of the year end list being attributable to San Juan, P.R.

The total VA hospital bed authorization is based on the present structural capacity of each of the hospitals with adjustments for approved future hospital replacement and modernization projects. As of June 30, 1968, the total bed capacity of the VA hospitals was 115,108, of which 110,363 were equipped, staffed and available for daily care of veterans. 4,745 beds were unavailable on that date for the following reasons: (a) in process of activation, (b) insufficient demand for type of beds in service area, (c) space for beds undergoing construction or maintenance activity, (d) difficulty in recruiting key personnel - beds required, (e) other reasons - conversion to non-ward care services, provision of space for cardiovascular laboratory and hemodialysis units, etc.

Costs of Treatment

On the following page is a comparative analysis of the VA hospital costs, per diem cost and the cost per patient treated in VA Hospitals from fiscal year 1958 through fiscal year 1968. It should be noted that although the per diem cost has increased by $13.69 or 81.2% the cost per patient treated has increased by only $300 or 26.5% during the same period.

Fiscal Year	Total Costs (In thousands of dollars)	Per Diem Cost	Cost Per Patient Treated
1958	$685,754	$16.84	$1,128
1959	722,176	17.82	1,168
1960	751,867	18.44	1,180
1961	810,091	19.93	1,219
1962	844,797	20.87	1,227
1963	867,116	21.56	1,216
1964	904,509	22.43	1,225
1965	946,399	23.75	1,297
1966	976,066	24.90	1,316
1967	1,034,405	27.41	1,373
1968	1,088,579	30.53	1,428

The table below shows workload, employment and staffing ratio comparisons for fiscal years 1968, 1969 and 1970.

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate	Incr. (+) Decr. (-)
Number of Hospitals (End of Year)	166	166	167	+ 1
Average Operating Beds	112,394	107,305	105,414	- 1,891
Average Daily Patient Load	97,428	93,700	91,568	- 2,132
Patients Treated	762,426	767,000	775,000	+ 8,000
Employment - Average FTE	113,798	112,468	115,229	+ 2,761
Ratio of Employees to Operating Beds	1.012	1.048	1.093	+ .045
Ratio of Employees to Patients	1.168	1.200	1.258	+ .058
Cost Per Patient Day	$30.53	$34.08	$36.58	+ 2.50
Cost Per Patient Treated	$1,428	$1,520	$1,578	+$ 58

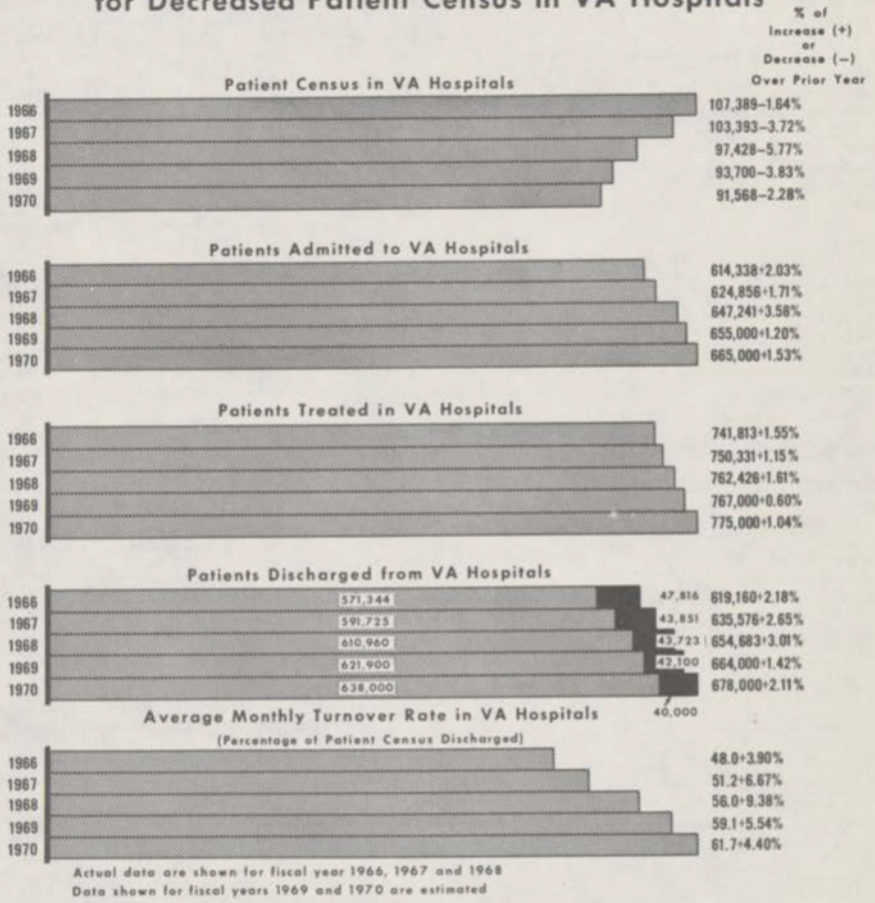
Total Costs and Cost Per Day by Type of Hospital
(Gross and net costs in thousands of dollars)

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
NP Hospitals				
Gross Costs	$315,768	$335,964	$344,669	+$ 8,705
Cost Per Patient Day	19.72	22.19	23.74	+ 1.55
General Hospitals				
Gross Cost	772,811	829,573	877,994	+ 48,421
Cost Per Patient Day	39.34	43.52	46.44	+ 2.92
Total Gross Costs	1,088,579	1,165,537	1,222,663	+ 57,126
Less QS&L	4,111	4,190	4,190	
Net Costs	1,084,468	1,161,347	1,218,473	+ 57,126

HOSPITAL CARE

All VA Hospitals

Increased Numbers of Veterans Admitted, Treated, and Discharged More Than Compensate for Decreased Patient Census in VA Hospitals



Actual data are shown for fiscal year 1966, 1967 and 1968
Data shown for fiscal years 1969 and 1970 are estimated

ALL VA HOSPITALS
COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION (in thousands of dollars)

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	$ 57,321	$ 64,094	$ 67,467	+$ 3,373
Surgical	45,418	48,794	51,338	+ 2,544
Psychiatric	18,738	20,100	20,752	+ 652
Social Work	11,643	12,778	13,178	+ 400
Radiology	16,451	18,017	18,739	+ 722
Laboratory	37,050	39,763	41,786	+ 2,023
Pharmacy	19,175	22,104	22,866	+ 762
Medical Illustration	1,951	2,084	2,179	+ 95
Library	4,509	4,797	4,965	+ 168
Psychology	12,008	12,813	13,211	+ 398
Audiology & Speech Pathology	782	915	986	+ 71
Nursing	314,850	331,041	345,624	+ 14,583
PM&R	36,296	38,411	40,024	+ 1,613
Dietetic	125,711	132,957	138,080	+ 5,123
Chaplains	5,105	5,397	5,785	+ 388
Dental	14,613	16,003	17,005	+ 1,002
Sub-Total	721,621	770,068	803,985	+ 33,917
ADMINISTRATIVE SUPPORT				
Executive Direction	30,629	33,133	34,602	+ 1,469
Medical Administration	71,643	78,981	82,659	+ 3,678
Fiscal	13,944	15,149	15,676	+ 527
Personnel	11,021	11,891	12,394	+ 503
Supply	23,879	28,433	28,384	- 49
Sub-Total	151,116	167,587	173,715	+ 6,128
ENGINEERING OPERATIONS				
Supervision	9,094	9,763	10,109	+ 346
Utility	15,796	16,970	17,709	+ 739
Plant	16,457	17,666	18,406	+ 740
Motor Transportation	6,024	6,501	6,632	+ 131
Other	17,383	18,668	19,559	+ 891
Sub-Total	64,754	69,568	72,415	+ 2,847
ENGINEERING - M&R				
Buildings	19,601	20,373	20,776	+ 403
Bldg. Svc. Equipment & Systems	19,353	20,027	20,435	+ 408
Utility Systems	3,101	3,074	3,143	+ 69
Operating Equipment	10,643	10,752	10,954	+ 202
Other Facilities	2,335	2,301	2,363	+ 62
Sub-Total	55,033	56,527	57,671	+ 1,144
BUILDING MANAGEMENT				
Housekeeping	36,698	39,508	41,220	+ 1,712
Laundry & Dry Cleaning	12,363	13,255	13,740	+ 485
Linen Service Operations	6,638	7,119	7,405	+ 286
Sub-Total	55,699	59,882	62,365	+ 2,483
ASSET ACQUISITIONS	40,356	41,905	52,512	+ 10,607
TOTAL GROSS COSTS	1,088,579	1,165,537	1,222,663	+ 57,126
Less: QS&L	4,111	4,190	4,190	
TOTAL NET COSTS	1,084,468	1,161,347	1,218,473	+ 57,126

ALL VA HOSPITALS
ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	3,169	3,134	3,363	+ 229
Surgical	2,371	2,355	2,421	+ 66
Psychiatry	959	951	976	+ 25
Social Work	1,016	996	1,030	+ 34
Radiology	1,146	1,136	1,177	+ 41
Laboratory	3,088	3,066	3,184	+ 118
Pharmacy	410	401	403	+ 2
Medical Illustration	173	172	175	+ 3
Libraries	375	372	377	+ 5
Psychology	1,041	1,031	1,046	+ 15
Audiology & Speech Pathology	63	62	75	+ 13
Nursing	43,035	42,065	43,823	+ 1,758
Physical Medicine & Rehabilitation	3,499	3,439	3,462	+ 23
Dietetic	14,284	14,075	14,222	+ 147
Chaplains	373	368	373	+ 5
Dental	1,113	1,097	1,111	+ 14
Sub-Total	76,115	74,720	77,218	+ 2,498
ADMINISTRATIVE SUPPORT				
Executive Direction	1,957	1,941	1,986	+ 45
Medical Administration	10,161	10,063	10,175	+ 112
Fiscal	1,634	1,622	1,646	+ 24
Personnel	1,159	1,152	1,171	+ 19
Supply	3,199	3,583	3,567	- 16
Sub-Total	18,110	18,361	18,545	+ 184
ENGINEERING OPERATIONS				
Supervision	971	965	975	+ 10
Utility	91	90	79	- 11
Plant	1,299	1,291	1,295	+ 4
Motor Transportation	631	627	628	+ 1
Other	2,544	2,526	2,549	+ 23
Sub-Total	5,536	5,499	5,526	+ 27
ENGINEERING - M&R				
Buildings	1,699	1,686	1,691	+ 5
Bldg. Svc. Equipment & Systems	1,720	1,710	1,707	- 3
Utility Systems	196	195	182	- 13
Operating Equipment	841	836	836	
Other Facilities	154	153	148	- 5
Sub-Total	4,610	4,580	4,564	- 16
BUILDING MANAGEMENT				
Housekeeping	6,394	6,311	6,366	+ 55
Laundry & Dry Cleaning	2,467	2,438	2,444	+ 6
Linen Service Operations	566	559	566	+ 7
Sub-Total	9,427	9,308	9,376	+ 68
TOTAL	113,798	112,468	115,229	+ 2,761

Mr. EVINS. Look at your chart on 2–58 and explain this again for us. Hospital patient census, admitted, treated, and discharged—some are in the black column, and the average turnover rate. This is always an interesting analysis of your hospital care program.

Dr. ENGLE. Again this graphically portrays the fact that even though we have fewer patients in bed on any one day we are able to admit and discharge more than we did some years back and also able to treat more patients. This shows this fact quite clearly.

Mr. EVINS. What is the percentage on the bottom line on the second chart from the bottom, patients discharged from VA hospitals, 40,000 in the black and 638,000 others.

Mr. MONK. The black indicates being discharged by death. The smaller number in the last line, the 40,000, indicates the number of deaths in the total of 678,000 discharged.

Mr. EVINS. Of the 678,000 discharges, 40,000 were by deaths.

TRENDS IN VA HOSPITAL COSTS

Mr. EVINS. That is a very grim figure. That is a reminder. Trends in costs in medical treatment are shown on page 2–62. Cost per patient treated goes up from $1,180 in 1960 to $1,578 in 1970. In 10 years it has gone up approximately $400 per patient. The increase in patient cost treated is about how much, Mr. Comptroller?

Mr. SHYTLE. About $18.

Mr. EVINS. It is more than that, $400.

Mr. SHYTLE. I thought you said cost per patient per day.

Mr. EVINS. The increase per patient treated.

Mr. SHYTLE. $398.

Mr. EVINS. It costs $398 more to treat a patient than it did 10 years ago. The cost per day is how much?

Mr. SHYTLE. It is estimated at $36.58 in 1970 or about $18 more than it was in 1960.

Mr. EVINS. This is not as high as it is in private hospitals.

Mr. MONK. No, sir. The chart we put in the first day shows that the private hospital figure was about $64.

Mr. EVINS. The private hospital costs about $64. I would think in some cases maybe it is more than that.

Mr. MONK. That chart shows the cost in private hospitals per patient day had gone up 100 percent in 8 years.

Mr. DRIVER. They do not include the same expenses in terms of personnel cost.

Mr. JONAS. Yours went up 98 percent.

Mr. MONK. This is a 10-year period.

Mr. SHYTLE. We have been comparing ours somewhat with Medicare. Even though there is not complete uniformity as far as services and so forth, Medicare, the way we see it today is about $62 nationwide per patient, compared to about $34 in the VA system. We are trying to isolate some of the cost differences so that in the future we will have them available for the Congress. I am sure that the Congress is concerned about the cost of the private sector.

Mr. EVINS. They are investigating medicare costs currently. For our picture the cost per patient treated has gone up about $400 or 34 percent in 10 years, and it is considerably less than in commercial hospitals.

Mr. MONK. I think it is well to point out in connection with this and our previous discussion, that the faster we turn over, the more it is going to cost us per patient. The short-term care and the more intensive care is more expensive care than the prolonged care.

Mr. EVINS. Under your General Hospital data the average cost per patient day is shown as $43.52 in 1969.

Dr. ENGLE. We expect that to be $46.44 in 1970.

Mr. EVINS. Many are as high as $92.89 per day. What is being done to control costs at the higher cost hospitals?

Dr. ENGLE. This is primarily a reflection of the size. The very high per diem hospitals are invariably those with small number of beds. This is due to the fact that the overhead is spread out to a lesser degree than in larger hospitals.

Mr. MONK. The $92.89 level is for the newly activated hospital in Gainsville, Fla.

Mr. EVINS. Here are some figures picked from the budget for fiscal year 1968. The cost for Denver, $44.84, and Los Angeles, $43.30.

Mr. MONK. Palo Alto, Calif., $37.20; San Francisco, $49.90; Seattle, Wash., $44.91; Bronx, N.Y., $42.42.

Dr. ENGLE. In general the larger the hospital the lower the per diem. The smaller the hospital the higher the cost.

Mr. EVINS. The volume in the handling of patients.

Mr. MONK. At Gainesville we were activating and the cost will be higher at the beginning because we have to staff up. We are also not fully activated at Atlanta. We are looking at those differences in costs. Also, we are trying to break this down now under a new cost accounting system to identify not total cost, but cost by type of patient. For example, in our intensive care units it costs us about $100 a day to take care of a patient, wherein an intermediate care unit the cost would be maybe $22.

NEUROPSYCHIATRIC HOSPITALS IN VA SYSTEM

Mr. EVINS. In your VA hospital systems, how many neuropsychiatric hospitals do you have?

Dr. ENGLE. Thirty-eight at the present time.

Mr. EVINS. How many operating beds, how many patients are you handling? What is the situation in these hospitals?

Dr. ENGLE. We are seeing a very progressive decrease in the numbers of beds in our psychiatric hospitals and an increased ability to outplace patients. Currently we have 46,000 beds in the NP hospitals. Of that total about 3,000 are medical and surgical, balancing off with about 6,000 psychiatric beds we have in our general hospital system.

Mr. EVINS. Doctor, a few years ago there was an increase in mental patients. Now it is declining. Probably you have done an excellent job. Testimony during this year indicates there is a larger increase in alcoholic treatment.

Place in the record pages 2–63 through 2–65.

(The justification pages follow:)

HOSPITAL CARE

Neuropsychiatric Hospitals - Introduction

The estimate provides for averages of 44,755 operating beds and 39,775 patient census in neuropsychiatric hospitals in fiscal year 1970, or average decreases of 1,600 operating beds and 1,699 patients from levels anticipated for fiscal year 1969. The net decrease of 104 average employment is a result of a lessening of demand for neuropsychiatric beds and a resultant operation of fewer wards.

The following table shows workload, employment and staffing ratio comparisons for fiscal years 1968, 1969 and 1970.

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Number of Hospitals	38	38	38	
Average Operating Beds	49,200	46,355	44,755	- 1,600
Patient Census				
Psychiatric	40,207	38,326	36,752	- 1,574
Medical	2,912	2,484	2,386	- 98
Surgical	630	664	637	- 27
Total	43,749	41,474	39,775	- 1,699
Patients Treated	119,416	114,721	110,026	- 4,695
Employment - Average FTE	35,807	34,621	34,517	- 104
Ratio of Employees to Operating Beds	.728	.747	.771	+ .024
Ratio of Employees to Patients	.818	.835	.868	+ .033
Cost per Patient Day	$19.72	$22.19	$23.74	+$ 1.55
Average FTE Employment by Category				
Consult. & Attendings	105	100	95	- 5
Nurses	3,413	3,410	3,400	- 10
Dentists	135	135	130	- 5
Physicians	864	878	870	- 8
Clin. & Couns. Psych.	248	266	325	+ 59
Wage Rate Employees	10,065	9,818	9,790	- 28
Purchase and Hire	52	52	52	
Other Personnel	20,925	19,962	19,855	- 107
Total	35,807	34,621	34,517	- 104

NEUROPSYCHIATRIC HOSPITALS-COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION (in thous. of dollars)

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	$ 4,625	$ 4,946	$ 5,018	+$ 72
Surgical	2,540	2,706	2,826	+ 120
Psychiatry	10,316	10,992	11,204	+ 212
Social Work	4,625	4,928	4,953	+ 25
Radiology	1,351	1,438	1,440	+ 2
Laboratory	2,867	3,055	3,073	+ 18
Pharmacy	4,940	5,264	5,332	+ 68
Medical Illustration	201	213	218	+ 5
Library	1,405	1,497	1,515	+ 18
Psychology	6,402	6,821	6,926	+ 105
Nursing	106,341	113,306	114,836	+ 1,530
Physical Medicine & Rehabilitation	18,868	20,104	20,450	+ 346
Dietetic	43,613	46,470	47,273	+ 803
Chaplains	1,803	1,921	1,933	+ 12
Dental	4,152	4,424	4,446	+ 22
Sub-Total	214,049	228,085	231,443	+ 3,358
ADMINISTRATIVE SUPPORT				
Executive Direction	7,300	7,808	7,982	+ 174
Medical Administration	19,529	20,889	21,164	+ 275
Fiscal	3,883	4,153	4,211	+ 58
Personnel	3,065	3,278	3,300	+ 22
Supply	5,427	5,805	5,895	+ 90
Sub-Total	39,204	41,933	42,552	+ 619
ENGINEERING OPERATIONS				
Supervision	2,629	2,816	2,865	+ 49
Utility	4,066	4,356	4,434	+ 78
Plant	5,291	5,668	5,733	+ 65
Motor Transportation	2,595	2,780	2,810	+ 30
Other	5,834	6,249	6,346	+ 97
Sub-Total	20,415	21,869	22,188	+ 319
ENGINEERING - M&R				
Buildings	7,074	7,233	7,408	+ 175
Bldg. Svc. Equipment & Systems	5,809	5,960	6,090	+ 130
Utility	1,100	1,128	1,153	+ 25
Operating Equipment	2,949	3,026	3,073	+ 47
Other Facilities	935	959	981	+ 22
Sub-Total	17,867	18,306	18,705	+ 399
BUILDING MANAGEMENT				
Housekeeping	11,207	11,993	12,210	+ 217
Laundry & Dry Cleaning	4,210	4,506	4,536	+ 30
Linen Service Operations	2,123	2,272	2,330	+ 58
Sub-Total	17,540	18,771	19,076	+ 305
ASSET ACQUISITIONS	6,693	7,000	10,705	+ 3,705
TOTAL GROSS COSTS	315,768	335,964	344,669	+ 8,705
Less: QS&L	1,280	1,295	1,295	
TOTAL NET COSTS	314,488	334,669	343,374	+ 8,705

NEUROPSYCHIATRIC HOSPITALS ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)	
DIRECT CARE					
Medical	233	225	243	+	18
Surgical	126	122	138	+	16
Psychiatry	506	489	504	+	15
Social Work	419	405	421	+	16
Radiology	102	98	98		
Laboratory	253	244	249	+	5
Pharmacy	95	91	91		
Medical Illustration	18	17	17		
Library	123	119	119		
Psychology	562	544	546	+	2
Nursing	15,189	14,698	14,641	-	57
Physical Medicine & Rehabilitation	1,936	1,871	1,863	-	8
Dietetic	4,643	4,482	4,457	-	25
Chaplains	130	126	126		
Dental	320	308	310	+	2
Sub-Total	24,655	23,839	23,823	-	16
ADMINISTRATIVE SUPPORT					
Executive Direction	476	460	466	+	6
Medical Administration	2,764	2,673	2,655	-	18
Fiscal	447	432	434	+	2
Personnel	323	312	315	+	3
Supply	711	687	687		
Sub Total	4,721	4,564	4,557	-	7
ENGINEERING OPERATIONS					
Supervision	282	273	271	-	2
Utility	33	32	27	-	5
Plant	359	347	339	-	8
Motor Transportation	269	260	258	-	2
Other	817	790	783	-	7
Sub Total	1,760	1,702	1,678	-	24
ENGINEERING - M&R					
Buildings	666	644	638	-	6
Bldg. Svc. Equipment & Systems	561	542	533	-	9
Utility Systems	79	76	71	-	5
Operating Equipment	249	241	239	-	2
Other Facilities	74	72	72		
Sub Total	1,629	1,575	1,553	-	22
BUILDING MANAGEMENT					
Housekeeping	1,976	1,910	1,891	-	19
Laundry & Dry Cleaning	874	845	829	-	16
Linen Service Operations	192	186	186		
Sub Total	3,042	2,941	2,906	-	35
TOTAL	35,807	34,621	34,517	-	104

GENERAL HOSPITALS IN VA SYSTEM

Mr. EVINS. You have about 129 general hospitals. The 166 hospitals include your NP's.

Dr. ENGLE. That is right, in 1969 we have 128 general hospitals.

Mr. MONK. There will be one additional general hospital in 1970 located in Columbia, Mo.

NURSING HOME AND RESTORATION CARE PROGRAMS

Mr. EVINS. You now have two restoration centers in the VA system and plan to operate similar programs at selective VA domiciliaries in 1970. What are you doing in these restoration centers you have not been doing in the past?

Dr. HABER. These restoration centers are geared toward the idea of helping return these veterans to the community preferably in independent living situations and either in a vocational placement where they are earning their own way or contributing to the taxes, as any other citizen, or in independent living situation if they cannot work.

(Justification pages 2–67 through 2–75 follow:)

HOSPITAL CARE

General Hospitals - Introduction

The estimate provides averages of 60,659 operating beds and 51,793 patient load in General hospitals in fiscal year 1970, or net decreases of 291 operating beds and 433 patient load averages from levels anticipated for fiscal year 1969.

A net increase of 2,865 in average employment is requested for fiscal year 1970. This increase will provide for improving the quality of patient care through (a) the activation of new medical services in fiscal year 1970, such as open heart centers, intensive care/coronary care units, etc. (b) additional medical residents and other professional and technical trainees (c) full activation of modern new and replacement hospitals at Gainesville, Florida, Miami, Florida, and San Juan, Puerto Rico, and (d) initial activation of the new hospital at Columbia, Missouri.

The following table shows workload, employment and staffing ratio comparisons for fiscal years 1968, 1969 and 1970.

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Number of Hospitals	* 128	128	129	+ 1
Average Operating Beds	63,194	60,950	60,659	- 291
Patient Census				
Psychiatric	7,677	6,163	6,112	- 51
Medical	30,345	30,970	30,713	- 257
Surgical	15,657	15,093	14,968	- 125
Total	53,679	52,226	51,793	- 433
Patients Treated	643,010	652,279	664,974	+ 12,695
Employment - Average FTE	77,991	77,847	80,712	+ 2,865
Ratio of Employees to Operating Beds	1.234	1.277	1.331	+ .054
Ratio of Employees to Patients	1.453	1.491	1.558	+ .067
Cost Per Patient Day	$39.34	$43.52	$46.44	+$ 2.92

Average FTE Employment by Category

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Consult. & Attendings	644	649	660	+ 11
Nurses	11,336	11,476	12,250	+ 774
Dentists	342	380	421	+ 41
Physicians	4,807	4,978	5,176	+ 198
Clin. & Cous. Psych.	242	250	299	+ 49
Wage Rate Employees	20,630	19,909	20,040	+ 131
Purchase and Hire	111	112	112	
Other Personnel	39,879	40,093	41,754	+ 1,661
Total	77,991	77,847	80,712	+ 2,865

GENERAL HOSPITALS - COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION (in thousands of dollars)

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	$ 52,696	$ 59,148	$ 62,449	+ $ 3,301
Surgical	42,878	46,088	48,512	+ 2,424
Psychiatry	8,422	9,108	9,548	+ 440
Social Work	7,018	7,850	8,225	+ 375
Radiology	15,100	16,579	17,299	+ 720
Laboratory	34,183	36,708	38,713	+ 2,005
Pharmacy	14,235	16,840	17,534	+ 694
Medical Illustration	1,750	1,871	1,961	+ 90
Library	3,104	3,300	3,450	+ 150
Psychology	5,606	5,992	6,285	+ 293
Audiology & Speech Pathology	782	915	986	+ 71
Nursing	208,509	217,735	230,788	+ 13,053
PM&R	17,428	18,307	19,574	+ 1,267
Dietetic	82,098	86,487	90,807	+ 4,320
Chaplains	3,302	3,476	3,852	+ 376
Dental	10,461	11,579	12,559	+ 980
Sub-Total	507,572	541,983	572,542	+ 30,559
ADMINISTRATIVE SUPPORT				
Executive Direction	23,329	25,325	26,620	+ 1,295
Medical Administration	52,114	58,092	61,495	+ 3,403
Fiscal	10,061	10,996	11,465	+ 469
Personnel	7,956	8,613	9,094	+ 481
Supply	18,452	22,628	22,489	- 139
Sub-Total	111,912	125,654	131,163	+ 5,509
ENGINEERING OPERATIONS				
Supervision	6,465	6,947	7,244	+ 297
Utility	11,730	12,614	13,275	+ 661
Plant	11,166	11,998	12,673	+ 675
Motor Transportation	3,429	3,721	3,822	+ 101
Other	11,549	12,419	13,213	+ 794
Sub-Total	44,339	47,699	50,227	+ 2,528
ENGINEERING - M&R				
Buildings	12,527	13,140	13,368	+ 228
Bldg. Svc. Equipment & Systems	13,544	14,067	14,345	+ 278
Utility Systems	2,001	1,946	1,990	+ 44
Operating Equipment	7,694	7,726	7,881	+ 155
Other Facilities	1,400	1,342	1,382	+ 40
Sub-Total	37,166	38,221	38,966	+ 745
BUILDING MANAGEMENT				
Housekeeping	25,491	27,515	29,010	+ 1,495
Laundry & Dry Cleaning	8,153	8,749	9,204	+ 455
Linen Service Operations	4,515	4,847	5,075	+ 228
Sub-Total	38,159	41,111	43,289	+ 2,178
ASSET ACQUISITIONS	33,663	34,905	41,807	+ 6,902
TOTAL GROSS COSTS	772,811	829,573	877,994	+ 48,421
Less: QS&L	2,831	2,895	2,895	
TOTAL NET COSTS	769,980	826,678	875,099	+ 48,421

GENERAL HOSPITALS - ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)	
DIRECT CARE					
Medical	2,936	2,909	3,120	+	211
Surgical	2,245	2,233	2,283	+	50
Psychiatry	453	462	472	+	10
Social Work	597	591	609	+	18
Radiology	1,044	1,038	1,079	+	41
Laboratory	2,835	2,822	2,935	+	113
Pharmacy	315	310	312	+	2
Medical Illustration	155	155	158	+	3
Library	252	253	258	+	5
Psychology	479	487	500	+	13
Audio. & Speech Pathology	63	62	75	+	13
Nursing	27,846	27,367	29,182	+	1,815
Phys. Med. & Rehab.	1,563	1,568	1,599	+	31
Dietetic	9,641	9,593	9,765	+	172
Chaplains	243	242	247	+	5
Dental	793	789	801	+	12
Sub-Total	51,460	50,881	53,395	+	2,514
ADMINISTRATIVE SUPPORT					
Executive Direction	1,481	1,481	1,520	+	39
Medical Administration	7,397	7,390	7,520	+	130
Fiscal	1,187	1,190	1,212	+	22
Personnel	836	840	856	+	16
Supply	2,488	2,896	2,880	-	16
Sub-Total	13,389	13,797	13,988	+	191
ENGINEERING OPERATIONS					
Supervision	689	692	704	+	12
Utility	58	58	52	-	6
Plant	940	944	956	+	12
Motor Transportation	362	367	370	+	3
Other	1,727	1,736	1,766	+	30
Sub-Total	3,776	3,797	3,848	+	51
ENGINEERING - M&R					
Buildings	1,033	1,042	1,053	+	11
Bldg. Svc. Equip. & Systems	1,159	1,168	1,174	+	6
Utility Systems	117	119	111	-	8
Operating Equipment	592	595	597	+	2
Other Facilities	80	81	76	-	5
Sub-Total	2,981	3,005	3,011	+	6
BUILDING MANAGEMENT					
Housekeeping	4,418	4,401	4,475	+	74
Laundry & Dry Cleaning	1,593	1,593	1,615	+	22
Linen Service Operations	374	373	380	+	7
Sub-Total	6,385	6,367	6,470	+	103
Total	77,991	77,847	80,712	+	2,865

NURSING HOME CARE

Introduction

The estimate provides for averages of 4,000 operating beds and 3,815 beneficiary census in VA Nursing Homes during fiscal year 1970 which constitutes no change in operating levels from fiscal year 1969. No additional staffing will be required since the census remains constant permitting an acceptable employee to patient ratio of approximately .7 to 1.

The following table identifies cost, employment and workloads for fiscal years 1968, 1969 and 1970.

Net Costs (in thousands of dollars)	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
VA Nursing	$18,998	$25,033	$25,445	+ $ 412
Community Nursing	11,750	17,754	19,371	+ 1,617
State Homes	2,303	5,626	6,296	+ 670
Total Cost	33,051	48,413	51,112	+ 2,699
Patient Census				
VA Nursing	3,468	3,815	3,815	
Community Nursing	2,805	3,300	3,550	+ 250
State Homes	1,794	3,150	3,450	+ 300
Total Patient Census	8,067	10,265	10,815	+ 550
VA Nursing Homes				
FTE Employment	2,286	2,828	2,828	
Average Operating Beds	4,000	4,000	4,000	
Ratio of Employees to Operating Beds	.572	.707	.707	
Ratio of Employees to Census	.659	.741	.741	
Patients Treated				
VA Nursing Homes	6,074	6,700	6,700	
Community Nursing	11,418	11,700	14,200	+ 2,500
State Homes	3,022	5,000	5,420	+ 420
Total	20,514	23,400	26,320	+ 2,920
Average FTE Employment by Category - VA Nursing Homes				
Consult. & Attendings	3	3	3	
Nurses	427	500	500	
Dentist	6	8	8	
Physicians	39	45	45	
Clin. & Couns. Psych.	2	4	4	
Wage Rate Employees	650	685	685	
Other Personnel	1,159	1,583	1,583	
Total	2,286	2,828	2,828	
Cost Per Patient Day				
VA Nursing Care	$14.99	$18.01	$18.30	+ .29
Community Nursing	11.45	14.74	14.95	+ .21
State Homes	3.50	4.89	5.00	+ .11

NURSING HOME CARE - COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION
(In thousands of dollars)

FUNCTION	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
DIRECT CARE				
Medical	$ 630	$ 842	$ 855	+$ 13
Surgical	56	75	76	+ 1
Psychiatry	167	224	227	+ 3
Social Work	319	427	433	+ 6
Radiology	37	50	51	+ 1
Laboratory	116	156	158	+ 2
Pharmacy	411	550	557	+ 7
Medical Illustration	2	2	2	
Libraries	60	80	81	+ 1
Psychology	63	84	85	+ 1
Nursing	9,518	12,735	12,906	+ 171
PM&R	1,469	1,965	1,991	+ 26
Dietetic	4,393	5,877	5,956	+ 79
Chaplains	172	230	233	+ 3
Dental	187	250	253	+ 3
Sub-Total	17,600	23,547	23,864	+ 317
BUILDING MANAGEMENT				
Housekeeping	720	768	777	+ 9
Laundry & Dry Cleaning	326	348	352	+ 4
Linen Service Operations	197	210	213	+ 3
Sub-Total	1,243	1,326	1,342	+ 16
ASSET ACQUISITIONS	190	200	279	+ 79
TOTAL COST - NURSING CARE IN VA FACILITIES	19,033	25,073	25,485	+ 412
Less: QS&L	35	40	40	
NET COST - NURSING CARE IN VA FACILITIES	18,998	25,033	25,445	+ 412
COST OF BENEFICIARY CARE IN NON-VA FACILITIES				
State Homes - Nursing	2,303	5,626	6,296	+ 670
Community Nursing Homes	11,750	17,754	19,371	+ 1,617
Sub-Total	14,053	23,380	25,667	+ 2,287
TOTAL NET COSTS	33,051	48,413	51,112	+ 2,699

NURSING HOME CARE - ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

FUNCTION	1968 Actual	1969 Estimate	1970 Estimate
DIRECT CARE			
Medical	33	41	41
Surgical	3	3	3
Psychiatry	8	10	10
Social Work	28	35	35
Radiology	2	2	2
Laboratory	10	12	12
Pharmacy	9	11	11
Library	5	6	6
Psychology	6	7	7
Nursing	1,311	1,624	1,624
Phys. Med. & Rehab.	139	172	172
Dietetic	499	617	617
Chaplains	12	15	15
Dental	14	17	17
Sub-Total	2,079	2,572	2,572
BUILDING MANAGEMENT			
Housekeeping	126	156	156
Laundry	64	79	79
Linen Service Operations	17	21	21
Sub-Total	207	256	256
TOTAL	2,286	2,828	2,828

VA NURSING HOME CARE DISTRIBUTION OF AVERAGE OPERATING BEDS AND AVERAGE PATIENT CENSUS BY STATION

Station	1968 Actual			1969 Estimate			1970 Estimate		
	Oper. Beds	Census	Occupancy Rate	Oper. Beds	Census	Occupancy Rate	Oper. Beds	Census	Occupancy Rate
Albany, N.Y.	30	27	90	30	29	97	30	29	97
Alexandria, La.	95	90	95	95	91	96	95	91	96
Allen Park, Mich.	36	34	94	36	35	97	36	34	94
American Lake, Wash.	76	48	63	76	67	88	76	72	95
Augusta, Ga.	40	36	90	40	37	93	40	38	95
Bath, N.Y.	40	39	98	40	38	95	40	38	95
Battle Creek, Mich.	65	61	94	65	63	97	65	62	95
Beckley, W. Va.	42	41	98	42	39	93	42	39	93
Bedford, Mass.	82	44	54	82	78	95	82	78	95
Biloxi, Miss.	71	50	70	71	67	95	71	67	95
Bonham, Texas	38	35	92	38	35	93	38	35	93
Brecksville, Ohio	50	48	96	50	47	94	50	47	94
Brockton, Mass.	51	47	92	51	48	95	51	48	95
Buffalo, N. Y.	36	35	97	36	34	94	36	34	94
Butler, Pa.	64	59	92	64	61	95	64	61	95
Canandaigua, N. Y.	47	44	94	47	43	92	47	44	94
Castle Point, N.Y.	96	43	45	96	86	90	96	91	95
Cheyenne, Wyo.	47	45	96	47	45	96	47	44	94
Chicago, Ill. (W.S.)	40	38	95	40	38	95	40	38	95
Chillicothe, Ohio	99	99	100	99	96	97	99	96	97
Columbia, S. C.	72	35	49	72	60	83	72	68	95
Danville, Ill.	58	47	81	58	55	95	58	55	95
Dayton, Ohio	84	79	94	84	79	94	84	79	94
Dublin, Ga.	56	54	96	56	53	95	56	53	95
Fargo, N. Dak.	50	48	96	50	47	94	50	47	94
Fayetteville, N. C.	39	38	97	39	37	95	39	37	95
Ft. Lyon, Colo.	37	35	95	37	35	95	37	35	95
Ft. Thomas, Ky.	201	148	74	201	160	80	201	196	95
Grand Junction, Colo.	42	41	98	42	38	95	42	38	95
Hampton, Va.	41	41	100	41	41	100	41	41	100
Houston, Texas	78	74	95	78	76	97	78	75	95
Indianapolis, Ind.	46	45	98	46	43	93	46	43	93
Jefferson Bks., Mo.	68	64	94	68	65	95	68	65	95
Kerrville, Texas	36	31	86	36	34	95	36	34	95
Knoxville, Iowa	50	47	94	50	47	94	50	47	94
Lebanon, Pa.	37	36	97	37	35	95	37	35	95
Lexington, Ky.	51	45	88	51	44	86	51	48	95
Livermore, Calif.	36	34	94	36	34	94	36	34	94
Los Angeles, Calif.	222	191	86	222	209	94	222	210	95
Manchester, N. H.	38	37	97	38	36	95	38	36	95
Marion, Ind.	69	59	86	69	65	94	69	65	94
Montrose, N.Y.	75	33	44	75	46	62	75	72	95
Mountain Home, Tenn.	58	56	97	58	56	96	58	55	95
Murfreesboro, Tenn.	48	37	77	48	40	83	48	46	96
North Little Rock, Ark.	100	81	81	100	88	88	100	95	95
Palo Alto, Calif.	50	52	104	50	48	96	50	48	96
Pittsburgh, Pa.	208	195	94	208	191	92	208	197	95
Poplar Bluff, Mo.	49	45	92	49	46	94	49	46	94
Reno, Nev.	22	22	100	22	22	100	22	22	100
Roseburg, Ore.	45	39	87	45	43	96	45	43	96
St. Cloud, Minn.	44	43	98	44	42	95	44	42	95
Salisbury, N.C.	93	67	72	93	58	62	93	88	95
Salt Lake City, Utah	46	43	93	46	43	93	46	43	93
San Fernando, Calif.	36	33	92	36	32	90	36	34	94
Sepulveda, Calif.	40	34	85	40	34	85	40	38	95
Sioux Falls, S. Dak.	75	71	95	75	70	93	75	72	95
Togus, Me.	60	58	97	60	57	95	60	57	95
Tomah, Wis.	53	47	89	53	50	94	53	50	94
Tuskegee, Ala.	68	55	81	68	64	94	68	65	95
Waco, Texas	84	85	101	84	80	95	84	80	95
Wadsworth, Kan.	45	45	100	45	43	95	45	43	95
Wilmington, Del.	39	34	87	39	35	90	39	37	95
Wood, Wis.	106	105	99	106	103	97	106	101	95
Undistributed Census					154			14	
TOTAL	4,000	3,468 *	87	4,000	3,815	95	4,000	3,815	95

* Pieces do not add to total due to rounding.

Community Nursing Homes

Distribution of FY 1968 Average Daily Nursing Census by VA Facility

Station	ADNC	Station	ADNC
VARO Montgomery, Ala.	42	VARO Newark, N. J.	50
VAH Phoenix, Ariz.	75	VAH Albuquerque, N. M.	12
VAH Little Rock, Ark.	85	VAH Albany, N. Y.	10
VAOPC Los Angeles, Calif.	184	VAH Buffalo, N. Y.	16
VAH San Francisco, Calif.	40	VARO New York, N. Y.	6
VAH Denver, Colo.	40	VAH Syracuse, N. Y.	11
VAH Newington, Conn.	44	VARO Winston Salem, N. C.	50
VAH Wilmington, Del.	9	VAC Fargo, N. D.	19
VAH Washington, D. C.	20	VAH Cincinnati, Ohio	72
VARO St. Petersburg, Fla.	177	VAH Cleveland, Ohio	50
VARO Atlanta, Ga.	50	VARO Muskogee, Okla.	71
VAC Boise, Idaho	11	VARO Portland, Oreg.	45
VAH Chicago, Ill. (W.S.)	273	VAOPC Philadelphia, Pa.	59
VARO Indianapolis, Ind.	34	VARO Pittsburgh, Pa.	18
VAC Des Moines, Iowa	73	VAH Wilkes-Barre, Pa.	28
VAC Wichita, Kans.	26	VAC San Juan, P. R.	18
VARO Louisville, Ky.	70	VARO Providence, R. I.	28
VAH New Orleans, La.	24	VARO Columbia, S. C.	36
VAH Shreveport, La.	17	VAC Sioux Falls, S. D.	10
VAC Togus, Maine	22	VAH Nashville, Tenn.	74
VARO Baltimore, Md.	14	VAH Dallas, Texas	46
VARO Boston, Mass.	134	VAH Houston, Texas	35
VAH Allen Park, Mich.	7	VAOPC Lubbock, Texas	20
VAC St. Paul, Minn.	112	VAOPC San Antonio, Texas	15
VAC Jackson, Miss.	21	VARO Waco, Texas	38
VAH Kansas City, Mo.	47	VAH Salt Lake City, Utah	3
VAH St. Louis, Mo.	22	VARO Roanoke, Va.	80
VAC Ft. Harrison, Mont.	8	VAH Seattle, Wash.	57
VAH Lincoln, Nebr.	30	VAH Huntington, W. Va.	35
VAH Manchester, N. H.	6	VAC Wood, Wisc.	74
		VAC Cheyenne, Wyo.	2
		TOTAL	2,805

State Home Nursing Care

Distribution of FY 1968 Average Daily Nursing Census by State Home

State Home	ADNC
Ardmore, Oklahoma	36
Bennington, Vermont	21
Bristol, Rhode Island	133
Chelsea, Massachusetts	158
Erie, Pennsylvania	45
Grand Rapids, Michigan	408
Hot Springs, South Dakota	33
King, Wisconsin	127
Lafayette, Indiana	86
Menlo Park, New Jersey	68
Napa County, California	167
Orting, Washington	45
Oxford, New York	5
Quincy, Illinois	264
Retsil, Washington	71
St. James, Missouri	36
Sulphur, Oklahoma	73
Tilton, New Hampshire	14
Vineland, New Jersey	4
TOTAL	1,794

Dr. HABER. Our idea is to try to decrease the amount of mere warehousing of individuals and to try to direct each individual to the highest level of independence that he can achieve. This is motivational and vocational rehabilitation.

Mr. EVINS. Don't you do this at all your hospitals?

Dr. HABER. Yes, sir, we do. But this is a group of men who otherwise might find their way into our domiciliaries and merge with the environment. We are trying to convince these men it is more profitable for them to get back into the community and live fully rounded lives.

Mr. EVINS. Place pages 2–77 through 2–82 in the record.

(The pages follow:)

DOMICILIARY/RESTORATION CARE

Two Restoration Centers at the VA Hospitals at Hines, Illinois and East Orange, New Jersey, and similar type programs at selected VA domiciliaries will be operative in fiscal year 1970. Special restorative training will be afforded certain beneficiaries that have received maximum hospitalization benefits to fit them for more purposeful and independent living. The Restoration Centers and other programs emphasize restoration of disabled veterans and serve to make more hospital beds available for those in need of hospitalization.

The following table shows comparative total employment, staffing ratio and workload data for fiscal years 1968, 1969 and 1970:

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Number of Facilities:				
Domiciliaries/Restoration Centers	18	18	18	
Average FTE Employment:				
Domiciliaries	2,867	2,878	2,868	- 10
Restoration Centers	264	296	361	+ 65
Average Operating Beds:				
Domiciliaries	13,528	13,383	13,263	- 120
Restoration Centers	759	899	1,019	+ 120
Average Daily Beneficiary Census:				
Members	12,593	12,642	12,628	- 14
Restorees	609	802	968	+ 166
Patients Treated:				
Members	28,098	26,392	25,930	- 462
Restorees	2,222	3,053	3,784	+ 731
Ratio of Employ. to Oper. Beds:				
Domiciliaries	.212	.215	.216	+ .001
Restoration Centers	.348	.329	.354	+ .025
Ratio of Employ. to ADBC				
Domiciliaries	.228	.228	.227	- .001
Restoration Centers	.433	.369	.372	+ .003
Cost Per Patient Day:				
Domiciliaries	$6.71	$7.06	$7.27	+ $.21
Restoration Centers	$12.50	$11.58	$11.80	+ $.22

Average FTE Employment by Category	1968	1969	1970	Incr. (+)
Domiciliaries	Actual	Estimate	Estimate	Decr. (-)
Consult. & Attendings	6	6	6	
Nurses	47	47	47	
Dentists	39	39	39	
Physicians	79	80	80	
Clin. & Couns. Psych.	16	16	16	
Wage Rate Employees	1,458	1,450	1,445	- 5
Purchase and Hire	11	11	11	
Other Personnel	1,211	1,229	1,224	- 5
Total	2,867	2,878	2,868	- 10

DOMICILIARY CARE - COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION (in thousands of dollars)

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	$ 1,104	$ 1,170	$ 1,192	+$ 22
Surgical	150	159	162	+ 3
Psychiatry	40	42	43	+ 1
Social Work	336	357	364	+ 7
Radiology	203	216	220	+ 4
Laboratory	306	325	331	+ 6
Pharmacy	1,313	1,395	1,422	+ 27
Medical Illustration	3	4	4	
Libraries	272	289	294	+ 5
Psychology	302	321	327	+ 6
Nursing	942	1,000	1,019	+ 19
PM&R	2,765	2,937	2,993	+ 56
Dietetic	7,532	8,000	8,151	+ 151
Chaplains	496	527	537	+ 10
Dental	1,215	1,291	1,316	+ 25
Sub-Total	16,979	18,033	18,375	+ 342
ADMINISTRATIVE SUPPORT				
Executive Direction	1,609	1,717	1,751	+ 34
Medical Administration	1,650	1,760	1,795	+ 35
Fiscal	441	470	479	+ 9
Personnel	276	294	299	+ 5
Supply	733	782	794	+ 12
Sut-Total	4,709	5,023	5,118	+ 95
ENGINEERING OPERATIONS				
Supervision	453	484	492	+ 8
Utility	810	865	880	+ 15
Plant	723	772	786	+ 14
Motor Transportation	449	480	489	+ 9
Other	1,242	1,326	1,354	+ 28
Sub-Total	3,677	3,927	4,001	+ 74
ENGINEERING - M&R				
Buildings	1,311	1,344	1,375	+ 31
Bldg. Svc. Equipment & Systems	982	1,006	1,028	+ 22
Utility Systems	222	227	231	+ 4
Operating Equipment	481	493	501	+ 8
Other Facilities	290	297	300	+ 3
Sub-Total	3,286	3,367	3,435	+ 68
BUILDING MANAGEMENT				
Housekeeping	929	983	1,003	+ 20
Laundry & Dry Cleaning	326	345	351	+ 6
Linen Service Operations	188	198	201	+ 3
Sub-Total	1,443	1,526	1,555	+ 29
ASSET ACQUISITIONS	846	700	1,016	+ 316
TOTAL GROSS COSTS	30,940	32,576	33,500	+ 924
Less: QS&L	130	135	135	
TOTAL NET COSTS	30,810	32,441	33,365	+ 924
Restoration				
Consult. & Attendings	1	1	1	
Nurses	13	15	20	+ 5
Dentists	1	2	4	+ 2
Physicians	9	12	15	+ 3
Clin. & Couns. Psych.	11	14	16	+ 2
Wage Rate Employees	87	90	95	+ 5
Other Personnel	142	162	210	+ 48
Total	264	296	361	+ 65

DOMICILIARY CARE - ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	55	55	55	
Surgical	8	8	8	
Psychiatry	2	2	2	
Social Work	30	30	30	
Radiology	14	14	14	
Laboratory	26	26	26	
Pharmacy	31	31	31	
Library	23	23	23	
Psychology	23	23	23	
Nursing Service	128	129	128	- 1
Phys. Med. & Rehab.	205	206	205	- 1
Dietetic	824	828	825	- 3
Chaplains	36	36	36	
Dental	90	90	90	
Sub-Total	1,495	1,501	1,496	- 5
ADMINISTRATIVE SUPPORT				
Executive Direction	120	120	120	
Medical Administration	234	236	234	- 2
Fiscal	52	52	52	
Personnel	29	29	29	
Supply	98	98	98	
Sub-Total	533	535	533	- 2
ENGINEERING OPERATIONS				
Supervision	49	49	49	
Utility	7	7	7	
Plant	54	54	54	
Motor Transportation	46	46	46	
Other	178	179	177	- 2
Sub-Total	334	335	333	- 2
ENGINEERING - M&R				
Buildings	112	113	113	
Bldg. Svc. Equip. & Systems	86	86	86	
Utility Systems	11	11	11	
Operating Equipment	39	39	39	
Other Facilities	21	21	21	
Sub-Total	269	270	270	
BUILDING MANAGEMENT				
Housekeeping	152	153	152	- 1
Laundry & Dry Cleaning	68	68	68	
Linen Service Operations	16	16	16	
Sub-Total	236	237	236	- 1
Total	2,867	2,878	2,868	- 10

RESTORATION CARE - COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION (in thousands of dollars)

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	$ 103	$ 131	$ 153	+$ 22
Psychiatry	3	4	4	
Social Work	158	204	254	+ 50
Radiology	13	17	18	+ 1
Laboratory	21	28	28	
Pharmacy	85	110	130	+ 20
Medical Illustration	1	1	1	
Libraries	21	27	29	+ 2
Psychology	218	282	343	+ 61
Nursing	283	366	457	+ 91
PM&R	319	413	517	+ 104
Dietetic	453	585	713	+ 128
Chaplains	28	36	39	+ 3
Dental	100	130	150	+ 20
Sub-Total	1,806	2,334	2,836	+ 502
ADMINISTRATIVE SUPPORT				
Executive Direction	228	242	300	+ 58
Medical Administration	148	158	194	+ 36
Fiscal	26	28	29	+ 1
Personnel	24	27	30	+ 3
Supply	49	52	60	+ 8
Sub-Total	475	507	613	+ 106
ENGINEERING OPERATIONS				
Supervision	17	18	19	+ 1
Utility	100	104	134	+ 30
Plant	29	30	37	+ 7
Motor Transportation	21	22	27	+ 5
Other	54	57	63	+ 6
Sub-Total	221	231	280	+ 49
ENGINEERING - M&R				
Buildings	52	54	58	+ 4
Bldg. Svc. Equipment & Systems	42	43	46	+ 3
Utility Systems	9	9	9	
Operating Equipment	32	32	35	+ 3
Other Facilities	11	12	12	
Sub-Total	146	150	160	+ 10
BUILDING MANAGEMENT				
Housekeeping	93	106	129	+ 23
Laundry & Dry Cleaning	14	16	19	+ 3
Linen Service Operations	9	11	13	+ 2
Sub-Total	116	133	161	+ 28
ASSET ACQUISITIONS	23	36	118	+ 82
TOTAL GROSS COSTS	2,787	3,391	4,168	+ 777
Less: QS&L	3	5	5	
TOTAL NET COSTS	2,784	3,386	4,163	+ 777

RESTORATION CARE - ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	5	6	8	+ 2
Social Work	14	16	20	+ 4
Radiology	1	1	1	
Laboratory	2	2	2	
Pharmacy	3	3	3	
Library	2	2	2	
Psychology	17	20	23	+ 3
Nursing	38	43	51	+ 8
Phys. Med. & Rehab.	29	33	41	+ 8
Dietetic	47	52	68	+ 16
Chaplains	2	2	2	
Dental	8	9	11	+ 2
Sub-Total	168	189	232	+ 43
ADMINISTRATIVE SUPPORT				
Executive Direction	16	18	18	
Medical Administration	21	24	28	+ 4
Fiscal	3	3	3	
Personnel	3	3	3	
Supply	7	8	13	+ 5
Sub-Total	50	56	65	+ 9
ENGINEERING OPERATIONS				
Supervision	2	2	2	
Utility	2	2	2	
Plant	1	1	1	
Motor Transportation	2	2	2	
Other	8	10	13	+ 3
Sub-Total	15	17	20	+ 3
ENGINEERING - M&R				
Building	5	6	6	
Bldg. Svc. Equip. & Systems	3	3	4	+ 1
Utility	1	1	1	
Operating Equipment	2	2	3	+ 1
Other Facilities	1	1	4	+ 3
Sub-Total	12	13	18	+ 5
BUILDING MANAGEMENT				
Housekeeping	15	17	21	+ 4
Laundry	3	3	4	+ 1
Linen Service Operations	1	1	1	
Sub-Total	19	21	26	+ 5
TOTAL	264	296	361	+ 65

Domiciliary/Restoration Care - Distribution of Average Operating Beds & Average Census by Station

	1968 Actual			1969 Estimate			1970 Estimate		
	Oper. Beds	Census	Occupancy Rate	Oper. Beds	Census	Occupancy Rate	Oper. Beds	Census	Occupancy Rate
Bath, N. Y.	800	749	94	800	740	93	800	750	94
Bay Pines, Fla.	400	370	93	400	370	93	400	375	94
Biloxi, Miss.	723	701	97	723	687	95	723	700	97
Bonham, Tex.	293	289	99	293	289	99	316	310	98
Dayton, Ohio	1,465	1,374	94	1,465	1,395	95	1,465	1,410	96
Dublin, Ga.	460	443	96	460	446	97	460	449	98
East Orange, N.J.	199	169	85	199	180	90	199	180	90
Hampton, Va.	835	745	89	830	765	92	830	780	94
Hines, Ill.	120	85	71	120	102	85	120	102	85
Hot Springs, S. D.	550	530	96	550	523	95	550	530	95
Los Angeles, Calif.	2,435	2,302	95	2,435	2,310	95	2,435	2,310	95
Martinsburg, W. Va.	550	496	90	550	500	91	550	525	95
Mountain Home, Tenn.	1,525	1,398	92	1,525	1,450	95	1,525	1,450	95
Prescott, Ariz.	240	232	97	240	230	96	240	230	96
Temple, Tex.	392	382	97	392	380	97	392	380	97
Wadsworth, Kans.	975	879	90	975	915	94	975	930	95
White City, Ore.	1,075	1,014	94	1,075	1,027	96	1,075	1,050	98
Wood, Wisc.	1,250	1,044	84	1,250	1,135	91	1,227	1,135	93
Total	14,287	13,202	92	14,282	13,444	94	14,282	13,596	95

Contract Hospitalization

Mr. Evins. Place the material on contract hospitalization, pages 2–83 and 2–84 in the record.

(The justification pages follow:)

Inpatient Hospital Care

CONTRACT HOSPITALIZATION

Introduction

Hospitalization of VA beneficiaries in other Federal hospitals is provided for either service-connected or nonservice-conected conditions to insure coverage in areas where VA facilities are not available.

VA beneficiaries are provided hospital care in private (non-Federal) facilities under the following circumstances as authorized by sections 601 and 1506, title 38, United States Code.

a. In emergency cases for persons suffering from service-connected disabilities or from disabilities for which such persons were discharged or released from the active military, naval, or air service.

b. For women veterans of any war.

c. For veterans of any war in a State, Territory, Commonwealth, or possession of the United States not contiguous to the 48 contiguous States, except that the annually determined average hospital patient load per thousand veteran population hospitalized at Veterans' Administratiton expense in Government and private facilities in each such noncontiguous State may not exceed the average patient load per thousand veteran population hospitalized by the Veterans' Administration within the 48 contiguous States.

d. For those veterans requiring hospitalization to prevent interruption of vocational rehabilitation training.

Per diem reimbursement rates for care rendered by other Federal hospitals are established and/or approved annually by the Bureau of the Budget. The cost of hospitalization in non-Federal hospitals is based generally on per diem rates established under contracts between the VA and the various hospitals concerned plus charges for additional services such as special duty nursing care, surgical fees, consultants, special medical services, etc.

Patient load and cost estimates for Federal hospitals are based on actual utilization rather than bed allocation agreements with the agencies concerned. The VA, however, will provide reimbursable support for patient loads up to the full number of beds allocated, where demand exists.

Contract hospital patient load is estimated to decrease by 137 in fiscal year 1970 with costs decreasing by $793,000 resulting primarily from the decrease in workload partially offset by an increase in non-Federal rates.

The Veterans Memorial Hospital, Manila, Philippines furnishes by contract, hospital care to service-connected veterans of the Armed Forces of the United States and to Regular Philippines Scouts enlisted prior to October 6, 1945. An increase of $0.15 per patient day for a total of $7.65 is planned for fiscal year 1970 to meet the steadily rising cost in this facility. The hospital also furnished care to Commonwealth Army and Guerrilla Veterans. A reciprocal rate of $7.65 has also been planned for this latter group which is funded from the appropriation "Grants to the Republic of the Philippines."

Of the total contract hospitalization load of 1,613 planned for fiscal year 1970 it is estimated that approximately 42 percent will be hospitalized in the 50 States and 58 percent in Manila and Puerto Rico. The total contract hospital patient load is expected to decrease by 137 in fiscal year 1970 with corresponding decrease in costs of $793,000. These are net decreases resulting from a decrease of 128 patient load and $835,000 in non-Federal hospitals and a decrease of nine patient load and an increase of $42,000 in Federal hospitals.

The 128 patient load and net $835,000 decreases in non-Federal hospitalization result primarily from the reduced workload (86) at San Juan, Puerto Rico related to the opening of the larger VA replacement hospital and an increase of $.84 in the average per diem rate charged by non-Federal contract hospitals (excluding Manila, Philippine Islands). The non-Federal per diem rate has been steadily rising over the past several years as shown on the table in the special analyses section of this budget submission. Based on latest contract negotiation

information, non-Federal hospital per diem costs are expected to rise by $.78 in fiscal year 1969 and $.84 in fiscal year 1970.

The nine patient load reductions in Federal contract hospitals becomes possible with the activation of beds in new VA hospitals in geographic areas formerly served by contract hospitals, and increasing bed availability at other VA hospitals where higher patient turnover rates are being experienced.

Mr. EVINS. How many contract hospitals are you working with today?

Dr. ENGLE. There are quite a few, I don't know the exact number. There are many in the Manila and Puerto Rico areas. With the Federal hospitals, we also have many locations.

Mr. WISE. Actually 58 percent of the total load are either in Puerto Rico or Manila. In the continental United States there are still some contract beds used in localities where there are no VA hospitals.

STATE HOME PROGRAMS

Mr. EVINS. What about the State homes?

Mr. WISE. State homes, there are 34 in which we provide the domiciliary care and some of these also provide nursing care.

Dr. HABER. There are 19 State nursing homes.

Mr. EVINS. We will place 2–87 in the record.

(The page follows:)

STATE HOMES

The estimate provides for an average daily member census in State homes of 6,240 for fiscal year 1970. The demand for these facilities continues to decline with the availablity of State home nursing care. Transfer of members to the State nursing program has proceeded at a moderate rate during past fiscal years, with further reduction in member load of 270 projected for fiscal year 1970 below the fiscal year 1969 total, resulting primarily from a proposed transfer to the State nursing care program.

The following tables show workload and cost comparisons for fiscal year 1968, 1969, and 1970, and member census actually experienced in fiscal year 1968 identified by State homes.

	1968 actual	1969 estimate	1970 estimate	Increase (+) or decrease (−)
Average daily member census	7,466	6,510	6,240	−270
Costs (in thousands)	$6,780	$8,147	$7,972	−$175
Cost per member day	$2.48	$3.43	$3.50	+0.07
Beneficiaries treated	15,778	14,000	13,541	−459

Fiscal year 1968 average member census by State home

State Home:	ADMC
Napa County, Calif	1,301
Home Lake, Colo	83
Rocky Hill, Conn	730
Milledgeville, Ga	365
Boise, Idaho	94
Quincy, Ill	341
Lafayette, Ind	140
Marshalltown, Iowa	404
Fort Dodge, Kans	92
Jackson, La	47
Chelsea, Mass	361
Holyoke, Mass	152
Grand Rapids, Mich	272
Minneapolis, Minn	300
St. James, Mo	49
Columbia Falls, Mont	50
Grand Island, Nebr	257
Tilton, N.H	36
Menlo Park, N.J	112
Vineland, N.J	141
Oxford, N.Y	19
Lisbon, N. Dak	90
Erie County, Ohio	586
Ardmore, Okla	167
Norman, Okla	224
Sulphur, Okla	113
Erie, Pa	156
Bristol, R.I	123
Hot Springs, S. Dak	91
Bennington, Vt	36
Orting, Wash	109
Retsil, Wash	170
King, Wis	225
Buffalo, Wyo	30
Total ADMC	7,466

Outpatient Care

Mr. Evins. We will take a look at outpatient care. The workload shows that it is estimated in 1970 you will care for 7,474,000 as against 6,742,000 in the preceding year, or an increase of about 732,000. More and more veterans are coming into the hospitals for daily treatment or weekly or periodic care. The outpatient care is on the increase.

Dr. Haber. Mr. Chairman, I think it judicious to point out that the statement awhile ago that the need for inpatient psychiatric care is decreasing should be coupled with the fact that more and more of these patients are being treated in day treatment centers on an outpatient basis. The number of people we are treating has not decreased. The number of days we are keeping them in hospitals has decreased.

Mr. Evins. You are letting them out of the hospitals but they are coming back for treatment and care?

Dr. Haber. Yes, sir, on an outpatient basis.

Dr. Engle. Also a good deal of the increase in outpatient care is related to the Vietnam veteran who is being discharged and who is applying for either dental care or frequently there are compensation examinations involved and this kind of thing.

About 40 percent of this total is in this area of the service-connected veteran applying for benefits.

Mr. Evins. You have a great number of figures. Dental exminations and dental treatments. Aren't they about the same?

Dr. Haber. No, sir.

Mr. Evins. You plan examinations totaling 99,000 and treatments totaling 87,000.

Dr. Engle. I think you have a good point. As a matter of fact, in discussing this in our own department we think it would be less confusing if we called them dental visits and tried not to break them down between examinations and treatments. This is the way it has been done historically for a long, long time. Not everybody examined is eligible for treatment. I think that is the reason it is characterized in this way.

Mr. Evins. You expect 2,600 more examinations in 1970 than the preceding year. You expect about 2,000 more treatments.

Dr. HABER. Some of this is in connection with compensation and pension examinations, sir.

Mr. EVINS. Insert pages 2–89 through 2–93 which covers outpatient care and page 2–95 covering dental workloads.

(The pages follow:)

OUTPATIENT CARE

The estimate for fiscal year 1970 reflects 7,474,000 medical visits, 99,072 dental examination cases completed and 86,774 dental treatment cases completed to VA Outpatient Clinics and hometown physicians and dentists. The continued activation of the San Juan, Puerto Rico replacement hospital, and initial activation of the new Columbia, Missouri hospital, increased visits because of the Viet Nam conflict, an aging veteran population, and a greater stress throughout the system on use of outpatient facilities are the major causes for the increased workload.

The following table shows workload and employment comparisons for fiscal years 1968, 1969 and 1970:

	Actual 1968	Estimate 1969	Estimate 1970	Incr. (+) Decr. (-)
Workloads				
Medical Visits:				
Staff	5,369,516	5,558,754	6,140,000	+ 581,246
Fee	1,194,514	1,183,675	1,334,000	+ 150,325
Total	6,564,030	6,742,429	7,474,000	+ 731,571
Dental Exam. Cases Completed:				
Staff	71,856	74,856	76,856	+ 2,000
Fee	7,287	21,607	22,216	+ 609
Total	79,143	96,463	99,072	+ 2,609
Dental Treat. Cases Completed:				
Staff	56,972	58,937	60,472	+ 1,535
Fee	9,535	25,877	26,302	+ 425
Total	66,507	84,814	86,774	+ 1,960
Employment (Average FTE)				
Consult. & Attendings	179	179	180	+ 1
Nurses	362	375	405	+ 30
Dentists	226	230	240	+ 10
Physicians	1,418	1,450	1,555	+ 105
Clin. & Couns. Psych.	185	190	196	+ 6
Wage Rate Employees	589	575	605	+ 30
Purchase and Hire	3	3	3	
Other Personnel	10,226	10,216	10,806	+ 590
Total	13,188	13,218	13,990	+ 772

OUTPATIENT CARE
COMPARATIVE ANALYSIS OF NET COSTS BY FUNCTION (in thousands of dollars)

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	$ 19,210	$ 19,312	$ 20,872	+$ 1,560
Surgical	5,628	5,658	6,111	+ 453
Psychiatry	2,477	2,491	2,690	+ 199
Social Work	7,734	7,777	8,399	+ 622
Radiology	7,754	7,797	8,421	+ 624
Laboratory	4,346	4,370	4,720	+ 350
Pharmacy	28,762	28,920	31,234	+ 2,314
Medical Illustration	44	44	48	+ 4
Libraries	78	78	84	+ 6
Psychology	1,060	1,066	1,151	+ 85
Audiology & Speech Pathology	1,349	1,359	1,464	+ 105
Nursing	6,224	6,258	6,759	+ 501
PM&R	2,284	2,297	2,481	+ 184
Dietetic	571	574	620	+ 46
Blind Rehabilitation	554	591	638	+ 47
Dental	7,782	7,824	8,450	+ 626
Mental Hygiene	7,123	7,600	7,776	+ 176
Day Treatment	1,508	1,609	1,738	+ 129
Fee Medical, Dental, Pharm.	14,113	18,386	18,557	+ 171
Prosthetic Appliances & Similar Aids	13,613	13,700	14,796	+ 1,096
Sub-Total	132,214	137,711	147,009	+ 9,298
ADMINISTRATIVE SUPPORT				
Executive Direction	4,684	4,707	5,084	+ 377
Medical Administration	35,233	35,438	38,286	+ 2,848
Fiscal	2,490	2,500	2,700	+ 200
Personnel	1,264	1,269	1,371	+ 102
Supply	2,443	2,454	2,650	+ 196
Sub-Total	46,114	46,368	50,091	+ 3,723
ENGINEERING OPERATIONS				
Supervision	247	250	269	+ 19
Utility	523	527	565	+ 38
Plant	318	320	345	+ 25
Motor Transportation	524	527	570	+ 43
Other	372	372	401	+ 29
Sub-Total	1,984	1,996	2,150	+ 154
ENGINEERING - M&R				
Buildings	414	427	435	+ 8
Bldg. Svc. Equipment & Systems	384	396	403	+ 7
Utility	37	38	40	+ 2
Operating Equipment	352	363	369	+ 6
Other Facilities	22	23	25	+ 2
Sub-Total	1,209	1,247	1,272	+ 25
BUILDING MANAGEMENT				
Housekeeping Operations	1,188	1,191	1,289	+ 98
Laundry & Dry Cleaning	126	128	138	+ 10
Linen Service Operations	96	98	106	+ 8
Sub-Total	1,410	1,417	1,533	+ 116
ASSET ACQUISITIONS	1,050	1,154	1,511	+ 357
TOTAL NET COSTS	183,981	189,893	203,566	+ 13,673

OUTPATIENT CARE - ANALYSIS OF AVERAGE FTE EMPLOYMENT BY FUNCTION

Function	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
DIRECT CARE				
Medical	996	999	1,069	+ 70
Surgical	283	284	305	+ 21
Psychiatry	128	128	138	+ 10
Social Work	662	664	700	+ 36
Radiology	555	556	586	+ 30
Laboratory	377	378	398	+ 20
Pharmacy	639	640	675	+ 35
Medical Illustration	4	4	4	
Library	7	7	7	
Psychology	86	86	93	+ 7
Audiology & Speech Pathology	107	107	113	+ 6
Nursing	825	827	884	+ 57
Phys. Med. & Rehab.	214	214	230	+ 16
Dietetic	65	65	69	+ 4
Blind Rehabilitation Center	56	56	59	+ 3
Dental	617	619	659	+ 40
Mental Hygiene	444	442	466	+ 24
Day Treatment	122	121	127	+ 6
Prosthetic Appliances & Sim. Aids	365	363	383	+ 20
Sub-Total	6,552	6,560	6,965	+ 405
ADMINISTRATIVE SUPPORT				
Executive Direction	321	322	342	+ 20
Medical Administration	5,055	5,066	5,343	+ 277
Fiscal	296	297	314	+ 17
Personnel	134	134	141	+ 7
Supply	326	327	345	+ 18
Sub-Total	6,132	6,146	6 485	+ 339
ENGINEERING OPERATIONS				
Supervision	27	27	28	+ 1
Utility	1	1	1	
Plant	29	29	31	+ 2
Motor Transportation	55	55	58	+ 3
Other	56	56	59	+ 3
Sub-Total	168	168	177	+ 9
ENGINEERING - M&R				
Buildings	34	34	36	+ 2
Bldg. Svc. Equip. & Systems	32	32	34	+ 2
Utility Systems	2	2	2	
Operating Equipment	27	27	28	+ 1
Other Facilities	1	1	1	
Sub-Total	96	96	101	+ 5
BUILDING MANAGEMENT				
Housekeeping	208	216	228	+ 12
Laundry & Dry Cleaning	25	25	27	+ 2
Linen Service	7	7	7	
Sub-Total	240	248	262	+ 14
TOTAL	13,188	13,218	13,990	+ 772

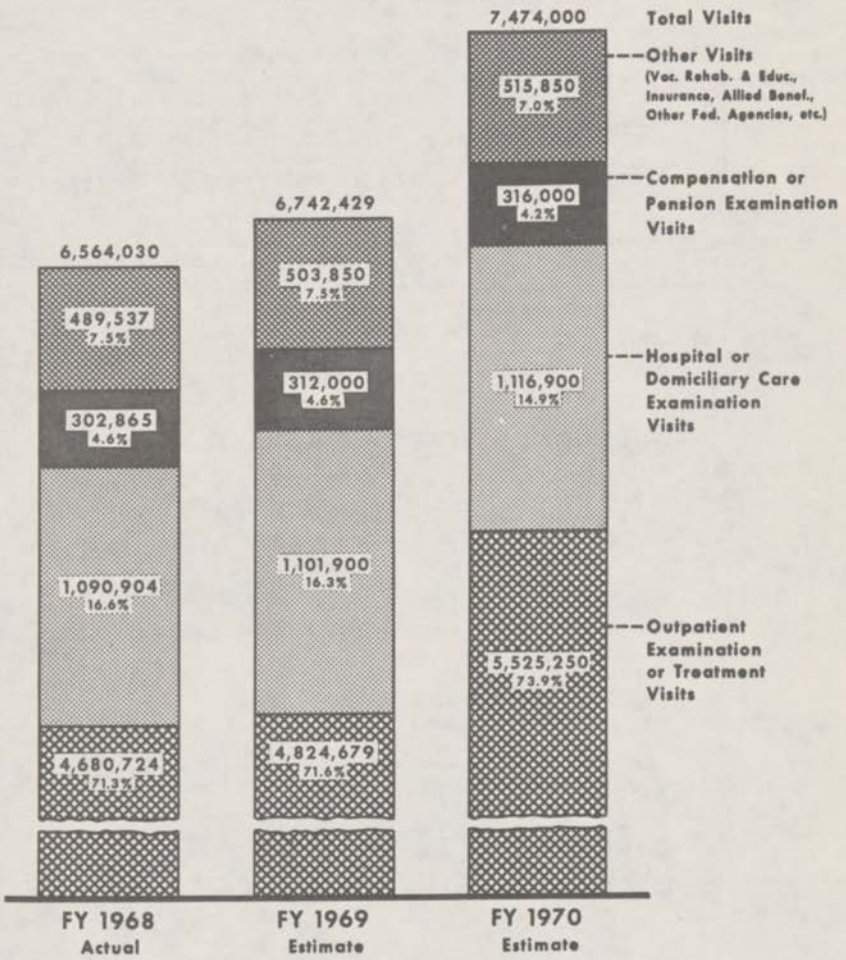
Medical Outpatient Visits and Costs of Fee Services (total cost in thousands)

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
All Purposes				
Total	6,564,030	6,742,429	7,474,000	+ 731,571
Staff	5,369,516	5,558,754	6,140,000	+ 581,246
Fee	1,194,514	1,183,675	1,334,000	+ 150,325
Unit Cost	$ 8.03	$ 8.54	$ 8.54	$
Total Fee Cost	$ 9,588	$ 10,109	$ 11,285	$+ 1,176
Compensation or Pension				
Total	302,865	312,000	316,000	+ 4,000
Staff	260,542	272,000	278,000	+ 6,000
Fee	42,323	40,000	38,000	- 2,000
Unit Cost	$ 15.74	$ 16.21	16.21	
Total Fee Cost	$ 666	$ 648	$ 616	$- 32
Outpatient Treatment 1/				
Total	4,680,724	4,824,679	5,525,250	+ 700,571
Staff	3,533,007	3,684,954	4,233,200	+ 548,246
Fee	1,147,717	1,139,725	1,292,050	+ 152,325
Unit Cost	$ 7.73	$ 8.26	$ 8.26	
Total Fee Cost	$ 8,875	$ 9,418	$ 10,626	$+ 1,208
Hospital or Domiciliary				
Total	1,090,904	1,101,900	1,116,900	+ 15,000
Staff	1,088,773	1,100,000	1,115,000	+ 15,000
Fee	2,131	1,900	1,900	
Unit Cost	$ 9.12	$ 9.39	$ 9.39	
Total Fee Cost	$ 19	$ 18	$ 18	
Insurance				
Total	9,992	10,500	10,500	
Staff	9,399	10,000	10,000	
Fee	593	500	500	
Unit Cost	$ 15.44	$ 15.90	$ 15.90	
Total Fee Cost	$ 9	$ 8	$ 8	
Other 2/				
Total	479,545	493,350	505,350	+ 12,000
Staff	477,795	491,800	503,800	+ 12,000
Fee	1,750	1,550	1,550	
Unit Cost	$ 10.72	$ 11.04	$ 11.04	
Total Fee Cost	$ 19	$ 17	$ 17	

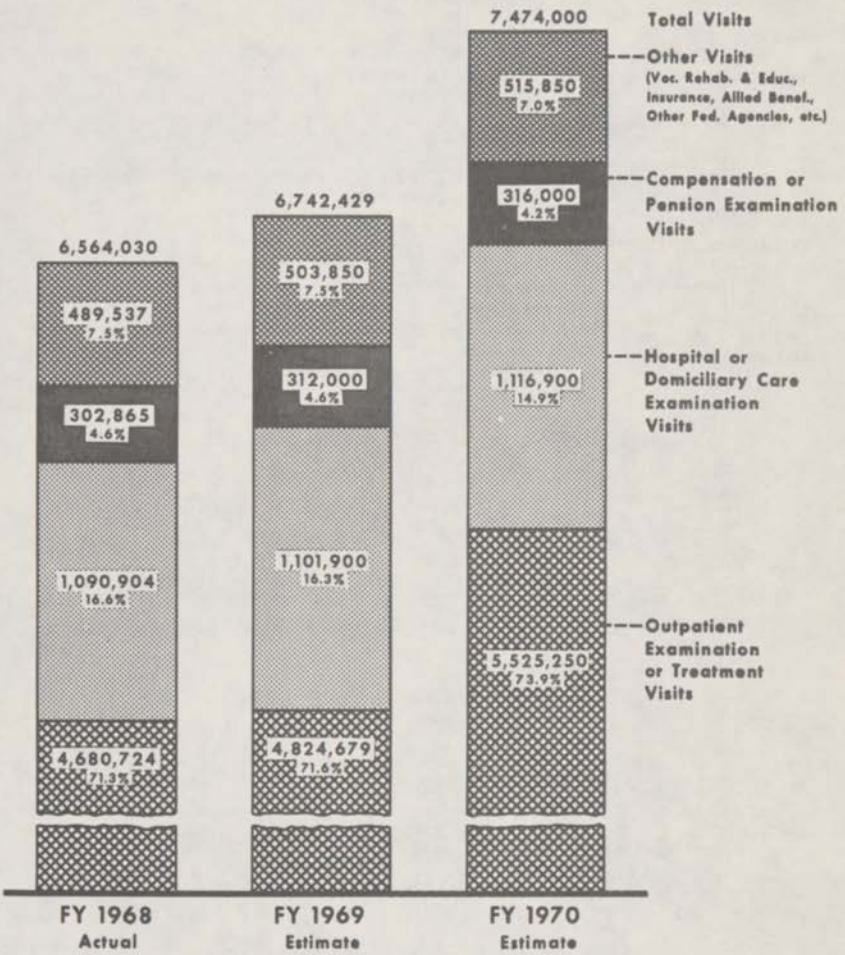
1/ Outpatient treatment category includes Service Connected, Post Hospital Care, Pre Bed Care, Trial Visits and Research.

2/ Other category includes Miscellaneous and Employee Health.

Change In Outpatient Medical Workloads
Number Of Visits (Staff And Fee)
By Major Purpose



Change In Outpatient Medical Workloads
Number Of Visits (Staff And Fee)
By Major Purpose



Medical and Prosthetic Research

PROGRAM AND FINANCING (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs, funded:			
1. Medical research	38,433	42,023	49,826
2. Prosthetic research	1,354	1,422	1,639
Total operating costs, funded	39,787	43,445	51,465
Capital outlay, funded:			
1. Medical research	5,364	6,971	8,135
2. Prosthetic research	32	35	38
Total capital outlay	5,396	7,006	8,173
Total program costs, funded	45,183	50,450	59,638
Change in selected resources [1]	403		
Total obligations	45,586	50,450	59,638
Financing:			
Unobligated balance available, start of year	−2,169	−2,432	
Unobligated balance available, end of year	2,432		
Budget authority	45,850	48,018	59,638
Budget authority:			
Appropriation	45,850	46,850	59,638
Proposed supplemental for civilian pay act increases		1,168	
Relation of obligations to outlays:			
Obligations incurred, net	45,586	50,450	59,638
Obligated balance, start of year	6,845	7,412	8,862
Obligated balance, end of year	−7,412	−8,862	−8,862
Outlays, excluding pay increase supplemental	45,019	47,886	59,584
Outlays from civilian pay act supplemental		1,114	54

[1] Selected resources as of June 30, are as follows: Unpaid undelivered orders, 1967, $4,018,000 (1968 adjustments, −$34,000); 1968, $4,455,000; 1969, $4,455,000; 1970, $4,455,000.

OBJECT CLASSIFICATION (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compenstion:			
Permanent positions	28,239	29,694	34,774
Positions other than permanent	1,758	1,922	2,247
Other personnel compensation	125	133	156
Total personnel compensation	30,123	31,749	37,177
Personnel benefits: Civilian employees	2,214	2,320	2,885
Benefits for former personnel	26	30	30
Travel and transportation of persons	317	369	449
Transportation of things	78	101	124
Rent, communications, and utilities	407	528	648
Printing and reproduction	46	55	67
Other services	2,045	2,407	2,870
Supplies and materials	4,532	5,886	7,215
Equipment	4,904	6,366	7,388
Lands and structures	491	640	785
Total costs, funded	45,183	50,450	59,638
Change in selected resources	403		
Total obligations	45,586	50,450	59,638

PERSONNEL SUMMARY

Total number of permanent positions	3,349	3,360	3,840
Full-time equivalent of other positions	231	240	260
Average number of all employees	3,494	3,517	4,015
Average GS grade	5.2	5.2	5.2
Average GS salary	$6,723	$7,018	$7,054
Average salary grades established by 38 U.S.C.	$12,065	$12,746	$12,757
Average salary of ungraded positions	$5,507	$5,911	$6,141

Mr. EVINS. We will skip the special analysis data which we have studied and we will go to part 3, "Medical and prosthetic research." Expenses for carrying out those research programs total, $59,638,000 in 1970.

Most of this is for personal services; travel and transportation of persons, transportation of things, rents and utilities are up, printing and reproduction is increased and other contractual services are increased. Supplies and material go up from $5,885,000 to $7,215,000, an increase of $1,330,000. All of these other objects are on the increase in medical and prosthetic research.

When I read this about research, and we are all interested in research and interested in developing better care for disability and disease, we have to trust Mr. Driver and Dr. Engle. Let us look at the chart on page 3–10 relative to medical research costs by activity. Medicine is going to cost $14,361,000 or 25 percent of the total program. Surgery is going to cost $4,405,000 or 8 percent.

Neuropsychiatry and psychology and social work, 12 percent. About half the trouble is mental with a lot of these patients.

Dr. ENGLE. Yes, Actually we would like to spend more money in this area but there are fewer requests. Although our dollar outlays in this area are only 12 percent, 25 to 30 percent of all projects that are being done are in this area. Each individual project tends to be less costly than other types of research. So the sum total of money represents only 12 percent of the total.

Mr. EVINS. Dental research is 1 percent and research support centers is 2 percent. Then you say other research is 9 percent. What is your other research? You have broken it down in every category and then you have other research.

Dr. BERNSTEIN. Central office funding and centrally directed research activity such as clinical investigatorships.

Mr. EVINS. The central office does not do any research.

Dr. BERNSTEIN. There are competitive applications for the kind of research activities which are funded from the central pot rather than the funds earmarked directly to the field station. A considerable amount of that is included in there.

Mr. JONAS. Why would you do research in the social sciences?

Dr. ENGLE. Social science as it is applicable to psychiatric or functional illness, Mr. Jonas, in the sense of sociology or psychology.

Mr. JONAS. Are there any of your people who are engaged in research eligible for National Science Foundation grants?

Mr. MONK. Yes, sir. We get about $15 million a year from outside sources.

Dr. ENGLE. Mostly through associated universities.

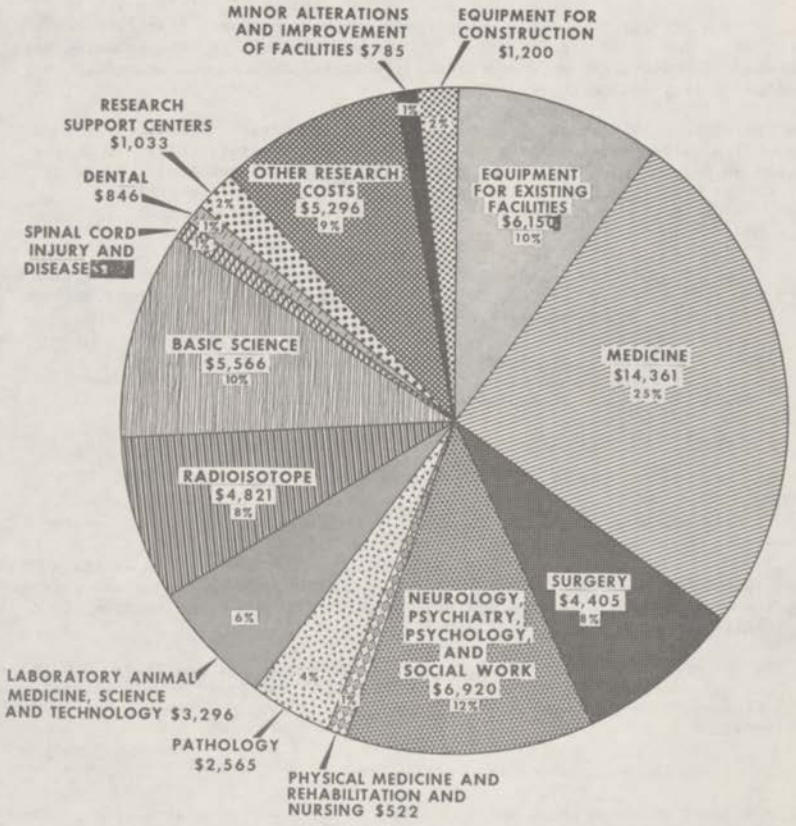
Mr. JONAS. Including the National Science Foundation.

Mr. MONK. Yes, sir. But, most of it is in NIH grants.

Mr. EVINS. We will place the chart on page 3–10 in the record, and pages 3–12, 3–13, and 3–14.

(The justification pages follow:)

MEDICAL RESEARCH
Estimated FY 1970 Costs by Activity
(In Thousands of Dollars)



MEDICAL RESEARCH

Justification of Estimates

This section of the estimate sets forth the average employment and monetary increases projected for operation of the medical research program in fiscal year 1970. These increases are inspired not only by the need to improve and expand an already excellent research program, but also by the need to stimulate a deeper integration with affiliated medical schools and other educational institutions. The provision of increased opportunities for biomedical research will enhance these affiliations and produce the more academically oriented environment necessary to a modern, high-quality patient care program.

The fiscal year 1970 average employment and cost increases reflected in this estimate will permit partial effectuation of the recommendations contained in the "Evaluation of Biomedical Research and Education in the Veterans Administration," a report to the Office of Science and Technology, Executive Office of the President, by the National Academy of Sciences/National Research Council in January, 1968.

The $8,968,000 increased cost requirements in fiscal year 1970 over fiscal year 1969 consist of $682,000 for payroll changes and $8,286,000 for other workload changes. Explanations of these increases follow:

1. Explanation of $682,000 Increase for Payroll Changes

   Explanation of the increase of $682,000 for payroll changes appears in Part I. Department of Medicine and Surgery - Summary.

2. Explanation of $8,286,000 Increase for Other Workload Changes

   a. Support for scientifically evaluated research activities:

   Beginning in fiscal year 1965 and through fiscal year 1968, the research projects or programs of a significant number of the more than 5,000 individual research investigators have been reviewed by VA Research Evaluation Committees. As a result of this peer review mechanism, a large number of projects or programs have been judged to be of high scientific quality meriting increased financial support.

   An estimated increase of 105 in average employment and $1,510,000 in costs is included in this estimate to provide some additional resources to these evaluated and approved activities which could not otherwise be provided.

   b. Support for local research activities:

   In addition to the scientifically evaluated and specifically supported research activities in a. above, there are research projects and programs developed and supported on the advice of local VA hospital Research and Education Committees and Deans Committees of affiliated universities. Funds are provided to participating VA installations to permit them the flexibility of determining what existing or new areas of biomedical research activity should be maintained or initiated. For example, these funds may be used to provide immediate research support to an individual being recruited to the hospital staff to round out the patient care or teaching program.

   Committees comprised of both University and VA members from other communities review the local use of earmarked funds to judge the extent to which such funds have been used to: (1) support excellent research,

(2) to support excellent diverse research and (3) to support research which has important impacts on hospital patient care and teaching missions. Because the subsequent distribution of any available additional funds is based upon these site visit reviews, this process has increased and will continue to increase the effectiveness with which local hospitals use these unearmarked funds for the purposes judged essential.

Included in this estimate is an estimated increase in average employment of 108 and $1,580,000 in costs to supplement research resources at approximately 30 hospitals which have, on review, demonstrated significant improvement in the use of research funds.

Also included is an estimated increase of 72 in average employment and $1,050,000 in costs to augment much needed integration between approximately 20 hospitals and their affiliated universities.

c. Support for cooperative studies:

There are, at present, 38 ongoing VA cooperative studies in which investigators from different VA stations agree to study a selected problem in a uniform manner. The VA is unique in that it has the largest volume of clinical material in a single agency in the entire country and can thus inaugurate studies requiring very large numbers of patients or of diseases of rare occurence that an adequate number of patients is not available at any one hospital.

An estimated additional average employment of 51 and $760,000 in costs are included in this budget for additional support to the existing 38 cooperative studies and for the initiation of new studies.

d. Support for career development program in research:

(1) Clinical Investigators

The VA Clinical Investigator program is an important bridge between VA hospitals and the academic community. It has afforded training to large numbers of excellent physicians and dentists who have assumed careers in patient care, teaching and research in both VA hospitals and affiliated universities.

This estimate includes increases of 10 in average employment and $150,000 in costs to support 5 additional Clinical Investigators plus technical assistance and other resources in fiscal year 1970.

(2) Medical Investigators

The Medical Investigator program is a new research career development activity designed to increase the interchange and intermingling of medical personnel between the VA and affiliated universities so as to achieve optimal utilization of their entire faculties and the provision of academic excellence and maturity in the VA hospital system.

An estimated increase of 30 in average employment and $1,500,000 in costs is included in this budget for fiscal year 1970 to provide salaries, staff, minor alterations, and other operating costs in support of this activity.

e. Support for new and expanded research in specific areas:

The January, 1968, report by the National Academy of Sciences/ National Research Council specifically recommends that the VA more strongly emphasize research in oral diseases, neuropsychiatry and clinical pharmacology. The VA medical research program is already highly oriented toward human disease processes. However, since VA research efforts in these three areas have been lagging in relation to need, it is essential that impetus be added through a centrally organized effort.

Accordingly, the following increases in average employment and costs are included in the fiscal year 1970 estimate for additional research in these areas:

Area	Average Employment	Costs
Oral Diseases	15	$230,000
Neuropsychiatry	25	370,000
Clinical Pharmacology	10	155,000
Total	50	$755,000

f. Support for improving animal facilities:

Animal facilities are critical to the VA research program. Recent laws have established minimum standards for animal procurement and care within research facilities. It is important that VA animal facilities be updated to reach U.S. Department of Agriculture minimal standards as soon as possible.

An increase of 65 in average employment and $981,000 in costs is estimated to permit the initiation of efforts to update VA animal facilities to meet minimal standards..

The following table summarizes the average employment and cost increases included in the fiscal year 1970 estimate as described in the foregoing:

Purpose	Net Change FY 1970 / FY 1969 FTE	Costs
Payroll Changes	-	/$ 682,000
Other Workload Changes:		
Scientifically evaluated research activities	/ 105	/ 1,510,000
Local research activities	/ 180	/ 2,630,000
Cooperative studies	/ 51	/ 760,000
Career development activities	/ 40	/ 1,650,000
New or expanded research	/ 50	/ 755,000
Improve animal facilities	/ 65	/ 981,000
Total	/ 491	/ 8,968,000

MEDICAL RESEARCH COSTS

Mr. EVINS. Look at the chart on page 3–15, Comparison of Medical Research Costs. I find everything in that but research although I do not want to be too hard on you. 68.2 percent is personal services; 14 percent is equipment, land and structures; 12.4 percent is supplies and material, and 3.3 percent is contractual services and another percentage, 2.1 percent is printing and binding, et cetera. Where is the research?

Dr. BERNSTEIN. Most of the research is accomplished by personnel supporting the individual professional staff.

Mr. EVINS. This is supporting research?

Dr. BERNSTEIN. These are personal services costs or salaries of the people who are actually performing the research.

Mr. EVINS. When you say personal services, this is the salaries of employees engaged in research?

Dr. BERNSTEIN. That is right.

Mr. MONK. This is the object breakdown of the $57,961,000 in medical research costs.

Mr. EVINS. Why don't you break it so much cost per research and then add the extras such as printing of the reports?

Personal services for research goes up. Equipment and land and structure go up. Supplies and material; everything is increasing.

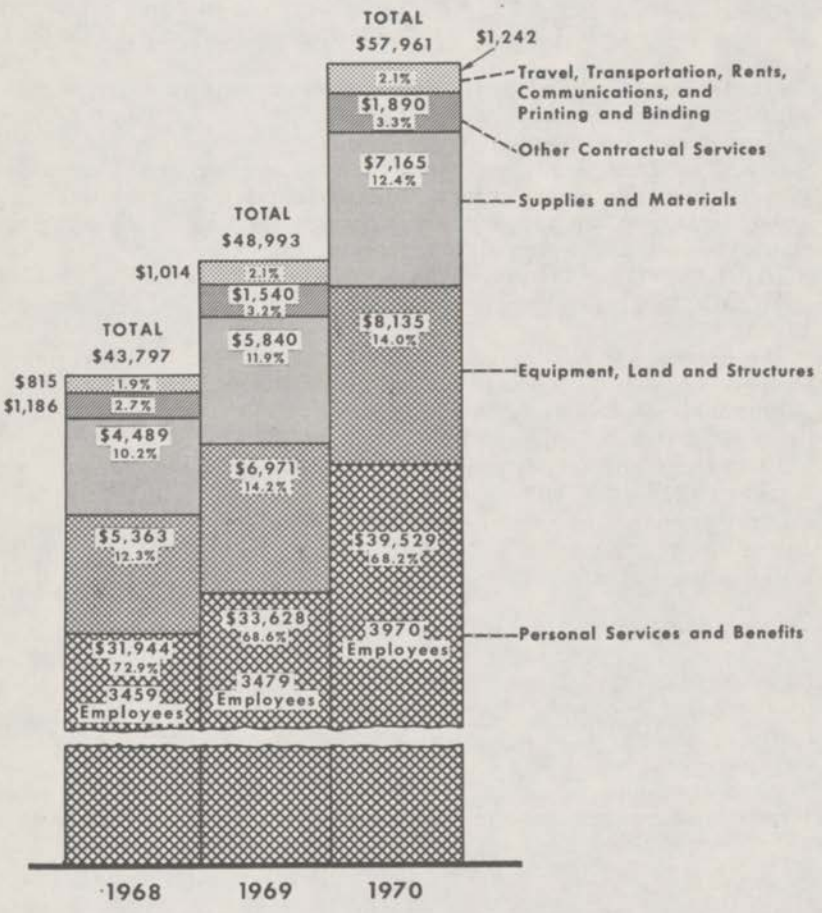
Place this chart, on page 3–15 in the record.

(The page follows:)

COMPARISON OF MEDICAL RESEARCH COSTS

FY 1968, FY 1969, and FY 1970

(In Thousands of Dollars)



RESEARCH PROGRAM HIGHLIGHTS

Mr. EVINS. Program highlights—tell us some of your program highlights. Tell us some of your major achievements and breakthroughs for the record.

Dr. BERNSTEIN. I prepared brief highlights which turned out to be rather extensive, which I can submit for the record. We have summarized some of the main accomplishments in many of the major disease areas that the VA investigators are pursuing. As you know, from the report of the National Research Council, it was pointed out that the vast majority of our investigators are working on human processes and diseases. They are much more oriented towards this. Some of the things that have been found, for example, is the relationship of coronary artery disease, one of the major killers today, and the effect of low saturated fat diets done at the Los Angeles Hospital. At the Washington Hospital there has been the institution of new automated methods for EKG interpretations which will facilitate the appropriate and accurate diagnosis of cardiac diseases throughout the system.

We have investigators pursuing the basic nature of the biochemical changes underlying aging processes. They attempt to find the basic characteristics which result in the aging process that in turn results in diseases of the various systems.

In organ transplantation the Denver hospital has been one of the leaders in establishing new methods of maintenance of transplanted organs, primarily the kidney. Also, they have shown the first successful results in long survival of liver transplants, the area of particular importance in the veteran population, where liver disease is highly prevalent.

Some of our investigators have provided the major need for study of the chemical defects in diabetes, an extensive disease in the veteran population in this country. They provide a means for measuring some of the basic hormones which never were available before. We are learning entirely new concepts about the process of this major disease which underlies blindness, coronary artery disease, and amputations. Some of our investigators have likewise clarified the chemical structure of gastrin, a hormone which may be related to the cause of ulcer disease. The exact abnormalities that lead to the development of an ulcer are unknown, but this information in an analogous fashion to study of the diabetic, will allow us to discern the patterns of secretions of the hormone in individuals who do develop ulcers as opposed to those who do not. We have many clinical studies going on in the natural course of ulcer disease and discerning which is the better treatment, medical or surgical treatment.

In liver disease, again, one of our investigators is defining the biochemical abnormalities in the brain which are associated with the coma that occurs in patients with advanced cirrhosis. Understanding the energy abnormalities in the brain may lead us for the first time to be able to administer materials that alter the responsiveness of such patients. In metabolic studies, one of our investigators is defining the chemical elements that are altered in malnutrition. He has defined a cause of dwarfism related to zinc deficiency. This is related to the malnutrition that occurs in some areas. In hematology there are many programs involving the studies of sickle cell anemia, a genetic dis-

ease in Negroes, in trying to define the characteristics of the protein in the red cell which indeed will, if remedied, alter the process of this disease.

There was some concern about the amount of psychiatric and other behavioral science research. We recognize that the patient census in the VA system is so great that we really ought to emphasize this. But there is a good deal of research going on in many areas.

There is the question of alcohol influence on the brain, for example. The enzyme patterns of the nervous system cells are altered in response to alcohol and they cause the generation of a new pathway for metabolic processes. It may be that by studying these abnormalities we will be able to relate the chemical changes to the behavior of alcoholics and in turn, by modifying, perhaps lead eventually to an alteration of the alcoholic intoxication process. In behavioral studies, one of the VA investigators was asked to help define a process by which the Houston police force would interact with the community, and to evaluate it. They set up a training course which is now being evaluated for 1,400 policemen in the city of Houston, to have interviews with and react with citizens of the community. The process is being established to aid in eliminating the physical confrontation that often occurs between the population and the police force in some cities.

Mr. EVINS. Doctor, you are going real well. You have been doing real well in your report but you have gone too far in the last one in telling us how to stop the riots.

Dr. BERNSTEIN. That is not what they are trying to do. They are trying to study the process of education and communication in psychology.

Mr. EVINS. That is very impressive, Doctor. Besides, the major breakthroughs in heart and kidney transplants, you have a lot of kidney treatment units. If the kidney and heart cease functioning we are in a bad way.

Dr. BERNSTEIN. Yes, indeed.

Mr. EVINS. What have you been able to find out about the process of aging? How can we live longer?

Dr. BERNSTEIN. The problem is the definition of the process of aging and is being pursued in many ways. One is at the cellular level. There are investigators who are studying the difference in biochemistry of aged versus young red blood cells. The red cell lasts about 4 months in the body. They are formed and have a certain lifetime and die off. So by studying young cells versus old cells there has been a definition of some of the processes that occur with aging that may be generally applicable. Similarly studies are done of the skin to attempt to define what the characteristic biochemical changes are associated with aging, the change in the fibers of the underlying structure not only of the skin but of other organs. So there is a biochemical approach. There is a genetic approach. There is also some gross study in attempting to define what are the general characteristics of aging. We all have our views as to what is aging.

Mr. EVINS. We are told that to live long we have to get away from stress.

Dr. BERNSTEIN. As a matter of fact, one of the processes that was studied was the response to stress as opposed to anger, and other emotions. It was shown that anger has more effect on the cardiovascular system than does excitment and fear.

BASIS FOR VA MEDICAL RESEARCH

Mr. WYMAN. Doctor, what is the reason for the VA to have an in-house capability in medical research anyway?

Dr. BERNSTEIN. I believe there is a very critical need for the maintenance of an intramural research staff in our hospital system. I think the National Research Council, National Academy of Science Advisory Committee that recently reviewed research and education in the VA went into this in rather extensive detail. There are two major reasons, I believe, that could be stated. First of all is the nature of the research done by VA investigators. Because it is a hospital based staff rather than an educational institution based staff, there results a much greater emphasis on human processes and disease than that supported by other large biomedical research programs.

Mr. WYMAN. There are lots of bodies engaged in research on which you could draw for expertise, are there not, without having your own in-house research?

Dr. BERNSTEIN. Yes. The second reason is that in the process of evaluation of the quality of VA research and its diversity, by the judgment of this outside committee, the VA has per dollar accomplished just as much qualitywise and quantitywise as the NIH supported programs. But at the same time, it had the added benefit of bringing into our VA hospitals the activities of academic staff and their influence on the patient care and teaching activities who otherwise would seek other institutions.

Mr. WYMAN. Is there any research that relates particularly to veterans in which there would be a different result expected or a more diverse field subject to research than is available to medicine generally in the hospitals of the land?

Mr. BERNSTEIN. I think the majority of our program could be considered as a general program which would be applicable to the entire population. But the fact that they are performing within our institutions is the critical thing resulting from our own research funds. In other words, by supporting the research of the staff, we are able to attract into our VA hospitals the kind of person who otherwise would seek other institutions. It is only by making our hospitals the base of their operation that they then have their talents flow into the patient care program.

Mr. JONAS. If the gentleman would yield, I find it interesting to note that with the billions of dollars we have spent on research in the VA and NIH, in the field of medicine and surgery, you have a death rate of 40,000 a year. Many of those are cardiac cases. After having spent these vast sums of money in many agencies in medical research, a surgeon in South Africa does the first heart transplant. How do you account for that?

Dr. CHASE. He was trained in this country.

Mr. JONAS. At a VA hospital?

Dr. CHASE. I cannot answer that accurately. I think he had some exposure to VA.

Mr. JONAS. Why didn't the VA in many of your hospitals with all your cardiac cases do some work in that field?

Dr. ENGLE. We have. We had two heart transplants in the past year.

Mr. JONAS. You did not do any until this South African opened the field.

Dr. ENGLE. No.

Mr. JONAS. Were you reluctant to attempt it? This is what worries me. We come in here and we get this bill of goods sold to us about putting up billions of dollars of the taxpayers' money, and we find this great tremendous breakthrough made in South Africa that does not have a VA or NIH program or National Science Foundation program.

Dr. CHALMERS. This is largely a technical breakthrough. We do not think it will solve the problem of heart disease. We think what we are doing in the VA hospitals in regard to the prevention and better treatment of the deterioration of the heart, in other words, preventing the disease for which they need transplants, is really the way to solve heart disease. Transplanting sounds wonderful, but when you look at it realistically there is not much we can do.

Mr. JONAS. I do not think it is argued it will solve heart disease. It merely prolongs life if it is successful. It does not solve the problem, except you give a man a new heart. Maybe that will solve it.

Dr. CHALMERS. We also do have a special kind of patient who is a little different from the outside. We do have a concentration of men who are approaching the age at which coronary disease kills them off when they are most productive. We can concentrate on these problems. We do have the problem of emphysema more than anywhere else in the country. We have the problem of liver more than anywhere else in the country. If great progress is to be made in the degenerative diseases of men in the most productive times of their lives, I think they can be made in the VA hospitals because we concentrate on those problems.

DRUG PROCUREMENT AND COSTS

Mr. WYMAN. You procure drugs, do you not, in connection with your programs of research.

Dr. CHALMERS. Yes.

Mr. WYMAN. Do you suffer with the same problem that the general public does, the tremendous disparity between generic names against brand names on drug prices. One of the druggists in my district sent me the other day a catalog from an outfit with pictures of all the brand names and the availability. For example, Seconal, a barbiturate, available at a thousand capsules for $10 in a store. The catalog offers to sell to you a thousand capsules for $1.80. Those figures may not be precisely accurate but they apply across the board. Do you procure by generic name or brand name?

Dr. ENGLE. Of the some $45 million a year we spend in purchasing drugs, about $6 million are for drugs in the generic category.

Mr. WYMAN. You procure at the cheaper price?

Dr. ENGLE. Our price, whether it be for generic named drugs or other drugs are substantially less than most people can buy drugs for.

Mr. WYMAN. Is it a fact that the brand name does not mean very much, that the other drugs are just as good?

Dr. ENGLE. This is a debatable thing. In some instances—I do not know how to generalize on this.

Dr. CHALMERS. This is one of the reasons we are doing research because a lot needs to be done to make sure a cheaper drug is as effective. One cannot measure it chemically alone to make sure it is effective

Mr. WYMAN. The difference in aspirin is astronomical between Bayer for example, and a nontrade name that is claimed to be the same substance.

Dr. ENGLE. We take advantage of that in those instances. We encourage our physicians to prescribe generically.

Mr. EVINS. Gentlemen, the results of research by the VA are very impressive. We will place in the record 3–16 to 3–19.

(The pages follow:)

MEDICAL RESEARCH

Program Highlights

The primary goals of the VA medical research program are the development of excellent research, diversity of that excellent research, and the important impact of that research upon all of the VA patient care program. The research is directed to a large extent toward human processes and disease in response to the needs of the patients in the VA hospital system.

Some notable examples of significant contributions to medical science by the VA medical research program are:

Investigators at the VA Center, Los Angeles, California, have developed a technique of filtering blood to trap any bacteria present, an advance which averages a saving of at least 30 hours over standard blood culture techniques. Patients with blood poisoning (bacteremia) still have a high death rate in spite of available antibiotics. Consequently, early detection of bacteremia and identification of the bacteria causing the condition is very important. The filtering technique permits early detection of bacteremia, identification of the bacteria causing the condition, and treatment with the appropriate drug, thus increasing chances for survival of the patient. The filtering technique has also been simplified so that it is suitable for use by small hospital laboratories.

An investigator at the VA Hospital, Houston, Texas, has developed an ingestible dentifrice that was used by the three astronauts throughout the entire Apollo-7 mission without any known unfavorable reactions. This dentifrice has been used in the VA with incontinent patients who have difficulty in keeping their mouths clean since they have a tendency to swallow other dentifrices. With the ingestible formula, the patient can swallow the dentifrice without any worry about undesirable effects.

The process of the development of the cellular particle that liberates energy for carrying out life processes is a matter of great interest in cellular and molecular biology. An investigator at the VA Hospital, Miami, Florida, has demonstrated that these cellular particles mitochondria, share the properties of certain bacteria in many ways. This work raised the possibility that the cell, during evolution, incorporated bacteria for the purpose of providing energy and that this partnership slowly evolved into a stable arrangement transmitted through inheritance. Publication of this work has caused intense biological research activity.

A research trainee at the VA Hospital, Kansas City, Missouri, has developed an experimental breathing chamber that provides a new and useful approach to asthma research. The chamber enables accurate measurement of small changes in breathing of the guinea pig, an animal model that is unusually suitable in asthma research because its immune response is similar to that of humans.

The overall scope of the VA medical research program is indicated, in part, by the fact that, in fiscal year 1968, a total of 5,450 individual research investigators participated in conducting 5,891 research projects. These investigators also contributed 3,625 articles published in professional and scientific journals and presented 3,677 papers, 138 exhibits, and 130 motion pictures at scientific and professional meetings.

The wide variety of VA medical research activity is recognized by law as being necessary to the Department of Medicine and Surgery in furnishing complete health services to veterans. To make a significant contribution, the program must include

provision for maintaining strong and complete academic affiliations in order to insure the highest quality medical research.

In fiscal year 1970, the VA medical research program will continue to develop its many activities which encompass the entire spectrum of biomedical research from laboratory studies of basic biological processes to that of clinical disease. The program will also continue efforts to implement the recommendations of the National Academy of Sciences/National Research Council previously cited in the program introduction. Program features important to fulfilling these recommendations include:

1. Research Evaluation Committees

A number of Research Evaluation Committees, comprised of both university and VA scientists, have been established to review the research projects or programs of individual research investigators within a specific area of scientific interest. This peer review mechanism was established to insure the use of a substantial proportion of funds for productive activities of scientific merit. The projects or programs reviewed, if approved, are assured of specific levels of continued fund support for up to three years. Solid, reliable funding based upon peer review processes is the feature which is most attractive to investigators and which contributes significantly toward bringing into the VA hospital environment the professional staff who have that mixture of abilities in patient care, teaching and research which will have the most beneficial effects on the basic VA patient care mission.

2. Local research funds

In order to assist in achieving a balanced research program and to provide VA field stations with flexibility to meet local needs, nominal allocations are provided to individual stations. Priorities governing the use of these funds are determined within the station on the advice of the local Research and Education Committee, often in cooperation with the Deans Committee of the affiliated university. Site visit reviews of locally supported activities encourage productive, high quality research with provision of additional funding when significant improvement has been evidenced.

3. Cooperative Studies

At present, there are 38 VA cooperative studies organized to study particular medical problems involving either large numbers of patients or the study of diseases of such rare occurrence that no one hospital can accumulate adequate numbers of patients. Participating VA investigators from different VA field stations each study the selected problem in a uniform manner and pool their observations in order to arrive at a conclusion. Results of these studies have contributed significant findings to the research program and to the medical community at large. A comparison with cooperative studies funded by the National Institutes of Health indicates that university participants receive approximately four times as much support as VA participants obtain in VA cooperative studies. Additional support to VA studies is planned to encourage greater participation and to initiate new studies.

4. VA Research and Education Career Development Program

The VA Career Research and Education Development Program has been established to provide a career progression from beginning research and education assignments to a full career of excellence in research and academic medicine to accomplish the following:

a. To attract and retain potential and experienced investigators, many of whom perform excellent patient care and teaching assignments as well as research.

b. To provide potential avenues along which physicians and dentists may systematically progress in research and education careers.

c. To promote interchange and intermingling of medical personnel between the VA and affiliated universities.

d. To achieve optimal utilization of the entire facilities and educational resources of the VA and affiliated institutions.

The five levels of the program are described below. Appointments of selected participants have been made in four of these levels. It is expected that additional appointments to these and to the recently established level of Medical Investigator will be effected in fiscal year 1970:

a. Senior Medical Investigator - an outstanding investigator, characterized by superior research accomplishment and anticipated continued productivity, who will use all of his time in research with no major administrative or academic responsibilities or commitments.

b. Medical Investigator - an established successful investigator who will pursue research activities during a minimum of 50 percent to a maximum of 75 percent of his time, with a minumum of 25 percent of his time for patient care and teaching.

c. Clinical Investigator - a talented young investigator with research aptitude who will supplement his knowledge and skills with competence in the sciences and technology and who will use 75 percent of his time for research and 25 percent for clinical activity.

d. Research and Education Associate - a physician or dentist who has demonstrated a special interest and/or aptitude in research; who is preparing for a career as an investigator and will spend 75 percent of his time in research and 25 percent in clinical activity.

e. Research and Education Trainee - a bright, capable physician or dentist who will receive additional training for eventual career appointment.

5. New or Expanded Areas of Research

Because the VA hospital system is so large and its patient population so diverse, its needs are similar to those of the patient population of the country as a whole with few exceptions (the notable exceptions being those of female disease and pediatrics). Generally, research endeavors of the VA program are closely related to the needs of VA patients. However, despite the versatility of the program, there are areas which have received inadequate attention.

Three of these areas are oral disease, neuropsychiatry and clinical pharmacology. As recommended in the aforementioned National Academy of Sciences/National Research Council report, efforts to expand or initiate research in these areas will be more strongly emphasized in fiscal year 1970.

6. Improvement of Animal Facilities

Animal facilities are critical parts of the VA research program and constitute a significant percentage of the total space used in the program. Laws have been enacted which establish minimum standards for animal procurement and care within research facilities.

Improvement of existing research animal facilities to bring them to par with the minimal standards established by the Department of Agriculture will require approximately $2,400,000. An estimated additional $3,750,000 would be required to meet the higher standards for animal facilities established by the National Research Council. Progress in meeting the minimal standards is expected in fiscal year 1970.

Mr. EVANS. We will place 3-21 through 3-23 in the record. (The pages follow:)

PROSTHETIC RESEARCH

Introduction

An appropriation of $1,677,000 is requested for the operation of Prosthetic Research Program in Fiscal Year 1970. This is an increase of $275,000 over the $1,402,000 available in Fiscal Year 1969.

Authority has been granted to the Veterans Administration by Section 216, Title 38, United States Code, to conduct a prosthetics research program and to make the results available so that all disabled persons may benefit. The complexity and relative unpredictability of prosthetics research require that funds be appropriated under the "no year" arrangement, to remain available until expended, in order to assure that projects undertaken can be carried forward to completion.

The establishment of standards and specifications by the Veterans Administration and its programs for checking compliance have assured higher quality in the prosthesis available for all disabled people. The Veterans Administration's efforts in prosthetic research and development have continued to achieve international recognition.

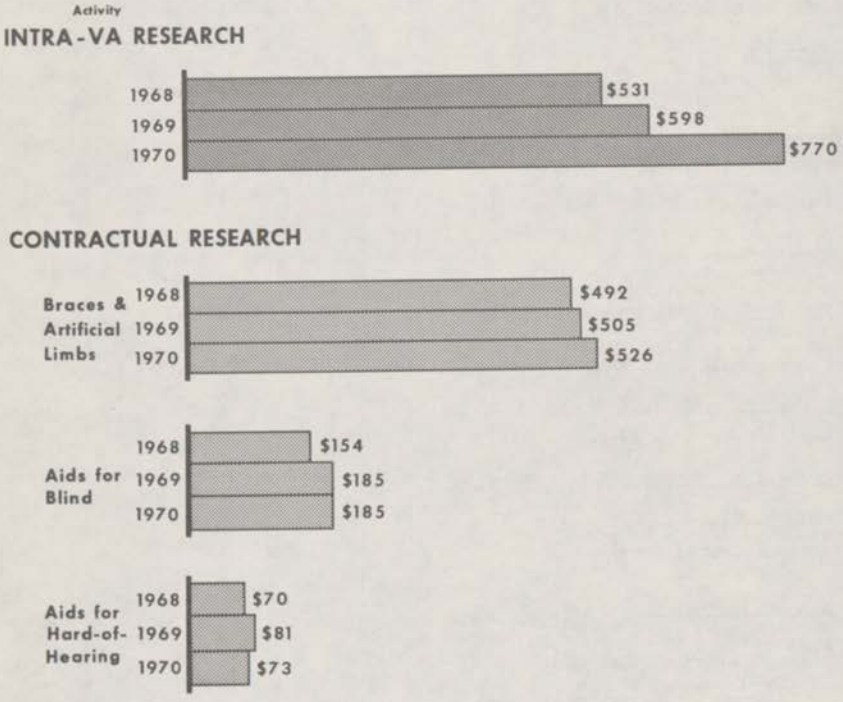
Prosthetic Research - Summary of Employment and Costs by Sub-Activity and Object

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Employment (Average FTE)				
Dentists	1	1	1	...
Other Employees	35	37	44	+ 7
Total	36	38	45	+ 7
Average Payroll Cost	$ 11,639	$ 12,395	$ 12,511	+$ 116
Costs by Sub-Activity (In thousands of dollars)				
Intra-VA Research	$ 531	$ 598	$ 770	+$ 172
Contract Research	855	859	907	+ 48
Total	1,386	1,457	1,677	+ 220
Costs by Object (In thousands of dollars)				
10 Personnel Compensation and Benefits				
Dentists	28	32	38	+ 6
Other Employees	391	439	525	+ 86
Sub-Total	419	471	563	+ 92
21 Travel & Transportation of Persons				
Employee Travel	16	19	22	+ 3
Beneficiary Travel	1	2	2	...
Sub-Total	17	21	24	+ 3
22 Transporation of Things	3	3	4	+ 1
23 Rents, Commun. & Utilities	5	5	6	+ 1
24 Printing and Reproduction	8	10	12	+ 2
25 Other Services				
Repairs to Furn. & Equip.	2	2	2	...
Other Contractual Services	857	865	978	+ 113
Sub-Total	859	867	980	+ 113
26 Supplies and Materials				
Office Supplies	2	2	2	+ 1
Books	1	1	1	...
Operating Supplies & Materials	40	42	46	+ 4
Sub-Total	43	45	50	+ 5
31 Equipment				
Furniture and Fixtures	3	3	3	...
Med., Dent. & Scientific Equip.	29	32	35	+ 3
Sub-Total	32	35	38	+ 3
Total Costs	1,386	1,457	1,677	+ 220
Costs Adjusted for Other Years, Net	-31	...	...	...
Total Obligations	1,355			
Unobligated Balance Brought Forward	-32	-55	...	+ 55
Unobligated Balance Carried Forward	55	...	...	...
Appropriation or Estimate	1,378	1,402	1,677	275
Pay Raise Supplemental Included Above		(24)		

COMPARISON OF PROSTHETICS PROGRAM COSTS BY ACTIVITY

(In Thousands of Dollars)

FY 1968, FY 1969, FY 1970



Mr. EVANS. The next is program highlights in prosthetic research, shown on pages 3–25 through 3–28. Place them in the record.
(The pages follow:)

PROSTHETIC RESEARCH

Program Highlights

Although great improvements have been made in devices for the disabled there are still many important areas that demand further study. The specialized prosthetic and orthotic needs of the geriatric disabled require continued research. The many beneficiaries with multiple handicaps need improved devices to render them more independent. With improved materials and technology, many of the presently available devices and components can be replaced by more efficient ones. The full benefits of fluid-controlled mechanisms, such as knees and ankles, for lower-extremity amputees, still have not been realized. The entire field of bracing, for both the upper and lower extremities, has received much less attention than artificial arms and the problems involved are more complex. Aids for the blind to permit independent reading and to facilitate their mobility require concentrated efforts.

A balanced program of intramural and contractual research in prosthetic and sensory aids will be continued in Fiscal Year 1970. To assure that the results of such research are made available in the interest of all disabled people, a wide variety of educational and informational programs will be conducted.

The procedures involved in immediate postsurgical prosthetics management will be refined and improved. Laboratory and clinical studies should result in better understanding of the stump healing process. Educational programs and evaluation studies will continue to be conducted to assure that clinicians are adequately trained in these new procedures.

The increasing availability of miniaturized power sources, motors, and switches should permit wider application of auxiliary power for upper extremity prostheses and braces. The goal will continue to be to provide functions now unavailable to bilateral arm amputees and to unilateral above-the-elbow amputees. Hybrid mechanisms, involving the use of residual body power and external power, will be developed to meet the needs of seriously disabled beneficiaries, including the large group with upper extremity paralysis who now function clumsily and at considerable energy cost.

The possibilities of attaching artificial limbs directly to the skeleton will continue to be a long-range goal. During Fiscal Year 1970, with dogs as subjects, research will continue on the attachment of external prostheses and the plugging of the amputated bone so as to increase end-bearing tolerance. An attempt will be made to combine some of the features of immediate postsurgical fitting, tension myodesis, and bone-plugging to permit early end-weight-bearing and the simplified fitting of conventional sockets.

Work will continue on the development of a permanently adjustable prosthesis, rapidly assembled from stock parts, with a flesh-like yielding surface instead of an unnatural rigid shell. The prosthesis will be able to accommodate various fluid-controlled mechanisms.

Sensory Aids for the blind resulting from several VA-sponsored technological research projects are on the threshold of final development and transition to clinical usefulness. Simple devices fitting into a pocket, briefcase, or handbag are already available in a very few copies for proofreading, touch typing and deciphering very slowly, personal correspondence, accounts, labels, paper money, and similar items. Controlled trials constantly disclose new uses. A personal-type reading machine capable of recognizing and spelling out typed or printed matter appears to be only three or four years away. A much more complex system using commercial optical character recognition equipment, large computers, and an

increasing body of specialized and very sophisticated knowledge being developed by a world-famous laboratory under VA contract should allow rapid reading of text into actual spoken English words, certainly within this decade with adequate support. Several additional copies of an electronic cane employing three laser beams will be completed in this fiscal year for clinical evaluation at Hines VA Hospital. This device conserves the excellent properties of the "long cane" while overcoming certain of its recognized limitations. Thus blinded veterans should be aided in reading and in mobility if the program can be supported vigorously.

The sensory aids research program is aimed at making available to the disabled, benefits from the great current advances and accomplishments of modern technology. In a broad sense the VA projects are all related to the subject of information transfer. For the blind, the projects deal with means for independently reading a printed page, i.e., acquiring the information stored on the page, and with mobility aids to convey essential information about one's environment to make independent travel safer and perhaps more meaningful. For the hard of hearing the work focuses on the hearing aid, a device to help the user absorb the information in the world of sound about him. The values to the disabled of successful accomplishments of the sensory-aids researcher are many, those specific to the immediate task involved, and those intangibles permeating his whole existence.

Hearing aids are very limited in capabilities, and selection methods are not yet reduced to standardized clinical practice. Much of the emphasis of commercial development has been on miniaturization, laudable per se but undesirable if achieved at the expense of distortions, inadequate transient response to bursts of speech, or other extremes. The VA selection process plus a relatively small program of research on the relationships between physical properties, clinical usefulness, and selection criteria have helped to stimulate higher quality in the aids available to veterans. More research is needed, though, to provide the understanding and instruments to assist the newly hard-of-hearing casualties as well as those veterans with long-established-and generally worsening hearing losses.

Intra-VA Research

Intra-mural research will continue to be conducted by the research staff of the Prosthetic and Sensory Aids Service. In addition, this staff will continue to discharge a wide variety of technical responsibilities. Management of the various research programs will be accomplished by means of site visits to contractors, review of reports, and technical meetings. The Service will continue to publish the Bulletin of Prosthetics Research on a semi-annual basis. Other educational activities such as training courses, exhibits, and reports will continue to be used to disseminate research results.

The VA Prosthetics Center in New York will continue to be the major facility for the conduct of intra-VA research. The Center will continue its development and evaluation of new devices and techniques. Standards and specifications development programs will continue, accompanied by compliance checking.

VA's research staff will continue to conduct clinical evaluation studies of major devices. With the cooperation of selected field stations such studies have proved very helpful in developing the clinical insights needed to supplement laboratory research efforts. These studies have been an effective means of assuring that a given device progresses smoothly from a research environment to a clinical setting.

With the anticipated widespread use of immediate postsurgical prosthetics procedures, refinements in technique will be undertaken. Follow-up studies of the effectiveness of these procedures, as administered by various clinical facilities, will be conducted.

Clinical evaluation of reading and mobility aids for the blind will be undertaken at Hines VA Hospital. A new research position established in Fiscal Year 1968 for an electronic reading specialist at Hines is filled by a well qualified person. It is hoped that the availability of some fifty reading machines for the blind in Fiscal Year 1969, together with the skill and enthusiasm of the specialist at Hines, will advance and enhance the understanding of such machines to the point that they will become valuable tools accomplishing a variety of tasks on a routine basis for those blind persons having the qualities necessary for successful use.

An intramural study will be continued on the study of specific physical properties of hearing aids, such as distortion and transient response, as related to speech discrimination and other clinical considerations.

Continued research on hearing aids will be directed toward the correlation of clinical results with physical tests. The selection of hearing aids to correct for various types of hearing loss, particularly as related to speech perception, requires continued investigation. Contractual investigation to gain greater understanding of the effects of various physical properties such as distortion or transient response should lead to better initial design, improved utilization of the results of physical tests applied to selection of aids, and possibly better selection of the aid best suited to an individual.

Contractual Research

A substantial portion of VA's research programs in prosthetic and sensory aids will be conducted under contract with universitites, other non-profit institutions and industrial laboratories. These fields are quite unique and it is necessary to take advantage of the competence and interest of a relatively small number of research investigators.

Studies of locomotion will continue at the University of California at San Francisco to provide fundamental data useful in the development of prostheses for leg amputees. The concepts developed will have applicability to orthopedic braces and orhtopedic shoes. During Fiscal Year 1969 a clinical evaluation study will be conducted by the Service on a pneumatic swing control prosthesis developed by this project, which will be continued in Fiscal Year 1970.

The project at Northwestern University will continue to develop techniques and devices in the fields of artificial limbs and braces for the geriatric and the seriously disabled. A polycentric knee mechanism developed by project personnel will undergo clinical evaluation during Fiscal Year 1969.

Mauch Laboratories will continue development of its second-generation recognition reading machine for the blind, aiming at a device suitable for individual ownership. Important by products already available in test prototypes are simple, readily portable input devices for scanning printed material and feeding electrical signals into the main machine but also useful directly or in even simpler and less expensive form as direct-translation devices for slow-speed use. It is expected that thirty Visotoners and ten Visotactors assembled in Fiscal Year 1968 in complete operating packages with all accessories will be used in Fiscal Year 1969 in one of the first clinical evaluation studies of electronic reading machines involving more than a mere handful of devices.

Haskins Laboratories will continue advanced studies of speech production as related to a high-performance reading machine for the blind suitable for library use. Their research is on the output to be used in conjunction with a multifont optical character reader. The goal is to provide tape recordings of more or less natural "spoken" English versions of materials for use by blind individuals. The rapid growth in computers, optical character recognition machinery, and consoles and terminals makes the plan increasingly feasible, but vigorous effort is needed on the "re-formed" speech output. Aids for the blind impose different requirements than commercial uses, sometimes simplifying the technical problems but in other instances making them more difficult.

The National Academy of Sciences, National Research Council, will continue to provide advisory and correlative services on research and education.

Medical Adminitration and Miscellaneous Operating Groups

PROGRAM AND FINANCING (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs, funded:			
1. Medical, hospital, and domiciliary administration	10,840	11,649	12,340
2. Postgraduate and inservice training	1,800	2,118	2,906
3. Exchange of medical information	133	524	1,400
Total operating costs, funded	12,773	14,291	16,646
Capital outlay, funded:			
1. Medical, hospital, and domiciliary administration	27	18	41
2. Postgraduate and inservice training	68	30	40
3. Exchange of medical information	13	450	600
Total capital outlay	108	498	681
Total program costs, funded	12,881	14,789	17,327
Change in selected resources [1]	952	----	----
Total obligations	13,832	14,789	17,327
Financing: Unobligated balance lapsing	143	----	----
Budget authority	13,975	14,789	17,327
Budget authority:			
Appropriation	13,975	14,200	17,327
Proposed supplemental for civilian pay act increases	----	589	----
Relation of obligations to outlays:			
Obligations incurred, net	13,832	14,789	17,327
Obligated balance, start of year	920	1,942	1,015
Obligated balance, end of year	−1,942	−1,015	−1,031
Adjustments in expired, accounts	−58	----	----
Outlays, excluding pay increase supplemental	12,752	15,153	17,285
Outlays from civilian pay act supplemental	----	563	26

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $153,000 (1968 adjustments, −$9,000); 1968, $1,096,000; 1969, $1,096,000; 1970, $1,096,000.

OBJECT CLASSIFICATION (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	8,975	9,441	9,867
Positions other than permanent	131	202	254
Other personnel compensation	8	10	10
Total personnel compensation	9,114	9,653	10,131
Personnel benefits: Civilian employees	691	783	821
Travel and transportation of persons	1,374	1,899	2,739
Transportation of things	51	43	33
Rent, communications, and utilities	268	319	329
Printing and reproduction	185	178	206
Other services	917	958	1,148
Supplies and materials	68	101	114
Equipment	108	498	681
Grants, subsidies, and contributions	105	357	1,125
Total costs, funded	12,881	14,789	17,327
Change in selected resources	952	----	----
Total obligations	13,832	14,789	17,327

PERSONNEL SUMMARY

Total number of permanent positions	675	664	683
Full-time equivalent of other positions	19	26	28
Average number of all employees	689	669	690
Average GS grade	5.2	5.2	5.2
Average GS salary	$6,723	$7,018	$7,054
Average salary, grades established by 38 U.S.C. 73	$12,065	$12,746	$12,757

Mr. EVINS. We will skip over the research special analyses. We discussed this earlier but give us a table next year showing the education and training programs separately identified and summerized.

The Medical administration and miscellaneous operating expenses appropriation is $17,327,000 in 1970. This is the administration of the medical program, and running of the Department of Medicine and Surgery. This also is broken down in to postgraduate and in-service training which we discussed earlier and the exchange of medical information programs. Let us place 4–7 through 4–13 in the record.

(The pages follow:)

MEDICAL ADMINISTRATION

Introduction

This activity includes the office of the Chief Medical Director and his 4 Central Office major staff elements responsible for the development of objectives and the administration of policies and plans to insure complete medical, dental and hospital services for the care and treatment of veterans as prescribed by the Administrator, pursuant to statutory authority and regulations.

In addition to the administration of agency-wide medical programs, the Central Office staff elements also are responsible for providing supply, building management and engineering support on an agency-wide basis; and for the procurement of drugs, biologicals and other medical and hospital supply support for all civilian agencies requiring same, as well as to the Cuban Refugee Clinic at Miami, the Government of American Samoa and the Veterans Memorial Hospital under the Philippine Government.

This activity also provides consultant support to the Administrator and the Chief Medical Director, and a special Medical Advisory Group established by Title 38 U. S. C., Section 4112. The members of this Special Medical Advisory Group meet regularly with the Department of Medicine and Surgery to advise on medical and policy matters. They also serve as a vehicle between the Veterans Administration and major segments of American medicine, such as the medical schools and the various professional associations of medical specialists, providing an opportunity for the mutual exchange of information about the health services program both in the Veterans Administration, the communities, the states, and throughout the nation and the world.

Central Office use of consultants is in connection with neuropsychiatry, social service, tuberculosis, dentistry and other specialties to advise and assist on policies and procedures. Consultants are also utilized by the staff elements to supplement the professional staff in those offices. They supervise specialty activities and submit reports on hospitals, appraising the capabilities of the head of the particular specialty, the physical layout, the type of service being rendered, as well as criticisms and recommendations. In FY 1970 they also will be used for the evaluation of the entire professional services.

Administrative components of the Department of Medicine and Surgery were reorganized under the Executive Director for Administration in fiscal year 1969 to provide more effective assistance to the Chief Medical Director in respect to management, program development and operations procedures. Continued effort in this direction is being emphasized in order that maximum motivation will be provided the field operation staff in carrying out its responsibility of providing the best possible medical care and treatment to the veteran.

For fiscal year 1970 costs are estimated to be $12,381,000 for the operation of the VA Medical Administration program. This is an increase of $714,000 from the $11,667,000 estimated cost for this program in fiscal year 1969.

Charts reflecting planned employment and financing levels, by function and object, for the comparative years appear on the following pages. Detailed explanations and justifications for the changes are given on the printed pages immediately following these charts.

MEDICAL ADMINISTRATION

Summary of Average Employment and Costs by Function

	1968 Actual	1969 Estimate	1970 Estimate	Incr. (+) Decr. (-)
Average Payroll Cost	$ 14,377	$ 15,717	$ 15,988	+$ 271
Employment (Average FTE):				
Office of Chief Medical Director	115	122	122	
ACMD-Professional Services	188	182	187	+ 5
ACMD-Dentistry	18	17	17	
ACMD-Research & Education	16	18	24	+ 6
Executive Director for Administration	345	325	335	+ 10
Total	682	664	685	+ 21
Cost by Function (in thousands)				
Office of Chief Medical Director	$ 1,831	$ 2,095	$ 2,130	+$ 35
ACMD-Professional Services	3,298	3,517	3,778	+ 261
ACMD-Dentistry	395	381	393	+ 12
ACMD-Research & Education	231	302	428	+ 126
Executive Director for Administration	5,112	5,372	5,652	+ 280
Total	10,867	11,667	12,381	+ 714

MEDICAL ADMINISTRATION

Comparative Analysis of Average Employment and Costs by Object

(Dollars in thousands)

	1968 Actual		1969 Estimate		1970 Estimate		Incr. (/) Decr. (-)	
	FTE Empl.	Cost	FTE Empl.	Cost	FTE Empl.	Cost	FTE Empl.	Cost
10 PERSONNEL COMPENSATION AND BENEFITS								
Consultants	2	$ 50	3	$ 73	5	$ 125	/ 2	$/ 52
Nurses	15	255	15	300	15	303		/ 3
Dentists	12	326	12	345	12	348		/ 3
Physicians	54	1,497	54	1,608	54	1,623		/ 15
Clin. & Couns. Psy.	5	110	5	122	5	123		/ 1
Other Employees	594	7,540	575	7,958	594	8,400	/ 19	/ 442
Sub-Real Estate, etc.		27		30		30		
Total	682	9,805	664	10,436	685	10,952	/ 21	/ 516
21 TRAVEL AND TRANSP. OF PERSONS								
Employee Admin. Travel		335		498		498		
Other Employee Transp.		2		2		2		
Sub-Total		337		500		500		
22 TRANSPORTATION OF THINGS								
Shipment of Household Goods		32		32		32		
Other Shipments		1		1		1		
Sub-Total		33		33		33		
23 RENT, COMMUNICATIONS AND UTILITIES								
Communications - Telephone		229		269		279		/ 10
Communications - Teletype		38		49		49		
Real Property Rentals				1		1		
Sub-Total		267		319		329		/ 10
24 PRINTING AND REPRODUCTION		184		170		200		/ 30
25 OTHER SERVICES								
Repair of Furniture & Equip.		3		3		5		/ 2
Maintenance & Repair Services		2		2		2		
Contracts with Indiv. for Pers. Services		88		83		206		/ 123
Other Contractual Services		76		60		60		
Sub-Total		169		148		273		/ 125
26 SUPPLIES AND MATERIALS								
Office Supplies		2		2		3		/ 1
Books and Periodicals		25		25		30		/ 5
Other Supplies		18		16		20		/ 4
Sub-Total		45		43		53		/ 10
31 EQUIPMENT		27		18		41		/ 23
TOTAL COSTS		10,867		11,667		12,381		/ 714

MEDICAL ADMINISTRATION

Justification of Estimates

This estimate provides for 685 average employment and $12,381,000 available under the Medical Administration activity head for fiscal year 1970. These are net increases of 21 average annual employment and $714,000 from the requirements for the Medical Administration activity in fiscal year 1969.

More than 140,000 employees (average full time equivalent) will be engaged in the conduct of Agency medical programs in fiscal year 1970. The administrative staff of the Department of Medicine and Surgery for fiscal year 1970 is programmed at 685 average employees, or less than one-half of 1 percent of the total average employment in Agency medical programs.

Basic operation of VA medical programs will be directed by the Chief Medical Director. Small groups comprised of skilled management teams will undertake the broader management aspects of directing, supervising and evaluating field activities. Efforts of these general management teams, directed to overall efficiency and economy of operation of entire medical installations, will require extensive support of specialist supervisory personnel assigned to the various Central Office staff elements. These staff program specialists also must be available for performing such important functions as fire and safety inspections, inventory control checks, construction surveys, providing stations with all types of management assistance, evaluations of professional specialists such as surgery, psychiatry, neurology, pathology, radiology and dentistry, to name a few.

The following table sets forth employment by organizational element for the past, current and budget years.

ORGANIZATION OF CENTRAL OFFICE
DEPARTMENT OF MEDICINE AND SURGERY
STAFF ELEMENTS

Staff Element	1968 Average Employment	1969 Average Employment	1970 Average Employment	Increase (+) Decrease (-)
Chief Medical Director	115	122	122	
ACMD - Professional Services	188	182	187	+ 5
ACMD - Dentistry	18	17	17	
ACMD - Res. & Educ. in Medicine	16	18	24	+ 6
Exec. Dir. for Administration	345	325	335	+ 10
	682	664	685	+ 21

The duties and staffing of the various Central Office components of the Department of Medicine and Surgery are described in the following paragraphs:

Chief Medical Director. As Chief of the Department of Medicine and Surgery, is directly responsible to the Administrator of Veterans Affairs for the extent and quality of medical and hospital care afforded eligible veterans, as prescribed by the Administrator, pursuant to Title 38 U.S.C., and other statutory authority. In this endeavor he is assisted by a Deputy Chief Medical Director, five Regional Medical Directors responsible for broad management supervision and immediate direction of all field activities, an Executive Assistant responsible for management and communication control, and four major staff elements described in the succeeding paragraphs. Total staffing programmed for the Office of the Chief Medical Director during fiscal year 1969 and throughout fiscal year 1970 number 122 employees as detailed on the following pages.

a. The immediate Office of the Chief Medical Director is programmed for 10 employees including the Chief Medical Director, the Deputy Chief Medical Director, and an Executive Secretary to Special Medical Advisory Group, together with supporting administrative and clerical personnel. Also there are youth opportunity employment equivalent of 7 employees and Special Medical Advisory consultant utilization equivalent of one employee.

b. Five Regional Medical Directors function as an extension of the Chief Medical Director's Office in carrying out responsibilities for supervising and evaluating operation of Veterans Administration medical facilities. In total, these offices constitute an operations staff of 45 professional, specialist and clerical employees.

c. An Executive Assistant to the Chief Medical Director is responsible for a Communications Control Staff and a Management Control Staff. In his immediate office are 4 professional, specialist and clerical employees. The Communications Control Staff consists of 12 specialized and clerical employees responsible for the operation of a mailroom and general office and central file services for all Central Office components of the department. The Management Control Staff of 43 professional, specialist and clerical employees is charged with the responsibility of preparing all necessary management information to be submitted to the Office of the Chief Medical Director; evaluating Central Office program functions and staffing; providing data management and statistical liaison with the other Departments and Staff Offices; and providing for all paperwork management.

Assistant Chief Medical Director for Professional Services. With the assistance of two deputies and a staff of professional specialists, consultants, and clerical personnel, this office is responsible for formulating policies and plans of department-wide application pertaining to professional services in all Veterans Administration medical facilities. All professional inquiries from outside sources relating to individual applicants and recipients of VA medical benefits are acted upon, including actions denoted by both complaint and complimentary mail. Conduct of effective supervision and evaluation of the professional medical specialty programs at all VA facilities also are the responsibilities of this office. The staff is concerned with 18 different patient care disciplines, services, or related paramedical activities listed below:

Alcoholism & Related Disorders Staff
Chaplaincy Service
Dietetic Service
Extended Care Service
Medical & General Reference Library Staff
Medical Service
Nuclear Medicine Service
Nursing Service
Pathology & Allied Sciences Service
Pharmacy Service
Physical Medicine and Rehabilitation Service
Prosthetic and Sensory Aids Service
Psychiatry, Neurology & Psychology Service
Radiology Service
Social Work Service
Spinal Cord Injury Staff
Surgical Service
Voluntary Services Staff

A total staff of 187 is estimated for fiscal year 1970 or a net increase of 5 average employment over fiscal year 1969. Consultant utilization equivalent of 2 employees are included in fiscal year 1969 total staff. In fiscal year 1970 an additional equivalent of 2 average employment will be required for consultant utilization in the evaluation of the entire professional services. 500 additional extra-VA consultant visits are planned for this evaluation and will be distributed between payroll and/or contract consultants.

The remaining three additional average employment represent the following:

(1) One additional clerical support to handle the processing of reports and subsequent correspondence resulting from the evaluation of this staff element.

(2) One each of the following to improve program development.

(a) Radiation physicist.

(b) Physician to plan for Hospital Based Home Care.

Assistant Chief Medical Director for Dentistry. With the assistance of two dental service directors develops policies, plans, and professional standards for a program of dental care for eligible veterans at all Veterans Administration medical and hospital facilities. He also is responsible for supervising and evaluating field dental programs and establishing fee schedules for hometown dental services. He collects and disseminates information of a professional nature dealing with dental clinical and scientific matters, and maintains liaison with dental activities in other Federal agencies and private dental organizations. A total staff of 17 professional and clerical employees is programmed for this office for both fiscal years 1969 and 1970.

Assistant Chief Medical Director for Research and Education in Medicine. This office develops policies and plans pertaining to programs of research and education in medicine, and administers, supervises, and evaluates these activities department-wide. The Assistant Chief Medical Director, with his staff also directs a comprehensive educational program for effective dissemination of new medical and paramedical knowledge through postgraduate and inservice training. An Exchange of Medical Information program was implemented in fiscal year 1968 to strengthen non-affiliated VA hospitals which are usually located remote distances from medical centers. This provides for the exchange of the most advanced medical and other scientific information between the Veterans Administration and medical schools as well as other institutions of higher learning.

A total staff of 24 is estimated for fiscal year 1970 or a net increase of 6 average employment over fiscal year 1969. The increased staffing consists of professional and specialized employees required in order to provide proper and adequate support for the large-scale expansion of education and training activities. Additional professional and specialized staffing support also is required in order that Sections 5051-5057, Title 38, U.S.C. may be further carried out in regard to the expanding exchange of medical information program. The expansion of these two programs is further explained in the following two sections of Part 4 entitled "Postgraduate and Inservice Training" and "Exchange of Medical Information."

Executive Director for Administration. With the assistance of a deputy and a staff of professional specialists and clerical personnel, this office is responsible for the following: (1) providing administrative and logistical support services for all VA medical facilities; (2) developing and coordinating the department's program planning and budgeting system; (3) conducting the administration of the department's formal administrative research program; (4) formulating policies, plans and standards for systemwide application pertaining to building management, engineering, hospital construction and medical administration; (5) developing and recommending department management systems and standards for the determination, projection and management of required resources; and (6) coordinating and interpreting for the department all external evaluation and inspection activities. The staff is concerned with the following 10 different disciplines, services or related activities of administration:

ACMD-Management & Evaluation
Administrative Research Staff
Building Management Service
Engineering Service
Hospital Construction Service
Management Systems Service
Medical Administration Service
Program Planning & Budgeting Service
Supply Service
Veterans Canteen Service

A staff of 335 (exclusive of non-appropriated fund Veterans Canteen Service personnel) is estimated for fiscal year 1970 or a net increase of ten average employment over fiscal year 1969. The increase in average employment is distributed to the following four different categories:

(1) Three additional staff for management and evaluation to strengthen administrative survey teams in their conduct of comprehensive on-site audits and surveys to evaluate policies, management, organization, operations, manpower and other resource utilization.

(2) One each additional staff for the interior decorating and laundry/linen programs to strengthen program supervision of building management.

(3) Three additional staff for engineering to handle construction projects assigned to stations for accomplishment and to provide increased support for maintenance and repair and small construction projects.

(4) Two additional staff for program planning and budgeting to handle increased medical research and education program workloads.

Cost Changes by Object

It is estimated that costs will aggregate $12,381,000 in fiscal year 1970 compared to $11,667,000 in fiscal year 1969, a net increase of $714,000. This increase results from the following considerations:

Personnel Compensation and Benefits - An increase of $516,000 is needed as follows:

(1) An increase of $183,000 is needed for legislative salary and other payroll increases. These changes are explained in Part I, DM&S - Summary.

(2) An increase of $333,000 is needed for improved staffing. These changes are explained in the preceeding pages under the "Justification of Estimates" section.

All Other - An increase of $198,000 is projected for these object classes in fiscal year 1970 as follows:

(1) An increase of $123,000 for contract consultants for the evaluation of professional services.

(2) The remaining increase of $75,000 is needed for nominal increases in Federal Telecommunication System costs ($10,000), printing and reproduction ($30,000) supplies, services and materials ($12,000), and equipment costs ($23,000), primarily one-time expenditures for increased employees.

POSTGRADUATE AND INSERVICE TRAINING

Mr. EVINS. Your postgraduate inservice training, is set forth in the chart on page 4–17. Educational assignments requiring travel costing $2,089,000. Training equipment, in 1970, $57,000. Tuition and registration, $500,000. That is the way you have it broken down. Lecture fees: You are going to pay $300,000 for special people to come in and lecture. Another costly item is employee travel.

Mr. MONK. The table on page 4–21, Mr. Chairman, gives the breakdown in numbers of those figures.

Mr. EVINS. Let us place page 4–17 through 4–21 in the record.

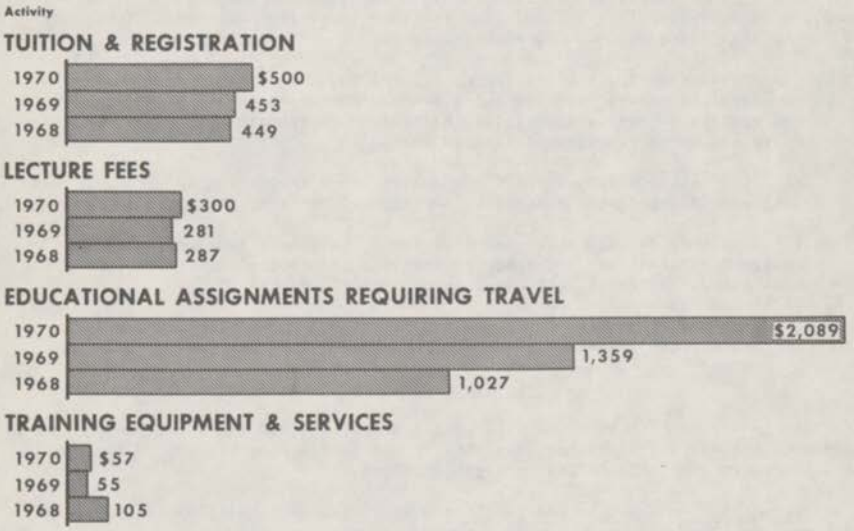
(The pages follow:)

COMPARISON OF POSTGRADUATE AND INSERVICE TRAINING COSTS

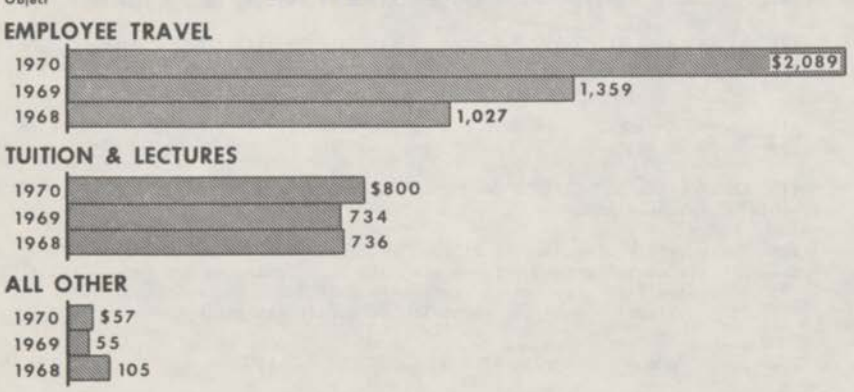
(In Thousands of Dollars)

FY 1968, FY 1969, and 1970

BY ACTIVITY



BY ITEMS OF EXPENSE



Justification of Estimates

A total increase of $798,000 is requested to cover expenses in fiscal year 1970 for the Postgraduate and Inservice Training program of educational activities. This will provide required education and training for medical and administrative staff at all existing, new and expanded VA hospitals and clinics.

Tuition and Registration

An essential element of the Postgraduate and Inservice Training program is the attendance of VA personnel at extra-VA courses, seminars, symposia, institutes and other educational offerings of medical schools, universities and professional organizations. Usually these activities are for short-term training periods. In some instances, however, the most effective means of bringing new knowledge and techniques to bear on treatment problems within the VA is for selected personnel in highly specialized areas to attend long-term training for periods up to several months. It is through the foregoing mechanisms that knowledge of the latest medical-scientific advances is brought to the VA staff members who then are able to apply this knowledge in providing the most up-to-date patient care. The cross fertilization of ideas and information concerning treatment and related problems which takes place at high quality professional meetings is also vital to a fully effective educational program. Attendance at all of these extra-VA educational experiences is the most rapid means by which VA staff can maintain currency with the progress of medical and related knowledge.

In some instances VA staff must receive short periods of formal academic training as required by specialty boards such as psychiatry, neurology, ophthalmology and radiology. This training is usually provided at medical schools and medical centers. In some instances employees are sent to non-VA hospitals for such training when the VA hospitals cannot offer the type of experience prescribed by Dean's Committees or specialty boards. Examples of the foregoing are training in child psychiatry, certain gynecological problems and pediatric orthopedics.

In fiscal year 1969, funds amounting to $453,000 will provide for payment of tuition and registration costs of 1,132 physicians, dentists and nurses, 878 therapists and technicians and 821 medical administrative personnel attending formal courses, meetings and other educational experiences. An increase of $47,000 in fiscal year 1970 will provide $500,000 to cover costs of tuition and registration for 1,281 physicians, dentists and nurses, 954 therapists and technicians and 890 medical administrative employees.

Lecture Fees

Bringing lecturers who are outstanding in their professional fields to VA hospitals provides an excellent educational opportunity to medical care staff members. These lecturers not only have expertise in their particular specialities but often also have considerable knowledge of the particular hospital's medical and administrative activities and problems. These lectures are presented at all stations and clinics. At the VA hospitals not affiliated with medical schools they are in addition to and differ from those supported under the Exchange of Medical Information program in that the latter are usually presented in conjunction with television presentations and deal with problems that are frequently exclusively of interest to staff members at remote stations. For fiscal year 1970 funds amounting to $280,000 are requested to provide for 4,590 lectures to be made available to VA medical care staff members. This will permit an average of approximately three lectures per month at each VA hospital and clinic.

The physician-in-residence program brings distinguished medical educators for periods of three days to hospitals which are not affiliated with medical schools

or are geographically isolated. The opportunities to attend lectures and participate in personal discussions of current medical problems are inspiring educational experiences for the treatment staff members involved. No expenditure for fiscal year 1969 Postgraduate and Inservice Training funds is planned for this activity. However, in fiscal year 1970, a total of $20,000 will provide for 47 physician-in-residence visits.

Educational Assignments Requiring Travel

In order to provide the veteran patient with the best possible treatment, it is necessary that the responsible physicians, dentists, nurses, other professional, scientific, technical and administrative personnel be provided with the means to maintain current and full competence in their respective areas of concern. One method of accomplishing this is through off station educational duty assignments which generally are offered at distances away from the VA hospitals, thus requiring payment of travel and per diem expenses.

In addition to the extra-VA educational experiences described earlier in the tuition and registration section of this estimate, intra-VA training also generally involves travel costs. The intra-VA activities make effective use of VA teaching and physical resources in the training of hospital and clinic personnel.

Intra and extra-VA educational experiences take a variety of forms and deal with a vast array of subject matter. For example, certain special care programs have been authorized for implementation at VA hospitals. These programs which involve emphysema treatment, pulmonary function testing, chronic hemodialysis and intensive care units include categories of professional personnel which are in short supply both within the VA and in the medical community at large. It is therefore incumbent upon this agency to provide the training opportunities to personnel who conduct and operate these programs. In addition without increased training activities in these areas it is not possible to open andoperate new facilities in these program areas. This training is conducted away from the trainees' home stations at both extra and intra-VA locations and therefore requires support of travel and per diem costs.

Intra-VA educational experiences also involve conferences which bring together hospital and clinic personnel, generally for two day periods, for study, discussion and resolution of problems in medical care and administration. Through presentation of papers and consecutive case studies at these conference, information is obtained by the conferees which contributes significantly to improved patient care. Conferences on a regional or national basis are held in most professional disciplines such as medicine, psychiatry, spinal cord injury and pulmonary diseases.

A wide variety of courses presented by VA personnel provide excellent educational experiences which are designed specifically to meet VA needs. Some of these are highly specialized educational presentations in such subject areas as strategy of experimentation, instrumentation and measurement techniques for biomedical research and bio-assay. Assignment of personnel to these courses requires support of travel and per diem costs.

An increase of $730,000 is requested for fiscal year 1970 to make a total of $2,089,000 available to support vitally needed travel costs of 6,849 physicians, dentists and nurses, 5,479 therapists and technicians and 4,794 medical administrative employees.

Training Equipment and Services

Educational television equipment, properly employed, can assist immeasurably in promoting an effective environment for instruction in professional areas. In order to maximize its effectiveness, however, careful planning must be conducted concerning the utilization of educational television at a hospital prior to its installation. This involves not only studying the capabilities of equipment, but also giving serious consideration to the educational experiences to be offered. Closed circuit television systems are planned for some VA hospitals as funds and facilities permit. After extended study in depth it has been determined that those systems should be purchased first which will provide for viewing of educational materials through the use of mobile video tape color recorder/playback systems, thus providing for the most effective use of the television medium. The systems being installed at VA hospitals are compatible with one another thus permitting exchange of educational materials throughout the VA system.

For fiscal year 1970, an increase of $10,000 is requested to bring the total to a level of $40,000 which, at about $6,000 each, will allow for the purchase of 7 additional video tape recorder playback systems for hospitals affiliated with medical schools.

In fiscal year 1969, funds amounting to $18,000 will support costs of needed educational supplies and materials and medical exhibits documenting information on diseases by pictorial means. A total of $12,000 representing a decrease of $6,000 is deemed adequate in fiscal year 1970.

Some courses and other educational materials which are developed within the VA are printed and reproduced for the benefit of staff members throughout the system. In fiscal year 1969, $7,000 will provide needed support for this item. A decrease of $2,000 is estimated for fiscal year 1970 for this purpose.

Comparative year costs and workloads for postgraduate and inservice training are reflected in the table appearing on the following page.

Comparative Analysis of Education Activities and Costs

	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)	
TUITION AND REGISTRATION					
Number of Staff (Total)	2,807	2,831	3,125	+	294
Physicians, Dentists, Nurses	1,078	1,132	1,281	+	149
Therapists, Technicians, etc.	896	878	954	+	76
Med. Adminis. Employees	833	821	890	+	69
Average Cost	$160	$160	$160		
Total Costs (in thousands)	449	453	500	+	$47
LECTURE FEES					
Lectures for Staff					
No. of lectures	4,274	4,606	4,590	-	16
Average Cost	$61	$61	$61		
Sub-Total Cost (in thous.)	262	281	280	-	$1
Visits by Medical Authorities (Physicians-in-Residence)					
No. of Visits	59		47	+	47
Average Cost	$423		$423	+	$423
Sub-Total Cost (in thous.)	25		$20	+	$20
Total Lecture Fees (in thous.)	287	$281	300	+	19
EDUCATIONAL ASSIGNMENTS REQUIRING TRAVEL					
No. of Staff (Total)	8,439	11,139	17,122	+	5,983
Physicians, Dentists, Nurses	3,783	4,456	6,849	+	2,393
Therapists, Technicians, etc.	2,443	3,453	5,479	+	2,026
Med. Adminis. Employees	2,213	3,230	4,794	+	1,564
Average Cost	$122	$122	$122		
Total Costs (in thous.)	1,027	1,359	2,089	+	$730
TRAINING EQUIPMENT & SERVICES					
Equipment	$68	$30	$40	+	10
Supplies and Materials	36	18	12	-	6
Printing and Reproduction	1	7	5	-	2
Total Cost (in thous.)	105	55	57	+	2
TOTAL COST (in thous.)	1,868	2,148	2,946	+	798

Mr. EVINS. Doctor, can't you get some of these good doctors to come over and lecture to you without these honorariums?

Dr. SCHOOLMAN. A great many do, especially in our hospitals affiliated with medical schools. There is a great deal of lecturing done without honorariums. One important part of this program is a visiting professorship to our unaffiliated hospitals. Another part of the program involves the lectures at affiliated hospitals. The third part of the program, under the travel, involves the movement of people from unaffiliated stations to major medical centers for educational assignment.

Mr. EVINS. Insert pages 4–23 through 4–28 on exchange of medical information.

(The pages follow:)

EXCHANGE OF MEDICAL INFORMATION

Introduction

The intent of Congress (Sections 5051-5057, Title 38, U.S.C.) is clearly to establish programs which strengthen VA hospitals not affiliated with medical schools and those located remote from medical school teaching centers. This can be accomplished through activities which provide for exchange of the most advanced medical and other scientific information between the Veterans Administration and medical schools as well as between the VA and other institutions of higher learning. Implementation of the programs enumerated herein promote an environment of academic medicine at peripheral VA hospitals which help attract and retain highly trained and qualified members of the medical profession. This environment, in turn, helps to achieve the ultimate purpose of making available the best and most up-to-date medical care for the veteran patient at the non-affiliated VA institutions.

To further carry out the intent of this program the educational facilities and programs of VA hospitals for which support is requested will be made available to the surrounding medical communities. This will foster the widest possible cooperation and consultation among all members of the medical profession. It will be of particular benefit to those members of the medical-scientific community located in remote areas.

Comparative year costs and workloads for exchange of medical information activities are reflected in the tables appearing on the following pages.

Comparative Analysis of Activities and Costs

	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
EDUCATIONAL GRANTS (In thousands)	$105	$357	$1,125	+ $ 768
TRAINING EQUIPMENT, SUPPLIES AND SERVICES				
Equipment	$13	$450	$600	+ $ 150
Supplies	6	50	49	- 1
Services	12	56	75	+ 19
Printing and Reproduction		1	1	
Total Cost (in thousands)	$31	$557	$725	+ $ 168
LECTURE FEES				
Visits by Medical Authorities (Physicians-in-Residence)				
No. of Visits		47		- 47
Average Cost		$423		
Total Cost (in thousands)		$20		- $ 20
EDUCATION AND ADMINISTRATIVE TRAVEL ASSIGNMENTS				
Educational Travel				
No. of Assignments		12	141	+ 129
Average Cost		$850	$850	
Sub-Total Cost (in thous.)		$10	$120	+ 110
Administrative Travel				
No. of Assignments	44	133	133	
Average Cost	$225	$225	$225	
Sub-Total Cost (in thous.)	$ 10	$30	$30	
Total Travel Cost (in thousands)	$ 10	$40	$150	+ $ 110
TOTAL COST (in thousands)	$146	$974	$2,000	+ $1,026

Comparison of Type of Expense and Cost by Object (in thousands of dollars)

	1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
TYPE OF EXPENSE				
Educational Grants	$105	$357	$1,125	+ $768
Training Equipment, Supplies and Services	31	557	725	+ 168
Lecture Fees		20		- 20
Educational and Administrative Travel Assignments	10	40	150	+ 110
Total	146	974	2,000	+ 1,026
OBJECT				
21 EMPLOYEE TRAVEL	10	40	150	+ 110
24 PRINTING AND REPRODUCTION		1	1	
25 OTHER SERVICES				
Misc. Contractual Svcs. (Program conduct & Development)	12	56	75	+ 19
Contracts with Individuals (Lectures)		20		- 20
Sub-Total	12	76	75	- 1
26 SUPPLIES AND MATERIALS				
Operating Supplies	6	50	49	- 1
31 EQUIPMENT				
Educ. Electronic Equipment	13	450	600	+ 150
41 GRANTS	105	357	1,125	+ 768
TOTAL COSTS	146	974	2,000	+ 1,026

Justification of Estimates

The Exchange of Medical Information program brings a variety of education programs to the staffs of VA hospitals not affiliated with medical schools and members of the local medical communities. This allows them to obtain the latest medical-scientific information which can then be utilized in providing the best possible patient care to the veteran patient and the community as a whole.

The implementation of the program requires three types of payment or expense, namely: (1) educational grants, (2) training equipment and services, and (3) educational and administrative travel.

A total of $2,000,000 is requested for this program in fiscal year 1970, an increase of $1,026,000 over the amount available in fiscal year 1969.

(1) Educational Grants. In order to create facilities for free exchange of medical information, grants will continue to be provided to medical schools, hospitals, research centers and/or individual members of the medical profession as appropriate. These grants will be used to support programs covering varying aspects of the total Medical Information Exchange program.

Since no grants have as yet been approved for fiscal year 1970 it is not possible to specifically identify those activities which will be supported from that year's funds. It can be anticipated, however, that they will include the utilization of various aspects of medical tele-communication including tele-diagnosis, preceptor teaching, consultation and other areas of medical education. Closed circuit television systems between Veterans Administration hospitals and non-federal institutions such as medical schools may very possibly be supported under the Exchange of Medical Information grant program.

In fiscal year 1969 funds amounting to $357,000 will provide support of grant programs which will be conducted in geographically dispersed areas of the United States. An increase of $768,000 is requested to support the Exchange of Medical Information grant activities in fiscal year 1970.

(2) Training Equipment, Supplies and Services. Department of Medicine and Surgery personnel will participate, on a pilot basis, in continuing educational programs using principally, closed circuit television as the medium through which they will receive the newest medical-scientific information. These activities will be conducted at or directed to VA hospitals and local medical communities located remote from medical teaching centers. In addition those Veterans Administration hospitals which become terminal locations between the Veterans Administration and grantees will frequently be required to obtain equipment necessary for such participation.

Equipment. An increase of $150,000 is requested in fiscal year 1970 for a total of $600,000 available for the support of television equipment, which will be used to implement the three pilot activities cited below.

(a) An educational program has been developed which brings a series of 36 selected video tapes and four lectures to each of 30 non-affiliated hospitals in the western United States over a period of 52 weeks. Most of these hospitals are located in areas remote from medical teaching centers. This program will enhance the academic environment at these VA hospitals.

The tapes deal with medical and nursing subjects of current interest to the professional staffs at each installation. The subjects of the lectures are coordinated with those of the tapes and provide the

basis for extended interchange between staff members, guests, and lecturers. This program also established a VA-MTN (Veterans Administration Medical Television Network) library of tapes on medical and nursing subjects which are available on call from any of the participating stations. To further carry out the concept of Exchange of Medical Information, members of the local medical communities are encouraged to attend and participate in these programs.

In order to expand the above type of program by the use of video tapes within the Veterans Administration, it is necessary to purchase additional tape recorder/playback systems. It is planned to purchase 30 such systems in fiscal year 1970. At a unit cost of $6,000 this will total $180,000.

(b) In order to establish a television system of continuing medical education which will bring the information and learning experiences available at Veterans Administration hospitals located in medical teaching centers to peripherally located VA institutions, the ability to produce and record teaching material on video tape is essential. It is planned to equip two hospitals with color production equipment at a unit cost of $85,000 and four hospitals with monochrome production equipment at a unit cost of $16,500. Total cost of this equipment is estimated at $236,000.

(c) It is anticipated that various grants provided by the Veterans Administration will require the purchase of television equipment by participating Veterans Administration hospitals as concomitants of the grant supported activities. It is conservatively estimated that $184,000 will be required for the purchase of such equipment.

Supplies. Video tape and other operating supplies will be required in order that the appropriate hospitals may record and receive educational materials. Forty-nine thousand dollars are requested for such supplies in fiscal year 1970. This is $1,000 less than the fiscal year 1969 estimate.

Services. Eight millimeter single concept motion pictures in color and sound using cartridge loaded projectors have received favorable attention recently because of their effectiveness as a teaching concept and because of developments in the projectors used to display the films. This medium of presentation provides an effective instrument for self-teaching and self-study.

In the interest of providing opportunities for continuing education in remote Veterans Administration hospitals, this medium will be used to further implement the object of bringing the most advanced medical-scientific information to remote hospitals.

This will be accomplished by producing unit topic presentations within the Veterans Administration including, however, the contracting for certain production services from outside the agency. Forty-five thousand dollars are requested for support of this activity in fiscal year 1970.

Through agreement with the National Medical Audiovisual Center of the National Library of Medicine a pilot program has been initiated which is to determine the most efficacious methods for distributing medical information materials on a nationwide basis, both within the Veterans Administration and to the total medical community. Thirty thousand dollars are requested for support of this activity in fiscal year 1970.

Thus, for fiscal year 1970 a total of $75,000 is requested for services described above in connection with production of single unit motion pictures and development of a national distribution system of medical information materials. This is an increase of $19,000 over expenses for services planned for fiscal year 1969.

For fiscal year 1970, $1,000 is requested for minor printing and reproduction charges. This is the same as the FY 1969 requirement.

(3) Educational and Administrative Travel. The dynamic expansion of medical knowledge makes it necessary for extended educational leave of periods ranging from one to three months be provided to personnel stationed at peripheral hospitals. These educational experiences will be spent at medical teaching centers providing training in subject matter areas which will be of maximum benefit in the treatment of patients. This is another means by which peripheral institutions may be kept in the mainstream of new medical-scientific treatment areas. The sum of $120,000 is requested to support this activity which will provide for the extended educational leave of about three persons per annum from 49 non-affiliated hospitals located remote from teaching medical centers. This is an increase of $110,000 over the estimate for this activity in fiscal year 1969 and represents an increase of 129 assignments.

The establishment and continued conduct of the Exchange of Medical Information activity will require, for planning and evaluation purposes, the intermittent travel of six Education Service, Central Office employees to the Veterans Administration hospitals at which the programs described in this request are conducted. In addition it will be necessary for these individuals to visit medical schools, universities and other educational institutions. It is estimated that they will make a total of approximately 100 such visits in fiscal year 1970. In addition it is anticipated that approximately 33 other VA employees who are expert in certain medical-scientific areas will be requested to travel from their regular duty stations to non-affiliated hospitals for purposes of assisting in development and evaluating the content of existing educational programs. At an estimated unit cost of $225 the estimated total cost of this activity for fiscal year 1970 is $30,000. This is the same amount provided for this purpose in fiscal year 1969.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES

PROGRAM AND FINANCING (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Medical care and treatment of veterans	1,222	1,196	1,262
2. Medical research and training grants	63	100	100
3. Hospital equipment, plant, and facilities rehabilitation grants	292	208	----
Total program costs, funded—obligations (object class 41.0)	1,577	1,504	1,362
Financing:			
Unobligated balance available, start of year	−500	−208	----
Unobligated balance available, end of year	208	----	----
Unobligated balance lapsing	40	480	----
Budget authority (appropriation)	1,325	1,776	1,362
Relation of obligations to outlays:			
Obligations incurred, net	1,577	1,504	1,362
Obligated balance, start of year	12	287	125
Obligated balance, end of year	−287	−125	−12
Adjustments in expired accounts	5	----	----
Outlays	1,307	1,666	1,475

Mr. EVINS. We will look at the grants to the Republic of the Philippines. This is $1,362,000. This is less than the previous year. This is to support our allied veterans in the Philippines and the Veterans Memorial Hospital in Manila.

GRANTS FOR CONSTRUCTION OF STATE NURSING HOMES

PROGRAM AND FINANCING (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Grants for construction (program costs, funded)	1,890	4,000	3,164
Change in selected resources [1]	3,318	−367	1,836
Total obligations	5,208	3,633	5,000
Financing:			
Unobligated balance available, start of year	−1,529	−321	−688
Unobligated balance available, end of year	321	688	688
Budget authority (appropriation)	4,000	4,000	5,000
Relation of obligations to outlays:			
Obligations incurred, net	5,208	3,633	5,000
Obligated balance, start of year	4,893	8,211	7,844
Obligated balance, end of year	−8,211	−7,844	−9,680
Outlays	1,890	4,000	3,164

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $4,893,000; 1968, $8,211,000; 1969, $7,844,000; 1970, $9,680,000.

Grants for the construction of State nursing homes we have discussed. It goes from $4 million to $5 million. You show on page 6–3 the number of beds and where they are located and the States that have gone into this program. Place page 6–3 in the record.

(The page follows:)

APPROPRIATION LANGUAGE

"For grants to assist the several states to construct state home facilities for furnishing nursing home care to war veterans as authorized by section 5031-5037 of Title 38, United States Code, $5,000,000 to remain available until June 30, 1972."

GENERAL STATEMENT

The $5,000,000 requested under this program will provide grants to assist the states in the construction of state facilities for furnishing nursing home care to war veterans. The grant may not exceed 50 percent of the total cost of the project and may not provide for more than one and one-half beds per thousand war veteran population in any state. This program was initiated August 19, 1964 (Sections 5031-5037, Title 38, U.S.C.), which authorized an appropriation of $5,000,000 per year for a period of 5 years beginning in 1965. Public Law 90-432, dated July 26, 1968 extended the authority from 5 years to 10 years. The Federal government also provides grants to the states in the amount of $5.00 per day for the care of veterans in these nursing homes.

A total of $14,500,000 was appropriated from 1966 through 1969. Commitments for grants have been made and funds obligated for the following projects:

Location	Number of Beds	(In thousands of dollars) Estimated Total Cost	Actual VA Commitments
Augusta, Georgia	192	$ 2,065	$ 982
Bennington, Vermont (#1)	22	252	122
Bennington, Vermont (#2)	40	1,124	401
Bristol, Rhode Island	30	753	364
Ft. Dodge, Kansas	88	800	400
Grand Island, Nebraska	100	2,012	744
King, Wisconsin (#1)	200	2,881	1,181
King, Wisconsin (#2)	200	3,344	1,545
Marshalltown, Iowa	80	1,070	532
Menlo Park, New Jersey (#1)	100	2,073	1,030
Menlo Park, New Jersey (#2)	100	1,783	892
Norman, Oklahoma	50	460	230
Quincy, Illinois	200	2,717	1,359
Tilton, New Hampshire	50	580	290
Vineland, New Jersey (#1)	100	1,297	592
Vineland, New Jersey (#2)	100	2,305	858
Total	1,652	25,516	11,522

Applications for three projects at Holyoke, Massachusetts; Columbia Falls, Montana;and St. James, Missouri, will provide approximately 239 beds (estimated to cost a total of about $5,534,000 in which VA participation is anticipated at $1,857,000) are currently under consideration. In addition, the states of California, Colorado, Indiana, Iowa, Michigan, Nebraska, New Jersey, Pennsylvania, South Carolina, South Dakota, Washington and Wisconsin have expressed an interest in securing financial assistance under this program. This will provide approximately 1,743 additional beds. Full utilization will be made of the $5,000,000 authorized in fiscal year 1970, with projects receiving priority in the order in which the formal applications are received.

Canteen Service Revolving Fund

Mr. Evins. Let us again look at the revolving and trust funds which we previously have discussed. No appropriation by Congress will be required. You state that you paid into the U.S. Treasury $12 million. My question is when are you going to make another payment?

Mr. Bucknell. There was a payment of $27,000 made this year. No return is projected for 1970.

Mr. Evins. We will place pages 7–3 and 7–4 in the record.

(The pages follow:)

CANTEEN SERVICE REVOLVING FUND

No appropriation by the Congress will be required for the operation of the Veterans Canteen Service during fiscal year 1970. The Veterans Canteen Service was established by Congress in 1946 to furnish at reasonable prices merchandise and services necessary to the comfort and well-being of veterans in hospitals and domiciliaries operated by the Veterans Administration (38 U.S.C. 4201-08). The $12,526,000 budget estimate (comprised of $7,737,000 for total working capital and $4,789,000 for investment in equipment) is submitted for the purpose of providing for the maintenance and operation of the Veterans Canteen Service during fiscal year 1970.

The Congress originally appropriated a total of $4,965,000 for the operation of the Veterans Canteen Service and no additional appropriations have been required. Funds in excess of the needs of the Service totaling $12,021,000 have been paid to the Treasury.

Capital Requirements:

At the end of fiscal year 1968, there were canteens in operation at all VA Hospitals and Domiciliaries. Capital requirements for operation of the Veterans Canteen Service for fiscal year 1970 are as follows:

1. Cash

   Petty Cash and Change Funds: A total sum of $156,000 is considered necessary for the purpose of making limited local purchases, paying incidental operating and housekeeping expenses, and providing adequate change requirements. Such funds are established in amounts commensurate with the size and requirements of each individual canteen.

   At the Field Station Depositaries: It is estimated that $2,024,000 will be required for the maintenance of field station depositary accounts.

   At the Field Offices and Central Office: It is estimated that the capital requirements for five field offices and Central Office will amount to $820,000. This total will provide a portion of the cash for payment of outstanding accounts payable, accrued payroll, withholding taxes, retirement, etc.

2. Accounts Receivable, Prepaid Expenses and Other Assets. It is estimated that accounts receivable, prepaid expenses and other assets will be $565,000

3. Inventories - Commodities for Sale

   Retail Departments: It is estimated that a retail inventory of $6,580,000 is required.

   Food Departments: It is estimated that a food department inventory of $347,000 is required.

   Service Departments: It is estimated that a service department inventory of $14,000 is required.

4. Equipment

   Capital requirements for new hospital canteens, remodelings and replacement of worn-out equipment during fiscal year 1970 are estimated to be $852,000.

Operating Results:

It is expected that sales will amount to $65,387,000 in fiscal year 1970, and that a net income of $569,000 will be realized.

Personnel Requirements:

In the area of manpower control and utilization, the Veterans Canteen Service uses many of the techniques that are generally applied in commercial retail chain store operations. Major consideration is given to salary expense in relation to sales. Salary expense data is provided to management personnel periodically for each department in each canteen, as well as consolidated data for each field office and the total Veterans Canteen Service. This data is compared to the corresponding period for the previous year and to the budget. This has been and will continue to be an effective control.

The following table shows employment comparisons for fiscal years 1968, 1969 and 1970:

	FY 1968 Actual	1969 Estimate	1970 Estimate	Increase (+) Decrease (-)
Employment (Average FTE)	3,103	3,015	3,098	+83

The increase of 83 average employment over fiscal year 1969 is required as follows:

Relocation hospital canteen at Puerto Rico	15
New hospital canteen at Columbia, Missouri	4
Additional employees at Miami, Florida	3
Additional employees at Gainesville, Florida	3
Additional employees at Perry Point, Maryland	5
Additional employees at Lyons, New Jersey	5
Additional employees at N. Little Rock, Ark.	4
Additional employees at 44 other canteens required for increased service	44
	+83

Financial Conditions:

The current assets of the Veterans Canteen Service consist of cash, accounts receivable, merchandise inventories, prepaid expenses and other assets. At the close of fiscal year 1970, it is expected that cash on hand and on deposit will be $3,000,000. It is estimated that accounts receivable, consisting mainly of amounts due from personal funds of incompetent patients will be $549,000. It is believed a capital investment in inventory of $6,941,000 will be required. Prepaid expenses and other assets should amount to $16,000. Current assets are estimated to total $10,506,000. Current liabilities are estimated to be $2,769,000; this amount will be made up of trade accounts payable, accrued payrolls, accrued leave, unredeemed coupons, withholding taxes, retirement, and other current liabilities. The total working capital (current assets less current liabilities) as detailed above will amount to $7,737,000. It is estimated that the net investment in equipment will amount to $4,789,000.

Mr. TALCOTT. Did we ever discover why they needed so many new canteen people in Puerto Rico?

Dr. ENGLE. There is to be a new and expanded hospital there.

Mr. TALCOTT. It is a very popular place for the canteen workers, is it not?

Mr. WISE. This summer we are moving out of the 200-bed hospital into the new 706-bed hospital, so there will be an expansion of service in Puerto Rico.

Mr. TALCOTT. Does the American Red Cross or other agencies provide Grey Ladies service and volunteer service?

Mr. WISE. We have a very active voluntary service and they help with the canteen. But these are the paid canteen staff that provide the service.

HOSPITAL VOLUNTEERS

Mr. JONAS. Since you brought that up, you have a substantial number of volunteers in all of your hospitals, don't you?

Dr. ENGLE. Yes.

Mr. JONAS. More than your paid staff, really.

Dr. ENGLE. You mean in terms of numbers of different individuals? That would be true. Not in terms of manhours.

SUPPLY FUND

Mr. EVINS. Give us a statement of the status of the supply fund and explain how the supply fund is operated, and what you purchase through it?

Mr. MONK. In the supply fund we have total assets at the end of 1970 of $55,597,000.

Mr. EVINS. That is pretty liquid.

Mr. MONK. That is pretty liquid. We expect to have revenue of $131,227,000 and expense of $131,222,000, or just a break-even thing. What we do in this fund, as I explained the first day, is to buy in large quantities, charge it to the fund, warehouse it and ship it out to the individual hospitals and charge the appropriation account as we deliver from the supply fund to the individual hospital.

Mr. EVINS. It is run on a businesslike basis and you sell to many agencies of the Government from this supply fund.

Mr. MONK. We sell to many other agencies of Government. As we explained the first day, basically it is drugs, medicines, medical equipment and subsistence.

Mr. EVINS. How many jobs are involved in the supply fund? Are there any increases in employment in 1970?

Mr. DRIVER. No, sir.

Mr. EVINS. It is a very efficient business-type operation. You are selling to many agencies of the Government, including the Philippine Government, the Government of American Samoa and you have even aided the Office of Economic Opportunity. What are they buying from you?

Mr. MONK. They are buying some medicines.

Mr. EVINS. We will place pages 7–7, 7–8 and 7–9 in the record.

(The pages follow:)

SUPPLY FUND

General Statement

The Supply Fund was established July 1, 1953, without fiscal year limitation for all expenses necessary for the operation and maintenance of a supply system for the Veterans Administration. Its objective is to provide quality support to all programs in the Veterans Administration and assure the greatest return for every dollar spent for the acquisition and distribution of supplies and equipment. Since the establishment of the Supply Fund, and because of the effectiveness of the national buying system, supply support has been extended to other civilian government agencies. At the present time the Supply Fund provides support for medical and hospital supplies and certain nonperishable subsistence items to the following agencies: Department of Health, Education and Welfare; Department of Interior; Department of Justice; Department of State; Department of Agriculture; Post Office Department; Government of American Samoa; National Aeronautics and Space Administration; District of Columbia Government; Federal Housing Administration; Department of the Army; and the Philippine Government. Other activities receiving or having requested support for certain medical and hospital supplies are Atomic Energy Commission, Department of Defense, General Services Administration, Department of Commerce, Treasury Department, Civil Service Commission, Federal Aviation Agency and the Office of Economic Opportunity. The service at field station installations has been expanded to support a number of small installations of other government agencies located in the same vicinity.

Program Notes

The operation of the Supply Fund is under the Chief Medical Director with direction from the Supply Service at Central Office and is an integral function within the total supply program.

At the present time two depots, one sub-depot, a marketing center and a publication service are operated through the Supply Fund. The Supply Fund is used for purchasing, warehousing and distributing supplies and equipment which are used in quantities large enough to realize savings through a central purchase or stock system.

A Service and Reclamation Division and a library cataloging and periodical service are also part of the depot's service to the field stations.

Supply Fund financing provide the following services:

1. A national buying system for the procurement of supplies, equipment and services. National buying is designed to consolidate requirements and purchases of all items for which there is a price advantage through volume buying and distribution.

2. The management and operation of the Veterans Administration Supply Depots for economical storage and distribution.

3. A service and reclamation program for the repair and reclamation of supplies and equipment nation-wide, and for providing laboratory inspection and testing services for technical instruments, equipment and supplies. In addition, teams of skilled technicians, on a scheduled basis, conduct surveys of hospital medical equipment. They evaluate present condition, effectiveness of maintenance, and life expectancy. Their findings and recommendations are reported to the field station head.

4. A program of reclaiming silver from X-ray film and solutions at field stations.

5. A national buying system for the procurement, printing and distribution of forms, form letters, publications (manuals, circulars, etc.) and other printed material as authorized by the Joint Committee on Printing.

6. Field station procurement at a local level from vendors, General Services Administration or other mandatory sources for stock items for which there is no price advantage through a national buying system.

7. A system for agency supply standardization and cataloging, personal property management of depot and centrally procured items and for financing of warehouse inventories.

8. A program to provide subscriptions and book cataloging service to Veterans Administration hospital patient and medical libraries as well as administrative periodicals is a part of the depot operation.

Supply Fund Financing

The Supply Fund finances, on a reimbursable basis, warehouse inventories and centrally procured supplies and equipment for Veterans Administration and other government agencies served. Reimbursements also cover the operating expense of the Veterans Administration supply depots, marketing center, service and reclamation program and the production, procurement and distribution of printed matter for the Veterans Administration. Appropriations reimburse the fund for the cost of supplies and equipment provided and services rendered by the above specified activities, including related expense such as transportation, inspection and testing. Basically the Supply Fund operates on a business type mark-up under a breakeven concept and over the period from FY 1964 through FY 1968, has shown a profit of $76,000 (.01%) on a 670 million dollar cost of sales business.

Workload

The actual sales for the past two years are: FY 1967 $103,537,000; FY 1968 $113,725,000 and the estimates for FY 1969 are $123,188,000 and FY 1970 $127,447,000. This represents an increase of 23.1% over the four year period. Average man-years during this period increased 4.7%, 610 in FY 1967 to an estimated 639 during FY 1970. However, included in this increase is an increase of 4 man-years in reimbursements for services performed for other government agencies. This would make a net increase of 25 man-years or 4.1% to offset the increase in sales.

Supply Fund Financial Condition (in thousand of dollars)

	1967 actual	1968 actual	1969 estimate	1970 estimate
Assets:				
Treasury Balance	9,628	8,684	7,780	7,200
Accounts receivable, net	6,865	5,107	6,000	6,500
Advances	2,526	2,585	2,658	2,658
Commodities for sale	31,898	34,617	36,050	38,650
Fixed assets, net	524	543	636	589
Total assets	51,441	51,535	53,124	55,597
Liabilities: Current	12,253	12,945	14,500	16,973
Government equity:				
Non-interest-bearing capital	39,224	39,224	38,624	38,624
Transfer of property and funds to GSA	....	- 599	....	....
Retained earnings or deficit (-)	- 35	- 34	....	....
Total Government equity	39,189	38,590	38,624	38,624

Revenue, Expense and Retained Earnings (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Sales Program:			
Revenue	115,852	126,696	131,227
Expense	115,842	126,657	131,222
Net operating income	10	39	5
Nonoperating income or loss (-):			
Proceeds from sale of equipment	....	....	....
Net book value of assets sold (-)	- 9	- 5	- 5
Nonoperating loss	- 9	- 5	- 5
Net income for the year	1	34	....
Analysis of Retained Earnings:			
Retained earnings or deficit (-) start of year	- 35	- 34	....
Retained earnings end of year	- 34	....	....

General Post Trust Fund

Mr. Evins. Here is the general post fund. Tell us the status of this fund.

Mr. Monk. As of July 1, 1970, we will have in the total fund $10,912,000, of which $2,273,000 is cash. We expect in the year to get income of $2,455,000.

Mr. Evins. It is also in a good state of liquidity.

Mr. Monk. Yes, sir.

Mr. Evins. We will place page 7–13 in the record.

(The page follows:)

GENERAL POST FUND - TRUST FUND

This fund consists of gifts, bequests, and proceeds of sale of property left in the care of the facilities by former beneficiaries who die leaving no heirs or without having otherwise disposed of their estate. Such funds are used to promote the comfort and welfare of veterans at hospitals and homes where no general appropriation is available (38 U.S.C., Chapters 83 and 85).

During fiscal years 1969 and 1970 it is estimated that cash expenditures from the fund will approximate $2,325,000 and $2,250,000 respectively. The expenditures are in accord with purposes for which the fund legally may be expended (Controller General's Decision B-125715, November 10, 1955), and the intent of the donors. Donors usually specify that their donations be used for designated recreational or religious projects or equipment purchases.

An invested reserve of approximately $1,070,000 in both fiscal years 1969 and 1970 will be maintained to meet claims for estate settlement, which must be held in trust for a legal period of five years after the demise of intestate veteran beneficiaries. The level of retained investment will approximate five times the total amount paid on claims during the preceding 5-year period as agreed with the Comptroller General.

Cash receipts from donations and estates for each of the fiscal years 1969 and 1970 are estimated to be $2,155,000 and $2,205,000 respectively.

Statement of Financial Actions and Condition (in thousands of dollars)

	1968 Actual	1969 Estimate	1970 Estimate
Balance as of July 1:			
Equipment and Facilities	$6,098	$ 6,945	$ 7,569
Investments	1,070	1,070	1,070
Cash	2,277	2,400	2,273
Total	9,445	10,415	10,912
Income during year:			
Equipment and facilities donated	205	205	205
Interest on investments	45	45	45
Cash receipts from donations, estates, etc.	2,245	2,155	2,205
Total	2,495	2,405	2,455
Total Balance plus income:			
Equipment and facilities	6,303	7,150	7,774
Investments	1,070	1,070	1,070
Cash	4,567	4,600	4,523
Total	11,940	12,820	13,367
Expenditures during fiscal year*:			
Supplies and Services	1,414	1,843	1,855
Settlement of estates and claims	111	65	65
Total	1,525	1,908	1,920
Capital at end of fiscal year:			
Equipment and Facilities	6,945	7,569	8,104
Investments	1,070	1,070	1,070
Cash	2,400	2,273	2,273
Total	10,415	10,912	11,447
Total expenditures and capital	11,940	12,820	13,367
* Excludes net amounts expended for investments, and equipment and facilities, which are included in comparable capital accounts.	(642)	(419)	(330)

Construction of Hospital and Domiciliary Facilities

PROGRAM AND FINANCING (In thousands of dollars)

	Costs to this appropriation					Analysis of 1970 financing			
	Total estimate	To June 30, 1967	1968 actual	1969 estimate	1970 estimate	Deduct selected resources and unobligated balance, start of year	Add selected resources and unobligated balance, end of year	Appropriation required, 1970	Appropriation required to complete
Program by activities:									
1. Hospitals:									
(a) New	42,283	40,333	281	413		1,246	1,246		
(b) Replacement and relocation	405,708	167,135	21,791	23,700	43,666	109,767	93,949	27,848	55,467
(c) Modernization	173,226	49,317	6,473	4,896	16,780	18,833	50,191	48,138	45,435
(d) Other improvements	79,705	34,667	5,289	15,617	11,989	12,949	9,154	8,194	3,123
2. Domiciliaries	4,289	1,782		7	25		2,475	2,500	
3. Nursing homes	7,363	2,153	3,004	289	865	577	1,052	1,340	
4. Research facilities	23,418	6,305	1,244	3,758	5,839	8,809	5,982	3,012	290
5. Other facilities	685		189	496					
6. General administration	15,873		5,173	5,324	5,336	40	40	5,336	
Total program costs funded	752,550	301,692	43,444	54,500	84,500	152,231	164,099	96,368	104,315
Change in selected resources [1]			−23,234	56,502	18,310				
Total obligations			20,210	111,002	102,810				
Financing:									
Unobligated balance available, start of year			−109,070	−141,460	−38,384				
Unobligated balance available, end of year			141,460	38,384	31,942				
Budget authority (appropriation)			52,600	7,926	96,368				
Relation of obligations to outlays:									
Obligations incurred, net			20,210	111,002	102,810				
Obligated balance, start of year			89,881	62,460	118,962				
Obligated balance, end of year			−62,460	−118,962	−137,272				
Outlays			47,631	54,500	84,500				

[1] Selected resources as of June 30 are as follows:

	1967	1968	1969	1970
Unpaid undelivered orders	78,471	55,209	111,847	130,257
Advances	2,108	2,136	2,000	1,900
Total selected resources	80,579	57,345	113,847	132,157

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
VETERANS' ADMINISTRATION			
Personnel compensation:			
Permanent positions	4,395	4,550	4,550
Positions other than permanent	526	612	735
Other personnel compensation	30	31	31
Total personnel compensation	4,951	5,193	5,316
Personnel benefits: Civilian employees	373	403	408
Travel and transportation of persons	90	129	140
Transportation of things	28	28	28
Rent, communications, and utilities	54	57	60
Printing and reproduction	70	90	90
Other services	6,070	6,000	6,000
Supplies and materials	289	316	289
Equipment	1,158	396	160
Lands and structures	30,275	41,861	72,009
Total costs, funded	43,358	54,473	84,500
Change in selected resources	−23,239	56,512	18,310
Total obligations, Veterans' Administration	20,119	110,985	102,810
ALLOCATION TO DEFENSE—ARMY—CIVIL			
Personnel compensation: Permanent positions	10	.....	.....
Personnel benefits: Civilian employees	1	.....	.....
Other services	64	27	.....
Supplies and materials	11	.....	.....
Total costs, funded	86	27	.....
Change in selected resources	5	−10	.....
Total obligations, Defense—Army—Civil	91	17	.....
Total obligations	20,210	111,002	102,810

PERSONNEL SUMMARY

VETERANS' ADMINISTRATION			
Total number of permanent positions	401	410	410
Full-time equivalent of other positions	64	73	87
Average number of all employees	457	445	459
Average GS grade	9.6	9.7	9.7
Average GS salary	$11,119	$12,023	$12,101
ALLOCATION TO DEFENSE—ARMY—CIVIL			
Total number of permanent positions	1	.....	.....
Average number of all employees	1	.....	.....
Average GS grade	9.0	.....	.....
Average GS salary	$9,668	.....	.....

Mr. EVINS. Turn to "Construction of hospitals and domicilary facilities." This is shown on 8–3. You are asking for $96,368,000 for construction of hospitals. Last year you had $7,926,000. This is a big increase in your budget.

I know you were cut back last year You have a 15-year modernization and replacement program, and it has been slowed down.

Mr. Administrator, I know some of these are of high priority, but can't some of them be deferred, or some postponed? You have $91 million requested for construction projects.

Mr. DRIVER. Yes, sir. These are holding up a great many other projects. We have given these priority. So, if you say, can they be deferred, of course, they can be, but it will slow down the process of modernizing the pre-World War II hospital system.

Mr. EVINS. Here is your breakdown. Construction replacement, $27,848,000. Modernization, $48,138,000. Other improvements, and they

are listed throughout the budget, $6,194,000; education and training facilities, $2,000,000; VA nursing homes, $1,340,000; research, $3,012,000; and domiciliary facilities, $2,500,000.

Where will you build those?

WOOD, WIS., DOMICILIARY

Mr. MONK. The last item is for modernization of the old hospital building in Wood, Wis.

Mr. EVINS. You have been doing that for 15 years.

Mr. MONK. We have the new hospital finished.

Mr. EVINS. The new hospital is built. Now you are starting to modernize the old to make it into a domiciliary building.

Mr. MONK. That is right.

Mr. EVINS. You never get through with the job.

Mr. MONK. We will never finish modernization as long as we have hospitals.

Mr. EVINS. You have a new hospital and you want to convert the old one into a domiciliary.

Mr. DRIVER. Because the existing domiciliary is really so far out of date.

EDUCATION AND TRAINING FACILITIES

Mr. JONAS. If the chairman will yield, before we get away from this $2 million for training facilities, it should be noted here that is the down payment on an $80 million program; is that not right?

Dr. CHALMERS. Yes, sir.

Mr. MONK. It could be, but it does not mean that if you appropriate the $2 million you are committed to $80 million.

Mr. JONAS. It is the first increment. That is the way I read what you say on pages 8–35, an estimated $80 million is required for construction of training space for the next 5 years.

Mr. DRIVER. If you will accept the premise that we should be eventually training as many as 80,000 medical personnel a year.

Mr. JONAS. You mean the $80 million is just a figure in the back of your mind?

Mr. MONK. Yes, sir.

Mr. JONAS. You do not have any definitive plans?

Mr. DRIVER. We have a program that would bring us, within a 5-year period, to a level of training as many as 80,000 a year.

Mr. JONAS. You only get $2 million this year, and you will have to step that up substantially the next year and the following three.

Mr. DRIVER. Yes, sir.

HOSPITAL MODERNIZATION AND REPLACEMENT PROGRAM

Mr. EVINS. Let us have a little review. How much was your projected 12- or 15-year modernization and replacement program? How much did you testify earlier this was going to cost over the years? Look at the big picture.

Mr. MONK. Originally, when we started into this it was a 12-year program. It was to cost $75 million a year for 12 years, a total $900 million.

Mr. EVINS. It was about a billion dollar construction program.

Mr. MONK. That is right, when it started out. Then we revised it, because it did not include a lot of things. All the original program had in it was the modernization of those hospitals that were built prior to World War II, and the completion of a few hospitals that were in the process.

Mr. EVINS. You had about a billion dollar modernization program for about 12 years.

How many years have passed since that time?

Mr. MONK. We have had 10 years. If we get this appropriation we will have $703 million that will have been appropriated. In the meantime, because of additions in the program and because of increases in costs since we started on this 10-year program, our estimated long-range program now is about a billion and a half to two billion.

Mr. EVINS. How far along down the road are we? Are we half way through?

Mr. MONK. No, sir.

Mr. EVINS. You are not 50 percent completed?

Mr. MONK. No, sir. And we are not making progress very fast.

Mr. EVINS. The cost has about doubled. It was less than a billion dollars originally. Now it is about $2 billion.

Mr. MONK. That is right.

Mr. EVINS. And we have not come 50 percent of the way.

Mr. MONK. That is correct.

Mr. EVINS. By slowing down and stretching out, it is costing more money in the long run.

Mr. MONK. It is costing much more money in the long run.

Mr. EVINS. How much did the Administrator have by way of requests for construction and modernization submitted to you by the hospitals themselves this year before you went to the Bureau of the Budget?

Mr. MONK. We had about $133 million.

Mr. EVINS. And you wound up with $91 million for construction projects.

Mr. MONK. Yes, sir.

Mr. JONAS. May I ask a question on this?

REDUCTION IN BED CAPACITIES

On page 8–5, how many of these modernization programs—you have one there $17 million, $11 million, $7 million—are a cut?

Mr. MONK. By a cut, you mean if we do not do it you would have trouble?

Mr. JONAS. You would have to close down something.

Mr. MONK. I do not think we would have to close any of these down.

Mr. JONAS. Didn't you close down a section of the Salisbury hospital in a modernization program this year?

Mr. MONK. All of these modernizations would result in reducing beds. If you air-condition a hospital, you lose space. If you put in new equipment, you lose space. Unless you have a bed addition, you generally tend to reduce the number of hospital beds in modernizing.

Mr. MONK. Wasn't that just a nursing unit at Salisbury?

Mr. JONAS. I do not know what they closed. They lost some beds.

Mr. MONK. We converted a 100-bed psychiatric unit to a 93-bed nursing home unit.

HOSPITAL MODERNIZATION PROJECTS

Mr. JONAS. You are asking for $48 million in modernization, $6 million in other improvements.

Mr. DRIVER. You notice the two large projects at Indianapolis and Phoenix represent substantial bed additions. These would be new buildings.

INDIANAPOLIS, IND., PROJECT

Mr. JONAS. You have available $600,000 for the Indianapolis project.

Mr. DRIVER. That is for the working drawings.

Mr. JONAS. That is a big item for modernization. What does it involve?

Mr. MONK. It involves air conditioning. It involves a bed addition.

Mr. JONAS. 178 new beds.

Mr. MONK. Yes, sir.

Mr. JONAS. That is not really modernization. It is new construction.

Mr. MONK. This is a combination project. It involves research facilities. It involves some educational facilities. In involves moving the out-patient clinic from rented space downtown to the hospital.

It is a complicated large project.

PROJECT PRIORITIES

Mr. JONAS. Have you listed these in the order of priority?

Mr. MONK. To the best of our ability, Mr. Jonas. The Indianapolis project has been in the mill for about 10 years.

Mr. JONAS. What I am trying to establish is a sum for the purpose of argument, and this is an assumption, that the committee will not approve all $48 million.

Mr. MONK. Unless you line itemed it we would have to determine which are the highest priority.

Mr. JONAS. The list here is not in order of priority.

Mr. MONK. It is in alphabetical order.

Mr. DRIVER. In practical terms, if you were to cut some of the funds, it would be settled by the availability of the drawings.

In other words, if the drawings, at "location A", were available in the first quarter of the fiscal year, and we knew that the drawings for "location B" were not going to be available until the last quarter, we undoubtedly would go with "location A" first as a practical matter.

CLOSING INSTALLATIONS

Mr. JONAS. We had a little hassle a year or two ago when you were proposing to close down some installations. You couldn't get it done; could you?

Mr. DRIVER. We closed 11 installations.

Mr. JONAS. Did you close any in the current year?

Mr. DRIVER. No, sir. We didn't recommend it.

Mr. TALCOTT. Are you operating the Miles City, Mont., hospital?

Mr. DRIVER, Yes, sir.

Mr. TALCOTT. Is there anybody there?

Mr. DRIVER. Yes, sir.

Mr. JONAS. Do you have any installations that you would close if you could get by with it; ones that are out of date or not economical to operate?

Mr. DRIVER. I am sure there are some that would fall in a lesser priority category than others in terms of utilization.

Mr. JONAS. You have none in mind?

Mr. DRIVER. No, sir. We have concentrated on reducing the number of operating beds in hospitals with lower demand.

Looking at the waiting list of 5,000, if the patients were where the hospital beds are, there wouldn't be a waiting list. But the physical impossibility of moving a ward from one place to another means that you do have in some locations a substantial portion of the capacity underused.

Mr. JONAS. You mean you would have no waiting list for non-service-connected cases?

Mr. DRIVER. That is right.

PATIENT TRAVEL EXPENSES

Mr. WYMAN. When you send a patient to a different hospital, do you pay his travel?

Mr. DRIVER. If he can't afford to pay. The general situation would be that he would pay himself if he were not service connected.

Mr. JONAS. You have to establish not only that he can't pay for the private hospitalization, but that he can't pay travel expense.

Mr. DRIVER. I don't think that is the feature that defeats this. It is the fact he would have to move perhaps 400 to 500 miles from home.

Mr. JONAS. It is a family objection?

Mr. DRIVER. Yes.

Mr. EVINS. We will place in the record 8–3, which is the overall breakdown and look at 8–5.

(The pages follow:)

Appropriation Language

"For hospital and domiciliary facilities, for planning and for major alterations, improvements, and repairs and extending any of the facilities under the jurisdiction of the Veterans Administration or for any of the purposes set forth in sections, 5001, 5002, and 5004, title 38, United States Code, including necessary expenses of administration, $96,368,000 to remain available until expended."

General Statement

The Construction of Hospital and Domiciliary Facilities appropriation provides for (1) construction of new facilities, (2) modernization of existing facilities, (3) alteration and improvement of facilities under the jurisdiction of the Veterans Administration and (4) expenses of the Office of Assistant Administrator for Construction. It provides funds for architectural planning and acquisition of sites in addition to construction funds.

This request provides for the tenth annual increment under our long range construction program. Major requirements are for replacement of temporary military hospitals built during World War II and for replacement or modernization of facilities built prior to World War II.

Concurrent with replacement of obsolete facilities, beds are also being relocated to geographic areas of greatest veteran population concentration and in medical centers of such areas.

Other requirements of the program are for consolidation of outpatient clinics with hospitals, expansion of medical research space, establishment of nursing home beds, air conditioning existing hospitals, and other improvements throughout the hospital system to provide for new medical treatment programs and to correct plant deficiencies.

SUMMARY OF REQUEST F. Y. 1970

An appropriation of $96,368,000 is requested for F. Y. 1970. A summary of the request by activity follows:

	1970 Request
Construction Projects:	
Replacement and Relocation Hospitals	$27,848,000
Modernization at Hospitals	48,138,000
Other Improvements at Hospitals	6,194,000
Education and Training Facilities at Hospitals	2,000,000
Domiciliaries	2,500,000
VA Nursing Homes	1,340,000
Research Facilities	3,012,000
Total Construction Projects	$91,032,000
General Administration:	5,336,000
Total Request	$96,368,000

Mr. EVINS. You have three hospitals for replacement. Their cost is $74 million. You have 10 more for modernization, costing $84 million. Then other improvements which are shown in the record for $6 million. Training facilities $2 million, and a nursing home in Miami, Fla., for $1.4 million and converting the old hospital in Wisconsin for $2.5 million, and then you have four research projects. Are these additions to your present hospital or are they separate research facilities?

Mr. DRIVER. They are additions to existing hospitals.

Mr. EVINS. You have research projects for Boston, Denver, Madison, and Washington.

Mr. MONK. We have some money available for those projects already, which is shown in the third column.

Mr. EVINS. The last column?

Mr. MONK. The next to the last column is what we are asking for in this budget.

Mr. EVINS. I was reading the total cost.

Mr. MONK. Yes, sir, and some time ago you asked us to always show the total cost.

Mr. EVINS. The total cost is $176,589,000 and you are asking for $91,032,000.

Place 8–5 in the record.

(The page follows:)

CONSTRUCTION PROJECTS

General Statement and Detail of Request

A total of $91,032,000 in new obligational authority is requested for the construction projects listed below:

Location	Description	(In Thousands of Dollars) Total Est. Cost	Appropriation Avail. Thru 1969	Required For 1970	Required After 1970
REPLACEMENT AND RELOCATION HOSPITALS:					
San Antonio, Tex.	760 Bed Hospital	$ 26,912	$ 1,500	$25,412	$
Stony Brook (LI), N. Y.	500 Bed Hospital	25,221	1,000	636	23,585
Tampa, Fla.	720 Bed Hospital	21,641	19,841	1,800	
	Sub-Total (3 Projects)	73,774	22,341	27,848	23,585
MODERNIZATION:					
Hampton, Va.	Modernization Phase IV	6,314		358	5,956
Hines, Ill.	Modernization Phase II	12,937	500	232	12,205
Indianapolis, Ind.	178 Bed Add. OP/Cl & Res.	17,665	600	17,065	
Los Angeles, Calif.	Modernization VAC Phase III	15,087		800	14,287
Muskogee, Okla.	Modernization & A/C	1,854	113	1,741	
Phoenix, Ariz.	328 Bed Add. Phase I	12,165	650	11,515	
St. Louis, Mo.	Modernization & Research	1,845	149	1,696	
Tuskegee, Ala.	Modernization	4,877	276	4,601	
Waco, Texas	Modernization & A/C	8,088	495	7,593	
White River Jct., Vt.	Modernization	3,137	600	2,537	
	Sub-Total (10 Projects)	83,969	3,383	48,138	32,448
OTHER IMPROVEMENTS:					
Allen Park, Mich.	Centralized Tray & D. W.	120		120	
Boston, Mass.	Improve Elec. System	382		382	
Denver, Colo.	Expand Path.	242		242	
Durham, N. C.	Air Conditioning	3,422	4	3,418	
Martinez, Calif.	Complete A/C Bldg. #1	230		230	
New Orleans, La.	Convert 4 Elev. to Auto.	136		136	
Wadsworth, Kans.	New Chapel	189		189	
	Admin. Discretionary Fund	500		500	
Various Stations	Misc. Proj.$25,000 to $100,000	977		977	
	Sub-Total (9 Projects)	6,198	4	6,194	
EDUCATION AND TRAINING FACILITIES:					
	Sub-Total (1 Project)	2,000		2,000	
VA NURSING HOMES:					
Miami, Fla.	120 Bed Nursing Home	1,411	71	1,340	
	Sub-Total (1 Project)	1,411	71	1,340	
DOMICILIARY FACILITIES:					
Wood, Wisc.	Mod. Hosp. Bldgs. for Dom.	2,500		2,500	
	Sub-Total (1 Project)	2,500		2,500	
RESEARCH:					
Boston, Mass.	Research Addition	1,949	1,262	687	
Denver, Colo.	Research Addition	1,456	77	1,379	
Madison, Wisc.	Research Addition	1,583	991	592	
Washington, D. C.	Research Addition	1,749	1,395	354	
	Sub-Total (4 Projects)	6,737	3,725	3,012	
GRAND TOTAL (29 Projects).....		$176,589	$29,524	$91,032	$56,033

A more detailed description of each project is contained in the "Project Prospectuses" on the following pages. The financial status of all active construction projects is shown on pages [redacted] through 8-48.

8-37

ALLEN PARK, MICHIGAN, TRAY SERVICE

Mr. EVANS. Gentlemen, looking at 8–9, we have a project for $120,000 in Allen Park, Michigan. We will place this in the record.

(The page follows:)

VAH ALLEN PARK, MICHIGAN

Centralized Tray & Dishwashing Facility

I. Description of the Project

This project will provide central tray make-up and dishwashing for non-ambulant patients.

II. Justification

The installation of the new automated system will eliminate the need for independent floor serving and dishwashing units and reduce supply and equipment costs. In addition, nine wage board employees will no longer be required resulting in a direct personnel savings of $107,000 in the first two years. It is estimated that the project costs will be amortized within three years.

Indirect savings will accrue through improved supervision in the preparation of individual trays; improved portion control for patients on special diets; elimination of food waste resulting from bulk distribution of food to floor kitchens; and improvement of palatability and appearance of food upon reaching the patient.

III. Brief of the Construction Program

The project will locate two tray make-up lines in the main kitchen, relocate the existing dishwasher and provide belt-type breakdown line with garbage grinder. It will also relocate nourishment preparation unit. This project will make available space that will be converted to Examination and Treatment Rooms, Day Rooms and/or Doctor's Offices, on a medical priority basis.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 120	--	$ 120	--

Mr. EVINS. Why is this of critical importance?

Mr. MONK. It is centralizing the tray makeup service.

Mr. EVINS. One area? It is improving the kitchen facilities?

Mr. MONK. Yes, sir; and we will actually save money in the long run by doing this.

Mr. EVINS. Do you have dining table service that you are converting into a cafeteria?

Mr. MONK. No; we will make up the trays in one place instead of having separate serving kitchens on each nursing unit floor.

Mr. EVINS. Is this serving the veterans or the outside visitors?

Mr. MONK. Veterans.

BOSTON, MASS. ELECTRIC SYSTEM AND RESEARCH FACILITY

Mr. EVINS. Look at the next one. We have $382,000 for Boston to improve the electrical system.

Boston, Mass., a research addition, $687,000. Why is this being requested now? You have $1,262,000 available through 1969.

Mr. MONK. We haven't enough money to finish the project and let the contract.

DENVER, COLO. EXPAND CLINICAL PATHOLOGY

Mr. EVINS. Next is Denver, Colo., expanded clinical pathology. You have research at Denver now. Why is an addition needed?

Mr. MONK. This isn't for research. It is for the clinical laboratory.

DENVER, COLO. RESEARCH FACILITY

Mr. EVINS. Next is at Denver, $1,379,000 for research. You have research there now.

Mr. MONK. It is space that has been scrounged out of other areas.

DURHAM, N.C. AIR-CONDITIONING

Mr. EVINS. In Durham, N.C., you are asking for $3,418,000. What is this for?

Mr. MONK. For air-conditioning the hospital at Durham.

HAMPTON, VA. MODERNIZATION

Mr. EVINS. Modernization phase 4, Hampton, Va. What is that?

Mr. MONK. Planning money.

HINES, ILL. PHASE II

Mr. EVINS. Hines, Ill., phase 2.

Mr. MONK. That is planning money.

Mr. EVINS. What is the overall plan for Hines, Ill.?

Mr. MONK. We are just finishing a 1,220-bed hospital there and this phase 2 will replace some of the obsolete buildings. This will permit us to get out of about half of what we call the race track building, a building about a half a mile long. This will provide new psychiatric beds to replace some of the old beds we have there, and finish up the modernization of the Hines facility.

INDIANAPOLIS, IND. PROJECT

Mr. EVINS. Indianapolis, Ind. You ask for $17,065,000. Place in the record pages 8–10 through 8–17.

(The page follows:)

VAH, BOSTON, MASSACHUSETTS

Improved Electrical System

I. Description of the Project

To increase the electrical system to assure sufficient power on completion of various construction projects; e.g., the research project.

II. Justification

In order to have sufficient electrical power, it is proposed to provide additional electrical capacity and transformers. The present electrical system is up to 100% of its total electrical capacity. When the new research building is constructed, the electrical system will be inadequate unless this project is developed.

III. Brief of the Construction Program

It is proposed to provide space and lead-in for electrical capacity and transformer.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 382	--	$382	--

VAH, BOSTON, MASSACHUSETTS

Research Addition

I. Description of the Project

The project provides for new construction and alterations for additional research space.

II. Justification

The expansion of health related research since World War II has far exceeded the planning and construction of laboratory facilities. With respect to the VA Hospital at Boston, the problem has been compounded by the subsequent growth in research due to the hospital's affiliation with the Boston and Tufts Universities. This problem has been met, in part, by the conversion of clinical space and other small, diverse and widely scattered areas throughout the hospital. This expedient has produced laboratories which are inefficient.

The hospital employs 88 full-time research investigators and 6 clinical investigators, research associates, and Research and Education Trainees. There are 33 grant-fund employees who are financed and administered by the participating universities. This group is conducting research in medicine, surgery, psychiatry, pathology, radioisotope, and dentistry. The research functions in this hospital presently occupy space which is insufficient to the needs and is not centrally located for efficient operation.

III. Brief of the Construction Program

At present, research activities occupy 17,898 net square feet of space within the hospital. This project proposes the return of 3,482 net square feet of this space for clinical use by Pathology and Radiology, and for 19,410 net square feet of new construction. The project would then provide the expanding research program with a total of 33,826 net square feet of space.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$1,949	$1,262	$ 687	--

VAH, DENVER, COLORADO

Expand Clinical Pathology

I. Description of the Project

This project provides additional floor space and necessary alteration to the existing Pathology Service.

II. Justification

The space occupied by the clinical pathology is totally inadequate to the needs of this activity. Additionally, the existing area is in need of renovation and improvements in the functional arrangements of the laboratories.

III. Brief of the Construction Program

This project proposes an expansion adjacent to the present Pathology in keeping with the workload requirements of the Service. Other necessary alterations to the existing area will be made, including the required air conditioning.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 242	--	$ 242	--

VAH, DENVER, COLORADO

Research Addition

I. Description of the Project

The project provides for construction of a research addition.

II. Justification

This hospital is affiliated with the University of Colorado School of Medicine. The 57 research investigators in the Research Program all hold appointments of varying professional rank at the Medical School. There were 37 research projects active during FY 1968, from which investigations 56 papers were presented before professional and scientific societies and 54 papers were published in national journals. During FY 1968, funds allocated for research were $683,828, while university grants totaled $256,837.

Translation of these research goals into proposed staff, space and facilities has been based on evaluation of ongoing research; on the significance of the VA Hospital in the medical school complex; on the capability of the current and potential professional and scientific staff for conducting quality medical research; on the availability of animal, laboratory, and clinical facilities for research; and on the budgetary limitations within which one must plan, assigning priorities to the most urgent situations.

III. Brief of the Construction Program

It is proposed to provide 15,000 net square feet of research facilities by new construction. This will bring the total to 32,085 net square feet.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$1,456	$ 77	$1,379	--

VAH, DURHAM, NORTH CAROLINA

Air Conditioning for 489 Bed General Hospital

I. Description of the Project

The project provides for total air conditioning of the 489 bed general hospital. The laundry and kitchen will be provided with spot cooling.

II. Justification

This project is consistent with VA policy and Federal criteria to provide maximum air conditioning in VA hospitals. These criteria set forth temperature and humidity levels which must be exceeded in order for a hospital to qualify for complete air conditioning. VAH Durham qualifies under these criteria.

III. Brief of the Construction Program

Alterations to the building and installation of equipment are required to establish maximum air conditioning for patient care and treatment.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$3,422	$ 4	$3,418	--

VAC, HAMPTON, VIRGINIA

Modernization, Phase IV

I. Description of the project

This phase of the modernization provides for an addition of a clinical wing to the Main Hospital Building including the updating of the Laboratory, Radiology and Surgical Suite. The GM&S Patient Buildings are to be air conditioned and a new boiler plant is to be provided.

II. Justification

Major clinical areas noted above are outdated, inadequate and functionally poorly located. The boiler plant is antiquated and under designed, particularly in view of the qualifications of the station for total air conditioning. The psychiatric buildings need renovations.

III. Brief of the Construction Program

Emphasis will be placed on updating and consolidating clinical activities, air conditioning patient buildings and replacing the boiler plant.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$6,314	--	$ 358	$5,956

VAH, HINES, ILLINOIS - PHASE II

Modernization of Existing Buildings for Psychiatric, PM&R, and Restoration Beds and Support Activities for the Entire Hospital

I. Description of the Project

This project will provide 120 Psychiatric, 20 PM&R, 80 Restoration beds, 100,000 NSF of Research, 15,000 NSF of Teaching Facilities, and support activities for the entire hospital.

II. Justification

At present this hospital has an interim authorization of 2,108 hospital and 120 restoration center beds. As of July 1968, the operating level was 1,850 hospital beds and 120 restoration center beds. Completion of this project together with the 1,220 beds being provided in Phase I will provide a total permanent level of 1,360 hospital and 80 restoration center beds. On the basis of recent demographic studies, these beds plus 500 beds being relocated to a new site in South Side Chicago are required to meet the long-range needs of veterans residing in the Chicago, Illinois, area. This project is required for a more efficient operation by consolidation of widely scattered facilities, many of which are in substandard space. The hospital is affiliated with four local medical schools and is engaged in a wide range of teaching and research activities.

III. Brief of the Construction Program

This phase of construction will be accomplished by altering Building No. 1 (Hospital Building) for Research, Education and support activities, Building No. 2 (Administration) for Administration, Building No. 8 (Main Kitchen) for warehouse and Building No. 9 (Auditorium and Library) for multipurpose room and patients library. As a possible alternative, Buildings 50, 51 and 53 may be used in lieu of portions of Building No. 1.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$12,937	$ 500	$ 232	$12,205

VAH, INDIANAPOLIS, INDIANA

178-Bed Addition, Outpatient Clinic Consolidation, Research Addition and Air Conditioning

I. Description of the Project

The Indianapolis Hospital has two divisions. The division at Cold Spring Road has 185 general and 46 nursing home care beds. At 10th Street there are 78 psychiatric, 408 medical and surgical beds. This project provides for adding to the 10th Street Division 42 psychiatric and 136 MS&N beds to meet regional requirements. The Outpatient Clinic will be consolidated with the hospital in accordance with VA policy. Clinical areas will be expanded to the extent necessary to meet added outpatient and inpatient workload. Needed air conditioning will be provided. Research facilities will be expanded in accordance with long-range goals.

II. Justification

The proposal for increased MS&N beds is well within projected 1980 bed requirements for the Indianapolis area based on most recent surveys of the counties served. The increase in psychiatric beds similarly conforms to needs. In addition, development of an integrated 120-bed psychiatric unit will permit an affiliation in psychiatry with Indiana University School of Medicine comparable with the hospital's effective affiliation with the Medical School in all other regards.

The Outpatient Clinic, when consolidated within the hospital setting, will provide improved quality of care. Areas such as pathology, radiology and similar clinical and support facilities will be expanded to meet the workload increase resultant from additions. The hospital meets federal standards for maximum air conditioning.

A need for additional research facilities exists at this hospital. The growth of health related research has far exceeded existing constructed facilities. A total of 54 investigators working on 87 active projects have produced 28 papers and 22 publications in recognized scientific and professional journals. This project provides 27,953 net square feet of new construction for research and the station will retain 9,219 net square feet of existing space for a total of 37,172 net square feet.

III. Brief of the Construction Program

All MS&N beds, including those to be added, will be concentrated in the existing, predominantly MS&N, hospital building. Space for the additional MS&N beds will become available by transfer of existing psychiatric facilities to a planned new wing. Integrated with these relocated psychiatric facilities will be the additional psychiatric beds, mental hygiene and day care areas. Also proposed for this new wing will be as much of the expanded research and clinical space as cannot be located in existing structures.

Installation of air conditioning equipment throughout the hospital will be accomplished at approximately the same time to the extent that appropriate scheduling permits.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$17,665	$ 600	$17,065	--

LOS ANGELES, CALIF., CENTER MODERNIZATION

Mr. EVINS. Los Angeles, Calif., modernization, $800,000 for planning.

Place this in the record.

(The page follows:)

VAC, LOS ANGELES, CALIFORNIA

Modernization

I. Description of the Project

The overall modernization/replacement of the Los Angeles Center is being planned in a multi-phased construction program aimed at the eventual consolidation of all activities into the Wadsworth area, south of Wilshire Boulevard. As Phase I of a complete modernization, it is planned to complete the updating of Wadsworth GM&S Hospital, to provide approximately 910 beds, and construct new additions for research, medical programs, library, chapel, physical medicine and rehabilitation, engineering, canteen and radiology.

II. Justification

Primary deficiencies relate to dispersion and inadequacy of facilities. The wide dispersion of activities has caused unnecessary costs and problems in administration, communications, and unproductive manhours spent in travel throughout the Center. Patients detached in the MS&N annex and in the psychiatric hospital suffer the consequences of separated location and limited coordination. Medical services are duplicated and lack the efficiency and economy expected from a centralized operation.

This Center consists of structures built a generation or more ago. Some support facilities, research and modernization at Wadsworth have been accomplished. For the remaining part of Wadsworth and the rest of the Center, modernization or replacement is indicated because of obsolescence, overcrowding and problems of safety and maintenance.

Most of the Center's research facilities are antiquated, inadequate and so dispersed as to make the program inefficient and expensive. Less than 25% of research facilities are in any one location; the remainder is distributed in nooks and corners throughout this vast center. As a result of this lack of coordination in space utilization, the research program suffers the administrative, organizational and operational defects that might be expected.

III. Brief of the Construction Program

It is proposed to up-date these facilities by addition and alterations to Buildings No. 163, 165 and 304 which house respectively, support facilities, patient wards, and surgery. Also contemplated is new construction for 40,000 net square feet for research; an addition to Building No. 165 of 37,000 net square feet for medical programs, library, chapel, physical medicine and rehabilitation and engineering; addition of 6,500 net square feet to Building No. 163 for Canteen; addition of 5,000 net square feet to Building No. 304 for Radiology; and the improvement of the Cemetery irrigation.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$15,087	$ --	$ 800	$14,287

MADISON, WISCONSIN RESEARCH ADDITION

Mr. EVINS. Madison, Wisconsin, research facility. Place this in the record.

(The page follows:)

VAH, MADISON, WISCONSIN

Research Addition

I. Description of the Project

This project provides for new construction and alterations to existing space for additional research and clinical laboratory space.

II. Justification

This hospital is affiliated with the University of Wisconsin Medical School. The 60 research investigators, in addition to their clinical duties, hold varying types of professional rank at the Medical School. As of June 30, 1968, there were 49 patient oriented research projects in process; the majority of them being in kidney and bladder ailments, emphysema, metabolism and cardiac disorders. In FY 1968, 43 papers were presented before professional and scientific societies and 48 papers were published in professional and scientific journals. The hospital has eight grants from NIH and twelve from non-governmental sources, such as the American Cancer Society. Research activities presently occupy 13,180 net square feet of space which is insufficient for the needs of the expanded research program.

III. Brief of the Construction Program

It is proposed to provide 10,660 additional net square feet of research space by new construction or alterations and 5,340 net square feet for clinical laboratories in a new building. Alterations to 2,128 net square feet presently occupied by research (910) and clinical pathology (1,218) will be made under this project and the space returned to non-research activities, such as medical administration and outpatient clinic activities. Upon completion of the project, research activities will occupy 22,930 net square feet.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$1,583	$ 991	$ 592	--

MARTINEZ, CALIF.—AIR CONDITIONING

Mr. EVANS. Martinez, Calif. What is this?

Mr. MONK. Part of that hospital is air-conditioned and part of it is not.

Mr. EVINS. Why wasn't that done when it was built?

Mr. MONK. There was a formula at the time that it didn't qualify for air conditioning.

Mr. TALCOTT. If you check the weather conditions there, you don't need it. I don't think the humidity or temperature varies that much.

Mr. MONK. It does meet the criteria now.

MIAMI, FLA.—NURSING HOME

Mr. EVINS. And Miami, Fla., a 120-bed nursing home, $1,340,000.

Mr. MONK. Mr. Chairman, this will be the first new unit we have ever put in our system for nursing beds. The 4,000 beds that we have activated were in existing space.

Mr. EVINS. The 4,000 beds were in existing space and there will be a new addition for a nursing home in conjunction with an already existing hospital.

Mr. MONK. That is correct, and we have no nursing home beds in our system in Florida.

Mr. JONAS. The Miami hospital was just finished.

Mr. DRIVER. It isn't fully activated yet.

Mr. MONK. There is a certain type of nursing home patient who, because of the limited rate we can pay, we can't out-place within the amount of money we are allowed to pay.

Mr. JONAS. How many beds are in the Miami hospital?

Mr. MONK. 1,068.

Mr. JONAS. How many in Tampa?

Mr. MONK. 720.

Mr. JONAS. How many at Gainesville?

Mr. MONK. 480.

Mr. JONAS. And this will be 120?

Mr. EVINS. Place 8–20 and 8–21 in the record.

(The page follows:)

VAH, MARTINEZ, CALIFORNIA

Complete Air-Conditioning of Building No. 1

I. Description of the Project

This project provides for expansion of the existing air-conditioning system in order to completely air-condition the 489-Bed General Hospital.

II. Justification

Approximately 10% of the patient care areas at this hospital are air-conditioned. Other patient care areas have consistently revealed elevated room temperatures in excess of an acceptable environment for proper therapy. The anticipated conversion of certain ward areas for intensive care/coronary care units requires air-conditioning for these areas.

The duct system for future expansion of the air-conditioning system was provided at the time the hospital was constructed. When the project was designed, insufficient data was available to qualify the hospital for full air-conditioning. Since activation of the hospital, weather data has been collected. Based on this data, the hospital qualifies for complete air-conditioning under Federal Criteria and VA policy to provide maximum air-conditioning in VA Hospitals.

III. Brief of the Construction Program

Necessary alterations to the building and installation of equipment (chiller, cooling tower and pump) to establish maximum air-conditioning for patients care and treatment.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimate Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 230	$ --	$ 230	$ --

VAH, MIAMI, FLORIDA

120-Bed Nursing Home Care Unit

I. Description of the Project

This project provides for the construction of a 120-bed nursing home care building.

II. Justification

A VA nursing home is required that will serve the veteran population within the State of Florida, who no longer require hospitalization but require continued care.

At present there are no VA nursing home care beds available within the State of Florida. The nearest VA nursing home care beds to the Miami area are located at the VAC, Dublin, Georgia, which is approximately 500 miles away.

III. Brief of the Construction Program

It is proposed to construct a 120-bed nursing home building to be located on the site of VAH, Miami, Florida. Treatment and support facilities will be provided by VAH, Miami. The project will be constructed as a pilot study for future VA and other Federal nursing homes.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$1,411	$ 71	$1,340	--

Mr. WYMAN. Is it cheaper to do it this way?

Mr. MONK. We haven't any space in any other hospital because of the demand for hospitalization in Florida, to convert space to nursing bed usage.

Mr. EVINS. You have the old facility there the same as at Wood, Wis., as I understand it.

Mr. DRIVER. That is gone now.

Mr. MONK. The Coral Gables hospital was an old hotel. You couldn't get a stretcher in the elevators. You had to stand it up sideways in an elevator to get a patient upstairs.

Mr. WYMAN. Are you saying you can't put these people out in contract nursing homes?

Mr. DRIVER. We can't put them out and pay for their care under the limitations in our per diem rate. A private nursing home won't take the most severe nursing home patient for the money that we can pay. We take care of those in our own beds.

Mr. TALCOTT. If a veteran lives in Michigan, if he requests to be hospitalized, can he be hospitalized in Florida?

Mr. DRIVER. Yes.

Mr. MONK. Generally he would have to pay his own transportation if he makes the request.

Mr. DRIVER. The influx of veterans into Florida in the older age group is the highest of any State in the Nation. California would be for the younger age group.

Mr. EVINS. The next item is on page 8–22, Muskogee, Okla.

NEW ORLEANS, LA.—CONVERT ELEVATOR

The next one, New Orleans, La., $136,000. What do you propose there?

Mr. MONK. Converting the elevator to automatic control. This will be a money-saver.

PHOENIX, ARIZ.—328-BED ADDITION

Mr. EVINS. Phoenix, Ariz., 328-bed addition for $11,515,000. Tell us about this one.

Mr. MONK. We are adding beds so we will have a total of 520 beds in Phoenix. We have a big veteran migration into Arizona and we have a shortage of beds in the State of Arizona. This is another project that has been in the mill now for about 7 years. You will remember when Mr. Rhodes was on this committee we were talking about this project.

Mr. EVINS. What is the average cost per bed? Are you keeping it in line with the others?

Mr. MONK. Yes, sir. Well, it is not quite $40,000 per bed, but it will approach $40,000.

SAN ANTONIO, TEX., 760-BED HOSPITAL

Mr. EVINS. San Antonio, Tex., a 760-bed general hospital, $25,412,000.

Place pages 8–22 through 8–25 in the record.

(The pages follow:)

VAH MUSKOGEE, OKLAHOMA

Modernization and Air Conditioning

I. Description of the Project

This modernization provides for air conditioning the hospital, redesigning the 11 active Nursing Wards, correcting deficiencies in Pathology, Radiology, Chaplain Service, Dental Service, Administration, PM&R and Lockers, Lounges, Toilets and Showers. In addition, approximately 3,000 NSF of education and training space will also be provided.

II. Justification

The principal buildings at this hospital are from 35 to 40 years old. Functional arrangements, especially in the Nursing Wards, are inadequate and obsolete. Some space shortages exist in a number of major Services such as Radiology, Pathology, Dental and Administration. Storage space is in short supply, since the Main Building has no basement. The hospital qualifies for maximum air conditioning.

III. Brief of the Construction Program

In planning the modernization of this hospital, emphasis is to be placed on improving functional activities both within the individual Services mentioned above and their relationship with other services. Work to be accomplished covers some alterations in the Services mentioned in the description and complete air conditioning.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$1,854	$ 113	$1,741	--

VAH, NEW ORLEANS, LOUISIANA

Converting Elevators to Automatic Control

I. Description of the Project

Convert passenger elevators 1, 2, 3 and 4 in Building No. 1 to Automatic Control.

II. Justification

Building No. 1, the main hospital building is an eleven-story building housing ward areas and supporting activities.

The conversion of four elevators in Building No. 1 will reduce the station's operating costs as well as provide faster service to all floors in the building.

It will be accomplished as a cost reduction project. There will be a decrease in employment of 7.0 FTE WA-1 Elevator Operators which will effect a gross savings of $25,863. It is estimated that the project cost will be amortized over a period of approximately 6 years.

III. Brief of the Construction Program

It is proposed to make the necessary mechanical changes to existing elevators and provide automatic floor selection equipment for each.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 136	--	$ 136	--

VAH, PHOENIX, ARIZONA

328-Bed Addition

I. Description of the Project

This project provides for the construction of a 328-bed addition. Upon completion, the hospital will have an overall level of 520 beds of which 136 will be Psychiatric and 384 MS&N. The project also provides for approximately 10,000 net square feet of additional research space, increasing the total research to 15,000 net square feet.

II. Justification

There is a problem in the State of Arizona of maldistribution of VA hospital beds. VAH Phoenix is located in Maricopa County which has approximately 55% of the total veterans living in the State. There has been an increasing demand for beds at this hospital. With the exception of a few psychiatric beds at VAH Phoenix and Tucson, the psychiatric needs of Arizona veterans are presently being provided by VA hospitals in adjoining states. Based on population estimates, it has been determined that because of migration, the veteran population will increase.

III. Brief of the Construction Program

The updating of this facility will be accomplished in two phases. The first phase for which funds are recommended will provide six floors of new construction to be connected to the south side of existing Building No. 1. The necessary expansion of laundry facilities will require one floor of new construction on the south end of Building No. 2. The existing warehouse will be expanded into new construction in a courtyard adjoining the current warehouse. The existing air conditioning plant will be expanded to provide maximum air conditioning to the new construction. The total new construction planned for this project is 144,285 net square feet. Phase II will include modernization of the remainder of the existing plant. Funds for this phase will be recommended in a future budget.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$12,165	$ 650	$11,515	--

VAH, SAN ANTONIO, TEXAS

760-Bed General Hospital

I. Description of the Project

The project provides for the construction of a 760-Bed General Hospital to include:

A. 400 medical, surgical and neurological beds.
B. 360 psychiatric beds.
C. Outpatient care facilities.
D. Research laboratories and teaching areas.
E. Advanced developments in medical care and technology, e.g., organ transplant, day hospital, physiological monitoring, biomedical engineering.

II. Justification

A. Historical Background

On February 11, 1963, the President authorized construction of the 760-Bed San Antonio Hospital.

On April 24, 1963, the Board of Trustees, San Antonio Medical Foundation formally approved the donation of a site for the hospital in the South Texas Medical Center. This site is adjacent to the proposed South Texas Medical School, the University of Texas, and the proposed South Bexar County Teaching Hospital. It is eight miles northwest of the center of San Antonio.

B. Mission

1. An affiliated teaching hospital will:

   a. Provide a general hospital with a balanced program of care for both MS&N and psychiatric patients.
   b. Place beds in a population center where they are more accessible to the greatest number of veterans served.
   c. Permit reduction of the oversized psychiatric hospital at Waco to a more manageable size and replacement of beds elsewhere to better advantage
   d. Permit reduction at Kerrville to the confines of a reasonably modern facility, thereby, providing for more effective utilization of the limited staff available.
   e. Permit construction of beds by VA to meet VA's requirements, thereby, reducing future replacement requirements by the Army of beds now occupied by VA patients. VA has 110 contract beds in Brooke Army Hospital.

2. A total of 31,000 net square feet of space for research facilities will be provided along with 12,500 net square feet of space for education and training facilities.

III. Brief of the Construction Project

Facilities for a full range of medical, surgical and psychiatric inpatient and outpatient care will be provided in this teaching hospital. Facilities and services will include maximum air conditioning.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$26,912	$1,500	$25,412	--

Mr. JONAS. Is this to replace something?
Mr. MONK. No, this is a brand new hospital.
Mr. EVINS. One for which funding was deferred last year.
Is the planning completed on this and is it ready for constructon?
Mr. MONK. The plans now are about 75 percent complete.
Mr. JONAS. Where is your nearest VA hospital?
Mr. MONK. Kerrville, Tex.
Mr. JONAS. How far is that?
Mr. MONK. About 65 miles.
Mr. JONAS. Do you have access to the military hospital in San Antonio?
Mr. MONK. Yes.
Mr. JONAS. How many beds does it have?
Mr. MONK. Brooke General is a big hospital.
Mr. EVINS. This is a new hospital?
Mr. MONK. It is a new hospital and will involve a reduction of beds at Waco and Temple.
Mr. JONAS. How many beds are you using at Brooke?
Mr. MONK. Currently, about 40 beds.

ST. LOUIS, MO.—MODERNIZATION AND RESEARCH

Mr. EVINS. St. Louis, Mo., modernization and research. What is the nature of this for $1,696,000?
Mr. MONK. This is basically research space, but it will add some clinical space.
Mr. EVINS. To an already existing hospital?
Mr. MONK. Yes, sir.
Mr. EVINS. Place pages 8–26 in the record.
(The pages follow:)

VA HOSPITAL, ST. LOUIS, MO.—MODERNIZATION AND RESEARCH

I. DESCRIPTION OF THE PROJECT

The project provides for alterations to building No. 7 for 5,000 net square feet of research space and the updating of support facilities in building No. 1.

II. JUSTIFICATION

The hospital which was opened in 1954 is affiliated with both the St. Louis and Washington Universities. The affiliation of VA hospital with medical schools is essential to the provision of an acceptable high quality of medical care for veteran patients. Therefore, in planning, attention must be directed to the medical needs of the veterans in the community, the type of facilities which are necessary to accommodate these needs, and the research facilities which will allow for an effective and well-planned affiliated program.

III. BRIEF OF THE CONSTRUCTION PROGRAM

The clinical laboratory, medical administrative division, special procedure room, cardiac catheterization room, psychiatry and psychology wards and administration, and the canteen areas in building No. 1, main hospital, will be updated to approximate criteria. Building No. 7 will be modernized to house approximately 5,000 net square feet of research space.

IV. Cost estimate and funding (in thousands of dollars)

Total estimated cost	$1,845
Available through fiscal year 1969	149
Fiscal year 1970 request	1,696
Fiscal year 1971 or future	-----

STONY BROOK, N.Y., 500-BED HOSPITAL

Mr. EVINS. On page 8–27 is a 500-bed hospital in Stony Brook, N.Y. Place this in the record.

(The page follows:)

VA. HOSPITAL, STONY BROOK, N.Y.—500-BED HOSPITAL

I. DESCRIPTION OF THE PROJECT

A. Projected plan

This project provides for construction of a 500-bed M.S. & N. hospital to be located adjacent to the proposed State University of New York Medical School. There will be 320 medical, surgical, and neurological beds, 120 psychiatric beds, and 60 nursing home care beds. Outpatient facilities to serve an annual estimated workload of 64,000 visits will be provided.

B. Mission

The mission of the Veterans' Administration Hospital at Stony Brook will be to provide health services to veterans in the primary service area, conduct medical research, education, and training programs.

II. JUSTIFICATION

The new hospital will allow for a redistribution of beds in the primary service area to correspond with geographic shifts in the veteran population. A close affiliation with the proposed State University of New York Medical School will enable us to provide the highest quality of medical care to the veteran population.

III. BRIEF OF CONSTRUCTION PROGRAM

A full range of facilities is proposed to provide both inpatient and outpatient treatment for psychiatric and M.S. & N. patients. Approximately 20,000 net square feet of research space for the medical research programs will be provided. Coordinated planning with the medical school will permit a comprehensive exploration of the feasibility of common shared facilities.

IV. Cost Estimate and Funding (in thousands of dollars)

Total estimated cost	$25,221
Available through fiscal year 1969	1,000
Fiscal year 1970 request	636
Fiscal year 1971 or future	23,585

Mr. MONK. This is in connection with the new medical school of the University of the State of New York at Stony Brook. These are planning funds.

SAN ANTONIO, TEX., 760-BED HOSPITAL

Mr. JONAS. May I return to San Antonio? How does this jibe with your plan to build new hospitals near educational institutions?

Mr. MONK. There is a new medical school at San Antonio.

Mr. DRIVER. They gave us 34 acres as a grant.

Mr. JONAS. Is it in operation?

Mr. MONK. It is in operation. They took their first class this year. It is a part of the University of Texas system.

Mr. TALCOTT. Is 34 acres a good enough base to get a hospital?

Mr. DRIVER. If you can associate contiguous to a medical school, I would say it is the best.

Mr. JONAS. You got that without cost?

Mr. DRIVER. We paid $1.

STONY BROOK, N.Y., 500-BED HOSPITAL

Mr. EVINS. Referring back to page 8–27, Stony Brook. What is the cost per bed?

Mr. MONK. That is going to run high, possibly over $40,000. Of course, this cost is going up.

Mr. EVINS. You have $1 million available through 1969 and the future requirement is $23,585,000?

Mr. MONK. Yes.

Mr. EVINS. There is a real need for this hospital, you indicate.

Mr. MONK. On Long Island; yes, sir.

TAMPA, FLA., 720-BED HOSPITAL

Mr. EVINS. Tampa, Fla., a 720-bed hospital.

Mr. MONK. This is in the process of construction.

Mr. EVINS. You have available through 1969, $19,841,000. You are asking for $1.8 million. Why do you need $1.8 million when you have $19.8 million?

Mr. MONK. Well, we just didn't have quite enough.

Mr. JONAS. Will this complete it?

Mr. MONK. Yes, sir.

Mr. EVINS. This will complete the hospital?

Mr. MONK. Yes, sir; and the construction has just started on this hospital. It is underway.

Mr. JONAS. You really don't need the $1.8 million until next year?

Mr. MONK. We have let a contract. Actually we have borrowed it from our unobligated balance.

Mr. JONAS. It won't be spent but it is obligated?

Mr. MONK. Yes.

Mr. JONAS. Place 8–28 in the record.

(The page follows:)

VAH, TAMPA, FLA.—720 BED M.S. & N. HOSPITAL

I. DESCRIPTION OF THE PROJECT

A. This project provides for construction of a 720-bed M.S. & N. hospital to be located adjacent to the proposed University of South Florida Medical School in the North Tampa area. There will be 480 medical, surgical, and neurological beds and 240 psychiatric beds. Outpatient facilities to serve an annual estimated workload of 62,000 visits will be provided.

B. *Mission.*—The mission of the Veterans' Administration hospital at Tampa will be to provide health services to veterans in the primary service area, conduct medical research, education and training programs.

II. JUSTIFICATION

The estimated veteran population for Florida is now 828,000. This population is projected to increase to 891,000 by 1980. Present Veterans' Administration medical facilities in the State are inadequate to care for this veteran population expansion. The new Tampa hospital together with the Bay Pines facility will serve the veterans residing in the Central Florida area.

A close affiliation with the proposed University of South Florida Medical School will enable us to provide the highest quality of medical care to the veteran population.

III. BRIEF OF THE CONSTRUCTION PROGRAM

The Tampa hospital will be located on a 23-acre site opposite the proposed new University of South Florida Medical School. Facilities for a full range of

medical, surgical, and psychiatric inpatient and outpatient care will be provided in this proposed teaching hospital, including clinical units for intensive care, metabolic and hemodialysis. A mental hygiene clinic and day treatment center will also be provided. Maximum air conditioning will be provided. Approximately 32,000 net square feet of research space for the medical research programs will be conducted in cooperation with the medical school. Laundry service will be provided by the Bay Pines facility.

IV. *Cost estimate and funding (in thousands of dollars)*

Total estimated cost	$21,641
Available through fiscal year 1969	19,841
Fiscal year 1970 request	1,800
Fiscal year 1971 or future	—

The construction contract for this project was awarded October 9, 1968. The additional funds recommended in fiscal year 1970 are to completely finance the project including provisions to cover unforeseen contingencies that may arise during the life of the contract.

TUSKEGEE, ALA., MODERNIZATION

Mr. JONAS. Look at Tuskegee, Ala. Phase 6, modernization, $4,601,000. How long has this been underway?

Mr. MONK. This has been on the books for 7 or 8 years and basically this is air conditioning.

WACO, TEX., MODERNIZATION AND AIR CONDITIONING

Mr. EVINS. Waco, Tex., $7.6 million.

Mr. MONK. This is basically air conditioning and we are cutting back the beds.

WADSWORTH, KANS., CHAPEL

Mr. EVINS. Refer to page 8–30, Wadsworth, Kans., a new chapel. Will this complete the job?

Mr. MONK. For the chapel, yes, sir.

Mr. EVINS. Do you build a chapel at all your hospitals?

Mr. MONK. No, not as separate buildings, but this is a big domiciliary hospital center here. The old chapel we had was built in 1893 and it has been condemned. Actually, Mr. Chairman, they are holding Catholic services in the basement of a building and when they have a funeral they can't get the casket in the building.

Mr. EVINS. The chapel will be for all services?

Mr. MONK. Yes, sir.

WASHINGTON, D.C., RESEARCH ADDITION

Mr. EVINS. Research activities in Washington, D.C. Why do you need $354,000 when you have $1,395,000 available from last year?

Mr. MONK. When we drew up the plans we didn't have enough money to build it.

Mr. EVINS. What type of research are you going to do here?

Dr. BERNSTEIN. This is a further extension of the general program. This was recently reviewed by an outside organization and the comment was made they are extremely tight in available research space.

Mr. EVINS. The record shows you have considerable research space available now. You have a lot of space available, 34,770 net square feet. This project will provide an additional 20,000 net square feet for a total of 54,770 net square feet of research space.

Mr. MONK. This money would pay for the 20,000 additional square feet.

Mr. EVINS. The money would pay for the 20,000 additional square feet of research space.

WHITE RIVER JUNCTION, VT. MODERNIZATION

Mr. EVINS. White River Junction, Vt., $2,537,000. Place in the record pages 8–29 through 8–33.

(The page follows:)

VAH, TUSKEGEE, ALABAMA

Phase VI Modernization

I. Description of the Project

This phase of the modernization provides for alterations to the dining hall and kitchen building, air conditioning of patient areas, alterations for engineering shops, correct fire and safety deficiencies, conversion of space for offices, convert existing dining room to dessert preparation area, and modernize tray serving line in patients' dining room.

II. Justification

The original buildings at this hospital are over 40 years old and the functional arrangement and equipment are obsolete. Many areas in all buildings have inadequate fire protection. Engineering shops are located in space which is inadequate for their functions. Administrative offices are located in separate buildings far removed from patient care activities. The hospital qualifies for maximum air conditioning.

III. Brief of the Construction Program

In planning the modernization of this facility, emphasis was placed on the arrangement of functional activities and the movement of traffic and supplies. Work to be accomplished covers relocating engineering shops, conversion of two dining rooms to office space, modernizing the tray serving line and one patients' dining room, converting one dining room to a dessert preparation area, correcting fire and safety deficiencies and air conditioning the remainder of the hospital.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$4,877	$ 276	$4,601	--

VAH, WACO, TEXAS

Modernization

I. Description of the Project

This modernization provides for limited refurbishing, outpatient clinic consolidation, alterations to provide 77 MS&N beds, air cooling and selective changes in clinical support areas.

II. Justification

Refurbishing and improved bed spacing will improve operations. The separated and overcrowded canteens will be consolidated. Covered walkways will be constructed for protection against the weather. The Psychiatric Service area for the State of Texas is adequately covered by the 1240 psychiatric beds at Waco, plus beds at Houston and Temple, and additional psychiatric facilities planned for San Antonio. The 77 MS&N beds at Waco will provide the required support for the psychiatric inpatient load.

III. Brief of the Construction Program

Building No. 1 will be adapted for clinical support facilities, 77 MS&N beds and outpatient clinic consolidation. Selective improvement is planned for pharmacy, central service, and other areas affected by the MS&N workload. Elevators will be installed in four buildings. A service roadway and loading dock to facilitate canteen service deliveries to Building No. 8 will be part of the project.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$8,088	$ 495	$7,593	--

VAC, WADSWORTH, KANSAS

New Chapel

I. Description of the Project

A new Chapel will be built to replace an unsafe structure that is no longer used.

II. Justification

The existing 1893 Chapel has been declared unsafe by consulting engineers. Structural defects caused its deactivation in April 1965. Protestant services are conducted in improvised facilities in the theatre. Catholic services are conducted in a domiciliary basement. Suitable facilities for religious services are needed.

III. Brief of the Construction Program

New construction is planned for a Chapel seating 35 wheelchair patients and 320 other patients. This new construction will involve 5,478 net square feet, 7,724 gross square feet.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 189	--	$ 189	--

VAH, WASHINGTON, D. C.

Research Addition

I. Description of the Project

The project proposes the construction of a new building for research activities at this hospital.

II. Justification

The hospital is affiliated with Georgetown University Medical School, George Washington School of Medicine, and Howard University Medical School, all within a few miles of the hospital. The deans from these schools assume a leading role in the overall medical program and cooperate in directing the training of approximately 67 residents in 15 training programs. Training is conducted in 20 medical and ancillary programs being operated in collaboration with the affiliated medical schools. The research program has been most active and as a result, aggressive and varied scientific studies are underway. There are 93 projects in process at this hospital; in medicine, surgery, psychiatry, pathology, radioisotope, dental and basic or pre-clinical research. Current research programs now housed in the new hospital along with new research functions being programmed are expanding to the point that additional space is necessary. This space cannot be provided in the present building.

III. Brief of the Construction Program

The hospital now has a total of 34,770 NSF research space which will continue in use. The proposed project will provide for an additional 20,000 NSF for a total of 54,770 NSF of research space by constructing a new building joined to the existing hospital by a connecting corridor.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 1,749	$1,395	$ 354	--

VAC, WHITE RIVER JUNCTION, VERMONT

Modernization - Phase III

I. Description of the Project

Plans for Phase III of the Modernization Program at this Center call for erecting a new 204-Bed Nursing Unit Addition, including a Surgical Suite and Educational space.

II. Justification

The existing nursing units were built in 1938 and 1939 and designed to house 188 patients. Today, this figure has reached 200 with no increase in original space. This growth in patient population, growth in clinical procedures, in addition to increased workload, has also caused crowded conditions in the clinical and other support facilities. This plan will provide efficient and effective treatment facilities for patients.

III. Brief of the Construction Program

It is planned to centralize all nursing units and the surgical suite by constructing an addition of approximately 42,000 net square feet.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$3,137	$ 600	$2,537	--

Mr. WYMAN. What are you going to do with the old nursing units at White River Junction?

Mr. MONK. We will probably convert some of them to research and clinical space.

Mr. WYMAN. How about the bed space?

Mr. MONK. The bed space, we intend to provide new bed space. The bed space at White River—I am sure you are familiar with it—is very crowded and unsatisfactory at the present time.

Mr. WYMAN. I understand but the 200 beds that you now have, they will be removed when the new space is completed?

Mr. MONK. We will not use the present bed space for bed space, but we will not remove it. We will go in there and alter it for other use.

Mr. WYMAN. Is this going to be in a new building?

Mr. MONK. Yes, sir.

Mr. MONK. We are going to try to hook it on to the existing building, Mr. Wyman.

WOOD, WIS., DOMICILIARY MODERNIZATION

Mr. EVINS. Wood, Wis. Does this $2.5 million complete the job?

Mr. MONK. We expect to complete the job. This will actually enable us to save a considerable amount of money because the present domiciliary space is spread out away from the new hospital, and by consolidating it in this old hospital building we will be able to close down some of our utilities and cut down on our maintenance and repair costs considerably.

EDUCATION AND TRAINING FACILITIES

Mr. EVINS. You have education and training facilities here for $2 million; conference rooms, auditoriums, classrooms, anything the Administator decides on.

Then "Various stations," $977,000. Tell us about this one on page 8–36. This is for projects costing $25,000 to $100,000. Is this the administrative discretionary fund?

Mr. MONK. No, sir; I have a list if you would like to have it.

Mr. EVINS. Supply the list for the committee and not for the record.

Mr. TALCOTT. Would this include flood damage?

Mr. DRIVER. This is for alteration or improvement of existing facilities.

ADMINISTRATOR'S DISCRETIONARY FUND

Mr. TALCOTT. You are requesting $500,000 for the Administrator's discretionary fund. What is it for?

Mr. MONK. It could be for flood damage.

For example, Mr. Talcott, we built a new NP building at Palo Alto. After construction we had the furniture put in a room and we had a fire. We had to have money immediately to go in and the same would be true if we had a tornado or a flood that put a plant out of operation.

Mr. TALCOTT. Are you self-insured for fire?

Mr. MONK. Yes, sir.

Mr. TALCOTT. And for flood too?

Mr. MONK. Yes, sir.

Mr. TALCOTT. A home or residence with a VA loan would be self-insuring against flood?

Mr. DRIVER. Not in the housing program. They have to carry their own.

Mr. TALCOTT. This is just in your own facilities?

Mr. DRIVER. Yes, sir.

Mr. EVINS. Place pages 8–34 through 8–36 in the record at this point.

(The pages follow:)

VAC WOOD, WISCONSIN

Modernization of Facilities

I. Description of the Project

It is planned to convert hospital Buildings #43 and #70, which were replaced by new construction, for domiciliary restoration, and support facilities.

II. Justification

The existing domiciliary buildings are of frame construction with masonry exterior walls. They have far exceeded their useful life and are in urgent need of replacement. Hospital Buildings #43 and #70, which have been vacant since the activation of the new hospital building, are structurally sound and can be adapted to domiciliary use.

III. Brief of Construction Program

It is proposed to modernize Building 43 for 200 bed restorees and Building 70 for 850 bed domiciliary. Also included in this project are alterations for Medical Administration and other support facilities such as Mental Hygiene Clinic, Day Treatment Center, Pharmacy, Laundry, Library, utilities service, etc.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru 1969	FY 1970 Request	FY 1971 or Future
$2,500	--	$2,500	--

VARIOUS STATIONS

Education and Training Facilities

I. Description of Projects

These projects will provide additional space for conduct of an expanded program of education and training of medical and paramedical personnel. Various types of space are required to support these expanded programs. Such space will consist of (1) classrooms, (2) Laboratories, (3) auditoriums, (4) conference rooms, (5) demonstration rooms, etc.

II. Justification

It is estimated that the number of medical personnel trained in Veterans Administration facilities will increase from 31,759 in FY 1968 to 39,854 in FY 1970. It is expected that the number trained will continue to rise for at least the next 5 years as the potential for VA's contribution to alleviation of the shortage of trained medical manpower is more fully utilized. One of the most severe limitations on VA's ability to make a greater contribution to the medical training needs of the nation is that of space. While the exact space needs for this program cannot presently be determined, it is estimated that a minimum of $80 million is required for construction of training space over the next 5 years.

III. Brief of the Construction Program

The projects to be initiated under this proposal will provide additional space by either (1) conventional new construction, (2) alterations to existing space or (3) erection of modular prefabricated construction. The type of construction will be decided by surveys now underway at the highest priority locations.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru 1969	FY 1970 Request	FY 1971 or Future
$2,000	--	$2,000	--

VARIOUS STATIONS

Miscellaneous Other Improvement
Projects $25,000 to $100,000

I. Description

It is planned to accomplish minor alterations and improvement projects costing $25,000 and $100,000 under this heading. Included are such projects as connecting corridors, Pulmonary Function Laboratories, Pulmonary Emphysema Units, extension of electrical systems, expansion of clinical laboratories, etc.

II. Justification

In order to keep pace with changes in the treatment of patients and correct long delayed deficiencies in VA hospitals it is necessary that certain projects be accomplished. The projects included in this program are the result of Medical Long-Range Plans and those deficiencies which do not qualify under the Maintenance of Facilities Program.

III. Brief of the Construction Program

It is proposed to make the necessary space adjustments and alterations including equipment, electrical, mechanical, and construction.

IV. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 977	--	$ 977	--

VARIOUS STATIONS

Administrator's Discretionary Fund

I. Description

This fund was established in order to provide for urgent projects which in the judgment of the Administrator should not be delayed for funding in a future budget.

II. Cost Estimate and Funding (In Thousands of Dollars)

Total Estimated Cost	Available Thru FY 1969	FY 1970 Request	FY 1971 or Future
$ 500	--	$ 500	--

Mr. Evins. We have already discussed the general administration of construction activities. We will place pages 8–49, 8–51, 8–54, 8–55, 8–56, and 8–57 in the record.

(The pages follow:)

GENERAL ADMINISTRATION

The General Administration Activity provides for all the costs of the Office of the Assistant Administrator for Construction except for (1) construction project costs as shown under the Construction Activity and (2) Research and Development costs related to construction which are funded from the Medical Care Appropriation.

These costs consist of salaries and related expenses of personnel engaged in the three major responsibilities of the Office of Construction; (1) design and construction of Veterans Administration hospitals, domiciliaries and other facilities, including modernization and improvements of existing plant; (2) acquisition, utilization, and disposition of VA real property; and (3) staff responsibilities for safety of VA patients, the public and VA employees; and protection of VA property from fire.

The architect-engineer contract costs and the salaries and related costs of the labor force hired by VA for construction projects are funded as part of the construction project costs.

Summary of Obligational Requirements by Object for General Administration

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average Employment	395	373	373	
Obligations:				
Personnel Compensation	$4,435,107	$4,591,000	$4,591,000	
Permanent Positions	(4,395,311)	(4,550,000)	(4,550,000)	
Positions Other than Permanent	(10,331)	(10,000)	(10,000)	
Other Personnel Compensation	(29,465)	(31,000)	(31,000)	
Personnel Benefits	351,202	376,000	376,000	
Total Pers. Comp. & Benefits	4,786,309	4,967,000	4,967,000	
Travel and Trans. of Persons	89,738	129,000	140,000	+11,000
Transportation of Things	27,104	27,000	27,000	
Rent, Commun. and Utilities	36,834	40,000	43,000	+3,000
Printing and Reproduction	70,313	90,000	90,000	
Other Services	72,620	42,000	42,000	
Supplies and Materials	19,087	19,000	19,000	
Equipment	14,920	8,000	8,000	
Lands & Structures	-100			
Total Obligations	$5,116,825	$5,322,000	$5,336,000	$+14,000

Justification and Explanation of Personal Service Costs

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Average Employment:	395	373	373	
Personnel Compensation:	$4,435,107	$4,591,000	$4,591,000	

$4,591,000 is requested for personnel compensation in 1970. This is the same as the estimated personnel costs for 1969.

An average employment level of 373 man years is requested for 1970, which is the same as the man years planned in 1969.

Personnel Benefits:	$351,202	$376,000	$376,000

$376,000 is requested under this object to cover the Government's contribution in accordance with existing legislation, to the various health and welfare funds for the benefit of its employees. This is the same amount provided in 1969. The funds requested are for:

a.	Subsistence & Temporary Expenses*	$ 16,000
b.	Real Estate Costs*	16,000
c.	Miscellaneous Moving Costs*	6,600
d.	Federal Employee Life Insurance Fund	16,000
e.	Federal Insurance Compensation Act	4,000
f.	Civil Service Retirement Fund	285,200
g.	Federal Employees Health Insurance Fund	29,000
h.	Living Allowance & Education Assistance	3,200
	Total.....	$376,000

* Moving and related expenses under Public Law 89-516.

Functions of Organizational Elements

The following functions are performed by the elements of the Office of Construction.

Office of Assistant Administrator - The Assistant Administrator for Construction, as the Chief Engineer of the Veterans Administration, provides overall direction of the construction program. His office, with its immediate staff including the Deputy Assistant Administrator, the Chairman of the Architect-Engineer Selection Board, and the Legal Advisory Staff provide for planning, design and construction operations as follows:

a. Special Field Representatives serve as advisors to and inspectors for the Assistant Administrator for Construction through visits to sites of projects under construction. They also provide administrative support to the Resident Engineers and make assignments for assuring adequate technical supervision at construction sites.

b. Management Staff provides office services, management analysis services, personnel liaison service and coordination on methods, procedures and publications affecting more than one organization element.

c. Program Control Staff provides budget, allotment, funds control, accounting, and reports and statistical services for the Office of Construction.

d. Safety and Fire Protection Staff provides agency-wide program guidance, plans and policies as well as review of construction plans and construction standards for Safety and Fire Protection features.

e. Real Estate Staff provides for real property services, including acquisition and disposal of real property and property interest in fee, obtaining and granting of easements, and liaison with operating departments and other Government agencies for these activities.

f. Project Directors - direct, control, expedite and coordinate planning, design and construction of projects to satisfy agency construction requirements. They serve as architect-engineer and construction contracting officers for assigned projects including review and evaluation of contract progress and obtain authorizations for contract changes and funding increases when required.

g. Director of Architectural and Engineering - supervises and coordinates work of the technical services (Preliminary Planning, Architectural, Civil Engineering, Mechanical Engineering, Electrical Engineering, and Contract Administration) provided to the Project Directors. He coordinates the reviews of "contract architect-engineer work" and "in-house work" at appropriate progress stages.

The development and accomplishment of construction projects is generally as follows:

a. Preliminary Plans - Advance planning studies, preliminary plans and estimates based on operating department requirements are prepared to assist in the development of projects for necessary review and approval by higher authority and for presentation of the budget. Plans must be developed within specific cost and square foot area limits to comply with executive restrictions. The work is principally handled by the Preliminary Planning Service with assistance from Architectural Service, Civil Engineering Service, Mechanical Engineering Service, and Electrical Engineering Service and other parts of the office.

b. Working Drawings and Specifications - Working drawings and specifications prepared by contract Architect-Engineers are reviewed by the Architectural Service, Civil Engineering Service, Mechanical Engineering Service, and Electrical

Engineering Service. These same services also prepare working drawings and specifications for "in-house" designed projects. Estimates during this stage are prepared by the Estimating Division of the Preliminary Planning Service. The Contract Administration Service advises and assists the Project Directors in negotiating contract fees with Architect-Engineer Firms, processing of contract changes, partial payment and final settlement vouchers, and maintains contract records for Architect-Engineer contracts.

c. Construction Put-in-Place is directed and controlled by the Project Directors in Central Office with on-site supervision by Resident Engineers who insure that construction contractors provide timely performace and build in accordance with plans and specifications. The Contract Administration Service advises and assists the Project Directors in awarding construction contracts, processing of contract changes, partial payment and final settlement vouchers, and maintains construction contract records.

Permanent Positions by Grade

Grade		1968 Actual	1969 Estimated	1970 Estimated
GS-17	Assistant Administrator for Construction..	1	1	1
16	Deputy Assistant Administrator for Construction.....	1	1	1
15	.....	12	14	14
14	.....	33	34	34
13	.....	83	85	85
12	.....	73	78	78
11	.....	26	26	26
10	.....	1	1	1
9	.....	15	13	13
8	.....	2	2	2
7	.....	27	31	31
6	.....	31	30	30
5	.....	39	44	44
4	.....	37	29	29
3	.....	15	16	16
2	.....	5	5	5
	Total Permanent Positions.....	401	410	410

Justification and Explanation of Request Costs Other Than Personal Services

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Travel and Transportation of Persons:	$89,738	$129,000	$140,000	$+11,000

$140,000 is requested in 1970 for travel as follows: Pre-construction award requirements: surveys for selection of building sites; surveys to ascertain existing conditions, scope, requirements, utility connections, etc. and coordination of plans with universities. Post-construction award requirements: on-site supervision of construction contracts by resident engineers; special and final construction inspections by project directors, special field representatives and other Office of Construction technical personnel. The $11,000 estimated increase in 1970 over 1969 is needed to provide closer construction supervision of or necessity to take over work of inadequately performing contractors.

Transportation of Things:	$27,104	$27,000	$27,000	

$27,000 is requested for cost of shipment of household goods and other personal effects for transferring of field personnel between construction project duty stations, from field to Central Office and vice versa and for recruitment of professional employees. The funds requested in 1970 are the same as provided in 1969.

Rent, Commun. & Utilities:	$36,834	$40,000	$43,000	$+3,000

$43,000 is requested to provide for the Office of the Assistant Administrator's pro-rata share of the switchboard and wire mileage rental, telephone rentals, and long distance phone calls including FTS intercity telephone network. Our pro-rata share of the FTS intercity telephone network is $8,900 in FY68, $11,200 in FY69 and $14,000 in FY70 which is $2,800 of the $3,000 increase requested in FY70.

Justification and Explanation of Request Costs Other Than Personal Services

	1968 Actual	1969 Estimated	1970 Estimated	Incr. (+) Decr. (-)
Printing & Reproduction:	$70,313	$90,000	$90,000	

$90,000 is requested for printing and reproduction to cover the cost of: replenishing construction-related printed forms used at field stations, major revisions and updating of resident engineer's handbook, equipment guide list and other technical publications.

Other Services:	$72,620	$42,000	$42,000	

A total of $42,000 is requested for fiscal year 1970 for contractual services not provided for elsewhere. Funds requested are for:

Item	1969 Est.	1970 Est.	Diff.
a. Repairs - furn. & equip.	$ 1,500	$ 1,500	
b. Blueprints & Ozalids	4,500	4,500	
c. Court reporters, recruitment ads, etc.	2,500	2,500	
d. Employee training	8,300	8,300	
e. Surveys - utility, topographic etc.	22,000	22,000	
f. Miscellaneous Resident Engineer Office Expenses	3,200	3,200	
Total.....	$42,000	$42,000	

The $22,000 for surveys is needed to provide topographical data, subsurface conditions and location of utility lines at various stations.

Supplies & Materials:	$19,087	$19,000	$19,000	

$19,000 is requested for the cost of drafting and tracing paper, the cost of mimeograph paper and stencils needed for reproduction of specifications on construction projects as well as the cost of general office supplies needed for the everyday activities of Office of Assistant Administrator for Construction which are not obtainable through central supply system.

Equipment:	$14,920	$ 8,000	$ 8,000	

$8,000 is requested to provide for the estimated cost of replacing office furniture and equipment. The amount requested in 1970 provides for the replacement of the furniture and equipment which will be worn out or will have reached the General Services Administration criteria for replacement by 1970.

Special Analyses

Mr. Evins. Look at these three charts, on pages 8–63, 8–64, and 8–65. Page 8–63 shows the cumulative appropriations, obligations, and expenditures, 1932–70. This is your overall modernization and construction program. Your expenditures and obligations. Page 8–64 shows annual appropriations—a big jump in 1965. This general statement, on the basis of cost estimates, is pretty well considered. Place pages 8–67 and 8–68 in the record.

(The pages follow:)

STATEMENT ON BASIS OF COST ESTIMATES

Funds requested in the budget for construction projects may be in either of several categories. In some cases the request may be for money to purchase a site in advance of developing plans. In other instances the funds may be requested for the development of plans and specifications and to pay for other professional services identified as technical services. The third category would include money needed to pay for the actual cost of construction. The processes used in developing the estimates on which these appropriations are requested may be helpful in understanding the budget submission.

The basis for requests for funds in either of the categories, other than that of site acquisition, is the estimated construction cost. Hence, the method of preparing construction estimates is the controlling consideration.

Construction estimates are made through the use of or by reference to the actual cost of projects accomplished by the Veterans' Administration over a period of more than 10 years. These costs have been reduced to costs per square foot for new construction, for alterations, or for additions. The resultant costs per square foot are used in planning cost targets at a stage when minimum information, often only a net area requirement, is available. For example, the cost per square foot for new hospitals is based on the actual cost of eight new hospitals located at Atlanta, Ga.; Charleston, S.C.; Cleveland (Wade Park), Ohio; Jackson, Miss.; Martinez, Calif.; Nashville, Tenn.; Washington, D.C.; and Wood, Wis. Similarly, the unit costs for alterations are derived from the actual costs of alteration projects which vary from simple to complex in character. The unit costs for additions or for individual buildings or other facilities at existing hospitals, likewise, are based on actual costs of comparable construction.

The cost of construction for each of the various categories is the basis for the development of a national average cost per square foot. This is done by use of the Boeckh Index which is a nationally recognized source for referencing cost data and analyzing construction trends in different areas for various types of construction. We use the Boeckh Index as a guide for adjusting costs incurred at different places and at different times to a common base. These average prices are applied by making a further adjustment to take into account the cost factors of the proposed locations as they are reflected in this index.

Specifically, the initial estimate of the cost of a building, for which there are no plans and specifications, is made by multiplying the gross area required to satisfy the functional requirements by the cost per square foot which fits the type of project and the location. Usually, the initial estimate is the basis for requesting funds to pay for that part of technical services used to develop working drawings and specifications. A cost target, developed from the initial estimate, is reviewed continuously as the planning progresses and as more precise information about the construction materials, equipment, and labor needs become available. In the last stages of cost estimation it becomes practical to make detailed takeoffs of quantities of materials and hours of labor but generally this occurs long after the funds are appropriated for construction.

The first estimates on which requests for planning money are based obviously cannot be contractor's bid prices but are average figures that reflect the actual experience of the Veterans' Administration in paying for new hospitals or for improvements with appropriate adjustment for time and geographical area cost differentials. In a like manner, the funds requested for construction are estimates made from plans in a preliminary stage or in a somewhat more advanced degree of completion, depending on the schedule for development which was established by the appropriation of planning money. In no case are these budget figures obtained from contractors' prices since contractors cannot be requested to bid until plans are finished and funds are available to assure that their efforts will result in the award of a construction contract.

Veterans' Administration experience for 11 fiscal years through 1968 on 252 projects with construction contracts totaling over $515 million shows that contractors' average of all bids was 4.57 percent above our estimates based on completed working drawings. Average of contractors' low bids was .08 percent below our estimates. The average range between contractors' low and high bids was 5.39 percent.

Mr. EVINS. Insert a table in the record relating 1970 expenditures to appropriations and unexpended balances for each appropriation.

(The document follows:)

1970 VA BUDGET—AUTHORIZATIONS, OBLIGATIONS, EXPENDITURES, AND BALANCES

[In thousands]

Account and fiscal year	Carryover (into year)		NOA		Other availability		Obligated	Expended	Balances (end of year)	
	Unobligated	Obligated	Appropriations	Other	Receipts and other expenditure offsets	Other	Obligations	Expenditures (net)	Unobligated	Obligated
Compensation and pensions:										
1968	$21,574	$365,944	$4,605,500				$4,618,104	$4,605,253	$8,970	$378,795
1969	8,970	378,795	4,833,336				4,842,306	4,823,000		398,101
1970		398,101	5,041,355				5,041,355	5,022,560		416,896
Readjustment benefits:										
1968	73,577	5,761	427,200	−$515			484,107	462,115	16,156	27,753
1969	16,156	27,753	625,265				641,421	630,000		39,174
1970		39,174	742,200				742,200	738,045		43,329
Veterans insurance and indemnities:										
1968	1,820	15	5,150	515		$2,000	9,820	9,277	−335	557
1969	−335	557	10,285			2,500	12,441	12,419	9	579
1970	9	579	7,253			6,500	13,762	13,805		535
Medical care:										
1968		96,533	1,361,593	−1	$13,850		1,358,660	1,360,796	[1] (2,932)	90,770
1969		90,770	1,446,453		9,000		1,466,453	1,457,570		99,653
1970		99,653	1,541,701		9,000		1,541,701	1,525,000		116,354
Medical and prosthetic research:										
1968	2,169	6,845	45,850				45,856	45,019	2,432	7,412
1969	2,432	7,412	48,018				50,450	49,000		8,862
1970		8,862	59,638				59,638	59,638		8,862
MAMOE:										
1968		920	13,975		58		13,832	12,752	[1] (143)	1,942
1969		1,942	14,789				14,789	15,716		1,015
1970		1,015	17,327				17,327	17,311		1,031
General operating expenses:										
1968		11,720	189,221	−39	1,586		188,842	188,441	[1] (340)	11,692
1969		11,692	207,018	−482	1,144		207,018	207,018		11,692
1970		11,692	223,065		1,269		223,065	223,065		11,692
Construction of H. & D.F.:										
1968	109,070	89,881	52,600				20,210	47,631	141,460	62,460
1969	141,460	62,460	7,926				111,002	54,500	38,384	118,962
1970	38,384	118,962	96,368				102,810	84,500	31,942	137,272
Grants for construction of State nursing homes:										
1968	1,529	4,893	4,000				5,208	1,890	321	8,211
1969	321	8,211	4,000				3,633	4,000	688	7,844
1970	688	7,844	5,000				5,000	3,164	688	9,680
									[1] (40)	

Grants to Republic of Philippines:										
1968	500	12	1,325		−5		1,577	1,307	208	287
1969	208	287	1,776				1,504	1,666	[1] (480)	125
1970		125	1,362				1,362	1,475		12
Construction Corregidor, Bataan Memorial:										
1968	38	1,374					15	520	23	868
1969	23	868					23	891		
1970										
Appropriation accounts, subtotal:										
1968	210,277	583,898	6,706,414	−40	15,489	$2,000	6,745,961	6,735,001	169,235	590,747
1969	169,235	590,747	7,218,866	−482	10,144	2,500	7,351,040	7,255,780	39,081	686,007
1970	39,081	686,007	7,735,269		10,269	6,500	7,748,220	7,688,564	32,630	745,663
Payment of participation sales insufficient:										
1968										
1969			3,884						[1] (3,884)	
1970										
Loan guarantee revolving fund:										
1968	246,290	10,692	665	685,000	125,963	−42,506	328,090	180,631	712,195	23,550
1969	712,195	23,550	5,621		164,308	−19,871	405,433	235,179	450,545	26,228
1970	450,545	26,228	5,716		554,044	−23,524	416,355	−155,067	565,674	28,437
Direct loan revolving fund:										
1968	987,596	46,156		165,000	166,776	−20,957	208,677	41,825	833,371	40,326
1969	833,371	40,326			183,190	−5,347	251,867	74,634	686,094	40,014
1970	686,094	40,014			194,403	1,328	255,213	73,337	552,884	39,263
Canteen service revolving fund:										
1968	−930	3,591			61,716		62,070	−386	−1,284	4,331
1969	−1,284	4,331			63,842	−47	63,685	233	−1,174	3,941
1970	−1,174	3,941			65,602		65,430	−233	−1,002	4,002
Rent, maintenance, repair of quarters fund:										
1968		11			118		118	−21		32
1969		32			122		121	29	1	2
1970	1	2			122		122		1	2
SDV insurance fund:										
1968	318	1,339			10,097		11,510	1,507	−1,095	1,245
1969	−1,095	1,245			13,797		13,494	−407	−791	1,348
1970	−791	1,348			16,372		15,285	−1,140	296	1,401
Soldiers and sailors, etc., fund:										
1968	31	4			3		9	6	26	4
1969	26	4			7		8	1	25	4
1970	25	4			7		12	5	19	4
Vets reopened insurance fund:										
1968	49,831	3,487			44,160		9,378	−34,012	84,612	2,716
1969	84,612	2,716			45,853		11,507	−34,277	118,958	2,648
1970	118,958	2,648			47,224		13,530	−33,622	152,652	2,576
Vets special term insurance fund:										
1968	180,446	9,196			43,814	−2,000	16,044	−26,914	206,215	8,341
1969	206,215	8,341			47,055	−2,500	17,380	−29,908	233,390	8,574
1970	233,390	8,574			50,377	−6,500	19,113	−31,438	258,154	8,748
Vocational rehabilitation revolving fund:										
1968	294				229		243	11	280	3
1969	280	3			400		400		280	3
1970	280	3			430		430		280	3
SGL insurance fund:										
1968	16				217,642		217,657	15	1	
1969	1				212,974		212,974		1	
1970	1				198,900		198,900		1	

1970 VA BUDGET—AUTHORIZATION, OBLIGATIONS, EXPENDITURES, AND BALANCES—Continued

[In thousands]

Account and fiscal year	Carryover (into year)		NOA		Other availability		Obligated expended		Balances (end of year)	
	Unobligated	Obligated	Appropriations	Other	Receipts and other expenditure offsets	Other	Obligations	Expenditures (net)	Unobligated	Obligated
Supply revolving fund:										
1968	−12,271	21,899			114,551	−71	121,558	872	−19,350	28,033
1969	−19,350	28,033			126,724		128,235	902	−20,862	28,642
1970	−20,862	28,642			131,227		133,780	580	−23,415	30,615
Revolving funds, subtotal:										
1968	1,451,621	96,375	665	850,000	785,069	−65,534	975,354	163,534	1,814,971	108,581
1969	1,814,971	108,581	9,505		858,272	−27,765	1,105,104	246,386	1,466,467	111,404
1970	1,466,467	111,404	5,716		1,258,708	−28,696	1,118,170	−147,578	1,505,544	115,051
Adjustments for proprietary receipts from the public:										
1968				−1,770				−1,770		
1969				−1,724				−1,724		
1970				−1,724				−1,724		
General post fund:										
1968	3,327	20		2,291			2,243	2,169	3,375	94
1969	3,375	94		2,200			2,250	2,325	3,325	19
1970	3,325	19		2,250			2,250	2,250	3,325	19
National service life insurance:										
1968	5,674,292	336,830		692,511	297,060		743,172	470,927	5,920,691	312,016
1969	5,920,691	312,016		703,166	171,865		791,573	626,455	6,004,150	305,268
1970	6,004,150	305,268		714,762	164,199		830,620	666,759	6,052,491	304,930
U.S. Government life insurance:										
1968	799,476	16,695		48,163	106,049		93,701	−13,853	859,987	18,200
1969	859,987	18,200		45,125	25,234		102,460	78,184	827,886	17,241
1970	827,886	17,241		44,393	24,085		102,939	80,434	793,425	15,661
Deductions from trust funds for proprietary receipts from the public:										
1968				−492,212				−492,212		
1969				−482,130				−482,130		
1970				−478,372				−478,372		
Trust funds, subtotal:										
1968	6,477,095	353,545		250,753	403,109		839,116	−32,969	6,784,053	330,310
1969	6,784,053	330,310		268,361	197,099		896,283	224,834	6,835,361	322,528
1970	6,835,361	322,528		283,033	188,284		935,809	271,071	6,849,241	320,610
Intragovernmental transactions:										
1968				−5,364				−5,364		
1969				−5,951				−5,951		
1970				−5,649				−5,649		
Total, Veterans' Administration:										
1968	8,138,993	1,033,818	6,707,079	1,093,579	1,203,667	−63,534	8,560,431	6,858,432	6,768,259	1,029,638
1969	8,768,259	1,029,638	7,228,371	260,204	1,065,515	−25,265	9,352,427	7,719,325	8,340,909	1,119,939
1970	8,340,909	1,119,939	7,740,985	275,660	1,457,261	−22,196	9,802,199	7,804,684	8,387,415	1,181,324
Proposed legislation, fiscal year 1970			−105,250				−105,250	−105,250		

[1] Unobligated balances of appropriated funds that have lapsed; not included in total.

Mr. TALCOTT. How much money do you spend for radio, television, and other promotional projects? I think it is separated in the budget in three or four places.

Mr. SHYTLE. We use closed-circuit TV for training in our hospitals.

Mr. MONK. We do not pay for the information service. We get that free.

Mr. TALCOTT. What do you get free?

Mr. MONK. We get free time spots from the individual stations and networks. You know, almost every time your turn your radio on you see something about the Veterans' Administration. It is all donated time. The recordings made by artists are all donated. It amounts to a terrific amount of money if you had to pay for it.

Mr. TALCOTT. You pay for the production of it yourself?

Mr. DRIVER. Yes, sir.

Mr. TALCOTT. Could we have some place in the record the total cost of that?

Mr. DRIVER. Yes, sir.

(The information requested follows:)

COST OF, AND RETURNS ON, VA RADIO AND TV PROGRAMS

In fiscal year 1968, America's radio and television stations donated an estimated $27 million in broadcast time to VA public service programs and messages. Of this sum, $18,250,000 was contributed by radio outlets, and $8,750,000 by TV stations.

These sums do not include the services of scores of entertainment stars—all provided to VA at no cost to the Government. Among the stars who contributed their talents to VA's public service programing were Bob Hope, Bing Crosby, Peggy Lee, Mitch Miller, David Brinkley, Lorne Greene, Ernie Ford, Vikki Carr, Jimmy Durante, Jane Powell, Herb Alpert, Dean Martin, Frank Sinatra, Sammy Kaye, Count Basie, Pat Boone, Ray Anthony, and Guy Lombardo.

The total cost to VA for fiscal year 1968 was $176,350—including $118,000 in Information Service salaries prorated to radio-TV activities, $42,350 for actual mechanical production, and $16,000 primarily for TV film prints.

Considering only the donated broadcast time matched against VA expenditures, this reflects a contribution of $153 for every dollar spent by VA.

Mr. EVINS. Do you know whether there will be any revisions of this budget by the new administration?

Mr. DRIVER. Yes, sir. I feel confident there will be some.

Mr. EVINS. We will have to wait to see what these recommendations are.

Mr. DRIVER. I don't know what they are yet myself, but we have reviewed the budget with the new Budget Director's staff and have been told we will hear from them. Unfortunately that didn't occur before this hearing.

Mr. EVINS. Gentlemen, we have the greatest veterans program of any nation in the world. We are proud of it. You do great work, and it has been a pleasure to review this budget with you and we commend you in your important mission. We wish you all a lot of good luck and success.

(The following was submitted after the hearings were concluded.)

BUDGET AMENDMENTS

HOUSE DOCUMENT 91–100

VETERANS' ADMINISTRATION

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
858	Medical care	$1,541,701,000	—$17,600,000	$1,524,101,000

The decrease of $17,600,000 would restrict the provision of new medical services, hospitals, and medical education and training programs to those most urgently required but still provides for a $20,000,000 increase over the January estimate for costs of wage increase for employees paid in accordance with prevailing rates.

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
816	Medical and prosthetic research	$59,638,000	—$5,000,000	$54,638,000

The decrease of $5,000,000 would still provide a 10-percent increase over 1969 funding, with some expansion of research into particularly critical diseases.

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
826	Medical administration and miscellaneous operating expenses	$17,327,000	—$333,000	$16,994,000

The reduced request reflects expected maintenance of the June 1969 employment level.

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
863	General operating expenses	$223,065,000	—$2,200,000	$220,865,000

The reduced request reflects expected maintenance of the June 1969 employment level offset by an increase of $1,400,000 for additional overtime.

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
865	Construction of hospital and domiciliary facilities	$96,368,000	—$41,151,000	$55,217,000

The revised request provides for new starts on two large hospitals (San Antonio and Phoenix), one nursing home (Miami), and four expanded research facility projects. In addition, design funds for six hospitals and several other smaller projects would be retained.

(*Clerk's note.* The statements submitted by the Veteran's Administration in connection with the amendment follow.)

VETERANS ADMINISTRATION

MEDICAL CARE

Explanation of Budget Amendments

This appropriation provides funds for the care and treatment of eligible veteran beneficiaries in Veterans Administration hospital, domiciliary and nursing care beds, restoration centers, outpatient clinics, contract care facilities and State homes. In addition, funds are included for training of medical residents and other health-science personnel.

The fiscal year 1970 budget request for this appropriation is amended to reflect the President's goals of reducing Federal spending and of holding total and full-time employment to the estimated level for June 30, 1969. The appropriation request of $1,541,701,000 is accordingly revised downward by a net of $17,600,000 to an amended request of $1,524,101,000. This net reduction consists of a program reduction of $37,600,000 which is partially offset by a $20 million increase for wage board salaries reflecting the impact of the new Coordinated Federal Wage System.

As a result of the employment curtailment average employment is reduced by 3,586 to a level of 132,443. With this reduction, the 1970 employment will be maintained at the same level as estimated for fiscal year 1969. The following summarizes the proposed amendments:

	Average Employment	Budget Authority ($ in thousands)
FY 1970 Request Pending.....	136,029	$1,541,701
Amendments:		
Employment curtailment--revised hospital activations schedules; deferral of new medical services activations and expansion of education and training program..	- 3,586	- 31,567
Reduction in items related to planned but deferred activities-supplies, etc...	...	- 6,033
Subtotal, Program Reductions.....	- 3,586	- 37,600
Increase in wage board employees salaries under the Coordinated Federal Wage System	...	+ 20,000
Totals.....	- 3,586	- 17,600
FY 1970 Revised Request.....	132,443	$1,524,101

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
866	Grants for construction of State nursing homes.....	$5,000,000	—$4,000,000	$1,000,00

Matching funds would be provided by the Veterans' Administration for projects on a more selective basis than under the original budget estimate.

MEDICAL AND PROSTHETIC RESEARCH

Explanation of Budget Amendments

This appropriation provides funds for the conduct of the agency medical research and prosthetic research and development programs.

The fiscal year 1970 budget request for this appropriation is amended to reflect the President's goal of holding total and full-time employment to the estimated level for June 30, 1969. The appropriation request of $59,638,000 is accordingly revised downward by $5,000,000 to an amended request of $54,638,000.

As a result of the employment curtailment, average employment is reduced by 498 to a level of 3,517. With this reduction, the 1970 staffing will be maintained at the same level as is estimated for fiscal year 1969.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Explanation of Budget Amendments

This appropriation provides funds for executive direction of all agency medical programs, for education programs for professional medical and administrative staff and for the exchange of medical information between the Veterans Administration and other elements of the Nation's medical-scientific community.

The fiscal year 1970 budget request for this appropriation is amended to reflect the President's goal of holding total and full-time employment to the estimated level for June 30, 1969. The appropriation request of $17,327,000 is accordingly revised downward by $333,000 to an amended request of $16,994,000.

As a result of the employment curtailment, average employment is reduced by 21 to a level of 669. With this reduction, the 1970 staffing will be maintained at the same level as estimated for fiscal year 1969.

GENERAL OPERATING EXPENSES

Explanation of Budget Amendments

The FY 1970 budget request for this appropriation is amended to reflect the President's goal of holding total and full time employment to the estimated level for June 30, 1969. The appropriation request of $223,065,000 is accordingly revised downward by $2,200,000 to a new request of $220,865,000.

As a result of this employment curtailment, net average employment is reduced 378 with a reduction in fund requirements of $3,200,000. This is partially offset by an increase of $1,000,000 in overtime to be utilized in coping with the mounting workloads created by there being more veterans and the additional benefits made available by new legislation. The reduction of 378 in net average employment will mean that the level of employment proposed in FY 1970 will remain at the FY 1969 level.

A summary of the proposed amendments by Department follows:

	Average Employment	Budget Authority ($ in thousands)
FY 1970 Budget	18,836	$223,065
Amendments:		
Dept Data Management:		
Employment curtailment	- 19	- 190
Overtime	...	+ 50
Dept Veterans Benefits:		
Employment curtailment	- 359	- 3,010
Overtime	...	+ 950
Total Amendments:		
Employment curtailment	- 378	- 3,200
Overtime	...	+ 1,000
Total	- 378	- 2,200
Amended FY 1970 Budget	18,458	$220,865

VETERANS ADMINISTRATION
CONSTRUCTION OF HOSPITAL AND DOMICILIARY FACILITIES

Explanation of Budget Amendment

The reduction of $41,151,000 in budget authority for the Construction of Hospital and Domiciliary Facilities appropriation is in compliance with the Administration's policy of restricting new construction contracts to lessen inflationary pressures. Construction funds for the following projects are deleted from our request:

	Amount
Wood, Wisc. - Mod. Hosp. Bldgs. for Dom.	$ 2,350,000
Durham, N.C. - Air Conditioning	3,218,000
Indianapolis, Ind. - 178 Bed Add., Clinic Consol., Air Conditioning and Research	17,065,000
White River Junction, Vt. - Modernization	2,537,000
St. Louis, Mo. - Modernization & Research	1,696,000
Muskogee, Okla. - Modernization & Air Conditioning	1,741,000
Tuskegee, Ala. - Modernization & Air Conditioning	4,601,000
Waco, Tex. - Modernization & Air Conditioning	7,593,000
Madison, Wisc. - Research Addition	350,000
Total	$41,151,000

The Madison research project reduction is based on a reduction in the estimated cost of the project. The remaining reductions represent deferrals of construction awards until a subsequent fiscal year. Funds for the design of the Wood and Durham projects in the amount of $150,000 and $200,000, respectively, remain in the 1970 request.

VETERANS ADMINISTRATION
GRANTS FOR CONSTRUCTION OF STATE NURSING HOMES

Explanation of Budget Amendments

The request for $5 million budget authority for 1970 is reduced by $4 million for a revised request of $1 million. This reduction is possible because it is anticipated that fewer applications will be received. There is no change in budget outlays for 1970 as a result of this budget authority reduction.

Proposed for separate transmittal, proposed legislation

VETERANS ADMINISTRATION
COMPENSATION AND PENSIONS

Explanation of Budget Amendments

Benefits payable in 1970 to wartime veterans and dependents of deceased veterans, on the basis of non-service connected disabilities or death, and financial needs are estimated to cost $2,197.3 million and this amount is in the President's budget.

The President's budget also includes proposed legislation intended to refine certain statutory veterans benefits which would permit a reduction of $106 million in budget authority for 1970. Additional legislation would further refine such benefits by repealing the 10% income exclusion provided in subsection (6) of 38 U.S.C. 503 and would reduce budget authority and outlays in the compensation and pensions appropriation by an additional $60 million.

Veterans Administration pension, from its inception, has been a needs program. Such need, for the most part, has been determined on the basis of annual income. Income exclusions, per se, depart from this underlying philosophy of the pension program. It is inconsistent to set up income limits as a means test and at the same time to provide exclusions of certain kinds of income. Repeal of the 10% exclusion would establish a more realistic test of need by counting all money received as income so long as it is available to the claimant for his everyday living expenses.

It is estimated that pension awards to approximately 1,019,000 beneficiaries would be affected by this change.

The estimated annual decrease in budget authority and outlays for this legislative proposal is approximately $110 million, of which $60 million would be realized in FY 1970 if the proposal was enacted and effective for about one half the year.

VETERANS ADMINISTRATION
LOAN GUARANTY REVOLVING FUND

Explanation of Budget Amendments

It is estimated that receipts from the sale of loans, estimated as $78 million in the President's budget, can be increased to $90 million resulting in a reduction of $12 million in 1970 outlays.

This adjustment is based on an anticipated increase of loans in our portfolio bearing interest rates of 7 1/2% which would be available for sale.

VETERANS ADMINISTRATION
DIRECT LOAN REVOLVING FUND

Explanation of Budget Amendments

The number of direct loans to veterans are now estimated to be 12,850. This is a reduction of 1,550 loans from our initial estimate of 14,400. This reduction in the number of direct loans to veterans is made possible by the fact that the needs of veterans as represented by loan applications received by VA, have been substantially less than contemplated by the initial estimate. This probably has been largely influenced by the steps taken to adjust the interest rate to meet the demands of the loan market, which have tended to increase the availability of guaranteed loan financing.

	1968 Actual	1969 Estimated	1970 Revised Estimate
Loans approved:			
Number	11,927	14,500	13,005
Average per loan	$12,496	$12,700	$12,900
Amount	$149,035	$184,156	$167,760
Loans closed:			
Number	11,903	14,000	12,850
Average per loan	$12,496	$12,700	$12,900
Amount	$148,740	$177,800	$165,760

Proposed for separate transmittal, proposed legislation

VETERANS ADMINISTRATION
DIRECT LOAN REVOLVING FUND

Explanation of Budget Amendments

The President's budget for FY 1970 included receipts of $4,760 thousand from the sale of loans without recourse.

In the operation of this revolving fund it is desirable to convert loan assets to cash. Mortgage market conditions now prevailing and likely to prevail during all or most of FY 1970 indicate that there is virtually no likelihood as a practical matter of effecting substantial sales of 7½% interest bearing loans at a price of 98. Elimination of the 2% discount limitation is necessary in order to sell 7½% loans at reasonable prices to private investors.

Any sale of direct loan or vendee account assets by the Administrator of Veterans Affairs must be approved by the Secretary of the Treasury (PL 89-429). The prices at which the Administrator may agree to sell vendee loan assets is subject only to the requirement that he determine that the prices are "reasonable", (38 U.S.C. 1820(a)(5)). With respect to direct loan sales, the Administrator may not sell a direct loan for "less than 98 per centum of the unpaid principal balance, plus the full amount of the accrued interest, except that if loans are offered for sale to an investor in a package or block of two or more loans no sale shall be made at less than 98 per centum of the aggregate unpaid principal balance of the loans included in such package or block plus the full amount of accrued interest", 38 U.S.C. 1811(g). Consequently, the Administrator may not sell direct loans for less than 98 even though the prices which the purchasers are willing to pay are clearly reasonable under existing mortgage market conditions and sales at such prices would be approved by the Secretary of the Treasury if there were no statutory impediment to the sale at less than 98.

Passage of legislation eliminating the present 2% discount limitation on direct loan sale prices contained in 38 U.S.C. 1811(g) would permit the sale of additional loans in an amount that would reduce outlays and provide additional financing to this fund of $123.5 million.

MONDAY, APRIL 21, 1969.

GENERAL SERVICES ADMINISTRATION

WITNESSES

AGENCYWIDE MATTERS

ROBERT L. KUNZIG, ADMINISTRATOR
ROD F. KREGER, ASSISTANT ADMINISTRATOR
W. L. JOHNSON, JR., ASSISTANT ADMINISTRATOR FOR ADMINISTRATION
HARRY R. VAN CLEVE, GENERAL COUNSEL
WILLIAM A. BUTTS, DIRECTOR OF BUDGET
CLIFFORD L. PORTER, DEPUTY DIRECTOR OF BUDGET

PUBLIC BUILDINGS SERVICE

WILLIAM A. SCHMIDT, COMMISSIONER
ROBERT B. FOSTER, JR., DEPUTY COMMISSIONER
C. AUSTIN HEFFERNAN, BUDGET OFFICER

FEDERAL SUPPLY SERVICE

H. A. ABERSFELLER, COMMISSIONER
LEWIS E. SPANGLER, DEPUTY COMMISSIONER
ISAAC E. FRIEDLANDER, DIRECTOR OF PROGRAM MANAGEMENT

NATIONAL ARCHIVES AND RECORDS SERVICE

DR. JAMES B. RHOADS, ARCHIVIST OF THE UNITED STATES
HERBERT E. ANGEL, DEPUTY ARCHIVIST
WALTER ROBERTSON, JR., EXECUTIVE DIRECTOR

TRANSPORTATION AND COMMUNICATIONS SERVICE

DOUGLAS E. WILLIAMS, COMMISSIONER
ROBERT B. CONRAD, DEPUTY COMMISSIONER
WILLIAM H. MILLER, DIRECTOR, ADMINISTRATIVE AND FINANCIAL PLANNING DIVISION

PROPERTY MANAGEMENT AND DISPOSAL SERVICE

WALTER C. MORELAND, DEPUTY COMMISSIONER
LOUIS BROOKS, ASSISTANT COMMISSIONER FOR PROGRAM SUPPORT
JOHN G. HARLAN, JR., CONSULTANT

Mr. EVINS. The committee will come to order.

We will take up the budget justifications for the General Services Administration this morning headed by Mr. Robert L. Kunzig, the new Administrator, and a very competent staff.

This is a very distinguished group and we welcome you all.

Mr. Administrator, since you are a new man and you have already been confirmed by the Senate, we want to confirm you over here. We want you to place in the record at this point a biographical sketch of your background and achievements. That is so the press and the others can read it because they will want to be reading about the new Administrator.

Mr. KUNZIG. I believe some excerpts of remarks made by Senator Scott would provide that information Mr. Chairman.

(The biographical sketch follows:)

REMARKS OF U.S. SENATOR HUGH SCOTT (R.-PA.)

Mr. Chairman, my colleague, Senator Richard S. Schweiker and I present to you Robert L. Kunzig of Pennsylvania, nominated by President Nixon as the Administrator of the General Services Administration.

I have known Bob Kunzig for many years. We have been friends and coworkers. I feel I am well able to present him to you and tell you, very briefly, about his background.

Bob was valedictorian of his Frankford High School class in Philadelphia and later a graduate of the University of Pennsylvania and its Law School. He is a member of Phi Beta Kappa.

He saw duty during the Second World War as an Army Captain in the Quartermaster Corps, receiving supply experience, which will stand him in good stead today. He has had an extensive career in government service, serving at various times as Deputy Attorney General of Pennsylvania, and counsel to a committee of the United States Congress, and was previously confirmed unanimously by this Senate as a member of the Foreign Claims Settlement Commission.

Of particular importance today is his wide Washington administrative experience. Bob Kunzig has served as Executive Director of the U.S. Civil Aeronautics Board. He was responsible for the administration and operation of this Board for almost 4 years.

He is presently serving in the Governor's cabinet as head of the General State Authority in Pennsylvania. The State G.S.A., that is. There, his duties are very similar to what his duties will be in an enlarged sense in the Federal G.S.A. He supervises construction programs totaling at the moment $1,800 million. Governor Shafer has aso named him as head of the State Highway and Bridge Authority and the Pennsylvania Transportation Assistance Authority.

Both U.S. Senators from Pennsylvania feel that Bob Kunzig is eminently qualified to be the Administrator of the General Services Administration. He is a brilliant executive and administrator, well worthy of the President's trust and confidence.

It is with great pleasure that I come before the Government Operations Committee of the Senate this morning and present to you my former administrative assistant, Robert L. Kunzig, of the Commonwealth of Pennsylvania.

Mr. MCDADE. Mr. Chairman, would you yield at this point? I ought to point out to the committee that the new Administrator is a native Pennsylvanian, born in Philadelphia, most recently the head of the General State Authority, equivalent to GSA in Pennsylvania, where he distinguished himself as an able administrator. Before that he has had a career as a lawyer and in public service that is an enviable record for all of us.

I am very pleased to welcome Mr. Kunzig and introduce him to the committee.

Mr. EVINS. Very good. We all welcome him. He is a distinguished American.

Gentlemen, these hearings were set earlier but they were rescheduled so that the new Administrator would have sufficient time in office before these hearings to go over his budget.

Basically, Mr. Administrator, I understand that this is President Johnson's budget for the GSA with some revisions by the new administration. As you go along, I wish that you would point out the changes. The committee will be most pleased to hear you. You may proceed as you wish.

I see the Administrator streamlined his staff. He used to have a larger group come before us.

Mr. KUNZIG. We have generally brought the same people as in the past—at least we have tried to. If anybody else is desired, we will be happy to have them available.

Mr. EVINS. Proceed.

GENERAL STATEMENT

Mr. KUNZIG. Mr. Chairman and members of the committee, I am pleased to make my initial appearance before this committee. At the outset I wish to make it clear that I do not presume to know all that I should about the General Services Administration or this budget request for 1970. I can assure you that by next year, with respect to the 1971 budget, I will not make such a statement.

Being very new to the responsibilities of this large independent agency of the Government, I have been briefed on the budget by my staff to the extent possible within the relatively short time I have been "onboard." I'm sure you realize better than I, the complexity of GSA's functions and the necessary funding related to them. I have with me the key staff of GSA who will, with the committee's permission, and as appropriate, respond to the various facets of our budget as the hearings progress. During these hearings my participation, with your permission, will be limited primarily to listening and learning. I will, of course, be happy to express my own thoughts on any subject which you might consider appropriate.

With that qualified introduction, I have a few brief comments to pass on with respect to the budget estimates before the committee.

NEW ADMINISTRATION AMENDMENTS

As you know, this administration has reviewed and amended the budget proposed by the retiring President in January. These changes, all downward, have been made in the appropriation for operating expenses, Public Buildings Service; repair and improvement of public buildings; construction, public buildings projects and operatng expenses, National Archives and Records Service. The total reduction in the amounts requested from the budget submitted by the last administration is $29.3 million—a cut from $561.1 million to $531.8 million. I believe that as a result of this action, the request now before you represents the minimum amount necessary to carry out our programs during fiscal year 1970.

OPERATING EXPENSES, PBS

No item in the GSA budget is as sensitive to the growth of Government, price increases, or appropriation reductions as is the operating expenses, Public Buildings Service, appropriation. The 1970 request for this item is $15.4 million above last year's comparable amount of

which about 96 percent, or $297.5 million, is required for buildings management activities.

When you consider that 60 percent of the buildings management funding requirements are for fixed-type costs such as rents, electricity, fuel, and other fixed buildings costs, it is proper to think of the operating expenses, Public Buildings Service item in terms of square footage of space managed and operated by GSA. Any reduction in funds will not reduce the amount of space to be serviced. Of necessity any reduction results in a disproportionate reduction in the remaining 40 percent; namely, the amount required for the employment of personnel engaged in essential buildings operations.

Let me emphasize: No provision is made in the 1970 operating expenses, Public Buildings Service budget for improving the level of building services now being provided. The increase requested is primarily for the rental, operation, and management of additional space entering our inventory; and to defray escalating costs of rental and wage board rates.

SPACE

The space for which GSA is responsible and the number of Federal employees housed has continued to increase. The impact of the curtailed construction program of recent years is evidenced by the increased ratio of leased space to Government-owned space. In spite of staffing restrictions, GSA has continued to enforce good utilization of space and has accomplished significant economies in these programs.

BUILDINGS MAINTENANCE

We believe that GSA is already below a prudent level of staffing in our building maintenance and cleaning forces despite improved employee productivity and improved work methods and procedures. As a result, we are not providing an adequate level of building services nor adequately protecting the Government's investment in real property. We hope that fiscal conditions will permit us to reverse this trend in the near future.

REPAIR AND IMPROVEMENT

The request for the repair and improvement appropriation is $61.6 million which is $18.4 million below last year due to the policy of the administration to reduce capital expenditures. The level of accomplishment proposed in fiscal year 1970 is well below the minimum essential for preserving and improving Government buildings for which GSA has repair and improvement responsibility. It is our hope that sufficient governmental resources will be available in the future so that this appropriation can be increased to keep pace with the rate of obsolescence, and at the same time start to make inroads into the backlog of needed work.

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

Under the "Construction, public buildings projects" appropriation we are asking for $5.35 million of new funds and authority to reprogram $7.3 million heretofore appropriated. This will permit construction starts on six projects previously funded for improvements, an

increase for one project already awarded, and the settlement of one claim. This request also has been pared down to curtail the rate of capital expenditures. It must be brought to the committee's attention, however, that the postponing of construction during recent years has resulted in increased reliance on leased space to house the expanding Federal Establishment. Also, construction costs have increased an average of 6.2 percent a year since 1966, which would add about $3.2 million to the improvement costs of these projects if delayed another year.

Funding of the six projects proposed for 1970 will leave 16 projects and one superstructure previously funded for improvements having contract capability in 1970 and requiring increases of $27.8 million if we were to make the awards during fiscal year 1970.

OFFICIAL RESIDENCE FOR VICE PRESIDENT

There is included in the estimate for 1970 the sum of $150,000 for the design of an official residence for the Vice President of the United States, authorized by Public Law 89–386, approved April 9, 1966. Because of the inadequacy of accommodations available to the Vice President in his private residence to carry out the ever-increasing duties delegated to him, it is essential that design of this much needed facility be undertaken as soon as possible.

SITES AND EXPENSES

In a further attempt to curtail capital expenditures, we are only requesting $11 million for sites and expenses. This amount provides for no new design starts, but does provide funds for the acquisition of sites for six urgently needed and authorized projects tentatively selected from the 23 currently authorized projects. Included in the sites and expenses estimate is $3.3 million for preliminary planning and development of future construction projects. This includes, among other things, conducting feasibility studies, site investigations and selections, obtaining options to purchase, and design through the tentative stage. By selecting the site and obtaining an option to purchase, plus designing through the tentative stage, before seeking project approval, the savings in time will ultimately result in dollar savings because of the ever-increasing costs of construction, and earlier termination of leases.

FEDERAL SUPPLY SERVICE

The Federal Supply Service is continuing to develop and implement the national supply system. Effective July 1, 1968, the residual items and residual functions contained in 65 commodity classes (for which GSA is the single manager for the Government) were transferred to GSA by the Department of Defense for supply support. This will result in increased sales volume to GSA in excess of $80 million annually. We are also giving high priority support to the U.S. forces in Southeast Asia, including the continued stationing of supply representatives in Okinawa, the Philippines, Vietnam, and Laos.

DEVELOPMENT OF SPECIFICATIONS

With the support of this committee, GSA has been able to do a better job in the development of specifications, thus securing more competition in our procurement efforts. Last year Federal Supply witnesses spoke of the reduction in the price of magnetic computer tape that we were able to secure through specification development.

Magnetic tape

Average price before specification (per reel)	$26.00
Last year's major procurement after specification (per reel)	13.00
Latest price this year (per reel)	11.89
Estimated cost reduction based on last year's price	10,000,000.00
Additional cost reduction based on this year's price	1,200,000.00

Another example of how Federal specifications assure competition is in the procurement of tape seals. This item is a band which is wrapped around the tape before it is stored.

Tape seals

Price before development of specification (each)	$1.43
Latest procurement after specification (each)	0.38½
Cost reduction (annually)	630,000.00

Savings resulting from lower prices paid for goods supplied to Federal agencies totaled $391 million during fiscal year 1968. These savings will continue as increased competition, made possible through the development of Federal specifications, gives rise to more advantageous contracts.

QUALITY ASSURANCE PROGRAM

An integral part of the GSA supply operations is the quality assurance program under which manufacturers may ship material without Government inspection of every order. To qualify, the manufacturer must assure conformance with contractual quality and delivery requirements with minimum GSA inspection. During fiscal year 1968, $441 million out of the total $759 million worth of material accepted was shipped under this program, with a resultant inspection cost avoidance of $2.6 million.

ADP SHARING

Savings resulting from the sharing of automatic data processing equipment and personnel resulted in reduced costs to the Government of $49.5 million in fiscal year 1968.

Mr. EVINS. When you get to the computer item, document that $50 million saving.

Mr. KUNZIG. Yes, sir.

NATIONAL ARCHIVES AND RECORDS SERVICE

The requested budget for the National Archives and Records Service proposes an increase of $1.7 million, virtually all of which is for three major programs: Federal records centers, archival functions, and presidential libraries. The records center program requires additional funds to finance the transfer and management of records received from other Federal agencies, particularly military records; and to provide reference services to the agencies and the public. Recently effected

arrangements between the Internal Revenue Service and GSA have accelerated the transfer of tax returns to our centers and have significantly improved the value of the records center program to the Federal Government.

In archival functions, the additional funds requested will finance the depositing in 12 Federal records centers of microfilm copies of records from the National Archives. This program will make the Nation's archives more readily available for research. Also requested are funds to provide certain long-needed, centralized audiovisual services to agencies and the public.

PRESIDENTIAL LIBRARIES

With respect to the presidential libraries program, we have simply annualized the cost of the program activities that were financed by a supplemental appropriation for the second half of fiscal year 1969.

TRANSPORTATION AND COMMUNICATIONS SERVICE

In our Transportation and Communications Service, we are requesting the continuance of the $6,150,000 funding level provided last year. This provides for the management of the Federal telecommunications system (FTS) which will handle an estimated 67 million intercity calls in fiscal year 1970 compared to 64 million in fiscal year 1969, the 101 interagency motor pools, and the provision of competent motor equipment and transportation management assistance to all agencies of the Government.

PUBLIC UTILITIES

Our public utilities activity will continue to provide agencies with the same degree of effective counsel on the procurement, managment, conservation, and utilization of utilities services, as we have in the past.

PROPERTY MANAGEMENT AND DISPOSAL SERVICE

A net increase of $1,280,000 in property management and disposal activities is required primarily due to an increase in the inventory level of the national industrial equipment reserve program initated by the Department of Defense. Selections of tools by DOD for transfer into this inventory requiring transporting, receiving, processing, and storage are expected to reach a level of 1,050 items in 1970 as compared to 200 in 1969. The increase is largely due to reductions in military production at industrial plants which has been furnished Government-owned machine tools.

SILVER RELOCATION

Funds are also requested to relocate silver in accordance with an OEP directive dated June 4, 1968. Although silver is now in safe storage in the Treasury vaults, the geographical distribution will not meet the needs of a mobilization emergency. It is therefore necessary to move a substantial part of this silver over long distances from Western points to security storage vaults located closer to points of consumption, incurring substantial transportation expense due to the nature of the commodity.

SALARIES AND EXPENSES, OFFICE OF ADMINISTRATOR

The 1970 estimate for salaries and expenses, Office of the Administrator and the Administrative Operations Fund provide for continuation of the 1969 level.

Thank you for this opportunity to make this brief statement, Mr. Chairman, and we will be happy to respond to questions as you see fit.

Mr. EVINS. Thank you, Mr. Administrator, for a very concise and very much to the point statement. I want to add a little bit more to what you said on your last item, that you were continuing your administrative operations at the 1967 level.

On the revised figures we have it shows the salaries and expense, Office of Administrator, reduced by $13,000. You have set a good example.

Mr. JOHNSON. Mr. Chairman, that is due primarily as a result of the Pay Act supplemental in 1969 because of the large terminal leave payments to both Mr. Knott and Mr. Moody, the outgoing Administrator and the Deputy both in Government for a number of years. This makes the difference.

Mr. EVINS. The figures we have here show $13,000 reduction.

Mr. JOHNSON. That is correct.

Mr. EVINS. It is a small amount but a good example.

Mr. KUNZIG. I don't deserve any credit for lowering my salary, I cannot say that.

GENERAL DISCUSSION

Mr. EVINS. Gentlemen, I think it would be helpful to have a general discussion before we go into details of the budget on the various programs of the General Services Administration. You are a very great agency and that is really what the name implies: it services the Government.

BUILDINGS CONSTRUCTED

Mr. Administrator, tell us, or the Commissioner of Public Buildings with you, the number of Federal buildings that have been built since the beginning of GSA.

Mr. KUNZIG. Mr. Schmidt?

Mr. EVINS. How many buildings have we constructed?

Mr. SCHMIDT. Since the beginning of the program under the Public Buildings Act of 1959, a total of 522 projects with a total cost of $2.1 billion have been authorized.

Mr. EVINS. How many have been completed of the 522?

Mr. SCHMIDT. 351 have been completed.

Mr. EVINS. What is the cost?

Mr. SCHMIDT. $926.8 million.

Mr. EVINS. How many buildings are underway, under construction, in addition to those completed?

Mr. SCHMIDT. Twenty-seven under contract with a total cost of $194.6 million.

Mr. EVINS. How many are planned by GSA for the future?

Mr. SCHMIDT. In addition to those I might mention, Mr. Chairman——

PURCHASE OF BUILDINGS

Mr. EVINS. I am talking about the ones completed and the ones underway. Tell us about your plans.

Mr. SCHMIDT. I would like to mention one figure before I speak of the plans; 29 buildings have been purchased at a cost of $41.9 million.

Mr. JONAS. Was that under lease purchase?

Mr. SCHMIDT. No, this was under the Public Buildings Act.

CONTRACT AWARDS

We have scheduled for contract awards through June 30, 1969, 14 projects with a total cost of $49.1 million. We have 34 projects with a total cost of——

Mr. EVINS. Excuse me. You built 351 at a little less than a billion dollars. You have 27 under construction for $194.6 million. Twenty-nine have been purchased. What was the amount of this purchase?

Mr. SCHMIDT. $41.9 million.

Mr. EVINS. You have ready for award and for construction 14 more?

Mr. SCHMIDT. Fourteen more with a total cost of $49.1 million.

DESIGN PROJECTS

Mr. EVINS. Beyond this what is the planning of GSA?

Mr. SCHMIDT. We have 34 projects with a total cost of $125.1 million to be placed under contract after fiscal year 1969, excluding the $5.4 million requested in fiscal year 1970.

Mr. EVINS. What is the category of these; what do you call them?

Mr. SCHMIDT. They are in various stages of design.

Mr. EVINS. Design?

Mr. SCHMIDT. Yes, sir.

Mr. EVINS. That is an estimated cost of $125.1 million?

Mr. SCHMIDT. Yes, sir. On a number of those, 23, design is already completed and others are being completed.

Mr. EVINS. Various stages of design?

Mr. SCHMIDT. Right.

1970 CONSTRUCTION PROGRAM

Mr. EVINS. Tell us about your program for 1970. Six projects, I believe the Administrator said, are under construction.

Mr. SCHMIDT. We have selected six projects on which the design is completed and on which additional funding would be needed. They include a post office and Federal office building at Talladega, Ala., with a total cost of $461,000, a border station on the Alaska Highway, with a total cost of $1,875,000, a Federal office building in Los Angeles County, near Lawndale, near the airport, with a total cost of $6,729,000, a post office and Federal office building, Bronx, N.Y., the Charles A. Buckley Building, with a total cost of $20,267,000, a courthouse and Federal office building in Rochester, N.Y., with a cost of $11,750,000, a courthouse and Federal office building in San Antonio, Tex., with a total cost of $7,402,000. In addition, we need $3,800,000 to complete the substructure of the FBI building.

Mr. EVINS. That is your six new buildings. What is the total estimated cost of the six projects for 1970 and the increase for FBI substructure?

Mr. SCHMIDT. $52,331,900 is the total cost, of which $39,642,900 has already been appropriated and an additional $12,689,000 is needed to put these jobs in the marketplace.

Mr. EVINS. You are asking for $13 million for next year?

Mr. SCHMIDT. About $13 million, of which $5.35 million is new funds and $7.3 million is recommended reprograming.

Mr. JONAS. The Administrator mentioned that in his statement. You have now stated it again. Tell us at this point where the $7 million is reprogramed. From what projects?

Mr. SCHMIDT. I will run down through the projects.

PORTHILL, IDAHO, BORDER STATION

The border station at Porthill, Idaho. This project has been completed from construction savings, so we offer as a credit the money appropriated for that project.

PITTSBURGH, PA. POST OFFICE AND FEDERAL OFFICE BUILDING

Another is the Greentree Branch Post Office and Federal Office Building, at Pittsburgh, Pa. Due to the difficulties that we have had in obtaining agreement with the city on a site selection, we are canceling that project. The Post Office Department is going to procure their space through a lease arrangement.

HELENA, MONT. POST OFFICE-COURTHOUSE EXTENSION

At Helena, Mont., an extension to the post office and courthouse. This is a project we have decided not to proceed with after a discussion with the city fathers in order to avoid the congestion that would occur in the downtown area at the post office if this extension were constructed.

HOUSTON, TEX. MOTOR POOL FACILITY

At Houston, Tex., a motor pool facility for the General Services Administration and the Post Office Department. This project increased substantially in scope due to the increase in the post office requirements. We would have to restudy this project and have it reauthorized.

WESTERLY, R.I. POST OFFICE

The Post Office and Federal Office Building at Westerly, R.I. This project was authorized in 1960 and we have had a very difficult time in working out the site problem. In addition to that, the space requirements have increased. This project will have to be restudied and reauthorized before we can proceed.

CAMBRIDGE, MASS. POST OFFICE AND FEDERAL OFFICE BUILDING

At Cambridge, Mass., an extension and remodeling of the existing Post Office and Federal Office Building. This project was authorized in 1963. Since then the space requirements have changed substantially

and the project needs to be restudied. We are of the opinion that we should not go ahead with the extension because it will be costly and still not meet the Federal space needs of the community.

IRS NATIONAL DATA CENTER

The seventh project is a National Data Center for the Internal Revenue Service at Detroit. This project has doubled in size and while it has been authorized and approved by the Committees on Public Works, the Internal Revenue Service cannot wait for this building to be completed. We have got to proceed with an interim arrangement under lease. This is what we are doing.

Mr. EVINS. We know this IRS project has been deleted. Why?

Mr. SCHMIDT. The Data Center requirements have doubled in size and the Internal Revenue Service has indicated to us that it cannot wait for the completion of the Federal building. We have to provide space in the interim. At best we will only be able to acquire this under a lease arrangement for a minimum period of 5 years.

Mr. EVINS. You are making a temporary leasing arrangement until the building is constructed?

Mr. SCHMIDT. That is correct. In the meantime we can defer the project and use these funds, reprogram them.

Mr. EVINS. How much is the building going to cost when completed? What is the ultimate cost?

Mr. SCHMIDT. It is in the neighborhood of $7.5 million.

LEASE ARRANGEMENT

Mr. EVINS. How much are your leases going to cost? How long will it take to complete the project? How long will the lease arrangement continue?

Mr. SCHMIDT. The lease arrangement would be for a minimum of 5 years and the rental would be in the neighborhood of $5 a square foot.

Mr. EVINS. How much does the rental or lease cost?

Mr. SCHMIDT. I would have to supply that figure for the record.

Mr. EVINS. All right.

(The information follows:)

The estimated maximum annual rental for space to house the Internal Revenue National Data Center at Detroit (fully serviced) is $930,000.

Mr. EVINS. You have told the committee about your construction projects past, under way, and planned. Tell us about your sites and planning program. How much are you carying in this budget for the acquisition of sites?

ACQUISITION OF SITES

Mr. SCHMIDT. We are asking for an additional $11 million for sites and expenses. We would propose to acquire sites for six projects selected from 23 approved projects. These would include the site at Atlanta, Ga., for a courthouse and Federal office building, site at New Orleans for a courthouse and Federal office building, site at Hattiesburg, Miss., for a courthouse and Federal office building, site at Aber-

deen, S. Dak., for a Federal office building, site at Midland, Tex., for a post office, courthouse, and Federal office building, and a site at Elkins, W. Va., for a post office, courthouse and Federal office building.

Mr. EVINS. How many sites in planning and how many are you planning to purchase?

Mr. SCHMIDT. Six.

Mr. EVINS. How many did you say the planning was completed on?

Mr. SCHMIDT. The planning has not begun on these projects. These will be started with the acquisition——

SELECTION OF SITES

Mr. EVINS. On what basis do you select these six sites out of the hundreds that are requested and the many demands?

Mr. SCHMIDT. These were selected out of 23 authorized projects. This would give us a start on the six. Following the selection and acquisition of the site, we would then use preliminary planning money to start the design and we would be back hopefully in 1971 for the necessary money to prepare the working drawings and specifications.

Mr. EVINS. Tell us how you selected six out of 23. On what basis did you make the selection of the six?

Mr. SCHMIDT. This was on the basis of the projects that we felt were most urgently needed. In Atlanta, New Orleans, and Hattiesburg, there is a very critical need for the court requirements. These projects are long overdue.

At Midland, Tex., there is definite and urgent need for the post office requirements. And at Elkins, W. Va., for both court and post office requirements.

DISTRICT OF COLUMBIA PROJECTS

Mr. EVINS. There is need for space all over. There is a continuing need for space in the District of Columbia. What do you plan for the next several years in the District of Columbia?

FBI BUILDING

Mr. SCHMIDT. We have a number of buildings under construction. We have the FBI Building under construction on Pennsylvania Avenue.

Mr. EVINS. That is a big one on Pennsylvania Avenue?

Mr. SCHMIDT. Incidentally, in this reprograming we are asking for $3.8 million additional to bring that substructure up to grade.

Mr. EVINS. Besides your FBI Building, what else?

DEPARTMENT OF LABOR BUILDING

Mr. SCHMIDT. The Department of Labor Buildings under construction. That is on Constitution Avenue and Second Street. It is at the north portal of the Mall tunnel.

Mr. EVINS. The highway underpass at the present time?

Mr. SCHMIDT. That is right. The highway will tunnel right through the basement of the structure.

Mr. EVINS. That is about 5 years away, is it not?

Mr. SCHMIDT. That is well underway, Mr. Chairman.

Mr. EVINS. I mean toward ultimate completion.

Mr. SCHMIDT. We only have the appropriation for the substructure. We would need the appropriation for the superstructure. It will take about 5 years to complete.

SOUTH PORTAL BUILDING

Mr. EVINS. What else do you have underway in the District of Columbia?

Mr. SCHMIDT. We have a building at the south portal of the tunnel under the Mall. The District of Columbia has gone ahead with the contract for the tunnel and we are participating in that contract. The building is under design and $1 million was appropriated to GSA to join with the District in construction of that building.

Mr. EVINS. Any more in the District?

Mr. SCHMIDT. These are the three GSA projects under construction.

SPACE AND FACILITY DEMANDS

Mr. EVINS. Generally it is a crash program underway in the District of Columbia and there is also a demand for Federal space and facilities throughout the Nation. We want to throw out to the new Administrator the thought that you should not spend all your time and money and effort in the District of Columbia but to give consideration to the space demands throughout the Nation.

We have a constant battle here to try to hold down expenses in the District of Columbia and we have difficulty getting adequate space in other areas throughout the Nation. There is a concentrated effort for a crash program underway in the District of Columbia at all times.

Give consideration to other projects throughout the Nation.

DISTRICT OF COLUMBIA BUILDING PROGRAMS

Mr. JONAS. It is worthy of note that there have been substantial building programs underway in the District of Columbia for many years. Is that true?

Mr. EVINS. The last decade.

Mr. JONAS. We have just opened the new HUD Building, the FAA Building, and Forrestal Building, all built in the last 3 or 4 years?

Mr. SCHMIDT. Past 5 years. I should have mentioned the Forrestal Building earlier, which is very near completion now and being occupied. It was a matter of having a design compatible with the 10th Street Mall development. I think we have this, and as far as the building itself is concerned, I think the cost was a very favorable one. I believe the base cost was $20.80 a square foot gross.

SPACE UTILIZATION

Mr. EVINS. You made a beautiful spot there. You constructed something esthetic but it has not been good from the point of view of utilization of space.

Mr. SCHMIDT. I think we will get as good a utilization of space in that building as we will in the building that we have built for the Department of Housing and Urban Development. I am talking now to

utilization of space. There are open spaces. This was a matter of judgment in the design to make the design compatible with the entire redevelopment design.

Mr. JONAS. Would you yield?

L'ENFANT PLAZA

How many commercial tenants are in that plaza? Several gas stations, a theater, and what, grocery store?

Mr. SCHMIDT. In the L'Enfant Plaza?

Mr. JONAS. Yes.

Mr. SCHMIDT. There are two office buildings completed and a third private building near completion, a fourth which will be a combination office building and hotel which will be started—this will be over on the east end. I think that about completes what we call the L'Enfant Plaza development.

Mr. JONAS. How many commercial operations are in the plaza now? How many different ones?

Mr. SCHMIDT. A whole shopping mall.

Mr. JONAS. How many tenants?

Mr. SCHMIDT. I don't know what the number is.

Mr. JONAS. Who handles that?

Mr. SCHMIDT. That is private.

Mr. FOSTER. Wholly private.

Mr. SCHMIDT. Built with private funds. They are all commercial leases. We have no space there.

Mr. EVINS. The private buildings were tied in with the design of the Forrestal Building?

Mr. SCHMIDT. With the whole mall development, that is correct.

Mr. EVINS. The whole plan?

Mr. SCHMIDT. That is correct.

Mr. EVINS. You do not know how many private enterprises are in business included in this area?

Mr. SCHMIDT. No, but I imagine that I could get the figure for the record.

Mr. EVINS. Supply that for the record.

(The information follows:)

L'ENFANT PLAZA, WASHINGTON, D.C.

L'Enfant Plaza, a private development owned by the L'Enfant Plaza Corp., is an office and shopping center in the heart of the Southwest Urban Renewal Area of Washington, D.C. When complete, the complex will consist of four buildings framing a park-like plaza which is, in fact, the roof of a fifth underground structure of several levels. Phase I, now complete, consists of twin nine-story office buildings, each containing 256,000 net square feet, flanking the plaza on the north and south, and the underground structure which includes a shopping promenade, theater, service station, and parking garage. A general purpose office building is scheduled to frame the plaza on the west and a combination hotel and office building is now under construction on the east.

There are two banks and one building and loan association on the plaza level; 32 shops on the promenade level; a service station, theater, and garage on the lower levels. The shops on the promenade level include women's and men's wear, shoes, jewelry, liquor, candy, cameras, stationery and office supplies, and restaurants.

Five major tenants occupy the offices, being Communications Satellite Corp. (Comsat); International Telecommunications Satellite Consortium (Intelsat); Washington Metropolitan Area Transit Authority (WMATA); Bellcomm, Inc.; and Boeing Co. There are no Government agencies housed in the project.

SPACE IN FORRESTAL BUILDING

Mr. EVINS. What is the total space in the Forrestal Building? It is really not as good in space utilization as this committee originally had been led to believe.

Mr. SCHMIDT. It is over 1 million square feet of usable area.

URBAN RENEWAL

Mr. JONAS. I think the open space you have reference to is part of this urban renewal project, is it not?

Mr. SCHMIDT. I believe the chairman has reference to the building that is on stilts, as you call it. The unit along Independence Avenue.

Mr. BOLAND. What is the cost per square foot of the two L'Enfant Plaza buildings now under construction?

Mr. SCHMIDT. I don't know, sir.

HUD BUILDING

Mr. BOLAND. I imagine it would be substantially more than yours. I think that you have done a tremendous job on the HUD Building. I like the design and I think it ties in with the area and makes it a really magnificent one. That will be one of the finest plazas in Washington in the years to come.

Mr. SCHMIDT. That cost was even more favorable than the construction costs on the Forrestal Building.

ACCIDENTS IN GOVERNMENT BUILDINGS

Mr. BOLAND. I noted where an awful lot of people are falling in the HUD Building. Some columnist indicated if you want to go to work don't work for HUD because there are a great number of falls. Apparently the halls are too slippery, or what is the trouble?

Mr. EVINS. One of the hazards of Government service, as I understand the article. Also it is very hazardous for a Post Office Department employee because of the biting dogs.

Mr. FOSTER. I think that I can reply to Mr. Boland's question. Those were annual accident statistics for the whole Department, not related to buildings or locations. It was a coincidental comparison of what happened to people who work for HUD, with what happened to employees in other departments.

Mr. BOLAND. Probably running more in HUD?

Mr. FOSTER. Quite possibly.

Mr. EVINS. Scattered in some 15 or 16 buildings and now that they are concentrating the statistics it will be probably less.

Mr. FOSTER. These were nationwide statistics, Mr. Chairman.

Mr. EVINS. Any further questions?

(No response.)

POST OFFICE CONSTRUCTION

Mr. EVINS. What about the building of the post office? What part does GSA play in this program? As I recall, wasn't there some change in the regulations a couple of years ago which took some of your responsibility away from constructing post offices?

Mr. SCHMIDT. Under the Public Buildings Act, the Administrator may delegate to any department or agency the design and construction of public buildings. In the case of the Post Office Department, he has delegated design and construction responsibility for 40 postal facilities which are primarily mail-handling structures with a great deal of mechanized equipment. There are these 40 projects on which the design and construction has been delegated. There are at the moment 28 additional post office buildings that have been recommended for authorization to the Committees on Public Works.

GSA VERSUS POST OFFICE CONSTRUCTION REQUEST

Mr. EVINS. How much is in the budget for construction of GSA buildings for 1970?

Mr. SCHMIDT. $5.3 million of new appropriations.

Mr. EVINS. There is $175 million in the Post Office budget for post office building construction. You are going to keep on delegating until they take away all your building construction program. $175 million in the budget for construction of Post Office buildings and $5 million for GSA?

Mr. SCHMIDT. Yes, sir.

GSA CONSTRUCTION AUTHORITY

Mr. EVINS. Congress authorized, when they created the General Services Administration, you as the official construction and building management operating agency of the Government. The GSA is supposed to do the construction and managing of the operations of the buildings.

Now the Administrator has delegated a large chunk to the Post Office Department and you are diminishing your authority. The Congress delegated this total authority to GSA.

Mr. SCHMIDT. The overall planning is still done by GSA. All of the projects are submitted by GSA to the Committee on Public Works.

Mr. EVINS. I thought you said that you delegated a certain number of projects, planning to the Post Office Department?

Mr. SCHMIDT. Only the performance of design and construction after the project has been authorized. The Post Office Department seeks the appropriations for site acquisition, design, and construction. That is all handled directly by the Post Office——

Mr. EVINS. These are separate and single post office buildings. If the post office service were to be included in a Federal building, GSA does the total job; is that correct?

Mr. SCHMIDT. That is correct.

Mr. BOLAND. Up until the time of the delegation of the authority by the former Administrator you were also doing purely post office facilities apparently?

Mr. SCHMIDT. Yes, we were. Prior to that the number of mail-handling facilities that we had included in our program were very few. The Post Office Department was obtaining these through their long-term lease construction. When they changed to obtain more of these by direct appropriation they endeavored to seek legislation for their own program.

ROLE OF GSA IN CONSTRUCTION OF BUILDINGS

Mr. BOLAND. We had, as you know, Commissioner, over the years, before you came, some discussion about the role of the GSA in the construction of public buildings, be they post offices or Federal office buildings or courthouse buildings. I think most of us on the committee felt this responsibility should be lodged and remain with the GSA rather than with the Post Office Department. As you know, over the years the Post Office Department has been trying to build not only post office facilities but everything—Federal courts, or Federal facilities, or office buildings.

There has been great duplication here. Really the GSA could handle this problem and ought to handle it. Is there not some sort of struggle between the two agencies over who should build what and where?

Mr. KUNZIG. I could best answer that.

There have been meetings within the last few days and weeks since we new folks have come aboard, with the Post Office Department tied in, and I certainly can't speak for them, concerning the Postmaster General's idea of revitalizing and redoing the entire postal system in America. In that line of endeavor I believe he feels that they should construct post offices and have a program of their own. Again I can not speak because I am not——

Mr. BOLAND. Even the new Postmaster General?

Mr. KUNZIG. I am talking about the new Postmaster General and myself as the Administrator.

In other words, concerning the subject that you are raising, and the points which are being discussed, there is no question but they feel that the entire post office operation, if they are going to revitalize and redo it on a massive scale, depends on whether the Congress gives them the authority to do so and they believe it would require them to have total control themselves. This may be new legislation, of course.

GSA—CONSTRUCTION AGENCY OF THE GOVERNMENT

Mr. EVINS. If you look at the basic act you will see that Congress has declared itself for the GSA to be the construction agency of the Government.

Mr. KUNZIG. I read that and I know what you mean. That is why I thought I should make this comment.

Mr. JONAS. Speaking as one member of the committee, I think the Post Office Department ought to be carrying the mails and GSA ought to be building the buildings.

Mr. SHIPLEY. Mr. Chairman?

Mr. EVINS. Yes.

PO LEASING

Mr. SHIPLEY. I would like to ask the Administrator, what are your views, if you care to express them, with regard to the post office building program on a lease basis that we have been operating at for several years? Do you think this is a good investment?

Mr. KUNZIG. By that do you mean the purchase installment plan where you pay over the years?

Mr. SHIPLEY. Yes.

Mr. KUNZIG. Just as you are building a building on an installment plan?

Mr. SHIPLEY. Yes.

Mr. KUNZIG. Obviously I cannot comment for the Post Office Department on——

Mr. SHIPLEY. I realize that.

Mr. KUNZIG. But there would be no question in mind, albeit that I am now Administrator, that such a method will be a lot more expensive. Anything like that is more expensive. Of course, our direct leasing in lieu of not building new buildings is obviously more expensive to the Government.

SQUARE FOOT RENTAL COST

Mr. SHIPLEY. One other question. Somebody testified last week they were paying $6.90 to $7.02 per square foot. What is your overall cost rental with maintenance and without maintenance?

Mr. KUNZIG. I will ask Mr. Schmidt for that.

Mr. SHIPLEY. I would like to have that with maintenance and without.

Mr. SCHMIDT. Our average cost in fiscal year 1969 for rental, operation, and protection of some 33 million square feet of leased space is $3.86 per square foot. This is a nationwide average. Here in the District of Columbia the average is $4.83.

Mr. SHIPLEY. What is the highest that you are paying and what type of facility would this be?

Mr. SCHMIDT. I would imagine that the highest we are paying is probably in New York and there it would run about $6 or $6.50.

If we ever get beyond that rate it is only because of some specific requirement that an agency has to be located in a specific area. There the selection of space is difficult and limited.

SQ. FT. RENTAL COST OF LABORATORY FACILITIES

Mr. SHIPLEY. In any of the space that you may have leased that would require laboratory facilities, what would be your horseback guess on your rental per square foot?

Mr. SCHMIDT. It would run somewhat higher.

Mr. SHIPLEY. I am sure it would.

Mr. SCHMIDT. Generally because of the additional equipment that has to be installed in the building, I would judge that it might vary from 50 cents to $1 per square foot more for both the installation of the equipment and the servicing of the space.

Mr. SHIPLEY. These figures that you have given us, they are with maintenance? In other words, this includes the janitorial services, electricity, and so on?

Mr. SCHMIDT. Completely serviced. This is an overall average and covers the country. The maintenance or servicing costs would average about $1.50 to $1.60 per square foot.

Mr. SHIPLEY. It varies tremendously according to the geography, I understand.

Mr. SCHMIDT. In the larger cities the rental rate will run higher. We have administratively set a ceiling of $5. This is not that we will pay up to $5. It is just that administratively we review here in the central office every case where the rental is in excess of that rate.

Mr. SHIPLEY. Thank you.
Mr. EVINS. Mr. Giaimo?

REDUCTION IN CONSTRUCTION FUNDS

Mr. GIAIMO. On this question of construction, do you have a reduction of $7,336,400 and did you furnish a list to the chairman on that?
Mr. SCHMIDT. Yes, sir. We did.
Mr. GIAIMO. That is all.
Mr. EVINS. Mr. Boland?

FEDERAL SUPPLY SERVICE

Mr. BOLAND. I notice the Federal Supply Service has effected some substantial savings in the past year. I note on page 6 of your statement, the last paragraph indicates:

> An integral part of the GSA supply operations is the quality assurance program under which manufacturers may ship material without Government inspection of every order. To qualify, the manufacturer must assure conformance with contractual quality and delivery reqirements with minimum GSA inspection. During fiscal year 1968, $441 million out of the total $759 million worth of material accepted was shipped under this program, with a resultant inspection cost avoidance of $2.6 million.

What type of equipment would this be, Mr. Abersfeller?
Mr. ABERSFELLER. For the wide range of things we buy. Most of the shipments under quality assurance were stock items.
Mr. BOLAND. Primarily stock items?
Mr. ABERSFELLER. Yes, sir.
Mr. BOLAND. There are no perishables in this?
Mr. ABERSFELLER. No, perishable subsistence.

SPECIFICATIONS

Mr. BOLAND. You also indicate that with respect to specifications, that you are developing specifications which make it possible for Federal Supply Service to enter into more contracts on a competitive basis?
Mr. ABERSFELLER. Yes, sir.
Mr. BOLAND. This is off the record.
(Discussion off the record.)
Mr. BOLAND. That is all.

SMALL BUSINESS PROCUREMENT

Mr. EVINS. In the main, the specifications program of the GSA has been urged by this committee to provide economies and bring about savings and assist small business in their procurement programs. What is the amount of GSA procurement through the Federal Supply Service that goes to small business.
Mr. ABERSFELLER. Forty-eight percent went to small business last year and we are running at that rate now. Of course, this varies. When we develop specifications we do open the door to a wide range of small business firms that would be unable to participate on any other basis. This is one of our objectives. We think that we have been successful.
Mr. EVINS. Any general questions, Mr. Jonas?

MOTOR POOL OPERATIONS

Mr. JONAS. I will ask one, if I may, of Mr. Williams while we are on this subject.

You have 101 motor pools?

Mr. WILLIAMS. Yes, sir.

Mr. JONAS. How much do you estimate you are saving in your operations?

Mr. WILLIAMS. About $25 million this year.

Mr. JONAS. What are the cumulative savings since the beginning?

Mr. WILLIAMS. The cumulative total we estimate at the end of fiscal year 1969 will be $158 million.

Mr. JONAS. That is all.

VEHICLE FLEET

Mr. EVINS. Mr. Williams, you also have a larged fleet and more automobiles than the Army now, have you not?

Mr. WILLIAMS. We have approximately 51,000 in the fleet.

Mr. EVINS. What are the increases in your fleet since 1967?

Mr. WILLIAMS. The number of vehicles on hand at the end of fiscal year 1967 was 50,144, and 52,385 at the end of fiscal year 1968. First half of fiscal year 1969, 51,585, and end of fiscal year 1969, 51,869. In 1970, 51,869.

Mr. EVINS. We think that your motor pool does a good job. This is the reason you are able to claim the great savings because of the better fleet utilization?

Mr. WILLIAMS. We get good utilization.

MOTOR VEHICLE REPLACEMENT

Mr. EVINS. What is the exchange time period in disposing of a used car?

Mr. WILLIAMS. Six years or 60,000 miles, whichever comes first.

Mr. EVINS. Would reducing that result in any savings?

Mr. WILLIAMS. Yes, sir.

Mr. EVINS. In other words, if you sold them every 5 years instead of 6, you would save more money.

MOTOR VEHICLE STUDY AT BOB

Mr. JOHNSON. Mr. Chairman, we have in front of the Bureau of the Budget now, and have had for the last year or so, a study that shows that if they were replaced at an earlier time, the Government would actually save money. This would take a large capital acquisition appropriation. We are still studying the item and we have a test program running now with the Bureau's approval. We hope it will prove the point once and for all. We are, with a large geographical distribution in the country, selling some 2,200 vehicles at varying ages and conditions to see what kinds of proceeds we get upon sale.

Mr. EVINS. What is the GSA recommending currently as to the time when a used automobile should be sold, 2 years, 1 year, or 3 years?

Mr. JOHNSON. The last thing we gave the Bureau of the Budget on a break-even basis was between 1 and 2 years.

Mr. EVINS. Some agencies——

Mr. JOHNSON. The State of New York has moved down to this kind of a criteria.

Mr. EVINS. What is the experience of Hertz and Avis?

Mr. WILLIAMS. They turn them over annually.

Mr. EVINS. You do not want the Government employees going out on a mission and the car breaking down. You want a car to service him.

MOTOR VEHICLE MAINTENANCE

Mr. BOLAND. Your maintenance is much better than Hertz? Doesn't the ordinary driver that handles your car take better care of it than the ordinary citizen?

Mr. JOHNSON. They do, that is true, but this has to be weighed together with the other economic factors. One organization that has done more with respect to turnover of vehicles, to prove at what point you should turn them over to give you a maximum dollar return, is the city of New York. They have accomplished quite an expansive study in the last several years on this question. They are turning their vehicles on the basis of once a year.

DISPOSITION OF MOTOR VEHICLES

Mr. BOLAND. Turning back to the companies from whom your purchased or do you sell them?

Mr. JOHNSON. No. We sell them on a competitive bid.

Mr. BOLAND. How much, or what do you get? What is the average for a 6-year-old car?

Mr. JOHNSON. A little more than 15 percent of the $1,500 we pay for them. That will vary a little bit, depending on what part of the country we are selling in and the condition of the car itself.

Mr. JONAS. What would the average be if you turned them over once a year?

Mr. JOHNSON. If we turned them over at the end of the first year we believe we could get what we pay for them, less depreciation.

Mr. JONAS. Because you would be selling them and the people who buy your cars wouldn't have access to your good price?

Mr. JOHNSON. That is right.

One of the questions the Bureau has raised with us, and we are trying to get a pricing on right now, is what effect that would have on the price we get from the manufacturers. This is extremely difficult to ascertain.

Mr. SHIPLEY. Wouldn't industry give you a battle on this.

Mr. BOLAND. And dealers.

Mr. JOHNSON. We have been dealing with the National Association on Used Cars around the country. There is not quite as much static as you would anticipate from that source, providing distribution under the disposal is nationwide. We won't concentrate it in any one place. For instance, we are selling cars in various cities in all 50 States.

Mr. SHIPLEY. That would be the same cities each year?

Mr. JOHNSON. That turnover with our sized fleet is much less than 1 percent of the total number of cars on the road. You have close to 90 million cars on the road.

Mr. SHIPLEY. How many cars would you dispose of if you did it on a yearly basis?

Mr. JOHNSON. If we did it on a yearly basis we would dispose of some 26,000 cars. That is 26,000 out of millions of used cars. It is a very, very small percentage of the total used car population in the United States.

Mr. BOLAND. Ninety million on the road?

Mr. JOHNSON. 26,000 is a small amount of the total turned. We will have for the committee before next year a complete study report on this particular subject.

Mr. EVANS. Further questions, Mr. Jonas?

Mr. Wyman?

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

Mr. WYMAN. Mr. Administrator, at page 4 of your statement it says in the beginning of the second paragraph that "Under the Construction, Public Buildings Projects appropriation we are asking for $5.35 million of new funds and authority to reprogram $7.3 million heretofore appropriated."

Then looking at the summary sheet which is before us, is this all of the money that is going to be requested in this appropriation for the construction of new buildings?

Mr. JOHNSON. Yes, sir. That is all of the new funds.

Mr. WYMAN. Why?

REDUCTION OF NEW CONSTRUCTION MONEY

Mr. JOHNSON. Sir, that is because of the administration's policy with respect to combating inflation.

Mr. WYMAN. Which administration?

Mr. JOHNSON. The present administration.

Mr. WYMAN. The new administration?

Mr. JOHNSON. Yes, sir.

Mr. WYMAN. Did they cut out and make any further reductions in new construction money?

Mr. JOHNSON. Yes, sir.

Mr. WYMAN. How much? Do you have that figure before you?

Mr. JOHNSON. Yes, sir; I do.

In the Johnson budget there was $12.8 million for this item. The revised budget that you have in front of you, is $5.4 million, or a reduction of roughly $7.5 million.

REPROGRAMING OF FUNDS

Mr. WYMAN. You are going to reprogram this, I assume?

Mr. JOHNSON. Yes, sir.

Mr. WYMAN. Have you done that yet?

Mr. JOHNSON. No, sir; it takes committee action before this can be done.

Mr. WYMAN. Are you asking us to go over these budget requests in this committee?

Mr. JOHNSON. Yes, sir.

CONSTRUCTION CONTRACT AUTHORITY

Mr. WYMAN. I would just like to say, on the record, I favor going ahead with construction starts when I see a cost factor of the difference that is involved, in some of these specifications that you have been showing how much more it is going to cost, if we delay this construction. I would like to ask you in this connection: Couldn't we contract? Couldn't you contract for the construction of some of these buildings and then fund them incrementally? In other words, fund them in incremental stages?

Mr. JOHNSON. We could, sir.

Mr. WYMAN. Couldn't that contracting preserve the price advantage with us now?

Mr. JOHNSON. We could go back to what was commonly used several years ago in the budget business called contract authority. All this did was to give you the power to obligate in advance of when you needed expenditure authority. Sooner or later you would have to expend the funds to pay for the contract.

Mr. WYMAN. You have in your——

Mr. JOHNSON. We do not use that procedure today.

INCREASED CONSTRUCTION COSTS

Mr. WYMAN. You have in your summary volume I, for example, the Federal building for Manchester, N.H., in my district, an estimated improvement cost; if the contract is awarded October 1970, it is going to cost more than half a million more. If you wait another year, there have been estimates that it may cost $2 million more?

Mr. JOHNSON. That is correct. In each of the funded projects we have, where the committee has put up funds for a project, the increase in construction cost is now going up so that we could not award the building without coming back for increased funds anyway. The longer these are delayed, the more it is going to eventually cost.

INCREASE IN COSTS DUE TO DELAY OF PROJECTS

Mr. WYMAN. Do you have any figures with respect to those buildings that other agencies have asked you to construct and that you plan for and have approved? Do you have any figures overall as to how much more it is going to cost the Government if you fail to go ahead with them now?

Mr. JOHNSON. We do. We have quite a large chart in the budget justification that shows the increase in the cost index.

Mr. WYMAN. Where is the economy in not going ahead now with those buildings?

Mr. JOHNSON. We don't feel there is any economy in it. We do feel that, as the Administrator pointed out, going ahead with these buildings would add to the inflationary tendencies in the economy right now. From a straight cost standpoint, assuming that you are going to build the building——

INCREASE IN BUILDING COSTS

Mr. EVINS. I will ask of our colleagues to turn to pages I–74 and I–75. This is a basic decision we have to resolve in here among ourselves later.

The Engineering News index nationwide shows that building costs have increased by 33.2 percent since 1962. This is on page I–75. Building costs have gone up about 34 percent; 33.2 percent since 1962. The index increase of 9.3 percent during 1968 compares with an increase of 5.4 percent in 1967 and 3.9 percent in 1966. It is increasing substantially each year.

Place in the record pages I–73, I–74, and I–75.

(The pages follow:)

APPROPRIATION LANGUAGE

For an additional amount for expenses, not otherwise provided for, necessary to construct and acquire public buildings projects and alter public buildings by extension or conversion where the estimated cost for a project is in excess of $200,000, pursuant to the Public Buildings Act of 1959 (73 Stat. 479), including fallout shelters and equipment for such buildings, $5,352,600: Provided, That a total amount of $7,336,400 heretofore appropriated for projects located at Porthill, Idaho, Cambridge, Massachusetts, Detroit, Michigan, Helena, Montana, Pittsburgh, Green Tree, Pennsylvania, Westerly, Rhode Island, and Houston, Texas, under this heading in the Independent Offices Appropriation Acts, 1963, 1964, 1965, and 1966 and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, respectively, are hereby made available for the purposes of this appropriation: Provided further, That the foregoing amounts shall be available for public buildings projects at locations and at maximum construction improvement costs (excluding funds for sites and expenses) as follows:

Post office and Federal office building, Talladega, Alabama, in addition to the sum heretofore appropriated, $76,000;

Border station, Alaska Highway, Alaska, in addition to the sum heretofore appropriated, $398,000;

Federal office building, Los Angeles County, California, in addition to the sum heretofore appropriated, $1,258,200;

Post office and courthouse, Concord, New Hampshire, (Claims), in addition to the sum heretofore appropriated, $47,900;

Charles A. Buckley Post office and Federal office building, Bronx, New York, formerly Post office and Federal office building, Bronx, New York, in addition to the sum heretofore appropriated, $3,948,000;

Courthouse and Federal office building, Rochester, New York, in addition to the sum heretofore appropriated, $2,085,200;

Courthouse and Federal office building, San Antonio, Texas, in addition to the sum heretofore appropriated, $1,075,700;

Federal Bureau of Investigation building (substructure), District of Columbia, in addition to the sum heretofore appropriated, $3,800,000: Provided further, That the foregoing limits of costs may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 per centum.

[Funds heretofore appropriated under the heading "General Services Administration, Construction, Public buildings projects", shall be available in the amount of $6,000,000, for the contsruction of the substructure, Courthouse and Federal Office Building, Piladelphia, Pennsylvania: Provided, That the foregoing amount shall be the maximum construction improvement cost which may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 per centum.]

EXPLANATION OF PROPOSED CHANGES IN APPROPRIATION LANGUAGE

Language preceding first proviso restated. First proviso proposes use of $7,336,400 previously appropriated under this head in the Independent Offices Appropriation Acts, 1963, 1964, 1965, and 1966, and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, for the

projects indicated therein, to offset the total additional requirements for 1970 of $12,689,000. Second proviso reflects increases required for six projects previously funded for improvements, an increase for one project already awarded (FBI building substructure, District of Columbia), and the settlement of one claim (Post Office and Courthouse, Concord, N.H.). Final paragraph deleted as no longer appropriate.

JUSTIFICATION

The estimate for 1970 of $5,352,600 provides increases for eight projects previously funded for improvements.

The increases included in this estimate are necessitated by the continuing escalation of construction costs. The Engineering News-Record nationwide building cost index has increased 33.2 percent since 1962, the year when one of the projects proposed for an increase was approved. The index increased 9.3 percent during 1968, compared to an increase of 5.4 percent in 1967 and 3.9 percent in 1966. Each of the projects contained in this estimate are completely designed or sufficiently advanced in design to indicate that, with the increase in building construction costs, they cannot be constructed within available funds. Thus, further delay in the construction projects requested in this estimate would add about $3.2 million to the improvement cost each year based on an average annual construction cost increase approximating 6 percent during the period 1966 through 1968.

Exclusive of the projects included in this estimate for additional funding, there remain 16 projects and one superstructure previously funded for improvements, having contract capability in 1970, currently requiring increases estimated at $27,837,500 due to increased construction costs which have occurred since the projects were initially funded. An additional $6 million will be required to offset reprograming action authorized by Public Law 90-608 (82 Stat. 1192), for construction of the substructure of the courthouse and Federal office building at Philadelphia, Pa.

After 1970, there remain to be funded for improvements 73 approved projects and superstructures for six approved projects, currently estimated at $796,373,200. Of these, 21 projects will have construction capability by the end of fiscal year 1970, which have an estimated improvement cost of $137.9 million.

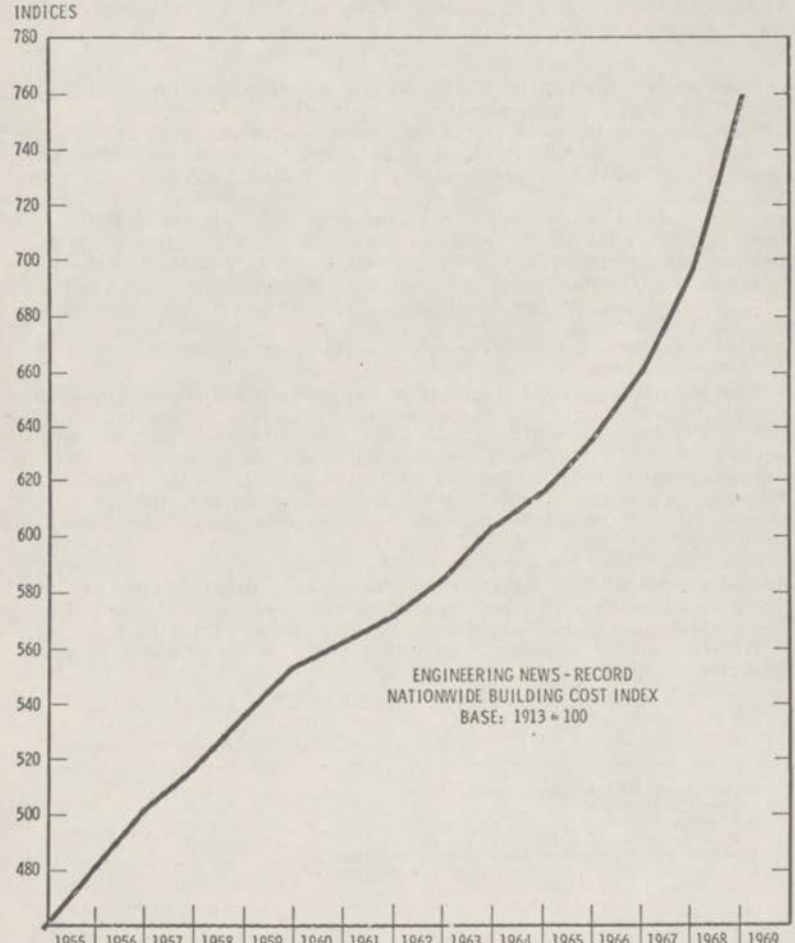
The following tabulation shows the status of the funded program as of December 31, 1968.

[Dollar amounts in millions]

	Number	Amount	Construction cost
Projects fully funded through fiscal year 1969:			
1. Completed or occupied	351		$926.8
2. Buildings purchased	29		41.9
3. Under contract as of Dec. 31, 1968	27		194.6
4. Scheduled for contract award Jan. 1, 1969 to June 30, 1969	14		49.1
5. To be placed under contract after fiscal year 1969, excluding increases required in fiscal year 1970	34		125.1
Total fully funded	455		1,337.5
Estimate for 1970:			
Fund request		$5.4	5.4
Authority to reprogram funds previously appropriated	−6	7.3	
Total request, fiscal year 1970		12.7	
Total funded through fiscal year 1970	449		1,342.9

(Revised to reflect amended budget for 1970, House Document No. 91-100.)

TABLE REFLECTING STEADILY RISING BUILDING CONSTRUCTION COSTS



	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Index on January 1	457.9	480.5	502.0	516.8	536.2	554.4	562.9	570.9	584.5	604.2	616.0	635.0	659.8	695.5	760.2
Increase in percent	4.9	4.5	2.9	3.8	3.4	1.5	1.4	2.4	3.4	2.0	3.1	3.9	5.4	9.3	

INCREASE 1-1-62 THROUGH 12-31-68 = 33.2%. AVERAGE INCREASE 1966-1968, 6.2%

Mr. EVINS. The Engineering News Record chart shows you how building costs are mounting, going up about 10 percent a year. If you multiply the number of projects that you have shown in this volume 1, and each one of them, as Mr. Wyman has indicated, shows half a million dollars to a million dollars increase by delay, every large project that you delay could cost you half a million to a million more.

The basic question we have to decide is whether you want to make this saving now by delaying the building or whether you want to save money by directing GSA to move forward with its construction program.

GSA LIMITED CONSTRUCTION PROGRAM

The truth of the matter is that it has been diminished by the Post Office. They are pulling the rug out from GSA and going ahead with large budgets and large buildings and building programs. GSA has been declining until last year it had no construction at all. This year the Bureau of the Budget has given them $5 million, a very limited construction program.

Mr. JOHNSON. One other thing that might answer your question.

For the 16 projects and the one superstructure for which we have construction capability, but no funds in the budget to award in the coming year, the committee has previously funded $73.6 million. In order to award them we need $27.8 million more right now.

Mr. WYMAN. Isn't there some way now if you had the authority to protect against this sort of thing?

These buildings that could not be built in a single year: if you had the authority to take advantage of the prices that are available now, the performance of the contracts could be stretched out over 2 or 3 years, why wouldn't you save money if you have the authority to commit these funds now?

Mr. JOHNSON. We can. If we had an appropriation for all of these buildings today, the expenditure effect would be spread out over the next 5 years.

Mr. WYMAN. That would save on the order of at least 10 percent of the total?

Mr. JOHNSON. That is right.

MANCHESTER AND KEENE, N.H., FEDERAL BUILDINGS

Mr. WYMAN. Would you furnish for the record a statement concerning the Manchester Federal Building as to why it has not been funded for construction? And at the request of Congressman Cleveland of the Second District, a statement regarding the Federal buildings proposed for the city of Keene, N.H., why it is not underway?

Mr. JOHNSON. We will be glad to.

(The information follows:)

MANCHESTER, N.H. POST OFFICE AND FEDERAL OFFICE BUILDING

Because of the backlog of projects heretofore funded for construction which require additional funds before a construction contract can be awarded, GSA's request to the Bureau of the Budget for fiscal year 1970 was limited to only those projects for which construction funds had been appropriated and for which additional funding was required. The Manchester project did not qualify under this guideline and, furthermore, the drawings and specifications will not be completed until the early part of fiscal year 1971. Until the city acquires title

to the site and demolishes the improvements, it will not be possible to finish final test borings which are necessary before the foundation can be designed. GSA is seeking the assistance of the Department of Housing and Urban Development in expediting the city's acquisition of the site, which is located in the downtown one urban renewal project.

KEENE, N.H. POST OFFICE AND FEDERAL OFFICE BUILDING

The Keene, N.H., Post Office and Federal Office Building is one of the 17 projects heretofore funded for improvements but which requires additional funding before a construction contract can be awarded. GSA's request to the Bureau of the Budget for fiscal year 1970 included an increase of $291,000 for the Keene project. However, because of budget restraints, GSA's request for construction funds was reduced from $56.3 to $5.4 million. The increase included for the Keene Post Office and Federal Office Building was denied along with increases requested for a number of other projects.

The final working drawings for the Keene project were completed in July 1968. The site has been acquired and a contract for the demolition of the improvements on the site together with backfilling, leveling, and fencing the area was awarded February 19, 1969.

FIXED-PRICE CONSTRUCTION CONTRACTS

Mr. JONAS. I want to direct this to Mr. Johnson.

You told Mr. Wyman that if you could make a contract now, you can get a firm commitment on building at today's prices even though the building is not to be completed in 3 years or paid for in 3 years. I do not believe it, with due respect.

Mr. JOHNSON. No, sir.

Mr. JONAS. You cannot get any contractor to give you a contract like that, I do not believe.

Mr. JOHNSON. That is correct.

What I intended to convey is that if we let a contract today on a large Federal building, the expenditure against that contract would spread over the next 3 to 5 years.

Mr. JONAS. As you make payments on construction?

Mr. JOHNSON. That is correct, but it would be a fixed-price contract. For example, if we enter into a fixed-price contract for a Federal building today at $80 million, we would spend that $80 million over the next 5 years as the progress took place on the building, but the fixed contract price would still be $80 million.

Mr. JONAS. How does the contractor take a hedge against further inflation?

Mr. JOHNSON. He does in his bid price. I was talking to a contractor last night who is building custom homes right here in the city of Washington, and because of the lumber prices he had to, in effect, take a 7- to 15-percent markup when he priced his lumber in order to protect himself, due to the speed these prices are going up.

ADMINISTRATION CONCEPT

Mr. JONAS. Everybody knows if prices are going to continue to go up at the rate of 9 percent a year, anything you build in the future is going to cost more than it would cost now.

Mr. JOHNSON. That is correct.

Mr. JONAS. But the concept of getting inflation under control is that prices will not continue to rise at that rate.

Mr. JOHNSON. The administration policy is to take the heat off the economy, off the inflationary cycle, and it is probably worse in the

building industry than anywhere now. The main objective is to try to slow the inflationary impact of building industry down, both public and private.

NATIONWIDE ENGINEERING INDEX

Mr. KUNZIG. In my previous position, in charge of construction for Pennsylvania, in the last year, 1968, we computed it at 1 percent a month and everything was way over our estimate. We had to go back for more and more money in every building.

Mr. EVINS. Your engineering index shows about 10 percent. Your testimony is 12 percent.

Mr. JOHNSON. It was that in that part of the country.

Mr. EVINS. One percent a month or 12 percent a year?

Mr. JOHNSON. We are giving you nationwide averages and he was presenting the State of Pennsylvania prices. The city of New York would be larger.

RENTAL AND LEASE COSTS

Mr. EVINS. While you are deferring these projects, could you give us a lump-sum figure as to how much lease costs and rental costs will be encouraged. You have a 10-percent average increased cost to the project. In the meantime, you are having to put out funds for rental as you are in Detroit and other places. Do you have any projection of your lease costs?

Mr. JOHNSON. I think we would prefer to furnish that for the record, and we will furnish a table.

Mr. EVINS. Give us an off-the-cuff estimate and then correct it for the record.

Mr. SCHMIDT. We have been completing buildings at the rate of about 3 million square feet a year.

Mr. EVINS. All we want to know, how much is your annual rental and lease costs?

Mr. SCHMIDT. I do not have the figures that would be attributed directly to the new projects. I was going to say we are completing buildings at the rate of about 3 million square feet a year, and renting an additional 3 million square feet each year for agency expansion. If you multiply that by base rental of $2 to $2.50 a square foot, you get anywhere from $6 to $7.5 million a year in added rental you continue to pay.

Mr. EVINS. That is what we are trying to arrive at.

Mr. SCHMIDT. I might indicate that during the period 1959–70 we will complete 36.2 million square feet of new space through construction, but during that same period we will have leased 22.3 million square feet of space at an annual cost of $91 million in order to provide for agency expansion.

(The information follows:)

Projection of Lease Costs

The cost of the 22.3 million square feet of space leased for agency expansion since 1959 is $91.1 million annually. The total cost of leased space under the buildings management fund is estimated at $177.2 million for fiscal year 1969, and $193.4 million for fiscal year 1970.

ANNUAL COST OF LEASED SPACE TO BE RELEASED UPON COMPLETION OF 16 PROJECTS AND 1 SUBSTRUCTURE PREVIOUSLY FUNDED FOR IMPROVEMENTS, HAVING CONTRACT CAPABILITY IN 1970, AND REQUIRING ADDITIONAL FUNDS TO CONSTRUCT

Project	Leased space for release (square feet)	Annual net rental of space for release
Alaska: Petersburg, PO FOB	4,978	$13,927
Colorado: Fort Collins, PO FOB	16,649	49,899
Georgia: Athens, PO FOB	26,038	61,454
Idaho: Moscow, PO CT	6,316	12,261
Illinois: Chicago, FOB (superstructure)	704,752	2,696,156
Indiana: Indianapolis, FOB	113,900	331,180
Kentucky: Frankfort, CT FOB	19,534	49,755
Louisiana:		
Houma, PO FOB	10,352	27,883
New Orleans, PO CT (C. & R.)	69,120	134,640
Massachusetts: Fitchburg, PO FOB	12,810	27,100
New Hampshire: Keene, PO FOB	4,333	12,395
New York:		
Albany, FOB	79,581	279,033
New York, CU CT FOB Annex (substructure)		(1)
Rhode Island:		
Barrington, PO FOB	3,650	6,816
Providence, PO FOB (C. & R.)	8,869	27,012
Vermont:		
Brattleboro, PO CT FOB (C. & R.)	7,941	9,845
Essex Junction, PO FOB	4,331	8,426
Total, 17 projects (16 new starts and 1 superstructure)	1,093,154	3,747,782

[1] Space releases will not materialize until superstructure is completed (currently computed at 461,980 square feet having an annual rental of $2,337,685).

ADMINISTRATIVE COSTS OF LEASING PROGRAM

Mr. TALCOTT. May I ask what the administrative costs of your leasing program is, not the leasing itself but your administrative costs of leasing which I have some reason to think is extraordinarily high? There are a lot of people in the leasing business of your office that spend a lot of time just spinning their wheels.

Mr. SCHMIDT. Our nationwide acquisition cost for 1969 is estimated at $2,339,600. This staff handles both leasing and acquisition of sites for Federal buildings as well. This includes the personnel in 10 regional offices and in the central office.

Mr. EVINS. This is the personnel?

Mr. SCHMIDT. The personnel and related administrative expenses.

Mr. EVINS. And how many square feet do you lease?

Mr. SCHMIDT. About 50 million square feet in total, but it has been running around 3 million square feet additional space each year for the past 3 or 4 years, and in addition to that, these same people have the job of renewing existing leases.

We have over 7,400 leases throughout the country, a goodly number of which are on an annual basis, others for 5-year duration, 10 or 20.

Mr. TALCOTT. For 50 million square feet, you spend $2 million in personnel costs?

Mr. SCHMIDT. I would feel that probably 50 percent of this acquisition expense is related to leases and the balance of it is related to the acquisition of sites for Federal buildings. So it really would be, let's say, 1.2 million related to the 50 million square feet of leased space.

EXPLANATION OF COSTS

Mr. TALCOTT. I think that really proves what I am thinking, that your costs there are extraordinarily high. I would like to have you give us an explanation of these costs for the record.

Mr. SCHMIDT. Yes, sir.

The rental bill on the 50 million square feet is in the neighborhood of $163 million a year, but we will furnish for the record an explanation of the costs related to both square footage in rental and numbers of leases.

(The information follows:)

GSA LEASE PROGRAM—FISCAL YEAR 1970

Acquisition in GSA encompasses both site acquisition and leasing. Of the total amount of $2,413,000 requested for acquisition for fiscal year 1970, $1,448,000 represents the nationwide cost of administering GSA's leasing program. Leasing not only involves the negotiation of new leases, it also includes the administration of existing leases, renewals, extensions, and lease terminations with the attendant requirement for adjudicating restoration claims. Workload and performance data for fiscal year 1970 are as follows:

	Estimated
Total payment to lessors	$174,968,000
Average square feet under lease	52,060,000
Number of leases	7,450
Annual rental cost per square foot	$3.36
Total cost of lease administration	$1,448,000
Average annual lease administration cost per square foot	$0.028
Average annual lease administration cost per lease	$194.36
Ratio of administration cost to rental cost (percent)	0.83

RENTAL AND LEASE COSTS

Mr. EVINS. Tell us again now. You told the committee a while ago that $7.5 million was an estimated round figure for lease and rental costs. We looked in the budget justification and you show in there that $15 million is paid to the GSA by various agencies as reimbursement for rental cost. So this is twice the amount you testified.

Mr. SCHMIDT. Mr. Chairman, the $15 million transferred in fiscal year 1969 is the total cost, the basic rental plus operation and maintenance for 3.9 million square feet of space. I was using base rental to show how much additional it would cost by being in a leased location as opposed to federally owned.

Mr. EVINS. How much did you testify just now as to your lease rental?

Mr. SCHMIDT. For 50 million square feet, in the neighborhood of $163 million a year is our total rental bill.

Mr. EVINS. $163 million?

Mr. SCHMIDT. That again is rent plus operation and maintenance services furnished by the lessor.

Mr. EVINS. This is also your maintenance?

Mr. SCHMIDT. What it costs to occupy a leased building. In the federally owned structures there is only the cost of operation and maintenance.

Mr. EVINS. You have to pay for your maintenance only after the building is built. We ought to talk more precisely in the area of rental costs and lease costs.

Mr. SCHMIDT. Exclusive of operation and maintenance, the lease costs would vary from $2 to $2.50 a square foot. That is the figure I was using.

Mr. EVINS. That runs to about $7.5 million?

Mr. SCHMIDT. Right; basic rental for about 3 million square feet of space being added annually.

Mr. JONAS. It depends on whether you maintain it or whether you get maintenance in the lease?

Mr. SCHMIDT. Right, sir.

Mr. EVINS. Mr. Talcott, further questions?

Mr. TALCOTT. No further questions.

Mr. EVINS. Mr. McDade?

Mr. MCDADE. Thank you, Mr. Chairman.

UNOBLIGATED BALANCES

I noticed in both the construction account and site account some items labeled "balance carried forward". Will you explain exactly what you mean by that? It appears to be a substantial sum and I do not know exactly why you have such a large sum listed as a balance carried forward.

Mr. JOHNSON. Let me see if I can answer it first in construction.

Mr. MCDADE. First let me ask you what the figure is in the justification that shows the balance carried forward.

Mr. JOHNSON. At the end of 1969 in construction we have $134,786,276 carried forward.

Mr. MCDADE. Explain that figure.

Mr. JOHNSON. That is the unobligated portion of prior year appropriations that had been made to this account.

Mr. MCDADE. This money is not obligated?

Mr. JOHNSON. That is correct.

In a discussion with the chairman and Mr. Jonas a moment ago, I pointed out that many of the buildings, for which appropriation had been originally made, could not now be built for those sums of money. So therefore, those funds are available and unobligated until such point as we get increased funds so that we can award contracts for those buildings.

PROJECTS WITH UNOBLIGATED BALANCES

Mr. EVINS. How many are in this category?

Mr. JOHNSON. We have 16 projects and one superstructure that have contract capability in fiscal year 1970.

Mr. MCDADE. You have 17 projects for which this committee has previously provided some funds and you cannot complete them based upon the estimated costs at that time?

Mr. JOHNSON. That is correct. This is a no-year appropriation. In other words, once the funds are appropriated they are available until used.

Mr. MCDADE. What you are saying is that this money is previously appropriated but has not yet gone to contract, is that correct?

Mr. JOHNSON. That is correct.

Mr. MCDADE. And the reason it has not gone to contract is because of what?

Mr. JOHNSON. It is because of insufficient funds, for that particular project for us to award a contract, or because the executive branch did not desire to award that contract in the year which we had the funds.

REQUEST FOR REPROGRAMING OF FUNDS

Mr. MCDADE. In the latter case, for example, you are transferring or requesting a reprograming of about $3.9 million, I think it is.

Mr. JOHNSON. $7.3 million.

Mr. MCDADE. I was referring to one project in Michigan.

Mr. JOHNSON. That is right.

Mr. MCDADE. You went down the road through design and stopped short of obligating the money by contract?

Mr. JOHNSON. That is correct for the improvements. In the construction account, this is for the physical improvements.

Mr. MCDADE. That is a policy decision by the executive?

Mr. JOHNSON. The one you are talking about in Michigan, as the Commissioner pointed out, was because of a change in the requirements of the user.

SITES AND EXPENSES UNOBLIGATED BALANCE

Mr. MCDADE. How much money is carried in the sites and expenses as a balance?

Mr. JOHNSON. We have carried over $31,518,612.

Mr. MCDADE. Is this money also unobligated?

Mr. JOHNSON. Yes, sir; the same category. These are two no-year appropriations.

Mr. McDade. Will you tell me why that money is not obligated?

Mr. Johnson. In many cases it is because we have not been able to settle on the site itself. Let's say as an example, in order to get the site we wanted five parcels, two of which you have to go through condemnation on. We are awaiting for court action before we can obligate specific funds for site purchase.

Mr. McDade. Will you agree with the statement that when the committee evaluates what you are supposed to do, certainly the amount of new obligational authority you are requesting is important, but vitally important too are these large balances which are at the present time unobligated?

REPROGRAMING OF BALANCES

Mr. Johnson. Yes, sir. We have proposed in the construction account the utilization by reprograming of some $7.3 million of the balances from one project to another so we can continue.

Mr. McDade. It seems on the one hand that you argue if you had the authority to go to contract for the full price of the bidding, you would be able to save some money; on the other hand, you have some very large balances that are not obligated.

PROJECT LIMITATION

Mr. Johnson. I think one of the things we have to keep in mind in the construction account, where the large money is, that this is an appropriation by project. Each project is a limitation unto itself. In other words, we do not have the flexibility, the Administrator does not have the flexibility to take the funds from one project to use on another.

Mr. McDade. Without a reprograming?

Mr. Johnson. Without congressional action.

Mr. Wyman. This is an unobligated balance within your internal in-House procedures. Is it earmarked project by project?

Mr. Johnson. Yes, sir, it is earmarked by legislation project by project.

Mr. McDade. And cannot be changed without reprograming?

Mr. Johnson. Cannot be changed without action by the Congress.

SITES AND EXPENSES

Mr. McDade. Is the same true of the sites account?

Mr. Johnson. No, we have some flexibility on the site account within approved prospectus limits.

Mr. McDade. The figure there was $31 million, was it?

Mr. Johnson. Yes.

Mr. McDade. How much of that is earmarked for specific projects, can you tell me?

Mr. Johnson. No, I cannot, but will furnish it for the record.

(The information follows:)

SITES AND EXPENSES, PUBLIC BUILDINGS PROJECTS—ANALYSIS OF UNOBLIGATED BALANCE, END OF FISCAL YEAR 1969

	Site	Design and related costs	Total
Specific projects (178)	$10,023,500	$15,239,000	$25,262,500
Other:			
Reserve for deficiency judgments on land acquisition and interest thereon arising from condemnation proceedings, not allocated to specific projects	1,500,000		1,500,000
Preliminary planning and development, not allocated to specific projects		1,026,000	1,026,000
Construction supervision and inspection, not allocated to specific projects		3,730,112	3,730,112
Subtotal, other	1,500,000	4,756,112	6,256,112
Total, estimated balance end of fiscal year 1969	11,523,500	19,995,112	31,518,612

Mr. McDade. That is all.

Mr. Evins. Mr. Marsh, any general questions?

SPACE UTILIZATION DUE TO CENTRALIZATION OF FEDERAL AGENCIES

Mr. Marsh. In reference to the recent decision by the administration to engage in the centralization of certain Federal agencies that involved shifting agencies on a nationwide basis. For example, the move of HEW. Within the last 3 years you had completed a $2 million-plus building for HEW at Charlottesville. Do you have Federal facilities available now in Philadelphia for those HEW offices or are you going to have to rent space for them?

Mr. Johnson. This is one we are in the process right now of providing. A task force set up by the Bureau of the Budget is actively meeting once a week on this question. We are trying to provide them with that data right now. We have to first find out where they want it in Philadelphia and we are working weekly trying to provide that data and also trying to come up with backfill objectives for the Charlottesville building.

Mr. Marsh. In that regard, in respect to the recommedations of GSA on all of these moves, on a nationwide basis, from the standpoint of the cost, availabilty of space, construction of new buildings, utilization of space vacated by virtue of the move—were your recommendations sought by the Bureau of the Budget before that recommendation was made?

Mr. Johnson. No, sir.

Mr. Marsh. If you are going into a nationwide program of consolidation and reorganization of the Federal Government facilities of this type, would you not have thought that the agency that was most involved in furnishing the space and the buildings would have been a very important area that should have been consulted before this type of recommendation was made?

Mr. Johnson. I think, Mr. Marsh, that must be one of the inputs in the management decision. But it might not have been nor should be the preponderant input.

Mr. Marsh. I can understand that.

Mr. Johnson. We did work with a group who performed a staff study that led up to this about a year ago.

Mr. MARSH. Based on what you testified here; after the policy decision has been made to relocate and centralize these offices, your agency in effect is now faced with trying to come up with the space requirements to answer the need of the new policy change.

Mr. JOHNSON. That is correct. We have been asked to come up with possibilities in the place to which it is being moved, and also to come up with utilization plans to utilize the space they vacate.

Mr. MARSH. Until those findings are made by your agency, it is rather difficult at this time to determine whether or not there will be a savings and just what the total cost of this whole move would be. Would that not follow?

Mr. JOHNSON. That is correct.

Mr. MARSH. So at this time you are not in a position to say because you probably do not know what will happen to the facilities at Charlottesville and the Federal building that was built there for HEW and was handled by GSA?

Mr. JOHNSON. That is correct. But we are trying to develop what we call backfill plans, which means when somebody moves out you fill it up again. We have had Defense and other agencies looking into the possible utilization of that space.

USE OF COMMERCIAL ARCHITECTURAL AND DESIGN SERVICES

Mr. MARSH. This question always occurs in construction and design of all Federal buildings, to what extent do you avail yourselves of outside architectural and design services? Is this in-house or is it done by solicitation of the private community for the suggestion as to how the buildings should be constructed and designed?

Mr. SCHMIDT. If I understood the question, we look to outside consultants to do almost all of our design work. About the only work we handle in-house with our own staff is the repair type work where the contracts are small.

Mr. MARSH. So you do not conceive in the future that you will depart from the present policy of seeking outside architectural design assistance for construction of new projects?

Mr. SCHMIDT. No. We would propose only to maintain sufficient staff of technical experts for the review of drawings and to do this minor repair work, which is not very attractive to an outside consultant.

Mr. MARSH. Would you care to make some observation on the policy of putting design and architectural services out on a low bid basis. Would resorting to low bid basis for this aspect of construction cause you to get, certainly not inferior, but not as good as architectural services based on creativity of architectural and engineering design services as one who might come in at higher dollars but who would be able to give you a better product in the long run?

Mr. SCHMIDT. I feel where you are contracting for a professional service, creativity in architecture, it would be very difficult to secure the best in design if you put it on a competitive basis. If they are competing merely for fee, actually what you would get is exactly what you pay for. There are restrictions on the fees that we can pay. There is a maximum of 6 percent that can be spent for architectural fees. Working from that we have our own fee schedules.

In addition to that, on all contracts the architect is required to supply costs and pricing data. We have every basis for making absolutely sure that we do not pay an excessive fee. Just like procuring a medical service, you select the man you think has the competence to do your job and you negotiate a contract with him on the basis of a fee that represents the amount of staff and manpower that he would have to use to produce the design.

Mr. MARSH. In that regard, I would assume from your answer in some instances you might not necessarily take the low bid on architectural and design services.

Mr. SCHMIDT. They are not bid at all.

Mr. KUNZIG. It is more like if you are bidding for a piano player, you will never get Rachmaninoff, you will always get Joe Doakes down the street.

Mr. MARSH. So you are saying it is not necessary to take the low bid on design and architectural services?

Mr. SCHMIDT. We do not ask for bids. There is no bidding at all.

Mr. MARSH. You do not have bidding for architectural design services?

Mr. SCHMIDT. Straight negotiation with all of the controls exercised in what we believe to be a just fee for the services to be performed.

Mr. EVINS. They select the one they think is most competent and reasonable.

Mr. MARSH. But you have a submission of several different offers, do you not, from the architectural community in order to decide on what type of architecture or design you might want to go to later.

Mr. SCHMIDT. We maintain a record of architectural firms that are interested in doing work for the Government. If we have a project in a community we evaluate the firms in that locality that have indicated an interest and select the one we feel has the most competence and then, on the basis of our fee schedules, negotiate a contract. We do not ask for price proposals. There is no competition for fees.

PROJECT SUMMARY

Mr. EVINS. Gentlemen, let's see if we can summarize this and see if the committee has this correct.

Mr. Schmidt, you have about 65 or 70 approved construction projects approved by the Congress. Will you give us the exact number?

Mr. FOSTER. Seventy-three.

Mr. EVINS. You have 73 projects approved by Congress. Starting from there, you have 46 with sites and expenses, planning money and six substructures.

Mr. SCHMIDT. Under the reprograming there are 50 projects and six superstructures.

Mr. EVINS. You have 50 with six superstructures in which you have sites and expenses planning money out of the 73? Is that correct?

Mr. SCHMIDT. That is correct.

Mr. EVINS. Then you have 23 more approved projects in which you do not have any sites and expense money. Twenty-three more have been approved, but no sites and expense money has been provided.

Then we have had testimony that you need funds for 17 approved projects and you are only asking for funds for six.

Mr. SCHMIDT. We have 16 or 17 additional projects with contract capability in 1970 for which funds were appropriated but which require additional funding.

Mr. EVINS. Sixteen or seventeen?

Mr. SCHMIDT. Sixteen plus one superstructure.

Mr. EVINS. Seventeen projects in which you could use funds for construction and you are only asking for funds for six?

Mr. SCHMIDT. That is correct, sir 17 additional.

Mr. EVINS. Is it the Administrator's view we should move on these 17 projects at this time?

Mr. KUNZIG. That gets into, Mr. Chairman, the problem of what we discussed maybe a half hour ago, the effect of this upon the inflation of the economy throughout the country. Certainly it is better from the standpoint of pure buildings and purchase expenses and pure operation of GSA to build buildings rather than to spend money leasing them. You then get into the other problems which the Bureau of the Budget has taken up with our experts here and part of the administration's program is that apparently the actual construction of buildings is going to further the whole inflation, and they are trying to cut it back.

Mr. EVINS. What you are saying is 17 projects would be inflationary and six projects would not be?

Mr. KUNZIG. That is one of the things they are doing to cut down inflation. It certainly is not going to control all of America, I am sure of that. It is one of many things they are trying to do.

Mr. EVINS. You have 23 projects in which you have cut down and not even any funds recommended for sites and expenses.

Mr. SCHMIDT. That is correct, 23 approved for which we need sites and expenses funding.

GROWTH OF GSA

Mr. EVINS. Gentlemen, let's take a look at the chart on page 1–2. This is a good summary of the growth of GSA.

Construction has gone up from $5.5 million in 1957 to $57.7 million in 1970, or $52.2 million increase.

Building management. Total cost of managing buildings space has gone up from $172.1 million to $473.3 million, a $301.2 million increase.

Average net square feet managed has gone up 99.5 million.

Getting down to repair and improvements, net square feet of responsibility has gone up from 111.2 million to 187.3 million in the last 12 years, 76.1 million increase.

Federal Supply Service. Here is a figure, total procurement, from $635 to $2,350 million, a $1,714,700,000 increase. This is a dollar increase.

So your procurement is going up, your repair and improvement increasing. Buildings management is up to $301.2 million.

National Archives and Records Service: Reference services handled—I suppose this is pieces of paper handled. Up from 2.8 million to 10.5 million, an increase of 7.7 million of reference services.

Transportation communications: Sales of motor pool services from $3.7 to $54.5 million. A $50.8 million increase.

Number of vehicles as testified to earlier has gone up from 6,531 to 51,869, an increase of 45,338.

Communications services costs, $15.5 million to $122.5 million.

Property Management and Disposal Service, which we have not discussed at all, shows a corresponding increase. This is a very impressive

chart. It shows the comparative growth of GSA programs and operations.

Nixon Amendment to Johnson Budget

Mr. Administrator, will you summarize at this point the changes that have been made in the amendment to the original budget? Can you do that?

Mr. Johnson. In the Johnson budget, the total direct appropriation, Mr. Chairman is $561.1 million. The budget you have in front of you, the Johnson budget as amended, is $531.8 million. A reduction of $29.3 million. This reduction is composed of $2.1 million in operating expenses, public buildings, $80,000 in operating expenses, NARS, $19.7 million in repair and improvement, and $7.5 million in the construction account.

Mr. Evins. In some of the revisions they have shown the Johnson budget and the next column the Nixon budget, and this is better for comparison.

I wish you would supply for the record at this point such a table for the committee.

Mr. Johnson. We will be glad to, Mr. Chairman.

(The information follows:)

GENERAL SERVICES ADMINISTRATION—SUMMARY OF BUDGET ESTIMATES FOR 1970 AND COMPARISON TO 1969

		Fiscal year 1970			
	1969 comparable amounts [1]	1970 Johnson budget	1970 amended budget	Change	Change, 1969 to 1970, as amended
A. Basic operations:					
1. Operating expenses, PBS	$293,754,200	$311,171,000	$309,119,000	−$2,052,000	+$15,364,800
2. Operating expenses, FSS	77,515,000	78,873,000	78,873,000		+1,358,000
3. Operating expenses, NARS	20,407,500	22,233,000	22,153,000	−80,000	+1,745,500
4. Operating expenses, TCS	6,150,000	6,150,000	6,150,000		
5. Operating expenses, PMDS	28,500,000	29,780,000	29,780,000		+1,280,000
6. Salaries and expenses, Office of Administrator	1,939,000	1,926,000	1,926,000		−13,000
Subtotal	428,265,700	450,133,000	448,001,000	−2,132,000	+19,735,300
B. Construction and improvement:					
7. Repair and improvement	80,000,000	81,272,000	61,600,000	−19,672,000	−18,400,000
8. Payments, purchase contracts	2,400,000	2,400,000	2,400,000		
9. Construction, public buildings projects		12,830,000	5,352,600	−7,477,400	+5,352,600
10. Residence of the Vice President		150,000	150,000		+150,000
11. Sites and expenses	10,995,000	11,000,000	11,000,000		+5,000
Subtotal	93,395,000	107,652,000	80,502,600	−27,149,400	−12,892,400
C. Other appropriation items:					
12. Expenses, U.S. court facilities	750,000	1,500,000	1,500,000		+750,000
13. National historical publication grants	350,000	350,000	350,000		
14. Allowances, etc., former Presidents	253,800	440,000	440,000		+186,200
15. Expenses, presidential transition	900,000				−900,000
Subtotal	2,253,800	2,290,000	2,290,000		+36,200
D. Limitation items:					
16. Expenses, disposal surplus property	1,000,000	1,000,000	1,000,000		
17. Administrative operations fund	(13,744,000)	(13,833,000)	(13,833,000)		(+89,000)
Total, direct appropriations	524,914,500	561,075,000	531,793,600	−29,281,400	+6,879,100

[1] Includes appropriations in annual act; proposed supplementals; and transfers.

Mr. EVINS. In other words, the Johnson budget for 1970 was $561.1 million.

Mr. JOHNSON. That is correct.

Mr. EVINS. The Nixon budget is $531,793,600?

Mr. JOHNSON. That is correct; $29,281,400 is the change.

Mr. EVINS. Supply a complete table showing the Johnson budget and the Nixon budget.

OPERATING EXPENSES

In operating expenses, the 1969 budget was $293,754,200, the 1970 budget estimate was $311,171,000. And that has been revised downward to $309,119,000, is that correct?

Mr. JOHNSON. That is correct.

Mr. EVINS. A reduction of $2.052 million?

Mr. JOHNSON. That is correct.

Mr. EVINS. The next item for operating expenses, Federal Supply Service, has that been changed?

Mr. JOHNSON. No, sir, no change. That is still $78,873,000.

Mr. EVINS. The third item, operating expenses for National Archives and Records Service, the 1969 budget was $20,407,500, and the Johnson budget $22,233,000. Your revision is $22,153,000.

Mr. JOHNSON. That is correct.

Mr. EVINS. $80,000 reduction?

Mr. JOHNSON. That is correct.

Mr. EVINS. Operating expenses for Telecommunications Services, unchanged?

Mr. JOHNSON. That is correct.

Mr. EVINS. And operating expenses, for the Property Management Disposal Service in 1969 was $28.5 million, and the Johnson budget was $29,780,000, or an increase of $1.280 million over last year, and that remains unchanged by the new administration?

Mr. JOHNSON. That is correct, Mr. Chairman.

Mr. EVINS. The total budget originally submitted for the six items was $450,133,000. What is the total budget for those six items in the amendment?

Mr. BUTTS. $448,001,000.

Mr. EVINS. I see it here. Instead of the increase over last year being $20,322,300, this is $19,735,300.

Mr. JOHNSON. That is correct, Mr. Chairman.

CONSTRUCTION AND IMPROVEMENT ITEMS

Mr. EVINS. We have some change in the repair and improvement account. The 1969 budget was $80 million, the Johnson budget was $81,272,000, the Nixon amendment is $61,600,000.

Mr. JOHNSON. That is correct. That is a decrease from 1969 of $18.4 million.

Mr. EVINS. No change in the payments purchase contracts, $2.4 million?

Mr. JOHNSON. No.

Mr. EVINS. Construction of public building projects. You had nothing in 1969?

Mr. JOHNSON. That is correct.

Mr. EVINS. The Johnson budget authorized $12,830,000?

Mr. JOHNSON. That is correct.
Mr. EVINS. How much is the amended budget?
Mr. JOHNSON. $5,352,600.
Mr. EVINS. A reduction of $7,477,400?
Mr. JOHNSON. That is correct.

REPROGRAMING OF FUNDS

Mr. EVINS. Tell us about the reprograming.
Mr. JOHNSON. Mr. Chairman, the reprograming of the $7 million is a simple extension of the procedure we used last year in the supplemental, if you remember, for the Philadelphia building. We are asking authority to take amounts that have already been appropriated, and make them available to help cover the increases on the projects we want to award.
Mr. EVINS. So you reprogram enough to take care of the six new projects?
Mr. JOHNSON. That is correct.
Mr. EVINS. And the other 17 projects that are ready for construction have been deferred?
Mr. JOHNSON. That is correct.

RESIDENCE OF THE VICE PRESIDENT

Mr. EVINS. The residence of the Vice President is a new item. Congress authorized such a residence. Why is it necessary to go forward with this at this time?
Mr. JOHNSON. This is one, Mr. Chairman, as you know for some time has been in the mill.
Mr. EVINS. You need $150,000 for architectural design and planning?
Mr. JOHNSON. That is correct. It does not cover the construction.
Mr. EVINS. Sites and expenses last year was $10,995,000. The Johnson budget was $11 million.
Mr. TALCOTT. Before we pass the Vice President, I would like to see him have a house, but how can you spend $150,000 on plans and specifications when only $750,000 is authorized for construction, plans, and all—only excluding real estate.
(Off the record.)
Mr. EVINS. They are asking for $150,000 for architectural fees. The Congress authorized $750,000 for the cost of the Vice President's home, but I think it is the consensus of the view of most of the committee and GSA officials the cost probably will be more with costs increasing.
Mr. SHIPLEY. Around $2,750,000.
Mr. EVINS. That is one man's opinion.
We will go into the details of that when we get to it in the appropriate point in the budget.

OTHER APPROPRIATION ITEMS

Are there any changes in other appropriation items?
Mr. JOHNSON. No, sir.
Mr. EVINS. The Johnson budget and Nixon budget are the same?
Mr. JOHNSON. Yes, sir.

Mr. EVINS. Expenses for U.S. court facilities, $1.5 million. National historical publication grants, $350,000. Allowance for former Presidents, $440,000. This has gone up from previous years.

Mr. JOHNSON. Yes, sir.

ALLOWANCES FOR FORMER PRESIDENTS

Mr. EVINS. We only have two former Presidents now.

Mr. JOHNSON. Mr. Chairman, we by law will provide service to the decreased former President's office for up to and not to exceed 6 months to give them an orderly transition. We have at the proper time a reduction in this item which came up, of course, after the budget had been completed.

(Off the record.)

Mr. EVINS. What is the item to which you refer?

Mr. JOHNSON. We will have a reduction in the allowances, former President's account, with respect to the deceased President.

Mr. MARSH. Deceased or former?

Mr. JOHNSON. For the former President now deceased, General Eisenhower. The budget was predicated on having three former Presidents. We now only have two, but we have to provide for an orderly transition of his office. So we will have a revision on that item.

Mr. EVINS. Supply this revised amount at the earliest time possible.

Mr. JOHNSON. The information is contained later in the hearings under the heading "Allowances and Staff, Former Presidents."

(Off the record.)

SUMMARY OF GSA BUDGET

Mr. EVINS. We will suspend after reviewing the total budget again. Last year the comparable amount for GSA was $524,914,500.

Mr. JOHNSON. That is correct.

Mr. EVINS. Over half a billion.

Mr. JOHNSON. Yes.

Mr. EVINS. For 1970 the Johnson budget proposed $561,075,000. This was revised by the Nixon amendment to $531,793,600—a decrease of how much?

Mr. JOHNSON. A decrease of $29,281,400.

Mr. EVINS. A decrease as against the Johnson budget, but an increase of $6,879,100 over the preceding year?

Mr. JOHNSON. That is correct.

Mr. EVINS. We will suspend until 1:30.

Mr. EVINS. The committee will come to order.

We will resume our hearings with the General Services Administration.

OPERATING EXPENSES, PBS

Mr. Administrator, we note on page I–13 of your justifications, volume No. 1, an appropriation for 1969 for operating expenses, Public Building Service, was $275 million. You had transferred from other agencies for space costs $15,083,200. Then you had another item of coordinated Federal wage system, $3,671,000, for $293,754,200. What comparable transfers are included in the other items in your 1969 base?

You have got a transfer for operating expenses of Public Building Service. You also have some transfer funds in other items. Would you supply a list of the other items in which there are transfer funds?

Mr. SCHMIDT. This is for construction and for reimbursable services?

Mr. EVINS. Your total runs $524,914,500, whereas we appropriated last year $498,720,000. There is a $26 million increase. There is an increase of $26 million shown for 1969 from what we appropriated. I assume that some of these are items transferred into this amount?

Mr. JOHNSON. That is correct. Those that you have in front of you in——

Mr. EVINS. One is for space costs?

Mr. JOHNSON. That is correct. We have $4.7 million in addition to that in Federal supply from the Defense Supply Agency in connection with a takeover of some functions under the national supply system.

We also have $235,000 in from the Department of the Army which is for a takeover of the vehicle program. We have $80,000 from other defense agencies that also deal with out stock program.

Mr. EVINS. In other words, your budget is $524,914,500 which is $26 million more than this committee and the Congress appropriated for 1969?

Mr. JOHNSON. That is correct. These are transfers between agencies.

Mr. EVINS. You have $26 million more going into your budget than was appropriated?

Mr. JOHNSON. That is correct.

SUPPLEMENTAL REQUEST

Mr. EVINS. We might at this point discuss these seven items in the supplemental: Operating expense, Public Building Service, $3,671,000, and release of $677,000 reserves under this appropriation pursuant to the act of Congress to limit expenditures?

Mr. JOHNSON. That is correct.

Mr. EVINS. The next item, operating expense for the Federal supply service, which the Johnson administration recommended $1,358,000, has been deleted by the Nixon amendment?

Mr. JOHNSON. That is correct.

Mr. EVINS. This one is out?

Mr. JOHNSON. That is correct.

Mr. EVINS. Why can't you delete some more of these items here? You just deleted one.

The next one is reduced. Operating expense for the National Archives and Records Service. The supplemental is for $500,000. This has been reduced to $300,000, is that correct?

Mr. JOHNSON. That is correct.

Mr. EVINS. Plus release of $95,000 reserves under the act limiting expenditures?

Mr. JOHNSON. That is right.

Mr. EVINS. The other items are the same?

Mr. JOHNSON. That is right.

Mr. EVINS. No deletion or change?

Mr. JOHNSON. That is right. There is one new item not in the Johnson budget.

Mr. EVINS. Operating expense for transportation and communications, release of $5,000. Operating expense, property management and disposal service, $38,000.

Salaries and expenses, Office of Administrator, $106,000 in the supplemental, and administrative operations requirement, release of $107,000?

Mr. JOHNSON. That is correct.

Mr. EVINS. What other items?

Mr. JOHNSON. In the Johnson budget we requested $106,000 in the pay act supplemental for salaries and expenses, Office of the Administrator. In the amendments that came up we now project an additional $13,000. The difference, Mr. Chairman, is primarily to pay for terminal leave of two officials. We just could not absorb that within existing funds.

EXECUTIVE PAY INCREASE

In addition to that, as you know, we had an executive pay increase after the Johnson budget was developed.

Mr. BOLAND. What did that total, the executive pay increase for the agency?

Supply that.

Mr. JOHNSON. I would rather supply it for the record.

(The information follows:)

The total additional cost for executive pay in GSA is $73,170.

Mr. EVINS. Place in the record pages I–13 and I–14.

(The pages follow:)

Operating Expenses, PBS

Summary reconciliation of 1970 estimate to 1969 funds

1969:	
Appropriation in annual act	$275,000,000
Transferred from other agencies for space costs (82 Stat. 944)	15,083,244
Proposed supplemental to cover wage board rate increases effected in 1969, including implementation of the Coordinated Federal wage system	3,671,000
Comparable total for 1969	293,754,244
Rounded in the estimate to	293,754,200
Changes in 1970: Buildings management:	
Government-owned space:	
Servicing space in newly constructed buildings	5,425,000
Increased electrical consumption	700,000
Servicing space in vacated Post Office buildings	525,000
Additional cost of wage board rate increases effected during 1969	3,741,000
Decrease for buildings to be abandoned due to completion of new buildings and demolition of temporary buildings	−1,172,700
Net increase, Government-owned space	9,218,300
Leased space:	
Additional leased space due to demolition of temporary buildings	2,531,000
Increased rental rates	1,359,800
Additional cost of wage board rate increases effected during 1969	500,000
Reduction in rented space to be released due to completion of new buildlings	−1,100,000
Net increase, leased space	3,290,800
Moving, alterations, and other related costs	1,514,000
Buildings management, net increase	14,023,100
Space management	183,000
Design and construction	1,098,700
Service direction	60,000
Total net increases in 1970	15,364,800
1970 estimate	$309,119,000

ANALYSIS BY ACTIVITIES

Activities	1969 adjusted	Decrease	Increase	1970 estimate
1. Buildings management	$283,502,600	$2,272,700	$16,295,800	$297,525,700
2. Space management	5,919,100	.....	183,000	6,102,100
3. Design and construction	1,885,700	.....	1,098,700	2,984,400
4. Service direction	1,531,800	.....	60,000	1,591,800
5. Administrative operations	915,000	.....	.....	915,000
Total	293,754,200	2,272,700	17,637,500	309,119,000

Note: Revised to reflect the amended budget for 1970. H. Doc. 91-100.

OPERATING EXPENSES, PBS

	Amount
1969:	
Appropriation	$275,000,000
Adjustments	+18,754,200
1969:	
Comparative	293,754,200
Change	+15,364,800
1970 Estimate	309,119,000

GENERAL STATEMENT

This appropriation provides for the basic real property operations of General Services Administration, including acquisition, operation, maintenance, protection, and utilization of general-purpose buildings and space; and for overall direction of buildings design, construction, repair, and modernization.

The appropriation request for 1970 of $309,119,000 is a net increase of $15,365,000 above the comparable amount for 1969. The 1969 amount includes proposed transfers of $15,083,000 for annual costs of expansion space acquired in 1968, not provided for in GSA's 1969 budget, and $3,671,000 proposed for separate transmittal for wage-board increases, including implementation of the coordinated Federal Wage System.

The net increase of $15,365,000 provides primarily for management and operation of new Federal buildings scheduled for occupancy in 1969 and 1970, offset by credits, for space released resulting from new construction. (From the budget for 1970—revised to reflect amended budget, House Doc. 91–100.)

The estimate for 1970 includes $4,241,000 for the additional cost of wage board rate increases effected during 1969, including implementation of the coordinated Federal Wage System.

The President's Budget includes a proposed supplemental for 1969 in the amount of $3,671,000 for the cost of wage board pay rate increases estimated to occur in 1969.

The increase of $18,754,200 programed in 1969 over the base amount appropriated in the Independent Offices and Department of Housing and Urban Development Appropriation Act is primarily for the acquisition of additional leased space for other departments and agencies during 1968 and the cost of wage board rate increases. Expanded space needs of other agencies are budgeted and financed initially by these expanding agencies through the first full fiscal year after aquisition. Thereafter, GSA is responsible for including these fixed requirements in its budget estimates. Approximately 48 percent, or $7,234,800 of the total expansion space of $15,083,200 acquired during 1968, was within the Metropolitan D.C. area and was acquired to accommodate expanded activities and consolidations of various agencies.

Application of the $15,364,800 increase requested in 1970 is explained in the detailed estimates which follow.

APPROPRIATION LANGUAGE

"For necessary expenses, not otherwise provided for, of real property management and related activities as provided by law; rental of buildings in the District of Columbia; restoration of leased premises; moving Government agencies (including space adjustments) in connection with the assignment, allocation, and transfer of buildings space; acquisition by purchase or otherwise of real estate and interests therein; and contractual services incident to cleaning or servicing buildings and moving; [$275,000,000] $309,119,000: *Provided*, That this appropriation shall be available to provide such fencing, lighting, guard booths, and other facilities on private or other property not in Government ownership or control as may be appropriate to enable the United States Secret Service to perform its protective functions pursuant to title 18, United States Code, section 3056."

(Revised to reflect the amended budget for 1970, House Document No. 91–100.)

OPERATING EXPENSES, PBS

Mr. EVINS. We will look at these items in the budget beginning with "Operating expense, public building service."

You are now asking for a net increase of $15,364,800, is that correct? The $17.4 million was the net increase in the original budget?

Mr. JOHNSON. Yes, sir.

Mr. EVINS. Why is the increase necessary?

Justify the increase, Mr. Schmidt.

Mr. SCHMIDT. The increase, Mr. Chairman, is due in part to the additional newly constructed buildings, 3.1 million average square feet of space put into operation in 1970 and the rental of 569,000 average square feet of space to take care of the relocation of the agencies that are in the "Yards & docks building and temporary buildings 8, N and W." These are temporary buildings that have to be removed. While there will be some delay in the relocation, we do need rented space for that purpose.

Another significant item is the additional cost of Wage Board rate increases effected during 1969. For Government-owned space this will amount to $3,741,000 and leased space $500,000. Other increases in cost, electrical consumption, rental rates, and vacated post office buildings make up the balance.

Mr. EVINS. How much is that?

Mr. JOHNSON. $14,023,100 is the total increase for Buildings Management.

Mr. EVINS. You state in here that this new space will provide space for Defense, Post Office, Atomic Energy, HEW, Agriculture, and other agencies.

Mr. SCHMIDT. That is correct.

SPACE COST TRANSFERS

Mr. EVINS. What is the anticipated transfer from other agencies in space costs in 1970 that compared with the $15 million in 1969?

Mr. SCHMIDT. I would imagine it would be in the neighborhood of $10 million for transfer in 1970.

BUILDINGS MANAGEMENT EMPLOYMENT

Mr. EVINS. What is the number of jobs under building management for 1969 and for 1970? Do you have a breakdown for each one of these?

Mr. JOHNSON. These are funded from the buildings management fund.

Mr. EVINS. How many jobs in the buildings management in 1969 and how many in 1970?

Mr. SCHMIDT. 21,309 in 1969 and 21,730 in 1970. That is the total average employment.

Mr. EVINS. In the buildings management service?

Mr. SCHMIDT. In the buildings management fund.

Mr. EVINS. How much increase? How many jobs increased?

Mr. SCHMIDT. An increase of 421. That is primarily for new buildings.

Mr. EVINS. This is for the maintenance?

Mr. SCHMIDT. Maintenance and operation of 3.1 million square feet of new Government owned space.

Mr. EVINS. Is this included in the revised budget, 421 new jobs? You were able to make a reduction and yet you want to add on 421 new jobs?

Mr. SCHMIDT. This is for the maintenance of additional space, part of which may well be done under contract if we can obtain bids that are at a lower cost than it would cost us to service the buildings with our own force.

SPACE COSTS

Mr. EVINS. You are asking for $,218,300 for protection of Government-owned space. How does this compare with the previous year?

Mr. SCHMIDT. This is substantially the same except for again the new space that is included for operation in that year.

Mr. EVINS. You are asking for $6,274,800 for rental and protection of leased space. How does this compare with the previous year?

Mr. SCHMIDT. That has been reduced to $3,290,800 in the review of the budget.

Mr. EVINS. Place pages I–1 through I–8 in the record.

(The pages follow:)

Estimates of Appropriations, 1970

INTRODUCTORY STATEMENT

The General Services Administration was established July 1, 1949, under authority of the Federal Property and Administrative Services Act of 1949 which authorized the transfer to it of previously established agencies engaged in performing functions related to Federal property and records management. Amendments to that Act have authorized further transfers and added new functions to the GSA mission.

GSA serves as the central agency for management acquisition and disposal of Government real and personal property, construction of public buildings, procurement of common-use supplies and services, acquisition, custody, and disposal of strategic and critical materials, custody of the National Archives, and provision of archival, records, transportation, communications, and public utilities services, and the purchase, lease and maintenance of automatic data processing equipment by Federal agencies.

Program operations are grouped under 5 Services and are performed mainly through 10 Regional Offices under Central Office direction and supervision. Basic operations are provided for in 5 operating expense appropriations. Policy direction and information pertaining to all programs are provided for in an appropriation for the Office of the Administrator. Other major operations such as construction, improvement and repair of buildings, operation of a nationwide system of supply depots, and others are provided for in separate appropriations. In addition, substantial financing is provided by transfers and reimbursements from funds appropriated directly to other agencies of Government for services performed at their request. The reimbursable-type services are financed and accounted for under revolving funds such as the Buildings Management Fund, the General Supply Fund, the Federal Telecommunications Fund, the Automatic Data Processing Fund, and the Working Capital Fund (for centralized duplicating facilities).

Financial, budget, personnel, contract and internal audits, investigative, civil rights functions, administrative, program and policy planning, and legal services for all program operations are provided, and financed by deposits from funds provided for supported programs, into an Administrative Operations Fund.

Historically, GSA has shown a constant growth pattern due to natural expansion in activities and services to other agencies as the size of Government increased and more extensive use of GSA facilities and services by the agencies as they became aware of the quality of service, savings, and economies obtainable. The table which follows shows the comparative growth of its major programs during the period since 1957.

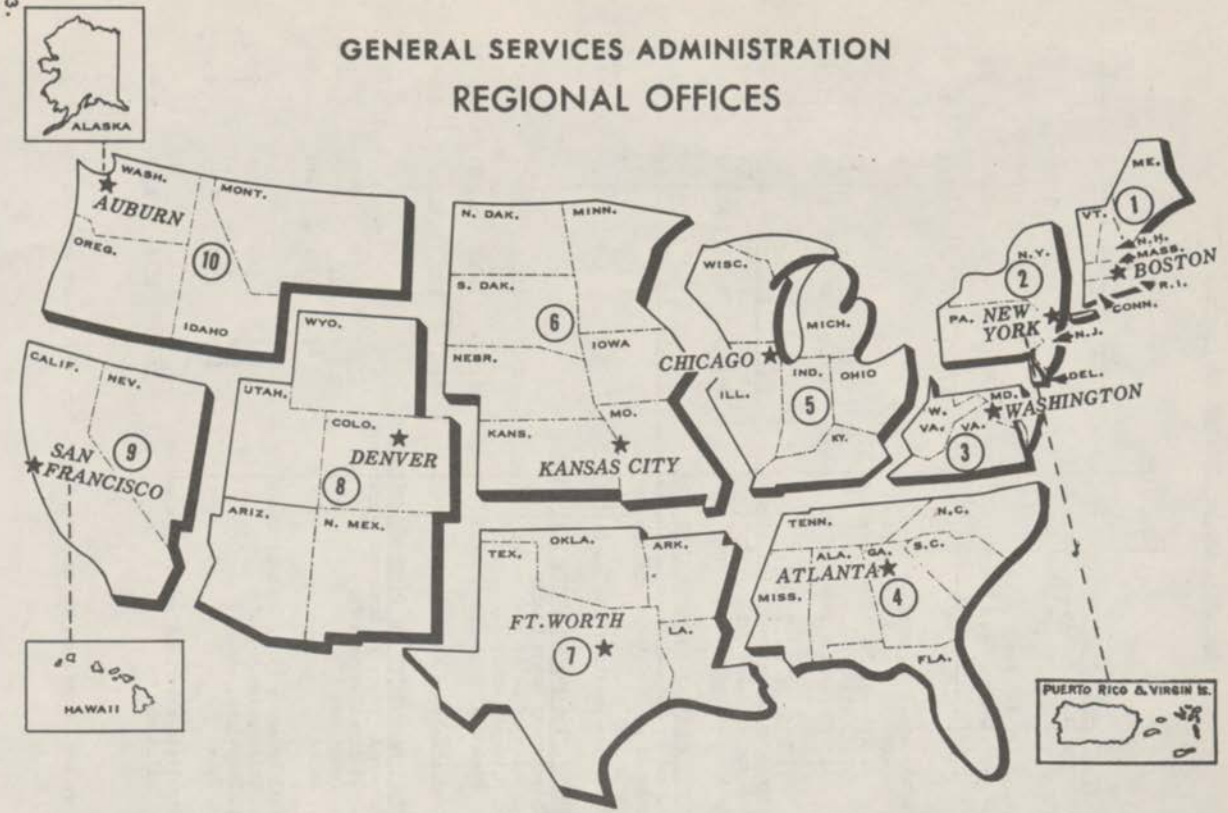
Comparative Growth of Major GSA Programs

	FY 1957	FY 1960	FY 1970	Increase 1970 over 1957
PUBLIC BUILDINGS SERVICE				
1. Construction, Public Buildings Proj. Total obligations (millions)	$5.5	$95.3	$57.7	$52.2
2. Buildings Management:				
a. Avg. net sq. ft. managed (millions)	103.5	119.8	203.0	99.5
b. Total cost of managing buildings space (millions)	$172.1	$247.3	$473.3	$301.2
3. Repair and Improvement:				
Repair and Improvement Appropriation:				
1. Net sq. ft. of R&I responsibility (millions)	111.2	115.6	187.3	76.1
2. Obligations incurred (millions)	$45.8	$53.1	$75.5	$29.7
FEDERAL SUPPLY SERVICE				
1. Stores stock shipments (millions)	$116.4	$154.3	$581	$464.6
2. Non-stores sales (millions)	$70.1	$97.8	$349	$278.9
3. Total procurement (millions)	$635.3	$862.4	$2,350	$1,714.7
NATIONAL ARCHIVES AND RECORDS SERVICE				
1. Number of Federal records centers	12	15	14	2
2. Records in inventory (million cu. ft. June 30)	4.4	6.7	10.8	6.4
3. Reference services handled (millions)	2.8	3.9	10.5	7.7
TRANSPORTATION AND COMMUNICATIONS SERVICE				
1. Interagency Motor Pools:				
a. Sales of motor pool services (mil.)	$3.7	$14.4	$54.5	$50.8
b. Mileage (millions)	40.3	170.1	616.0	575.7
c. Number of vehicles (June 30)	6,531	17,342	51,869	45,338
2. Communications services costs (mil.)	$15.5	$21.3	$122.5	$107.0
PROPERTY MANAGEMENT AND DISPOSAL SERVICE				
1. Personal Property (Acq. cost-millions):				
a. Utilization transfers	$83.2	$218	$670	$586.8
b. Donations	$212.8	$413	$350	$137.2
c. Sales	$2	$17.1	$86	$84
2. Real Property (Acq. cost-millions):				
a. Utilization transfers	$13	$33	$245	$232
b. Donations, etc.	$38	$96	$225	$187
c. Sales	$27	$320	$375	$348
3. Strategic materials sales commitments (millions)	$7.6	$148	$270	$262.4

(Revised to reflect the amended Budget for 1970, House Document 91-100) I-2.

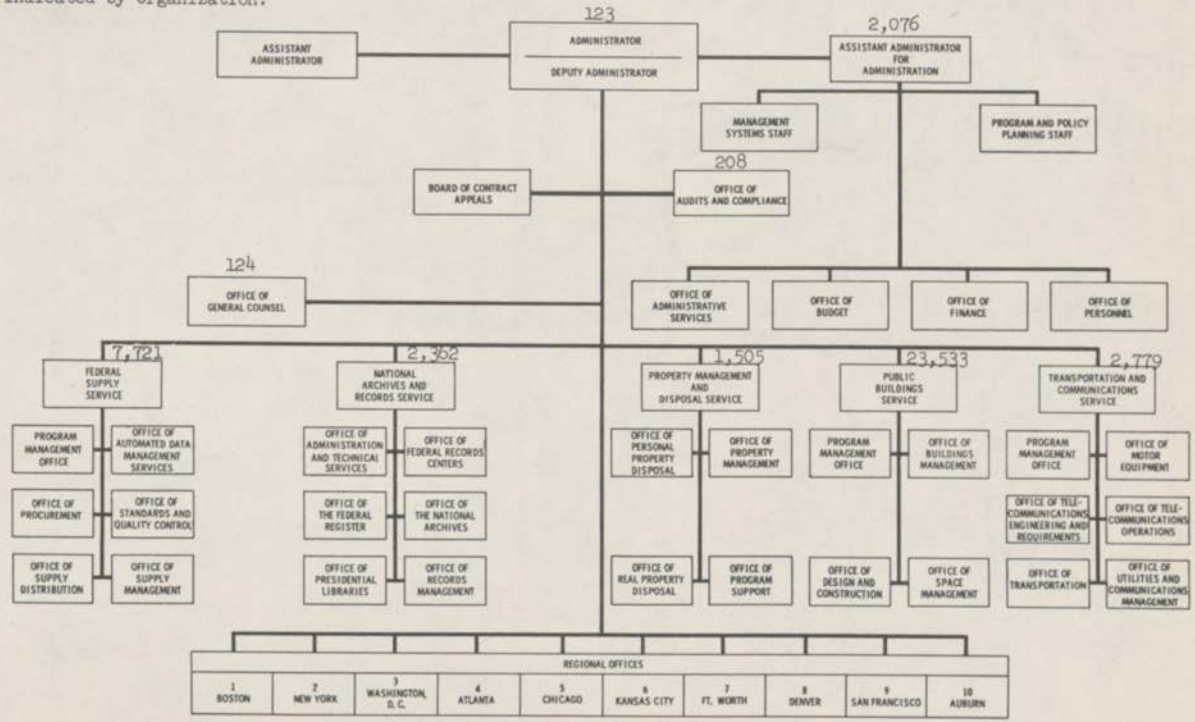
I-3.

GENERAL SERVICES ADMINISTRATION
REGIONAL OFFICES



Average Employment for 1970 is indicated by Organization.

GENERAL SERVICES ADMINISTRATION



SUMMARY OF AMENDED BUDGET ESTIMATES FOR 1970 AND COMPARISON TO 1969

	1969 Comparable Amounts*	1970 Amended Budget Estimates	Change 1969 to 1970
A. Basic Operations			
1. Operating Expenses, PBS	$293,754,200	$309,119,000	+$15,364,800
2. Operating Expenses, FSS	77,515,000	78,873,000	+1,358,000
3. Operating Expenses, NARS	20,407,500	22,153,000	+1,745,500
4. Operating Expenses, TCS	6,150,000	6,150,000	-
5. Operating Expenses, PMDS	28,500,000	29,780,000	+1,280,000
6. Sal. & Exp., Office of Admin.	1,939,000	1,926,000	-13,000
Subtotal	428,265,700	448,001,000	+19,735,300
B. Construction and Improvement			
7. Repair and Improvement	80,000,000	61,600,000	-18,400,000
8. Payments, Purchase Contracts	2,400,000	2,400,000	-
9. Construction, Pub. Bldgs. Proj.	-	5,352,600	+5,352,600
10. Residence of the Vice President	-	150,000	+150,000
11. Sites and Expenses	10,995,000	11,000,000	+5,000
Subtotal	93,395,000	80,502,600	-12,892,400
C. Other Appropriation Items			
12. Expenses, U.S. Court Facilities	750,000	1,500,000	+750,000
13. National Hist. Publica. Grants	350,000	350,000	-
14. Allowances, etc. Former Presidents	253,800	440,000	+186,200
15. Expenses, Presidential Transition	900,000	-	-900,000
Subtotal	2,253,800	2,290,000	+36,200
D. Limitation Items			
16. Expenses, Disposal Surplus Prop.	1,000,000	1,000,000	-
17. Administrative Operations Fund	(13,744,000)	(13,833,000)	(+89,000)
Total Direct Appropriations	$524,914,500	$531,793,600	+$6,879,100

* Includes appropriations in annual act; proposed supplementals; and transfers.

I-5. (Revised to reflect the amended Budget for 1970, House Document 91-100)

HIGHLIGHT OF PROVISIONS FOR GSA IN THE 1970 BUDGET

The Budget of the United States for 1970 includes proposed budget authority for GSA totaling $531,793,600, an increase of $6,879,100 over the comparable total for 1969, as shown on the opposite page. Major changes are as follows:

A. Basic Operations of GSA in the fields of real property, personal property, excess and surplus real and personal property, strategic and critical materials, records, transportation and communications management, and top direction of GSA are provided for in 6 appropriation items. An increase of $19.7 million over comparable amounts for 1969 is requested for this basic group to provide:

-- a net increase of $15.36 million to finance operating expenses of Public Buildings programs (a total additional amount of $17.6 million offset by a reduction of $2.3 million due to space to be released in connection with completion of new buildings). The principal additions are $10.4 million for Government-owned space, including additional cost of wage board increases effected in 1969; $4.4 million for leased space including $2.5 million for agencies to be relocated from temporary buildings in the D.C. area scheduled to be demolished; and $2.8 million for other increases.

-- an increase of $1.7 million in operating expenses of the National Archives and Records activities consisting of $0.4 million for increased volume of records administered and reference services in records centers; $0.4 million to implement two programs in the National Archives to provide microfilm copies of historical records in regional archival depositories and to render audiovisual services to Federal agencies and the public; $0.8 million for increased Presidential Libraries activities; and $0.1 million for other workload increases.

-- a net increase of $1.3 million for property management and disposal functions due primarily to an increase in DOD machine tool selections for the National Industrial Equipment Reserve.

-- an increase of $1.36 million in operating expenses of the Federal Supply Service necessary to handle $581 million stock sales in 1970.

B. Construction and Improvement.- The net decrease of $12.9 million is composed of a decrease of $18.4 million for Repair and Improvement, offset by increases of $5.35 million for Construction and $0.2 million for the design of an official residence for the Vice President.

C. Other Appropriation Items.- The net increase of $36,200 reflects no appropriation in 1970 for Expenses, Presidential Transition, offset by increases of $750,000 for Expenses, Court Facilities for costs of the U. S. Courts incident to space expansion and furniture and furnishings, and $186,200 for Allowances and Office Staff for Former Presidents.

FORMAT OF JUSTIFICATIONS AND GLOSSARY OF ABBREVIATIONS

In general, the format and sequence of the justification of estimates for 1970 conform with the presentation for 1969 estimates.

Although the Bureau of the Budget requires that financial schedules be prepared on the cost basis as shown in the printed Budget, these justifications are prepared on the customary obligation basis with which the committees are familiar. As costs and obligations differ, all financial schedules on a cost basis have been omitted from the justification material for appropriation items to avoid confusion. Equivalent data on an obligation basis is provided in summary reconciliation statements and summary activity data sheets for each item.

Throughout the justifications, where appropriate, short titles and abbreviations have been used to shorten the text as follows:

Short Form	Full Form or Explanation
Administrator	Administrator of General Services
ADP	Automatic Data Processing
AID	Agency for International Development
AO	Administrative Operations
ARS	Advanced Record System
BMF	Buildings Management Fund
DOD	Department of Defense
DPA	Defense Production Act
DSA	Defense Supply Agency
FICA	Federal Insurance Contributions Act
FPMR	Federal Procurement Management Regulations
FPR	Federal Procurement Regulations
FSS	Federal Supply Service
FTF	Federal Telecommunications Fund
FTS	Federal Telecommunications System
GBL	Government Bill of Lading
GSA	General Services Administration
GSF	General Supply Fund
IOA	Independent Offices Appropriation
IRS	Internal Revenue Service
MIS	Management Information System
NARS	National Archives and Records Service
NCS	National Communications System
NIER	National Industrial Equipment Reserve
NSA	National Security Agency
OEP	Office of Emergency Preparedness
PBS	Public Buildings Service
PMDS	Property Management and Disposal Service
POD	Post Office Department
S&CM	Strategic and Critical Materials
S&E	Sites & Expenses
TCS	Transportation and Communications Service
TELPAK	Bulk rate offering for groups of circuits from point to point
WCF	Working Capital Fund
Federal Property Act) P.L. 152)	Federal Property and Administrative Services Act of 1949, as amended
1968, 1969, 1970	Fiscal years (calendar years so stated)
Data for 1968	In tables and narrative is "actual"
Data for 1969	In tables and narrative is "programed"
Data for 1970	In tables and narrative is "estimated"

GENERAL PROVISIONS FOR GSA

The appropriate appropriation or fund available to the General Services Administration shall be credited with (1) cost of operation, protection, maintenance, upkeep, repair, and improvement, included as part of rentals received from Government corporations pursuant to law (40 U.S.C. 129); (2) reimbursements for services performed in respect to bonds and other obligations under the jurisdiction of the General Services Administration, issued by public authorities, States, or other public bodies, and such services in respect to such bonds or obligations as the Administrator deems necessary and in the public interest may, upon the request and at the expense of the issuing agencies, be provided from the appropriate foregoing appropriation; and (3) appropriations or funds available to other agencies, and transferred to the General Services Administration, in connection with property transferred to the General Services Administration pursuant to the Act of July 2, 1948 (50 U.S.C. 451ff), and such appropriations or funds may be so transferred, with approval of the Bureau of the Budget.

Appropriations to the General Services Administration under the heading "Construction, Public Buildings Projects" shall be available, subject to the provisions of the Public Buildings Act of 1959 for (1) acquisition of buildings and sites thereof by purchase, condemnation, or otherwise, including prepayment of purchase contracts, (2) extension or conversion of Government-owned buildings, and (3) construction of new buildings, in addition to those set forth under that appropriation: Provided, That nothing herein shall authorize an expenditure of funds for acquisition, extension or conversion, or construction without the approval of the Committees on Appropriations of the Senate and House of Representatives.

Funds available to the General Services Administration shall be available for the hire of passenger motor vehicles.

No part of any money appropriated by this or any other Act for any agency of the executive branch of the Government shall be used during the current fiscal year for the purchase within the continental limits of the United States of any typewriting machines except in accordance with regulations issued pursuant to the provisions of the Federal Property and Administrative Services Act of 1949, as amended.

Not to exceed 2 per centum of any appropriation made available to the General Services Administration for the current fiscal year by this Act may be transferred to any other such appropriation, but no such appropriation shall be increased thereby more than 2 per centum: Provided, That such transfers shall apply only to operating expenses, and shall not exceed in the aggregate the amount of $2,000,000.

Appropriations available to any department or agency during the current fiscal year for necessary expenses, including maintenance or operating expenses, shall also be available for (a) reimbursement to the General Services Administration for those expenses of renovation and alteration of buildings and facilities which constitute public improvements, performed in accordance with the Public Buildings Act of 1959 (73 Stat. 479) or other applicable law, and (b) transfer or reimbursement to applicable appropriations to said Administration for rents and related expenses, not otherwise provided for, of providing subject to Executive Order 11035, dated July 9, 1962, directly or indirectly, suitable general purpose space for any such department or agency, in the District of Columbia or elsewhere.

No part of any appropriation contained in this Act shall be used for the payment of rental on lease agreements for the accommodation of Federal agencies in buildings and improvements which are to be erected by the lessor for such agencies at an estimated cost of construction in excess of $200,000 or for the payment of the salary of any person who executes such a lease agreement: Provided, That the foregoing proviso shall not be applicable to projects for which a prospectus for the lease construction of space has been submitted to the Congress and approval made in the same manner as for the public buildings construction projects pursuant to the Public Buildings Act of 1959.

(Independent Offices and Department of Housing and Urban Development Appropriation Act, 1969.)

Public Buildings Service

Operating Expenses

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Buildings management	263,461	283,502	298,676
2. Space management	5,513	5,919	6,102
3. Design and construction	1,285	1,886	3,886
4. Service direction	1,474	1,532	1,592
5. Administrative operations	900	915	915
Total program costs, funded [1]	272,633	293,754	311,171
Change in selected resources [2]	−527		
Total obligations	272,106	293,754	311,171
Financing:			
Receipts and reimbursements from: Federal funds (advances from other accounts for rental of space)	−1,202	−1,507	
Unobligated balance lapsing	457		
Budget authority	271,361	292,247	311,171
Budget authority:			
Appropriation	262,715	275,000	311,171
Transferred to other accounts	−1,040		
Transferred from other accounts	9,686	13,576	
Appropriation (adjusted)	271,361	288,576	311,171
Proposed supplemental for wage-board increases		3,671	
Relation of obligations to outlays:			
Obligations incurred, net	270,904	292,247	311,171
Obligated balance, start of year	2,342	1,694	1,094
Obligated balance, end of year	−1,694	−1,094	−1,495
Adjustments in expired accounts	147		
Outlays, excluding pay increase supplemental	271,699	289,176	310,770
Outlays from wage-board supplemental		3,671	

[1] Includes capital outlay as follows: 1968, $337,000; 1969, $401,000; 1970, $340,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $1,587,000 (1968 adjustments, −$107,000; 1968, $953,000; 1969, $953,000; 1970, $953,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	5,576	5,973	6,142
Positions other than permanent	18	29	29
Other personnel compensation	6	8	8
Total personnel compensation	5,600	6,010	6,179
Personnel benefits: Civilian employees	433	481	495
Travel and transportation of persons	345	412	440
Payment to interagency motor pools	27	29	29
Transportation of things	16	6	9
Rent, communications, and utilities	623	678	732
Printing and reproduction	80	87	94
Other services	264,543	285,599	302,825
Supplies and materials	42	50	68
Equipment	394	402	300
Insurance claims and indemnities	2		
Total obligations	272,106	293,754	311,171

PERSONNEL SUMMARY

Total number of permanent positions	576	549	549
Full-time equivalent of other positions	4	5	5
Average number of all employees	527	511	525
Average GS grade	9.6	9.7	9.7
Average GS salary	$10,856	$11,752	$11,930

Budget Amendment

(*Note:* The following was contained in House Document 91–100 amending the budget.)

Budget appendix page	Heading	Request pending	Proposed amendments	Revised request
819	Operating expenses, Public Buildings Service	$311,171,000	−$2,052,000	$309,119,000

This reduction is possible because of delays in plans to relocate various Federal activities, the reduction in size of a proposed training program, and the postponement of a proposed financing change.

Mr. Evins. Mr. Reporter, we will insert pages I–11 through I–18 at this point.

FUNCTIONS PERFORMED BY THE PUBLIC BUILDINGS SERVICE

Real property activities of GSA administered by the Public Buildings Service can be summarized in two general categories: (a) those financed by direct appropriations, and (b) those financed by transfers of funds or reimbursements from other Government agencies.

a. Activities financed by direct appropriations to GSA are:

(1) Operation and Management.- Acquisition, operation, maintenance, protection and utilization of general-purpose buildings and space; and overall administration of real property programs. Cost of these functions is financed from the appropriation to GSA for "Operating Expenses, PBS."

(2) Repair and Alteration of Buildings.- Maintaining, repairing, remodeling, improving, extending, and other changes in Federal buildings under the jurisdiction of GSA. These activities are financed from the appropriation "Repair and Improvement of Public Buildings."

(3) Construction.- Acquisition of sites; preparation of drawings and specifications; construction of buildings; and supervision of construction. These operations are financed from the appropriations "Construction, Public Buildings Projects", "Sites and Expenses, Public Buildings Projects", and "Construction, Official Residence of the Vice President".

(4) Miscellaneous Activities.- Provision of furniture, furnishings and space for U.S. Courts, funded from the "Expenses, U.S. Court Facilities" appropriation and payment of principal, interest and taxes relating to lease purchase contracts, from the appropriation "Payments, Public Buildings Purchase Contracts."

b. Activities financed by transfers of funds or reimbursements from other Government agencies are:

(1) Construction.- Acquisition of sites; preparation of drawings and specifications, construction, repair and alteration of general and special-purpose buildings, including construction supervision. Amount to be transferred for the foregoing purposes is estimated at $84 million in 1969.

(2) Operation, Management, and Special Alterations.- Reimbursements from various Government agencies for the operation and protection of Government-owned space; rental, operation and protection of leased space; job order work for providing special facilities and improvements, such as the Post Office modernization program; and special services such as security guarding. Reimbursements for the foregoing purposes are estimated at $139 million in 1969.

PUBLIC BUILDINGS SERVICE
Summary of Budget Authority and Related Average Employment

	Budget Authority		Average Employment					
			Total		C.O.		Field	
	1969	1970	1969	1970	1969	1970	1969	1970
Budget Authority & Related Employment								
Operating Expenses, PBS	$293,754,200	$309,119,000	16,280	16,797	230	324	16,050	16,473
1. Bldgs. Mgmt. (empl. in BM Fund)	283,502,600	297,525,700	15,659	16,029	81	86	15,578	15,943
2. Space Management	5,919,100	6,102,100	420	430	52	57	368	373
3. Design and Constr. (empl. in CS Fund)	1,885,700	2,984,400	110	243	56	137	54	106
4. Service Direction	1,531,800	1,591,800	91	95	41	44	50	51
5. Administrative Operations	915,000	915,000						
Repair and Improvement	80,000,000	61,600,000						
Program	79,179,000	60,700,000	1,613	1,626	19	12	1,594	1,614
(empl. in BM Fund)	-	-	1,198	1,204	12	12	1,186	1,192
(empl. in CS Fund)	-	-	415	422	7	-	408	422
Administrative Operations	821,000	900,000						
Construction, Public Bldgs. Projects	-	5,352,600						
Constr., Official Residence of the Vice President	-	150,000						
Sites and Expenses, Pub. Bldgs. Proj.	10,995,000	11,000,000						
Program	10,474,000	10,479,000						
Administrative Operations	521,000	521,000						
Payments, Pub. Bldgs. Purch. Contr.	2,400,000	2,400,000						
Expenses, U.S. Court Facilities	750,000	1,500,000						
Total Budget Authority and Employment funded by Budget Authority	$387,899,200	$391,121,600	17,893	18,423	249	336	17,644	18,087

(Revised to reflect the amended Budget for 1970, House Document 91-100)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act	$275,000,000
	Transferred from other agencies for space costs (82 Stat.944)	15,083,244
	Proposed supplemental to cover wage board rate increases effected in 1969, including implementation of the Coordinated Federal Wage System	3,671,000
	Comparable total for 1969	293,754,244
	Rounded in the estimate to	293,754,200

Changes in 1970			
Buildings Management			
Government-owned space:			
	Servicing space in newly constructed buildings	5,425,000	
	Increased electrical consumption	700,000	
	Servicing space in vacated Post Office buildings	525,000	
	Additional cost of wage board rate increases effected during 1969	3,741,000	
	Decrease for buildings to be abandoned due to completion of new buildings and demolition of temporary buildings	-1,172,700	
	Net increase, Government-owned space	9,218,300	
Leased space:			
	Additional leased space due to demolition of temporary buildings	2,531,000	
	Increased rental rates	1,359,800	
	Additional cost of wage board rate increases effected during 1969	500,000	
	Reduction in rented space to be released due to completion of new buildings	-1,100,000	
	Net increase, leased space	3,290,800	
Moving, alterations, and other related costs		1,514,000	
	Buildings Management, net increase	14,023,100	
Space Management		183,000	
Design and Construction		1,098,700	
Service Direction		60,000	
	Total net increases in 1970		15,364,800
1970	Estimate		$309,119,000

ANALYSIS BY ACTIVITIES

	Activities	1969 Adjusted	Decrease	Increase	1970 Estimate
1.	Buildings Management	$283,502,600	$2,272,700	$16,295,800	$297,525,700
2.	Space Management	5,919,100	-	183,000	6,102,100
3.	Design and Construction	1,885,700	-	1,098,700	2,984,400
4.	Service Direction	1,531,800	-	60,000	1,591,800
5.	Administrative Operations	915,000	-	-	915,000
	Total	$293,754,200	$2,272,700	$17,637,500	$309,119,000

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

OPERATING EXPENSES, PBS

	Amount
1969 Appropriation	$275,000,000
Adjustments	+18,754,200
1969 Comparative	$293,754,200
Change	+15,364,800
1970 Estimate	$309,119,000

GENERAL STATEMENT

This appropriation provides for the basic real property operations of General Services Administration, including acquisition, operation, maintenance, protection, and utilization of general-purpose buildings and space; and for overall direction of buildings design, construction, repair, and modernization.

The appropriation request for 1970 of $309,119 thousand is a net increase of $15,365 thousand above the comparable amount for 1969. The 1969 amount includes proposed transfers of $15,083 thousand for annual costs of expansion space acquired in 1968, not provided for in GSA's 1969 budget, and $3,671 thousand proposed for separate transmittal for wage-board increases, including implementation of the Coordinated Federal Wage System.

The net increase of $15,365 thousand provides primarily for management and operation of new Federal buildings scheduled for occupancy in 1969 and 1970, offset by credits for space released resulting from new construction. (From The Budget for 1970 -- revised to reflect amended Budget, House Doc. 91-100)

The estimate for 1970 includes $4,241,000 for the additional cost of wage board rate increases effected during 1969, including implementation of the Coordinated Federal Wage System.

The President's Budget includes a proposed supplemental for 1969 in the amount of $3,671,000 for the cost of wage board pay rate increases estimated to occur in 1969.

The increase of $18,754,200 programed in 1969 over the base amount appropriated in the Independent Offices and Department of Housing and Urban Development Appropriation Act is primarily for the acquisition of additional leased space for other departments and agencies during 1968 and the cost of wage board rate increases. Expanded space needs of other agencies are budgeted and financed initially by these expanding agencies through the first full fiscal year after acquisition. Thereafter, GSA is responsible for including these fixed requirements in its budget estimates. Approximately 48 percent, or $7,234,800 of the total expansion space of $15,083,200 acquired during 1968, was within the Metropolitan D.C. area and was acquired to accommodate expanded activities and consolidations of various agencies.

Application of the $15,364,800 increase requested in 1970 is explained in the detailed estimates which follow.

APPROPRIATION LANGUAGE

For necessary expenses, not otherwise provided for, of real property management and related activities as provided by law; rental of buildings in the District of Columbia; restoration of leased premises; moving Government agencies (including space adjustments) in connection with the assignment, allocation, and transfer of buildings space; acquisition by purchase or otherwise of real estate and interests therein; and contractual services incident to cleaning or servicing buildings and moving; /$275,000,000/ $309,119,000: Provided, That this appropriation shall be available to provide such fencing, lighting, guard booths, and other facilities on private or other property not in Government ownership or control as may be appropriate to enable the United States Secret Service to perform its protective functions pursuant to title 18, U.S.C. 3056.

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

	Amount	Average Employment
1969	$283,502,600	(All Employment shown
Change	+14,023,100	under Buildings
1970	$297,525,700	Management Fund)

1. Buildings Management

HIGHLIGHT

This activity provides for rental, operation, protection and utilization of Government-owned and leased space, as indicated in the following table:

	Average net square feet (in thousands)		
	1968 actual	1969 estimate	1970 estimate
Government-owned space	93,976	97,103	99,683
Leased space	31,946	33,065	33,279

The net increase for 1970 of $14,023 thousand over the comparable amount for 1969 is composed of increases in operation and protection of Government-owned space, $9,218 thousand; rental, operation, and protection of leased space, $3,291 thousand; and moving, alterations, and related costs $1,514 thousand. (From The Budget for 1970 - revised to reflect amended Budget, House Doc. 91-100.)

The major portion of the OE,PBS appropriation falls into the Buildings Management activity and more employment is involved in this activity than in any other function of GSA. Even though workload has increased very significantly since 1960 the following table shows that the increase in employment has been held to approximately one-third of the increase in workload since that time.

	FY 1960	FY 1970	% Increase
Average square feet of space managed	79,718,000	132,962,000	+67
Average employment	12,917	16,029	+24

The increase of $14,023,100 for 1970 is primarily for initial occupancy of newly constructed Federal buildings and space provided through the conversion of existing Government-owned facilities. Also included is replacement leased space in the Washington, D.C., area required for agencies to be relocated from temporary buildings scheduled to be demolished. Of the total $297.5 million requested under this activity, 60% is to cover the cost of fixed obligations for rents, electricity, fuel, and other utilities, service contracts, and building supplies and materials.

The remaining 40% is required for the employment of personnel engaged in essential building operations. Any reduction in this area will result in the need to reduce employment and essential building services, thereby requiring "risk taking" not considered appropriate or feasible to protect the overall interests of the Federal agencies housed, their operations, and employees.

The buildings scheduled for completion during the budget year will result in the replacement of obsolete Government-owned and rented space having an annual operating and rental cost to GSA of $1.9 million, and to other agencies of approximately $0.7 million. In addition, these new buildings provide expansion space for Defense; Post Office; Atomic Energy Commission; Health, Education and Welfare; Agriculture; and other agencies.

The present financing policies for leased space require departments and agencies to budget for all leased space acquired to house their expanded programs through the first full fiscal year after acquisition.

The agencies reimburse GSA for any partial first-year cost and transfer funds to GSA for the first full fiscal year's cost. For this reason, no provision is made in this estimate for agencies' leased expansion space acquired after July 1, 1968.

(Revised to reflect the amended Budget for 1970, House Document 91-100) I-15.

No provision has been made for wage board increases to be effected during 1970. Financing for these costs will be requested in supplemental estimates during 1970.

Of the total space for which GSA has cleaning responsibility, 142.3 million sq. ft. will be cleaned by Government employees by the end of FY 1969, and 17 million sq. ft. will be cleaned by contractual arrangements.

JUSTIFICATION

a. Operation and Protection of Government-owned space +$9,218,300

	Average Net Square Feet	Unit Cost	Annual Cost
1969 Program	97,103,000	$1.571	$152,585,200
Changes FY 1970			
Funds required to service 3,100,000 average net square feet of space in new buildings being completed in 1969 and 1970.			+5,425,000
Reduction in cost due to disposal of 820,000 average square feet of Government-owned space as the result of new buildings being completed -- Washington, D.C., Munitions, 45,000; Tempo E, 171,200; Tempo 7 (Part), 194,100; Tempo 8 (Part), 21,200; Louisville, Kentucky, 830 and 1405 W. Broadway, 75,300; and upon relocating to leased space from temporary buildings in the Washington, D.C. area -- Munitions, 147,000; Tempo 8 (Part), 15,500; Tempo N, 52,100; Tempo W, 59,500; and Yards and Docks (Arlington, Va.), 39,100.			-1,172,700
Increased consumption of electricity due to additional electrical equipment used by Federal agencies as well as improved lighting and new air conditioning equipment installed in Government-owned buildings. The increase of 2.3% requested in total electricity cost in 1970 over 1969 is below the actual experience of 3.8% average annual increase over the past four years.			+700,000
Servicing buildings comprising 300,000 average net square feet of space vacated by the Post Office Department and transferred to GSA progressively during 1969 and 1970 for general purpose use.			+525,000
Additional requirement in 1970 to fund full year cost of wage board rate increases effected in 1969.			+3,741,000
Total changes in 1970			+9,218,300
1970 Budget	99,683,000	$1.623	$161,803,500

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

b. Rental, operation, and protection of leased space +$3,290,800

	Average Net Square Feet	Unit Cost	Annual Cost
1969 Program	33,065,000	$3.857	$127,517,400

Changes FY 1970

Funds required for rental, management and operation of 569,000 average net square feet of additional leased space for replacement of Department of Defense activities from that portion of Temporary 8 Building not being relocated to the new Forrestal Building in Washington, D.C., scheduled to be demolished to permit programed removal of temporary buildings. Activities of the Department of Defense are also being relocated from Temporary Buildings N,W,8, and Munitions, due to programed removal of temporary buildings, and from the Yards and Docks Building to permit enlargement of the Arlington National Cemetery.	+2,531,000
Reduction of 355,000 average net square feet of rented space to be released due to completion of new buildings.	-1,100,000
Increased rental incident to the execution of new leases at current rental rates to succeed leases which by their own terms expire, representing an increase of 1.2% of the total cost in 1970 over 1969. This has been the experience factor over the past four years.	+1,359,800
Additional requirement in 1970 to fund full year cost of wage board rate increases effected in 1969.	+500,000
Total changes in 1970	+3,290,800

1970 Budget	33,279,000	$3.931	$130,808,200

Summary of Space Changes

	Avg. Sq. Ft.	Cost
Increases:		
Government-owned:		
New buildings	3,100,000	$5,425,000
Buildings vacated by POD and transferred to GSA	300,000	525,000
Leased:		
Replacement space	569,000	2,531,000
Total increases	3,969,000	8,481,000
Decreases:		
Government-owned space	820,000	1,172,700
Leased space	355,000	1,100,000
Total decreases	1,175,000	$2,272,700
Net Change	+2,794,000	+$6,208,300

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

In addition to release of 1,877,000 square feet of space funded under this activity, 280,000 average square feet of space costing $722,000 heretofore funded by other agencies will also be released due, primarily, to availability of new Government-owned space. The principal agencies benefiting are Department of Defense (75,000 square feet), Post Office (55,000 square feet), Atomic Energy Commission (35,000 square feet), Health, Education and Welfare (32,000 square feet), Agriculture (30,000 square feet), and other agencies (53,000 square feet).

c. Moving, alterations, and related costs	Annual Cost
1969 Program	$3,400,000
Changes in FY 1970	+1,514,000
1970 Budget	$4,914,000

The net increase of $1,514,000 in 1970 will defray the additional moving and space adjustment costs incident to the 1.1 million net square feet of leased replacement space for temporary buildings being demolished in metropolitan D.C.

The other items in this subactivity provide $100,000 for continuation at 1969 level of providing new and replacement furnishings in GSA-operated buildings; $400,000 for annual amortization of furniture and equipment; $100,000 for new and replacement furnishings for Members of Congress during the year; $1,500,000 for moving and space adjustment costs incident to GSA directed moves to effect improved space assignments and utilization; $300,000 for cafeteria equipment for five new cafeteria installations and selected replacements in 124 existing installations; and $1,000,000 for moving and space adjustments incident to occupying 2,993,700 net square feet of space in 12 new buildings to be completed during 1970.

The following table reflects the workload, unit and performance costs by subactivities for 1968, 1969 and 1970 for the total program financed directly to GSA under this activity and reflects the requested net increase of $14,023,100 in 1970 over comparable amounts for 1969.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation. - All personal services for this item are paid initially from the BM Fund and accordingly are included under Other Services.

21 Travel and Transportation of Persons. - $270,000 includes $255,000 for 9,444 days travel to provide adequate direction and supervision of building operations throughout the country and $15,000 for local public transportation costs.

23 Rents and Utility Services. - $400,000 for depreciation of administrative furniture and equipment payable to the General Supply Fund.

25 Other Services. - $296,555,700 for costs in connection with the Buildings Management activity except travel, office furniture and equipment. The initial charge for costs under this object is made in the BM Fund and reimbursed from this appropriation.

31 Equipment. - $300,000 to provide for the purchase of new and replacement equipment for cafeterias.

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

Mr. WYMAN. Mr. Chairman?
Mr. EVINS. Yes.

BUILDINGS MANAGEMENT FUND

Mr. WYMAN. Of your $297,525,700, now looking at page I–15 for the management fund, the buildings management, how much of that comes back to you in reimbursements?

Mr. SCHMIDT. This is all of the operations which are paid directly from this appropriation. In addition to that, we have reimbursabe operations as a part of our buildings management. This will amount to——

Mr. WYMAN. In the process of getting to that, you are saying of that $298 million, none of it is reimbursable?

Mr. SCHMIDT. None of it.

SPACE REIMBURSEMENT

Mr. WYMAN. What is this down at the bottom of page I–15? It says the agencies reimbursing is for any partial first-year costs and transfer funds to GSA for the first full fiscal year's cost. Is this $298 million any transfer money?

Mr. SCHMIDT. In 1969 the amount that was transferred was slightly more than $15 million worth of space costs. We anticipate that in 1970 there will be approximately $10 million in the same kinds of transfers for space acquired after July 1, 1969.

Mr. WYMAN. If GSA gives public building service to the Defense Department, for example, doesn't the Defense Department request the funds and reimburse GSA for the value of their services?

Mr. JOHNSON. No, sir.

Mr. WYMAN. Your request is for what it is going to cost for the services you furnish DOD?

Mr. JOHNSON. Yes. That paragraph, Mr. Wyman, is a standard budget procedure that has been followed in recent years where because of space increases the agency that needs the increase budgets for the money and then reimburses us the first full year cost. Subsequently, we add it to GSA's base and provide the service with no charge to them. It is a standard budget procedure we have used for several years.

Mr. WYMAN. You can understand I couldn't figure out how much of this might be in that category.

Mr. JOHNSON. I do.

BUILDINGS MANAGEMENT VS. SPACE MANAGEMENT

Mr. EVINS. Mr. Schmidt, what is the difference in buildings management and space management?

Mr. SCHMIDT. Buildings management covers the operation, maintenance, and protection of Government-owned and leased space and also includes the rental and utilities bill. Space management is the acquisition of property under lease arrangement, acquisition of sites for Federal buildings, and the control, and assignment and reassignment and utilization of property, Government-owned and leased space.

Mr. EVINS. Define that again in more simple terms. Buildings management and space management.

Mr. SCHMIDT. Buildings management covers the operation, maintenance, and protection of buildings. Space management covers the acquisition and use of the space, assignment, reassignment of space to agencies, controlling the utilization.

Mr. EVINS. Administrative costs for handling of the space?

Mr. SCHMIDT. That is what it is; yes, sir.

Mr. EVINS. Place in the record pages I–21 through I–25.

(The pages follow:)

	Amount	Average Employment C.O.	Field	Total
1969	$5,919,100	52	368	420
Change	+183,000	+5	+5	+10
1970	$6,102,100	57	373	430

OPERATING EXPENSES, PBS

2. Space Management

HIGHLIGHT

"This activity provides for (a) review, analysis, and determination of Federal space requirements and the development of programs and projects; (b) acquisition of real property by lease, purchase, exchange, or donation, including the management of building sites pending construction; and (c) assignment and reassignment of Government-owned and leased space. The increase of $183 thousand over a comparable amount for 1969 is primarily to restore staffing to near but not in excess of the 1968 level." (From The Budget for 1970.)

Justification of the Activity is presented under two subactivities.

Summary of Performance Cost	1968	1969	1970
a. Acquisition	$2,206,539	$2,339,600	$2,413,000
b. Planning and Utilization	3,301,523	3,579,500	3,689,100
Total cost or estimate	$5,508,062	$5,919,100	$6,102,100

JUSTIFICATION

GSA's Government-wide responsibility in space management requires continuous determination of general purpose space needs on a nationwide basis and the acquisition of the required space by the construction and alteration of public buildings or by the leasing of private property. In executing this responsibility, real property specialists in the regional offices evaluate and determine overall space needs through surveys of Federal agency activities and develop plans for the housing of agencies in the various communities across the nation. They also evaluate individual agency requests for space, and take appropriate action to implement the plans and satisfy the request if valid, acquiring leased space when necessary. Efficient utilization of space in leased and Government-owned buildings is monitored and achieved by periodic inspections and surveys and by assisting agencies through the preparation of space layouts.

Potential sites for new buildings are identified and evaluated and, when appropriate, privately-owned land in the selected sites is acquired and managed until needed for construction of a public building.

All space management functions are directed by the Central Office through the development of policies and the issuance of standards and regulations concerning project selection and development, the selection, acquisition and management of public building sites, the assignment and utilization of space in buildings under GSA control, and the acquisition of leasehold interests in privately-owned property.

As illustrated in the table below, the space management workload has steadily increased over the past several years, however, the number of employees associated with this activity has decreased each year.

	6/30/65	6/30/66	6/30/67	6/30/68	6/30/69	6/30/70
Area under lease (M sq. ft.)	42.7	44.6	46.4	48.2	50.7	53.3
Annual rental obligation ($M)	$119.0	$131.2	$140.2	$150.7	$155.0	$160.0
Net area under assignment responsibility (M sq. ft.)	188.9	194.4	201.9	208.6	214.6	218.2
Employees housed	623,468	662,754	724,169	761,285	782,900	801,700
Average employment	460	458	442	431	420	430

2. Space Management
(Continued)

Reductions in employment prior to FY 1969 are attributable to improved work methods and adjustments in work assignments brought about through reorganizations. In FY 1969, a slight increase in manpower was needed; however there was, instead, a decrease by reason of restrictions imposed by the Revenue and Expenditure Control Act of 1968, Public Law 90-364. These restrictions forced employment below the level required to adequately perform the increased workload. Of the $183,000 increase requested in fiscal year 1970, $123,000 is for ten man-years of employment over the 1969 level required to perform increased workload. This restoration of ten man-years of employment will leave the 1970 level well below the June 30, 1966 level. The remaining $60,000 increase requested in fiscal year 1970 is for Phase II of the modification of the present space management information system which is needed to maintain system accuracy and timeliness, and to insure responsiveness to current and foreseeable GSA and external requirements.

	1968	1969	1970
a. Acquisition	$2,206,539	$2,339,600	$2,413,000

Space management operations financed under this subactivity acquire space to adequately meet the needs of agencies in terms of economy, efficiency, and service with due regard to their program needs. These operations include technical and administrative work incident to the investigation and evaluation of potential sites for public buildings; their selection and acquisition through direct purchase, condemnation, exchange or donation; the management of sites held for the construction of public buildings; and the acquisition of leasehold interests in privately-owned buildings when Federally-owned space is not available to meet identified needs. Procurement of space adequate for efficient and economical use of Federal agencies so as to provide a safe, healthful, and convenient environment for employees is an ever expanding responsibility as agencies increase in number and size. Since June 30, 1965, the area under lease has increased from 42.7 million sq. ft. to an anticipated 53.3 million sq. ft. in fiscal year 1970. During this same period annual rental has increased from $119 million to a projected $160 million.

A continuing program is the consolidation of leases to reduce the overall number of contracts to be administered, eliminate duplication of agency support services, and reduce space needs and costs. The number of leases in effect has reduced annually from 7,769 on June 30, 1965 to 7,259 on June 30, 1968, while the square feet per lease increased from 5,496 to 6,644 during the same period. This trend is expected to continue during FY 1969. Because of the curtailed construction of new Federal buildings, it is anticipated that the number of leases will increase to about 7,450 during fiscal year 1970, and the area per lease is expected to increase to 7,150 sq. ft.

Expenditures of appropriated funds are being minimized by the transfer to GSA of excess Federal land and buildings for use in their existing condition, or as sites for new public buildings. Costs are being avoided through the acquisition of privately-owned land for use as Federal building sites by exchange for excess Government-owned real property. During the fiscal year ending June 30, 1968, two Government-owned properties having a value of $1.4 million were transferred to GSA, and 12 privately-owned properties valued at $2.4 million were acquired by exchange for excess Government-owned real property.

Revenues derived from outleasing sites held for new Federal buildings amounted to $726,348 in 1968. It is estimated that these revenues will approximate $660,000 in 1969 and 1970 respectively.

Acquisition Workload

	1968	1969	1970
Number of leases in effect, June 30	7,259	7,150	7,450
Net assignable space under lease, June 30 (million sq. ft.)	48.2	50.7	53.3
Number of parcels acquired:			
GSA construction programs	116	151	130
Other agency funds	153	80	150
Total parcels acquired	269	231	280

	1968	1969	1970
b. Planning and Utilization	$3,301,523	$3,579,500	$3,689,100

Under this subactivity, Government-owned and leased space under the assignment control of GSA is assigned, reassigned, and utilized to house employees, material, and equipment of Federal agencies. Federal agency space requirements are identified and long-range plans and programs to satisfy these requirements are developed and space layout services for all new assignments are provided. This subactivity also enforces prudent space utilization practices; develops and publishes space quantity and quality standards; and provides technical advice and assistance to other Federal agencies and GSA organizations.

Floor and assignment plans are prepared and updated for leased and Federally-owned space in the GSA inventory. These plans are essential in the continuing effort to assure efficient utilization of space, its assignment and reassignment.

Maximum utilization of space is the primary objective of the Planning and Utilization subactivity. Since 1964 the inventory of space increased from 180.3 million square feet, to 194.4 million square feet in 1966, and 208.6 million square feet in 1968. During the same period the office space utilization rate changed from 144.8 square feet per employee housed in 1964, to 138.3 in 1966, and to 133.4 square feet per employee housed in 1968.

With the inventory of space under assignment increasing, control of the utilization rate demands constant surveillance. Experience has shown that savings through utilization are closely related to the man-hours of effort devoted to this program. As the utilization rate is reduced, each successive reduction requires greater effort. Based on the current average rental rate of $4.32 per square foot for office space, the reduction of 11.4 square feet in the utilization rate since 1964 represents a recurring annual cost avoidance of approximately $29.8 million. Approximately $3.1 million of this was accomplished during 1968 when efforts that year resulted in a 1.2 square foot reduction in the utilization rate.

In fiscal year 1968, approximately 3,700 requests involving 14,759,000 square feet of new and replacement space were received. Analysis of these requests resulted in reducing agency requests by 470,500 square feet. During the same fiscal year, inspections and surveys of existing assignments resulted in a reduction of over 106,400 square feet of space, permitting reassignment to meet other needs and cancellation of 12 leases involving 40,000 square feet of space having an annual rental of nearly $150,000.

2. Space Management
(Continued)

	1968	1969	1970
Net area under assignment responsibility, June 30 (million square feet):			
Office space	83.7	85.8	87.3
Storage space	77.2	79.4	80.7
Special space	47.7	49.4	50.2
	208.6	214.6	218.2
Employees housed:			
Office space	605,213	626,300	641,400
Storage space	15,882	15,700	16,000
Special space	140,190	140,900	144,300
	761,285	782,900	801,700
Communities surveyed	60	150	200

Of the workload increase of 3.6 million square feet over 1969, approximately 2.9 million represents new construction requiring preoccupancy layouts for the occupying agencies to ensure responsiveness to utilization standards. Space layouts are also required in existing buildings being backfilled as a result of moves to new buildings or involving the reassignment of space.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $4,873,400 for 448 positions.

	1968			1969			1970		
Positions	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
a. Acquisition	29	159	188	25	157	182	25	157	182
b. Planning and Utilization	44	240	284	39	227	266	39	227	266
Total	73	399	472	64	384	448	64	384	448
Average Employment	53.5	377.1	430.6	52	368	420	57	373	430

12 Personnel Benefits.- $390,000. Includes $307,000 for retirement contributions, $51,000 for health benefits, $23,000 for group insurance as required by law in support of the above personnel, $6,000 for Employees Compensation Fund, and $3,000 for payments under the Federal Insurance Contributions Act.

21 Travel and Transportation of Persons.- $143,900. Includes $117,000 for travel based on approximately 4,330 days and $26,900 for motor pool services. This travel is required to conduct on-site inspections of new leased space to develop preoccupancy condition surveys and, upon termination of leases, to evaluate restoration claims; periodic on-site utilization inspections of space layouts to insure improved utilization and operating efficiency; and on-site partition and furniture layouts in all newly acquired space, whether through new construction or lease.

22 Transportation of Things.- $2,000. For transportation of general purpose printed material to ten regional offices.

23 Rent, Communications, and Utilities.- $211,300. Includes $182,100 for payments to the Federal Telecommunications Fund for telephone and teletype service and $29,200 for depreciation of administrative furniture and equipment. No provision is made for rents or utilities under this activity.

24 Printing and Reproduction.- $62,600. For reproduction of all material necessary to administer an expanding space management program, including revisions to the Federal Property Management Regulations; occupancy guides for other agencies; leasing, assignment and utilization manuals and handbooks, including their revisions; lease documents and general purpose forms.

25 Other Services.- $376,300. Includes $32,900 for in-lease contract appraisals; $15,000 for cost of advertising for leased space; $103,000 for payments to the Construction Services Fund for services of architects and engineers in reviewing lessors' drawings pertaining to alterations and/or new construction, making on-site inspections to assure compliance with lease terms, evaluating restoration claims upon termination of leases, and updating and maintaining on a current basis building layout drawings; $136,500 for ADP services involving the preparation of periodic reports and for Phase II of the modification of the present management information system; $6,000 for health room services; $82,900 for other miscellaneous services such as security clearances for new employees, payments to the Working Capital Fund, payments to other Government agencies and commercial contractors; and a prorata share of operating relocation sites.

26 Supplies and Materials.- $42,600. Day-to-day administrative supplies and materials.

Mr. EVINS. You are asking for $183,000 over last year for this purpose; is that correct?

Mr. JOHNSON. That is correct.

Mr. EVINS. A total of 430 jobs in the central office and in the field.

Mr. JOHNSON. That is correct.

Mr. EVINS. That is 10 more than last year.

Mr. JOHNSON. That is correct.

Mr. EVINS. Design and construction.

Place in the record pages I–27 through I–29.

(The pages follows:)

	Amount	Average Employment	OPERATING EXPENSES, PBS
1969	$1,885,700	(All employment shown	
Change	+1,098,700	under Construction	
1970	$2,984,400	Services Fund)	3. Design and Construction

HIGHLIGHT

This activity provides overall direction for the nationwide Federal building design, construction, and alteration programs, including projects financed with funds transferred from other Government agencies. The increase of $1.1 million over a comparable amount for 1969 is to change from the present system of charging projects with the cost of overall program direction to the practice of financing this staff activity from the Operating expenses, Public Buildings Service appropriation, which is the practice for other Public Buildings Service staff functions; and to strengthen the present training and career development of professional personnel recruited from colleges to assure a constant input of qualified professionals to staff this activity. (From The Budget for 1970--revised to reflect amended Budget, House Doc. 91-100)

	1968	1969	1970
Total Cost or Estimate	$1,272,366	$1,885,700	$2,984,400

JUSTIFICATION

This activity performs services required in the nationwide Federal building construction program, consisting of (a) architectural and engineering planning, including investigation of improved methods and systems; (b) preparation of feasibility studies and cost estimates for proposed building projects and for programs of other Government agencies; (c) providing professional assistance in adjudicating contractors' claims arising after construction projects have been completed; (d) development and maintenance of design and construction handbooks, guide specifications, design data and standard detail drawings; and (e) liaison with professional groups, industry, research organizations, Federal Committees and Boards, and others dealing with building design and construction.

Salaries and related expenses of Central and Regional Office employees engaged in the overall direction of building design, construction, and alteration programs, and the training and development of future professional personnel who enter Government under the Civil Service Commission approved Real Property Management Training Agreement are included in this activity. In addition, the activity includes funds for investigation of new design and construction methods and systems; salaries and related expenses of employees engaged in the preparation of feasibility studies and cost estimates for other Government agencies' use; the development of technical material utilized in the preparation of standard specifications, bidding documents, and contracts for GSA design, construction and repair work as well as for work performed for other agencies; and assistance in defending the Government's position against contractors for claims arising out of construction projects awarded by GSA.

The total design, construction, and alteration workload in process on December 31 for which this activity has overall responsibiiity was as follows:

	Number of Projects	Estimated Improvement Cost ($ Millions)
Under Design:		
GSA Projects		
Sites and Expenses	56	$549.5
Repair and Improvement	878	53.2
Other Agency Projects		
New Construction	57	188.2
Repairs and Alterations	677	64.2
Total Design Workload	1,668	$855.1
Under Construction:		
GSA Projects		
Construction	31	$204.9
Repair and Improvement	319	43.6
Other Agency Projects		
New Construction	38	119.8
Repairs and Alterations	301	45.0
Total Construction Workload	689	$413.3

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

3. Design and Construction
(Continued)

The funding structure proposed for 1970 will permit complete implementation of the major recommendation of an independent, comprehensive management study of the GSA construction program which emphatically concluded that "responsibility and authority for design and construction operations, presently assigned to the Central Office, be decentralized to the regions...." This recommendation was accepted by the executive management of GSA, and authority delegated to the regions to negotiate A/E contracts, review A/E submissions, amend A/E contracts, award new construction contracts, select the method by which construction projects are to be supervised, and approve change orders within the availability of funds in the region. The transfer of these operating functions from the Central Office enables that office to fulfill its management responsibilities by applying its resources to plan, develop, and give overall direction to professional and technical activities required by a nationwide design and construction program.

With these changes in organization and function now fully implemented, including a completely decentralized design and construction program with related delegations of authority to the regions, the Office of Design and Construction now performs a staff function and is program-oriented. The reorganization has reduced the Central Office from seven to three divisions and the authorized staffing from 217 to 140 positions.

As all functions related to projects have been delegated to the regional offices, it is essential that indirect program costs of Central Office personnel engaged in overall design and construction program management be funded from the Operating Expenses, PBS appropriation. This involves 102 positions to be supported by the Operating Expenses appropriation in addition to the 38 now funded from this source.

It is emphasized that the foregoing does not represent an increase in number of positions or cost, but represents a more meaningful method of funding. Conversion from the present system of charging projects to the practice of financing as a staff activity from the Operating Expenses, PBS appropriation accounts for $884,000 of the total $1.1 million increase in this activity.

An increase of 20 engineering and architectural trainee positions for 1970 is requested to assure a steady flow of capable personnel to fill professional journeyman positions in the regional offices. One of GSA's more persistent problems is the difficulty in recruiting and retaining personnel capable of properly supervising building construction and alteration. The General Accounting Office has criticized this agency for deficiencies in construction supervision, and the recent management study emphasized the importance of increased staffing capable of properly supervising the construction of public building projects. As a part of the concerted effort to correct this deficiency, GSA proposes to recruit engineering college graduates under the Real Property Management Training Agreement and to train them specifically for project supervision work. The period of training prior to assignment to projects will be funded from this activity. In 1970, the outlay will be approximately $150,000 for 20 positions.

(Revised to reflect the amended Budget for 1970, House Doc. 91-100)

The balance of approximately $64,700 is for other objects of expense for the increased number of positions to be funded from this activity such as travel, external training, depreciation of administrative furniture and equipment, supplies, and communications.

The employees funded under this activity, and all other employees engaged in design and construction operations, are paid initially from the Construction Services Fund. Salaries and related expenses of technical and administrative personnel engaged directly on approved work programs and projects are reimbursable to the Construction Services Fund from funds provided for such construction programs and projects.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation.- Personal services costs for this activity are initially paid from the Construction Services Fund and are included under 25 Other Services.

21 Travel and Transportation of Persons.- $36,000 for approximately 1,300 days travel in connection with overall direction of programs for the design, construction, and alteration of public buildings; participation in meetings involving new and improved design and construction methods, systems, and materials; attendance of professional employees at training courses; and adjudication of claims related to the closing of completed construction projects.

22 Transportation of Things.- $3,000 for transportation of general purpose printed material to ten regional offices.

23 Rent, Communications, and Utilities.- $38,000. Includes $29,000 for payments to the Federal Telecommunications Fund for telephone and teletype service, and $9,000 for depreciation of administrative furniture and equipment.

24 Printing and Reproduction.- $20,000 for cost of printing handbooks, standard details, guides and stock specifications utilized in executing contracts for other agencies.

25 Other Services.- $2,873,400. $2,771,400 to reimburse the Construction Services Fund for salaries, personnel benefits, and related expenses for the overall direction of programs involving design, construction and alteration of Federal buildings; the preparation of feasibility studies, preliminary designs, and cost estimates for other Government agencies for their use in support of appropriations for design and construction of specific projects; the development of technical material relating to standard specifications, bidding documents and contracts for other agencies; professional assistance necessary in the adjudication of contractors' claims; supervision of the design and construction research and development program; and architectural and engineering trainee positions.

In addition, $100,000 provides for contractual costs related to research and development of new and improved design and construction methods, systems, and materials, and $2,000 for miscellaneous charges.

26 Supplies and Materials.- $14,000. Day-to-day administrative supplies and materials.

DESIGN AND CONSTRUCTION

Mr. EVINS. Here you are asking for $1 million more than last year. Last year you had $1,885,700 and you are asking for $3 million. Why this large increase?

Mr. JOHNSON. Mr. Chairman, that has been amended from the original estimate, and the increase in the amended budget is $1,098,700. That is for a 1970 figure of $2,984,400.

PROGRAM DIRECTION

Mr. EVINS. The Budget Bureau found a little place to make a reduction there. One million increase requested to finance program direction.

How long has public buildings service been charging this overhead item to the customers and why charge it now? One million dollars increase in the request for program direction. I believe this is under design and construction.

Mr. JOHNSON. That is correct.

D & C EMPLOYMENT FUNDING CHANGE

Mr. EVINS. Let us read this second paragraph.

Salaries and related expenses of central and regional office employees engaged in the overall direction of building design, construction, and alteration programs, and the training of future professional personnel who enter Government under the Civil Service Commission Training Agreement.

Mr. SCHMIDT. This was intended, Mr. Chairman to add some additional positions under operating expenses, public buildings service, in lieu of paying these salaries from project funds.

Mr. EVINS. It has been reduced from $2 million to $1.098 million. Why the million dollar increase?

Mr. FOSTER. Mr. Chairman, all of the central office design and construction personnel heretofore were paid from project funds but now that we have decentralized our design effort we feel that it is more appropriate to pay them, central office people, from operating funds.

We also had proposed originally to increase the number of people in the regions from two each region to five who are paid from operating funds. The reduction which has just been made in this item cancels out that proposed field change. We will leave only 2 people in each of our 10 regions under the operating account and all others will be paid from project funds.

Mr. JOHNSON. This funding change will help give stability in our work force.

Mr. MCDADE. You were asking for 30 additional positions here originally?

Mr. FOSTER. No increase in people. But it was a change in the source of funds from which their salaries are paid.

Mr. MCDADE. Is there a corresponding dip in the budget some other place?

Mr. FOSTER. In project funds.

Mr. McDade. In that category there is an equivalent amount of $1,098,700 decrease?

Mr. Foster. Yes, sir.

Mr. McDade. That is reflected in this budget?

Mr. Foster. In our construction projects and in the projects for other agencies.

Mr. McDade. There is a reflection of this amount, offsetting reduction in another part of the budget?

Mr. Foster. That is correct.

REDUCTION IN PERSONNEL DUE TO REORGANIZATION

Mr. Evins. You state here that the reorganization had reduced the central office from seven to three divisions and the authorized staffing from 217 to 140 positions. What happened to the 77 employees? Did you transfer them to the field?

Mr. Johnson. We transferred some to the field and some by attrition reduced the labor force.

REQUEST FOR PERSONNEL FOR TRAINING PROGRAM

Mr. Evins. Why do you need an increase in personnel in your architectural training program and other programs when your construction program is decidedly down?

Mr. Foster. Among other things, Mr. Chairman, the average age level of our professional staff has been going up. We need to have an infusion, modest infusion of young professionals into the system. So what we are proposing is to increase the emphasis on the trainee program in design and construction which has been highly successful in our buildings management field and in our space management field.

PBS Functions

Mr. Evins. Gentlemen, I meant to say earlier that GSA serves as a central agency for the management, acquisition, and disposal of real and personal property among its other programs and it is operated with 10 regional offices. Besides the appropriation, you have how many working funds; five or six?

Mr. Johnson. Six.

Mr. McDade. Mr. Chairman?

Mr. Evins. Yes.

Mr. McDade. Before we leave that might I ask a question about one line item?

TRAVEL, RENTS, AND UTILITIES

On page I–30 there is a substantial increase in travel, substantial increase in rents and utilities. What do they reflect? Why these increases? Travel goes from $18,000 to $36,000; rents and utilities from $1,200 to $9,000; supplies and materials, $2,500 to $14,000.

Mr. Schmidt. On the matter of travel, this covers the amount required by personnel to be transferred into this account as opposed to project accounts. The travel is just a proportionate amount.

Mr. McDade. This is a one-shot item? This will go back to $18,000 next time?

Mr. SCHMIDT. This will not be reduced.

Mr. MCDADE. It will stay about $36,000?

Mr. SCHMIDT. Yes, sir.

Mr. JOHNSON. That will pay, Mr. Congressman, for 1,300 days of travel in connection with the overall direction of the program for the design, construction, and alteration. That is a minimum amount of travel with a program this diverse from a geographical location standpoint.

SUPPLIES AND MATERIALS

Mr. MCDADE. What about some of the others, administrative supplies, materials?

Mr. SCHMIDT. These items are also proportionate.

Mr. MCDADE. Each one of these is a proportionate increase based on the reorganization, is that right?

Mr. JOHNSON. That is correct.

Mr. MCDADE. For each one there is an attendant decrease in some other part of the budget?

Mr. SCHMIDT. It would be a reduction against the project fund just as the personnel is a reduction.

Mr. MCDADE. Dollar for dollar, all of these increases would show us reductions elsewhere?

Mr. SCHMIDT. Are reflected against project costs.

Mr. MCDADE. Thank you very much.

GSA CONSTRUCTION MANAGEMENT STUDY

Mr. BOLAND. On pageI–28, the top paragraph, funds for the structure proposed would permit implementation of the major recommendation of management study of the GSA construction program.

Who made this study?

Mr. FOSTER. That was made, Mr. Boland, by a team of retired personnel from the Army, Navy, and GSA who were brought back for a period of about 3 months to do an independent study of our procedures.

PERSONNEL TURNOVER RATE

Mr. BOLAND. On page I–28, reference is made to retaining personnel. What is the turnover rate in this activity as compared with other professional staff of the PBS?

Mr SCHMIDT. I would have to supply that for the record.

Mr. BOLAND. All right.

(The information follows:)

EMPLOYMENT TURNOVER RATE IN THE DESIGN AND CONSTRUCTION ACTIVITY

During fiscal year 1968, the design and construction activity lost 265 employees through resignations, retirements, and so forth, representing a turnover rate of 20 percent. Only 138 recruitments were effected against these losses, resulting in a net loss for the year of 127 positions.

During the first 9 months of fiscal year 1969, a loss of 160 employees was experienced, representing a turnover rate of 13 percent. Only 94 recruitments were effected against these losses, resulting in a net loss for the period of 66 positions.

The design and construction activity within the Public Buildings Service is unique in terms of the numbers of professional personnel employed. The ratio of professional personnel to other personnel within this office has no comparison elsewhere within the Public Buildings Service.

While some architects and engineers are employed elsewhere in the Public Buildings Service, their numbers are small in comparison and such qualifications are not a prime requirement for employment.

CONSTRUCTION SERVICES FUND

Mr. BOLAND. Turn to PBS, Construction Services Fund.
We will insert pages I–31 and I–32.
(The pages follow:)

CONSTRUCTION SERVICES, PUBLIC BUILDINGS

Construction services activities consisting of preparation of drawings and specifications for the construction or alteration of public buildings; supervision of constructon and alteration activities; and surveys and test borings performed in connection with the acquisition of Federal building sites, and other related services, are financed by this fund on a reimbursable basis from funds appropriated, transferred, or advanced to General Services Administration (40 U.S.C. 296).

Initial financing of this fund provides for salaries and related expenses of all personnel engaged in architectural and engineering services in connection with buildings design, construction, and alteration, both central office and field. Estimates for 1969 and 1970 cover the GSA public building construction program, the repair and improvement program, and additional workload in connection with projects assigned to GSA by other Federal agencies.

OFFICE OF DESIGN AND CONSTRUCTION—SUMMARY OF AVERAGE EMPLOYMENT AND COSTS BY SOURCE OF FINANCING

[Dollar amounts in thousands]

	Fiscal year 1968			Fiscal year 1969			Fiscal year 1970		
	Average employment	Personnel compensation	Total costs	Average employment	Personnel compensation	Total costs	Average employment	Personnel compensation	Total costs
Source of financing:									
Operating expenses, PBS:									
(a) Program direction	58.0	$744	$923	58	$810	$989	88	$1,229	$1,500
(b) Program development and review	6.0	77	96	6	83	102	84	1,100	1,345
(c) Contract settlement				30	410	500	30	410	500
(d) Space management surveys	6.0	63	78	6	70	85	6	70	85
(e) Training				10	82	100	35	246	300
(f) Compliance	6.0	87	108						
Total, operating expenses, PBS	76.0	971	1,205	110	1,455	1,776	243	3 055	3,730
R. & I. projects	446.2	4,836	6,000	415	4,832	5,900	422	4,914	6,200
Construction projects	344.8	3,733	4,631	253	2,948	3,600	211	2,457	3,000
Other GSA funds	44.4	484	600	17	197	240	14	164	200
Total, GSA financed	911.4	10,024	12,436	795	9,432	11,516	890	10,590	13,130
Financed from funds of other agencies	432.3	4,668	5.800	421	4,931	6,012	388	4,510	5,720
Total	1,343.7	14,692	18,236	1,216	14,363	17,528	1,278	15,100	18,850
Distribution:									
Central office	192.1	2,348	3,367	144	1,960	2,393	137	1,865	2,279
Regional offices	1,151.6	12,344	14,869	1,072	12,403	15,135	1,141	13,235	16,571

Mr. WYMAN. One question?
Mr. BOLAND. Yes.

DEPRECIATION

Mr. WYMAN. This is a very small item but I don't quite understand it. There is $9,000 shown on page I–29, object 23 for the administrative furniture and equipment. That is not replacement. That is depreciation?

Mr. JOHNSON. On the basis of our cost accounting system approved by the Comptroller General, we buy administrative equipment from the general supply fund and then each year the using appropriation pays for the depreciation on that equipment which puts us on a cost basis in the consumer account.

Mr. WYMAN. This goes into a fund?

Mr. JOHNSON. Into the general supply fund for replacement. It gives us a more accurate picture of the cost.

PERSONNEL COMPENSATION

Mr. BOLAND. Returning to I–29, item 11, personnel compensation, we do appreciate that personnel costs would be reflected as a separate item so the committee has an opportunity to review it. This is a rather generalized statement. Will you put it in as a separate item next time?

Mr. SCHMIDT. Yes, sir; we can do that.

Mr. BOLAND. Turn to PBS, service direction, I–35 through 36.

(Page I–35 follows:)

4. SERVICE DIRECTION

	Amount	Average employment		
		Central office	Field	Total
1969	$1,531,800	41	50	91
Change	+60,000	+3	+1	+4
1970	1,591,800	44	51	95

JUSTIFICATION

General direction, short- and long-range planning, and administration of all programs assigned to the Public Buildings Service are provided in the central office by the Commissioner and an executive staff, and in the regions by 10 regional directors who have limited executive assistance. Postage fees totaling $16.000 are included, representing the amount chargeable to all activities under this appropriation, except buildings management.

The increase of $60,000 in fiscal year 1970 will permit the filling of positions on the executive staff which have remained vacant because of restrictions imposed by the Revenue and Expenditure Control Act of 1968, Public Law 90–364. Inability to staff at the level requested will continue to hinder the overall effectiveness of program direction, particularly the capability to undertake studies and systems analyses which are essential to effective management.

	1968	1969	1970
General supervision	$1,449,543	$1,515,800	$1,575,800
Postage fees	25,000	16,000	16,000
Total cost or estimate	1,474,543	1,531,800	1,591,800

EXPLANATION OF DISTRIBUTION BY OBJECTS

(See activity data sheet)

11 *Personnel compensation and staffing.*—$1,305,200 for 101 positions, distributed as follows:

	1968	1969	1970
Central office	51	47	47
Field offices	53	54	54
Total positions	104	101	101
Average employment	96.4	91	95

12 *Personnel benefits.*—$105,000, includes $91,000 for retirement contributions, $7,700 for health benefits, $4,300 for group insurance, as required by law in support of the above personnel, $1,000 for Employees Compensation Fund, and $1,000 for payments under the Federal Insurance Contribution Act.

21 *Travel and transportation of persons.*—$19,100, includes $17,200 for approximately 600 days travel and $1,900 for motor pool services. These amounts provide for travel performed by the Commissioner, Deputy Commissioner, and 10 regional directors in the overall direction and administration of all programs and projects assigned to the Public Buildings Service.

22 *Transportation of Things.*—$3,100, for transportation of general purpose printed material to 10 regional offices.

23 *Rent, communications, and utilities.*—$59,300, includes $16,000 postage fees for the OE–PBS activities except Buildings Management, $38,200 for payments to the Federal Telecommunications Fund for telephone and teletype service, and $5,100 for depreciation of administrative furniture and equipment.

24 *Printing and reproduction.*—$5,700, for cost of printing common-use GSA forms, letterheads, envelopes, and directories, and the reproduction of memorandums, letters, documents, and issuances required in the daily administration of the total PBS program at the Commissioner's level.

25. *Other services.*—$89,100, provides $58,000 to reimburse NARS for personnel assigned to PBS Management Information Systems Studies and $31,100 for health room services, security clearances for new employees, payments to the Working Capital Fund and other miscellaneous costs.

26 *Supplies and materials.*—$5,300, for day-to-day administrative supplies and materials.

SERVICE DIRECTION

Mr. EVINS. For 1970 you are asking for this program $1,591,800, which is a $60,000 increase over last year.

Mr. SCHMIDT. This is to permit the filling of three positions in the central office staff and one in the field which will become vacant in this year under the limitations of the Expenditure Control Act.

Mr. EVINS. In view of the administration's policy of holding down positions, couldn't the four new ones be taken out of the budget? You have to have these four new jobs?

Mr. SCHMIDT. Mr. Chairman, they are very essential to our carrying on the total direction of the program both in the central office and the field.

Mr. EVINS. Take a look at the item of operating expense, administrative operations.

Place in the record pages I–37, I–38.

(The pages follow:)

5. ADMINISTRATIVE OPERATIONS

HIGHLIGHT

This activity provides funds for administrative and staff support for real property activities that relate to the entire Public Buildings Service with specific

relationship to its regulatory and space management functions. These are support costs that cannot be directly identified with the repair and improvement, buildings management and construction programs of the Public Buildings Service.

1. *Administration.*—Provides accounting and reporting, credit, insurance and related financial services (including the costs of ADP services for accounting, payrolling, and invoice processing), budget, personnel administration, management systems, and administrative and office services. Also issues instructions for uniform reporting by all civilian and military agencies and prepares Government-wide reports of real property Government owned and leased.

2. *Audits and compliance.*—Provides real property management with an independent and objective review and appraisal of GSA's construction, repair, and site acquisition programs through the medium of contract and internal audits, investigations, and civil rights functions.

3. *Legal services.*—Performs all legal services in connection with the management and maintenance of Federally owned and leased buildings, including the monitoring of Federal Property Management Regulations.

JUSTIFICATION

The costs of AO support for all direct PBS activities (excluding buildings management activity which is financed through the BM fund) is compared in its direct percentage relationship to the program total and comparative man-year equivalents as follows:

[Dollar amounts in thousands]

	1968	1969	1970
Program total for direct activities	$7,887	$8,366	$8,609
AO support	$900	$915	$915
Percentage relationship	11.4	10.9	10.6
Man-year equivalents (percent)	70.9	67.1	67.1

AO support in relationship to program costs reflect a continuing reduction in 1968 from 11.4 percent to 10.9 percent in 1969 and 10.6 percent in the 1970 estimate with no increase in funding requested. Typical administrative support is indicated by the following selected measurable statistics:

Selected workload statistics	1968	1969	1970
Vouchers processed	13,845	14,000	14,000
Billings prepared	160	200	200
Accounting documents processed	14,005	14,200	14,200
Personnel serviced and employees payrolled	527	511	525
Audits performed:			
Internal	10	13	17
Contract	18	12	11
Investigative cases	22	22	22
Security clearance requests	133	150	167
Civil rights cases	40	40	40

In addition to the above selected volumes, other significant staff support for PBS (general) is provided in (1) review of the financial provisions of contracts to minimize financial risk and servicing financial provisions of contracts, (2) planning and coordinating the development of Governmentwide and agencywide policy and procedures incorporated in the Federal procurement regulations, (3) providing mail, messenger, travel, library issuances and forms, property and supply services, (4) assistance in the development of organizational and operating relationships and management systems, (5) (a) legal review of legislation proposed by GSA and other agencies, (b) representation before GSA Board of Contract Appeals, and (c) claims by or against the Government involving PBS programs.

Total AO fund support on an integrated basis for all GSA programs is justified under the heading "Administrative Operations" in volume III of GSA's Congressional Estimates.

Mr. EVINS. Program total for this purpose goes up from $7,887,000 in 1968 to $8,609,000 in 1970. Why this increase?

ADMINISTRATIVE OPERATIONS

Mr. JOHNSON. There is no increase in cost in providing the administrative operations in total for GSA. As you remember, this is handled as a separate fund. Each one of the appropriations contribute to that fund on the basis of usage of accounting, personnel, audit, legal, et cetera. There is no total increase in funds in the budget. The distribution is a bit different by account, based on performance analysis, but there is no basic increase.

OTHER SERVICES

Mr. EVINS. Mr. Johnson, on your green sheet you show your other services going up from $264,542,584 to $300,809,500. That is on your green sheet, about the third item from the bottom.

Mr. JOHNSON. Yes, sir.

Mr. EVINS. Other services, $264.5 million to $300,809,500.

Mr. JOHNSON That is the total increase there for the whole appropriation, "Operating expenses, public buildings." Part of that is the increase in leased cost which is funded from this account. This is the total for the appropriation.

Mr. EVINS. More buildings, more leased space, more space to be managed?

Mr. JOHNSON That is correct.

Mr. EVINS. We want to understand that when we go to the floor with 435 Members wanting to know why this increase.

Mr. WYMAN. Mr. Chairman.

Mr. EVINS. Yes.

PERSONNEL ADMINISTRATION

Mr. WYMAN. In that item where you talk about personnel administration in public buildings, that is part of the $8 million program total for direct activities, isn't it? Personnel administration, item No. 1. Services that you provide: accounting, reporting, credit, insurance, related type services, personnel administration?

Mr. JOHNSON. That is correct.

Mr. WYMAN. If there is a public building operated by another agency of the Government, what do you do in that public building that is funded under this section of your budget?

Do you provide the personnel in that building, personnel administration?

Mr. JOHNSON. No, sir.

Mr. WYMAN. What do you do?

Mr. JOHNSON. We only provide personnel administration for those GSA employees——

Mr. WYMAN. In this particular branch of your agency?

Mr. JOHNSON. That is correct.

If another agency completely owned and operated the building itself, we would have nothing to do with it, such as the Post Office, where they operate the building themselves. We would not provide personnel services.

Mr. WYMAN. Most of the public buildings you operate for them, is that right?

Mr. JOHNSON. We operate a considerable number. We don't operate all Government buildings.

Mr. WYMAN. The personnel administration costs in this breakdown are for administering your own personnel?

Mr. JOHNSON. That is correct. Only our own personnel.

Mr. EVINS. Gentlemen, let us take a look at the buildings management fund.

What is the status of this fund? We appropriate to it annually a large sum and you have transfers from other agencies for services rendered.

Mr. JOHNSON. Mr. Chairman, this is a revolving fund into which we pay from our appropriations as well as accept reimbursements from other agencies.

Mr. EVINS. How much did we appropriate last year?

Mr. JOHNSON. We don't appropriate directly to this fund.

Mr. EVINS. You transfer funds from the general appropriations?

Mr. JOHNSON. That is right.

Mr. EVINS. How much did you transfer to the fund? How much money did you take out of the appropriation and put into the buildings management fund? Roughly $297 million? How much was transferred to the fund from numerous agencies of the Government for rental space?

Mr. JOHNSON. $15,083,244 transferred from other agencies in fiscal year 1969 for all space costs, base rental and servicing. Total income from other agencies for all buildings management services was $147 million in fiscal year 1968.

Mr. EVINS. Then you have another item of $800,000 for other income?

Mr. JOHNSON. That is correct.

Mr. EVINS. For a total into the fund of $445,765,000?

Mr. JOHNSON. That is correct for fiscal year 1968.

Mr. EVINS. How much new appropriated money did you anticipate will of necessity be transferred to this fund?

Mr. JOHNSON. It will be slightly in excess of the $297 million.

Mr. EVINS. $300 million?

Mr. JOHNSON. Approximately $297.5 million.

BMF EXPENDITURES

Mr. EVINS. What are the expenditures for buildings management fund for 1968, 1969, and 1970? You have $445 million or $446 million in the fund. What are the expenditures?

Mr. JOHNSON. The total expenses, $463 million in 1969, and in 1968 it was $448 million. In 1970 it is $477 million. We attempt to operate at no profit or loss in this fund.

Mr. EVINS. Tell us some of the major items of expenditure from this fund.

Mr. JOHNSON. Some of the major items of expenditure from this fund are the operation and protection of Government-owned space. And, using 1970 figures, that is $188,169,300. The other major item is rental, operation, and protection of leased space which covers such things as cleaning, elevator operation, maintenance, rent, general expenses, that type of item. That is $178,466,000.

We have in here——

Mr. EVINS. Moving, alterations, and related costs?

Mr. JOHNSON. That is correct.

Mr. EVINS. Protection?

Mr. JOHNSON. That is correct.

Mr. EVINS. Maintenance repairs, security, and special guards?

Mr. JOHNSON. Yes.

Mr. EVINS. Provide guarding above the normal services?

Mr. JOHNSON. That is correct.

Mr. EVINS. Operation and maintenance of sites held for future construction. Job order work and other items. What would GSA be able to do if expenditures were held to the 1969 level?

Mr. JOHNSON. We have a pretty stringent control on us on expenditures right now. I think GSA could come close to holding 1970 expenditures at the 1969 level if we are talking strictly budget expenditures. If we are talking budget outlays, this is a little bit different. We do not believe we can control it sufficiently on a budget outlay point. Under the new concept this includes our proprietary receipts such as the sale of strategic and critical materials. We estimate as best we can but we cannot control the market.

Mr. EVINS. You are saying with the money coming in from the Government agencies for services rendered, your expenditures would be more than yor 1969 figure but you could live with the 1969 appropriation?

Mr. JOHNSON. No, sir. Not quite. I said we could live close to the 1969 level of expenditures, not the 1969 appropriations.

Mr. EVIN. Place in the record pages I–41 through I–43.

(The pages follow:)

BUILDINGS MANAGEMENT FUND

GENERAL STATEMENT

This fund finances, on a reimbursable basis, building management activities consisting of: Management, rental, operation, and protection of Government-owned and leased space in and outside the District of Columbia for housing Federal agencies; modernization and recurring repairs to Government-owned space under jurisdiction of General Services Administration; protection and maintenance of excess and surplus properties; maintenance of sites acquired for future construction of Federal buildings; uniforms and uniform allowances; and other related building services (66 Stat. 594). Retained earnings resulting from operations, after making provision for prior-year losses, if any, are paid into the Treasury as miscellaneous receipts.

Operating costs for 1970 are estimated at $474.5 million, a net increase of $14 million over 1969, mainly due to additional Government-owned space to be serviced.

1. *Buildings management—(a) Operation and protection of Government-owned space.*—Provides for operation and protection of an average of 154.6 million square feet of space in 1970 compared to an average of 152.4 million square feet in 1969 and an average of 148.3 million square feet in 1968. The change from 1969 reflects net additional space to be serviced due to construction of new buildings, and certain buildings being transferred to GSA for operation and protection.

(*b*) *Rental, operation, and protection of leased space.*—Provides for an average of 48.4 million square feet in 1970 compared to an average of 48.8 million square feet in 1969 and an average of 47.4 million square feet in 1968, based on currently projected requirements of Federal agencies.

2. *Moving, alterations, and related costs.*—Provides for moving and related alterations based on experience factors of buildings management operations and for moving and space adjustments incident to the new construction program.

3. *Protection and maintenance, surplus properties.*—Provides for protection and maintenance of excess and surplus properties.

4. *Maintenance repairs.*—Provides for day-to-day maintenance of GSA-operated buildings, and other Government buildings under jurisdiction of GSA.

5. *Security and special guarding.*—Provides security and above-normal guarding service required by other agencies.

6. *Operation and maintenance of sites held for future construction.*—Provides maintenance of sites acquired for future construction of Federal buildings and repairs to improvements located thereon.

7. *Job order work.*—Provides for special services and repairs and improvements to buildings for GSA and other agencies.

8. *Other.*—Provides for program supervision of repair and improvement operations as distinguished from architectural and design activities initially financed from the construction services fund, utility services furnished in the District of Columbia to buildings operated by other agencies and utilities to concessionaires.

Operating results and financial condition.—At the end of 1968, the net investment in the fund was $4.2 million composed of $3.5 million appropriated, $7.9 million capitalized assets, $0.8 million retained earnings, less $8 million provision for unfunded leave liability. (From the budget for 1970—revised to reflect amended budget, House Doc. 91–100.)

SCHEDULE A.—*Supplementary analysis of income for 1968 by source*

GSA appropriations:	
Operating expenses, PBS	$260,421,342
Repair and improvement	23,136,909
Operating expenses, FSS	6,581,790
Operating expenses, PMDS	4,172,862
General supply fund	1,400,957
Consolidated working fund—PMDS	954,085
Operating expenses, NARS	647,033
Additional court facilities	343,901
Expenses, U.S. court facilities	163,720
Minor amounts from other GSA funds	110,863
Total	297,933,462
Income from other agencies:	
Executive Office of the President	16,987,069
Judiciary	173,912
Legislative	513,153
Department of Agriculture	5,618,223
Department of Commerce	3,521,123
Department of Defense	16,219,359
Department of Health, Education, and Welfare	26,910,149
Department of Housing and Urban Development	4,249,955
Department of the Interior	6,061,159
Department of Justice	520,409
Department of Labor	893,186
Post Office Department	42,789,674
Department of State	830,002
Department of Transportation	5,479,201
Department of Treasury	3,511,844
Independent agencies and others:	
Agency for International Development	1,211,556
Atomic Energy Commission	2,228,697
Civil Service Commission	459,774
District of Columbia	527,626
Export-Import Bank of Washington	176,559
Federal Deposit Insurance Corporation	357,556
Federal Home Loan Bank	269,500
National Aeronautics and Space Administration	2,431,547
Railroad Retirement Board	623,832
Selective Service System	147,954
Small Business Administration	434,991
Smithsonian Institution	348,942
U.S. Information Agency	256,978
Veterans' Administration	816,956
Minor amounts from other agencies and sources	2,460,676
Income from other agencies	147,031,562
Subtotal	444,965,024
Other income	800,468
Total BMF revenue and other receipts, 1968	445,765,492

Mr. EVINS. We will take a look at repair and improvement, next item.

REPAIR AND IMPROVEMENT OF PUBLIC BUILDINGS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs funded:			
1. Maintenance repairs	26,956	28,600	28,900
2. Repairs and improvements	31,410	24,129	31,400
3. Conversions and extensions	3,106	2,700	3,000
4. Program direction	2,293	2,400	2,400
5. Administrative operations	800	821	900
Total operating costs, funded	64,565	58,650	66,600
Capital outlay:			
2. Repairs and improvements	9,079	9,800	12,200
3. Conversions and extensions	1,590	6,900	7,300
Total capital outlay	10,669	16,700	19,500
Total program costs, funded	75,234	75,350	86,100
Change in selected resources [1]	11,906	−1,931	9,029
Total obligations	87,140	73,419	95,129
Financing:			
Recovery of prior-year obligations	−898	−899	
Unobligated balance available, start of year	−12,619	−6,377	−13,857
Unobligated balance available, end of year	6,377	13,857	
Budget authority (appropriation)	80,000	80,000	81,272
Relation of obligations to outlays:			
Obligations incurred, net	86,242	72,520	95,129
Obligated balance, start of year	32,573	44,651	30,171
Obligated balance, end of year	−44,651	−30,171	−30,100
Outlays	74,164	87,000	95,200

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders 1967, $27,393,000 (1968 adjustments −$898,000); 1968, $38,401,000; 1969, $36,470,000; 1970, $45,499,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
GENERAL SERVICES ADMINISTRATION			
Travel and transportation of persons	280	425	425
Payment to interagency motor pools	32	75	75
Transportation of things	2	10	10
Rent, communications, and utilities	173	150	142
Printing and reproduction	222	250	275
Other services	69,745	53,712	74,852
Supplies and materials	222	225	275
Equipment	28	50	50
Lands and structures	16,314	16,000	19,000
Insurance claims and indemnities	21	22	25
Total obligations, General Services Administration	87,039	70,919	95,129
ALLOCATION TO CORPS OF ENGINEERS			
Other services	101	2,500	
Total obligations	87,140	73,419	95,129

The following budget amendment was continued in House Document No. 91–100:

Budget appendix page	Heading	Request pending	Proposed amendments	Revised request
820	Repair and improvement of public buildings.....	$81,272,000	—$19,672,000	$61,600,000

This reduction provides for reduced levels of repair, improvement, conversion, and extension work.

REPAIR AND IMPROVEMENT

I think this has been revised downward as we discussed this morning. The appropriation for 1969 was $80 million and your change in the Johnson budget was $1,272,000, the estimate for 1970 is $81,272,000 and now it has been changed to what?

Mr. JOHNSON. The change was a minus $18,400,000 from 1969.

Mr. EVINS. Round figures?

Mr. JOHNSON. Round figures.

The revised 1970 estimate is $61,600,000 even.

Mr. EVINS. What does this $18 million reduction mean? A slowdown in the repair of needed buildings?

Mr. SCHMIDT. It will be necessary to defer some of the projects that were included in the original 1970 estimate. However, our total obligations for the program in 1970 would be $75.5 million as compared with $73.4 million for 1969. Substantially, we will have an obligation program of about the same level.

Mr. EVINS. Program of about the same level?

Mr. SCHMIDT. Yes, sir.

Mr. EVINS. How much investment do we have in Federal buildings held by GSA at this time?

Mr. SCHMIDT. We estimate the total replacement cost as $4.5 billion.

Mr. EVINS. Normally how much do you spend on this $4.5 billion investment in repairs? Not in protection but in repairs.

Mr. SCHMIDT. Around $90 million a year. Around 2 percent of replacement cost.

Mr. EVINS. You are down $30 million, then, from $61 million. If you spend about $90 million and your budget is $61 million, you are about $30 million below what your normal expenditure rate is on repairs?

Mr. SCHMIDT. The problem here, Mr. Chairman, is the same in the construction program where we are trying to hold down the level of obligation and expenditures. We are doing it in the major items.

DELETION OF PROJECTS

Mr. EVINS. Of the $20 million reduction, what items were reduced? What projects were deleted?

Mr. SCHMIDT. We deleted projects on which the design would not be completed within the fiscal year or would be completed so late in the 1970 fiscal year we could carry them over into 1971 fiscal year.

Mr. EVINS. On what basis did you make the decision to strike out the $20 million in needed repairs?

Mr. SCHMIDT. On the basis of a review of the program and the contract capability of major projects where the project design would not be completed in fiscal year 1970.

Mr. EVINS. The design would not be completed or it was not a high-priority project, would that be the answer?

Mr. SCHMIDT. Well, I think these are all of the same high priority but where we would not be able to put the job under contract within the fiscal year we have deferred it to a later fiscal year.

REPAIR AND IMPROVEMENT BACKLOG

Mr. EVINS. You have $450 million in the repair and improvement backlog?

Mr. SCHMIDT. That is right. After 1969 we estimate our backlog to be $457.7 million. We are generating new work at the rate of around $66 million a year based on the 4,900 buildings in this inventory.

Mr. EVINS. When you say new work, does that take care of your backlog, too?

Mr. SCHMIDT. This is added to the closing backlog from the prior year. Against that we——

Mr. EVINS. You are spending about $90 million a year on repairs and you are down to $61 million and you are generating about a $31 million new backlog each year?

Mr. SCHMIDT. Over and above.

Mr. EVINS. Over and above your present backlog?

Mr. SCHMIDT. At the rate of $90 million for repair projects we would be eating away at the backlog at the rate of about $30 million a year.

Mr. WYMAN. Mr. Chairman.

Mr. EVINS. Surely.

BUILDING INVENTORY

Mr. WYMAN. You don't have much repair and improvement on new buildings, do you, for quite a while?

Mr. SCHMIDT. That is very true. This is based on a study that we made a number of years ago on the wear out and obsolescence of existing buildings. Almost from the day you occupy the building you begin to generate obsolescence.

Mr. WYMAN. I can understand that. But when they are turning these buildings over to you, adding to your inventory, you said that you had 4,900 buildings in this package at the present time. What they are adding to your inventory are new buildings, are they not?

Mr. SCHMIDT. You add new buildings to the inventory, that is correct. That is what is increasing the——

Mr. WYMAN. This is not going to happen right away?

Mr. SCHMIDT. No. But in the older buildings, the rate is much greater than the rate at which we compute the new work that is generated.

Mr. WYMAN. The older buildings were already in your inventory?

Mr. SCHMIDT. That is right.

UNOBLIGATED BALANCES

Mr. EVINS. Do you have any unobligated funds in this appropriation?

Mr. JOHNSON. Yes, sir.

Mr. EVINS. How much?

Mr. JOHNSON. We plan to utilize, bring forward from 1969, $13,857,000.

Mr. EVINS. In other words, you are asking for $13 million to be added to your $61 million?

Mr. JOHNSON. That is correct.

Mr. EVINS. That will make you what?

Mr. JOHNSON. That will give us a total obligation program of $75 million this year.

Mr. EVINS. Place in the record pages I–51 through I–58.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act		$80,000,000
	Unobligated balance brought forward from 1968		6,377,397
	Recovery of prior year obligations (estimated)		898,603
	Less: Unobligated balance carried forward to 1970		-13,857,000
	Comparable obligation program		73,419,000
	Increases in 1970		
	Maintenance repairs	$100,000	
	Repairs and Improvements	9,338,000	
	Administrative operations	79,000	
	Subtotal		9,517,000
	Decrease in 1970		
	Conversions and extensions		7,479,000
	Comparable obligation program		75,457,000
	Less: Unobligated balance brought forward from 1969		-13,857,000
1970	Estimate		61,600,000

ANALYSIS BY ACTIVITIES

Activities	1969	Increases	Decreases	1970
1. Maintenance Repairs	$28,800,000	$100,000	-	$28,900,000
2. Repairs and Improvements	27,249,000	9,338,000	-	36,587,000
3. Conversions and Extensions	14,149,000	-	7,479,000	6,670,000
4. Program Direction	2,400,000	-	-	2,400,000
5. Administrative Operations	821,000	79,000	-	900,000
Total obligations	$73,419,000	$9,517,000	$7,479,000	$75,457,000
Financed from prior year balance	-6,377,397			-13,857,000
Recovery of prior year obligations	-898,603			-
Unobligated balance carried forward	13,857,000			-
Total (appropriation)	$80,000,000			$61,600,000

I-51. (Revised to reflect amended Budget for 1970, House Document 91-100)

		Amount
1969	Appropriation	$80,000,000
	Change	-18,400,000
1970	Estimate	$61,600,000

GENERAL STATEMENT

"This appropriation provides for day-to-day maintenance repair work of all types, repairs, remodeling, improvement of space and tenant alterations, conversions, and extensions of federally-owned buildings under the jurisdiction of the General Services Administration for these purposes. The budget for 1970 provides for continuation of the long-range program initiated in 1957 to alleviate deterioration and obsolescence of buildings which adversely affect efficient operations of occupying agencies." (From The Budget for 1970.)

The buildings over which GSA has jurisdiction for the purposes of this appropriation include (1) public buildings as defined under the Public Buildings Act of 1959 and other federally-owned buildings under the jurisdiction of GSA; (2) Government-owned facilities occupied under permit from other agencies and for which GSA has space assignment responsibility; and (3) buildings under the control of other departments and agencies where alterations are required in connection with moving of such other departments and agencies from buildings then, or thereafter, to be under the control of GSA. Modernization and improvements to space occupied by the Post Office Department for postal purposes in Government-owned buildings are financed by the POD under its postal modernization programs. All repairs to such space and modernization of non-postal space are financed from this appropriation.

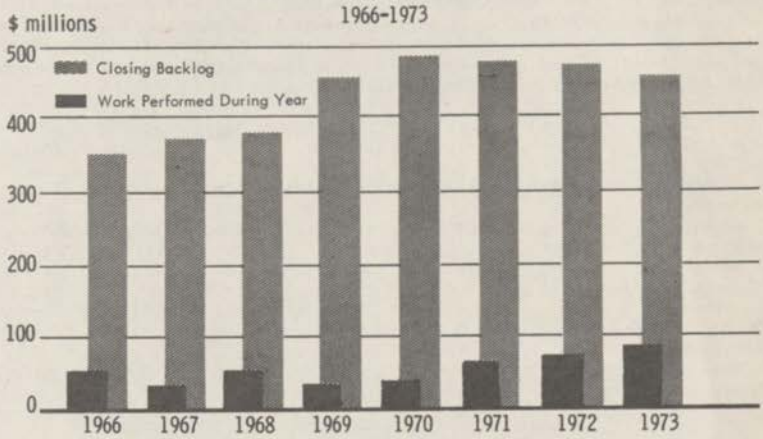
The proposed obligation program for 1970 in the amount of $75,457,000 is based on an appropriation request of $61,600,000 and the utilization of a 1969 carryover unobligated balance of $13,857,000 which reflects the obligational impact of the Revenue and Expenditure Control Act of 1968. The program includes $28.9 million for maintenance repairs at a nationwide average of $0.18 per net square foot for general office-type space and $0.06 per net square foot for warehouse-type space; and $43.3 million for repair and improvement and conversion and extension projects considered essential for accomplishment during 1970. This amount includes $36.6 million for repair and improvement projects, $0.7 million for extensions to buildings and $6.0 million for conversion of vacated space for reuse. The major portion ($42.6 million) is for high priority repair, improvement, and conversion projects, representing approximately .95% of the estimated $4.5 billion replacement cost of the buildings for which repair and improvement work is performed.

Included in the 1970 estimate are funds to progress in part on 37 authorized projects involving approximately $19.3 million for which design will be completed prior to or early in FY 1970.

REPAIR AND IMPROVEMENT PROGRAM

WORKLOAD-OBLIGATIONS-BACKLOG

1966-1973



(IN MILLIONS)

Fiscal Year	Net Sq. Ft. Workload	Opening Backlog	New Work Generated	Work Performed	Closing Backlog
1966	173.4	347.1	60.5	57.0	350.6
1967	177.6	350.6	62.4	40.0	373.0
1968	181.9	373.0	64.3	56.6	380.7
1969	186.1	433.6*	65.5	41.4	457.7
1970	187.3	457.7	65.9	43.3	480.3
1971	186.2	480.3	65.4	68.1	477.6
1972	187.6	477.6	65.9	77.9	465.6
1973	191.2	465.6	67.3	87.1	445.8

WORKLOAD increases resulting from
1. Completion of Buildings Under Construction.
2. Transfer of Buildings from other Agencies.

NEW WORK GENERATED
Physical obsolescence is based on periodic physical inspections of buildings and estimated at $0.41 per net sq. ft. for general office-type space and $0.16 for warehouse-type space.

BACKLOG
Work in 1970 is limited only to most urgent projects; the backlog therefor will not be reduced due to accretion of new work. Net reductions of total backlog are proposed in 1971, 1972, and 1973, contingent upon increased appropriations.

*Backlog at beginning of 1969 increased by $52.9 million due to transfer of extension projects from new construction to R&I.

I-53. (Revised to reflect amended budget for 1970, House Doc. 91-100)

The Long-Range Program

Estimates of future funding requirements for repair and improvement work provide for physical obsolescence which occurs annually on existing space, space to be added by new construction, and space transfers from other agencies. The combined workload of backlog plus obsolescence has been reduced each year by the amount of obligations incurred and estimated to be incurred for repairs, improvements, conversions and extensions, excluding maintenance repairs, in determining the estimated backlog at the end of each fiscal year.

Actual and Proposed Funding by Budget Activities
(In $ Millions)

	1966	1967	1968	1969	1970	1971	1972	1973
Maintenance repairs	$27.7	$25.6	$27.5	$28.8	$28.9	$28.5	$28.7	$29.5
Repairs and improvements	57.0	35.3	51.4	27.3	36.6	52.3	51.0	85.1
Conversions and extensions	-	4.7	5.2	14.1	6.7	15.8	26.9	2.0
Program direction	2.6	2.2	2.2	2.4	2.4	2.4	2.4	2.4
Administrative operations	1.1	0.9	0.8	0.8	0.9	1.0	1.0	1.0
Totals	$88.4	$68.7	$87.1	$73.4	$75.5	$100.0	$110.0	$120.0

APPROPRIATION LANGUAGE

For expenses, not otherwise provided for, necessary to alter public buildings and to acquire additions to sites pursuant to the Public Buildings Act of 1959 (73 Stat. 479) and to alter other Federally-owned buildings and to acquire additions to sites thereof, including grounds, approaches and appurtenances, wharves and piers, together with the necessary dredging adjacent thereto; and care and safeguarding of sites; preliminary planning of projects by contract or otherwise; maintenance, preservation, demolition, and equipment; /$80,000,000/ $61,600,000, to remain available until expended: Provided, That for the purposes of this appropriation, buildings constructed pursuant to the Public Buildings Purchase Contract Act of 1954 (40 U.S.C. 356) and the Post Office Department Property Act of 1954 (39 U.S.C. 2104 et seq.), and buildings under the control of another department or agency where alteration of such buildings is required in connection with the moving of such other department or agency from buildings then, or thereafter to be, under the control of General Services Administration shall be considered to be public buildings.

JUSTIFICATION

	1968	1969	1970
1. Maintenance repairs	$27,477,777	$28,800,000	$28,900,000
2. Repairs and improvements	51,394,942	27,249,000	36,587,000
3. Conversions and extensions	5,254,936	14,149,000	6,670,000
4. Program direction	2,212,558	2,400,000	2,400,000
5. Administrative operations	800,000	821,000	900,000
Total Obligations	$87,140,213	$73,419,000	$75,457,000

(Revised to reflect amended Budget for 1970, House Doc. 91-100)

The application of new obligational authority requested for each activity for 1970 follows:

1. Maintenance Repairs	1968	1969	1970
Area of buildings (net sq. ft.):			
In D. C.	24,969,842	26,387,000	25,580,000
Outside D. C.	156,883,549	159,692,000	161,699,000
Total	181,853,391	186,079,000	187,279,000
Office-type	140,719,902	142,802,000	143,902,000
Warehouse-type	41,133,489	43,277,000	43,377,000
Total	181,853,391	186,079,000	187,279,000
Unit Cost Per Sq. Ft.:			
Office-type	$0.18	$0.18	$0.18
Warehouse-type	0.06	0.06	0.06
Average all space	$0.15	$0.15	$0.15
Obligations:			
Office-type	$25,009,777	$26,247,000	$26,300,000
Warehouse-type	2,468,000	2,553,000	2,600,000
Total	$27,477,777	$28,800,000	$28,900,000

Net increase in workload for 1970 includes additions due to new construction and transfers from other agencies, and reductions due to release of Government-owned space.

This activity provides for day-to-day maintenance repair work of all types including interior and exterior painting, caulking, waterproofing, cleaning and pointing of masonry surfaces.

2. Repairs and Improvements	1968 No. of Proj.	1968 Amount	1969 No. of Proj.	1969 Amount	1970 No. of Proj.	1970 Amount	Change from 1969 No. of Proj.	Change from 1969 Amount
Inside D.C.	27	$18,571,296	12	$3,035,700	13	$4,989,900	+1	+$1,954,200
Outside D.C.	165	32,823,646	57	24,213,300	84	31,597,100	+27	+7,383,800
Total Obligations	192	$51,394,942	69	$27,249,000	97	$36,587,000	+28	+$9,338,000

This activity provides for all repairs (except maintenance repairs) and conversions and extensions costing less than $25,000. Projects are selected from an inventory of urgently needed work estimated at the start of 1969 to cost $433.6 million. The increase in FY 1970 is due primarily to the deferment of projects in FY 1969 because of the Revenue and Expenditure Control Act of 1968.

(Revised to reflect amended Budget for 1970, House Doc. 91-100)

3. Conversions and Extensions	1968 No.of Proj.	1968 Amount	1969 No.of Proj.	1969 Amount	1970 No.of Proj.	1970 Amount	Change from 1969 No.of Proj.	Change from 1969 Amount
Outside D.C. (Total Obligations)	21	$5,254,936	16	$14,149,000	15	$6,670,000	-1	-$7,479,000

This activity provides for all space conversions and extensions estimated to cost over $25,000. Effective with FY 1969, all conversions and extensions are budgeted under the R&I appropriation. This brings all alterations to existing facilities under one account, with the Construction appropriation being limited to providing completely new facilities.

Exhibit "A" shows specific repair, improvement, conversion and extension projects costing $25,000 and over, which were accomplished in 1968, programed for 1969, and proposed for 1970.

4. Program Direction	1968	1969	1970
	$2,212,558	$2,400,000	$2,400,000

This activity provides for expenses incident to the overall direction, planning, and scheduling of building repairs, improvements, conversions, and extensions; general and special inspection of buildings; project estimating and development of building evaluation reports; preparation and development of material and data required in connection with project prospectuses; and travel and miscellaneous office expenses. The amount requested for 1970 is a continuation of the 1969 level.

5. Administrative Operations

HIGHLIGHT

This activity provides funds for administrative and staff support for real property programs financed under Repair and Improvement.

1. Administration.- Provides accounting and reporting, credit, insurance and related financial services including the cost of ADP services for accounting, payrolling and invoice processing, budget, personnel administration, management systems, and administrative and office services.

2. Audits and Compliance.- Provides real property management with an independent and objective review and appraisal of GSA's repair, preservation, alteration and improvement programs through the medium of contract and internal audits, investigations, and civil rights functions.

3. Legal Services.- Performs all legal services in connection with the maintenance, alteration, extension, remodeling, preservation, repair and improvement of Federally-owned buildings.

JUSTIFICATION

The cost of AO support for R&I expressed in direct percentage relationship to the obligation totals and comparative man-year equivalents follows:

	1968	1969	1970
R&I ($ thousands)	$64,565	$58,650	$66,600
AO support ($ thousands)	$800	$821	$900
Percentage relationship	1.24%	1.40%	1.35%
Man-year equivalents	63.0	60.2	65.9

Total AO Fund support on an integrated basis for all GSA programs is justified under the heading "Administrative Operations" in Volume III of GSA's Congressional Estimates.

SUMMARY STATEMENT ON "OTHER OBJECTS" FOR 1970

21 Travel and Transportation of Persons, $500,000.-Represents continuation of the same level included in the President's 1969 Budget, being $425,000 for 15,740 days travel in connection with administration of this program, engineering surveys, supervision of construction, etc., and $75,000 for motor pool services, principally in connection with general and special inspections of Federal buildings.

22 Transportation of Things, $10,000.-Mainly for shipments of supplies and equipment to construction sites.

23 Rents, Communications, and Utility Services, $142,000.-$41,600 for postage fees; $90,400 for telephone and teletype services; $4,000 for standby utility services and equipment while replacement work is in progress; and $6,000 for depreciation of administrative furniture and equipment payable to the General Supply Fund.

24 Printing and Reproduction, $275,000.-$200,000 for reproduction of drawings and specifications and $75,000 for reproducing standard forms including bidding documents, job orders, etc.

25 Other Services, $54,280,000.-$23,798,600 for contractual repair, replacement and improvement work, except for nominal sum for repairs to office equipment, etc.; $7,700,000 for design and construction services initially financed from the Construction Services Fund; $22,640,000 for program direction, administration, and maintenance repairs, initially financed from the Buildings Management Fund; $97,000 for ADP costs for work inventory, current identification of work in process and orderly scheduling; and $44,400 for other miscellaneous services.

25 Payment to Administrative Operations Fund, $900,000.-For administrative operations necessary to support this program.

26 Supplies and Materials, $275,000.-For construction supplies and materials, such as fluorescent tubes for initial installation in conversion projects when not included in contract specifications, fire extinguishers, and normal office, engineering, and drafting supplies.

31 Equipment, $50,000.-For initial installation and replacement of equipment, such as window-type air conditioning units, water coolers, etc., required nationwide in the repair and improvement program.

32 Lands and Structures, $19,000,000.-For capital improvements to buildings and equipment, including purchases of land to accommodate extensions to buildings, driveways, and parking areas.

42 Insurance Claims and Indemnities, $25,000.-For payment of tort claims.

(Revised to reflect amended Budget for 1970, House Doc. 91-100)

Construction, Public Buildings Projects

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	Costs to this appropriation					Analysis of 1970 financing			
	Total estimate	To June 30, 1967	1968 actual	1969 estimate	1970 estimate	Deduct selected resources and unobligated balance, start of year	Add selected resources and unobligated balance, end of year	Appropriation required, 1970	Appropriation required to complete
Program by activities:									
1. Construction	2,043,698	847,952	104,766	87,500	80,200	200,931	133,561	12,830	789,719
2. Extension and conversion	54,430	38,596	2,482	3,000	2,800	10,352	7,552		
3. Acquisition of buildings	41,932	41,932							
Total program costs, funded	2,140,060	928,480	107,248	90,500	83,000	211,283	141,113	12,830	789,719
Change in selected resources [1]			−38,435	−1,500	−20,000				
Total obligations (object class 32.0)			68,813	89,000	63,000				
Financing:									
Unobligated balance available, start of year			−225,841	−223,786	−134,786				
Unobligated balance available, end of year			223,786	134,786	84,616				
Budget authority (appropriation)			66,758		12,830				
Relation of obligations to outlays:									
Obligations incurred, net			68,813	89,000	63,000				
Obligated balance, start of year			141,806	94,746	95,246				
Obligated balance, end of year			−94,746	−95,246	−69,246				
Outlays			115,872	88,500	89,000				

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $116,432,000; 1968, $77,997,000; 1969, $76,497,000; 1970, $56,497,000.

Budget Amendment

The following budget amendment was continued in House Document No. 91–100.

Budget appendix page	Heading	Request pending	Proposed amendments	Revised request
821	Construction, public buildings projects	$12,830,000	−$7,477,400	$5,352,600

(Delete the text under this heading and insert in lieu thereof the following:)

For an additional amount for expenses, not otherwise provided for, necessary to construct and acquire public buildings projects and alter public buildings by extension or conversion where the estimated cost for a project is in excess of $200,000 pursuant to the Public Buildings Act of 1959 (73 Stat. 479), including fallout shelters and equipment for such buildings, $5,352,600: Provided, That a total amount of $7,336,400 heretofore appropriated for projects located at Porthill, Idaho, Cambridge, Massachusetts, Detroit, Michigan, Helena, Montana, Pittsburgh, Green Tree, Pennsylvania, Westerly, Rhode Island, and Houston, Texas, under this heading in the Independent Offices Appropriation Acts, 1963, 1964, 1965, and 1966 and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, respectively, are hereby made available for the purposes of this appropriation: Provided further, That the foregoing amounts shall be available for public buildings projects at locations and at maximum construction improvement costs (excluding funds for sites and expenses) as follows:

Post office and Federal office building, Talladega, Alabama, in addition to the sum heretofore appropriated, $76,000;

Border station, Alaska Highway, Alaska, in addition to the sum heretofore appropriated, $598,000;

Federal office building, Los Angeles County, California, in addition to the sum heretofore appropriated, $1,258,200;

Post office and courthouse, Concord, New Hampshire, (Claims), in addition to the sum heretofore appropriated, $47,900;

Charles A. Buckley Post Office and Federal office building, Bronx, New York, formerly Post office and Federal office building, Bronx, New York, in addition to the sum heretofore appropriated, $3,948,000;

Courthouse and Federal office building, Rochester, New York, in addition to the sum heretofore appropriated, $2,085,200;

Courthouse and Federal office building, San Antonio, Texas, in addition to the sum heretofore appropriated, $1,075,700;

Federal Bureau of Investigation building (substructure), District of Columbia, in addition to the sum heretofore appropriated, $3,800,000: Provided further, That the foregoing limits of costs may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 per centum.

This reduction reflects the deletion of one project previously recommended and the addition of funds to complete the substructure of the FBI Building in Washington, D.C.

Mr. Evans. Gentlemen, take a look at the details on your construction, public building projects.

We discussed this at length this morning. Last year there was no appropriation for construction of new projects. You are asking for $12,830,000 for 1970.

Has this figure been——

Mr. Johnson. Yes, sir; we are only asking for $5,352,600. That shows as a total increase because we had zero last year.

Mr. Evins. This takes care of the six projects we discussed earlier?

Mr. Johnson. Yes, sir.

STATUS OF FBI BUILDING

Mr. EVINS. What is the status of the FBI Building project?

Mr SCHMIDT. The foundation and part of the substructure is under contract. About 46 percent complete. We estimate——

Mr. EVINS. Substructure is 46 percent complete?

Mr. SCHMIDT. Yes, sir. We need about $3.8 million to bring the substructure up to grade; that is, up to the first-floor level.

Mr. EVINS. What has been the appropriation to date? You don't know how much we have appropriated to date for the FBI Building. How much is the estimated total cost?

You ought to know how much you have expended to date. You have some requests in your supplemental for it, have you not?

Mr. JOHNSON. No, sir.

Mr. EVINS. No funds requested in the supplemental?

Mr. JOHNSON. No 1969 supplemental.

Mr. EVINS. You are asking for $3 million more in the supplemental?

Mr. JOHNSON. That is in the regular appropriation, Mr. Chairman.

Mr. EVINS. Do you have a firm contract?

Mr. SCHMIDT. The money appropriated for the substructure is $11,320,000. We are asking for an additional $3.8 million.

Mr. EVINS. More?

Mr. SCHMIDT. To complete the substructure. The total estimated cost of the substructure is about $15 million. The estimated improvement cost of the project is $72.4 million.

Mr. EVINS. About $11.3 million for the substructure and you are asking for $3.8 million for the next year for this project?

Mr. SCHMIDT. That is correct.

Mr. EVINS. We have got that in the record, thank you.

CONSTRUCTION PROJECTS

On these six or eight projects that you are asking for construction funds for, post office at Alabama is one. Border station at Alaska is two. Federal building at Los Angeles is three. A building in Detroit, four. Buckley Federal Building, Rochester, N.Y., and San Antonio. Eight instead of six?

Mr. SCHMIDT. The Detroit IRS Center is being deferred. This is the basis for reprograming that project.

Mr. EVINS. In the budget there are eight but reprograming at six?

Mr. SCHMIDT. That is correct.

Mr. JOHNSON. Mr. Chairman, only six of those are new buildings. One is a claims item. The post office and court building at Concord, N.H., is a claim item. That is what is getting us confused.

Mr. EVINS. In addition to the sum heretofore appropriated, you have a judgment in the court for $47,900?

Mr. JOHNSON. That is correct.

Mr. EVINS. We have to appropriate to pay that claim if you have a court judgment?

BUCKLEY BUILDING

Mr. WYMAN. The biggest chunk of this is the Buckley Building, $4 million roughly. How far into that building are you now?

Mr. FOSTER. Construction has not started.

Mr. SCHMIDT. We have not awarded the contract.

Mr. MCDADE. Am I correct in my understanding that every one of the items, with the exception of the claim listed in this particular part of the budget, represents an overrun on the construction costs?

Mr. JOHNSON. That is correct.

Mr. MCDADE. Almost $12 million of overruns on what was estimated to cost about $43 million; is that right?

Mr. JOHNSON. Yes, sir; as originally submitted.

Mr. MCDADE. You are attributing this solely to the increase in building costs occasioned by delays in construction; is that correct?

Mr. JOHNSON. That is the major reason.

Mr. WYMAN. That brings me back to the Buckley question. What was the figure that you had in for this building before if no construction is started? You want $3,948,000 now.

Mr. FOSTER. It was $16,319,000.

Mr. WYMAN. Now it is $20 million?

Mr. FOSTER. It has gone to $20,267,000.

Mr. MCDADE. Were you appropriated for that building $16 million?

Mr. JOHNSON. Yes, sir.

Mr. MCDADE. Why wasn't that obligated and a contract entered into as discussed earlier today?

Mr. JOHNSON. Sir, after the Congress appropriates money the executive has the power to either expend it or not expend it. Put it in reserve.

Mr. MCDADE. I understand that.

APPORTIONMENT PROCESS

Mr. JOHNSON. In the apportionment process, this has not been released by the administration for us to proceed. It has been reserved.

Mr. WYMAN. So the cost of that is 25 percent?

Mr. JOHNSON. Yes, sir.

Mr. MCDADE. Is the same reason true of all of the others, they were fully funded?

Mr. JOHNSON. They were fully funded at the time the Congress made the appropriation.

Mr. MCDADE. Is each one of these, the one in California, for example, an item which the executive refused to spend the money on?

Mr. JOHNSON. Yes, sir. Up to this point. The administration can time-phase them. In other words, it had not been released up to now. It was done in this budget.

Mr. MCDADE. You are proposing that we have to add to Los Angeles roughly $1.2 million because the previous embargo resulted in increased prices; is that right?

Mr. JOHNSON. Yes, sir. There is no new project in this budget item. By that I mean there is——

Mr. MCDADE. This $12 million overrun did not occur because of anything this committee did? The committee fully funded these buildings. The money was held up downtown, is that right?

Mr. JOHNSON. That is correct.

Mr. EVINS. Gentlemen, the budget shows eight and as explained in the justifications by Mr. Kunzig and Commissioner Schmidt, Mr. Johnson, one item is for claims and another item is the increase for the FBI substructure. There are six new starts.

STATUS OF PROJECTS

Mr. Schmidt, will you summarize again for the record the complete status of the projects in the pipeline.

You are requesting funding for six or eight according to the way you read it. And that amount is $5,352,600. You have 16 projects and one superstructure which requires more funding, and none is requested now?

Mr. SCHMIDT. None is requested.

Mr. EVINS. And none is requested for the 17 for which you have architectural designs and planning and are ready for construction?

Mr. SCHMIDT. The drawings are completed.

Mr. EVINS. But it is deferred because of the inflationary situation?

Mr. SCHMIDT. That is correct, sir. These 16 projects and the one superstructure would require an additional $27.8 million.

Mr. WYMAN. Is Manchester in this?

Mr. SCHMIDT. No. The projects included were previously funded for construction but deferred because of the slowdown in the construction program. We have no appropriation for Manchester.

Mr. EVINS. How much has been appropriated heretofore for these 17 projects?

Mr. SCHMIDT. $73.6 million.

Mr. EVINS. And how much more will be needed to complete these 17 projects?

Mr. SCHMIDT. $27.8 million if we were to award these projects in 1970.

Mr. JOHNSON. If we did not award them until 1971, that figure would be closer to $30 million.

Mr. EVINS. Three million more?

Mr. JOHNSON. Yes, sir. Roughly, you can add at least 10 percent; at least $2.8 million.

Mr. EVINS. By delaying them a year, it is going to cost $2.8 million more. About $3 million more by deferring another year?

Mr. JOHNSON. That is correct.

Mr. EVINS. Mr. Commissioner, this does not complete the summary of the projects in the pipeline. Give us the story on the site money.

SITES AND EXPENSES PROJECTS

Mr. SCHMIDT. We have 23 projects unfunded for sites and expenses. They have a total improvement cost of $247.3 million.

Mr. EVINS. We will get into that later. How many are funded for sites and expenses?

Mr. SCHMIDT. Fifty projects are funded for sites and expenses.

Mr. EVINS. Not in this budget.

Mr. SCHMIDT. The S. & E. funding in this budget includes site funds for six projects of 23 unfunded.

Mr. EVINS. Does the 50 include the 23 you already talked about?

Mr. SCHMIDT. No.

Mr. EVINS. You have 50 more for sites and expenses you need funds for?

Mr. SCHMIDT. We have sites and expense funds for the 50 but there are 23 more for which we need sites and expenses.

Mr. EVINS. Twenty-three more you need funds for sites and expenses. How much would be needed to fund the sites and expenses planning for these 23 projects?

Mr. SCHMIDT. $29.3 million is the total S. & E. cost from which we deduct the amount included in the 1970 budget for six project sites, which is $5 million.

Mr. EVINS. Twenty-three projects are ready for site and planning funds, the cost for which would be $29.3 million estimated at this time. If this is delayed another year, what is estimated to be the cost?

Mr. SCHMIDT. I would add approximately 10 percent.

Mr. JOHNSON. Roughly $3 million, Mr. Chairman.

Mr. EVINS. $3 million is the cost of deferral of the sites and planning, $3 million by failing to complete construction on projects for which construction has already been funded for and appropriated. Six million is being lost then by deferral and stretch-out.

Let's place in the record 1–71 through 1–77.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act	-0-
	Increase in 1970	+$5,352,600
1970	Estimate	+$5,352,600

ANALYSIS BY ACTIVITIES

Activities	1969	Decrease	1970
1. Construction	$84,200,000	$26,700,000	$57,500,000
2. Extension and remodeling	4,800,000	4,600,000	200,000
Total obligations	89,000,000	31,300,000	57,700,000
Balance brought forward	-223,786,276		-134,786,276
Balance carried forward	134,786,276		82,438,876
Appropriation or estimate	$-0-		$5,352,600

(Revised to reflect amended budget for 1970, House Doc. 91-100)

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

	Amount
1969 Appropriation	-
Change	+$5,352,600
1970 Estimate	$5,352,600

GENERAL STATEMENT

This appropriation provides for the construction of new buildings pursuant to the Public Buildings Act of 1959. Expenses for related site acquisition, design and supervision are provided under Sites and expenses, public buildings projects.

Magnitude of the Funded and Unfunded Approved Construction Program

	Number of projects	Request for 1970	Improvement cost (In millions)
Funded program:			
Projects funded, 1959 through 1969	455		$1,337.5 1/
Request for 1970 to permit construction starts on 6 projects previously funded for improvements, an increase for 1 project already awarded, and settlement of 1 claim:			
Additional funds		$5.4	5.4
Authority to reprogram funds previously appropriated	-6	7.3	
Total Request FY 1970		$12.7	
Subtotal through 1970	449		$1,342.9
Projects to be funded after 1970:			
Approved projects funded for sites and expenses, construction funding to be budgeted after 1970	50		304.4
Balance of funding for 6 projects for which substructures were previously funded	-		244.7
Approved projects unfunded for sites and expenses	23		247.3
Subtotal after 1970	73		796.4 2/
Total approved construction program	522		2,139.3

1/ Includes $44,873 thousand for substructures for New York, N.Y., Court of Appeals and Federal Office Building; Seattle, Wash., Federal Office Building; and FBI, Labor Department, and South Portal buildings in the District of Columbia; and Philadelphia, Pa., CT, Federal Office Building. ($244,710 thousand for superstructures remains to be funded later.)

2/ Estimates based on current market conditions.

The recommended appropriation of $5,353 thousand for 1970 provides for 8 increases to projects previously funded.

(Revised to reflect amended budget for 1970, House Document 91-100)

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS
(Continued)

APPROPRIATION LANGUAGE

For an additional amount for expenses, not otherwise provided for, necessary to construct and acquire public buildings projects and alter public buildings by extension or conversion where the estimated cost for a project is in excess of $200,000, pursuant to the Public Buildings Act of 1959 (73 Stat. 479), including fallout shelters and equipment for such buildings, $5,352,600: Provided, That a total amount of $7,336,400 heretofore appropriated for projects located at Porthill, Idaho, Cambridge, Massachusetts, Detroit, Michigan, Helena, Montana, Pittsburgh, Green Tree, Pennsylvania, Westerly, Rhode Island, and Houston, Texas, under this heading in the Independent Offices Appropriation Acts, 1963, 1964, 1965, and 1966 and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, respectively, are hereby made available for the purposes of this appropriation: Provided further, That the foregoing amounts shall be available for public buildings projects at locations and at maximum construction improvement costs (excluding funds for sites and expenses) as follows:

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Border station, Alaska Highway, Alaska, in addition to the sum heretofore appropriated, $398,000;

Federal office building, Los Angeles County, California, in addition to the sum heretofore appropriated, $1,258,200;

Post office and courthouse, Concord, New Hampshire, (Claims), in addition to the sum heretofore appropriated, $47,900;

Charles A. Buckley Post office and Federal office building, Bronx, New York, formerly Post office and Federal office building, Bronx, New York, in addition to the sum heretofore appropriated, $3,948,000;

Courthouse and Federal office building, Rochester, New York, in addition to the sum heretofore appropriated, $2,085,200;

Courthouse and Federal office building, San Antonio, Texas, in addition to the sum heretofore appropriated, $1,075,700;

Federal Bureau of Investigation building (substructure), District of Columbia, in addition to the sum heretofore appropriated, $3,800,000: Provided further, That the foregoing limits of costs may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 per centum.

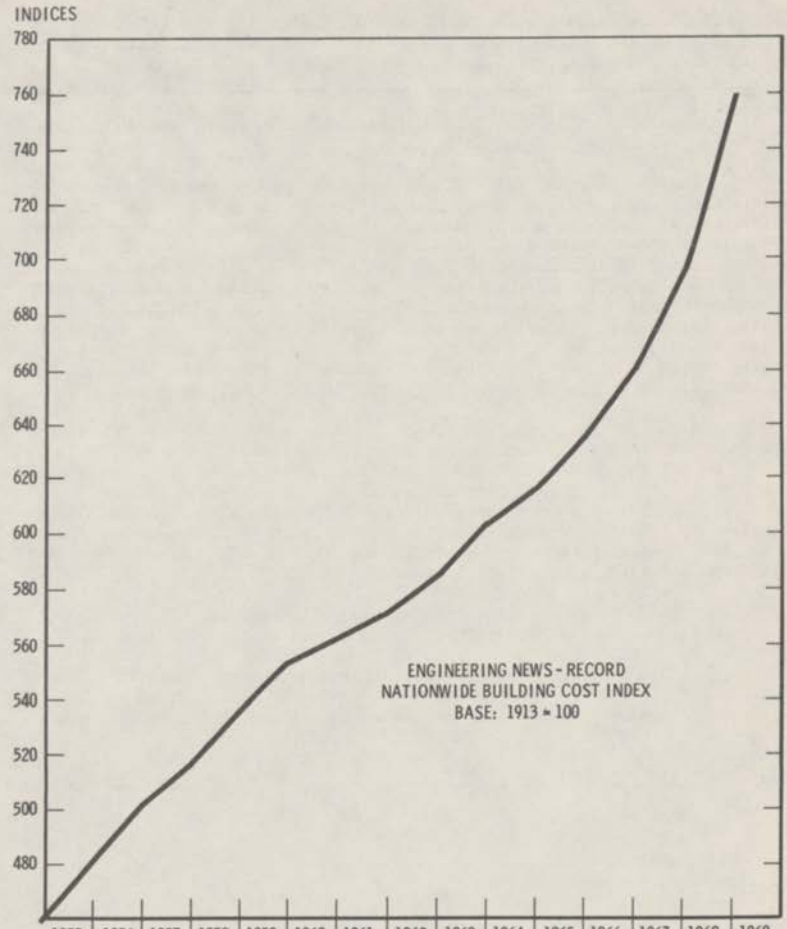
/Funds heretofore appropriated under the heading "General Services Administration, Construction, Public buildings projects", shall be available in the amount of $6,000,000, for the construction of the substructure, Courthouse and Federal Office Building, Philadelphia, Pennsylvania: Provided, That the foregoing amount shall be the maximum construction improvement cost which may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 per centum./

Explanation of Proposed Changes in Appropriation Language

Language preceding first proviso restated. First proviso proposes use of $7,336,400 previously appropriated under this head in the Independent Offices Appropriation Acts, 1963, 1964, 1965, and 1966, and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, for the projects indicated therein, to offset the total additional requirements for 1970 of $12,689,000. Second proviso reflects increases required for six projects previously funded for improvements, an increase for one project already awarded

(Revised to reflect amended budget for 1970, House Doc. 91-100)

TABLE REFLECTING STEADILY RISING BUILDING CONSTRUCTION COSTS



	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Index on January 1	457.9	480.5	502.0	516.8	536.2	554.4	562.9	570.9	584.5	604.2	616.0	635.0	659.8	695.5	760.2
Increase in percent	4.9	4.5	2.9	3.8	3.4	1.5	1.4	2.4	3.4	2.0	3.1	3.9	5.4	9.3	

INCREASE 1-1-62 THROUGH 12-31-68 = 33.2%. AVERAGE INCREASE 1966-1968, 6.2%

I-74.

(FBI building substructure, District of Columbia), and the settlement of one claim (Post Office and Courthouse, Concord, New Hampshire). Final paragraph deleted as no longer appropriate.

JUSTIFICATION

The estimate for 1970 of $5,352,600 provides increases for 8 projects previously funded for improvements.

The increases included in this estimate are necessitated by the continuing escalation of construction costs. The Engineering News-Record nationwide building cost index has increased 33.2% since 1962, the year when one of the projects proposed for an increase was approved. The index increased 9.3% during 1968, compared to an increase of 5.4% in 1967 and 3.9% in 1966. Each of the projects contained in this estimate are completely designed or sufficiently advanced in design to indicate that, with the increase in building construction costs, they cannot be constructed within available funds. Thus, further delay in the construction projects requested in this estimate would add about $3.2M to the improvement cost each year based on an average annual construction cost increase approximating 6% during the period 1966 through 1968.

Exclusive of the projects included in this estimate for additional funding, there remain 16 projects and one superstructure previously funded for improvements, having contract capability in 1970, currently requiring increases estimated at $27,837,500 due to increased construction costs which have occurred since the projects were initially funded. An additional $6,000,000 will be required to offset reprograming action authorized by P.L. 90-608 (82 Stat. 1192), for construction of the substructure of the Courthouse and Federal Office Building at Philadelphia, Pennsylvania.

After 1970, there remain to be funded for improvements 73 approved projects and superstructures for six approved projects, currently estimated at $796,373,200. Of these, 21 projects will have construction capability by the end of FY 1970, which have an estimated improvement cost of $137.9 million.

The following tabulation shows the status of the funded program as of December 31, 1968.

Projects fully funded through FY 1969:	No.		Construction Cost (In $ millions)
1. Completed or occupied	351		$926.8
2. Buildings purchased	29		41.9
3. Under contract as of 12/31/68	27		194.6
4. Scheduled for contract award 1/1/69 to 6/30/69	14		49.1
5. To be placed under contract after FY 1969, excluding increases required in FY 1970	34		125.1
Total fully funded	455		$1,337.5
Estimate for 1970			
Fund request		$5.4	5.4
Authority to reprogram funds previously appropriated	-6	7.3	
Total Request FY 1970		$12.7	
Total Funded through FY 1970.	449		$1,342.9

In the design of buildings and the estimating of costs therefor we are guided by the provisions included in the Executive Orders Nos. 11258 and 11282, covering water and air pollution, and incorporate to the maximum extent possible such measures of control which are in conformance with applicable state codes and local conditions. Such matters are also coordinated with the Departments of Health, Education, and Welfare and Interior.

Following is a listing of projects proposed for construction increases in this estimate.

(Revised to reflect amended budget for 1970, House Doc. 91-100)

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS
RECOMMENDED CONSTRUCTION PROGRAM
FY 1970

Projects	Year Authorized	Contract Capability Date	Funded Year	Funded Amount	Increase in FY 1970 Budget	Total Required
ALABAMA						
Talladega, PO FOB	1964	Immediate	1968	$385,000	$76,000	$461,000
ALASKA						
Alaska Highway, BS	1964	Immediate	1967	1,477,000	398,000	1,875,000
CALIFORNIA						
Los Angeles County, FOB	1964	Immediate	1967	5,470,800	1,258,200	6,729,000
NEW HAMPSHIRE						
Concord, PO CT (Claims)	1961	Immediate	-	-	47,900	47,900
NEW YORK						
Bronx, C. A. Buckley PO FOB	1963	8-69	1968	16,319,000	3,948,000	20,267,000
Rochester, CT FOB	1962	Immediate	1966&68	9,664,800	2,085,200	11,750,000
TEXAS						
San Antonio, CT FOB	1964	Immediate	1967	6,326,300	1,075,700	7,402,000
WASHINGTON, D.C.						
FBI Substructure (Phase II)				-	3,800,000	3,800,000
Total - 8 Increases (6 new starts, 1 substructure increase and 1 claim)				39,642,900	12,689,000	52,331,900

Authority to reprogram funds previously appropriated:

Porthill, Idaho, BS	-116,800
Cambridge, Mass., PO FOB (E&R)	-749,000
Detroit, Mich., IRS, National Data Center	-3,496,000
Helena, Mont., PO CT (C&R)	-1,484,300
Pittsburgh, Pa., Green Tree Branch, PO FOB	-241,000
Westerly, R.I., PO FOB	-469,300
Houston, Texas, Federal Motor Vehicle Facility	-780,000
Total Request for Reprograming	-$7,336,400
Additional Funds Requested	$5,352,600

(Revised to reflect amended budget for 1970, House Doc. 91-100)

Mr. EVINS. We have examined exhibits A and parts 1, 2, and 3.

CONSTRUCTION—OFFICIAL RESIDENCE OF THE VICE PRESIDENT

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Design and supervision (total program costs, funded)			46
Change in selected resources [1]			19
Total obligations (object class 32.0)			65
Financing: Unobligated balance available, end of year			85
Budget authority (appropriation)			150
Relation of obligations to outlays:			
Obligations incurred, net			65
Obligated balance, end of year			−19
Outlays			46

[1] Selected resources as of June 30, 1970, are: undelivered orders, $19,000.

Take a look at "Construction—Official residence of the Vice President."

This matter was discussed off the record earlier today. You are asking for $150,000 which will provide for design of official residence for the Vice President of the United States pursuant to Public Law 89–386.

How much is the authorized cost of the Vice President's home under the current law?

Mr. SCHMIDT. $750,000.

Mr. EVINS. And you are asking for $150,000 for design?

Mr. SCHMIDT. Yes, sir.

Mr. EVINS. The feasibility study is limited to studies of the potential building sites within the Naval Observatory Grounds, the development of program requirements and design concepts.

Do you want to give more detail for the record?

Mr. SCHMIDT. This preliminary work is not complete. We worked with the Department of the Navy on the site study, and one of the things that will have to be done first with this $150,000 is to complete the writing of the design program for the residence. Until we have that and design concepts, it would be very difficult to provide a total estimate of the cost of construction of the residence.

Mr. EVINS. This matter has been under debate and discussion in the Congress for several years. The law was passed and this is the first year that funding has been requested.

Mr. SCHMIDT. That is correct, sir.

Mr. KUNZIG. May I speak off the record for a minute?

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. On the record.

The Congress authorized a home for the Vice President for $750,000. Is it the view of the Administrator and other officials of the GSA, that an adequate residence for the Vice President can be provided for this amount, or is it the view that as you get into the project, as other projects have developed in the past, there will have to be increased funding?

Mr. KUNZIG. I would think we need increased funding; yes, sir.

Mr. EVINS. Do you have any idea at this time as to what may be the ultimate cost?

Mr. KUNZIG. It is hard to estimate what it might be. We do not know what the final plans will be.

I can say this as an example: A recent building for the Governor of the third largest State in the Nation cost $2.4 million.

Mr. EVINS. That is the State of Pennsylvania?

Mr. KUNZIG. Yes, sir; that is the third largest State.

Mr. WYMAN. How can you submit this for design? You have the money for design or you will——

Mr. EVINS. They are asking for it.

Mr. WYMAN. How can you submit this for design unless you tell the designer approximately what you are looking for and in order for him to know what you are looking for, do you not have to have some idea what it is going to cost?

Mr. KUNZIG. I think you are absolutely right in this, but there are years of lagging in here and we must start with some sort of design with the $150,000. We will have to tell the architect the design concept and dollar limitations.

Mr. EVINS. If you tell your architect this is going to be a $2 million building and the Congress only authorized $750,000, you are going beyond what the Congress has authorized.

Mr. WYMAN. That is right, but what I am getting at, do they not have to tell the designer approximately what type of building and how many rooms they want in the building? Has that decision been made?

Mr. SCHMIDT. This has not been done. One of the first things we have to do is write the design program to determine the scope of the residence. This is going to take further study than has been done to date.

We will define exactly what we need in the way of rooms and accommodations in the residence. Until we do that, we cannot develop a true estimate of costs.

Mr. WYMAN. Regardless of whether it is going to be 10 or 20 or 30 rooms, you still want $150,000 for your design work?

Mr. SCHMIDT. The architect will be engaged first to complete the study to determine the scope of the project. Once this has been done and an estimate developed, we can then enter into the design contract but not until we have a program or scope of the work written.

Mr. WYMAN. Is not the $150,000 the design contract appropriations?

Mr. SCHMIDT. It is intended to cover the design, that is correct.

Mr. EVINS. How did you arrive at this figure?

Mr. SCHMIDT. Through a judgment on the 28,000 gross square feet.

Mr. KUNZIG. It is my understanding we are saying here the $150,000 is for the purpose of plans and specifications and the contract for design will be awarded soon after funds are made available.

Mr. EVINS. This is for preparation of plans. How did you arrive at this figure? Did you just subtract this amount from the $750,000?

Mr. SCHMIDT. No. It was arrived at in approximating what it might require to build a residence of about 28,000 square feet. But we still do not have a definitive estimate of cost. $150,000 should be sufficient for the design.

Mr. MCDADE. You say in this you are going to have three living sectors, a private residence, entertaining residence, guest residence,

service sector, series of courtyards for public and private use and outside gardens for entertaining. Somebody made a lot of decisions before you went even to preparation of plans and specifications.

Mr. SCHMIDT. It would take more than that to turn the architect loose on the actual design or determine its cost.

Mr. MCDADE. Somebody made a lot of decisions though. I think that is what we are trying to find out.

Mr. SCHMIDT. These are approximations.

SITE FOR RESIDENCE

Mr. WYMAN. Do you have the land?

Mr. SCHMIDT. It is the Naval Observatory land, Government owned

Mr. EVINS. Some preliminary plans have been made, you are asking $150,000 for further planning?

Mr. SCHMIDT. Yes.

Mr. EVINS. And it is the general consensus of opinion you cannot build an adequate house for the Vice President for the amount which Congress has authorized, but I would warn you and advise that you not go beyond what Congress has authorized, and not build a home for the Vice President, as needed as it may be, more magnificent than the White House.

We will place in the record I–106.

(The page follows:)

Construction, official residence of the Vice President

	Amount
1969 appropriation	
Change	+$150,000
1970 estimate	150,000

GENERAL STATEMENT

"This appropriation will provide for the design of an official residence for the Vice President of the United States, pursuant to Public Law 89–386." (From the Budget for 1970.)

APPROPRIATION LANGUAGE

"For design of an official residence for the Vice President of the United States, $150,000, to remain available until expended."

JUSTIFICATION

Public Law 89–386, approved April 9, 1966, authorized the planning, design, construction, furnishing, and maintenance of an official residence for the Vice President of the United States, to be located at the U.S. Naval Observatory in the District of Columbia. A contract for a feasibility study of the residence project was awarded in September 1967. It was limited to (1) studies of the potential building sites within the Observatory grounds, (2) the development of a program of requirements, and (3) design concepts. The feasibility study contract was terminated after the site studies and program requirements were completed.

The recommended requirements for the project contemplate three living sectors, i.e., private residence, entertaining residence, and guest residence; a service sector to provide all the services and security to support the operation of the residence; a series of courtyards, for public and private use; and outside gardens for entertaining. The proposed house would contain approximately 28,000 gross square feet of space.

The accommodations available to the Vice President of the United States in his private residence are generally inadequate for quarters required by members of the Secret Service, space for the secretary to the wife of the Vice President, and are not consistent with the ever increasing duties delegated to him. The proposed

residence will provide proper and adequate facilities for the second highest office of the executive branch of the Government.

This estimate of $150,000 provides for preparation of plans and specifications. A contract for design, to be completed in 15 months, will be awarded as soon as funds are made available.

Mr. EVINS. Is this considered an urgent project or one that can be stretched out and deferred?

Mr. JOHNSON. Mr. Chairman, I think that is up to the will of the committee.

Mr. EVINS. We have a very attractive congenial Vice President, very talented, but we got along for 200 years without a residence for the Vice President, and during this period of inflation the committee will have to take the matter under consideration.

Sites and Expenses, Public Buildings Projects

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	Costs to this appropriation					Analysis of 1970 financing			
	Total estimate	To June 30, 1967	1968 actual	1969 estimate	1970 estimate	Deduct selected resources and unobligated balance, start of year	Add selected resources and unobligated balance, end of year	Appropriation required, 1970	Appropriation required to complete
Program by activities:									
1. Site acquisition	171,834	118,041	4,187	9,700	9,400	22,613	18,214	5,001	12,292
2. Design	134,912	[1] 93,180	8,388	6,000	4,500	15,326	10,826		12,018
3. Supervision	41,660	3,500	4,246	3,300	2,500	854	501	2,147	27,613
4. Preliminary planning and development	14,831	7,302	435	2,779	3,079	984	1,236	3,331	
5. Construction	777	777							
6. Administrative operations	6,865	5,223	600	521	521			521	
Total program costs, funded	370,879	228,023	17,856	22,300	20,000	39,777	30,777	11,000	51,923
Change in selected resources [2]			1,127	−1,300	1,000				
Total obligations			18,984	21,000	21,000				
Financing:									
Unobligated balance available, start of year			−40,222	−41,524	−31,519				
Unobligated balance available, end of year			41,524	31,519	21,519				
Budget authority (appropriation)			20,285	10,995	11,000				
Relation of obligations to outlays:									
Obligations incurred, net			18,984	21,000	21,000				
Obligated balance, start of year			9,953	12,065	11,565				
Obligated balance, end of year			−12,065	−11,565	−12,565				
Outlays			16,871	21,500	20,000				

[1] Includes supervision costs prior to 1967.

[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $8,431,000; 1968, $9,558,000; 1969, $8,258,000; 1970, $9,258,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Travel and transportation of persons	166	300	300
Payments to interagency motor pools	6	35	35
Transportation of things		1	1
Rent, communications, and utilities	44	47	47
Printing and reproduction	122	200	150
Other services	11,563	11,315	10,465
Supplies and materials	2	2	2
Equipment	1		
Lands and structures	7,079	9,100	10,000
Total obligations	18,984	21,000	21,000

Last year the appropriation for sites and expenses was $10,995,000. The budget calls for $5,000 increase to $11 million, and this has not been revised, I understand by the new budget.

Mr. JOHNSON. No.

Mr. EVINS. $11 million is requested. This includes $5 million for the acquisition of sites for new public building construction projects outside of the District of Columbia. Current plans contemplate use of these funds for the acquisition of six urgently needed projects tentatively selected, from 23 fully authorized projects discussed earlier.

SITE ACQUISITION

Mr. MCDADE. The $900,000 increase in the site acquisition is something I could not figure out. Can you explain that to me, please?

Mr. SCHMIDT. That is comparing it with the prior year. The amount included in the obligation program for site acquisition in the 1969 budget was $9.1 million, and for these projects here we estimate the total obligation for 1970, including the $5.1 million, would be $10 million. It is merely an estimate of the specific land values that will have to be covered in the site acquisition between 1969 and 1970.

UNOBLIGATED BALANCES

Mr. MCDADE. Do you have another balance carried forward?

Mr. SCHMIDT. That is right. It takes at least 6 months after we select a site before you get around to negotiating and making the purchase.

Mr. MCDADE. Tell me the balance forward.

Mr. FOSTER. $31.5 million.

Mr. MCDADE. That is unobligated money, but earmarked for some project?

Mr. FOSTER. Yes.

Mr. MCDADE. There is no way you can squeeze that $900,000 increase out of the balances you have forward?

Mr. SCHMIDT. This is just an accounting of the obligation by activities.

Mr. JOHNSON. Mr. Congressman, we probably could, but we would have to come back and ask for a cost increase on the other item in a later year.

Mr. SCHMIDT. Actually, the total obligation program for 1970 is $21 million even though we are only asking for the $11 million.

Mr. McDade. You are going to obligate $21 million?

Mr. Schmidt. Yes, for 1970.

Mr. McDade. There is still $10 million that is not obligated.

Mr. Schmidt. We would carry forward after 1970, $21.5 million. Of course it is all earmarked for projects.

Mr. McDade. It just seems to me if you have this money you ought to get it out and not keep coming back with increased cost for lands and sites. I have difficulty reconciling the figures.

Mr. Johnson. This would mean we would have to come up for the same item twice, the first time when we got it and the next time when we diverted it to another project, we would have to put it back. These unobligated balances are a bookkeeping entry on the part of the Treasury Department.

Mr. McDade. It represents money that has been appropriated to you though?

Mr. Johnson. That is correct.

Mr. McDade. And represents money that has not yet been obligated or expended for site, does it not?

Mr. Johnson. That is correct. But you see, if we came up and testified on a specific site and then used it on a different site, we would have to come back again for the original site.

Mr. McDade. I understand that. I have difficulty figuring out why you do not have that money at least obligated if you have it appropriated to get a site.

Mr. Johnson. I have to go back to the fact we have not gotten an apportionment of many of these funds that would allow us to carry out the program.

Mr. McDade. Is there any way you can tell us about how much of this was held back? How much of this would have been due to executive decision rather than difficulties in getting your parcels of land together, or going through a court proceeding or something of that nature. You may furnish that for the record.

Mr. Johnson. I would appreciate it.

(The information follows:)

The amount initially reserved by the Bureau of the Budget under the sites and expenses appropriation for fiscal year 1969 is $20,923,612. Subsequent to enactment of the fiscal year 1969 appropriation the Bureau increased this reserve to $27,518,612.

ACQUISITION OF SITES

Mr. Evins. Of the $11 million requested, $5 million is for projects outside the District of Columbia for sites?

Mr. Johnson. Yes, sir.

Mr. Evins. And six more would be in the District of Columbia?

Mr. Schmidt. There are no projects in the District of Columbia in this request.

Mr. Evins. You say only $5 million is for outside the District of Columbia.

Mr. Schmidt. For site acquisition for projects outside the District of Columbia, $2.147 million is for construction supervision, for the new construction awards in 1970, $3,331,000 is for preliminary planning and development, and $521,000 for administrative operations.

Mr. Johnson. That adds up to the total of $11 million.

Mr. EVINS. What does the $2,885,000 represent, after your $5 million?

Mr. SCHMIDT. That is the design cost of those six projects.

Mr. EVINS. Why do you split it up? It is $5 million for the first year and later it is added on?

Mr. SCHMIDT. The allowance given us was only for the acquisition of the sites.

Mr. EVINS. You have $31.518 million carried over and you are asking for $11 million more and you have 23 approved projects and six you are going to select the new sites?

Mr. SCHMIDT. Select and acquire the sites.

Mr. EVINS. Will you need this $31 million plus your $11 million if you are going to acquire only six sites?

Mr. SCHMIDT. All the money that is included in the sites and expenses appropriation is earmarked for specific projects.

MANCHESTER PROJECT

Let me use as an example the Manchester project. While we have selected the site, we have not as yet obligated the money for that site. It is in an urban renewal area and as soon as the urban renewal authority is ready to proceed, then we are in a position to buy the site. This is a part of the problem we run into with all the projects. We have set money aside. It is earmarked for the Manchester project. But it appears in the $31.5 million carried over from 1969 to 1970.

Mr. EVINS. If there are any further changes, Mr. Commissioner, you will advise the committee.

Place in the record I–107 through I–110.

(The pages follow:)

SITES AND EXPENSES, PUBLIC BUILDINGS PROJECTS

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act	$10,995,000
	Increase in 1970	+5,000
1970	Estimate	$11,000,000

ANALYSIS BY ACTIVITIES

		1969	Decreases	Increases	1970
1.	Site acquisition	$9,100,000	-	$900,000	$10,000,000
2.	Design	5,056,000	$56,000	-	5,000,000
3.	Supervision	3,500,000	900,000	-	2,600,000
4.	Preliminary planning and development	2,823,000	-	56,000	2,879,000
5.	Administrative operations	521,000	-	-	521,000
	Total obligations	21,000,000	956,000	956,000	21,000,000
	Balance brought forward	-41,523,612			-31,518,612
	Balance carried forward	31,518,612			21,518,612
	Appropriation or Estimate	$10,995,000			$11,000,000

SITES AND EXPENSES, PUBLIC BUILDINGS PROJECTS

	Amount
1969 Appropriation	$10,995,000
Change	+5,000
1970 Estimate	$11,000,000

GENERAL STATEMENT

"This appropriation provides for preliminary planning of public buildings, acquisition of sites, preparation of drawings and specifications, supervision of construction, and related costs incident to projects approved under the Public Buildings Act of 1959. Costs for improvements are financed from Construction, public buildings projects.

The estimate of $11 million for 1970 provides $5 million for the acquisition of sites; $2.1 million for supervision; $3.4 million for preliminary planning and development; and $0.5 million for administrative operations support." (From The Budget for 1970.)

APPROPRIATION LANGUAGE

For an additional amount for expenses necessary in connection with the construction of public buildings projects not otherwise provided for, [as specified under this head in the Independent Offices Appropriation Acts of 1959 and 1960,] including preliminary planning [of public buildings projects] by contract or otherwise, [$10,995,000] $11,000,000, to remain available until expended.

EXPLANATION OF PROPOSED CHANGES IN APPROPRIATION LANGUAGE

The phrase "as specified under this head in the Independent Offices Appropriation Acts of 1959 and 1960" has been deleted since the language in the referenced acts is no longer necessary. The current language "for expenses necessary in connection with the construction of public buildings projects not otherwise provided for" includes such expenses as preparation of drawings and specifications by contract or otherwise; acquisition of sites including options to purchase; soil investigations and tests; payment of deficiency judgments and interest thereon; construction supervision; travel; and administrative expenses.

The phrase "of public buildings projects" is eliminated to avoid repetition.

JUSTIFICATION

The estimate of $11,000,000 includes $5,001,000 for the acquisition of sites and incidental expenses for new public buildings construction projects outside the District of Columbia, which have been authorized under the Public Buildings Act of 1959. Current plans contemplate use of these funds for the acquisition of sites for six urgently needed projects tentatively selected from 23 fully authorized projects. The projects for which the funds will actually be used will depend upon the extent of our success in acquiring sites through the exchange of properties already owned by the Government. The projects for which these funds will be expended will be selected from the remainder of the 23 approved projects on a basis which will "provide for the construction and acquisition of public buildings equitably throughout the United States with due regard to the comparative urgency of need for each particular building". (Sec. 12(c) of the Public Buildings Act of 1959, as amended, 40 U.S.C. 611(c)).

The estimate includes $2,147,000 for construction supervision costs through completion for nine new construction projects programed for award in fiscal year 1970, having a total improvement cost of $56,771,100. The amount requested represents approximately 3.8% of the improvement cost and reflects the latest estimated requirement based on design at an advanced stage, current salary rates and other costs, rather than on general design assumptions.

The estimate also includes $3,331,000 for preliminary planning and development of future construction projects. Preliminary planning and development consists of feasibility studies; site investigations, selections and appraisals, including negotiations and obtaining options to purchase; topographical surveys,

including test borings; design through the tentative stage with options for completion; and preparation of documentation for obtaining Congressional authorization of projects. Through these efforts, design starts may be undertaken on selected projects with a minimum of appropriated funds; firm estimates for site acquisition, design, and construction can be developed based on tentative drawings; and time lag for site acquisition, design, and construction award after appropriations are obtained can be reduced. The last factor is particularly important in that any savings in time results in ultimate dollar savings because of the ever increasing cost of construction. The amount requested is based on actual data derived from an analysis of the cost of these elements for over 300 completed projects through the tentative design stage.

Through FY 1969, appropriations totaling $308 million have been made available under this program for projects listed in Exhibits "A" and "B" included under the estimate for "Construction, Public Buildings Projects." These Exhibits reflect the application of sites and expenses funds to specific projects, the year in which the projects were funded, the estimated improvement cost, and the current status of the projects.

Projects Tentatively Selected for Sites and Expenses Funding for 1970

Project	Approved by Public Works Committees	Allocated for S&E excluding Supervision In This Request	Later	Improvements	Total
GEORGIA					
Atlanta, CT FOB	Oct. 1966	1,152,000	1,186,000	24,212,000	26,550,000
LOUISIANA					
New Orleans, CT FOB	May 1968	1,152,000	804,000	20,841,000	22,797,000
MISSISSIPPI					
Hattiesburg, CT FOB	May 1968	607,000	165,000	2,069,000	2,841,000
SOUTH DAKOTA					
Aberdeen, FOB	May 1968	550,000	364,000	5,473,000	6,387,000
TEXAS					
Midland, PO CT FOB	May 1968	767,000	259,000	3,539,000	4,565,000
WEST VIRGINIA					
Elkins, PO CT FOB	May 1968	773,000	107,000	1,814,000	2,694,000
SUBTOTAL - 6 Projects		5,001,000	2,885,000	57,948,000	65,834,000
Supervision (For new construction awards in 1970)		2,147,000	-	-	2,147,000
Preliminary Planning and Development		3,331,000	-	-	3,331,000
Administrative Operations		521,000	-	-	521,000
TOTAL - 6 Projects		$11,000,000	$2,885,000	$57,948,000	$71,833,000

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

21 Travel, $335,000.- $300,000 for approximately 11,100 days travel to acquire sites, supervise and inspect construction, and make on-site surveys and investigations to secure essential space data; and $35,000 for payment to interagency motor pools for use of vehicles.

22 Transportation of Things, $1,000.- For transportation costs on administrative supplies and materials.

23 Rents and Communications Services, $47,000.- $23,000 for telephone and teletype services and $24,000 postage fees.

24 Printing and Reproduction, $150,000.- For reproduction of drawings, specifications, bidding documents, contract forms, etc.

25 Other Services, $10,465,000.- $8,244,000 for contract drawings and specifications, project supervision, site investigations, selections and appraisals, including options to purchase, feasibility studies, topographical surveys and test borings; $1,500,000 payment to "Construction Services Fund" for technical services; $521,000 payment to "Administrative Operations Fund" for administrative services necessary to support this program; $200,000 for services of other agencies.

26 Supplies and Materials, $2,000.- For program supplies and materials and miscellaneous administrative supplies.

32 Lands and Structures, $10,000,000.- For acquisition of sites and for title costs.

Payments, Public Buildings Purchase Contracts

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Payments to contractors	1,845	1,824	1,824
2. Taxes	455	576	576
Total program costs, funded—obligations [1]	2,300	2,400	2,400
Financing: Unobligated balance lapsing	50		
Budget authority (appropriation)	2,350	2,400	2,400
Relation of obligations to outlays:			
Obligations incurred, net	2,300	2,400	2,400
Obligated balance, start of year	54		
Outlays	2,354	2,400	2,400

[1] Includes capital outlay as follows: 1968, $793,000; 1969, $821,000; 1970, $861,000.

OBJECT CLASSIFICATION (In thousands of dollars)

Lands and structures	793	821	861
Grants, subsidies, and contributions	455	576	576
Interest and dividends	1,052	1,003	963
Total obligations	2,300	2,400	2,400

Mr. Evins. "Payments, public buildings purchase contracts," $2.4 million.

There are five remaining lease purchase contracts. They were initiated a number of years ago, and the GAO said the lease purchase contracts were more expensive. This committee suggested that you purchase these buildings rather than having to pay the interest and the taxes on other expense items.

How many have you purchased since that decision was made?

Mr. Schmidt. We have purchased 24.

Mr. Evins. Twenty-four added to your list and five remaining. These are five that the builders do not wish to sell, I assume.

Mr. Schmidt. We have checked this previously with the financiers and cannot purchase without the payment of an extreme penalty. We feel we should hold off until the midpoint in the contract is reached, which would be 1972 and 1973.

Mr. Evins. This $2.4 million will be the payments for principal, interest, payments for cost, payment on the building.

Mr. Schmidt. Including taxes.

Mr. Evins. And this is rather precisely figured out as to the cost for next year?

Mr. Schmidt. That is correct, sir.

Mr. Evins. That is an item we cannot cut. Uncle Sam has to pay his bills. Place in the record, page I–112.

Payments, public buildings purchase contracts

Summary reconciliation of 1970 estimate to 1969 funds:	
1969 appropriation in annual act	$2,400,000
1970 estimate	2,400,000

ANALYSIS OF ACTIVITIES

Activities	1969	1970
Principal and interest	$1,824,360	$1,824,360
Taxes	575,640	575,640
Total	2,400,000	2,400,000

1969 appropriation	$2,400,000
Change	
1970 estimate	$2,400,000

GENERAL STATEMENT

"This appropriation provides for payments to contractors and taxing authorities on the remaining five lease purchase contracts totaling $27 million for improvements, authorized under the Public Buildings Purchase Contract Act of 1954." (From the Budget for 1970.)

APPROPRIATION LANGUAGE

"For payments of principal, interest, taxes, and any other obligations under contracts entered into pursuant to the Public Buildings Purchase Contract Act of 1954 (40 U.S.C. 356), $2,400,000."

JUSTIFICATION

The estimate of $2,400,000 for 1970 provides for installment payments of principal, interest, taxes, and assessments on the remaining five lease purchase contracts.

Under Public Buildings Purchase Contract Act of 1954, 29 purchase contracts were executed, of which 24 have been prepaid. The remaining five lease purchase contracts provide for prepayment (purchase) upon payment of a 2 percent penalty of the remaining unpaid principal balance, when the contract has reached the halfway point of amortization. The halfway point for these contracts will be reached in fiscal year 1973.

The following tabulation reflects the payments made in 1968, and the installment payments and taxes and assessments falling due in fiscal years 1969 and 1970.

MONDAY, APRIL 21, 1969.

EXPENSES—U.S. COURT FACILITIES

WITNESSES

WILLIAM R. SWEENEY, ASSISTANT DIRECTOR, ADMINISTRATIVE OFFICE OF THE U.S. COURTS
DARWIN H. ANDERSON, CHIEF, DIVISION OF BUSINESS ADMINISTRATION

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Rent and related costs	265	340	707
2. Furniture and furnishings, newly constructed buildings	592	307	105
3. Furniture and furnishings, other buildings	352	519	460
Total program costs, funded [1]	1,209	1,166	1,272
Change in selected resources [2]	−224	−416	228
Total obligations	985	750	1,500
Financing: Unobligated balance lapsing	15		
Budget authority (appropriation)	1,000	750	1,500
Relation of obligations to outlays:			
Obligations incurred, net	985	750	1,500
Obligated balance, start of year	1,039	663	413
Obligated balance, end of year	−663	−413	−313
Adjustments in expired accounts	−19		
Outlays	1,342	1,000	1,600

[1] Includes capital outlay as follows: 1968, $781,000; 1969, $463,000; 1970, $432,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $868,000 (1968 adjustments, −$28,000); 1968, $616,000; 1969, $200,000; 1970, $428,000.

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Transportation of things	9	5	18
Rent, communications, and utilities	249	320	663
Other services	112	80	159
Supplies and materials	53	34	60
Equipment	562	311	600
Total obligations	985	750	1,500

Mr. EVINS. Expenses, U.S. court facilities.

Last year we appropriated $750,000. You are asking for $750,000 increase over last year, for a million and a half, double the amount of last year. Why do you want to double the amount for court facilities? Why can you not fund it at about the $500,000 level?

Mr. KUNZIG. We have Mr. Sweeney here from the Administrative Offices.

Mr. EVINS. Why do you need to double the amount for the court in the last year?

Mr. SWEENEY. This is primarily due to increases in personnel that we have requested from the Congress. We have no word yet on the outcome of our request, but based on more than 300 people——

Mr. EVINS. How many people are you employing in this account now for taking care of the expenses of the court?

Mr. SWEENEY. The total?

Mr. EVINS. Total employees.

Mr. SWEENEY. Roughly 6,000.

Mr. EVINS. And you have asked for 300 more?

Mr. SWEENEY. Yes.

Mr. EVINS. How many increases in personnel have you been adding to this on an annual basis?

Mr. SWEENEY. Last year we received none, sir.

Mr. EVINS. And you want 300 for next year?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. This would be funded in another appropriation bill through State-Justice-Commerce?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. But you anticipate and would like to have 300 more jobs?

Mr. SWEENEY. We feel the courts need the help.

Mr. EVINS. This has not been decided, but you are asking for double the amount of expenses for the court?

Mr. SWEENEY. Yes, sir.

Mr. MCDADE. These are not the law clerks, are they?

Mr. SWEENEY. No, sir.

Mr. MCDADE. They cannot be accommodated in the space presently available?

Mr. SWEENEY. No, sir.

Mr. WYMAN. This is essentially a request, in part at least, in advance to prevent the necessity of a supplemental request?

Mr. SWEENEY. Yes, sir.

Mr. WYMAN. If the money is not used—you say here, for example, there are going to be five judges expected to fill vacancies created by the retirement of those expected to remain active. If the money is not used, it will revert?

Mr. SWEENEY. Yes.

Mr. MCDADE. And it can only be used for the purpose authorized?

Mr. SWEENEY. That is correct, and if the personnel are not put on, the money will not be spent.

Mr. MCDADE. For the nonjudicial personnel it comes up to about $300 a person?

Mr. SWEENEY. That is right.

Mr. EVINS. Place in the record pages I–114 through I–116.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act		$750,000
	Increases in 1970		
	Rent and related costs	$367,000	
	Furniture and furnishings, newly constructed buildings	233,000	
	Furniture and furnishings, other buildings	150,000	+750,000
1970	Estimate		$1,500,000

ANALYSIS BY ACTIVITIES

Activities	1969	Increases	1970
1. Rent and related costs	$340,000	$367,000	$707,000
2. Furniture and furnishings, newly constructed buildings	30,000	233,000	263,000
3. Furniture and furnishings, other buildings	380,000	150,000	530,000
Total (appropriation)	$750,000	$750,000	$1,500,000

EXPENSES, U.S. COURT FACILITIES

		Amount
1969	Appropriation	$750,000
	Change	+750,000
1970	Estimate	$1,500,000

HIGHLIGHT

"This appropriation provides for costs, not otherwise provided for, of the U.S. courts incident to space expansion and for furniture and furnishings requirements of the U.S. Courts of Appeals and District Courts, the Court of Claims, and the Court of Customs and Patent Appeals." (From The Budget for 1970.)

This appropriation provides for (1) leasing space required for the courts and for agencies displaced from Government-owned buildings to provide for expanded court requirements; (2) furniture and furnishings for court activities to be housed in newly constructed buildings; and (3) new and replacement furniture and furnishings for court activities in existing Government-owned buildings.

Requirements for 1970 have been reviewed and approved by the Administrative Office of the U.S. Courts.

APPROPRIATION LANGUAGE

For necessary expenses, not otherwise provided for, to provide directly or indirectly, additional space for the United States Courts incident to expansion of facilities (including rental of buildings in the District of Columbia and elsewhere and moving and space adjustments), and furniture and furnishings, /$750,000/ $1,500,000.

JUSTIFICATION

	1968	1969	1970
1. Rent and Related Costs	$265,476	$340,000	$707,000

The 1970 estimate provides for an increase of $323,600 under this activity for 71,900 net square feet of additional leased space to be acquired in 1970 and $43,400 for moving expenses and related costs.

The 1970 addition will provide leased space required in lieu of vacated Government-owned space to be made available for additional courtrooms and chambers for five judges filling vacancies created by the retirement of judges who will remain active. Space must be provided at the same time for a clerical staff of 15 (21,750 sq. ft.); 30 additional stenographers for the Court of Appeals (4,500 sq. ft.); 129 deputy clerks for the District Courts (19,900 sq. ft.); 31 additional deputy clerks for the Courts of Appeals (3,100 sq. ft.); 3 additional Referees in Bankruptcy and 9 staff employees (7,500 sq. ft.); conversion of 2 part-time Referees to full-time status requiring private offices, and 6 staff employees (5,000 sq. ft.); and 18 additional clerks for Referees (1,800 sq. ft.); all of which will be located outside the District of Columbia; and 48 additional employees within the District of Columbia, including 3 stenographers and 5 additional deputy clerks for the Courts of Appeals, 6 deputy clerks for the District Courts, and 34 additional personnel for the Administrative Office of the U.S. Courts (8,350 sq. ft.). The exact locations have not been determined at this time.

All of the requirements enumerated above are consistent with the 1970 request of the Judiciary for the listed personnel increases.

EXPENSES, U.S. COURT FACILITIES
(Continued)

	1968	1969	1970
2. Furniture and Furnishings, Newly Constructed Buildings	$261,634	$30,000	$263,000

Provides for furniture and furnishings for newly established court activities, and for the rehabilitation and/or replacement of furniture for existing court activities to be located in the following newly constructed and/or remodeled buildings scheduled for completion in 1970: Brattleboro, Vermont, $6,855; Raleigh, North Carolina, $31,774; Spartanburg, South Carolina, $2,251; East St. Louis, Illinois, $1,877; Hammond, Indiana, $30,689; Milwaukee, Wisconsin, $15,078; Detroit, Michigan, $14,549; Sioux Falls, South Dakota, $6,544; Fargo, North Dakota, $22,050; and Dallas, Texas, $131,333. Exhibit A reflects a breakdown of requirements by location.

3. Furniture and Furnishings, Other Buildings	$458,332	$380,000	$530,000

Provides $380,000 for new and replacement furniture and furnishings for 360 locations where Federal court facilities are maintained, including the amount of $10,000 for the recurring needs of the Court of Claims, and the Court of Customs and Patent Appeals. The sum of $150,000 is included for the non-recurring cost of furniture and furnishings required for new personnel: $70,000 for five judges expected to fill vacancies created by the retirement of judges who remain active and $80,000 for 274 additional supporting personnel (average cost approximately $300 each), included in the Judiciary Budget for the U.S. Courts of Appeals and District Courts.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

22 Transportation of Things.- $18,000. For the payment of transportation expenses incident to the procurement of furniture and furnishings.

23 Rents and Utility Services.- $663,000. For payments to the Buildings Management Fund for rental and utility services.

25 Other Services.- $159,000. Primarily for payments to the Buildings Management Fund for moving and related costs.

26 Supplies and Materials.- $60,000. For office furnishings.

31 Equipment.- $600,000. For office furniture.

NEGOTIATIONS WITH BOB ON INSERTION IN JUDICIARY OF COURTS ITEM

Mr. JOHNSON. On this item, Mr. Chairman, we have recently been carrying on negotiations with the Bureau to put this item in the judiciary chapter of the budget, which is the area it is related to.

Mr. EVINS. It used to be there.

Mr. JOHNSON. That is right. We have asked the Bureau to reconsider their approach of putting it in the GSA budget and put it back in the judiciary.

Mr. EVINS. So you do not have to deal with this committee?

Mr. JOHNSON. Mr. Chairman, that is not it at all. We felt the committee could better view it as a relationship to the increase the gentleman just talked about.

FURNITURE AND FURNISHINGS FOR COURT FACILITIES

Mr. EVINS. You have new court facilities at Brattleboro, Vt.?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. You are asking for movable furniture and increased staff and witness room increases and court reporter increases.

Mr. SWEENEY. Yes, sir.

Mr. EVINS. Your total for the Brattleboro area is how much?

Mr. SWEENEY. It is $6,855. That is due to the addition of a new judge up there.

Mr. EVINS. The same thing for Raleigh, N.C., $31,000?

Mr. SWEENEY. Yes, sir. That is a new Federal office building and there will be court facilities in that building.

Mr. EVINS. Do you have these facilities equipped at the present time?

Mr. SWEENEY. No, sir.

Mr. EVINS In Spartansburg, S.C., you have a law clerk and secretary and you want $2,251.

Mr. SWEENEY. Yes, sir.

Mr. EVINS. The judge is requesting this.

East St. Louis, Ill., you are asking for five items there. What is the situation there?

Mr. SWEENEY. This is just remodeling, sir. The total amount is $1,877.

Mr. EVINS. Hammond, Ind., post office and courthouse, $30,689.

Mr. SWEENEY. Yes, sir; that is a combination, I believe, of new construction and remodeling.

Mr. EVINS. Do you have facilities there already?

Mr. SWEENEY. Inadequate facilities.

Mr. EVINS. You want new furniture and more staff?

Mr. SWEENEY. Yes. This is confined of course to furniture and furnishings.

Mr. EVINS. You are asking for this money so GSA can be reimbursed for supplying this furniture.

The Milwaukee request is $15,000.

Mr. SWEENEY. Yes, sir.

Mr. EVINS. What is the situation there?

Mr. SWEENEY. That again is remodeling.

Mr. EVINS. Detroit, Mich., $14,549.

Mr. SWEENEY. Detroit, Mich., this is again remodeling. This is a very crowded courthouse and they simply had to add additional facilities for judges.

Mr. EVINS. How many new judges have been added in Detroit?

Mr. SWEENEY. There has been more retirement than judges added, sir. I think there are three or four retirements.

Mr. EVINS. When a judge retires, does he take the desk, chair, and furniture with him? Do you have to have new ones for the new judges?

Mr. SWEENEY. Usually the judge takes his old furniture along with him and the new active judge then has to get new furniture, but he does not take the old furniture home with him.

(Off the record.)

Mr. EVINS. When a judge retires, how is the transition handled by the administrative officer of the court?

Mr. SWEENEY. If the judge retires and keeps on working, he retains the old furniture in the new chambers for working purposes. If he retires completely, and very few do this, and just goes home, then the furniture remains with the court and it is passed on to the next judge who comes along.

Mr. EVINS. A new judge comes along and wants new furniture and new drapes.

Mr. SWEENEY. New drapes he might get, but I think you will find we are pretty adamant on insisting they refinish their old furniture.

Mr. EVINS. You have some new judges in Detroit, the reason for this $14,500?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. Sioux Falls, S. Dak., $6,544. What is this item for?

Supply that for the record.

(The information follows:)

FURNITURE AND FURNISHINGS REQUIREMENTS FOR THE REMODELED COURTHOUSE AND FEDERAL OFFICE BUILDING, SIOUX FALLS, S. DAK.

Description of item	Quantity	Unit cost	Total cost
Judge's suite:			
Flag, indoor display, with 9-ft. pole	1	$36.50	$36.50
Draperies (13 windows)		75.00	975.00
Typist desk, executive, left pedestal	1	266.00	266.00
Chair, executive, rotary, without arms, upholstered	1	60.93	60.93
Table, executive	1	190.00	190.00
Bookcase, executive	1	209.00	209.00
Telephone cabinet, executive	1	80.00	80.00
Chair, executive, leg type with arms, upholstered	2	76.07	152.14
Chair, executive, rotary, type II, upholstered	2	97.61	195.22
Filing cabinet, 5-drawer, letter size, without lock	3	75.00	225.00
Brown metal storage cabinet, 2-drawer, 6 shelves	1	50.00	50.00
Subtotal			2,439.79
Rounded to			2,440.00
Courtroom:			
Table, executive	1	84.00	84.00
Chair, executive, rotary, type II, upholstered	6	97.61	585.66
Subtotal			669.66
Rounded to			670.00
Clerk of court:			
Carpeting (42 sq. yds.)		[1] 15.00	630.00
Draperies (3 windows)		75.00	225.00
Subtotal			855.00
Petit jury room:			
Office table, standard, gray steel	4	44.50	178.00
Chair, standard, gray steel, with arms	14	15.60	218.40
Chair, rotary, standard, gray steel, with arms	12	20.80	249.60
Witness room:			
Office table, standard, gray steel	1	44.50	44.50
Chair, standard, gray steel, with arms	4	15.60	62.40
Chair, standard, gray steel, rotary, with arms	4	20.80	83.20
Coatrack, standard, gray	1	21.80	21.80
Subtotal			857.90
Rounded to			858.00
Probation office:			
Costumer, standard, gray steel, with 4 hooks	1	12.40	12.40
Table, standard, gray steel	1	32.50	32.50
Typewriter stand, standard, gray steel	1	28.00	28.00
Chair, standard. gray steel, with arms	8	15.60	124.80
Bookcase section, standard, gray steel, with glass door	1	19.30	19.30
Subtotal			217.00
Court library:			
Table, executive	1	190.00	190.00
Chair, executive, rotary, type II, upholstered	6	97.61	585.66
Dictionary stand, wood, with 1 shelf	1	28.60	28.60
Subtotal			804.26
Rounded to			804.00
Uncrating and placement			700.00
Grand total			6,544.00

[1] Per square yard.

Mr. EVINS. Furniture, $670.

Mr. SWEENEY. Yes, sir; for the courtroom.

Mr. EVINS. What is this item, "court clerks and staff"? This does not involve personnel, but furniture for them.

Mr. SWEENEY. It is $855.

Mr. EVINS. Furniture for the staff?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. What are you going to buy out there?

Mr. SWEENEY. They cannot be buying much more than a desk and chair.

Mr. EVINS. Witness room and grand jury and petit. This is furniture for three rooms?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. Probation officer and staff, you have to have new furniture?

Mr. SWEENEY. $217 worth, sir.

Mr. EVINS. Court library other than the judge's. Can not the lawyers use the judge's library?

Mr. SWEENEY. This is the essential library arrangement, an individual library arrangement. The lawyers generally are not permitted to use the court libraries.

Mr. EVINS. So you have to have separate libraries for the lawyers.

Mr. SWEENEY. The lawyers have their own library. The Government does not furnish that.

Mr. EVINS. This is for tables and chairs that go into the library?

Mr. SWEENEY. Yes, sir.

Mr. EVINS. You have another item of transporting and uncrating, $700.

Mr. SWEENEY. Yes, sir.

Mr. EVINS. Fargo, N. Dak., $22,050 for furniture and furnishings needed in existing courtrooms.

Mr. SWEENEY. Yes, sir.

In Fargo, we have had a judge retire.

Mr. EVINS. You have a new judge?

Mr. SWEENEY. Yes; caused by retirement of former chief judge of the eighth circuit.

Mr. EVINS. The new judge now has to have new furniture?

Mr. SWEENEY. Right.

Mr. EVINS. For $22,050?

Mr. SWEENEY. The retiring judge is continuing to work.

(Off the record.)

Mr. EVINS. Dallas, Tex., court facility which is the largest of them all. You have a new building and ask for $131,333.

Mr. SWEENEY. Yes, sir.

Mr. EVINS. How many judges are in the new court building in Dallas?

Mr. SWEENEY. We have two headquartered there. We have four outside of Dallas, and we have at least one circuit court of appeals judge there.

Mr. EVINS. That is seven judges in the Dallas area. How many are going to be cared for with this sum?

Mr. SWEENEY. All of them, sir.

Mr. EVINS. Mr. Sweeney, when these judicial requests come in, do you screen them or rubber-stamp them?

Mr. SWEENEY. No, sir; we screen these very carefully along with GSA.

I would like to point out if I may, sir, that on the Dallas item, more than $35,000 is for the courtrooms. We do screen these requests very carefully. We work with GSA. I think in the 5 years I have been with the courts, we have developed some good programs of getting as close to austerity as we possibly can. We have had some very good programs on using up old furniture.

OBLIGATIONS, 1969

Mr. EVINS. How much was obligated in 1969?

Mr. SWEENEY. We do not have the obligation figures, sir. Those are maintained by GSA.

Mr. BUTTS. As of March 31, Mr. Chairman, $500,597.

EXPENDITURES

Mr. EVINS. How much has been expended?

Mr. BUTTS. $389,465 actual expenditure.

Mr. EVINS. Unless there are further questions, we will suspend until 10 o'clock tomorrow.

TUESDAY, APRIL 22, 1969.

Mr. EVINS. The committee will be in order.

We will resume our hearings this morning with our friends from the General Services Administration. I appreciate very much your supplying the committee with the more detailed statement of the breakdown in the appropriations budget between last year and the current year, with the amendments made by the Nixon amendment. And this will be placed in the record at this point as well as yesterday.

(The information follows:)

GENERAL SERVICES ADMINISTRATION

SUMMARY OF BUDGET ESTIMATES FOR 1970 AND COMPARISON TO 1969

	1969 Comparable Amounts*	F.Y. 1970 1970 Johnson Budget	F.Y. 1970 1970 Amended Budget	Change	Change 1969 to 1970 As Amended
A. Basic Operations					
1. Operating Expenses, PBS	$293,754,200	$311,171,000	$309,119,000	-$2,052,000	+$15,364,800
2. Operating Expenses, FSS	77,515,000	78,873,000	78,873,000	-	+1,358,000
3. Operating Expenses, NARS	20,407,500	22,233,000	22,153,000	-80,000	+1,745,500
4. Operating Expenses, TCS	6,150,000	6,150,000	6,150,000	-	-
5. Operating Expenses, PMDS	28,500,000	29,780,000	29,780,000	-	+1,280,000
6. Sal. & Exp., Office of Admin.	1,939,000	1,926,000	1,926,000	-	-13,000
Subtotal	428,265,700	450,133,000	448,001,000	-2,132,000	+19,735,300
B. Construction and Improvement					
7. Repair and Improvement	80,000,000	81,272,000	61,600,000	-19,672,000	-18,400,000
8. Payments, Purchase Contracts	2,400,000	2,400,000	2,400,000	-	-
9. Construction, Public Bldgs. Proj.	-	12,830,000	5,352,600	-7,477,400	+5,352,600
10. Residence of the Vice President	-	150,000	150,000	-	+150,000
11. Sites and Expenses	10,995,000	11,000,000	11,000,000	-	+5,000
Subtotal	93,395,000	107,652,000	80,502,600	-27,149,400	-12,892,400
C. Other Appropriation Items					
12. Expenses, U. S. Court Facilities	750,000	1,500,000	1,500,000	-	+750,000
13. National Historical Publica. Grants	350,000	350,000	350,000	-	-
14. Allowances, etc. Former Presidents	253,800	440,000	440,000	-	+186,200
15. Expenses, Presidential Transition	900,000	-	-	-	-900,000
Subtotal	2,253,800	2,290,000	2,290,000	-	+36,200
D. Limitation Items					
16. Expenses, Disposal Surplus Property	1,000,000	1,000,000	1,000,000	-	-
17. Administrative Operations Fund	(13,744,000)	(13,833,000)	(13,833,000)	-	(+89,000)
Total Direct Appropriations	$524,914,500	$561,075,000	$531,793,600	-$29,281,400	+$6,879,100

* Includes appropriations in annual act; proposed supplementals; and transfers.

FURNITURE AND FURNISHINGS FOR U.S. COURTS

Mr. EVINS. As we concluded our testimony yesterday, we were considering furnishings costs for the U.S. courts. I have one further question to be sure that furnishings provided for all courts are standard and not high cost or special orders.

What kind of furniture and furnishings are being provided for the courts by the GSA?

Mr. ABERSFELLER. The furniture we are providing is standard furniture to the courts. This has been our usual practice for several years.

Mr. EVINS. The judges are issuing orders against discrimination and we must not discriminate between the judges. We must have standard furniture for the judges.

I think the GSA method of providing standard furniture for all the courts is a better way.

Mr. SHIPLEY. Would you yield?

Mr. EVINS. Yes.

STATUS OF ALTON FEDERAL BUILDING

Mr. SHIPLEY. I had a call yesterday evening from a very good Republican judge in my district. I wonder at the proper place as we go through the construction program would you make a brief statement with regard to the status of the Alton Federal Building?

Mr. EVINS. Supply that for the record if you will.

(The information follows:)

ALTON, ILL., COURTHOUSE AND FEDERAL OFFICE BUILDING

A site for the Alton project, bounded by West Fifth, Belle, West Sixth, and Piasa Streets, was selected in April 1968, subject to the First National Bank and Trust Co. being able to reach an agreement with the city of Alton and the Gulf, Mobile, & Ohio Railroad for the acquisition of 90 percent of the site for subsequent donation to the Government. On February 13, 1969, the bank completed negotiations with the city and the railroad, and formally offered to donate their portion of the site to the Government. GSA is in the process of drafting necessary legal documents to effect the donation from the bank and has initiated acquisition action for the remaining 10-percent portion of the site which is still in private ownership.

With the site acquisition action having reached its present state, GSA is now in a position to select an architect-engineer and to proceed with the negotiation and award of a design contract.

Federal Supply Service

OPERATING EXPENSES

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Supply distribution:			
(a) Distribution operations	26,756	29,805	29,805
(b) Space and related costs	6,023	6,900	6,900
Total, supply distribution	32,779	36,705	36,705
2. Procurement	16,275	17,795	17,795
3. Inspection	5,449	5,820	5,820
4. Supply standardization	3,752	4,876	4,876
5. Supply management	1,139	1,240	1,240
6. Automated data management services	1,485	2,420	2,420
7. Service direction	1,905	1,995	1,995
8. Administrative operations	7,269	8,022	8,022
Total program costs, funded [1]	70,053	78,873	78,873
Change in selected resources [2]	−192		
Total obligations	69,861	78,873	78,873
Financing: Unobligated balance lapsing	885		
Budget authority	70,746	78,873	78,873
Budget authority:			
Appropriation	69,596	72,500	78,873
Transferred to other accounts	−1,000		
Transferred from other accounts	2,150	5,015	
Appropriation (adjusted)	70,746	77,515	78,873
Proposed supplemental for civilian pay act increases		1,358	
Relation of obligations to outlays:			
Obligations incurred, net	69,861	78,873	78,873
Obligated balance, start of year	2,210	3,042	3,415
Obligated balance, end of year	−3,042	−3,415	−3,415
Adjustments in expired accounts	−238		
Outlays, excluding pay increase supplemental	68,790	77,200	78,815
Outlays from civilian pay act supplemental		1,300	58

[1] Excludes adjustment of prior year cost of $169,000.

[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $1,793,000 (1968 adjustment, −$319,000); 1968, $1,282,000; 1969, $1,282,000; 1970, $1,282,000.

OBJECT CLASSIFICATION (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	34,759	38,939	38,939
Positions other than permanent	1,493	2,346	2,346
Other personnel compensation	1,061	1,051	1,051
Total personnel compensation	37,312	42,335	42,335
Personnel benefits: Civilian employees	2,918	3,204	3,204
Travel and transportation of persons	453	477	477
Payment to interagency motor pools	212	219	219
Transportation of things	91	102	102
Rent, communications, and utilities	5,565	6,278	6,278
Printing and reproduction	1,341	1,427	1,427
Other services	21,035	23,799	23,799
Supplies and materials	933	1,032	1,032
Insurance claims and indemnities	1		
Total obligations	69,861	78,873	78,873

PERSONNEL SUMMARY

Total number of permanent positions	4,718	4,952	4,952
Full-time equivalent of other positions	307	506	506
Average number of all employees	4,681	5,103	5,103
Average GS grade	7.6	7.6	7.6
Average GS salary	$8,662	$9,193	$9,193
Average salary of ungraded positions	$6,478	$6,525	$6,525

FEDERAL SUPPLY SERVICE

Mr. EVINS. We will consider part II beginning with the Federal supply service. Federal Supply Service performs all functions of GSA with respect to establishment of efficient supply and property management practices, operating a worldwide supply system, furnishing the Government both in the United States and abroad, and the governmentwide automatic data management activities. These operations are financed, I understand, from a single appropriation, the general supply fund, a revolving fund which initially finances the purchase of commodities, subject to reimbursement by the ordering agency, and the automatic data processing fund, also a revolving fund which is available for the procurement of ADP equipment.

Will you make a statement for the record as to the status of the two funds, general supply fund and automatic data processing fund?

Mr. ABERSFELLER. The general supply fund needs no capital this year, neither does the automatic data processing fund. We have been successful in operating within the limitation of both funds for 1970.

Mr. EVINS. What are you asking for by way of a single appropriation for the Federal Supply Service for the next year?

Mr. ABERSFELLER. We are asking for over $78 million, which is the same amount of money we have available in 1969 except for the supplemental amount for pay costs.

Mr. EVINS. Place pages II–1 through II–5 in the record. Let's take a look at the tables on pages II–2 and II–3.

(The pages follow:)

FUNCTIONS PERFORMED BY THE FEDERAL SUPPLY SERVICE

The Federal Supply Service performs all functions of GSA with respect to (1) establishment of efficient supply and property management practices throughout the Federal Government; (2) operating the worldwide supply system through which commodities are furnished to Government agencies, Government contractors, Government grantees, from depot stocks, or by direct delivery from suppliers, whichever is more economical and meets the needs of the Government agencies' demands, and (3) the Governmentwide Automatic Data Management activities within the jurisdiction of the General Services Administration.

Operations are financed from three sources: (1) a single appropriation for operating expenses; (2) the General Supply Fund, a revolving fund, which initially finances the purchases of commodities and services, subject to reimbursement by ordering agencies. Wherever possible purchases are made for direct delivery to ordering agencies, and (3) the Automatic Data Processing Fund, a revolving fund, available for the procurement by lease, purchase and transfer, of ADP equipment, maintenance and repair of such equipment by contract or otherwise, necessary for the efficient utilization of such equipment by and for Federal agencies.

In addition, a special packing service required for export shipment, is provided on a reimbursable basis to agencies with overseas locations.

FEDERAL SUPPLY SERVICE

Summary of Budget Authority and Related Average Employment

Operating Expenses, FSS	Budget Authority		Average Employment					
			Total		Central Office		Field	
	1969	1970	1969	1970	1969	1970	1969	1970
1. Supply Distribution	$36,705,000	$36,705,000	2,575.6	2,575.6	109.5	109.5	2,466.1	2,466.
a. Distribution Oper.	29,805,000	29,805,000	2,575.6	2,575.6	109.5	109.5	2,466.1	2,466.
b. Space & Related Costs	6,900,000	6,900,000	-	-	-	-	-	-
2. Procurement	17,795,000	17,795,000	1,519.2	1,519.2	632.5	632.5	886.7	886.
3. Inspection	5,820,000	5,820,000	427.0	427.0	61.4	61.4	365.6	365.
4. Supply Standardization	4,876,000	4,876,000	300.5	300.5	300.5	300.5	-	-
5. Supply Management	1,240,000	1,240,000	72.1	72.1	52.1	52.1	20.0	20.
6. Automated Data Management Services	2,420,000	2,420,000	117.2	117.2	100.4	100.4	16.8	16.
7. Service Direction	1,995,000	1,995,000	91.6	91.6	40.0	40.0	51.6	51.
8. Administrative Oper.	8,022,000	8,022,000	-	-	-	-	-	-
Total Budget Authority & Employment funded by Budget Authority	$78,873,000	$78,873,000	5,103.2	5,103.2	1,296.4	1,296.4	3,806.8	3,806

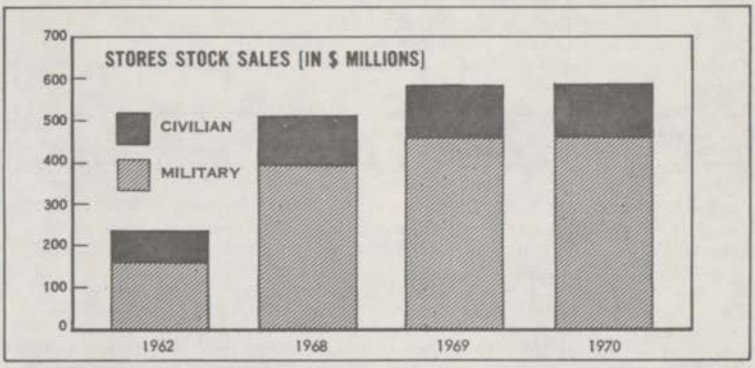
SUMMARY RECONCILIATION OF 1970 ESTIMATE TO COMPARABLE AMOUNTS FOR 1969

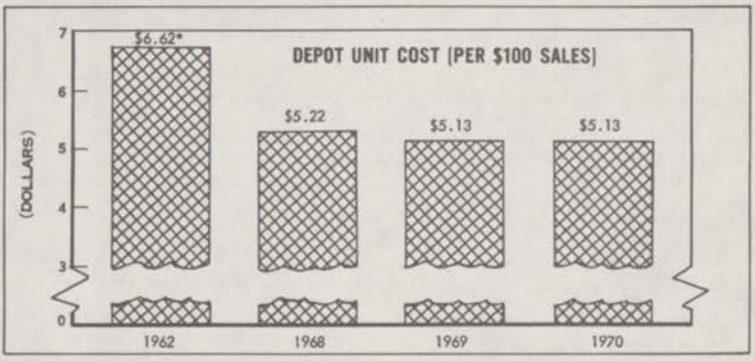
1969	Appropriation in annual act	$72,500,000
	Transfers from:	
	Operations and Maintenance, Defense Supply Agency	4,700,000
	Operations and Maintenance, Army	235,000
	Operations and Maintenance, Defense Agencies	80,000
	Proposed supplemental for pay act increase	1,358,000
	Comparative total for 1969	$78,873,000
1970	Estimate	$78,873,000

ANALYSIS BY ACTIVITIES

Activities	1969	1970
1. Supply Distribution	$36,705,000	$36,705,000
2. Procurement	17,795,000	17,795,000
3. Inspection	5,820,000	5,820,000
4. Supply Standardization	4,876,000	4,876,000
5. Supply Management	1,240,000	1,240,000
6. Automated Data Management Services	2,420,000	2,420,000
7. Service Direction	1,995,000	1,995,000
8. Administrative Operations	8,022,000	8,022,000
Totals	$78,873,000	$78,873,000

STORES STOCK SALES AND UNIT COST





SALES IN $ MILLIONS

FISCAL YEAR	TOTAL SALES	CIVILIAN	MILITARY		DEPOT UNIT COST
			AMOUNT	PERCENT	
1962	239.5	76.6	162.9	68.0	$6.62*
1963	259.7	84.9	174.8	67.3	6.44*
1964	287.8	80.9	206.9	71.9	6.20*
1965	343.9	85.2	258.7	75.2	5.86*
1966	422.8	100.0	322.8	76.3	5.44*
1967	526.8	115.5	411.3	78.1	5.15
1968	512.9	115.6	397.3	77.5	5.22
1969	581.0	130.7	450.3	77.5	5.13
1970	581.0	130.7	450.3	77.5	5.13

* UNIT COSTS ADJUSTED TO REFLECT CHANGES IN INDEX OF WHOLESALE PRICES AND WAGE BOARD AND CLASSIFIED PAY INCREASES GRANTED.

OPERATING EXPENSES, FSS

	Amount
1969 Appropriation	$72,500,000
Proposed supplemental (pay increase)	1,358,000
Transfers	5,015,000
1969 Adjusted	$78,873,000
Change	-
1970 Estimate	$78,873,000

GENERAL STATEMENT

"This appropriation provides for (1) establishment of efficient supply and property management practices throughout the Federal Government, and (2) expenses of operating the worldwide supply system through which commodities are furnished to Government agencies, Government contractors, and Government grantees, from depot stocks, or by direct delivery from suppliers, whichever is more economical and meets the needs of the Government. Except for agencies orders placed directly with suppliers under Federal supply schedule contracts, most of the purchases of commodities are financed initially from the General supply fund, subject to reimbursement by ordering agencies. Wherever economical and feasible, costs of commodities furnished directly from suppliers are paid directly from funds of the requisitioning agency without involving the General supply fund. This appropriation also provides for the necessary expenses of carrying out some of the Government-wide Automated data management activities within the jurisdiction of the General Services Administration." (From The Budget for 1970.)

This estimate of $78,873,000 for FY 1970 provides for a continuation of the FY 1969 program without any increase in financing. The amount for FY 1969 consists of an appropriation of $72,500,000, a supplemental appropriation of $1,358,000 for increased classified pay cost, and $5,015,000 transferred from the military in connection with elimination of duplication in the National Supply System.

Total volume of supply support through stores for FY 1969 is estimated at $581 million, the same as projected for FY 1970. Military agencies will account for 77.5% of total stores volume in 1970. The unit cost per $100 of volume will remain at $5.13.

APPROPRIATION LANGUAGE

For expenses, not otherwise provided, necessary for supply distribution, procurement, inspection, operation of the stores depot system (including contractual services incident to receiving, handling, and shipping warehouse items), and other supply management and related activities, as authorized by law, /$72,500,000/ $78,873,000.

ANALYSIS BY ACTIVITIES

Mr. EVINS. II–2 shows for the supply distribution $36,705,000 was required in 1969 and the same amount of $36,705,000 is requested for 1970. And there is a breakdown for distribution operations, $29 million; space and related costs, $6.9 million.

Procurement $17,795,000, and the same is requested in each item for the next year. The total is $78,873,300. Let's take a look at your stores stock sales.

Will you explain, please to the committee this table on page II–4.

FSS STORES STOCK SALES GROWTH

Mr. ABERSFELLER. The table on page II–4 represents essentially the growth in the Federal Supply Service stores stock sales since 1962, showing the consistency between the years 1969 and 1970. The figure represented by the bar chart is $581 million of sales for 1969 and 1970, further broken down as to the amount sold to civilian agencies and military agencies.

You will note about 78 percent of the total sales out of stores stock are for the military forces.

Mr. EVINS. Seventy-eight percent of your stores sales is to the military?

Mr. ABERSFELLER. Yes, sir. It is actually 77.5 percent.

Mr. EVINS. And about 22 percent civilian?

Mr. ABERSFELLER. Yes.

Mr. EVINS. And we note the unit cost for handling of the sales is declining; it was $6.62 in 1962 and now it is down to $5.13 estimated for 1970. Is this because of the efficiency in handling or the large volume?

Mr. ABERSFELLER. The increase in volume has had something to do with it, Mr. Chairman. We have made considerable management improvement over the years. In fact, on an accumulative basis, using the 1962–65 base of unit cost, we have saved in excess of $20 million annually.

Said another way, our budget this year would be $20 million higher if it were not for the improvements we have been able to make and the increased volume of business. Understandably, you are able to make improvements when your volume increases, as it has for us.

Mr. EVINS. Is this the largest business sales operation in the United States, larger than any of our commercial enterprises?

Mr. ABERSFELLER. No. actually, Sears, Roebuck and Montgomery Ward do more business. They do about $5 billion a year.

Mr. EVINS. I thought you were the biggest.

Mr. ABERSFELLER. No, sir. Very near.

Mr. JOHNSON. The unit cost has been decreasing at the same time our salaries and wages have been increasing. For that same comparable period, our salary cost has gone up 40 percent.

ANTICIPATED SALES

Mr. EVINS. What are your sales anticipated for 1970 as compared with 1969?

Mr. ABERSFELLER. We expect they would hold at the same level. We are showing $581 million in sales for both years.

Mr. EVINS. There is some figure in the budget that last year your sales were estimated at $599 million for 1968 and $615 millon for 1969. What is the estimate for 1970?

Mr. ABERSFELLER. For 1970 we estimate $581 million. We think that may be on the conservative side, Mr. Chairman. We may have a need for a supplemental.

In the last 2 years we have assumed supply responsibility for the Department of Defense for about $125 million in annual sales volume. This, coupled with the $527 million we did in 1967, runs us in excess of $600 million, considerably in excess, but we have scaled it down——

SUPPLIES FOR SOUTHEAST ASIA

Mr. EVINS. There has been some news stories to the effect that the administration suggests a possible cutback in the supply rate for Vietnam. What effect will this have?

Mr. ABERSFELLER. We have taken that into account in the reduction. We have actually dropped about $50 million in our computation to get to the $581 million. There has been a holdup in the last 8 or 9 months on shipment of goods to Southeast Asia, primarily for the Army. But every bit of information we have from that corner of the world indicates that the demand will be on the rise from here on in. I think it was simply a proposition of having too much on hand for a short period of time, and as soon as those stocks are attrited, we can expect orders to increase. In fact, in the last 2 months they have been increasing.

SPACE AND RELATED COSTS

Mr. EVINS. In the 1969 budget, space and related costs were projected at $6.4 million. The increase of $832,000 over 1968 was primarily to consolidate East Point and Albany, Ga. In the budget for 1970, Federal Supply Service requests $6.9 million, the same as 1969. Why does this increase from last year's estimate?

Mr. ABERSFELLER. The major increase in space is moving from one lease at East Point, Ga., to a new building that is being completed in Duluth, Ga., which we are getting ready to occupy now. This is an increase of 500,000 square feet of space. The total facility at Duluth contains over a million feet. And there are a series of other adjustments. I can provide the details for the record.

Mr. EVINS. Supply the statement for the record.

(The information follows:)

GSA–FSS WAREHOUSE SPACE AND RELATED COSTS

A comparison of the space costs estimated in the fiscal year 1969 column of the fiscal year 1969 budget and the space costs estimated in the fiscal year 1969 column of the fiscal year 1970 budget indicates a few important increases:

(1) Space costs estimated for region 2, New York, have been increased by $167,500 to provide for additional space chiefly at Belle Mead, N.J.

(2) Increased space at Fort Worth, Tex., accounts for increased costs of $150,200.

(3) Increased costs at region 9, amounting to $60,400, is accounted for chiefly by increased charges for protection and maintenance at Los Angeles.

(4) Minor adjustments and increased nonrecurring moving costs amounting to $100,000 for the move to Duluth, Ga., accounts for the balance of the difference.

SPACE COSTS AND SALES

Warehouse space costs are more closely related to inventory and stocking pattern requirements than they are related to sales levels. The increased space costs described above are chiefly due to stocking pattern requirements.

Mr. EVINS. We note that travel increases from 1968 to 1969 and 1970. Why is it necessary to increase travel?

You have the GSA rapid telecommunications system, you can call any of your warehouses and tell them to bill and ship out the merchandise when an order comes in. Why is the increase necessary in travel?

Mr. ABERSFELLER. Our travel is not increasing, Mr. Chairman. Our travel for 1969 is $477,000 and we plan to expend the same amount in 1970.

SUPPLY DISTRIBUTION

Mr. EVINS. We will take a look at each item under Federal Supply Service.

The first one is the supply distribution. We will place in the record II–6 and II–7.

(The pages follow:)

OPERATING EXPENSES, FSS

	Amount	Average employment		
		Central office	Field	Total
1969	$36,705,000	109.5	2,466.1	2,575.6
Change				
1970	36,705,000	109.5	1,466.1	2,575.6

1. SUPPLY DISTRIBUTION

Highlight

"Stocks of commodities for which GSA has responsibility are received, warehoused, and issued on a worldwide basis to authorized requisitioners through a national supply distribution system consisting of both wholesale and retail distribution facilities. Stores stock sales will increase from $512.9 million in 1968 to an estimated $581 million in 1970." (From the budget for 1970.)

JUSTIFICATION

	1968	1969	1970
1. Supply distribution	$32,586,042	$36,705,000	$36,705,000
(a) Distribution operations:			
Stores stock shipments (millions)	512.9	581.0	581.0
Unit cost per $100	5.22	5.13	5.13
Performance cost	26,773,158	29,805,000	29,805,000
(b) Space and related costs: Performance cost	5,812,884	6,900,000	6,900,000

1.a. *Distribution operations.*—Stores stock items valued at $581 million will be shipped from depots, annexes, fuel yard and retail self-service stores in 1970. Volumes projected herein are predicated on a continuation of the 1969 level of supply support to military and civilian activities, worldwide, but do not provide for any volume increases resulting from items which may be transferred to GSA from other agencies as a result of studies currently in progress.

Performance cost for distribution operations provides for operations of depots, annexes, fuel yard and self-service type outlets; related clerical order processing operations; and regional departmental management of the entire program at the 1969 level.

The amount of $5,862,000 is included in the performance cost to finance high-speed automated order processing which is an integral part of supply distribution. Also included is $1,280,000 for operating the data communications system between GSA regional offices and a data center in Kansas City, Mo., which is linked to the military data communications network. This high-speed system, compatible with the military system, is essential to provide worldwide military supply support. These two items (ADP services and data communications) represent $1.23 of the total unit cost of $5.13 per $100 of stores shipments. The unit cost of $5.13 for both 1969 and 1970 includes $0.13 for wage board and classified pay increase due to phase II of the Federal Salary Act of 1967 which was effective on July 14, 1968.

1.b. *Space and related costs.*—In 1970 this subactivity will require a total of $6,900,000, the same as in 1969.

Explanation of distribution by objects—(See activity data sheet).

11 *Personnel compensation and staffing.*—$18,330,300 for 2,367 positions distributed as follows:

	1968	1969	1970
Central office	103	110	110
Field	2,211	2,257	2,257
Total positions	2,314	2,367	2,367
Average employment	2,386.1	2,575.6	2,575.6

II–7.—DISTRIBUTION

Personnel benefits, $1,379,800.—$982,600 for direct contribution to retirement fund, $141,700 for health benefits, $55,900 for group insurance, $97,600 for FICA, and $102,000 for reimbursement for expenses from the employees compensation fund pursuant to Public Law 86–767.

Travel and transportation of persons, $151,500.—$120,000 for 4,444 days travel and $31,500 for motor pool services.

Transportation of things, $61,000.—$25,600 for motor pool truck services and $35,400 for miscellaneous transportation charges.

Rent, communications, and utilities, $4,686,400.—$650,900 for space rental, $1,293,100 for utilities, $25,200 for rental of equipment, $1,280,000 for data transmission, $351,800 for normal telephone and telegraph services, and $1,085,400 for amortization of equipment payable to GSF.

Printing and reproduction, $56,700.—For general printing of materials relating to the operation and management of the supply distribution system.

Other Services, $11,325,400.—$4,955,500 for janitorial, guard, maintenance, and miscellaneous services, $309,000 for car unloading and miscellaneous labor contracts to handle incoming and outgoing shipments during peak workload periods, $58,700 for repair of operating equipment, $80,200 for reimbursement to other GSA funds for services performed, $60,000 for health rooms, and $5,862,000 for ADP services.

Supplies and materials, $713,900.—$65,200 for administrative supplies and materials, and $648,700 for operating supplies and forms.

Mr. EVINS. There is no increase requested for supply distribution for 1970 over 1969. Do you propose to operate at the same level?

Mr. ABERSFELLER. Yes, sir. Except for the cost of the pay increase.

Mr. EVINS. How about your personnel in supply distribution? What level of employment will you seek?

Mr. ABERSFELLER. We are planning to retain the same level of employment, Mr. Chairman, that we have had in 1969.

PROCUREMENT

Mr. EVINS. Place in the record procurement pages II–9, II–10, and II–11.

(The pages follow:)

OPERATING EXPENSES, FSS

	Amount	Average employment		
		Central office	Field	Total
1969	$17,795,000	632.5	886.7	1,519.2
Change				
1970	17,795,000	632.5	886.7	1,519.2

HIGHLIGHT

"Commodities are procured to maintain inventories at stores depots to insure availability and for direct delivery to agencies. Term contracts for commodities and services are established for large aggregate volume requirements against which agencies place individual orders at uniform price advantages. Total procurement is estimated to increase from $2,054.3 million in 1968 to $2,350 million in fiscal year 1970." (From the budget for 1970.)

JUSTIFICATION

	1968	1969	1970
2. Procurement	$15,983,747	$17,795,000	$17,795,000
(a) Stores buying:			
Volume of purchases (millions)	521.2	690.0	690.0
Unit cost per $100	1.95	1.63	1.63
Performance cost	10,146,598	11,265,000	11,265,000
(b) Nonstores buying:			
Volume of purchases (millions)	243.9	390.0	390.0
Unit cost per $100	1.54	1.12	1.12
Performance cost	3,745,201	4,385,000	4,385,000
(c) Federal supply schedules:			
Orders placed (millions)	756.9	770.0	770.0
Unit cost per $100	.28	.28	.28
Performance cost	2,091,948	2,145,000	2,145,000

a. *Stores buying.*—The volume of purchases for the stores program in fiscal year 1970 has been held to the same level programed for fiscal year 1969. The purchase volume is directly related to the planned level of stores sales and stores direct delivery purchases and considers as well the necessary due-in and inventory required to support those sales. The unit cost of $1.63 per $100 of stores purchases for 1969 and 1970 includes $0.06 for the pay raise attributable to phase II, Federal Salary Act of 1967, which was effective on July 14, 1968.

b. *Nonstores buying.*—The volume of purchase orders to be issued for nonstores direct delivery in fiscal year 1970 is $390 million, the same level as the fiscal year 1969 program. Nonstores buying covers procurement for Federal agencies of items that are not stocked in GSA supply depots or are not available through other FSS supply sources. Purchase contracts under this program are generally definite quantity, direct delivery procurements in response to specific agency requests. The unit cost of $1.12 per $100 of nonstores purchases for both 1969 and 1970 includes $0.04 for the pay raise attributable to phase II, Federal Salary Act of 1967.

c. *Federal supply schedules.*—Federal supply schedules are indefinite quantity term contracts with prices firm and fixed throughout the term of the contract. Federal agencies use these contracts to place orders directly with the contractor

and pay the contractor without further reference to GSA, except in the event of a dispute.

The placement of Federal supply schedule orders in fiscal year 1970 totals $770 million, or the same dollar volume programed for fiscal year 1969. This equivalent level of activity is being planned at the same unit cost level while at the same time absorbing additional workload involved in improved method of negotiation of multiple award Federal supply schedule contracts resulting in better discounts for the Government.

The unit cost of $0.28 per $100 of schedule purchases for 1969 and 1970 includes $0.01 for the pay raise attributable to phase II, Federal Salary Act of 1967.

Total procurement.—The total procurement planned by the Federal supply service for 1969 and 1970 amounts to $2,350 million which includes $1,850 million for non-ADP procurement and $500 million for automated data processing equipment procurement. This represents an increase of 14.4 percent above the $2,054 million in 1968. The tabulation below sets out the 1970 planned procurement volumes under the procurement and automated data management activities by method of supply:

[In millions]

	Procurement	Automated Data management	Total FSS
Stores:			
For stock	$596		$596
For direct delivery	94		94
Total	690		690
Nonstores direct delivery	390	$100	490
F. S. schedules	770	400	1,170
Total	1,850	500	2,350

Explanation of distribution by objects—(See activity data sheet).

11 *Personnel compensation and staffing.*—$12,784,000 for 1,525 permanent positions distributed as follows:

	1968	1969	1970
Central office	617.0	660.0	660.0
Field	785.0	865.0	865.0
Total positions	1,402.0	1,525.0	1,525.0
Average employment	1,390.7	1,519.2	1,519.2

Personnel benefits, $958,000.—$798,000 for direct contribution to the retirement fund; $100,000 for health benefits fund; $45,000 for group insurance, and $15,000 for employer's FICA costs.

Travel and transportation of persons, $78,000.—$75,000 for approximately 2,630 days' travel for field visits to improve regional inventory management and procurement operations; attendance at trade association meetings; travel to contractors' plants; and $3,000 for motor pool service in connection with the above travel.

Transportation of things, $12,000.—For general transportation costs including governmentwide distribution of Federal supply schedules.

Rents, utilities, and communication services, $589,000.—$163,000 for general telephone services; $5,000 for long-distance calls; $60,000 for teletype services incident to nationwide buying program; $268,000 for inter-city tieline services; $8,000 for rental of equipment, and $85,000 for payment to the general supply fund for amortization of office equipment.

Printing and reproduction, $778,000.—$145,000 for general printing; $455,000 for invitations to bid; and $178,000 for Federal supply schedules and local service term contracts.

Other services, $2,413,000.—$1,865,000 for ADP services; $30,000 for payments to commercial contractors; $31,000 for payments to other Government agencies for health room charges, security investigations, and other miscellaneous serv-

ices; $435,000 for payment to the working capital fund; $18,000 for payment to the Federal telecommunications fund; $20,000 for buildings management fund; $13,000 for payment to the general supply fund for repair of office machines and furniture; and $1,000 for payments to the motor pool other than transportation.

Supplies and materials, $183,000.—$64,000 for administrative supplies and materials; $25,000 for specifications donated to prospective contractors; and $2,000 for technical publications; $85,000 for operating forms used in connection with procurement operations; $6,000 for operating supplies and $1,000 for newspapers and periodicals.

Mr. EVINS. Here again you are asking for $17,795,000, the same as last year. Your personnel is estimated to be what?

Mr. ABERSFELLER. Our personnel cost in this particular program is $12,784,000.

Mr. EVINS. You show on page II–9, 1,519 total employment.

Mr. ABERSFELLER. I am sorry, Mr. Chairman, I thought you were referring to the amount of money for personnel. It is 1,519 for the average employment; yes, sir.

Mr. EVINS. 632 in the central office, and 887 in the field?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. Most of the procurement activity is carried on in the central office?

Mr. ABERSFELLER. Most of the high-dollar volume activity is carried on in the central office. The field offices consummate many more procurement actions.

STORES BUYING UNIT COST

Mr. EVINS. What is the unit cost for procurement of stores buying?

Mr. ABERSFELLER. For stores we are projecting a unit cost for 1970 the same as this year, $1.63 per hundred dollars of procurement, less than 2 percent.

DIFFERENCE BETWEEN STORES AND NONSTORES BUYING

Mr. EVINS. Explain for the record the difference between stores buying and nonstores buying?

Mr. ABERSFELLER. Stores buying is that buying we do for the 50,000 items we store in our warehouse system. Nonstores buying is that which we buy generally on order for direct delivery from the manufacturer or vendor to the using agencies.

Mr. EVINS. Then your nonstores buying, your Government agencies have a list of your stocks and they can order directly and tell them to bill to GSA and they reimburse GSA; is that correct?

Mr. ABERSFELLER. In the case of stores——

Mr. EVINS. Nonstores.

Mr. ABERSFELLER. In the case of nonstores, we buy a wide range of items and there are no listings.

Mr. EVINS. Is the stores buyings made direct by the agencies or do they procure from GSA warehouses?

Mr. ABERSFELLER. They procure from GSA warehouses.

Mr. EVINS. How do your nonstores work?

Mr. ABERSFELLER. The Government agency sends an order to us for the items they want.

Mr. EVINS. And it is shipped direct?

Mr. ABERSFELLER. Yes, sir. Purchase of automobiles is a very good example of that. As you know, we now buy all the commercial motor

vehicles for the Federal Government, including Defense. Those orders are placed with us and we contract for them and they are shipped directly to the user.

Mr. EVINS. What is the reason for the substantial increase in stores and nonstore buying from 1968 to 1970? Are not these projections inflated?

Mr. ABERSFELLER. No, sir; they are not. This buying is related to the point I made earlier about the transfers of supply responsibility from the Department of Defense in 1967 and 1968 of a wide range, around 35,000 different items. We are now assuming Government-wide responsibility for these items under our national supply system.

Mr. BOLAND. What are some of these items?

Mr. ABERSFELLER. The items are in 65 different Federal supply classes, but the principal class is handtools. We provide all the handtools and we provide all of the paint to the Federal Government, as well as many other items.

Mr. BOLAND. You would not have done that for DOD prior to this change?

Mr. ABERSFELLER. We had procured some of the paints and handtools since 1964, but the additional classes came to us in July of 1967 and July of 1968.

Mr. BOLAND. This accounts for the substantial increase in volume in both areas?

Mr. ABERSFELLER. Yes, sir. In fact, last July was the largest increase we took on. This was about $42 million in inventory and about $93 million in annual sales.

DOD PROCUREMENT

Mr. EVINS. How much of the stores and nonstores is due to DOD requirements, percentagewise?

Mr. ABERSFELLER. In the case of stores, it is about 78 percent as I mentioned earlier, Mr. Chairman. In the case of nonstores, it is about 60 percent.

Mr. EVINS. Seventy-eight percent in one category and 60 in the other?

Mr. ABERSFELLER. Yes.

Mr. EVINS. So DOD is responsible for the greater volume of your purchases?

Mr. ABERSFELLER. Yes, sir. And the only place that falls off slightly is in the Federal supply schedule program where it runs about 35 to 40 percent. It varies slightly, but generally 35 to 40 percent.

COST REDUCTION

Mr. EVINS. Have you an estimate as to how much you save the Government by your purchasing for the Department of Defense?

Mr. ABERSFELLER. We could extrapolate it, Mr. Chairman. Our total estimated savings for the entire Federal Government for fiscal 1968 was $391 million. We expect that to go beyond $400 million in 1970 by doing more competitive procurement.

Assuming that something like 65 percent would reasonably be representative of Defense's total business with us, and they shared equally in the savings, we would have about $250 to $260 million of savings directly flowing to Defense.

Mr. EVINS. Mr. Wyman?

Mr. WYMAN. What do you use as a base to figure out the "savings" you refer to?

Mr. ABERSFELLER. Mr. Wyman, I should have said cost reduction. I really do not like the word "saving" myself. We compute it on a shopping basis. We shop for the largest volume items we have.

Mr. WYMAN. At retail price?

Mr. ABERSFELLER. This is generally against wholesale prices. It would be the trade level that was appropriate for the average order size we received.

Assume with me for the moment that a hundred desks was the average order we received. We would then shop with wholesalers as to what it would cost us to buy a hundred desks from them. That forms the base price we use for comparison to our prices in making the calculation.

Mr. WYMAN. In arriving at that total, would you include automobiles?

Mr. ABERSFELLER. Yes.

Mr. WYMAN. And you have quite an inventory of automobiles, do you not?

Mr. ABERSFELLER. We really do not buy many sedans and station wagons every year. Most of our procurements are light trucks.

WORKLOAD AND UNITS OF MEASURE

Mr. WYMAN. You had a large increase in the Federal Supply Service purchasing in the last few years, did you not?

Mr. ABERSFELLER. Yes.

Mr. WYMAN. Have you had anything like a proportionate increase in personnel in relation to that?

Mr. ABERSFELLER. Actually, our purchasing workload has increased more than fourfold since 1957, and our personnel have increased only 2½ times.

Mr. WYMAN. But is not that workload measured more in terms of volume of procurement rather than in isolated transactions? I mean if the DOD procurement of the same item, instead of being $10 million becomes $70 million, it is a larger total but it does not mean that much additional staff, does it?

Mr. ABERSFELLER. To an extent that is true in the procurement field because a better work unit might be a purchase action rather than cost per hundred. I believe that is your point.

On the other hand, in supply distribution where the bulk of our money goes, nearly half of our annual apropriation is used to run our warehouses system. The reverse situation is true; it does make a difference how much material is involved because that is what human beings have to pick, stock, and move.

There is not really a common one for the entire Federal Supply Service that you could use. However in addition to the savings I talked about this morning, we think we are doing our job much better especially in the case of procurement.

As an example last year we set out to negotiate considerably harder on the multiple award schedules.

As Mr. Boland mentioned yesterday, we had previously bought dictionaries on a multiple award schedule, that is the customer had

his choice. We set up a specification and we are buying on a competitive basis. This takes additional effort, but we are making substantial cost reduction for the Government.

ADP EQUIPMENT PROCUREMENT

Mr. WYMAN. You talk about the total procurement, and you have $2,350 million, $1,850 million for non-ADP procurement and $500 million for automatic data processing equipment procurement. What kind of equipment is that?

Mr. ABERSFELLER. That is procurement of automatic data processing equipment. This would be ADP equipment manufactured by IBM, Honeywell, Univac, RCA, many others.

Mr. WYMAN. For various Government agencies?

Mr. ABERSFELLER. Yes.

Mr. WYMAN. Computers, punchcards, tapes, and so forth?

Mr. ABERSFELLER. Yes.

DOD PROCUREMENT

Mr. EVINS. You testified about 76 percent of your procurement is for Defense. How much of Defense procurement is made directly by them under contract?

Mr. ABERSFELLER. Defense makes no procurement of commodities we have responsibility for, but they are the largest procurer in the Federal Government by far.

FEDERAL SUPPLY SCHEDULES

Mr. EVINS. You say here the Federal supply schedules are indefinite quantity, term contracts with prices firm and fixed throughout the term of the contract. Federal agencies use these contracts to place orders directly with the contractor and pay the contractor without further reference to GSA except in the event of a dispute. They do not come to GSA unless there is a controversy on price or termination of the contract. How much of this is done by Defense themselves? It is all done by them, is it not?

Mr. ABERSFELLER. About 40 percent of that total volume is ordered directly by Defense activities from our schedule contractors.

Mr. EVINS. They use your schedule, but they do the ordering and they do the paying?

Mr. ABERSFELLER. That is correct.

Mr. EVINS. And how many times do they call GSA in on a dispute on the terms of the contract?

Mr. ABERSFELLER. Very seldom.

Mr. EVINS. That diminishes your workload?

Mr. ABERSFELLER. Yes, sir; and it is for that reason, Mr. Chairman, that the unit costs under Federal supply schedules are so much less than they are in the other two methods of procurement.

You will note it is 28 cents per $100 of procurement from schedules as compared to higher figures from stores and nonstores.

BILLINGS—GSF CASH POSITION

Mr. EVINS. Tell the committee about the promptness of billings and the promptness of payment or the lack of it and the delinquent accounts.

Mr. ABERSFELLER. I would like to have Mr. Johnson speak to that.

Mr. JOHNSON. Mr. Chairman, in the last year or year and a half we made tremendous progress in the collection of our bills from other Government agencies. Right now the general supply fund is in a better cash position than it has been in some years, primarily because of the fact we have been concentrating collecting bills within a 60-day timespan. We have few delinquents from any agencies right now.

Mr. EVINS. A few years ago several agencies were very slow in paying their bills.

Mr. JOHNSON. That is correct.

Mr. EVINS. And it was necessary to appropriate to the supply fund so you could make additional purchases.

Mr. JOHNSON. That is correct.

Mr. EVINS. Now they are paying the bills and you do not think it is necessary to appropriate further to the supply fund?

Mr. JOHNSON. That is correct. We have sufficient cash in the supply fund right now and we have a procedure with the agencies worked out where we get prompt payment. So therefore we have enough cash to carry these operations for another year.

Mr. EVINS. Very good.

Business gives a discount for prompt payment. Does GSA make add-ons if they are delinquent?

Mr. JOHNSON. No, sir. We do not either give a discount or put an add-on.

Mr. EVINS. We commend you for getting this fund in good shape and getting your accounts in good order.

Let's place in the record the inspection items, pages II–13 and II–14.

(The pages follow:)

OPERATING EXPENSES, FSS

3. INSPECTION

		Average employment		
	Amount	Central office	Field	Total
1969	$5,820,000	61.4	365.6	427.0
Change				
1970	5,820,000	61.4	365.6	427.0

HIGHLIGHT

"Timely delivery of commodities of specified quality is assured by inspection and surveillance at contractors' plants or supply depots, by laboratory tests and analyses of samples prior to acceptance, and by contract administration assistance. In 1970, quality control will inspect $690 million of stores items, $258 million nonstores items, and $54.2 million of items procured from Federal supply schedules" (from the budget for 1970).

JUSTIFICATION

	1968	1969	1970
Inspection	$5,410,882	$5,820,000	$5,820,000
Stores:			
Volume of purchase (millions)	521.2	690.0	690.0
Unit cost per $100	0.83	0.65	0.65
Performance cost	4,344,470	4,480,000	4,480,000
Nonstores:			
Volume of purchase (millions)	192.7	258.0	258.0
Unit cost per $100	0.39	0.38	0.38
Performance cost	754,396	980,000	980,000
Federal supply schedules:			
Orders placed (millions)	45.2	54.2	54.2
Unit cost per $100	0.69	0.66	0.66
Performance cost	312,016	360,000	360,000

This program insures that the items delivered comply fully with the technical requirements of the contracts and are delivered in accordance with contractual provisions to assure that the Government receives what they are paying for, and includes the following functions:

(1) Preaward, engineering-type evaluation of bidders' capability to comply with the contract; (2) working with contractors in planning and scheduling production; and (3) evaluation of contractors' quality control systems. These activities are of particular importance to small business, many of whom are located in labor distressed areas, which might otherwise be unable to participate in Government business.

The unit cost of $0.65 per $100 of stores volume inspected for 1969 and 1970 includes $0.03 for the pay raise attributable to phase II, Federal Salary Act of 1967, which was effective on July 14, 1968. The nonstores volume inspected unit cost of $0.38 per $100 for 1969 and 1970 includes $0.02 for the pay raise, while the pay raise accounted for $0.02 of the unit cost of $0.66 per $100 of schedule volume inspected.

The inspection efforts in fiscal year 1970 will be devoted to inspection of delivered material valued at $690 million of stores items purchased; $258 million of the $390 million of nonstores purchases; and $54.2 million of material purchased from manufacturers under Federal supply schedules.

Explanation of distribution by objects (see activity data sheet).

11 *Personnel compensation and staffing*, $4,452,000.—For 435 permanent positions distributed as follows:

	1968	1969	1970
Central office	65.0	65	65
Regional offices	370.0	370	370
Total positions	435.0	435	435
Average employment	426.2	427	427

12 *Personnel benefits, $346,000.*—$285,500 for direct contribution to retirement fund; $33,000 for health benefits; $16,000 for group insurance; $2,500 FICA; and $9,000 for other benefits.

21 *Travel and transportation of persons, $330,000.*—$160,000 for approximately 5,900 days travel and $170,000 for motor pool services.

22 *Transportation of things, $19,000.*—Transportation charges for shipment of samples to laboratories for testing and for movement of household furnishings of relocated employees.

23 *Rent, communications, and utilities, $170,000.*—$30,500 to the general supply fund for rental of administrative equipment; $2,500 for equipment rental from commercial sources; and $137,000 for normal telephone and telegraph services.

24 *Printing and reproduction, $13,000.*—For procedures handbook, directives, and miscellaneous printing.

25 *Other services, $427,000.*—$81,000 for payments to private contractors; $248,000 for payments to other GSA funds; $13,500 for payments to other Government agencies for health room charges; $53,000 to the general supply fund for operating equipment rental; and $31,500 for other miscellaneous services.

26 *Supplies and materials, $63,000.*—$16,000 for administrative supplies and materials; $32,000 for operating supplies; and $15,000 for forms and other miscellaneous supplies.

INSPECTION

Let's take a look at your inspection activity.

Here you are asking for $5.820 million, the same as last year, with 427 jobs. This program insures that the items delivered comply fully with the technical requirements of the contract and are delivered on schedule to assure the Government receives what they are paying for. How often are these inspections made and what is the extent of them? Are they thorough or do they spot check it.

Mr. ABERSFELLER. The inspections are thorough, Mr. Chairman. The effort we put forth here starts at the beginning from our preaward survey of the proposed contractor to determine whether he can do the things that are necessary, and then making that judgment and having awarded a contract to him, the material he delivers is inspected. It is not inspected on a 100-percent basis. We use the statistical sampling method of inspection, whereby depending on the number of items produced in a lot you select a representative sample and inspect that sample on a 100-percent basis.

Mr. EVINS. What if you have a small businessman who wants a GSA contract and you evaluate him as weak financially and you look at what you call the contractor's quality control system. That is a broad term. How do you qualify the man to do business with the Government?

Mr. ABERSFELLER. If he is considered to be weak financially and is otherwise low, we would be required under the law to send that to the Small Business Administration for a certificate of competency. If they provided such a certificate, we would of course make the award to him.

Mr. EVINS. If SBA sends to you a certificate of competency, you have to honor that certificate and award him the contract?

Mr. ABERSFELLER. That is correct.

VOLUME OF INSPECTIONS

Mr. EVINS. What is the volume of your inspections?

Mr. ABERSFELLER. In stores the volume of inspection is $690 million, which corresponds to the procurement since we inspect all of that item. In the case of nonstores, you will note a marked decrease from the procurement volume since we inspect only part of the nonstores volume, and in the case of schedule, you see even a greater departure since we inspect a relatively small portion of schedule items.

Mr. EVINS. You expect to check $690 million worth of store items purchased?

Mr. ABERSFELLER. Yes, sir; but as the Administrator pointed out in the opening statement yesterday, we have another system which permits operating at lower costs and that is our quality assurance program.

We have over 2,200 suppliers on that program now. These are people who qualify by having good in-house quality control systems, are prompt in their delivery and I am proud to tell you, Mr. Chairman, that the majority of those are small businesses.

Mr. EVINS. Ford Motor Co. recalled several thousand Ford cars found to be defective. I got a a notice from the automobile people recently that mine was among those that they found some small gadget defective. They said if you will take it to your dealer, they will repair it for you.

What does GSA do when you find something defective?

RECALL OF DEFECTIVE ITEMS

Mr. ABERSFELLER. In the case of recall, we are also notified and we would then turn those vehicles in. In the case of a defective vehicle——

Mr. EVINS. Is GSA competent to check the quality of performance of an automobile?

Mr. ABERSFELLER. Yes, sir; I think so.

INSPECTION OF STORES ITEMS

Mr. EVINS. What do you do with your store items by way of inspection? Do you send somebody out and say this package looks attractive, it seems like they are two-thirds full, we will okay it?

Mr. ABERSFELLER. No, sir; the stores items are checked by various test methods, depending on what the specification requirements are. We test against those specification requirements in various methods, using our laboratories wherever appropriate.

Mr. BOLAND. Do you find many deficiencies from the standards?

Mr. ABERSFELLER. It is not really too many, Mr. Boland. We reject about $13 million or 2½ percent of the material offered to us yearly in the stores program. We do not stock automobiles, but we do reject vehicles produced by manufacturers on delivery. Most of these are trucks. This is where we spend most of our time because this is the highest volume of our procurement.

Mr. EVINS. Mr. Wyman?

PROCUREMENT INSPECTION

Mr. WYMAN. You have $690 million you just referred to as more or less goods in inventory to inspect, that is by 366 personnel in the regional offices and 61 in your central office. Does this inventory change, does it turn over each year?

Mr. ABERSFELLER. Actually, Mr. Wyman, this is not inventory, these are the procurements we make each year.

Our inventories hover around $220 to $230 million. We turn our stock generally about three times a year.

Mr. WYMAN. But that procurement is what inspectors inspect?

Mr. ABERSFELLER. That is right.

Mr. WYMAN. Once it has been procured, they no longer continue to inspect it?

Mr. ABERSFELLER. We do continue to inspect shelf life items, that is items which deteriorate in storage. We have a program that requires periodic inspection of those items.

Mr. WYMAN. Do you have a tickler system so you know where your shelf life items are?

Mr. ABERSFELLER. We have all the shelf-life items recorded. Actually, this is automated for us and when the time comes up for items to be inspected, the computer kicks this out of memory and produces a card. This is sent to the warehouse where the inspector takes those cards that have come up for inspection that month, selects that merchandise, and either has it laboratory tested or does whatever testing is necessary to be sure it is still in good issuable condition.

TRAVEL REQUIREMENTS

Mr. WYMAN. In this connection, you have very substantial travel items of $160,000 and $170,000 for motor pool services.

Mr. ABERSFELLER. Yes, sir.

Mr. WYMAN. How do you arrive at that? Is that an estimate or against last year's expenditure?

Mr. ABERSFELLER. That is measured against the actual projected to the future as we get additional contractors. As we take these additional items over from Defense, we increase the number of items we have to inspect.

OTHER SERVICES—PAYMENT TO ADP FUND

Mr. WYMAN. In other services where you have almost half a million dollars, you have $248,000 for payment to other GSA funds. What is that?

Mr. ABERSFELLER. This is principally for automatic data processing, because of the automation we have in the management of our quality control system. We have to pay those bills.

Mr. WYMAN. Are we not appropriating twice then for this?

Mr. ABERSFELLER. No, sir.

The automatic data processing fund is a revolving fund not subject to appropriation unless additional capital is required, which is not true this year.

Mr. WYMAN. Not to belabor the point, but when you pay the $248,000, does that become an annual recurring expense?

Mr. ABERSFELLER. $176,000 of that goes to pay the automatic data processing support.

Mr. WYMAN. What do you mean, for programers or what?

Mr. ABERSFELLER. The whole range of ADP services. Each activity served by our Federal data processing centers pays an amount of money for the ADP service they require. In this particular case, funds from operating expenses, FSS, are used to reimburse the ADP fund. Both are under my jurisdiction but are separately managed. The ADP fund is on a self-supporting basis. Everything we do is on a paying basis.

Similarly, FSS pays the Public Building Service something in excess of $6 million a year for the space they provide for out of the Public Buildings Service buildings management fund.

Mr. WYMAN. Does somebody show a credit in another part of the budget in the same amount?

Mr. JOHNSON. Yes, sir; that is shown as a source of funding for the fund to which it is paid and therefore there is no appropriation required in that fund.

Mr. WYMAN. Could you give one example at this point of how and where that would occur?

Mr. JOHNSON. Yes, sir. The item he pointed out a moment ago would be a cost of $176,000 to this activity. It would be a reimbursement or a cash receipt to the ADP revolving fund and therefore would be available to pay for the service rendered.

Mr. WYMAN. So this would be the only item that would involve an actual appropriation for this revolving fund?

Mr. JOHNSON. That is correct. That is true on all of GSA's funding from these revolving funds. Just like it was in the buildings management fund we discussed yesterday. It is a cost in only one place.

Mr. WYMAN. Thank you.

INSPECTION UNIT COSTS

Mr. MCDADE. On page II–13, where you break out your unit costs for inspection, I note that unit costs on schedules is actually higher than stores unit costs. Why is that the case?

I thought you explained that on your schedules GSA negotiates the term contract and other agencies engage in direct buying.

Mr. ABERSFELLER. Other agencies order against those schedules but the schedules we inspect are primarily competitive schedules where one contractor has the entire amount. We inspect that material in the same fashion as stores and nonstores.

On the Federal supply schedule program, the inspections we make of the $54 million worth of material are identical to that we do for stores and nonstores; we want to be certain that the material we provide does meet the specification requirement.

I might point out, Mr. McDade, we do have a variety of kinds of contracts under the schedules program. We have what we refer to as multiple award. These are essentially the typewriters, the automatic data processing equipment, laboratory equipment where the user has a choice as to the brand or type he wants.

Then we have another group which are truly competitive, that is to say there is only one successful contractor and it is those we concentrate on.

SUPPLY STANDARDIZATION

Mr. EVINS. Your next item is "Supply standardization."

Place in the record II–16 and II–17.

(The pages follow:)

4. SUPPLY STANDARDIZATION

	Amount	Average employment		
		Central office	Field	Total
1969	$4,876,000	300.5		300.5
Change				
1970	4,876,000	300.5		300.5

HIGHLIGHT

"Qualitative requirements of Federal agencies are reflected in Federal specifications, Federal standards, and Federal item identifications which are mandatory for use in procurement. In 1970, the standardization program will consist of the promulgation of 960 Federal specification and standards actions and 215,000 cataloging actions." (From the budget for 1970.)

JUSTIFICATION

	1968	1969	1970
Supply standardization	$3,952,114	$4,876,000	$4,876,000
(a) Specifications and standards:			
Actions	919	960	960
Unit cost per action	$1,806	$2,419	$2,419
Performance cost	$1,659,355	$2,322,000	$2,322,000
(b) Cataloging:			
Actions	181,920	215,000	215,000
Unit cost per action	$12.60	$11.88	$11.88
Performance cost	$2,292,759	$2,554,000	$2,554,000

The 1970 program for this activity is based on no increase of funds over the amount programed for fiscal year 1969. Activity in this area consists of the development and issuance of Federal specifications and standards governing the character and quality of items to be procured by Federal agencies, and of assuring that the items purchased for Government use are of the minimum quality that will adequately serve the need and afford the greatest possible level of competitive bidding. Under the 1970 program, we expect to produce approximately the same number of specifications that are programed for fiscal year 1969.

This activity also performs all of the necessary cataloging actions to identify items, assign Federal stock numbers to them, and maintain them in the Federal catalog system. These actions are necessary to assure that all information is in conformity with the latest promulgated cataloging actions and systems.

The unit cost of $2,419 per specification and standards action for 1969 and 1970 includes $90 for the pay raise attributable to the Federal Salary Act of 1967, which was effective on July 14, 1968. The pay raise accounts for $0.39 of the unit cost of $11.88 per cataloging action for both 1969 and 1970.

Explanation of distribution by objects—(See activity data sheet.)

11 Personnel Compensation and Staffing.—$3,051,300 for 320 positions, all in the central office.

	1968	1969	1970
Total positions	309.0	320.0	320.0
Average employment	249.4	300.5	300.5

12 *Personnel benefits, $231,000.*—$192,700 for contribution to the retirement fund; $21,200 for health benefits; $15,200 for group insurance and FICA; and $1,900 for uniform and moving allomance.

21 *Travel and transportation of persons.*—$24,000. $22,800 for 840 days travel to attend meetings of technical societies, associations, industry groups, and defense supply centers in connection with the development and maintenance of Federal specifications and the Federal catalog system; and $1,200 for motor pool services.

22 *Transportation of things, $4,000.*—General transportation costs including Government-wide distribution of catalogs of items managed by GSA.

23 *Rents, communications, and utilities.*—$80,200. $58,700 for general telephone services, $16,200 for rental of data transmission equipment; and $5,300 for rental of administrative equipment.

24 *Printing and reproduction, $525,500.*—$450,000 for GSA catalogs; $66,500 for specifications; and $9,000 for orders, pamphlets, and general printing.

25 *Other services, $913,000.*—$150,000 for cataloging services provided by DOD; $459,000 for ADP services; $86,700 for janitorial, guard, maintenance, and

miscellaneous services reimbursable to the buildings management fund; $100,000 for support services provided by NBS; and $117,300 for health room charges and payments to other GSA funds.

26 *Supplies and materials, $47,000.*—$24,700 for supplies and materials; $5,000 for materials to be expended in testing; and $17,300 for operating forms and technical publications.

Mr. EVINS. You are asking $4.876 million for this and 300 jobs, all in the central office?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. You catalog your items, you have standards and specifications, if you do your work well you do not need too much inspection, do you?

Mr. ABERSFELLER. Actually, quite the contrary, Mr. Chairman. The more of this work we do, the more inspection we need to be certain that the items for which we have developed specifications and standards are in fact the items we accept.

CATALOGING

Mr. EVINS. How many listings of products in your catalog?

Mr. ABERSFELLER. We have about 700,000 items on the Federal supply schedules, excluding spare parts. If we include spare parts it is closer to 16 million.

Mr. EVINS. Seven hundred thousand items, not including parts?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. How many spare parts?

Mr. ABERSFELLER. If we include spare parts, it would be about 16 million items.

Mr. EVINS. You have a lot of spare parts listed for Defense, have you not?

Mr. ABERSFELLER. For Defense and civilian agencies, both.

Mr. EVINS. You have to have a computer to keep up with them?

Mr. ABERSFELLER. Most of these items do not have stock numbers, they are tied in directly to the particular manufacturer's part number.

Mr. EVINS. Suppose Defense needs parts of a helicopter. How do you find them right quick?

Mr. ABERSFELLER. We do not provide parts for that kind of weapons system to Defense. Ours are commercial type items in the main.

Mr. EVINS. Then a car in a motor pool breaks down.

Mr. ABERSFELLER. On that particular kind of thing, we do have a schedule for automotive parts.

Mr. EVINS. Specify the type of parts that are listed for which you would supply the Department of Defense.

Mr. ABERSFELLER. We would have the complete range of automotive parts, complete range of typewriters, and typewriter parts, all office equipment parts.

Mr. EVINS. Do you have all of these parts listed on computer?

Mr. ABERSFELLER. No, sir.

SPECIFICATIONS AND STANDARDS

Mr. EVINS. How do you find them. What are your standards? How do you set them for a typewriter?

Mr. ABERSFELLER. We do not have a specification or standard for typewriters except a portable typewriter, which we finished last year.

Mr. EVINS. The more standards you make, the more inspections you have to make to see they live up to the standards?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. You speak about 215,000 cataloging actions. What is a cataloging action?

CATALOGING ACTIONS

Mr. ABERSFELLER. A cataloging action is any action we take that results in revising either the stock number itself or any of the other data that affects the cataloged item description. Actually, the Department of Defense through Defense Logistics Service Center at Battle Creek——

Mr. EVINS. If model changes or a part changes, you have to get out a new catalog?

Mr. ABERSFELLER. In that particular case, automobiles are not cataloged.

Mr. EVINS. If some item is changed, you have to change the catalog?

Mr. ABERSFELLER. Yes, sir. Let's assume the ashtray which is cataloged was changed, changed dimensions or changed material composition. There would be a requirement to change the catalog to describe it.

Mr. EVINS. How many people do you supply the catalog of your standards to? How many procurement people are familiar with your catalogs and standards?

Mr. ABERSFELLER. The cataloging information is made available, Mr. Chairman, to all of the procuring agencies in Government. Procurement agents are all familiar with it. Standardization and specification activities or publications are made available to everyone. I think most procuring people in Government are familiar with it.

AUTOMATED ORDER PROCESSING

I do want to point out we have an automated system which requires only a knowledge of the stock number. If an agency requires goods and they keep a bank of these prepunched preprinted cards, they simply introduce that into the communications system and, upon receipt in our regional offices, this generates then a shipping document and all of the essential documents for the shipment of goods.

Mr. MCDADE. What did you mean, to introduce in the communications system?

Mr. ABERSFELLER. Let's take the military as an example. They have a worldwide network at every post, camp, or station. If they want to order from us, they introduce the order into the AUTODIN system, that is they introduce these punched cards into a piece of equipment which translates the holes in those cards into impulses or sounds across telephone wires.

In the case of the military, that information goes to Tinker Air Force Base, where it is relayed to our Kansas City facility and from there is run against a master file which knows which region is responsible for servicing that customer, and automatically redirects it. It is untouched by human hands as it were, and when it finally gets to San Francisco, it is on the magnetic tape at this point, and is recorded as an order for San Francisco to fill. The computer then prints out, for the stores people, the list of orders they have. It takes these orders for

them and tells when they must get out of the warehouse and shipped to the customer to meet the priority time frame.

Automatically the computer produces the shipping document, the bin selection tickets, and the whole range of documentation we need to move the merchandise.

Mr. McDade. How long does that take?

Mr. Abersfeller. If you were in Europe and you got immediate access to the system, it would take a matter of minutes to get your requisition to San Francisco. Now that means immediate access. This is not always so. There are times when there are delays in the system. We are switching over now to a thing called auto-addresser for military orders. One is located at Gentile Air Force Station in Ohio and another in Sacramento, Calif., to serve the overseas and domestic areas.

In this particular case, Gentile is automated and has location on it. So when the requisition for military customers hits it, it identifies the item by stock number, directs it to the activity that has the responsibility for providing supply support, goes into our system, we run against our master file and it goes directly to the region having that responsibility.

INVENTORY ADJUSTMENTS

Mr. McDade. Is your system, at the same time that it is directing certain actions to be taken in accordance with the requests for procurement, making adjustments in what your inventory ought to be?

Mr. Abersfeller. Yes, sir. In fact, as each order comes in it adjusts the monthly demand factors. These become part of several mathematical formulas that take into account any unusually high or low quantities, and reject those for human review. It makes adjustments in inventories available for issue, it creates back orders, and creates what we call buy cards. These then come out in a form of an interpreted punchcard for the buyer, and tells him you have 30 days of stock left and you better order some more or you are going to be out of stock.

STOCK AVAILABILITY

Mr. McDade. Have you largely eliminated the problem of being out of stock as a result of this system?

Mr. Abersfeller. We have a very good record, Mr. McDade, but I am never really very satisfied. Right now we have 90 percent availability which we think is good. We have better availability than anyone else has. We have achieved that record with a very modest amount of inventory.

As I was telling Mr. Wyman earlier, we turn our stock about three times a year, which I think is quite good.

OTHER SERVICES

Mr. Evins. We note your other services are going up from 1968—$792,202 to $913,000. I note that there are increases throughout other services. Why are these increasing?

Mr. Abersfeller. In standardization, sir?

Mr. Evins. Yes, under standardization.

Mr. Abersfeller. We have no increase between 1969 and 1970, sir.

Mr. EVINS. 1968 and 1970.

Mr. ABERSFELLER. The other services in standardization are principally payments to other agencies and other GSA funds.

Mr. EVINS. Do you have a question, Mr. Wyman?

Mr. WYMAN. Just a simple one.

ADP OPERATION

How long did it take you to build up this ADP system and get it into operation? Over how long a period of time?

Mr. ABERSFELLER. It has been operative now about 8 years. We are continually improving. It started about 8 years ago.

Mr. WYMAN. It has not been as diversified over the 8 years?

Mr. ABERSFELLER. We continue to find things we can do on the equipment, which is cheaper than doing with clerical help.

MAXIMUM ORDER EXCEPTION

Mr. WYMAN. What about when a typewriter makes a slip on one zero or gets a code number wrong. You have quite a problem, do you not?

Mr. ABERSFELLER. Yes, and we have compensated for it. We have built into our system what we call a maximum order exception so if an order came in which seems large, the machine compares it with a dollar limitation and it would kick out for human review. We then check to see who the ordering activity is, call them if necessary to decide whether it was right or not. We challenged during a recent 15-month period about $240 million worth of requisitions we received from customers and, as a result of those challenges, we canceled more than $90 million with the agency's concurrence.

Mr. WYMAN. Is the computer set so it will kick out on certain limitations?

Mr. ABERSFELLER. Yes; certain limitations, either units or dollars.

SLOW-MOVING STOCK ITEMS

Mr. EVINS. How much dead stock do you have in the system? How much has not turned over in the last 6 months or 1 year?

Mr. ABERSFELLER. We have about $12 million worth of handtools, Mr. Chairman, we would put in the dead stock category; that is, they have not moved for the last year and a half.

Mr. EVINS. Does it pay to stock these slow-moving items?

Mr. ABERSFELLER. No, sir. We have requested Defense to eliminate many of those items from the system. Most of these are items we took over from them since 1964.

SUPPLY MANAGEMENT

Mr. EVINS. We will take a look at supply management, and place in the record II–19 and II–20.

(The pages follow:)

OPERATING EXPENSES, FSS—5. SUPPLY MANAGEMENT

	Amount	Average employment		
		Central office	Field	Total
1969	$1,240,000	52.1	20.0	72.1
Change				
1970	1,240,000	52.1	20.0	72.1

HIGHLIGHT

"Supply management activities will continue to place emphasis on agreements between GSA, the Department of Defense, and the civil agencies for the governing of supply management relationships. Studies and recommendations will continue to be made in order to improve the internal supply systems of Federal agencies. Priority support to the Department of Defense and the Agency for International Development requirements in Southeast Asia will receive continued emphasis" (From the budget for 1970).

JUSTIFICATION

The budget for 1970 in this activity remains constant with the 1969 level of $1,240,000. This program will continue to promote the effective and economical management and supply of commodities and services within the Federal Government. Supply policies, procedures ,and systems of other agencies will continue to be improved through studies of their supply programs and through issuance of additional regulatory and procedural guidance.

GSA and the Defense Supply Agency, DOD, will jointly review additional commodities which are now centrally managed by DSA to determine those which will be managed by GSA for all agencies, both military and civilian, and those which will continue to be managed by DSA for military services.

Emphasis will be placed on support of requirements for military activities and programs of other agencies in Southeast Asia. The design and installation of improvements in the automation of the GSA supply system will be continued to assist in improving effective support to all agencies and to achieve greater compatibility between the GSA and DOD automated systems.

Explanation of distribution by objects (see activity data sheet).

11 *Personnel compensation and staffing, $1,045,000.*—For 80 positions distributed as follows:

	1968	1969	1970
Central office	58.0	59.0	59.0
Field	19.0	21.0	21.0
Total positions	77.0	80.0	80.0
Average employment	69.8	72.1	72.1

12 *Personnel benefits, $84,000.*—Includes $73,000 for direct contribution to retirement fund, $7,000 for group insurance, and $4,000 for health benefits.

21 *Travel and transportation of persons, $50,000.*—$45,000 for 1,700 days travel to field offices of other agencies for supply management studies, to military and civil field agencies for coordination of national supply system, to regions for maintenance of the nationwide supply data systems, travel by supply service officers for domestic and overseas activities, and miscellaneous travel for emergency preparedness and training; and $5,000 for rental of motor pool vehicles.

22 *Transportation of things, $2,000.*—For movement of household effects of permanently transferred employees.

23 *Rents, communications, and utility service, $16,000.*—$12,000 for telephone, telegraph, and teletype services; and $4,000 for amortization of equipment.

24 *Printing and reproduction, $24,000.*—For insurance of revised or newly developed regulatory material and bulletins relating to supply.

25 *Other services, $14,500.*—Payments to commercial contractors, other GSA funds, and other Government agencies for services provided.

26 *Supplies and materials, $4,500.*—For supplies, technical publications, and operating forms.

Mr. EVINS. You say priority is given to Defense requirement and International Development Agency for Southeast Asia. This will be continued in 1970. You are asking for $1,240,000 for supply management. Is this largely for these two agencies?

Mr. ABERSFELLER. The supply management activities are available to help the entire Government. We make studies and this is our policy group, and we do provide a special support to the AID.

Mr. EVINS. Cannot some of these functions be consolidated?

Mr. ABERSFELLER. We think they are consolidated to the maximum extent they can be now, Mr. Chairman.

AUTOMATED DATA MANAGEMENT SERVICES

Mr. EVINS. Take a look at automatic data processing. Here you are asking for $2,420,000, the same as last year, and you have a hundred jobs.

Mr. ABERSFELLER. Yes, sir, 117.

Mr. EVINS. Under the Brooks bill GSA was given the responsibility for developing and operating a Government-wide program to provide for the economic and efficient procurement, maintenance, operation, and utilization of automatic data processing equipment, related supplies and services in the Federal Government. I see somewhere in your justification that all Government agencies are not utilizing the service of GSA for the purchase of their ADP equipment.

How extensive do the Government agencies use your service for purchase of ADP equipment?

Mr. ABERSFELLER. Actually, all the Government agencies are required to come to us on the procurement of ADP, including——

Mr. EVINS. A lot of them purchase direct; do they not?

Mr. ABERSFELLER. Only where it involves a weapons system, Mr. Chairman.

If, for instance, they were going to put a computer into a missile, that would not come to us.

Mr. EVINS. We try to help you with business in here. When the agencies come in and ask for ADP equipment, we tell them to go to GSA who has the responsibility. We refer you some customers, we think.

Mr. ABERSFELLER. Very good, sir, and we do very well with those referrals.

Mr. EVINS. Do all civilian agencies use your service?

Mr. ABERSFELLER. Yes. And the military as well. The responsibility is Government wide.

Mr. EVINS. What are the exceptions? I understand that some of them are not using it.

Mr. ABERSFELLER. The exceptions are generally twofold broadly: Weapons system and contractor-operated equipment. This would be equipment where the contractor buys it himself, but it is a principal Government contractor. We do delegate authority to other agencies to buy. We do not buy it all.

PROCUREMENT OF ADP EQUIPMENT BY GOVERNMENT AGENCIES

Mr. EVINS. Tell us what you are doing in this area, your procedure, and how you advise the agencies.

Mr. ABERSFELLER. The agencies are required by our regulations to come to us first at the time they develop a solicitation to invite bids on a procurement. When we get that, we examine the Government-wide inventory of automatic data processing equipment and determine whether or not there is available, currently or in the near future some equipment that will do that job.

Mr. EVINS. You let them know there is spare time available and pieces of equipment available?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. If they might be requesting a certain piece of equipment that you do not think is proper, do you make a recommendation?

Mr. ABERSFELLER. No.

Actually, that gets a little sticky. The law does not permit GSA to challenge the agency's need to put work on computers. If they decide they need to do something——

Mr. EVINS. You are in the standardization business?

Mr. ABERSFELLER. In this particular case, there is a particular provision of the law which says we shall not challenge the agency's requirement.

Mr. EVINS. What you are doing then is just telling the agencies there are certain pieces of equipment available in the VA or somewhere in the Government and they can utilize this if they wish it.

Mr. ABERSFELLER. No, sir; that is different from the agencies' requirement.

Mr. EVINS. Tell us what you are doing. You cannot tell them what kind of equipment to purchase?

Mr. ABERSFELLER. Yes, sir; we can tell them that but we cannot tell them they do not need the equipment at all. We have to satisfy the requirement either by using available time, by transferring excess equipment to them or buying new for them. It runs in that sequence. We check the available time first. If the job can be done on available time, we tell them to do it that way.

REDISTRIBUTION OF EXCESS EQUIPMENT

Mr. EVINS. Do you have knowledge of excess equipment?

Mr. ABERSFELLER. Yes, it is reported to us.

Mr. EVINS. You tell them where the excess time is available?

Mr. ABERSFELLER. On the time we tell them where it is available and make the arrangements for them to use it.

Mr. BOLAND. In the past year, what have you actually transferred in excess equipment? An agency calls you and says do you have machine X in stock, is it possible to get it transferred. This is your responsibility, is it not, to let them know you do have it and transfer it to them?

Mr. ABERSFELLER. Yes, sir.

Mr. BOLAND. How much was this last year?

Mr. ABERSFELLER. We transferred, in 1968, $72.8 million worth of excess automatic data processing equipment. For the first 8 months of this year we transferred $50 million worth.

In the years 1966 through February of 1969, we transferred $256 million worth, and the number of systems involved were 104.

Mr. EVINS This is the actual facility, the machine itself?

Mr. ABERSFELLER. Yes, sir.

Mr. BOLAND. That is a good record.

ADP EQUIPMENT PURCHASES

Mr. ABERSFELLER. In addition to that, because of the ADP fund which this committee financed for us a couple of years ago, we have been able to make some terrific buys.

For example, we bought a Burroughs 5500 computer that NASA was leasing for $831,000 a year. They had a short-term need for it which did not warrant purchase. Interior needed a piece of equipment for Denver, Colo. We bought that particular piece from Burroughs for $970,000, slightly more than 1 year's rent. It is now in Denver, Colo., where it will be used by the Bureau of Mines. This purchase reduced Government costs by $1 million.

ADP SHARING

Mr. EVINS. You are telling these agencies there is excess time available and they can use it if they want to. You cannot make them use it?

Mr. ABERSFELLER. We can make them use the time and we do.

Mr. EVINS. You do not do that. You just buy them another machine. You either tell them there is surplus time available or tell them you have a machine you will let them have.

Mr. BOLAND. Do you have figures on that?

Mr. ABERSFELLER. On time; yes, sir.

Last year we provided sharing which had a value at Government prices of $43 million. The cost avoidance on that sharing as compared to commercial prices was $49.5 million, the total cost at commercial rates for this amount of machine time would have been $92.4 million.

Mr. EVINS. What is the advantage of GSA doing this rather than the commercial companies selling direct to the agencies themselves?

Mr. ABERSFELLER. In some cases it is more economical to have the agencies buy it from a contractor and we encourage that when it is the case. In most cases it is much more economical to have one Government agency come to another Government source to share this time.

FEDERAL DATA PROCESSING CENTERS

As an example of this, in March of this year we created a Federal data processing center in Huntsville, Ala.

Mr. EVINS. You say you have 11 of them?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. Eleven centers with all of the personnel and all you can do is advise these people. If they do not want this particular thing you advise them, they go ahead and buy what they want to anyhow.

Mr. ABERSFELLER. No, Mr. Chairman. The law provides if there is a dispute on this issue between ourselves and the agency, we take it up with the Bureau of the Budget. So far we have only had the need to threaten that action twice, and in both cases the agency has withdrawn and agreed with our recommendations.

I would like to point out that the agencies are most cooperative in this area. I have nothing but the best to say for the people with whom we work.

Mr. EVINS. These 11 Federal data processing centers have the facilities available that the Government agencies can use if they want to; is that right?

Mr. ABERSFELLER. If the time is available, Mr. Chairman, and they have a need and we think it can be best filled from that center, they are required to do that.

Mr. EVINS. You have one at Atlanta?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. What are you doing there for all the agencies located in those areas? Do you make them come in and use your centers?

Mr. ABERSFELLER. Yes, sir; to the extent that time is available. We do not have a great amount of time available in those centers.

Mr. EVINS. What studies have you made to determine where some of this work can be done cheaper commercially?

Mr. ABERSFELLER. The studies we have made so far have been restricted pretty much to the Huntsville situation. There our studies showed savings of $700,000 annually compared to doing it commercially.

In the case of the Federal data processing centers that we operate. the remaining number, generally our prices are about half the price of commercial costs to a commercial user.

Mr. EVINS. This is for the use of the facilities in your centers?

Mr. ABERSFELLER. Yes, sir.

Mr. JOHNSON. Actually for internal use within GSA, we have priced the service we get from the center and service we have to buy from the commercial markets, and it is just about 50-percent cheaper to take our service from the center.

Mr. EVINS. Did you establish the 11 centers just to have the equipment available for the Government agencies to use, or for your own purposes?

Mr. JOHNSON. We originally established these centers a number of years ago for GSA internal purposes. When the Brooks bill came along requiring us to provide governmentwide service, we put this in to form the nucleus of the governmentwide centers, which meant we had equipment and trained personnel all available at that particular point to go into a goverrntmentwide operation. All of them were originally started out as internal operations.

COST REDUCTION

Mr. EVINS. We believe in efficiency and we believe in consolidation and if you can buy automobiles for the Government, you can also buy computers for the Government. But I have just questioned some of your claims of savings in this business. I just did not believe you can make a showing of all of the savings that you claim in here. Place in the record pages II–22 through II–24.

(The pages follow:)

OPERATING EXPENSES, FSS—6. AUTOMATED DATA MANAGEMENT SERVICES

	Amount	Average employment		
		Central office	Field	Total
1969	$2,420,000	100.4	16.8	117.2
Change				
1970	2,420,000	100.4	16.8	117.2

HIGHLIGHT

"During 1970, the resources for this program will be devoted to such functions as procurement assistance, contracting, determination of sharing resources, establishment, maintenance, and publication of ADP management information, reutilization of equipment, furnishing technical assistance, and performing technical research." (From the budget for 1970.)

JUSTIFICATION

In the October 30, 1965 amendment to the Federal Property Act (79 Stat. 1127, Brooks bill), GSA was given the responsibility for developing and operating a Government-wide program to provide for the economic and efficient procurement, maintenance, operation, and utilization of automatic data processing equipment, related supplies, and services in the Federal Establishment.

Significant contributions have been made to the overall efficiency and economy of the Government in:

A. The establishment of 11 Federal data processing centers in fiscal year 1968.

B. Redistribution of excess ADP equipment. Acquisition value of Government-owned excess ADP equipment transferred during fiscal year 1968 amounted to $52.8 million.

C. Sharing of existing ADP facilities. In fiscal year 1968, the value of ADP resource sharing, at commercial rates, was $92.4 million and was accomplished at a Government cost of $42.9 million resulting in a reduced cost of $49.5 million. An example of such sharing is that of the Environmental Science Services Administration of the Department of Commerce in Boulder, Colo., which provided computer time to 22 different Government activities. This one example of sharing provided by one agency, on one computer configuration, resulted in a cost reduction of $201,000.

D. The initial development and implementation of the Government-wide ADP Management Information System.

E. Improved terms and conditions and amendments to Federal supply schedule contracts negotiated with equipment manufacturers. These actions have resulted in an estimated cost reduction of $20.4 million in fiscal year 1968.

F. Procurement assistance to Federal agencies in acquiring ADP equipment. These actions resulted in a cost reduction to Federal agencies of $43.3 million in fiscal year 1968, of which $7.1 million were in the form of amendments to the terms of Federal supply schedule contracts and are included in the cost reduction of $20.4 million above.

G. Third party leasing arrangements. GSA has encouraged and/or arranged for the leasing of equipment from other than original equipment manufacturers at an estimated savings of $1 million through fiscal year 1969.

H. Effective use of the ADP fund. ADP equipment purchases to date through the use of the ADP fund will result in a savings of $4.4 million over the contract periods. The most significant example of this use of the ADP fund was the purchase of eight formerly rented computer systems for the Internal Revenue Service. The Government cost reduction for this one transaction will be approximately $2 million over the 5-year period of expected use by Internal Revenue Service. The effective use of the ADP fund is separately described in greater detail in this submission under the tab marked "Automatic data processing fund."

Additional objectives for fiscal year 1970 are as follows:

A. GSA will continue on a limited basis as the central ADP procurement agent for the Federal Government. GSA expects to handle the same number of procurement actions in fiscal year 1970 as programed for fiscal year 1969. This will amount to 36 out of 216 projected agency procurement actions.

B. GSA will continue its efforts to determine what sources of ADPE maintenance would be most beneficial to the Government.

C. GSA will conduct feasibility studies leading to the expansion of the Federal data processing centers. The volume of services provided by Federal data processing centers is shown in the automatic data processing fund part of this budget submission.

D. A concentrated effort will be devoted to refining the present MIS and on analyzing information provided by the MIS.

E. GSA will continue its efforts to achieve greater utilization of excess ADP equipment. Acquisition value of such excess equipment established as goals for fiscal year 1969 and fiscal year 1970 is $75 million.

Explanation of distribution by objects (see activity data sheet).

11 *Personnel Compensation and Staffing, $1,572,400.*—For 130 permanent positions distributed as follows:

	1968	1969	1970
Central office	70.0	110.0	110.0
Field	16.0	20.0	20.0
Total positions	86.0	130.0	130.0
Average employment	67.4	117.2	117.2

12 *Personnel benefits, $120,500.*—Includes $101,500 for contribution to the retirement fund; $7,900 for health benefits; $5,000 for group life insurance; $600 for FICA; $500 for cash awards; and $5,000 for moving allowances.

21 *Travel and transportation of persons, $31,800.*—$29,300 for 1,085 days of travel broken down as follows: 234 days to contact other information centers in connection with the Government-wide ADP management information system and to carry on discussions and negotiations for establishing common ADP service efforts; 156 days to contact other agency ADP installations to promote full utilization of ADP through the ADP joint utilization program; 132 days to participate in meetings concerning standards development efforts; 71 days to visit ADP manufacturers to evaluate the development and application of equipment technology; and 492 days to assist agencies in Government negotiations for ADP hardware and software; $2,500 for motor pool services.

22 *Transportation of things, $2,200.*—For normal commercial transportation services.

23 *Rents, utilities, and communications, $18,000.*—$4,100 for administrative equipment rental; and $13,900 for telephone, teletype, and telegraph services.

24 *Printing, $14,400.*—For printing of "Inventory of Automatic Data Processing Equipment" and other reports generated by the Government-wide ADP management information system, and for printing of the ADP Federal supply schedules.

25 *Other services, $647,800.*—$324,300 for payments to other Government agencies; $200,000 for programing and machine time for the Government-wide ADP management information system; $100,000 for payments to commercial contractors, and $23,500 to other funds for various services rendered.

26 *Supplies and materials, $12,900.*—For normal administrative and office supplies.

ADP FUND

You have another table here, automatic data processing fund. We will place this in the record, II–32.

(The page follows:)

GENERAL STATEMENT

The Automatic data processing fund was authorized by Public Law 89–306, to coordinate and provide for the economic and efficient purchase, lease, and maintenance of automatic data processing equipment for Federal agencies.

The fund finances on a reimbursable basis a Government-wide automatic data processing operation, including the procurement by lease, purchase, transfer or otherwise of ADP equipment, maintenance of equipment, and operation of service centers and related functions.

Budget program.—The estimate provides for a continued increase in data processing services to Government agencies in 1969 and 1970. Sales are estimated to increase from $17,043,000 in 1969 to $24,079,000 in 1970.

1. *Data processing.*—Provides for the operation of Government-wide Federal data processing centers for use by Government agencies. Other related services also provided are: Pools of programer analysts and equipment operators to assist other agencies on an as required basis; joint use facilities for common central ADP services of an installation operated by an agency under GSA policy guidance and/or financing; maintenance centers which will provide repair and maintenance service for Government-owned equipment; time sharing centers where a single computer serves multiple users at various locations, thereby eliminating the need for multiple computer sites, and a magnetic surfaces laboratory to develop test methods for specifications and perform acceptance testing on all magnetic tapes procured through Federal supply schedules.

In 1968 the ADP working fund operation in GSA was consolidated into the ADP fund to form the nucleus of the Federal data processing centers operation. Expansion of the center operations and other related operations in 1969 and 1970 are estimated to increase the revenue from sales of $13,178,000 in 1968 to $15,243,000 in 1969 and $20,249,000 in 1970.

2. *Lease program.*—Finances the purchases of ADP equipment and software programs from manufacturers for subsequent lease to Federal agencies when a distinct economic advantage will accrue to the Government. Reimbursement by Federal agencies which lease the equipment from the ADP fund recovers the depreciation on the equipment plus the cost of operating the lease program. The cost to these Federal agencies as a result of leasing equipment from the ADP fund is substantially below the cost of leasing the same equipment from the equipment manufacturers. Revenue from lease is estimated to increase from $1,800,000 in 1969 to $3,830,000 in 1970.

HIGHLIGHTS OF USE OF ADP FUND

1. As of December 31, 1968, hardware purchased through use of this fund, which had formerly been leased by Federal agencies, amounted to $4.1 million. Reduced costs to the Government over the various periods of intended use (3–5 years) will total more than $4.4 million.

2. *Federal data processing centers.*—With the consolidation of the GSA ADP working funds into the ADP fund, 11 Federal data processing centers were established in fiscal year 1968. They will provide a full range of ADP services to GSA and other Federal agencies growing from a value of $13.2 million in fiscal year 1968 to $15.2 million in fiscal year 1969, and to $20.2 million in fiscal year 1970.

Example: An additional Federal data processing center in Huntsville, Ala., opened during fiscal year 1969, will produce cost reductions of $700,000 (approximately 50 percent below commercial prices) during fiscal year 1970, its first full year of operation.

AUTOMATIC DATA PROCESSING FUND

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs, funded: Data processing (total operating costs, funded)	12,235	12,912	16,370
Capital outlay, funded:			
1. Data processing		2,200	4,230
2. Lease program	1,836	4,600	
Total capital outlay, funded	1,836	6,800	4,230
Total program costs, funded	14,071	19,712	20,600
Change in selected resources [1]	75	75	
Total obligations	14,146	19,787	20,600
Financing:			
Receipts and reimbursements from: Federal funds:			
Data processing	—13,372	—15,243	—20,249
Lease program	—143	—1,800	—3,830
Unobligated balance available, start of year		—9,175	—6,430
Unobligated balance lapsing	194		
Unobligated balance available, end of year	9,175	6,430	9,909
Capital transfer to general fund		2	
Budget authority (appropriation)	10,000		
Relation of obligations to outlays:			
Obligations incurred, net	631	2,744	—3,479
Obligated balance, start of year	1,060	1,599	—357
Obligated balance, end of year	—1,599	357	—150
Adjustments in expired accounts	44		
Outlays	136	4,700	—3,986

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $0; 1968, $75,000; 1969, $150,000; 1970, $150,000.

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	5,691	6,509	9,290
Positions other than permanent	55	238	350
Other personnel compensation	263	340	210
Total personnel compensation	6,009	7,087	9,850
Personnel benefits: Civilian employees	476	567	788
Travel and transportation of persons	72	54	54
Transportation of things	48	61	61
Rent, communications, and utilities	3,196	757	792
Printing and reproduction	42	42	43
Other services	1,040	2,066	2,120
Supplies and materials	1,351	2,278	2,662
Equipment	1,836	6,800	4,230
Total costs, funded	14,071	19,712	20,600
Change in selected resources	75	75	
Total obligations	14,146	19,787	20,600

PERSONNEL SUMMARY

Total number of permanent positions	822	981	1,295
Full-time equivalent of other positions	14	40	70
Average number of all employees	749	850	1,140
Average GS grade	6.8	7.3	7.3
Average GS salary	$7,781	$8,639	$8,619
Average salary of ungraded positions	$4,707	$4,888	$4,888

Mr. EVINS. The estimate provides for a continued increase in data processing services to Government agencies in 1970. Sales are expected to increase from $17,043,000 to $24,079,000 in 1970. This is the use of it.

FEDERAL DATA PROCESSING CENTERS OPERATIONS

The ADP working fund operations of GSA was consolidated into this fund to form the nucleus of the Federal data processing centers operation. The center operations and other related operations in 1969 and 1970 are estimated to increase the revenue from sales of $13,178,000 in 1968 to $15,243,000 in 1969 and to $20,249,000 in 1970.

How much has the GSA got invested in ADP equipment in ADP centers, how much is it costing annually, and how much savings do you think you are making by this operation?

Mr. ABERSFELLER. I would like to provide that for the record, Mr. Chairman. We know what the total value of the equipment is, but I am uncertain as to the cost applicable to the centers alone.

(The information follows:)

FEDERAL DATA PROCESSING CENTERS

The net value of the equipment in the Federal data processing centers was $7.4 million on March 31, 1969. The projected fiscal year 1969 operating costs for all centers is $15.2 million.

Mr. EVINS. You have 11 centers, a lot of equipment, and make a lot of claims about savings.

Mr. ABERSFELLER. Mr. Chairman, the automatic data processing operations have to be analyzed carefully before you enter into an application to be sure there is a saving attendant over alternative methods of doing that kind of work.

As an example, in our own logistics system, the supply distribution system, we have computed that it would take about 1,800 people at a cost of about $12 million to do what we are doing with ADP at a cost of about $8 million. The clerical effort here that the machines can relieve you of is very substantial.

Mr. BOLAND. Do you do all of the servicing of the automatic data processing in the 11 centers?

Mr. ABERSFELLER. You mean the maintenance?

Mr. BOLAND. The work for the various agencies that want information.

Mr. ABERSFELLER. We do not do all of it, no, sir.

Mr. BOLAND. You have a staff of 100 in the central office and 16 in the field under the automated data management services activity?

Mr. ABERSFELLER. Yes, sir.

Mr. BOLAND. What do the 16 in the field do? I imagine they are at the 11 centers, are they?

Mr. ABERSFELLER. Yes, sir. They are essentially people who have regional responsibility for the sharing program and for the coordination program as it deals with excess equipment.

Mr. BOLAND. Your people do not do the work for the agencies that utilize the machine?

Mr. ABERSFELLER. This is a different part of this operation, provided for by the revolving fund. We have about 800 people in the revolving fund who do the work.

COST REDUCTIONS

Mr. JOHNSON. On the cost-saving question a moment ago, Mr. Chairman, we have actually audited with a different staff the claimed savings in this particular area under the cost avoidance program of the

President. We have had our own internal auditors go in and audit the saving figures and get comparative prices on the same service from commercial firms. We have tried to ascertain as conservatively as possible——

Mr. EVINS. Does GSA make the studies or do the computer manufacturers make the studies for you?

Mr. JOHNSON. No, sir; the internal audit staff of GSA validified these savings. We got the prices to compare against from commercial sources.

Mr. EVINS. One place you say that your contract terms have been improved, and these improved terms and conditions have saved $20.4 million.

That is a blanket statement without any proof.

Mr. ABERSFELLER. We have the documentation of that. I would be pleased to provide it for the record.

By way of example, we recently awarded a contract for the Army under Federal supply schedule that would have amounted to over $60 million, and we were able to contract for that equipment——

Mr. EVINS. You are directly in charge of the automatic data processing services?

Mr. ABERSFELLER. It is in the Federal Supply Service. I have an Assistant Commissioner for that function.

Mr. EVINS. Is he here?

Mr. JOHNSON. No, sir.

STUDY ON MAINTENANCE OF ADP EQUIPMENT

Mr. SHIPLEY. GAO recently said that the cost to the Federal Government was around $50 million for maintenance, and GSA was conducting or in process of conducting some type of study. Will you tell us what you have done or if you intend to do this more on an in-house basis than it has been done in the past?

Mr. ABERSFELLER. We contracted for a study late last year with Boston Computer Corp.

Mr. EVINS. Is that a contractor?

Mr. ABERSFELLER. That happens to be the name. They are not affiliated with any manufacturer.

Mr. EVINS. Mr. Administrator, you better look into this. They are making a lot of claims of savings that have not been fully justified to this committee.

Mr. SHIPLEY. Could you go on with what you are going to do in the future, particularly since we have a new Administrator who may want to make changes.

Mr. ABERSFELLER. The study is being analyzed now. It states that if the recommendations made in the study are followed the Federal Government would save $9 million a year. They recommend a combination of doing the maintenance by contract and doing the maintenance in-house.

We currently have a study going on in our region 3 office where we are maintaining a small amount of ADP equipment with Government personnel. The projected savings for this at the time we undertook it was $50,000 a year. We will find out when the test is concluded as to whether we are able to realize those benefits. It would appear there is some money to be saved here.

Mr. SHIPLEY. Does not the normal maintenance on this equipment take a rather highly technical, trained person? Can this training be had in a year or two of school?

Mr. ABERSFELLER. I think a year or two of schooling would generally accommodate it. There are occasions where it becomes more complex, but you would have backup from the manufacturer. They could fly people in who were highly competent.

Mr. SHIPLEY. What percentage, at the present time, is performed in-house on maintaining this type of equipment?

Mr. ABERSFELLER. I do not have any records on that at the moment.

Mr. SHIPLEY. It is very little?

Mr. ABERSFELLER. I would guess less than 5 percent, excluding overseas. In the military forces overseas we do maintain the equipment with Government people.

Mr. SHIPLEY. GAO said all of the agencies that have attempted this or even private companies have found it is a savings and I wondered what the new policy would be.

Will you really go into this to try to set up the maintenance programs you need for this equipment, since it is going to become larger year after year?

Mr. ABERSFELLER. Of course, we have some competing requirements for resources and people sometimes, but in any event, we plan to pursue the thing so we can make a recommendation to the Administrator as to what we believe the course of action ought to be. We have not reached that point yet.

Mr. SHIPLEY. You will probably do this this year?

Mr. ABERSFELLER. We will conclude our deliberations this year.

Mr. SHIPLEY. Thank you very much.

SERVICING OF EQUIPMENT

Mr. EVINS. You buy this equipment from the manufacturers, you have to call on them to come in and repair and service them. How frequently do you have these breakdowns? How frequently is the service necessary? How costly is the service necessary? You buy from them and put them on the payroll to service them. Is this what the contract provides?

Mr. ABERSFELLER. Yes, sir. Where we have leased equipment, or where we have contracted for maintenance of Government-owned equipment.

Mr. EVINS. The manufacturers have to come into the 11 centers and service the machines; therefore, they are on the payroll of the 11 centers, in effect.

Mr. ABERSFELLER. In effect yes, sir; they would be.

Actually, we are getting some equipment now from other than original equipment manufacturers, and of course we are trying to interest other people than original manufacturers in maintaining equipment.

Mr. EVINS. Do you have substantial savings in the purchase of this equipment?

Mr. ABERSFELLER. Yes, sir.

DELEGATION OF AUTHORITY FOR PROCUREMENT OF ADPE

Mr. EVINS. "GSA will continue on a limited basis as the central procurement agency." On a limited basis you are the central procurement agency. Others are going to buy directly, I assume.

Mr. ABERSFELLER. Under delegation from us, Mr. Chairman.

Mr. EVINS. Why not all if you have the authority under the act? Why on a limited basis?

Mr. ABERSFELLER. There are a large number of procurements made, Mr. Chairman, under $50,000, and we are delegating those, and we delegate some larger ones. We simply reserve to ourselves those for which we believe we can make measureable contributions, save money.

Mr. EVINS. You say this will amount to 36 out of the 216 projected procurement actions. I suppose that is next year.

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. You are going to do 36 and the remainder will be purchased outside of GSA?

Mr. ABERSFELLER. Yes, sir.

Mr. EVINS. This is not even 50 percent.

Mr. ABERSFELLER. Mr. Chairman, true, not many of the procurement actions, but certainly a large part of the dollar volume. One of those involved in the 216 referred to as worldwide military command and control system for defense; that is projected to cost in excess of $200 million, and we will do that contracting.

We did the Air Force phase 2 contracting, which was $110 million. We are keeping the big dollar ones because that is where we make the contributions. On procurements below $50,000 we believe the agencies themselves do quite well.

COST REDUCTIONS

Mr. EVINS. How much savings do you claim GSA has made or is making as a result of your having the responsibility of purchase and maintenance and servicing of ADP equipment? What are your savings? I want the total figure.

Mr. ABERSFELLER. Mr. Chairman, I do not have a total figure. I would like to provide that for the record.

Mr. EVINS. You may supply that for the record.

One place on page II–22 you say you are saving $20 million, due to improved terms and condition to FS Schedule Contracts, on the next page you say that ADP equipment purchases to date through the use of the ADP Fund will save $4.4 million. That is $25 million. Another place you say the Government cost reduction for one transaction will approximate $2 million. That is $27 million.

I think you should more adequately document the savings. You need to get your pencil out and be sharp in dealing with equipment manufacturers.

(The information follows:)

Reduction in ADP Costs Thru Implementation of the Brooks Bill (PL 89-306)

The total cost reductions made by GSA, under the authorities contained in the Federal Property Act, as amended by the Brooks Bill, may be categorized as follows:

1.	Cost Reductions thru ADP Sharing	$ 49.5 million
2.	Procurement Assistance to Federal Agencies Resulting in Lower Costs for ADP Equipment	58.0 million
3.	Cost Reductions thru Improved Terms and Conditions and Amendments to Federal Supply Schedule Contracts	33.7 million
4.	Cost Reductions thru Third Party Leasing Arrangements	1.0 million
5.	Cost Reductions to Agencies thru Use of ADP Fund to Purchase ADP Equipment	4.5 million
6.	Cost Reductions - Magnetic Tape and Tape Seals	11.8 million
	TOTAL COST REDUCTIONS	$158.5 million

The following abbreviations have been used above and in the tables which follow:

ADP - Automatic Data Processing
BUR - Burroughs Corporation
CDC - Control Data Corporation
DSA - Defence Supply Agency, Department of Defense
DSU - Direct Support Unit Program, a data system for the Army
FSS - Federal Supply Schedule
GE - General Electric Corporation
GSA - General Services Administration
HON - Honeywell Corporation
IBM - International Business Machines Corporation
NCR - National Cash Register Corp.
PCAM - Punch Card Accounting Machines
RFP - Request for Proposals
SPEEDEX - System-Wide Project for Electronic Equipment at Depots - Extended, an Army data system

The specific details and methods of computation are as follows:

1. Computation for Cost Reductions thru ADP Sharing
($ Millions)
FY 1968

	Commercial Cost*	Government Cost*	Reduced Cost*
50 States and D.C.			
1. Equipment and Related Services			
Reimbursable	$53.6	$22.2	$31.4
Non-reimbursable	16.7	5.7	11.0
Total Equipment Services	$70.3	$27.9	$42.4
2. Analysis/Design and Programming	$10.7	$ 6.4	$ 4.3
3. Key Punching/Key Verifying	3.9	3.9	---
4. Other	3.7	3.4	.3
Total (2-4)	$18.3	$13.7	$ 4.6
TOTAL - 50 States and D.C.	$88.6	$41.6	$47.0
Overseas			
5. Reimbursable	$ 2.1	$ 1.0	$ 1.1
5a. Non-reimbursable	1.7	.3	1.4
TOTAL - Overseas	$ 3.8	$ 1.3	$ 2.5
TOTAL GOVERNMENT-WIDE	$92.4	$42.9	$49.5

* "Commercial cost" is determined by a national survey of machine services rates for machine time and current commercial rates for systems analysis/design and programming. Commercial and Government rates for key punch and key verifier services are assumed equal. "Government cost" is the cost to the Government for providing reimbursable and non-reimbursable sharing. "Reduced cost" is the difference between the cost to the Government and the cost of comparable commercial services.

2. Procurement Assistance to Federal Agencies Resulting in Lower Costs for ADP Equipment

FY 1968 and FY 1969

The cost reductions shown below represent the differences between contractors' original offers to the Agency and the final price negotiated by GSA, or the difference between original Federal Supply Schedule Contract price and the price negotiated by GSA.

a. Air Force. Negotiation and award of Phase II contract. (135 systems, 6 year life)	$36,000,000
b. Treasury. Full assistance (developed & issued RFP, evaluated proposal, awarded contract) for PCAM leaseback. (56 PCAM)	37,643
c. Army. Negotiated & awarded amendment to FSS contract for Direct Support Unit program. (350 computers, 5 year life)	4,155,000
d. Army. Negotiated & awarded amendment to FSS contract for Army Engineers (11 computers)	1,790,000
e. Commerce. Full assistance for PCAM leaseback.	80,520
f. VA. Full assistance for PCAM leaseback.	58,494
g. Air Force. Negotiated and awarded amendment to FSS contract for Air Proving Ground (2 computers, 5 year life)	1,149,540
h. Army. Negotiated and awarded contract for 13 ADP systems (SPEEDEX)	20,300,000
i. Air Force. Negotiated and awarded contract for 4 ADP systems (USAF Data Services Center) based on purchase price.	1,500,000
TOTAL	$65,071,197
Deduct amendments to Federal Supply Schedule contracts included in "Improved Terms and Conditions."	- 7,100,000
NET COST REDUCTIONS	$57,971,197

3. Cost Reductions thru Improved Terms and Conditions and Amendments to Federal Supply Schedule Contracts and Other Requirements Contracts

FY 1968 and FY 1969

		Reduced Cost
a.	Improved Terms and Conditions	
	(1) 30 Day Transfers - No Rent (IBM-1968)	$ 600,000
	(2) Use Terms (e.g. 176 to 200 hours) (1968)	500,000
	(3) Elimination of Hourly Parts Usage Charges (1968)	75,000
	(4) Delay in Date for Rental Price Increases to Become Effective (1968)	990,000
	(5) Prompt Payment Discounts (1969)	980,187
	Total	$ 3,145,187
b.	Based on FY 68 Negotiated Better Price Amendments	
	(1) Honeywell (DSA)	$ 3,100,000
	(2) NCR (DSU-Army)) This $7.1 million is shown	(4,155,000
	(3) GE (Army)) but not included in the Pro-	(1,790,000
	(4) CDC (Air Force)) curement Assistance total above.	(1,149,000
	Total	$10,194,000
c.	Based on Continued Savings as a Result of Prior Contracts	
	(1) Shorter Discontinuance Notices (1968 and 1969)	$15,000,000
	(2) 30 Day Transfers - No Rent (1968 and 1969)	1,952,000
	(3) Use Terms (e.g. 176 to 200 hours) (1969)	500,000
	(4) Elimination of Hourly Parts Usage Charge (1969)	75,000
	Total	$17,527,000
d.	Requirements Contract	
	Competitive Award which Permits Rental of IBM PCAM from Other than Original Equipment manufacturer	$ 2,600,000
e.	Consolidated Minimum Guarantee Requirements Contract	
	Combining total Government needs for magnetic tape cleaning machines afforded a reduced price from $1845 per unit to $945 per unit, resulting in total cost reduction of	$ 236,000
	GRAND TOTAL	$33,702,187

4. Cost Reductions thru Third Party Leasing Arrangements
(Cumulative Savings thru June 30, 1969)

The cost reductions shown below represent the difference between rentals paid to original equipment manufacturers and rentals paid to third party leasing companies.

Agency	When Awarded	No. of Machines	Savings %	Savings Total
Dept. of Labor-Guidance by GSA	Dec. 1965	1 computer	17.8	$ 44,100
Social Security-Guidance by GSA	Aug. 1966	1 computer	30.0	628,452
Dept. of Justice-Guidance by GSA	Sept. 1966	1 computer	12.9	34,452
Dept. of Agriculture-Awarded by GSA	Oct. 1966	190 PCAM	23.6	122,220
Dept. of Treasury-Awarded by GSA	Oct. 1967	81 PCAM	19.7	37,643
Dept. of Commerce-Awarded by GSA	March 1968	170 PCAM	24.9	80,520
Veterans Adm.-Awarded by GSA	April 1968	120 PCAM	25.9	58,494
TOTAL				$1,005,881

5. Cost Reductions to Agencies thru Use of ADP Fund to Purchase ADP Equipment

Agency	Equipment	Purchase Price	Period of Use (Years)	Savings to Fed. Gov't. Over Period of USE
Commerce-Patent Office	HON 1200	$ 251,625	5	$ 199,395
Labor	IBM 7074	614,096	5	1,134,199
NASA-Interior	BUR 5500	969,759	3	983,142
Treasury-Internal Revenue Service	HON 200	2,017,251	5	1,948,424
Civil Aeronautics Board	IBM 360/20	253,944	4	143,256
Health Education & Welfare	IBM 360/30	162,590	5	45,306
TOTAL				$4,453,722

6. a. Cost Reductions in Purchase Price of Magnetic Computer Tape

Average Price before Specification Developed	$	26.00 per reel
Average Price after first Using Specification for 68-69 Requirements		13.00 per reel
Latest Average Price for 69-70 Requirements		11.89 per reel
Estimated Cost Reduction 1968-1969	10,000,000	
Estimated Cost Reduction 1969-1970	1,200,000	
Total Annual Recurring Reduced Costs		$11,200,000

b. Cost Reductions in Purchase Price of Magnetic Computer Tape Seals

Price before Specification Developed	$	1.43 each
Price after First Using Specification		0.385 each
Cost Reduction per Seal		1.045 each
Annual Recurring Cost Reduction Based on Annual Purchases of 600,000 Seals		$ 630,000
TOTAL COST REDUCTION		$11,830,000

ADMS EMPLOYMENT

Mr. EVINS. Last year in the 1969 budget, the supply service requested $1.790 million, and average employment of 86 for Automated Data Management Services activity. The 1970 budget indicates the supply service will obligate $2,420,000 and have average employment of 117.2. It goes up from employment of 86 to 117. What made this increase necessary?

We note that the largest increase is in the headquarters where average employment is now 100 for 1970 as compared with 70 in the 1969 budget estimate.

Mr. ABERSFELLER. Yes, sir; the increase is essentially in two parts. One, the management information system, which is the system we use for collecting and analyzing information on ADP from all Government agencies so we can make these judgments we referred to, and secondly, by increase of the procurement staff. We had some small increases in other areas, but those two principally.

AGENCY PROCUREMENT ACTIONS

Mr. WYMAN. Out of the 216 projected agency procurement actions, you say 180 you will not handle. Are most of those $10,000 or under?

Mr. ABERSFELLER. Most would be $50,000 and under.

SERVICE DIRECTION

Mr. EVINS. Let's take a look at the service direction, the next item. Place in the record II–26.

(The page follows:)

7. SERVICE DIRECTION

	Amount	Average employment		
		Central office	Field	Total
1969	$1,995,000	40	51.6	91.6
Change				
1970	1,995,000	40	51.6	91.6

HIGHLIGHT

This activity provides for the Office of the Commissioner, FSS, in the Central Office, Office of Regional Director, FSS, in each of the regional offices, and cost of postage for FSS operations.

	1968	1969	1970
Service direction	$1,902,195	$1,995,000	$1,995,000
Program direction	1,286,195	1,322,000	1,322,000
Postage fees	616,000	673,000	673,000

Explanation of distribution by objects (see activity data sheet).

11. *Personnel compensation and staffing.—$1,100,000* for 95 positions distributed as follows:

	1968	1969	1970
Central office	39.0	41.0	41.0
Field	56.0	54.0	54.0
Total positions	95.0	95.0	95.0
Average employment	91.6	91.6	91.6

12 *Personnel benefits, $85,000.*—$72,500 for direct contribution to retirement fund, $5,000 for group insurance, and $7,500 for health benefits.

21 *Travel and transportation of persons, $31,000.*—Includes $25,000 for 835 days travel necessary for the Commissioner, Deputy Commissioner, regional directors and other service direction personnel for management of the worldwide supply program, and $6,000 for motor pool services in connection with such travel.

22 *Transportation of things, $2,000.*—For movement of household goods of permanently transferred employees.

23 *Rents, utilities, and communications services, $718,000.*—Includes $673,000 for postage fees, $18,000 for telephone service, $1,000 for teletype services, $24,000 for intercity telephone service and $2,000 for office equipment rental payable to GSF.

24 *Printing and reproduction, $15,000.*—For general printing and photographic reproduction related to the overall direction of the Federal supply program.

25 *Other services, $36,000.*—Includes $6,000 for payments to commercial contractors, $5,000 payments to other Government agencies, and $25,000 for other miscellaneous services.

26 *Supplies and materials, $8,000.*—Includes $6,400 for office supplies, $1,000 for operating supplies, and $600 for forms and publications.

Mr. EVINS. You are asking for $1.995 million and 91 jobs. This is for the Office of the Commissioner, Federal Supply Service, including each of the regional offices.

How many regional offices under your direction?

Mr. ABERSFELLER. We have 10 regional offices, Mr. Chairman.

Mr. EVINS. Any questions?

ADMINISTRATIVE OPERATIONS

Take a look at administrative operations. This activity provides for administrative and staff support for Federal supply programs financed under operating expenses, FSS.

Is all of this under your direction?

Mr. ABERSFELLER. No, sir; actually it is an administrative operations fund used throughout GSA to finance the common services. Mr. Johnson will speak to that.

Mr. JOHNSON. Mr. Chairman, this is a portion of the common service cost for personnel, legal, and accounting, audit, management, and so forth, in direct proportion to the workload arising out of this appropriation. It is a central fund and we will discuss it when we get to the administrative operations fund.

Mr. EVINS. The tables shown are very impressive. The vouchers processed are 656,000, the selected workload shows billings prepared; the accounting documents processed are 1.169 million.

Place the table in the record (pp. II–28 and II–29).

(The pages follow:)

8. Administrative Operations

HIGHLIGHT

This activity provides funds for administrative and staff support for Federal supply programs financed under operating expenses, FSS.

1. *Administration.*—Provides accounting and reporting, credit, insurance, and related financial services including the cost of ADP services for accounting, payrolling, and invoice processing, budget, personnel administration, management systems, administrative, and office services.

2. *Audits and compliance.*—Provides FSS with an independent and objective review and appraisal of supply management and procurement programs through the medium of contract and internal audits, investigations, and civil rights functions.

3. *Legal services.*—Performs all legal services in connection with the procurement of personal property and special purchase programs; reviewing and interpreting procurement contracts and methods of procurement and supply.

JUSTIFICATION

Employment and financing of administrative operations support is governed by the size and scope of the supply program workload. To meet the FSS workload volume, successful efforts in the AO area have been made to cut down paperwork, design and install uniform accounting procedures, develop greater man-year productivity and increase use of ADP for mechanized accounting. Examples of measurable workload, increased productivity per man-year and low-unit costs, in spite of increased pay costs, in the accounting areas supporting the supply program follow:

	Vouchers processed			Billings prepared			Accounting documents processed		
	Number (thousands)	Unit cost	Per man-year	Number (thousands)	Unit cost	Per man-year	Number (thousands)	Unit cost	Per man-year
1968 actual	656	$1.19	6,856	513	$1.49	5,677	1,169	$1.13	17,192
1969 estimate	682	1.23	7,088	521	1.59	5,691	1,203	1.19	17,839
1970 estimate	687	1.22	7,161	531	1.58	5,757	1,218	1.18	18,029

Administrative support costs in relation to total OE–FSS appropriation costs are reflected in the following table:

[Dollar amounts in thousands]

	1968	1969	1970
OE–FSS	$69,861	$78,873	$78,873
AO support	$7,269	$8,022	$8,022
Percentage relationship	10.4	10.2	10.2

AO support in relationship to program costs reflects a continuing reduction in 1968 from 10.4 to 10.2 percent in 1969 and the 1970 estimate with no increase in funding requested. Typical administrative support is indicated by the following selected measurable statistics:

Selected workload statistics	1968	1969	1970
Vouchers processed	656,186	681,500	687,000
Billings prepared	513,474	520,500	530,500
Accounting documents processed	1,169,660	1,202,000	1,217,500
Personnel serviced and employees payrolled	6,112	6,458	6,580
Audits performed:			
Internal	52	48	52
Contract	21	36	29
Investigative cases	43	44	44
Security clearance requests	344	400	446
Civil rights cases	75	175	185

In addition to the above selected volumes, other significant staff support for FSS is provided in (1) review of the financial provisions of contracts to minimize financial risk and servicing financial provisions of contracts, (2) planning and coordinating the development of Government-wide and agencywide policy and procedures incorporated in the Federal Procurement Regulations, (3) providing mail, messenger, travel, library issuances and forms, property and supply services, (4) assistance in the development of organizational and operating relationships and management systems, (5) (*a*) legal review of legislation proposed by GSA and other agencies, (*b*) representation before GSA Board of Contract Appeals, and (*c*) claims by or against the Government involving FSS programs.

Total AO fund support on an integrated basis for all GSA programs is justified under the heading "Administrative Operations" in volume III of GSA's Congressional Estimates.

General Supply Fund

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs, funded:			
1. Supply operations:			
(a) Stores, regular	501,273	581,000	581,000
(b) Stores, direct delivery	76,349	94,000	94,000
(c) Nonstores items	211,132	349,000	349,000
2. Export operations	43,084	59,000	59,000
3. Rehabilitation and repair of furniture and equipment	899	900	900
4. Motor pools	38,981	41,851	41,163
Total operating costs, funded	871,718	1,125,751	1,125,063
Capital outlay, funded:			
1. Supply operations:			
(a) Stores items: Purchase of materials handling and laboratory equipment	755	3,600	3,300
(d) Purchase of ADP equipment	3,779		
(e) Purchase of administrative equipment	868	900	900
4. Motor pools: Purchase of equipment	13,470	23,900	23,052
Total capital outlay, funded	18,872	28,400	27,252
Total program costs, funded	890,590	1,154,151	1,152,315
Change in selected resources [1]	−63,407	40,848	
Adjustment in selected resources: Inventory transferred from Department of Defense	−20,843	−39,066	
Total obligations	806,340	1,155,933	1,152,315
Financing:			
Receipts and reimbursements from:			
Federal funds:			
Supply operations program:			
Stores, regular items: Revenue	−506,051	−572,000	−572,000
Stores, direct delivery items: Revenue	−81,201	−93,500	−93,500
Nonstores items: Revenue	−209,272	−346,000	−346,000
Export operations: Revenue	−45,851	−59,000	−59,000
Equipment rental: Revenue	−819	−1,400	−1,600
Rehabilitation and repair of furniture and equipment: Revenue	−696	−685	−685
Motor pools: Revenue	−49,846	−53,394	−52,813
Administrative equipment: Revenue	−1,998	−1,105	−1,105
Change in unfilled customers' orders	76,391	−25,607	
Trust funds:			
Supply operations program:			
Stores, regular items: Revenue	−7,642	−9,000	−9,000
Stores direct delivery items: Revenue	−404	−500	−500
Nonstores items: Revenue	−1,860	−3,000	−3,000
Rehabilitation and repair of furniture and equipment: Revenue	−218	−215	−215
Motor pools: Revenue	−1,591	−1,700	−1,700
Non-Federal sources: Undistributed receipts: Proceeds from sale of equipment (5 U.S.C. 630g)	−1,996	−6,360	−4,068
Unobligated balance available, start of year	14,675	−6,649	−11,897
Unobligated balance transferred from other accounts	−71		
Unobligated balance available, end of year	6,649	11,897	4,768
Capital transfer to general fund	5,461	12,284	
Budget authority			
Relation of obligations to outlays:			
Obligations incurred, net	−26,714	−17,533	7,129
Obligated balance, start of year	107,441	91,529	53,996
Obligated balance, end of year	−91,529	−53,996	−46,534
Outlays	−10,802	20,000	14,591

[1] Selected resources as of June 30 are as follows:

	1967	1968	1969	1970
Advances	4,671	4,390	4,000	4,000
Unpaid undelivered orders	231,910	171,263	175,000	175,000
Commodities for sale	250,890	248,379	286,000	286,000
Deferred charges, supplies	1,087	1,120	1,000	1,000
Total selected resources	488,558	425,152	466,000	466,000

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
GENERAL SERVICES ADMINISTRATION			
Direct costs: Equipment	18,872	28,400	27,252
Reimbursable costs:			
Permanent positions	7,144	7,138	7,068
Positions other than permanent	142	172	179
Other personnel compensation	76	123	123
Total personnel compensation	7,362	7,433	7,370
Personnel benefits: Civilian employees	580	594	589
Travel and transportation of persons	129	128	128
Payment to interagency motor pools	5	5	5
Transportation of things	38,065	49,516	49,516
Rent, communications, and utilities	3,251	3,389	1,420
Printing and reproduction	28	30	30
Other services	38,354	45,887	47,211
Supplies and materials	16,339	20,017	20,043
Materials supplied to other agencies	765,241	996,251	996,251
Insurance claims and indemnities	22		
Total reimbursable costs	869,376	1,123,251	1,122,563
Total costs, General Services Administration	888,248	1,151,651	1,149,815
ALLOCATION TO DEPARTMENT OF THE INTERIOR, BONNEVILLE POWER ADMINISTRATION			
Other services	2,342	2,500	2,500
Total costs, funded	890,590	1,154,151	1,152,315
Change in selected resources	−63,407	40,848	
Adjustment in selected resources	−20,843	−39,066	
Total obligations	806,340	1,155,933	1,152,315

PERSONNEL SUMMARY

Total number of permanent positions	1,045	1,033	1,023
Full-time equivalent of other positions	35	43	45
Average number of all employees	970	967	959
Average GS grade	7.2	7.3	7.3
Average GS salary	$8,205	$8,562	$8,701
Average salary of ungraded positions	$7,001	$7,094	$7,094

General Supply Fund

Mr. Evins. Turn to the general supply fund. I believe it was testified earlier you are asking for no appropriation for the general supply fund.

Mr. Johnson. That is correct, Mr. Chairman.

Mr. Evins. This fund is on a reimbursable basis. A national supply depot system, and a system of ordering supplies for direct delivery to agencies is also financed by the fund and reimbursed by using agencies. They operate the interagency motor pool and rehabilitation and repair of furniture and equipment. This fund finances these several activities?

Mr. Johnson. That is correct.

Mr. EVINS. Store sales, nonstore sales, export operations, equipment rentals, rehabilitation of furniture and equipment, and the motor pools.

You are not asking for any appropriation for this account?

Mr. JOHNSON. No, sir.

Place in the record pages II–37 and II–39, on the GSF.

(The pages follow:)

GENERAL SUPPLY FUND

GENERAL STATEMENT

This fund finances, on a reimbursable basis, a national supply depot system and a system of ordering supplies for direct delivery to agencies. Supplies or services are sold from the fund at cost to other agencies and the District of Columbia. Related operating expenses are provided for under the appropriation operating expenses, Federal supply service.

Also financed by the fund and reimbursed by using agencies are the operations of interagency motor vehicle pools established in areas of high vehicle density and the rehabilitation and repair of furniture and equipment.

Budget program.—This estimate provides for continuation of the current level of sales to military and civilian agencies.

1. *Supply operations.*—(a) *Stores, regular.*—Stocks of common-use commodities are purchased in volume and stored in supply depots for issue to Government agencies. From a total of $512.9 million in 1968, sales are estimated to increase to $581 million in 1969 and 1970.

(b) *Stores, direct delivery.*—Orders for stores-type items, if sufficiently large and delivery time is not a factor, are placed with the commercial source of supply and delivered directly to the user. Sales were $81.6 million in 1968, and are estimated to increase to $94 million in 1969 and 1970.

(c) *Nonstores items.*—Definite quantity requirements of commodities which are not susceptible to economical stocking in supply depots are purchased for direct shipment to using agencies. Sales through the fund are expected to increase from $211.1 million in 1968 to $349 million in 1969 and 1970.

2. *Export operations.*—Stores and nonstores items are shipped to overseas users. Receipts to the fund covering packing, transportation costs and other reimbursable services are expected to increase from $45.9 million in 1968 to $59 million in 1969 and 1970.

Equipment rental.—Operating and administrative equipment is purchased and charged on an accrual basis to the using activities. Receipts are estimated to decrease from $2.8 million in 1968 to $2.5 million in 1969 due to the transfer of ADP equipment to the ADP fund, and increase to $2.7 million in 1970.

3. *Rehabilitation and repair of furniture and equipment.*—Furniture and equipment repair services, provided through commercial sources wherever feasible and economical, are expected to remain at $0.9 million through 1970.

4. *Motor pools.*—Services are provided to agencies through a system of interagency motor pools. Sales are estimated to increase from $51.4 million in 1968 to $55.1 million in 1969 and decrease to $54.5 million in 1970 due to greater emphasis on direct payments from agencies to commercial sources for vehicle rentals.

GENERAL SUPPLY FUND SALES

[In millions of dollars]

	1968 actual	1969 estimate	1970 estimate
Stores, stock	$512.9	$581.0	$581.0
Stores, direct delivery	81.6	94.0	94.0
Nonstores items	211.1	349.0	349.0
Export operations	45.9	59.0	59.0
Equipment rental (depreciation)	2.8	2.5	2.7
Motor pool	51.4	55.1	54.5
Repair programs	.9	.9	.9
Total	906.6	1,141.5	1,141.1

Mr. EVINS. We will turn to the National Archives and Records Service.

Thank you, Mr. Abersfeller. You are on top of your job, you know your business. I question you a little bit on your ADP savings.

Mr. ABERSFELLER. We will have it for the record, Mr. Chairman.

Mr. WYMAN. I would like to say, as long as Mr. Abersfeller is here, in the brief years I have been on this committee I know of no one who has done a more tremendous job; as far as I can see he has not only done the job well, but has the respect of the agencies and private industrial sources with which he deals, as well as the Government agencies. I think it should not pass unnoticed by this committee.

Mr. EVINS. You can add this whole committee endorses that statement.

Mr. WYMAN. Yes, sir.

Mr. BOLAND. I share this view.

OPERATING EXPENSES, NATIONAL ARCHIVES AND RECORDS SERVICE

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Records management and centers	11,627	13,128	13,493
2. Archives and related services	4,829	5,940	7,120
3. Service direction	641	700	720
4. Administrative operations	760	840	900
Total program costs, funded [1]	17,857	20,608	22,233
Change in selected resources [2]	74		
Total obligations	17,931	20,608	22,233
Financing: Unobligated balance lapsing	29		
Budget authority	17,961	20,608	22,233
Budget authority:			
Appropriation	17,887	19,048	22,233
Transferred from other accounts	74	1,060	
Appropriation (adjusted)	17,961	20,108	22,233
Proposed supplemental for civilian pay act increases		500	
Relation of obligations to outlays:			
Obligations incurred, net	17,931	20,608	22,233
Obligated balance, start of year	655	847	927
Obligated balance, end of year	−847	−927	−1,000
Adjustments in expired accounts	31		
Outlays, excluding pay increase supplemental	17,770	20,048	22,140
Outlays from civilian pay act supplemental		480	20

[1] Includes capital outlay as follows: 1968, $83,000; 1969, $50,000; 1970, $100,000. Excludes prior year adjustments of −$18,000.

[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $156,000 (1968 adjustment, +$48,000;) 1968, $278,000; 1969, $278,000; 1970, $278,000.

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	12,955	15,127	16,404
Positions other than permanent	246	285	260
Other personnel compensation	56	100	100
Total personnel compensation	13,257	15,512	16,764
Personnel benefits: Civilian employees	1,046	1,219	1,311
Travel and transportation of persons	72	113	140
Payment to interagency motor pools	27	27	27
Transportation of things	143	150	143
Rent, communications, and utilities	695	710	731
Printing and reproduction	66	69	74
Other services	2,114	2,317	2,436
Supplies and materials	469	439	507
Lands and structures	42	50	100
Total obligations	17,931	20,608	22,233

PERSONNEL SUMMARY

Total number of permanent positions	1,764	2,124	2,243
Full-time equivalent of other positions	63	59	54
Average number of all employees	1,750	2,013	2,184
Average GS grade	6.3	6.1	6.1
Average GS salary	$7,787	$7,835	$7,789
Average salary of ungraded positions	$6,284	$6,359	$6,314

The following budget amendment was contained in House Document 91–100:

RECORDS ACTIVITIES

Budget appendix page	Heading	Request pending	Proposed amendments	Revised request
831	Operating expenses, National Archives and Records Service	$22,233,000	—$80,000	$22,153,000

This reduction reflects the elimination of funds requested to establish a central microfilming staff for Presidential libraries, and anticipated delays in the recruitment of professional archival employees.

National Archives and Records Service

Mr. Evins. National Archives and Records Service is always interesting reading. It promotes improved records management and disposal practices in Federal agencies, operates 14 Federal Records Centers and selects, preserves, and services the permanently valuable historical records of the Federal Government. It also publishes slip laws, U.S. statutes at large, constitutional amendments, Presidential documents, and administrative regulations having general applicability and legal effect; preserves, publishes, and administers the historical materials in Presidential libraries; and administers the National Historical Publications Commission grant program.

It goes on to say an archivist wears several hats.

Mr. Archivist, tell us about your programs. Tell us about your needs and how this committee can help you.

Dr. Rhoads. Mr. Chairman, we are continuing this year to improve the quality of our services to the Government in the creation, management, storage, and disposition of Federal records. We are also going to continue our efforts to do the best possible job in making

available for use the permanently valuable historical materials in the National Archives and in the Presidential libraries. On most of our budget items we are holding the line except for increases necessitated by increased workload. We are also doing a good job in holding the line on unit costs in spite of rising salaries and expenses.

Mr. EVINS. Your workload is increasing in most categories?

Dr. RHOADS. That is correct.

Mr. EVINS. You are the one branch that is asking for increases over last year. "Records management" goes up from $13,127,500 to $13,493,000. That is an increase. "Archives and related services" goes up from $5,940,000 to $7,120,000.

Mr. JOHNSON. Mr. Chairman, that is an item that we have amended. It goes up from $5,740,000 to $7,040,000. That is in the amendment.

Mr. EVINS. Service direction goes up from $700,000 to $720,000?

Dr. RHOADS. That is a postage increase.

Mr. EVINS. Administrative operations from $840,000 to $900,000. You have made one reduction and this brings your increase up to $1,625,500?

Dr. RHOADS. Actually we have two reductions, Mr. Chairman. We have a reduction of $80,000 in the Indian tribal claims research function and a reduction of $73,000 in arrangement items. We have had to make that reduction because of increases in the reference service in the National Archives.

Mr. EVINS. Am I correct in stating that the increase requested is $1,745,500 over last year?

Dr. RHOADS. $1,745,500.

Mr. EVINS. Place in the record pages II–45 through II–48.

FUNCTIONS PERFORMED BY THE NATIONAL ARCHIVES AND RECORDS SERVICE

The National Archives and Records Service promotes improved records management and disposal practices in Federal agencies, operates 14 Federal record centers, and selects, preserves, and services the permanently valuable historical records of the Federal Government. It also publishes the slip laws, the U.S. Statutes at Large, constitutional amendments, Presidential Documents, and administrative regulations having general applicability and legal effect; preserves, publishes, and administers the historical materials in Presidential libraries operated by GSA; and administers the National Historical Publications Commission grant program.

The Archivist of the United States chairs the National Historical Publications Commission, the Administrative Committee of the Federal Register, and provides leadership to the Federal Records Council. He also chairs the National Archives Trust Fund Board which receives and administers donations for the benefit of the National Archives, and through the National Archives Trust Fund, furnishes for a fee, copies of records in the custody of the National Archives and Records Service.

NATIONAL ARCHIVES AND RECORDS SERVICE—SUMMARY OF BUDGET AUTHORITY AND RELATED AVERAGE EMPLOYMENT

	Budget authority		Total		Central office		Field	
	1969	1970	1969	1970	1969	1970	1969	1970
Operating expenses, NARS:								
1. Records management and centers	$13,127,500	$13,493,000	1,437	1,505	256	259	1,181	1,246
2. Archives and related services	5,740,000	7,040,000	525	639	425	444	100	195
3. Service direction	700,000	720,000	29	29	11	11	18	18
4. Administrative operations	840,000	900,000						
Total budget authority and employment funded by budget authority	20,407,500	22,153,000	1,991	2,173	692	714	1,299	1,459

Note: Amounts for 1969 revised to reflect reduction in the Pay Act supplemental from the previous request, H. Doc. 91-94. Amounts for 1970 revised to reflect the amended budget, H. Doc. 91-100.

Summary reconcilation of 1970 estimate to comparable amount for 1969

1969 appropriation in annual act	$18,300,000
Appropriation in Supplemental Act for presidential libraries	748,000
Proposed supplemental for Pay Act increases	300,000
Transfers from Department of the Army and Internal Revenue Service	1,059,500
Comparative total for 1969	20,407,500
Increase in 1970:	
Increased workload in regional records centers and National Personnel Records Center	315,500
Shelving for regional records centers	50,000
Microfilm publications	350,000
Audiovisual services	87,000
Increased workload in Presidential libraries	808,000
Increased workload for Federal Register	55,000
Increases for postage and administrative support	80,000
Total	1,745,500
1970 estimate	22,153,000

ANALYSIS OF ACTIVITIES

Activities	1969	Increase	1970
1. Records management and centers	$13,127,500	$365,500	$13,493,000
2. Archives and related services	5,740,000	1,300,000	7,040,000
3. Service direction	700,000	20,000	720,000
4. Administrative operations	840,000	60,000	900,000
Total	20,407,500	1,745,500	22,153,000

(Note: Amounts for 1969 revised to reflect reduction in the pay act supplemental from the previous request—H. Doc. 91-94. Amounts for 1970 revised to reflect the amended budget—H. Doc. 91-100.)

	Amount
1969 appropriation	$19,048,000
Transfers	1,059,500
Proposed supplemental for Pay Act increases	300,000
1969 adjusted	20,407,500
Change	+1,745,500
1970 estimate	22,153,000

GENERAL STATEMENT

"This appropriation provides for basic operations dealing with management of the Government's archives and records and for operation of presidential libraries.

"In 1970 records in custody of the National Archives and Federal records centers will total 10.8 million cubic feet, which represents 39 percent of the total Federal records. Reference services will total 10.5 million, a large increase from 6.2 million in 1968 and 9.3 million estimated for 1969." (From The Budget for 1970.)

Since 1961 overall workload and production, especially in the Federal records centers, has increased significantly. For example, from 1961 through 1968 records holdings in centers increased from 6,700,000 cubic feet to 9,526,000 cubic feet and annual reference services increased from 4,814,000 to 5,665,000. During this period transfers of functions (involving funds and 149 positions) were made from the General Accounting Office and from the Department of the Army. Despite this increased workload and the transfer of 149 positions over this period, improved methods and procedures have increased manpower utilization so that a reduction in overall employment has been possible. Total average employment was reduced from 1,832 in 1961 to 1,750 in 1968—a total reduction of 231, when including the 149 transferred positions.

In 1969 there have been two major program increases: (1) by transfer of function the Federal records centers began accepting from IRS current tax returns. The increased workload of an estimated 2.4 million reference services required the transfer of 152 full-time positions from IRS. (2) by supplemental appropriation the staffs of four existing and two new Presidential Libraries were increased 149 positions to accelerate the tasks of organizing, screening, cataloging, and indexing the holdings.

The increase of $1,745,500 for 1970 consists of (1) $155,500 for regional records centers, particularly for increased volume of records administered, reference services, and for steel shelving in centers, (2) $210,000 to handle increased reference services on military records at the National Personnel Records Center, (3) $437,000 for additional workload of the National Archives, (4) $808,000 for Presidential Library workload, including increased staff for Kennedy and Johnson library activities, (5) $55,000 for increased workload under the Federal Register activities, and (6) $80,000 for other programs including support activities.

APPROPRIATION LANGUAGE

"For necessary expenses in connection with Federal records management and related activities, as provided by law, including reimbursement for security guard services, contractual services incident to movement or disposal of records [$18,300,000] *$22,153,000*.

[For an additional amount for "Operating expenses, National Archives and Record Service, $748,000.]"

The last paragraph is bracketed inasmuch as it is contained in the Supplemental Appropriation Act, 1969.

(Amounts for 1969 revised to reflect reduction in the Pay Act Supplemental from the previous request—House Doc. 91–94. Amounts for 1970 revised to reflect the amended Budget—House Doc. 91–100.)

NEW PROGRAM OF AUDIOVISUAL SERVICES

Mr. EVINS. Tell us about your new programs. You have two or three new programs listed in your justifications.

Dr. RHOADS. Yes, sir. We have one new program which will provide centralized information and sales services for the large numbers of motion pictures and other audio-visual materials being produced by Federal agencies. Today if a citizen wants to know if the Federal Government has available a motion picture on a given topic, he may have to contact as many as 100 offices to be sure he has the information he wants. Our new program is designed to give him one-stop service. Even within the Government one agency may not know what another one is producing and this can lead to overlap, duplication and waste of Government funds. Our program will put a stop to that.

Mr. BOLAND. Is this a new program?

Dr. RHOADS. This is a new program.

Mr. BOLAND. Where will the information be available here?

Dr. RHOADS. The offices for this function will be in our new Federal Records Center in Suitland.

Mr. TALCOTT. Is this for films, tape recordings, phonograph records?

Dr. RHOADS. Primarily for films at the beginning. It will also cover film strips and that sort of thing. It is mostly motion picture films.

Mr. TALCOTT. The Government Printing Office is where we go for all the rest of that printed material?

Dr. RHOADS. That is right.

In a sense, this is a parallel in the audio-visual field, to the function of the Superintendent of Documents in printed publications.

Mr. TALCOTT. Is this a good division of workload for you, to have this responsibility rather than the Government Printing Office?

Dr. RHOADS. It ties into our records responsibilities. The law defines records in a way that includes motion picture films produced by Federal agencies. This is a records problem. First, it is a current records problem while the films are still in active circulation. It will also give us a good handle on those that we decide are worth keeping permanently as a part of the audio-visual archives.

NEW PROGRAM OF ARCHIVAL MICROFILM

Mr. EVINS. The program provides microfilm copies of more than 100 million pages of historical records in regional archival depositories.

Dr. RHOADS. Yes, sir. That is the second new program.

Mr. EVINS. That covers a wide range of subject matter whose basic documentation in Federal records is vital to research in economics, public administration, political science, law, ethnology, and so forth. All of these things are desirable. They are nice to have. Is there any urgency about these new programs.

Why do we have to microfilm everything that we have in the Archives and send them out to your regional centers and then available also to libraries? Will libraries be writing in and asking for copies? Do you make these copies available to libraries other than your own?

Dr. RHOADS. Yes, sir. We have had for many years a program of selling this material to libraries, universities, and so on. The purchase of large quantities or complete sets of these materials is beyond the capacity of many of the smaller schools and schools that are just beginning to offer graduate programs.

Mr. EVINS. Any scholar or library that wants to purchase copies of your films or documents can do so, but you are making these microfilms available to your own centers so that they will be dispersed from the central Archives here in Washington?

Dr. RHOADS. For the use of everyone in that area who wishes to have access to them. During the 5-year period from 1960 to 1965, which were the latest figures we could obtain, there was a doubling of enrollments in graduate schools in history and the social sciences. The amount of material that is available to teach these graduate students how to do research just has not begun to keep pace.

MICROFILMING

Mr. EVINS. Tell us in a few words what you propose to microfilm. We want to get this for our information so we can tell our colleagues.

Dr. RHOADS. The answer is nothing at all.

Mr. EVINS. You have a lot of historical documents down there. What do you propose to microfilm?

Dr. RHOADS. The material is already microfilmed. The expensive part of this program has already been taken care of.

Mr. EVINS. Duplicate it and send it to your centers?

Dr. RHOADS. Yes; we will duplicate it.

Mr. EVINS. Disperse it to about 11 different centers?

Dr. RHOADS. That is correct?

Mr. EVINS. What are the other new programs?

AUDIOVISUAL SERVICES

Dr. RHOADS. The other new program is the centralized motion picture, audiovisual function that I described a bit earlier. This is a program which will provide centralized information, sales and distribution services for Federal films. We believe this is a money-saver rather than a money-spender. It will provide an improved service.

Mr. EVINS. Do you propose under that to microfilm whatever any customer wishes to purchase?

Dr. RHOADS. No. This second program has nothing to do with microfilming. This has to do with the distribution of copies of motion picture films that have already been produced by Federal Government agencies and providing information on them.

Mr. EVINS. Do you have all those motion picture films in the Archives?

Dr. RHOADS. No, sir. Many of these are still in—what we would be doing is meeting customer demand for this type of material.

Mr. EVINS. Suppose some Legion post wrote in and wanted a patriotic film which you didn't have but it was available and in the Navy Department?

Dr. RHOADS. We would supply information about the film and give instructions on how to obtain a copy.

Mr. EVINS. The Congress can do that. We call you, Dr. Rhoads, and you tell us and we tell them.

Dr. RHOADS. We will be able to give the Congressmen much more rapid response.

Mr. BOLAND. Can you do that now?

Dr. RHOADS. We are not staffed to do it now.

INVENTORY OF FILMS

Mr. JOHNSON. Mr. Chairman, I think it would probably clear it a little bit if we explained it. Right now there is no inventory of this kind of material available.

Mr. EVINS. You want to inventory all of these films and have a central point of contact?

Mr. JOHNSON. That is right.

Mr. BOLAND. You want $87,000 to start this this year?

Mr. JOHNSON. Yes, sir. This would allow us to——

Mr. EVINS. This would index all of the filming in the Government agencies?

Mr. JOHNSON. For the first time, and allow us to know what is available and who has it and where it is.

Mr. EVINS. Besides the indexing and knowing it is available, do you propose to make duplicates or copies?

Dr. RHOADS. That will be financed through our trust fund. We are asking now for an appropriation only to finance the information service part of that program.

Mr. EVINS. You will not supply the film, but tell the person where it is available? You would have the catalog or the index?

Dr. RHOADS. No. We would provide the film if they wanted to purchase it or borrow it.

Mr. EVINS. Then you would have a duplication.

Dr. RHOADS. No, sir. We won't duplicate any service that the agency wishes to continue. This is a service that most agencies have indicated to us that they want us to take over for them.

Mr. EVINS. They want to turn over these films to you?

Dr. RHOADS. That is correct.

Mr. TALCOTT. If this is only $87,000, why wouldn't that be a legitimate part of the cost of the service to the people who make the request?

Dr. RHOADS. The $87,000 covers the centralized information service and it is a little bit difficult to assess a user charge that is equitable against a person who writes in or calls in and wants to know what films are available on a given subject:

CONSIDERATION OF PROJECT AS SELF-SUPPORTING

Mr. TALCOTT. All of this service ought to be self-supporting, should it not? This is not a legitimate function of the Federal Government to provide films for citizens?

Dr. RHOADS. It is a big business in the Federal Government, but fragmented.

Mr. TALCOTT. Shouldn't it be self-supporting? Should we be appropriating money for this?

Mr. JOHNSON. Mr. Talcott, some of these films have archival value. This would allow us to also know where they were and to know what was in them for the first time.

Mr. BOLAND. This could very well be self-supporting. After you have the program developed and you could determine what the cost is for providing this centralized service for given information, audiovisual services to all of the Federal agencies, people who make inquiries, then if someone wants a copy of a particular film, I suppose you could write into the cost of that copy what the cost of the service might be. This is a new program you are starting here?

Dr. RHOADS. That is correct.

CENTRALIZED SYSTEM FOR AUDIOVISUAL SERVICES

Mr. BOLAND. This provides a centralized system for audiovisual service for Federal agencies and for the public. You want $87,000 to start it this year. What you are doing is pulling together all the informa-

tion on all of these audiovisual services that are now in the Federal agencies, put the information in one place?

Dr. RHOADS. That is correct.

MICROFILM COPIES

Mr. TALCOTT. With regard to the $350,000 request, this is for microfilming all of your historical records 11 times and having 11 copies of all these historical records in the United States.

Dr. RHOADS. The material has already been microfilmed. This is for placing in locations distant from Washington microfilm copies of material that has already been filmed.

Mr. KUNZIG. This would be of aid to scholars in nearby universities who can't come running to Washington but can drop by the records centers and study.

Mr. TALCOTT. Look at them like a library?

Mr. KUNZIG. That is right. They are the people who use this material.

Dr. RHOADS. We have research activity in all of our records centers.

Mr. TALCOTT. Are these centers located near universities? They are in big cities, but Kansas City does not have a big university.

Dr. RHOADS. No, but within a 100 mile radius you have a number of very substantial schools. The University of Kansas, for example, and the University of Missouri in Kansas City.

Mr. TALCOTT. Would it be cheaper for them to write in and ask you for a copy of a historical document that you are interested in and send it to the university to study a film rather than take a trip to the university? This would not be a very good service to very many people. It looks like a very small cadre of people who are going to benefit from this service.

Dr. RHOADS. We have done a very thorough study on this, Mr. Talcott, and our estimates are that when the program is implemented we will have——

Mr. TALCOTT. There are not too many graduate students looking at historical documents. I think we are spending a lot of money on a very few people.

Dr. RHOADS. We estimate that in New York City, there will be 192,000 uses of the microfilm by 1976. In places like San Francisco, 52,000 uses. Los Angeles, 85,000. Denver——

Mr. TALCOTT. I don't think there are 152,000 graduate students in San Francisco. There are lot of them though.

Dr. RHOADS. We are talking about the uses, the number of rolls used. Most students will be using more than one roll of microfilm.

Mr. EVINS. The committee wants to understand your new program. Take a look at page II–47.

INCREASES IN 1970

Dr. Rhoads, I wish you would go down the list and, for the record, document the reasons and the necessity for these various increases. You want $315,500 for increased workload in your regional records centers.

Dr. RHOADS. That is correct. That is based entirely on workload increases.

Mr. EVINS. Your centers get bigger and bigger and this workload increases. Have you ever thought of dispersing some of these out of the concentrated population areas?

Dr. RHOADS. We have 14 centers dispersed across the country.

Mr. EVINS. If a man wants to do research maybe he should go out to the country where the atmosphere is better instead of competing with with all of the problems of traffic noise, and pollution in the cities.

Dr. RHOADS. I agree with you. But most of the requests for services rendered by Federal Records Centers come to us by mail or telephone from Federal agencies. It is important for us to be in the midst of a cluster of Federal population. That is where most of our reference——

Dr. EVINS. You are going to build bigger records centers. You want $315,500. What are you going to do with this money?

Dr. RHOADS. We are going to use it to reply to the requests for information about the records that are sent to us by Federal agencies. This simply reflects the growth in demand for our services.

Mr. EVINS. Increased workload means more personnel?

Dr. RHOADS. Small increases in personnel, yes, sir.

SHELVING FOR REGIONAL RECORDS CENTERS

Mr. EVINS. You are asking for $50,000 for shelving for regional records centers.

Dr. RHOADS. That is correct. That is to accommodate the greater volume of records that we are going to be receiving next year.

MICROFILM PUBLICATIONS

Mr. EVINS. Microfilm publications, $350,000.

Dr. RHOADS. That is one we have just discussed.

Mr. EVINS. This is duplicating those that you have already available in the Archives?

Dr. RHOADS. That is correct.

Mr. EVINS. It is going to cost $350,000?

Dr. RHOADS. That is correct.

Mr. EVINS. How precise are these figures? Who will do the work?

Dr. RHOADS. We will do it in-house.

Mr. EVINS. When you concentrate on a new program could you not put some of your existing personnel into one of these jobs? Why can't you absorb some of these costs? You have a large staff.

Dr. RHOADS. These are primarily laboratory costs and materials costs, Mr. Chairman. Very little personnel costs involved.

Mr. EVINS. You are going to need $350,000 worth of materials?

Dr. RHOADS. Largely materials.

AUDIOVISUAL SERVICES

Mr. EVINS. Audiovisual services, $87,000. This is the other new program you were speaking about?

Dr. RHOADS. That is right. That is the audiovisual information service. The distribution and sales program will be handled through our trust fund and is requiring no appropriation.

Mr. EVINS. You propose to sell this audiovisual material?

Dr. RHOADS. We will sell it; yes, sir. We will sell it and we will also provide information on it prior to the sale.

Mr. EVINS. You provide information. What is the price of a good patriotic film?

Dr. RHOADS. About 10 cents a running foot.

Mr. EVINS. Multiply that by the number of feet and tell us how much it costs.

Dr. RHOADS. 1,200 feet is a good average-sized Government motion picture. That comes out to $120.

Mr. EVINS. You propose to sell these films, or rent them?

Dr. RHOADS. Both.

Mr. EVINS. What would be the rental cost?

Dr. RHOADS. The rental cost we estimate will be about $3. That is simply a handling fee. That also will be handled through our trust fund. The $87,000 is simply for the information service, not for rental and sales.

PRESIDENTIAL LIBRARIES AND FEDERAL REGISTER

Mr. EVINS. Increased workload in Presidential libraries, $688,000. Tell us about this increase.

Dr. RHOADS. That increase should read $808,000 because our 1969 figure will be lower than anticipated. The total is on annualization of our 1969 figure. When President Johnson decided not to seek reelection in March of 1968, it was necessary to greatly accelerate plans for the Johnson Library. As he became more interested in his library, he also took an increasing interest in the other Presidential libraries. On one occasion he sent members of his staff out to the other libraries to get ideas for the Johnson Library. They came back and reported to him that the libraries were staffed and financed at a level that precluded their realizing their full potential as centers for research and for popular education. At about the same time, my office undertook a study of the entire Presidential library system and found there were only two people assigned to do preparatory work for the Kennedy Library and that in the Roosevelt Library, which has been in existence for almost 30 years, there is still a good deal of basic processing work that has to be done before materials can be made available for research use.

Mr. EVINS. Records of our Presidents in earlier days have been lost or destroyed. They were not available and we don't have the Libraries, regrettably, of earlier Presidents. I notice that a number of pages in the volumes, papers in the Franklin Roosevelt Library were larger than the rest and that is because of his several terms in office. The increased workload for the Federal Register is $55,000. We have been doing this for several years and you do a very efficient job. We look to the Federal Register to see what the regulations are of some agency and it is published and that takes the effect of law. Why do you need $55,000 more for next year?

Dr. RHOADS. Increased workload. The passage of the Freedom of Information Act and the establishment of the Administrative Conference of the United States have simply required a greater amount of review of materials and the publication of a greater amount of materials. The budget increase is tied directly into the workload increase caused by those two developments.

POSTAGE AND ADMINISTRATIVE SUPPORT

Mr. EVINS. Increases for postage and administrative support, $80,000. This is another act of Congress recommended by the Post Office Department.

Dr. RHOADS. That is right.

Mr. EVINS. All of these bad things are by the Congress.

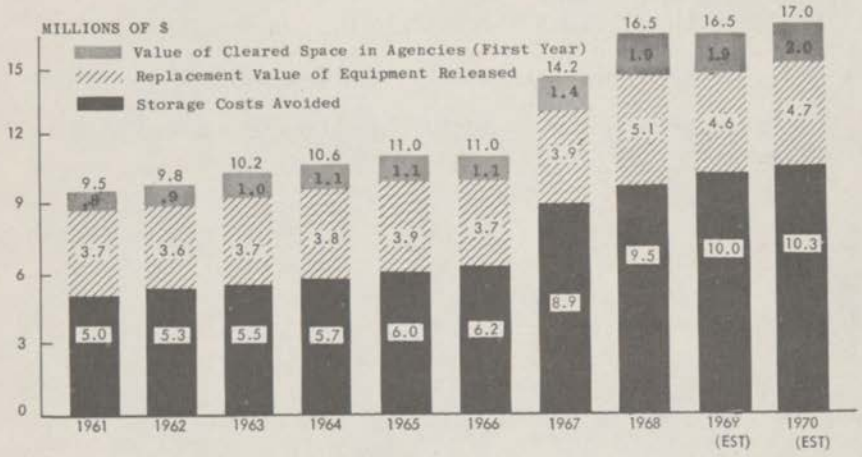
RECORDS MANAGEMENT AND CENTERS

Gentlemen, place in the record Records Management and Centers, pages II–49 through II–57.

(The pages follow:)

Record Centers Help Agencies Avoid Costs

(13 REGIONAL RECORDS CENTERS AND THE NATIONAL PERSONNEL RECORDS CENTER)



(Thousands)

Fiscal Year	Records Stored End of year (cubic feet)	Reusable Equipment Released: File Cabinets	Reusable Equipment Released: Transfer Cases	Reusable Equipment Released: Shelving (linear feet)	Reassignable Space Cleared: Office (Square feet)	Reassignable Space Cleared: Storage (Square feet)
1961	6,699.6	64.9	15.2	396.5	308.9	117.1
1962	7,163.5	57.9	9.3	642.2	287.4	274.7
1963	7,445.5	61.5	8.1	545.1	307.4	168.4
1964	7,691.0	65.8	10.7	427.7	351.2	101.0
1965	8,154.2	68.7	8.7	398.1	342.4	102.2
1966	8,410.3	65.3	5.7	398.5	331.2	88.9
1967	8,947.0	66.7	6.5	461.3	357.4	95.6
1968	9,526.0	78.4	15.9	570.5	469.8	113.6
Est. 1969	10,010.0	71.0	7.0	490.0	471.0	114.0
Est. 1970	10,360.0	73.0	8.0	500.0	500.0	120.0

OPERATING EXPENSES, NARS

	Amount	Average Employment C.O.	Field	Total
1969	$13,127,500	256.0	1,181.0	1,437.0
Change	+365,500	+3.0	+65.0	+68.0
1970	$13,493,000	259.0	1,246.0	1,505.0

1. Records Management and Centers

HIGHLIGHT

"The workload requirements in the 13 regional records centers and in the National Personnel Records Center continue to increase, reflecting agencies demands for service. In 1970, agencies will transfer 900,000 feet of inactive records to the regional centers, where a total of 7.6 million reference services will be rendered from all holdings. The national center in St. Louis, holding more than 100 million case files on separated military and civilian personnel, will furnish an estimated 2.3 million reference services.

"In 1968 the existence and operation of Federal records centers accounted for a Government-wide cost avoidance of $16.5 million, representing the value of space and equipment released by the transfer of records to centers and the storage of agency records received in previous years more economically than agencies could have done.

"The records management activity helps agencies control their paperwork load, which for all of the Federal Government consists of some 8 to 10 billion pages a year. In 1968 GSA's direct assistance to agencies produced a net first-year savings of $11.5 million including 255,000 man-days saved or released for other duty. Approximately 70% of the assistance was financed by appropriated funds." (From The Budget for 1970.)

Summary of Performance Cost	1968	1969	1970
a. Regional Records Centers	$4,766,890	$5,884,500	$6,070,000
b. National Personnel Records Center	5,372,220	5,600,000	5,810,000
c. Indian Tribal Claims Research	265,000	265,000	185,000
d. Paperwork Management Guidance	376,000	403,000	403,000
e. Assistance to Agencies	837,792	925,000	925,000
f. Capital Outlay (Shelving)	83,292	50,000	100,000
Total cost or estimate	$11,701,194	$13,127,500	$13,493,000

In 1968 transfers of records to the regional records centers and the National Personnel Records Center cleared a total of 469,833 square feet of office space and 113,594 square feet of storage space in blocks of 100 sq. ft. or more. The cost of leasing this space at rates of $3.658 for office and $1.107 for storage would have amounted to $1,844,398. By clearing out filed material, agencies emptied 78,399 file cabinets ($57 ea.), 15,897 transfer cases ($5 ea.), and 570,517 linear feet of shelving space ($1 ea.), and thereby curtailed the purchase of new equipment by $5,118,745. By continuing to store agency records received in previous years more economically than agencies could have done, the centers avoided additional expenditures for storage space of $9,497,389. In total, $16,460,532 in Government-wide costs of space and equipment alone were avoided by use of the centers.

JUSTIFICATION

a. Regional Records Centers	1968	1969	1970
Records administered (cu. feet)	8,369,925	8,516,000	9,116,000
Unit cost	$.570	$.691	$.666
Performance cost	$4,766,890	$5,884,500	$6,070,000
Average Employment	472	646	680

A cubic foot of records administered is the work unit used to express overall workload. This unit includes (a) bringing records into records centers (accessioning, (b) destroying records in accordance with disposal regulations (disposal), and (c) answering inquiries based on files in custody (reference).

1. Records Management and Centers (Continued)

Workload Data in Cubic Feet	1968	1969	1970
Records in custody beginning of year	6,692,202	7,182,000	7,616,000
Records accessioned	943,302	684,000	900,000
Records disposed of	576,042	450,000	600,000
Records transferred	17,961	200,000	-
Takeover	140,418	-	-
Workload, records administered	8,369,925	8,516,000	9,116,000
Reference services	3,544,335	6,435,000	7,600,000

In 1969, employment reductions resulting from P.L. 90-364 will reduce planned accessions and disposals below the 1968 actual. In 1970 these activities will be increased, resulting in an additional 600,000 cubic feet of records administered.

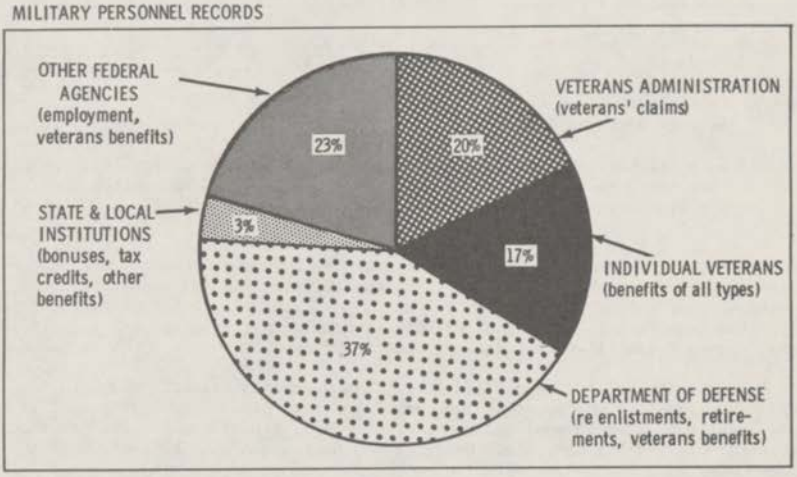
In 1969, by a transfer of function agreement, the regional records centers began accepting from IRS, two year earlier than scheduled, individual and corporation tax returns. This accelerated workload will increase reference services in 1969 by 2.4 million and in 1970 by another million. The unit cost increase in 1969 is caused by the greater number of reference services per cubic foot of records. It is expected that the unit cost will be reduced in 1970 after the new operating procedures are well established and experience is gained in handling the tremendous increase in services.

NATIONAL PERSONNEL RECORDS CENTER

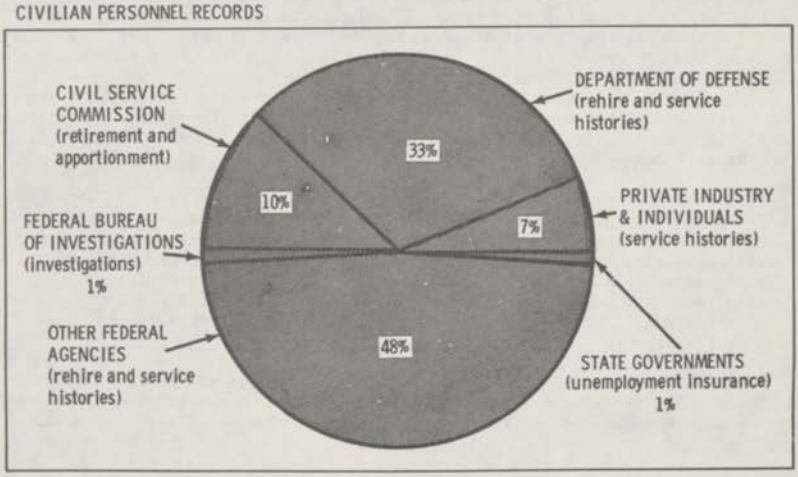
1970 REFERENCE SERVICES

ESTIMATE: 2,300,000 ANNUALLY, 9,200 DAILY

MILITARY PERSONNEL RECORDS



CIVILIAN PERSONNEL RECORDS



b. National Personnel Records Center	1968	1969	1970
Reference services	2,120,768	2,220,000	2,300,000
Unit cost	$1.90	$1.88	$1.88
Performance cost	$4,029,120	$4,173,000	$4,324,000
No. of items processed	5,685,569	5,600,000	5,700,000
Unit cost	$.236	$.255	$.261
Performance cost	$1,343,100	$1,427,000	$1,486,000
Total performance cost	$5,372,220	$5,600,000	$5,810,000
Average employment	680	692	732

The National Personnel Records Center is a consolidation of the center for civilian personnel records which GSA established in 1951 and the center for military personnel records which DOD turned over to GSA in 1961.

Workload of this subactivity is measured by two work units: (a) number of reference services rendered which principally is providing documents and information upon request by other agencies and by veterans, and (b) number of items processed incident to interfiling personnel, pay, and medical documents received from other agencies for separated civilian and military personnel and interfiling data on some 2.5 million civilians presently employed by the Government.

More than 60 million case files of civilian personnel records are used to furnish information or documents for reemployment purposes, service transcripts, investigations, unemployment insurance, retirement, apportionment, and location of personnel, and for many other needs of the Government and the individual.

In excess of 44 million personnel and medical files of veterans who have served in the Army, Navy, Marine Corps, Air Force, and Coast Guard constitute the military personnel records volume. To these are added, on a continuing basis for interfiling, records of Navy, Marine Corps, Air Force, and Coast Guard personnel as they are separated from the Services. Approximately 37% of the inquiries on military personnel records are from Department of Defense relating to reenlistments, retirements, and veterans benefits. Other inquiries relate to specific adjudications by the Veterans Administration, to veterans benefits provided by other Federal, State and local agencies, and to requests directly from the veterans.

About 70% of all inquiries on medical records pertain to Veterans Administration's needs in its medical and other beneficiary programs. The remaining 30% of inquiries on medical records are from individual veterans, military and private hospitals, bureaus of employment compensation and insurance companies. Other inquiries relate to claims, verification of active service for social security benefits, replacement of lost discharge certification and burials, medical treatments, sociological research, and for many other services to veterans or their beneficiaries.

In 1970 the requested increase is required to process and provide reference service on an increasing quantity of military records on separated Army personnel and to reduce accumulated backlogs on reference service and items processed.

Since the initial takeovers of separated civilian personnel records from Army, Navy, and Air Force in 1951 and military records in 1961 employment has been decreased dramatically despite a substantial workload increase, as shown below:

Civilian Records	Takeover in 1951	Takeover in 1961	1968	Increase Decrease
Reference Services	120,000	-	489,202	+308%
Man-years	257	-	180	-30%
Military Records				
Reference Services	-	1,538,000	1,631,566	+6%
Items Processed	-	1,290,000	2,426,409	+88%
Man-years	-	655	500	-24%

c. Indian Tribal Claims Research	1968	1969	1970
Total cost or estimate	$265,000	$265,000	$185,000
Average employment	22	20	14

This activity provides aid to the Department of Justice in defending the Federal Government against claims by Indian tribes. The reports submitted to the Department result from a detailed review of transcripts of the original Indian ledgers and journals from the years 1797 through 1951, U.S. Code, Senate hearings, laws and treaties, American State papers, Court of Claims decisions, etc. Formerly a function of the General Accounting Office, this responsibility was transferred to GSA in 1965 as the agency of the Government most appropriate to perform the work.

As required by P.L. 90-9 of April 10, 1967, the Indian Claims Commission will complete its trial by December 31, 1970, of all claims pending before the Commission. This function is being gradually reduced consistent with decreasing workload.

d. Paperwork Management Guidance	1968	1969	1970
Total cost or estimate	$376,000	$403,000	$403,000
Average employment	23	23	23

Most Federal employees, in order to do their work, write letters, prepare reports, process forms, produce other transaction papers, and maintain records for their offices. A great deal of this activity is done manually, although a growing amount of it is done through use of automated equipment. Throughout the Federal establishment an estimated 8-10 billion pages are produced, handled, and filed each year. Several years ago in Congressional hearings (House Report 2197, 89th Congress) this cost was estimated to be in excess of $7 billion a year.

Under its basic law GSA is mandated to take Government-wide leadership in holding down paperwork costs by providing Federal standards and promoting agency programs to deal with the paperwork problem. This GSA does through (a) developing regulations, (b) preparing handbooks which explain the background of the regulations, (c) developing workshops which demonstrate how to effectively implement the regulations, (d) evaluating Federal agency programs, and (e) management of Government-wide standard forms.

Four agencies are currently being evaluated each year, and agreement is reached on the ways in which they can strengthen their controls over records creation with the specific work to be done in the forthcoming year identified as to priority and probable benefits.

1. Records Management and Centers
(Continued)

The regulations and handbooks developed form the basis for agency programs. They require research in what are the best practices to be followed in designing forms, promulgating directives, and in the other paperwork areas. The advent of computer technology has changed every one of these areas, and is still bringing about changes. In 1970 one of the regulations to be developed will be documenting archival computer tapes. One of the handbooks will be on computer generated forms.

No increase in staffing is projected for 1969.

e. Assistance to Agencies	1968	1969	1970
Total cost or estimate	$837,792	$925,000	$925,000
Average employment	53.2	56	56

Very effective cost avoidance is gained under the assistance to agencies program which studies Government-wide paperwork on-site through (a) surveys of paperwork activities in specific agencies or across agency lines to find more efficient and effective methods and procedures; (b) technical assistance workshops that furnish agencies' employees with the knowledge and skill to apply to specific paperwork responsibilities, and then reviews the resulting application; and (c) consultations with agencies about specific paperwork problems.

Funding requested for this program in FY 1970 is at the same level as 1969. In 1969, through 42 surveys and one new workshop, the program will provide over $8,100,000 worth of benefits, including over 236,000 man-days saved or released for other work. All savings and other benefits are agreed to by the agencies receiving the assistance. Examples of assistance to agencies projects in 1968 are as follows:

The 1970 program will continue at the 1969 level. No increase in staffing is requested.

EXAMPLES OF RESULTS OBTAINED FROM 1968 SURVEYS

Agency and Project	Benefits
Department of Commerce (Procurement Division) Source data automation of procurement documentation.	An average of three weeks of processing delay eliminated. 10 man-years saved.
Department of Treasury (Bureau of Customs) Forms improvement.	Reduced forms and paperwork relating to imports and exports by 60%. 20 man-years saved.
Department of Transportation (National Transportation Safety Board) Docket, files and mail controls.	Simplified processes and improved organization of function. 2 man-years saved.
Securities and Exchange Commission Records management, program improvement, and simplification of paperwork flow.	Improved data base. Simplification of controls. Reduction in files. 10 man-years saved.

Agency and Project	Benefits
Agency for International Development Management information system.	Simplified information controls in Participant Training Program. Over 25 man-years saved.
Office of Economic Opportunity (Job Corps, Centers and Regional Offices) General paperwork procedures.	Simplified controls and paperwork generally. Uniform records system. Over 80 man-years saved.

	1968	1969	1970
f. Shelving	$83,292	$50,000	$100,000

In 1968 about half of the funds were used for the purchase of new shelving and the other half to dismantle used shelving in the Alexandria and Franconia centers in Region 3 preparatory to shipping to other centers and thus avoiding new purchases. The funds available in 1969 are being used to ship the dismantled shelving and reerect it at other locations. All shelving removed from the old Region 3 records centers has been used and therefore in 1970 an increase in funds for the purchase of shelving to the normal level will be required to provide the necessary capacity for new accessions in Regional Records Centers.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $10,420,000 for 1,533 permanent positions (1,505 average employment), distributed as follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Regional Records Centers	189	273	462	193	482	675	199	506	705
National Personnel Records Center	3	680	683	3	694	697	3	730	733
Indian Tribal Claims Research	22	-	22	20	-	20	14	-	14
Paperwork Management Guidance	23	-	23	23	-	23	23	-	23
Assistance to Agencies	26	38	64	23	35	58	23	35	58
Total permanent positions	263	991	1,254	262	1,211	1,473	262	1,271	1,533
Average Employment	259.6	990.6	1,250.2	256	1,181	1,437	259	1,246	1,505

12 Personnel Benefits.- $819,200. Includes $680,000 for retirement contributions, $109,000 for health benefits and $30,200 for group insurance, in support of the above employment.

21 Travel.- $70,700. Includes $49,500 for approximately 1,500 days travel required chiefly for records management surveys and inspection of regional records management and centers operations, and $21,200 for motor pool services.

22 Transportation of Things.- $137,500 for motor pool and commercial transportation for records accessioning and other commercial transportation.

23 Rents, Utility, and Communication Services.- $359,000. Includes $180,000 for space rental, $28,000 for equipment depreciation, and $151,000 for communications services, including FTS charges.

24 Printing and Reproduction.- $22,500 for printing for Records Centers operations and reproducing handbooks, reports and regulations.

25 Other Services.- $1,325,100. Includes $700,000 for records center space maintenance payable to the BM fund, $590,000 payable to the ADP fund, and $35,100 for health room services, security guarding, employee security clearances, and shelving erection.

26 Supplies and Materials.- $239,000. $204,000 for records center programs supplies, including cardboard containers for new accessions and photographic supplies for reproduction services, and $35,000 for administrative supplies and materials.

32 Lands and Structures.- $100,000 for capital investment in records centers shelving.

Mr. EVINS. It is very interesting to look at the table on page II–49. Storage costs avoided are shown in black. Here again, this is sort of an estimate. If you had not had the Archives we would have had to make all these expenses. This is one of their ways of showing savings. You have 13 regional records centers and one national center, and you are asking for $13,493,000.

Dr. RHOADS. The national personnel records center at St. Louis accounts for about half of that amount. The others divide the rest.

STORAGE COSTS

Mr. TALCOTT. What is storage cost avoided? How do you avoid storage cost from one installation to another? You have to store the material someplace?

Dr. RHOADS. That is right, but we can store it much more economically than it can be stored in office space, in regular filing equipment, or in normal storage space. We have developed techniques in storage facilities that give us an extremely economical storage rate.

Mr. TALCOTT. Do you pass this information on to the agencies so that they can take advantage of your new techniques? That would be important?

Mr. KUNZIG. I took a trip around the country studying this and other parts of our field operations. This was the very exact same question I asked. It was very much of interest to me. What happens is that the cost of the space where we store records is far less than where it might be stored back in somebody's office in more expensive Government agency space downtown in some major city. The space itself costs less money.

RECORDS TRANSFER FROM ARMY AND IRS

Mr. EVINS. Will you explain the transfer of records from the Army and the Internal Revenue Service to Archives in 1969? How many records did you take over from the Army? How many records did you take over from IRS? You are now keeping the income tax reports down there.

Dr. RHOADS. That is correct.

Mr. EVINS. The statute of limitations on the income tax runs about 5 years, does it not?

Dr. RHOADS. We keep the records for 7 years and then they are disposed of.

Mr. JOHNSON. Mr. Chairman, we have more than a million cubic feet of IRS records in the custody of the records centers.

Mr. TALCOTT. Why do you keep them for 7 if it is only necessary for 5?

Dr. RHOADS. The IRS requires us to keep them for 7.

Mr. EVINS. What did DOD transfer to you?

Dr. RHOADS. DOD transferred Army personnel records from their center in St. Louis to ours. This means that we now have all of the records of separated personnel of all of the military services, either transferred or in the process of being transferred to us.

Mr. EVINS. How long do you keep those records?

Dr. RHOADS. Those have to be kept for a very long indefinite period of time. We have in the National Archives comparable military records going all the way back to the Revolutionary War.

Mr. EVINS. It is a wonderful service. If you want to find if John Doe had an uncle in the Revolutionary War, the Archives can help you. That is a great service.

Dr. RHOADS. That is correct.

STORAGE SPACE AND REFERENCE SERVICES

Mr. EVINS. It says the centers avoided additional expenditures for storage space of $9,497,389. In total $16,460,532 in Government-wide costs of space and equipment alone were avoided by use of the centers. You put them out in these concentrated centers where space is cheaper.

The reference service chart on page II–52 shows you the civilian personnel records and the military personnel records. The Department of Defense constitutes about 37 percent of the military records for reenlistments, retirements, and veterans benefits. In the Veterans' Administration, veterans claims, we call over to the VA and they have a center out in St. Louis. They have their insurance center for insurance matters up in Philadelphia. What does the Archives have that these centers do not have?

Dr. RHOADS. We have the records.

Mr. EVINS. You have their records?

Dr. RHOADS. The records of former servicemen and former civilian employees.

Mr. EVINS. If we ask for information on a veteran, it comes not from the VA but from the Archives?

Dr. RHOADS. The VA gets it from us; yes, sir.

Mr. EVINS. Civilian personnel records are shown in the chart on page II–52. State governments are 1 percent; other Federal agencies, 48 percent; Department of Defense civilian records. These are Civil Service Commission employees. They want to know about their records. They want to keep the retirement straight. They keep the records for them.

Mr. TALCOTT. Where are the congressional inquiries? These are less than 1 percent.

Dr. RHOADS. They would be less than 1 percent.

Mr. TALCOTT. Would you prefer to have us inquire of you directly than go through the VA or military?

Mr. JOHNSON. No, sir. We prefer you go through the VA because then you get a complete answer from their files and ours.

ARCHIVES AND RELATED SERVICES

Mr. EVINS. Gentlemen, take a look at Archives and related services. The workload will continue to increase in 1970. This is because of all of the presidential libraries. Last year you had an appropriation of $5,740,000 and you are asking for $7,040,000, an increase of $1,300,000. Six hundred and thirty-nine jobs.

Dr. RHOADS. Yes.

Mr. TALCOTT. Mr. Chairman?

Mr. EVINS. Yes.

Mr. TALCOTT. Why wouldn't it be possible to charge everybody a dollar or some other reasonable fee when they make an inquiry?

Dr. RHOADS. We charge people for reproductions of documents but in this country and in all countries of the Western World it has always been the practice to provide reference service on materials, informational services, and access to the Archives free of charge. These are the peoples' records and——

Mr. TALCOTT. It would be just for processing. I don't see how anybody can expect to have this kind of special service without paying for it. I think it would be perfectly legitimate to charge.

Dr. RHOADS. We charge for reproductions.

Mr. TALCOTT. Every inquiry costs money?

Dr. RHOADS. Yes, sir.

Mr. EVINS. Dr. Rhoads, off the record.

(Discussion off the record.)

SPACE SAVINGS

Mr. TALCOTT. On the space-saving business, you should store your material as economically as possible.

Dr. RHOADS. Yes, sir.

Mr. TALCOTT. If you save $2 million in space in a given year, that is what you should have been doing all the time. Previously you were wasting $2 million of Federal funds. I think that you can look at this that way, too.

Dr. RHOADS. I do not think we have been wasting $2 million.

Mr. ANGEL. This is the amount spent for storage of records in other Government agencies.

Mr. TALCOTT. I think we take a lot of credit for saving things we should have been doing a long time ago.

Dr. RHOADS. We have had this program underway since 1951 or 1952, so we have been working at it for a long time.

Mr. TALCOTT. I congratulate you for working on it. I do not think we should take a lot of credit for doing something we should have been doing long before.

Mr. BOLAND. Actually, they were not able to do it before. I think they could document very easily, and rather dramatically, the amount of savings to the Federal Government as a result of the space savings. There is no question about it. I shiver to think what would happen if we did not have the General Services and the National Archives doing what you are doing in this area.

Dr. RHOADS. Thank you.

PROPOSED STUDY

Mr. KUNZIG. Mr. Chairman, may I say for the record I have been listening very carefully to the comments of yourself and other members and I will see to it that we make a study of the fee services situation here. If there is any way without destroying educational opportunities that we can return more money to the Treasury, we will do so.

With regard to the $87,000 on the audio-visual, we will see if after the initial money we can make that self-paying.

Mr Evins. Very good.

Mr. Talcott. In the education, I think we should not say all education ought to be free. All these graduate students looking at these archives are on Federal scholarships or grants or something; they are already getting paid. I think education is a wonderful thing, but free education is not necessarily the objective of the Federal Government, either.

Mr. Evins. Place pages II–59 through II–63 in the record.

(The pages follow:)

	Amount	Average Employment C.O.	Field	Total
1969	$5,740,000	425.0	100.0	525.0
Change	+1,300,000	+19.0	+95.0	+114.0
1970	$7,040,000	444.0	195.0	639.0

OPERATING EXPENSES, NARS

2. Archives and Related Services

HIGHLIGHT

The National Archives workload will continue to increase in 1970. Two programs are being implemented in 1970:

(1) a program providing microfilm copies of more than 100 million pages of historical records in regional archival depositories, which cover a wide range of subject matter whose basic documentation in Federal records is vital to research in economics, public administration, political science, law, ethnology, etc.

(2) a program for rendering to Federal agencies and the public several audiovisual services; namely, an information point for Government-produced materials, a technical assistance staff to assist agencies in production and distribution, a storage facility for semiactive and current materials, and an augmented audiovisual archival program to meet agency needs.

Increases in positions for all Presidential Libraries are reflected in 1970 requirements due to the increasing workload.

The Federal Register area of National Archives workload will increase some 21,000 manuscript pages, largely due to the Freedom of Information Act and the recently established Administrative Conference of the United States.

Summary of Performance Cost	1968	1969	1970
a. National Archives	$3,584,034	$3,709,000	$4,146,000
b. Federal Register	572,322	600,000	655,000
c. Presidential Archival Depositories	672,830	1,431,000	2,239,000
Total cost or estimate	$4,829,186	$5,740,000	$7,040,000

JUSTIFICATION

a. National Archives. - The permanently valuable records of the Government are selected, arranged, cataloged, preserved, and serviced in the National Archives. Workload items and cost of the program are set forth below.

	1968	1969	1970
(1) Records Appraisal			
Retention plans and studies	30	30	30
Series appraised	2,442	2,500	2,500
Cost or estimate	$131,000	$140,000	$140,000
(2) Preservation and Reproduction			
Pages repaired	1,064,000	1,065,000	1,065,000
Reproduction units	2,995,000	3,000,000	3,000,000
Cost or estimate	$393,000	$425,000	$425,000
(3) Arrangement and Finding Aids			
Items arranged	2,778,000	2,300,000	2,000,000
Finding aid entries	40,504	43,000	43,000
Cost or estimate	$1,421,000	$1,345,000	$1,272,000
(4) Reference			
Number of reference services	571,783	605,000	635,000
Cost or estimate	$1,517,760	$1,627,000	$1,700,000
(5) Archival Microfilm			
Copies (000 ft.)	-	-	10,800
Performance cost	-	-	$350,000
(6) Audiovisual Services	-	$40,000	$127,000
(7) Natl. Hist. Publications Comm.	$121,274	$132,000	$132,000
Total performance cost	$3,584,034	$3,709,000	$4,146,000
Average employment	355.1	342.5	374.0

(Amounts for 1969 revised to reflect reduction in the pay act supplemental from the previous request -- House Doc. 91-94. Amounts for 1970 revised to reflect the amended Budget -- House Doc. 91-100.)

The workload of the National Archives is largely determined by the volume of service requests received from Government agencies and the public. This is particularly true of reference service, which accounts for almost 50% of the available man-hours. The work programs that can be planned--preservation, arrangement, and finding aids--are unique in that the backlogs are almost beyond measure. For almost 150 years before the establishment of the National Archives, Government records were allowed to accumulate in attics, basements, and warehouses, and many were badly damaged, deteriorated, and disarranged.

The 1969 programs and related costs for the National Archives have been curtailed wherever possible. An increase of $437,000 is requested for 1970 to (a) begin making copies of microfilm publications for deposit in regional archives ($350,000) and (b) establish a centralized program for Federal audiovisual records ($87,000).

For the other functions of the National Archives to continue at the 1969 funding level, and at the same time to answer an ever increasing number of reference inquiries, it is necessary to reduce funds available for records arrangement activities. Consequently, the estimated number of items to be arranged in 1970 is 300,000 less than that for 1969. The backlog of arrangement projects will be increased accordingly.

The $350,000 requested for microfilm will begin implementation of a program to provide records centers with microfilm copies of valuable historical records in the National Archives. The records included in this program cover a wide range of subject matter, whose basic documentation in Federal records is vital to research in history, economics, public administration, political science, law, ethnology, etc. An existing program for the sale of microfilm has heretofore been the means for making the information available for historical research. It is now proposed that such access and use be further encouraged and made possible through the proposed program. The film would be made available for use in the research rooms of the centers, and proper liaison between the centers and the academic institutions would achieve a considerable coordination of graduate student research programs and the centers' holdings. The program will provide microfilm copies of more than 100 million pages of historical records in each of 12 recordcenter locations: Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, St. Louis, Fort Worth, Denver, Los Angeles, San Francisco, and Seattle.

The sum of $87,000 is requested to begin operating centrally several audiovisual services for Federal agencies and the public and for augmenting present audiovisual records center and archival activities to provide for (1) a central information point for all Government-produced audiovisual materials, (2) a central audiovisual technical assistance staff to advise and assist Federal agencies, (3) a central storage facility for safekeeping semiactive and current audiovisual materials, and (4) the acquisition of valuable historical films from non-Government sources.

	1968	1969	1970
b. Federal Register	$572,322	$600,000	$655,000
Average Employment	55.7	53.5	60.0

The Office of the Federal Register serves the public, the Congress, the President, and all Government agencies, by publishing the official text of laws, Presidential messages and orders, and agency rules and regulations. The official text is edited, indexed, and published in the slip laws, the U.S. Statutes at Large, the Federal Register, the Code of Federal Regulations, the U.S. Government Organization Manual, the Public Papers of the President, and the Weekly Compilation of Presidential Documents.

In 1970, an additional $55,000 and five positions (6.5 average employment) are requested. The increased workload and costs result largely from the Freedom of Information Act and the recently established Administrative Conference of the United States. Besides increasing the number of documents submitted for publication, the Freedom of Information Act adds new review and approval functions respecting incorporation by reference of extensive agency materials having the force of law. The new Conference will require GSA to establish a permanent program of assistance in making studies and perfecting plans affecting the quality, coverage, promulgation, and retrieval of statutes, rules, regulations, and related Federal issuances.

The following reflects the steadily increasing Federal Register workload.

Publications (manuscript pages)	1968	1969	1970
Federal Register	84,557	102,000	110,000
Code of Federal Regulations	37,075	52,000	55,000
U.S. Government Organization Manual	2,022	2,000	2,000
Slip Laws	5,671	7,000	7,000
U.S. Statutes at Large	6,311	6,000	6,000
Presidential Messages and Papers	10,468	10,000	12,000
Weekly Compilation of Presidential Docs.	11,486	12,000	15,000
Statutes provisions processed (30-year Presidential review)	36,981	-	-
Manuscript pages reviewed prior to formal promulgation	12,830	26,000	31,000
Total	207,401	217,000	238,000

c. Presidential Archival Depositories.- Financing for the six Presidential Libraries and for a small staff in the central office for planning and direction totaled $672,830 in 1968, and was programed at $883,000 in 1969. This level of financing was inadequate and provided only a small staff, ranging from two positions for the Kennedy Library to 13 positions for the Roosevelt Library. It became clear that libraries staffs had to be increased considerably if the tasks of organizing, screening, cataloging, and indexing the holdings were to be accomplished and the research resources of the libraries made available in a prompt and timely manner to scholars and the general public. To provide means immediately for the purpose of increasing the staffs a supplemental appropriation of $748,000 for 1969 was approved on October 21, 1968.

An increase of $808,000 is requested for 1970 which will (a) annualize the positions authorized in the 1969 supplemental appropriation and (b) provide 12 additional positions for the libraries, and (c) increase the staff for planning and direction. The increase is needed to adequately organize, screen, catalog, and index the holdings of the libraries, and to provide adequate public research services.

The data below reflects comparative costs, positions and average employment, personnel requirements by substantive program, and selected workload in terms of holdings and reference services.

	Costs (In Thousands)			Change from
Presidential Libraries:	1968	1969	1970	1969
Hoover	$93	$150	$320	+$170
Roosevelt	126	184	335	+151
Truman	140	200	315	+115
Eisenhower	100	200	340	+140
Kennedy	37	150	320	+170
Johnson	86	400	485	+85
Planning and Direction	91	147	124	-23
Total	$673	$1,431	$2,239	+$808

Positions and Average Employment

	1968		1969		1970		Change from
	Pos.	Avg.	Pos.	Avg.	Pos.	Avg.	1969 Avg.
Hoover	10	9	30	20	33	30	+10
Roosevelt	13	11	33	18	33	30	+12
Truman	12	12	33	19	33	30	+11
Eisenhower	10	10	33	20	35	32	+12
Kennedy	2	2	38	23	38	30	+7
Johnson	10	10	39	22	46	43	+21
Planning and Direction	7	6	7	7	10	10	+3
Total	64	60	213	129	228	205	+76

Distribution of Personnel Requirements (Positions) by Program

	Total	Hoover	Roosevelt	Truman	Eisenhower	Kennedy	Johnson
Director's Office	28	4	6	4	5	4	5
Documentary Publications	17	3	6	3	3	-	2
Archival Processing	66	11	3	4	11	16	21
Reference Service	16	2	4	5	3	-	2
Museum Activities	26	5	5	5	5	2	4
Audiovisual and Laboratory	20	4	3	4	2	2	5
Printed Materials Library	13	2	2	2	2	2	3
Acquisition Program	11	2	2	1	2	-	4
Oral History	21	-	2	5	2	12	-
Total Pos. in Libraries	218	33	33	33	35	38	46
Planning & Direction	10						
Total Positions	228						

(Amounts for 1969 revised to reflect reduction in the pay act supplemental from the previous request--House Document 91-94. Amounts for 1970 revised to reflect the amended Budget--House Document 91-100.)

Holdings and Reference Services - 1968

	Hoover	Roosevelt	Truman	Eisenhower	Kennedy	Johnson
Pages of manuscript (000)	2,923	21,615	8,888	15,517	10,000	22,000
Volumes of books (000)	15	34	32	15	8	7
Other printed items (000)	13	49	39	13	4	13
Still Pictures (000)	8	92	43	46	55	100
Museum objects (000)	2	20	10	16	9	15
Written reference services	227	1,916	1,105	167	-	-
Items furnished to researchers	2,386	13,118	9,764	2,037	-	-
Reproduction of manuscripts and photographs	9,733	83,605	16,485	17,748	-	-
Visitors to museums	79,271	157,116	170,671	148,179	-	-

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $5,823,000 for 675 permanent positions (639 average employment), distributed as follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
a. National Archives	361	-	361	353	-	353	386	-	386
b. Federal Register	56	-	56	56	-	56	61	-	61
c. Presidential Libraries	17	47	64	46	167	213	10	218	228
Total	434	47	481	455	167	622	457	218	675
Average Employment	427.0	43.8	470.8	425	100	525	444	195	639

12 Personnel Benefits.- $458,800. Includes $380,800 for retirement contributions, $64,200 for health benefits, $12,000 for group insurance, and $1,800 FICA, in support of the above employment.

21 Travel.- $78,500. Includes $3,500 for motor pool services and $75,000 for about 2,200 days of travel required to conduct the activities of the National Historical Publications Commission, the National Archives, the Federal Register, and the Presidential Libraries.

22 Transportation of Things.- $5,300 for accessioning records and transportation of miscellaneous items by commercial carrier and by motor pool vehicles.

23 Rents, Utilities and Communication Services.- $150,900. Includes $70,600 for communication services, $70,300 for equipment depreciation, and $10,000 for miscellaneous equipment rentals.

24 Printing and Reproduction.- $50,000 for document container labels, archival inventories and finding aids, and administrative instructional material.

25 Other Services.- $206,500 for contractual services including space alterations payable to the BM Fund, health room services, personnel security clearances, ADP services, and preservation research payable to the Bureau of Standards.

26 Supplies and Materials.- $267,000 for program supplies including cardboard document containers, document restoration supplies, photographic and microfilm supplies and materials, and normal administrative supplies.

(Amounts for 1970 revised to reflect the amended Budget--House Doc. 91-100.)

SERVICE DIRECTION

Gentlemen, we will take a look at Service Direction, where you are asking for $720,000, a $20,000 increase over last year. Place in the record page II–65.

(The page follows:)

OPERATING EXPENSES, NARS

	Amount	Average Employment C.O.	Field	Total
1969	$700,000	11	18	29
Change	+20,000	-	-	-
1970	$720,000	11	18	29

3. Service Direction

HIGHLIGHT

General supervision over all programs assigned to the National Archives and Records Service is provided. Supervision is provided in the Central Office by the Archivist and his assistant, aided by a small administrative staff, and in the field by a Regional Director in each of nine Regions. Cost of postage fees for all programs of the Service is provided for in this Activity.

	1968	1969	1970
General supervision	$445,913	$505,000	$505,000
Postage fees	195,000	195,000	215,000
Total cost or estimate	$640,913	$700,000	$720,000

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $440,900 for 29 positions distributed as follows:

	1968	1969	1970
Central Office	11	11	11
Field	18	18	18
Total Positions	29	29	29
Average Employment	29	29	29

12 Personnel Benefits.- $33,200. Includes $26,800 for retirement contributions, $5,200 for health benefits, and $1,200 for group insurance in support of the above employment.

21 Travel.- $17,700. Includes $2,500 for motor pool services and $15,200 for approximately 460 days of travel required for inspection of field operations and participation by regional directors in records management surveys and records center operations.

22 Transportation of Things.- $100 for motor pool and commercial transportation.

23 Rents, Communication, and Utility Services.- $221,500. $215,000 for postage fees for all NARS activities, $3,600 for communications services, and $2,900 for equipment depreciation.

24 Printing and Reproduction.- $1,000. For reproduction of issuances, forms, and other materials.

25 Other Services.- $4,700. For health room and miscellaneous services.

26 Supplies and Materials.- $900. For normal administrative supplies.

ADMINISTRATIVE OPERATIONS

Mr. EVINS. If there are no questions, we will turn to administrative operations.

How does the expense of administrative operations differ from service direction?

Dr. Rhoads?

Dr. RHOADS. Service direction provides for salaries for myself, a small central office staff, and our regional directors, whereas the administrative operations consist of the National Archives and Records Service share of centralized GSA personnel, legal, investigative, and accounting services.

Mr. EVINS. Place in the record II–67.

(The page follows:)

4. Administrative Operations

HIGHLIGHT

This activity provides funds for administrative and staff support for records management and archival programs financed under Operating Expenses, NARS.

1. Administration.- Provides accounting and reporting, credit, insurance, and related financial services including the cost of ADP services for accounting, payrolling, and invoice processing, budget, personnel administration, management systems, and administrative and office services.

2. Audits and Compliance.- Provides records and archival management with an independent and objective review and appraisal of NARS management of records and disposal programs through the medium of contract and internal audits, investigations, and civil rights functions.

3. Legal Services.- Performs all legal services in connection with the archival and records management programs, and material published in the Federal Register pursuant to provision of the Administrative Procedures Act.

JUSTIFICATION

AO support for NARS expressed in percentage relationship to the appropriation totals and comparative man-year equivalents is as follows:

	1968	1969	1970
NARS ($ thousands)	$17,931	$20,608	$22,233
AO support ($ thousands)	$760	$840	$900
Percentage relationship	4.2%	4.1%	4.0%
Man-year equivalents	59.9	61.6	65.9

The percentage relationship between AO support and the NARS program is being held to the 4% level shown in the estimate in spite of the effect of the 1969 civilian pay act increase.

The magnitude of administrative support is indicated by the following workload handled in relation to the National Archives and Records Service functions:

Selected Workload Statistics	1968	1969	1970
Vouchers processed	34,185	36,000	37,000
Billings prepared	2,801	2,900	3,000
Accounting documents processed	36,986	38,900	40,000
Personnel serviced and employees payrolled	1,833	2,060	2,251
Audits performed (internal)	2	8	5
Investigative cases	11	11	11
Civil Rights cases	13	10	10
Security clearance requests	185	200	264

Total AO Fund support on an integrated basis for all GSA programs is justified under the heading "Administrative Operations" in Volume III of GSA's Congressional Estimates.

National Historical Publications Grants

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Allocation to Federal agencies	29	42	50
2. Grants to State and local agencies and to nonprofit organizations and institutions	334	311	300
Total program costs, funded	363	353	350
Change in selected resources [1]	15		
Total obligations	378	353	350
Financing:			
Unobligated balance available, start of year	−31	−3	
Unobligated balance available, end of year	3		
Budget authority (appropriation)	350	350	350
Relation of obligations to outlays:			
Obligations incurred, net	378	353	350
Obligated balance, start of year	36	37	65
Obligated balance, end of year	−37	−65	−65
Outlays	377	325	350

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $16,000; 1968, $31,000; 1969, $31,000; 1970, $31,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Other services	29	42	50
Grants, subsidies, and contributions	349	311	300
Total obligations	378	353	350

National Historical Publication Grants

Mr. Evins. Here is a program which the committee has shown interest in, national historical grants, $350,000. This has been set at a level of about $350,000 for the past several years. At one time GSA was advocating half a million dollars but I believe that you are getting by on $350,000 very well. You are asking for the same amount next year, is that correct?

Mr. Johnson. That is correct.

Mr. Evins. Are these grants made to institutions or individuals?

Dr. Rhoads. To institutions.

Mr. Evins. Look at some of the projects. Papers of the First Federal Congress. Those would be very interesting.

Circular letters of Congressmen to their constituents. They did that in the early days. These are out at the University of Missouri.

Papers of Andrew Johnson, papers of James Polk.

Tell me what the papers are of Lafayette College for which you have $3,000 in 1969 and are asking $25,000 next year for the papers of Tench Coxe?

Dr. Rhoads. Tench Coxe was an important figure during the period of the Revolution in Pennsylvania and we are particularly interested in getting this project under way in anticipation of the bicentennial celebration in 1976.

Mr. Evins. I must confess that I knew a little about William Penn, but not much about Tench Coxe. These are all very interesting papers. Anyone who loves history would love these papers.

If there are no questions on that——

Mr. TALCOTT. Have you stopped the circular letters of Congressmen to the constituents?

Dr. RHOADS. The University of Missouri is carrying on the work without further grants from us.

Mr. EVINS. Insert pages II–70 and II–71 and the listing on grants pages II–72 through II–77.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act.	$350,000
	Unobligated balance brought forward.	3,377
	Obligation program for 1969.	$353,377
1970	Change in program for 1970:	
	Increase:	
	Increase in allocations to Federal agencies.	8,000
	Decrease:	
	Decrease in grants to organizations and institutions other than Federal agencies.	11,377
	Total estimate for 1970	$350,000

ANALYSIS BY ACTIVITIES

	1969	Decrease	Increase	1970
1. Allocations to Federal agencies	$42,000	-	$8,000	$50,000
2. Grants to State and local agencies and to nonprofit organizations and institutions.	311,377	$11,377	-	300,000
Total obligations. . . .	$353,377	$11,377	$8,000	$350,000

NATIONAL HISTORICAL PUBLICATIONS GRANTS

1969 Appropriation	$350,000
Change	-
1970 Estimate	$350,000

GENERAL STATEMENT

"This appropriation is to carry out section 503 (f) of the Federal Property and Administrative Services Act of 1949, 63 Stat. 377, as amended by Public Law 88-383, July 28, 1964, and Public Law 90-461, August 8, 1969, authorizing not to exceed $500 thousand for 1965 and for each of 9 succeeding years, for grants to State and local agencies and to nonprofit organizations and for allocations to Federal agencies for the purpose of collecting, reproducing, and publishing source material significant to the history of the United States." (from The Budget for 1970)

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

APPROPRIATION LANGUAGE

For allocation to Federal agencies, and for grants to State and local agencies and nonprofit organizations and institutions, for the collecting, describing, preserving and compiling, and publishing of documentary sources significant to the history of the United States, $350,000, to remain available until expended.

JUSTIFICATION

Since its inception in 1965, 160 grants or allocations, averaging $10,812 each, have been made under this program. The grants are listed in the following tables, in the 1970 column of which are staff estimates of amounts required to continue the support of on-going projects. These estimates are likely to be much lower than the budget estimates for 1970 which the institutions and project groups will submit as a basis for formal Commission action.

In the grant program thus far, approximately 55% of appropriated funds have been used for grants and allocations to projects of sufficient public interest to warrant conventional publication by printing and the remainder has been used for projects involving either microfilm publication only, or publication by printing of selected documents backed by complete publication on microfilm.

The Commission would prefer to keep these two categories nearly even as it has in the past, but because most of the letterpress projects are continued over several years and are costlier each year due to increasing salaries, the microfilm publication program will probably have to be reduced to keep the entire program within the $350,000 requested. Final decisions on this point will be made by the Commission after its review of budgets submitted by the different projects.

NATIONAL HISTORICAL PUBLICATIONS GRANTS

Letterpress Publications Projects

Grantee	Project	1965	1966	1967	1968	1969 Program	1970 Estimate
Brown University	Papers of Isaac Buckus	-	$9,000	$8,418	$9,000	$4,500	$4,500
George Washington University	Papers of the First Federal Congress	-	-	15,858	30,720	32,325	30,000
Jefferson Davis Association & Rice University	Papers of Jefferson Davis	$3,000	3,000	2,000	3,000	3,000	3,000
National Historical Publications Commission	Documentary History of the Ratification of the Consitution and First Ten Amendments	52,000	53,000	52,000	38,000	42,000	50,000
	Papers of the First Federal Congress	21,000	26,800	-13,630	-2,354	-	-
National Historical Publications Commission & South Carolina Historical Society	Papers of Henry Laurens	11,800	11,800	14,410	17,975	20,000	26,500
North Carolina State Department of Archives & History	Papers of James Iredell	-	-	8,000	2,000	3,000	6,000
South Carolina Archives Dept.	Papers of John C. Calhoun	18,900	13,947	11,719	6,150	13,750	15,000
Ulysses S. Grant Association & University of So. Illinois	Papers of Ulysses S. Grant	7,500	-	17,500	10,000	10,000	10,000
University of Illinois	Papers of John C. Fremont	-	-	3,750	3,381	-	-
University of Kentucky	Papers of Henry Clay	22,900	-	15,000	9,000	15,580	18,000
Maryland Historical Society	Feasibility Study of Benjamin Latrobe Papers	-	-	3,500	-	-1,775	-
University of Missouri	Circular Letters of Congressmen to their Consituents	-	5,000	-	2,000	-	-

NATIONAL HISTORICAL PUBLICATIONS GRANTS
(Continued)

Letterpress Publications Projects

Grantee	Project	1965	1966	1967	1968	1969 Program	1970 Estimate
University of Tennessee & Tennessee Historical Comm.	Papers of Andrew Johnson	$16,098	$18,621	$22,234	$16,000	$24,000	$20,000
Columbia University	Papers of John Jay	-	-	-	1,875	-	-
University of Wisconsin	Documentary History of the First Federal Elections	-	-	9,884	14,080	17,800	15,000
Vanderbilt University & Tennesse Hist. Coms.	Papers of James K. Polk	7,000	-	8,344	21,337	10,000	12,000
Wayne State University	Papers of Henry R. Schoolcraft	6,700	-	7,564	916	-	-
William & Mary College & Inst. of Early American History and Culture	Papers of John Marshall	-	-	15,000	15,000	15,000	15,000
Wyoming Historical & Geological Society of Wilkes-Barre, Penna.	Susquehanna Company Papers	-	9,605	9,752	10,416	10,970	8,000
University of Maryland	Papers of Booker T. Washington	-	-	-	900	-	7,000
Lafayette College	Papers of Tench Coxe	-	-	-	-	3,000	25,000
Total Letterpress Publication Projects		$166,898	$150,773	$211,303	$209,396	$223,150	$265,000

Microfilm Publications Projects

Grantee	Project	1965	1966	1967	1968	1969 Program	1970 Estimate
Academy of Natural Sciences of Philadelphia	Minutes and selected correspondence of the Academy, 1812-1924	-	14,193	-	-244	-	-
Buffalo & Erie County Historical Society	Papers of Peter B. Porter	-	2,408	-	-	-	-
	Papers of Millard Fillmore	-	9,900	-2,400	12,943	12,000	-
Carnegie Institute of Washington	George E. Hale Papers	-	-	6,900	-	-55	-
Cornell University Collection of Regional History and University Archives	George Bancroft Papers	1,690	-869	-	-	-	-
	Andrew D. White Papers	-	-	15,720	11,712	3,000	-
Dartmouth College	Papers of Daniel Webster	21,577	-	29,381	13,662	15,000	-
Historical Society of Pennsylvania	Thomas Penn Papers	-	-	-	3,250	-	-
Ohio Historical Society	Warren G. Harding Papers	-	-	-	13,430	17,743	7,792
Kansas State Historical Society	Selected Manuscript Collections	8,161	-	15,899	-617	-	-
Massachusetts Historical Society	Selected Manuscript Collections	22,100	14,470	-	16,000	-	-
Minnesota Historical Society	Selected Manuscript Collections	18,300	18,300	15,400	9,250	9,250	-
Morristown (New Jersey) National Historical Park	Lloyd W. Smith Collection of Revolutionary War Papers	15,356	-	25,249	-6,893	-	-
Nebraska State Hist. Society	Selected Manuscript Collections	6,800	15,785	-3,950	-	-	-
New Jersey Historical Society	Selected Manuscript Collections	-	-	12,550	-	-	-
New Mexico State Records Center and Archives	Records of New Mexico under Spanish & Mexican Rule, 1688-1846	-	-	15,509	16,852	3,200	3,200

Microfilm Publications Projects

Grantee	Project	1965	1966	1967	1968	1969 Program	1970 Estimate
New York University	Papers of Albert Gallatin	-	20,565	14,750	16,671	19,263	-
Pennsylvania Historical & Museum Commission	Selected Manuscript Collections	9,672	-	-	-	-	-
Stanford University	David Starr Jordan Papers	-	-	-	12,221	14,102	-
State Hist. Society of Wisconsin	Selected Manuscript Collections	-	-	-	20,445	15,140	-
University of North Carolina (Southern Hist. Collection)	Selected Manuscript Collections	10,500	23,140	-	-4,600	-	-
University of N. Dakota	Dakota Territorial Records	-	-	-	13,600	12,910	-
University of Notre Dame	Selected Manuscript Collections	21,660	23,300	-	-5,416	-	-
University of Texas	Spanish Records of Texas, 1717-1836	-	15,141	19,039	12,517	22,417	18,500
University of Virginia	James Monroe Papers	-	-	-	13,740	-	-
	Selected Manuscript Collections	-	25,027	-	-	-	-
University of Washington	Selected Manuscript Collections	8,285	221	-	-	-	-
Total Microfilm Publication Projects		$144,101	$181,581	$164,047	$168,523	$143,970	$29,492
Total National Historical Publications Grants		$310,999	$332,354	$375,350	$377,919	$367,120 1/	$294,492 2/

1/ The $367,120 for 1969 does not reflect programed obligations but requested grants of the type that the Commission considers deserving. Total grants in 1969 will not exceed fund availability ($353,377), but will include as many of the listed projects as can be financed.

2/ This total represents estimates of amounts needed to complete or to continue through 1970 presently existing projects now being supported. New projects are not listed because they still have to be selected by the Commission from proposals in hand or expected to be received, some of which are listed on the following pages.

The amount requested for 1970 will provide for 19 letterpress publication projects and microfilm publication projects that will continue into or through that fiscal year at an estimated cost of $294,492. The request of $350,000 for 1970 will leave $55,508 for deserving new projects.

In addition to the 19 letterpress and microfilm projects mentioned above, the applications listed below are considered valid, worthwhile projects and remain pending.

Pending Proposals

A. Letterpress Publication Proposals

1.	Pennsylvania Historical and Museum Commission (Papers of General Henry Boquet)	$9,730
2.	North Carolina Department of Archives and History (Colonial General Court Records)	8,420
3.	William L. Clements Library (Papers of the Commanders of the U.S. Army, 1784-1798)	20,000
4.	William and Mary College (Ordinances of Continental Congress)	5,000
5.	Connecticut State Library (Papers of Jonathan Trumbull)	20,000
6.	Maryland Historical Society (Papers of Benjamin H. Latrobe)	27,000
7.	City University of New York (Papers of Robert Morris)	20,124
8.	Newberry Library (Papers of Captain John Smith)	20,000
9.	Hawaii State Archives and State Historical Society (Papers of David Gregg)	4,500
10.	Central Michigan University (Papers of Lewis Cass)	6,000
11.	City University of New York (Papers of William Cullen Bryant)	15,000
12.	Morgan State College (Papers of Baron von Steuben)	10,000
13.	Pennsylvania State University (Papers of President Martin Van Buren)	18,550
14.	Rutgers University (Papers of Joseph F. Bradley)	18,000
	Total	$202,324

B. Microfilm Publication Proposals

1.	Historical Society of Pennsylvania (Papers of President James Buchanan and others)	$35,000
2.	Clark University (Papers of Robert H. Goddard, rocket pioneer)	30,000
3.	Catholic University (Papers of Terence V. Powderly and others)	45,000
4.	Illinois Historical Society (Papers of Pierce Menard and others)	15,000
5.	Louisiana State Museum (Judicial case records of Spanish period 1769-1804)	30,000
6.	Franklin Institute (Records of the Institute and personal papers of Wolcott Gibbs and other scientists)	30,000
7.	Connecticut Historical Society (Records of Trumbull family, Oliver Wolcott, and others)	25,000
8.	Cornell University (Papers of Michael Straight)	25,000
9.	Massachusetts Historical Society (Papers of Edward Everett and others)	20,000
10.	University of the State of New York (Papers of General Philip Schuyler)	30,000
11.	Maryland Historical Society (Papers of Charles Carroll, William Wirt, and others)	25,000
12.	Ohio Historical Society (Papers of Washington Gladden and others)	15,000
13.	Texas State Library and Archives (Nacogdoches Archives)	20,000
14.	St. Mary's University, San Antonio (Laredo Archives)	15,000
15.	Idaho State University (Papers of Fred T. DuBois)	15,000
16.	State Historical Society of Wisconsin (selected manuscript collections)	30,000
17.	Washington State Library (Washington Territory Volunteers Records)	15,000
	Total	$420,000
	Grand Total	$622,324

Other good projects have been under discussion but formal proposals have been discouraged because funds are lacking to offer support. The Commission would be most happy to be able to reverse this situation. Also it would like to be able through the offer of challenge grants (offering half the needed funds if the other half can be raised privately within a set time) to promote projects that in a canvass of over 100 leading American historians have been voted the most needed. Among these are editions of the Papers of Andrew Carnegie, Samuel Gompers, Oliver Wendell Holmes, Jr., William Jennings Bryan, and Andrew Jackson.

Mr. BOLAND. Mr. Chairman?
Mr. EVINS. Yes.

ROOSEVELT PAPERS

Mr. BOLAND. While we are on the question of papers, I would like to ask the GSA about the charge made by a historian at Rice University who indicated there had been deliberate concealment of Roosevelt papers. The papers being six letters between Roosevelt and his ambassador to Nazi Germany in 1934. These papers will appear next month, as I understand it, for the first time in a Harvard University Press series, edited by a Government archivist. Mr. Lowenheim indicates that he made an effort to obtain the unclassified letters for publication himself 2 years ago. The staff of the Government-operated Franklin Roosevelt Library in Hyde Park told him they did not have the letters or didn't know where they were.

I know the GSA and the Archives looked into this matter and you have an investigator on the matter. I would presume that that investigation is now completed. What is the result of the investigation?

Mr. KUNZIG. We have looked into this very thoroughly. At the period of time that he says he was unable to get these records, other scholars did get the records, so no one quite understands why this gentleman was unable to get them. I am sure that the people concerned were not trying to turn him down and accept someone else. We have come to the conclusion that he forgot something or didn't follow through on research and now is trying to find some sort of a way out of this. It is a very unfortunate situation but it does not seem as if we in any way turned him down.

Mr. BOLAND. I can not imagine the Franklin Roosevelt Library or the Archives denying access to anyone.

Dr. RHODES. It would be completely contrary to our principles, ethics, and objectives.

Mr. BOLAND. I am glad to hear you say that. It has never happened before. I might say that this story, which was in the Washington Star, indicated that the Deputy Archivist of the United States, Mr. Herbert Angel and Elizabeth Drewry, who retired earlier this month as Director of the Library, denied they concealed letters from Lowenheim. The reason he, Mr. Lowenheim, had not seen those six documents was he had not come to them in his research. They were in no way being held back from him. Does your investigation show this, too? Is the investigation by your investigator complete?

Dr. RHOADS. I am not sure that I ought to speak to that point because I am in a sense one of those being investigated.

Mr. BOLAND. Is the investigation complete?

Mr. KUNZIG. It is complete.

Mr. BOLAND. What does it show? For the record, put in some of the pertinent facts. We want to let the public know the facts in this case. For the Members of Congress who have evidenced some interest in this as a result of an inquiry made by the aggrieved party, we think we ought to have the true facts on the record.

Mr. JOHNSON. We would be glad to put in a summary on that investigation.

(The information follows:)

Complaints by Dr. Francis L. Loewenheim, Rice University, Houston, Tex.

Report of Findings

The Office of Audits and Compliance, GSA, at the request of the Administrator, GSA, conducted an investigation of complaints by Dr. Francis L. Loewenheim, Associate Professor of History, Rice University, Houston, Tex. Dr. Loewenheim's complaints, in a 23-page memorandum were forwarded to GSA by letter dated February 25, 1969, from Congressman Bob Eckhardt, Texas.

In summary, Dr. Loewenheim complained that Dr. Edgar B. Nixon compiled a collection of materials on Franklin D. Roosevelt and foreign affairs on Government time while an employee at the Roosevelt Library at Hyde Park, N.Y., which he was having published privately by the Harvard University Press following his recent retirement. In addition, Dr. Loewenheim stated that materials used by Dr. Nixon were improperly concealed by Dr. Nixon and other members of the Hyde Park staff. As a result, Dr. Loewenheim alleges that his own expenditure of time and money on a more limited collection was in fact incomplete, and GSA and the Harvard University Press were not properly responsive to his inquiries and requests for information.

In 1957, work was begun on a project at the Roosevelt Library to publish documents pertaining to foreign affairs during the President's first term in office. Dr. Edgar B. Nixon, while employed as assistant director in the library, was principally responsible for this work and substantially completed the typescript in 1961. The project was suspended at the time, primarily because all related State Department materials for the period covered (1933–37) were not yet open to the public. In April 1967, following a State Department announcement that its records would be open for research when 30 years old, the Archivist approved resumption of the project and notified the State Department accordingly. Upon completion of the typescript, three university presses were consulted regarding publication. A contract was signed by the Archivist with the Harvard University Press in December 1967 to publish the work without cost to the Government.

Withholding of documents

In July 1966 Dr. Loewenheim made application to do research at the Franklin D. Roosevelt Library, Hyde Park, N.Y., on the subject of his proposed book entitled: "Munich—A Documentary History." After approval of the application, he first appeared at Hyde Park on September 16, 1966, and intermittently thereafter on a total of 21 days ending February 24, 1967. Library regulations require signing a register in the research room on a daily basis. Information from the library staff indicates that Dr. Loewenheim spent about 75 hours there.

Library records reflect that during his visits, Dr. Loewenheim examined 57 boxes, 58 folders, five microfilm rolls, two dissertations, and some published materials on a wide variety of subjects.

Dr. Loewenheim contends six letters, four from Ambassador Dodd to the President and two from the President to Ambassador Dodd, were deliberately withheld from him at the library. These six letters are contained in one folder designated "Official File No. 523." Records at the library show this folder was used by two researchers during the time that Dr. Loewenheim was at the library (during October 1966 and January 1967), and by eight researchers prior to this period. The library staff categorically denies that this folder was "withheld" from Dr. Loewenheim. They were under the impression when he left Hyde Park on February 24, 1967, he would return to complete his research. Generally scholars consider the President's official file the least important of papers cataloged in a Presidential library.

Further evidence that these six letters were not withheld from any and all researchers is that 15 of the 22 Dodd letters and four of the seven Roosevelt letters to Dodd in the "Foreign Affairs" volumes are cited to library files in "Democrat and Diplomat: The Life of William E. Dodd" by Robert Dallek (New York, Oxford University Press, 1968). Included are three of the four Dodd letters Dr. Loewenheim did not see and one of the two Roosevelt letters he did not see. Many of these same letters were cited by Professor Dallek in his Ph.D. dissertation accepted by Columbia University in 1964. Library records show Official File No. 523 was used by Robert Dallek in July 1959.

The "Foreign Affairs" volumes contain about 1,400 documents. The Roosevelt-Dodd correspondence totals 29 documents in these volumes.

Although the library staff often mentioned to searchers Dr. Nixon's typescript containing the 29 letters, they are not certain that it was mentioned to Dr. Loewenheim and therefore do not deny his allegation. The project had been "on the shelf" for about 5 years when his visits began and possibly was overlooked, but the staff denies there was ever any deliberate intention to protect the existence of the typescript. Dr. Nixon never personally had contact with Dr. Loewenheim at the library.

Publication of "Franklin D. Roosevelt and Foreign Affairs, 1933–37"

On December 18, 1967, the Archivist of the United States on behalf of the United States of America signed a contract with the President and Fellows of Harvard College by the Director, Harvard University Press, for the publication of a typescript work entitled: "Franklin D. Roosevelt and Foreign Affairs, 1933–37." The contract cites there will be no cost to the Government and provides a royalty of 15 percent to the Government of the list price of all copies of the standard edition sold at regular rates in the United States. Negotiations for a contract were had with the Princeton University Press which expressed no interest and Yale University Press which offered to publish the typescript for a $40,000 fee. Harvard University Press was selected since they furnished the best offer, were well located geographically and President Roosevelt was an alumnus of Harvard University. The terms of the December 18, 1967, contract were approved by the General Counsel, GSA.

Dr. Nixon will not receive any remuneration in connection with the publication or sale of the books. The title page, the foreword by the library director and the Archivist of the United States, and the editor's preface by Dr. Nixon, make it clear that the work was not a private compilation. The copyright notice, as required by the contract, states that the copyright does not cover any materials that are in the public domain. If any copyright is obtained it would be applicable only to such original material as may have been contributed to the three volumes by the Harvard Press.

Dr. Edgar B. Nixon, Miami University (Ohio) A.B., 1927, Ohio State University, A.M., 1930, Ph. D., 1933, was born December 13, 1902, at Canton, Ohio. He taught in elementary, junior high, high schools, and was an assistant instructor at Ohio State University. He was employed by the Department of State as a historical expert from 1935–40. He became employed at the library October 1, 1940, and was salaried by the National Archives trust fund, as opposed to appropriated funds. Dr. Nixon retired on September 30, 1968, having held progressively more important positions at the library.

At the library, Dr. Nixon's first major publication was "Franklin D. Roosevelt and Conservation, 1911–1945." This work received complimentary reviews.

WORK OF THE ARCHIVES

Mr. EVINS. Dr. Rhoads, we all hold in high regard the Archives of this country, and instead of the one building we have some 15 all over the Nation. You do an important work and we thank you.

Mr. BOLAND. Let me say that I, as one, and all members of the committee, want to share the chairman's views on this. We have been very pleased over the years in the Archives we have had. Dr. Grover, Dr. Bahmer, who have retired, and Dr. Rhoads who comes to this position with a great background. We are proud of what the Archives does and we are particularly proud of what it does in the matter of providing services to all of the agencies, to all of the public in the United States, to anyone who is interested in getting information about the records the Archives is responsible for keeping and protecting and storage.

Thank you very much.

Mr. KUNZIG. Thank you very much, Mr. Boland.

Mr. EVINS. Gentlemen, take a look at the next item, "Transportation and communicattion services."

Operating Expenses, Transportation and Communications Service

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Transportation services	2,302	2,448	2,441
2. Communication services	1,676	1,856	1,861
3. Motor vehicle management	392	429	430
4. Public utilities services	127	134	134
5. Service direction	637	658	659
6. Administrative operations	626	625	625
Total program costs, funded [1]	5,761	6,150	6,150
Change in selected resources [2]	30		
Total obligations	5,791	6,150	6,150
Financing: Unobligated balance lapsing	234		
Budget authority (appropriation)	6,025	6,150	6,150
Relation of obligations to outlays:			
Obligations incurred, net	5,791	6,150	6,150
Obligated balance, start of year	211	220	270
Obligated balance, end of year	—220	—270	—320
Adjustments in expired accounts	11		
Outlays	5,793	6,100	6,100

[1] Excludes adjustments of prior year costs of $11,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $7,000; 1968, $37,000; 1969, $37,000; 1970, $37,000.

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	4,281	4,565	4,569
Positions other than permanent	9	5	5
Other personnel compensation	6	20	20
Total personnel compensation	4,296	4,590	4,594
Personnel benefits: Civilian employees	323	350	351
Travel and transportation of persons	61	80	80
Payment to interagency motor pools	5	5	5
Transportation of things	1	4	1
Rent, communications, and utilities	194	200	200
Printing and reproduction	41	41	41
Other services	850	860	857
Supplies and materials	21	21	21
Total obligations	5,791	6,150	6,150

PERSONNEL SUMMARY

Total number of permanent positions	395	391	389
Full-time equivalent of other positions	1	0	0
Average number of all employees	367	359	357
Average GS grade	10.0	10.0	10.1
Average GS salary	$11,805	$12,624	$12,842

Transportation and Communications Service

Mr. Evins. This service is to improve management practices and transportation, operate the telecommunications system, interagency motor pool.

Place in the record pages II–78, II–79, II–80, and II–81.

(The pages follow:)

FUNCTIONS PERFORMED BY THE TRANSPORTATION AND COMMUNICATIONS SERVICE

This Service is responsible for improving management practices of the Federal Government pertaining to transportation, communications, and public utilities; operating the Federal Telecommunications System and the Interagency Motor Pool System; developing Government-wide policies and procedures for effective procurement and utilization of transportation, communications, and public utilities services; and protecting the Government interest as a user of these services before Federal and State regulatory bodies.

TRANSPORTATION AND COMMUNICATIONS SERVICE

SUMMARY OF BUDGET AUTHORITY AND RELATED AVERAGE EMPLOYMENT

	Budget authority		Average employment					
			Total		Central office		Field	
	1969	1970	1969	1970	1969	1970	1969	1970
Operating expenses, TCS:								
1. Transportation services	$2,447,800	$2,440,700	170.2	168.2	52.1	50.1	118.1	118.1
2. Communication services	1,856,200	1,860,600	113.8	113.8	92.0	92.0	21.8	21.8
3. Motor vehicle management	429,000	430,100	29.2	29.2	10.9	10.9	18.3	18.3
4. Public utilities services	134,100	134,300	7.9	7.9	7.9	7.9		
5. Service direction	657,900	659,300	38.3	38.3	18.3	18.3	20.0	20.0
6. Administrative operations	625,000	625,000						
Total budget authority and employment funded by budget authority	6,150,000	6,150,000	359.4	357.4	181.2	179.2	178.2	178.2

OPERATING EXPENSES, TCS

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO AMOUNTS FOR 1969

1969 appropriation in annual act (total for 1969)	$6,150,000
1970 estimate	6,150,000

ANALYSIS BY ACTIVITIES

Activities	1969	Decreases	Increases	1970 estimate
1. Transportation services	$2,447,800	$61,400	$54,300	$2,440,700
2. Communication services	1,856,200		4,400	1,860,600
3. Motor vehicle management	429,000		1,100	430,100
4. Public utilities services	134,100		200	134,300
5. Service direction	657,900		1,400	659,300
6. Administrative operations	625,000			625,000
Totals	6,150,000	61,400	61,400	6,150,000

OPERATING EXPENSES, TCS

1969:	
Appropriation	$6,150,000
Change	None
1970 estimate	6,150,000

GENERAL STATEMENT

"This appropriation provides for improving management of transportation, communication, and public utility services in all civilian agencies, and for providing specialized services to civilian agencies in each of these fields." (From the budget for 1970.)

The estimate for 1970 is $6,150,000, the same as financing for 1969.

All programs are expected to be maintained at about the same level as in 1968 and 1969.

APPROPRIATION LANGUAGE

"For necessary expenses of transportation, communications, and other public utilities management and related activities, as provided by law, including services as authorized by 5 U.S.C. 3109, $6,150,000."

Mr. EVINS. You are asking for $6,150,000. That is the exact amount appropriated last year. You are asking for no increases. Transportat on services, $2,440,700. Communications services, $1,860,600. Motor vehicle management, $430,100. A slight increase there. Public utilities services, $134,300. Two hundred dollars increase there.

Balance of the figures, service direct on, $659,300, a slight increase. Administrative operations, $625,000, the total is $6,150,000, the same as last year.

Mr. Commissioner, how are you?

Mr. WILLIAMS. Fine.

Mr. EVINS. Tell us about your problems and needs and justify this budget for us.

Mr. WILLIAMS. I think we are getting along very well, Mr. Chairman. We took your advice last year and decided to hold the line and get the job accomplished in 1969 and again in 1970 with the same resources. The telecommunications services which we provide are better than they have ever been and I trust the service now being provided to you in your office is satisfactory. The motor pool programs are going fine. I indicated yesterday the savings and magnitude of operations which are being carried on.

COMMUNICATION SERVICES

Mr. EVINS. The GSA communications service is utilized extensively during the day and at the close of the working hours when the line switches over to the offices of the Congressman and at a later hour after 5 or 6 in the evening this line is made available. How is this paid for?

Mr. WILLIAMS. The Clerk of the House reimburses GSA for the services provided the Members of the House.

Mr. EVINS. How much does this cost annually?

Mr. WILLIAMS. The cost of the service is $1 per day per line.

Mr. EVINS. Do you have a contract for use of the line? Otherwise it would be unused, is that correct?

Mr. WILLIAMS. This is correct. It is what we call off-hour service. We are able to offer this service to you during the slack-hour periods and the amount which we are reimbursed covers all of our out-of-pocket costs. In this way each Member of Congress is paying for his proportionate share of the service.

Mr. EVINS. The service is widely used and appreciated and as you indicated each Member of Congress pays for the service.

This service is appreciated and widely used.

Mr. WILLIAMS. Yes, sir.

Mr. KUNZIG. Mr. Chairman, when I used this for the first time, I was in San Francisco. I dialed and got the girl on the phone and asked her to connect me with the office in Washington and gave her my identification number. The number was a new one and she said, "I can not put this call through. You have an incorrect number."

I then asked her if she worked for the GSA. She said, "Yes"

And I introduced myself and I said I guess I was her boss. There was a long silence and she said, "Mr. Administrator, you have to admit that I am on the ball."

Mr. EVINS. She was doing her work.

Mr. KUNZIG. It is an efficient service, Mr. Chairman.

MOTOR VEHICLES

Mr. TALCOTT. There is one thing GSA has done recently; that is, to change the procurement of automobiles from the plain old government gray to the standard colors. This is a big step forward so far as automobile accidents are concerned. I hope they continue.

Mr. WILLIAMS. This is our standard procedure now.

Mr. TALCOTT. I think there is ample documentary proof that government gray contributed to accidents not only to people in the car but other people.

Mr. WILLIAMS. We have received your good information on this matter. In addition, the resale value of the car is better if they are various colors rather than government gray.

TRANSPORTATION SERVICES

Mr. EVINS. In the Transportation Service, the estimated workload provides for increase of 2 percent in procurement contract assistance and 2 percent in information services. If there are no questions, we will place II–82 through II–84 in the record.

(The pages follow:)

OPERATING EXPENSES, TCS

	Amount	Average Employment C.O.	Field	Total
1969	$2,447,800	52.1	118.1	170.2
Change	-7,100	-2.0	-	-2.0
1970	$2,440,700	50.1	118.1	168.2

1. Transportation Services

HIGHLIGHT

"Guides, procedures and educational programs for improving transportation practices and operations in civilian agencies are developed; reasonable rates are negotiated with carriers; and procurement assistance, rates, routing, and related services are supplied to executive agencies. The estimated workload in 1970 provides for increases of 2% in procurement contract assistance and 2% in information services." (From The Budget for 1970.)

Transportation services are performed under 2 subactivities. These subactivities, together with related dollar costs and average employment, are as follows:

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
a. Centralized Traffic Services	$1,650,094	138.5	$1,771,800	135.2	$1,710,400	129.1
b. Transportation Management	667,300	35.0	676,000	35.0	730,300	39.1
Total	$2,317,394	173.5	$2,447,800	170.2	$2,440,700	168.2

JUSTIFICATION

The proposed staffing for 1970 reflects an overall decrease of 2 positions in this activity. However, GSA will continue to provide traffic management leadership and furnish operational assistance to civilian executive agencies to achieve economies in the overall cost of Government transportation.

a. Centralized Traffic Services	$1,650,094	138.5	$1,771,800	135.2	$1,710,400	129.1

This activity performs the following functions for executive civilian agencies on request: furnishes rates and routes; negotiates adjustment of rates; prepares shipping instructions, Government bills of lading, and related transportation documents; makes contractual arrangements for movement of Government property and employees' household goods; arranges customs entry and clearance; and provides technical assistance for settlement of transportation questions on invoices and claims.

Following the workload display are brief descriptions of 6 categories of workload under this activity.

Type of Action	1968	1969	1970
1. Contracts awarded	2,675	2,260	2,260
2. Procurement contract assistance	5,147	5,400	5,500
3. Shipments processed	38,981	39,000	39,000
4. L&D claims evaluated	6,460	4,500	250
5. Information services	454,209	464,300	473,800
6. Negotiations	832	800	800

1. Contracts Awarded.- Specialized transportation and related services are procured through advertised and negotiated contracts for the timely and economical movement of Government property, such as precious metals, electronic equipment, movements of Government offices and employees' household goods, and for services, such as freight forwarding and stevedoring.

2. Procurement Contract Assistance.- Transportation advice and assistance are furnished to civilian agency contracting officers during all phases of procurement or disposal of Government materials, supplies, and equipment to assure that contracts contain transportation provisions most advantageous to the Government.

3. Shipments Processed.- This activity includes arranging for the orderly, timely, and economical movement of a wide variety of supplies and equipment from and to points in all parts of the world through the selection of the most advantageous domestic, ocean, and air routes; issuing shipping instructions and GBL's; processing customs documents; arranging for import permits and export licenses; and tracing and expediting shipments. This technical assistance and service is provided to all GSA program operations as well as to other civilian agencies.

4. Loss and Damage (L&D) Claims.- Technical assistance is provided Government agencies in the investigation, evaluation, and filing of transportation claims.

5. Information Services.- This activity includes supplying the most advantageous rates and routes; developing and applying classification descriptions and ratings for domestic and worldwide cargo; furnishing truckload or carload minimum weights; defining international consular and customs requirements; tracing delayed or lost shipments; negotiating with foreign governments for release of cargo; developing overall cost concepts for packaging, forwarding, storing, documentation and delivery of materials for an entire program; and developing available trade routes for out-of-way points.

6. Negotiations.- Proposals for changes in rates, classifications, charges and services involving shipments made for or on behalf of civilian agencies are negotiated with common carriers, carrier committees, and associations. Weight and average demurrage agreements are also negotiated for use by all agencies.

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
b. Transportation Management	$667,300	35.0	$676,000	35.0	$730,300	39.1

Four of the six man-years reduced in Centralized Traffic Services will be used to increase Transportation Management leadership for the benefit of Government agencies.

Traffic management assistance will be increased to civilian agencies through training, on-site assistance, and surveys and studies of freight and passenger transportation activities having a potential for cost reduction and improvement. Government-wide cost reduction studies will be made in other areas including: (a) economic feasibility of consolidating small Government freight shipments into volume lot shipments, (b) simplification of documentation and billing procedures on small shipments to reduce administrative costs, and (c) reduction of domestic and international air fares for official Government travel. Transportation surveys to improve Government-wide shipping practices and reduce costs will continue. Four of these surveys were accomplished in both FY 1967 and FY 1968.

In FY 1968, 194 seminars designed to increase knowledge and proficiency in modern traffic management techniques were held nationwide for the benefit of 3,500 Federal agency personnel. This program will continue in FY 1970.

There is a continuing program to standardize Government-wide transportation policies and procedures through the development and modification of Federal Procurement Regulations and Federal Property Management Regulations. Also, transportation handbooks and guides are developed or updated for the instruction of civilian agencies.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $1,934,100 for 176 positions distributed as follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
a. Centralized Traffic Services	45	100	145	35	107	142	33	102	135
b. Transportation Management	20	16	36	20	16	36	20	21	41
Total Positions	65	116	181	55	123	178	53	123	176
Average Empl.	62.2	111.3	173.5	52.1	118.1	170.2	50.1	118.1	168.2

12 Personnel Benefits.- $147,600. Includes $125,700 for retirement contributions, $13,000 for health benefits, and $8,900 for group insurance as required by law in support of the above employment.

21 Travel and Transportation of Persons.- $18,500. $15,700 for approximately 581 days travel which includes $12,700 for transportation management activities in the Regional Offices for the purpose of agency liaison, seminars, and training programs and $3,000 for two Divisions in the Central Office; $2,800 for motor pool services in the ten regional offices.

22 Transportation of Things.- $400. Provides for shipping standard forms.

23 Rents, Utilities, and Communication Services.- $99,200. $9,200 for payment to the General Supply Fund for depreciation of administrative equipment and $90,000 for telephone and teletype service costs for 176 employees in the Central Office and ten regional offices.

24 Printing and Reproduction.- $24,400. Charges for Central Office and Regional printing of regulations, instructions, procedural issuances and related forms, exhibits and attachments, reports, briefs and other materials.

25 Other Services.- $204,500. Provides $112,000 for special program oriented data processing service, $30,000 payments to Working Capital Fund; $10,000 for health room services and security clearances; the balance of $52,500 is for services such as payments to the General Supply Fund for repair and maintenance of machines not under commercial contract, pro rata share of GSA's relocation cost, and payments to commercial contractors.

26 Supplies and Materials.- $12,000. $6,200 for office supplies for 176 employees at the rate of approximately $35 per employee; $5,000 for transportation tariffs, technical publications, and transcripts of hearings; $800 for operating forms.

Mr EVINS. Place in the record Communications Service, which we have just discussed.

Place in the record pages II–86 through II–89.

(The pages follow:)

	Amount	Average Employment C.O.	Field	Total
1969	$1,856,200	92.0	21.8	113.8
Change	+4,400	-	-	-
1970	$1,860,600	92.0	21.8	113.8

2. Communication Services

HIGHLIGHT

"Networks are designed and engineered for a Federal communications system for general and national defense use, compatible with the National Communications System. Studies of equipment utilization, service, rates, and economic factors are made, contracts negotiated, and management and control of operations are provided. The projected program for 1970 provides for the management of the Federal Telecommunications System financed through the FT fund whose sales volume will increase from $114.1 million in 1969 to an estimated $122.9 million in 1970, and for increasing emphasis on the management of Government-wide communications." (From The Budget for 1970.)

Communication services are performed under 4 subactivities as follows:

Summary of Performance Cost	1968	1969	1970
a. Voice Programs	$722,106	$798,200	$800,100
b. Record Programs	663,094	723,900	725,600
c. Special Programs	216,797	241,300	241,900
d. Circuit Management	89,821	92,800	93,000
Total cost or estimate	$1,691,818	$1,856,200	$1,860,600

JUSTIFICATION

No increase in staffing is requested for this activity. The 1969 resource level is requested for Government-wide communications management and assistance as well as the constantly required planning, engineering, and operational supervision of the Federal Telecommunications System (FTS).

Management and technical assistance to civilian agencies is provided in accordance with the basic GSA Government-wide communications management responsibility. Potential Government-wide economies are examined in both field and departmental locations through the review and analysis of agencies' communications facilities, their application of communications procurement and management regulations, and by on-site surveys for improved management and operational practices, services, and economies.

Existing staff resources will absorb increased workloads attributable to increased traffic, the continued improvement of the planning, engineering, and management of the FTS voice and record services, incorporation of service improvements, and cost reduction techniques.

a. Voice Programs

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
Total cost or estimate	$722,106	46.7	$798,200	46.7	$800,100	46.7

The voice programs are designed to obtain maximum efficiency and economy by the Federal agencies in the planning, development, and utilization of telephone and other specialized voice facilities. The staff is also responsible for the efficient and economical voice communications on a local and nationwide basis for both day-to-day and emergency service through the FTS.

2. Communication Services
(Continued)

The request for 1970 will provide for:

(1) Management and technical assistance - Government-wide.- Assistance to Federal agencies in reducing costs of their telephone station equipment and improving utilization of telephone service and facilities. This effort produces savings through the elimination of unnecessary equipment, such as speakers, buzzers, and extra instruments.

Increased emphasis will also be placed on management and technical guidance provided to civilian agencies in (a) development and planning of specialized voice communications programs and requirements, (b) application of Government-wide procurement and management policies and regulations, and (c) additional efforts to resolve communications problems to increase efficiency and reduce cost.

(2) Federal Telecommunications System - Engineering and Management

(a) Intercity Voice Network.- Engineering modification and refinement of the system are required on a continuing basis to maintain system efficiency and economy. Through the FTS, agencies can place a long distance call at an average unit cost of approximately 38% of commercial toll costs for equivalent service. A traffic volume of 67 million calls is estimated for 1970 based upon past growth and the extension of service to Hawaii, Puerto Rico, and Alaska in 1969. In 1970, it is estimated that approximately 170 new intercity connection studies will be made to effect service improvement, potential cost reductions, and improved network survivability.

(b) Telephone switchboards and local service.- In 1970, 130 studies will be performed for the modification and consolidation of existing telephone switchboards to provide increased efficiency and reliability. In 1970, we anticipate 368 operator-attended telephone switchboards will be under GSA management in addition to 97 unattended switching facilities.

b. Record Programs

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
Total cost or estimate	$663,094	44.3	$723,900	43.1	$725,600	43.1

A specialized communications management staff, together with engineering and technical expertise, is required to provide continued direction and assistance to Federal agencies in planning, developing, and using teletype, data, and other specialized record communications services. This staff also works toward maximum utilization of the Advanced Record System (ARS) of the FTS to meet requirements which can be more efficiently or economically served by a common interest system than by separate systems of individual agencies. In FY 1969, a study of the civilian agencies' communications record/data needs for the future was undertaken. This study, which will continue into FY 1970, will establish updated forecasts of record/data requirements for the FY 1972-1977 period.

The request for 1970 will provide for:

(1) Management and Technical Assistance - Government-wide.- This program of management and technical guidance to civilian agencies is similar to that provided under the voice program area. Engineering and technical assistance to agencies is of increasing importance in view of rapid technological advances in data and computer communications and the rapidly increasing requirements of agencies.

(2) Management and Engineering Support of the ARS and Data Service.- The Advanced Record System is scheduled to serve approximately 1,700 station locations in FY 1970. This is a 57% increase in the number of stations served since its first full year of operation in FY 1967. Close engineering and management attention to the expansion and refinement of the system will be required. Data transmission service is expected to increase in FY 1970 by more than 50% over the 1968 level, reaching an estimated annual traffic volume equivalent to more than one billion line words, primarily to accommodate the requirements of the Social Security Administration, the Veterans Administration and the Federal Supply Service of GSA.

c. Special Programs

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
Total cost or estimate	$216,797	17.2	$241,300	17.2	$241,900	17.2

Continued refinement, updating, and maintenance of emergency plans to serve all civilian agencies will be required.

Full time representation will continue to be provided for the National Communications System during 1970 for participation in the planning, modification, and refinement of the NCS. As a member of the NCS management group, GSA also provides technical support in specialized task group activities.

In the special program area, assistance is provided agencies in the development, refinement and updating of their emergency security requirements, including provision of FTS service and security equipment to agency relocation sites in accordance with Office of Emergency Preparedness and National Security Agency directives. Full time representation is maintained at OEP for the purpose of coordinating the requirements of the civilian agencies.

The growing requirement of the civilian agencies indicates that 230 more items of communications security equipment will require support from GSA in 1970 under this subactivity, an increase of more than 35% over the 1968 level.

d. Circuit Management

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
Total cost or estimate	$89,821	6.8	$92,800	6.8	$93,000	6.8

Centralized circuit management and procurement activity, to take advantage of bulk tariff rates, for the requirements of civilian agencies is expected to increase. This is due to some expansion of the FTS, changes in agency requirements, and changes in tariff offerings.

This program involves:

(1) Management in 1970 of an estimated 23,500 intercity circuits of the FTS and individual Federal civil agencies and non-Federal governmental entities, an increase of approximately 8% over the 1968 level.

(2) Periodic review of associated equipment and circuitry with reduction of costs of using agencies resulting from improved circuit rerouting and Telpak configuration.

(3) Continued cooperation and coordination with DOD in the joint circuit procurement activity to take maximum advantage of bulk rate economies for the Federal Government as a whole.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $1,695,400 for 134 positions distributed as follows:

	1968	1969	1970
a. Voice Programs	56	56	56
b. Record Programs	53	53	53
c. Special Programs	18	18	18
d. Circuit Management	7	7	7
Total Positions	134	134	134
Average Employment	115.0	113.8	113.8

12 Personnel Benefits.- $122,500. Includes $104,400 for retirement contributions, $11,700 for health benefits, and $6,400 for group insurance, as required by law in support of the above employment.

21 Travel and Transportation of Persons.- $41,900. Includes $41,500 for approximately 1,537 days travel which includes approximately $3,000 for the semi-annual inventory of classified equipment as recommended by the National Security Agency, $18,500 for the 10 Regional Offices for review of agency requirements, and an estimated $20,000 for travel of Central Office personnel. Motor pool travel is $400.

22 Transportation of Things.- $200. For shipment of standard forms.

23 Rents, Utilities and Communication Services.- $57,200. $6,200 for payments to the General Supply Fund for depreciation of administrative equipment and $51,000 for telephone and teletype requirements.

24 Printing and Reproduction.- $6,300 for issuance and/or updating of GSA handbooks, orders, forms, and other instructional material for the Central Office and 10 Regional Offices.

25 Other Services.- $21,200. Includes $10,250 for payment to the Working Capital Fund, $1,300 to the Federal Telecommunications Fund, $6,000 to other Government agencies for health room services and security clearances, and $3,650 for other miscellaneous services.

26 Supplies and Materials.- $5,900. General office supplies computed at the rate of approximately $37 per employee for 134 positions, $5,000; technical publications and trade journals, $900.

Mr. EVINS. There is no increase in staffing requested. The costs are the same as last year. We have discussed at length the motor pool and its operation. How many cars are in the motor pool operated by GSA, at this time?

Mr. WILLIAMS. At the end of fiscal year 1968 we had 52,385 vehicles in the fleet. There are 51,869 in the fiscal year 1969 budget. We have the same number, 51,869 projected for the 1970 budget.

MILEAGE DATA

Mr. EVINS. What is the monthly mileage on utilization of automobiles by the Government? How many miles do we ride? Do you have any figures on this?

Mr. WILLIAMS. In fiscal year 1968, 552 million miles were traveled. In 1969, we are projecting 602 million miles. In fiscal year 1970, the figure will go to 616 million miles.

Mr. JOHNSON. This averages, Mr. Chairman, about 12,000 miles per vehicle.

Mr. EVINS. Per month?

Mr. JOHNSON. No, sir. Per year.

Mr. EVINS. 12,000 miles per vehicle per year.

Mr. SHIPLEY. What is the cost per mile?

Mr. WILLIAMS. The cost per mile in fiscal year 1968 was 8.27 cents a mile.

Mr. TALCOTT. That includes everything?

Mr. WILLIAMS. That includes everything; yes, sir.

Mr. EVINS. Purchase, insurance, amortization, overhead, driver costs, everything?

Mr. WILLIAMS. We don't usually provide drivers. The administration, operation of the pool, gasoline and maintenance, cost of the vehicles.

Mr. EVINS. Do the agency drivers always come and pick them up?

Mr. WILLIAMS. The agencies pick up the cars.

Mr. EVINS. About 12,000, did you say, per year?

Mr. JOHNSON. Per vehicle.

Mr. EVINS. You wouldn't want to trade your cars in at 12,000 miles, would you?

Mr. JOHNSON. Not unless you could trade them in at no cost. That is a most economical time to trade them in.

Mr. EVINS. Do you trade in a car with 12,000 miles for a new car?

Mr. JOHNSON. If we could sell a car at the end of the first year for the roughly $1,500 we paid for it, less a normal depreciation for the first year on the car, we believe the Government would be ahead in the long run.

MAINTENANCE COST OF VEHICLES

Mr. EVINS. What is the cost of tires for the motor pool vehicles? New tires, they tell me when they put on a car, are not as good as the second set you buy; is that accurate?

Mr. ABERSFELLER. That is accurate. The tires that are originally on cars, original equipment tires are not as good as those that go on to replace.

Mr. EVINS. When do you replace the original equipment tires?

Mr. ABERSFELLER. I think right now we are getting about 16,000, 17,000 miles out of the tires. We just finished a brandnew specification, brandnew qualified products list, and we should get 35,000 miles out of these tires.

Mr. WILLIAMS. Mr. Chairman, the 12,000 miles is the average of the total fleet, which is 1 to 6 years old. We get much higher utilization with new cars so we would not necessarily expect to put only 12,000 miles on a new car during the first year. It would be closer to 20,000 miles.

Mr. EVINS. How many cars in this 51,869 remain idle?

Mr. WILLIAMS. The only idleness in the fleet are those which are awaiting disposal and those which have seasonal problems. In the Denver area, for example, or in the mountainous areas, the agencies can not use the vehicles during the winter and they are stored for a period of time during the year.

Those are the only idle aspects of the fleet.

Mr. MCDADE. Are they purchased directly from the manufacturers?

Mr. WILLIAMS. Yes, sir.

Mr. MCDADE. Is there any brokerage or commission fee paid?

Mr. WILLIAMS. No, sir.

PROCUREMENT OF TIRES

Mr. TALCOTT. On these new tires that you get 35,000 miles, how much more do they cost?

Mr. ABERSFELLER. We have not procured any yet. We should get those figures soon. Early next year.

Mr. TALCOTT. If they cost three times as much, you would stick to to the original tires?

Mr. ABERSFELLER. If they cost three times as much, Mr. Talcott, I will send in my resignation.

INCREASE IN MOTOR VEHICLE FLEET

Mr. EVINS. Why should the number of cars increase from 6,000 to 51,000 in the last 12 years?

Mr. WILLIAMS. The figures I have show there were 33,000 total vehicles in the fleet in fiscal year 1964. That will have increased to about 51,000 in fiscal year 1970.

Mr. EVINS. How many years back is that?

Mr. WILLIAMS. Six years.

Mr. EVINS. It has gone up from 33,000 to 51,000.

Mr. WILLIAMS. That is correct.

Mr. EVINS. Ten years, from 13,000 to 51,000?

Mr. JOHNSON. Mr. Chairman, in 1959 we had 13,196 vehicles in use.

The total has gone in 10 years from 13,000 to 51,000 primarily as as a result of greater use of pool vehicles.

Mr. EVINS. You have established more motor pools?

Mr. JOHNSON. Yes, sir.

Mr. EVINS. The service is in greater demand?

Mr. JOHNSON. We have gone from 44 pools in high-density areas to 101 pools.

Mr. EVINS. There is a greater demand for motor pool service?

Mr. JOHNSON. That is correct. Therefore, the cost to other agencies in operating vehicles has gone down on a comparable basis over the 10-year period.

PROCEDURE FOR USE OF MOTOR POOL VEHICLES BY OTHER AGENCIES

Mr. EVINS. On credit card use with GSA, are there any abuses in this area? We see some press reports that a lot of unauthorized people are using GSA motor pool cars. There are some abuses in the use of the credit card. What is the story on this?

Mr. WILLIAMS. We have taken every measure possible to reduce these incidents to zero. The number of violations which do occur are certainly very, very few compared to the magnitude of our fleet operations.

Mr. EVINS. Let us say a phone call comes through to the motor pool and agency X of the Government says, "We want to pick up a car to have for a certain period of time."

How do you check out that this is bona fide, this is valid. This is not somebody else wanting to use one of your vehicles?

Mr. WILLIAMS. We require all users of the vehicle to have a form SF–46 which carries the agency identification and appropriation number. It tells to what agency the car must be billed and it also certifies that the person is eligible to operate the car. He also provides to the motor pool manager his current driver's license so he is identified by this and his SF–46, before he can procure the car.

Mr. EVINS. If a user of the car runs out of gasoline, uses the credit card, how is this handled, through you, GSA?

Mr. WILLIAMS. This is handled by the station from which he makes the purchase. He has a credit card. One card for each car. They are honored at any station and they are printed with the GSA billing address and the vehicle identification.

Mr. EVINS. The motor pool is billed?

Mr. WILLIAMS. Yes, sir.

Mr. EVINS. You honor all credit cards?

Mr. WILLIAMS. We have a credit card for each car which all stations honor.

Mr. EVINS. Any further questions, gentlemen, on the motor pool?

We think it is an efficient operation but it has grown very large.

Place in the record pages II–91 and II–92, Motor Vehicle Management Activity.

(The pages follow:)

3. MOTOR VEHICLE MANAGEMENT

	Amount	Average employment		
		Central office	Field	Total
1969	$429,000	10.9	18.3	29.2
Change	+1,100			
1970	430,100	10.9	18.3	29.2

HIGHLIGHT

"Government-wide policies and procedures are developed to improve the overall efficiency of the operation of the Government-owned motor vehicle fleet, and to assist the various Federal agencies with motor equipment management. The

program for 1970 contemplates 20 additional motor equipment studies of agencies' managerial and operational policies. Implementation of the recommendations of such studies have to date reduced equipment investment by about $3.7 million and operating costs by $5.2 million." (From the budget for 1970.)

JUSTIFICATION

Total cost or estimate:

1968	$392,128
1969	429,000
1970	430,100

No increase in staffing is requested for this activity in 1970.

During fiscal year 1968, the 20 motor equipment studies of agencies' managerial and operational policies conducted by GSA brought to 118 the number of such studies completed. Implementation of the recommendations of such studies has, to date, reduced equipment investment by about $3.7 million and operating costs by $5.2 million. These studies have improved fleet management by eliminating special motor vehicles and furnishing multi-purpose vehicles thereby increasing utilization and lowering operating costs. In addition, parts inventories have been reduced and manpower and materials required in the operation of motor equipment have been brought into favorable comparison with sound Government and industry practices. These actions have resulted in an annual recurring savings of approximately $355,000. Further cost reductions have been realized by GSA spearheading a movement toward more cross-servicing arrangements for motor vehicle fuel and oil. These savings totaled $891,550 for fiscal year 1968, and since January 1, 1967, a cumulative savings of $1,375,500. Assistance was also rendered to agencies in the cross-utilization of heavy equipment. An example of this assistance was in the Forest Service and National Park Service securing additional equipment to fight forest fires during 1968.

Emphasis will be placed and expanded assistance will be given to agencies (in addition to arranging cross-utilization of construction equipment and cross-servicing for motor vehicle fuel and oil) in cross-servicing at maintenance facilities, and training heavy duty and automotive mechanics in new engineering features and maintenance requirements of modern equipment.

Continued emphasis will be placed on implementation of sound preventive maintenance programs for Government vehicles. This will not only reduce maintenance costs but will also assist in providing safe operating motor vehicles. Twenty-eight courses on defensive driving techniques will be conducted for Government motor vehicle operators in fiscal year 1970.

GSA will continue the free interchange of motor vehicle management information between and among the Federal agencies, the automotive industry, and commercial fleet operators by fifteen GSA-sponsored interagency motor equipment management committee meetings which will mutually benefit both industry and Government in solving fleet problems in specifications, utilization, maintenance, operations, and disposal.

Explanation of distribution by objects (See activity data sheet).

11. *Personnel Compensation and Staffing.*—$365,500 for 32 positions distributed as follows:

	1968	1969	1970
Central office	12.0	12.0	12.0
Field offices	20.0	20.0	20.0
Total positions	32.0	32.0	32.0
Average employment	30.3	29.2	29.2

12 *Personnel benefits, $27,900.*—Includes $23,800 for retirement contributions, $2,800 for health benefits, and $1,300 for group insurance as required by law in support of the above employment.

21 *Travel and transportation of persons, $14,100.*—Includes $13,100 for approximately 485 days of travel and $1,000 for motor pool travel of the central office and eight regional offices for the purpose of providing management services to motor pools, participation in the updating of driver training programs, conducting studies in Federal agencies' motor equipment and management activities.

22 *Transportation of things, $100.*—Provides for cost of shipping standard forms.

23 *Rents, utilities, and communication services, $11,600.*—$1,600 for payment to the general supply fund for depreciation of administrative equipment and $10,000 for costs of telephone and teletype services.

24 *Printing and reproduction.*—$7,500 for central and regional office requirements in printing of handbooks, GSA orders, circulars, and regulations for motor pool maintenance and management practices.

25 *Other services, $2,700.*—Includes $900 for payments to the working capital fund, $400 for payments to the Federal telecommunications fund and $1,400 for other miscellaneous costs.

26 *Supplies and materials.*—$700 for routine office supplies in the central and regional offices at the rate of approximately $22 per employee per year.

PUBLIC UTILITIES SERVICES

You are asking for $134,300. Tell us what you are doing in this area and what are your needs, problems, if any?

No increase is requested in staff for 1970.

Mr. WILLIAMS No, sir; this is a small group of people whose purpose in life is to provide all agencies of the Government expert advice in the procurement of utilities. We assist agencies in every way possible in the negotiations of the contracts which they may make with utility users. In certain cases——

Mr. EVINS. Are these Government agencies?

Mr. WILLIAMS. Yes, sir; Government agencies.

Mr. EVINS. Negotiations are conducted with public utility companies on behalf of executive agencies and technical assistance is rendered in connection with regulatory proceedings. In 1970, continued emphasis will be placed on the above areas where in 1968 savings to the Government of $1 million accrued.

You are asking for $134,000 and you save $1 million by advising them. What advice can you give them. A utility is a monopoly. What kind of advice can these eight people give?

Mr. WILLIAMS. There are many cases where we are able to offer very valuable advice and we do have a record of savings which have been made and which have been validated by the agencies themselves. Many times an agency through neglect or lack of knowledge will take service from a utility company under one rate whereas in fact they might be entitled to a better rate. It is generally lack of knowledge which precludes them from doing the necessary research and asking the company to provide the better rate.

Mr. EVINS. Give us an example. You say there were negotiations completed with seven utility suppliers for new or reduced areawide contracts. Give us an example. You say these seven negotiations with utilities saved the Government some money. Tell us how you did that.

Mr. CONRAD. In fiscal year 1968 we entered into areawide public utlity contracts with the Alabama Gas Corp., Boston Edison Co., for electric service, Metropolitan Edison Co., in eastern Pennsylvania for electric and steam heating service and Public Service Electric & Gas Co. of New Jersey for electric and gas service.

Mr. EVINS. Those were the contracts negotiated. You have to be a pretty sharp man when you are dealing with the utilities. If you can save some money dealing with them, you have to be commended.

Mr. TALCOTT. What do you do if you find there is a better contract you can enter into? You mean the utility company made the agency some money?

Mr. CONRAD. Yes, sir.

Mr. TALCOTT. I cannot believe that the utility company is going to charge you more than their schedule of charges.

Mr. WILLIAMS. They do not do it advertently.

Mr. EVINS. It is unintentionally.

Mr. CONRAD. Congressman Talcott, one example, as the Commissioner pointed out, is where through our program of rate and billing reviews, we, for the Davis Monthan Air Base at Tucson, discovered a better electric rate was available. We called it to the attention of the Arizona Public Service Co. and the company reduced the bill to the Air Force by $90,577 a year.

In another instance, in reviewing charges by the Southern California Edison Co. for the NASA Jet Propulsion Laboratory at Pasadena, we discovered a better electric rate available, called it to the attention of the company, and this resulted in a reduction of the billing to the Government of $36,200.

Mr. TALCOTT. Did they reimburse any money for overcharges in the past?

Mr. CONRAD. These are not ordinarily retroactive. There have been in the past one or two instances where they were applied retroactively, but ordinarily not.

Mr. EVINS. I think your staff of eight men can be very busy in dealing with that business.

Mr. WILLIAMS. These savings you were looking at, Mr. Chairman, were $1,098,000, and the total amount for our public utility activities is $134,300.

Mr. EVINS. Place in the record, pages II–94, II–95, II–97, and II–99.

(The pages follow:)

4. PUBLIC UTILITIES SERVICES

	Amount	Average employment		
		Central office	Field	Total
1969	$134,100	7.9		7.9
Change	+200			
1970	$134,300	7.9		7.9

HIGHLIGHT

"Negotiations are conducted with public utilities companies on behalf of executive agencies and technical assistance is rendered in connection with regulatory proceedings. In 1970, continued emphasis will be placed on the above areas, where, in 1968, savings to the Government of $1,098,000 accrued." (From the budget for 1970.)

JUSTIFICATION

Total cost or estimate:

1968	$126,842
1969	134,100
1970	134,300

No increase in staff is requested for this activity in fiscal year 1970.

In fiscal year 1968, assistance was rendered in the area of public utility services to 42 Federal departments, agencies, and bureaus in 462 individual instances of procurement, management, utilization, conservation, cost reduction, and negotiation assistance. Negotiations were completed with seven public utility suppliers for new or renewed areawide contracts, which save money for both the Government and the suppliers by substituting a master contract for multiple

contracts. In addition, 30 long-term or special-purpose utilities contracts were negotiated in behalf of several Government agencies, where such contracts were necessary to obtain required service, secure lower rates, or eliminate or reduce special facilities charges. Direct savings of $1,098,076 resulted from these types of assistance to Federal agencies in 1968 alone. In addition, economic analyses and technical assistance were provided on utilities rate evaluations and other problems involving the Government's interest as a customer.

In fiscal year 1969 and 1970, this activity will continue to place emphasis on the following public utilities services: (*a*) further regulations and procedures will be developed and published to govern the procurement and management of public utilities services and to provide specific guidance to agencies in the procurement and utilization of public utilities services; (*b*) seminars and training courses will be continued and presented to provide training for selected employees of agencies to improve public utilities procurement and utilization; (*c*) agencies will be assisted in the attainment of economy and efficiency in all phases of public utilities procurement, management, utilization, conservation, and cost reduction through coordination in the identification and resolution of both individual and common problems; (*d*) negotiations will be conducted with suppliers for service needs and rates that are advantageous to the Government, including areawide contracts and long-term or special-purpose contracts; (*e*) Government utility bills will be reviewed to insure that billing for services is under the most economical rate schedule provisions; and (*f*) continuous surveillance will be made of rates and tariffs (electric, gas, steam, water, and sewerage) in the interest of the Government as a user and consumer.

Explanation of distribution by objects.—(See activity data sheet).

11 *Personnel compensation and staffing.*—$115,700 for eight positions, all in Central Office:

	1968	1969	1970
Total positions	8	8.0	8.0
Average employment	8	7.9	7.9

12 *Personnel benefits.*—$8,900, includes $7,500 for retirement contributions, $900 for health benefits, and $500 for group insurance as required by law in support of the above employment.

21 *Travel.*—$3,200 for approximately 118 days of travel for negotiations, training, and representation.

23 *Rents, utilities, and communications services.*—$3,400—$400 for payment to the general supply fund for depureciation of administrative equipment and $3,000 to provde for telephone and teletype services.

24 *Printing and reproduction.*—$1,500 for areawide contracts, GSA orders, circulars, and training material.

25 *Other services.*—$800 provides for security clearances, payments to the general supply fund for repair of equipment not under contract, and health room services.

26 *Supplies and materials.*—$800 provides for routine office supplies and purchase of transcripts of utility hearings.

5. SERVICE DIRECTION

		Average employment		
	Amount	Central office	Field	Total
1969	$657,900	18.3	20	38.3
Change	+1,400			
1970	659,300	18.3	20	38.3

HIGHLIGHT

General direction over all programs assigned to the Transportation and Communications Service is provided by the Commission and Deputy Commissioner, aided by an administrative staff, and in the field by a regional director in each of the 10 regions.

Total cost or estimate:

1968	$637,025
1969	657,900
1970	659,300

Explanation of distribution by objects (see activity data sheet).

11 *Personnel compensation and staffing.*—$573,300 for 39 positions distributed as follows:

	1968	1969	1970
Central office	20.0	19.0	19.0
Field	20.0	20.0	20.0
Total positions	40.0	39.0	39.0
Average employment	39.7	38.3	38.3

12 *Personnel benefits, $43,700.*—Includes $37,300 for retirement contributions, $3,800 for health benefits, and $2,600 for group insurance in support of the above employment.

21 *Travel and transportation of persons, $6,900.*—Includes $6,500 for 240 days of travel necessary for the Commissioner, Deputy Commissioner, 10 regional directors and other service direction personnel for management of the nationwide TCS program; and $400 for motor pool services.

22 *Transportation of things, $100.*—Provides for cost of shipping standard forms.

23 *Rents, utilities and communications service, $28,600.*—$2,600 for payments to the General Supply Fund for depreciation of administrative equipment, $10,000 for postage fees and $16,000 for telephone and teletype service.

24 *Printing and reproduction, $1,200.*—Provides for general printing and photographic reproduction.

25 *Other services, $3,900.*—$1,000 to the Working Capital Fund, $600 to the Federal Telecommunications Fund, and $2,300 for security clearances, health room services, office machine maintenance contracts, and other miscellaneous costs.

26 *Supplies and materials.*—$1,600 for office supplies for central and regional offices staff of 39 positions.

6. Administrative Operations

HIGHLIGHT

This activity provides funds for administrative and staff support for transportation and communication programs financed under "Operating expenses, TCS."

1. *Administration.*—Provides accounting and reporting, credit, insurance, and related financial services including the cost of ADP services for accounting, payrolling, and invoice processing, budget, personnel administration, management systems, and administrative and office services.

2. *Audits and compliance.*—Provides TCS management with an independent and objective review and appraisal of GSA's transportation, communication, and public utilities programs through the medium of contract and internal audits, investigations, and civil rights functions.

3. *Legal services.*—Performs all legal services in connection with the development of procurement policies, statistical reports, and economic studies in the transportation, communication and utility fields; surveys of transportation and traffic practices of executive agencies; negotiation of contracts, rates, charters and other arrangements with transportation companies, communication companies, and public utilities; and representation of executive agencies in proceedings involving carriers, communication, and public utilities.

JUSTIFICATION

The costs of AO support for TCS expressed in percentage relationship to the appropriation totals and comparative man-year equivalents are as follows:

[Dollar amounts in thousands]

	1968	1969	1970
TCS	$5,791	$6,150	$6,150
AO support	$626	$625	$625
Percentage relationship	10.8	10.2	10.2
Man-year equivalents	49.3	45.8	45.8

The percentage relationship between program and AO support costs reflects a decrease in 1969 and 1970 from the 1968 actual year in relative costs of maintaining support level to the transportation and communications service program. This decrease is being accomplished in spite of additional employee pay costs.

Total AO Fund support on an integrated basis for all GSA programs is justified under the heading "Administrative operations" in volume III of GSA's congressional estimates.

FEDERAL TELECOMMUNICATIONS FUND

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Operating costs, funded:			
1. Voice program	82,637	97,004	104,304
2. Record program	9,253	11,050	12,500
3. Circuit procurement program	4,346	5,100	5,200
4. Special programs	363	665	545
5. Prior year costs	608		
Total operating costs, funded	97,206	113,819	122,549
Capital outlay, funded: Acquisition of fixed assets	228	700	600
Total program costs, funded	97,434	114,519	123,149
Change in selected resources [1]	288	−99	
Total obligations	97,722	114,420	123,149
Financing:			
Receipts and reimbursements from:			
Voice program, revenue	−84,382	−97,004	−104,304
Record program, revenue	−8,208	−11,050	−12,500
Circuit procurement program, revenue	−4,514	−5,100	−5,200
Special programs, revenue	−594	−900	−900
Undistributed	−50		
Total receipts and reimbursements	−97,748	−114,054	−122,904
Federal funds	(90,973)	(106,150)	(114,387)
Trust funds	(6,439)	(7,516)	(8,099)
Non-Federal sources	(336)	(388)	(418)
Unobligated balance available, start of year	−7,668	−7,690	−7,072
Unobligated balance available, end of year	7,690	7,072	6,827
Capital transfer to general fund	3	252	
Budget authority			
Relation of obligations to outlays:			
Obligations incurred, net	−26	366	245
Obligated balance, start of year	6,364	516	1,481
Obligated balance, end of year	−516	−1,481	−1,490
Outlays	5,823	−600	236

[1] Selected resources as of June 30 are as follows:

	1967	1968	1969	1970
Supplies, deferred charges, etc.	647	730	750	750
Unpaid undelivered orders	116	319	200	200
Advances	2	3	3	3
Total selected resources	765	1,052	953	953

OBJECT CLASSIFICATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	8,911	9,188	9,069
Positions other than permanent	417	429	441
Other personnel compensation	99	155	155
Total personnel compensation	9,426	9,772	9,665
Personnel benefits: Civilian employees	715	763	754
Travel and transportation of persons	81	80	80
Payment to interagency motor pools	10	10	10
Transportation of things	16	16	16
Rent, communications, and utilities	83,979	100,194	109,040
Printing and reproduction	103	105	105
Other services	2,732	2,735	2,735
Supplies and materials	144	144	144
Equipment	228	700	600
Total costs, funded	97,434	114,519	123,149
Change in selected resources	288	−99	
Total obligations	97,722	114,420	123,149

PERSONNEL SUMMARY

Total number of permanent positions	1,518	1,488	1,464
Full-time equivalent of other positions	90	92	94
Average number of all employees	1,525	1,498	1,476
Average GS grade	4.6	4.6	4.6
Average GS salary	$6,252	$6,511	$6,571
Average salary of ungraded positions	$6,829	$6,968	$6,968

Federal Telecommunications Fund

Mr. Evins. Take a look at Federal Telecommunications Fund.

This fund was authorized October 23, 1962. It finances, on a reimbursable basis, a telecommunications system for the Federal Government which is operationally compatible with military communications systems. The system provides local and long-distance voice, teletype, data, facsimile and other communications services. This is a civilian counterpart of the military. These expenses are reimbursed from available appropriations and funds of any agency or organization for telephone services made available to them.

How does the telecommunications fund operate, Mr. Johnson?

Mr. Johnson. Mr. Chairman, it operates on a straight revolving fund basis. On the basis of sales volume, call volume or use volume, a distribution is made to all users and they are billed on the basis of their pro rata use of the total system. We had a little bit of difficulty several years ago, if you remember of collecting receivables in this fund. We have since been able to get together with all Government agencies and establish what to them is an equitable billing procedure based on an equitable method of collecting the revenue which finances this operation.

Right now this fund is in a sound cash position.

Mr. Evins. Initial capital is $9 million, and what is the status of the fund at the present time?

Mr. Johnson. We do not need any further appropriation at present. As of December 31, we have $31,978,000 in assets and a capitalization of $10,419,000 with liabilities of $21,559,000.

The fund is fiscally sound.

Mr. Evins. You have $31 million in liquid assets?

Mr. JOHNSON. We have $31 million in total assets, of which $16,850,000 is cash.

Mr. EVINS. They are paying for the service. What is the nature of your liabilities?

Mr. JOHNSON. The liabilities are primarily the accounts payable to the people we buy the leased lines from that form the backbone of the system.

Mr. WYMAN. Mr. Chairman?

Mr. EVINS. Yes.

VOICE AND RECORD PROGRAM

Mr. WYMAN. At page II–104, the operating costs for the voice program in 1968 was $82,637,000 and revenue was $84,382,000. Operating cost for the record program in 1968 was $9,253,000. Revenue, $8,208,000.

Does this mean the voice program subsidized the record program?

Mr. JOHNSON. It did in 1968. If you remember, the first utilization of this fund was for the voice program. Then the record program came separately a short time later. The volume has been building on the records program and you will notice in 1969 it breaks even. This is the first year that we will break even on the records program.

Mr. WYMAN. Who are the principal users of the record program?

Mr. JOHNSON. The principal user of the record program—and, Mr. Commissioner, you correct me if I am wrong—are the Veterans' Administration and the Social Security Administration. It is a system where you transmit data rather than voice from point to point.

Mr. WYMAN. Is this Federal telecommunications fund the FTS system?

Mr. JOHNSON. Yes, sir.

Mr. WYMAN. Is this the one hooked into the congressional offices?

Mr. JOHNSON. Yes, sir. This is the fund into which the payment we discussed earlier, that the clerk is making, goes in as revenue.

Mr. WYMAN. Up in my district office, where I pay $45 a month to you for the FTS phone?

Mr. JOHNSON. This is the fund that finances that operation. We bill you in your home district every month or every quarter for the service.

Mr. WYMAN. That costs the Government a lot less than it would to contract individually?

Mr. JOHNSON. Very much so.

Mr. TALCOTT. Is this service available to every Congressman?

Mr. JOHNSON. Yes, sir. In your home district—we provide this service for a flat rate plus associated charges and, as the Commissioner said earlier, Mr. Talcott, we also provide off-hour service here on Capitol Hill at a flat rate.

Mr. WYMAN. This service interests me very much because I would like to say this is extremely useful here in Washington—5 in the evening to 8 in the morning. I can conceive of it being not only useful, but valuable to members who live in districts far away.

Mr. JOHNSON. That is correct.

Mr. WYMAN. There is nothing like the phone which is available here from 5 at night until the next morning and over the weekends, available in the district offices, at least to my knowledge. I pay $45 a month for a phone in my district office that shuts off at 5 o'clock on Friday afternoon.

Mr. JOHNSON. That is correct.

Mr. WYMAN. You don't use it again until the opening of business hours on Monday morning.

Mr. JOHNSON. That is because we don't operate the switchboard which is necessary to provide that service. When the bulk of the people are not working, customers have no use for it.

Mr. WYMAN. There are no lines available for automatic dialing the way we do here?

Mr. JOHNSON. That is correct.

Mr. WYMAN. Thank you.

Mr. EVINS. Gentlemen, these figures for 1969 and 1970 are estimates. Are these estimates accurate?

Mr. JOHNSON. Yes, sir. I think these estimates will be within the normal margin of error.

Mr. EVINS. Any further questions, gentlemen?

[No response.]

Mr. EVINS. We hope these examinations are constructive and helpful. Place page II–102 in the record and this afternoon at 1:30 we will take up volume III.

(The page follows:)

GENERAL STATEMENT

This fund was authorized by Public Law 87–847, approved October 23, 1962. It finances, on a reimbursable basis, a telecommunications system for the Federal Government which is operationally compatible with military communications systems. The system provides local and long-distance voice, teletype, data, facsimile, and other communications services.

Expenses payable from the fund include personal services, procurement by lease or purchase of equipment and operating facilities (including cryptographic devices), and other costs necessary to operate the system. These expenses are reimbursed from available appropriations and funds of any agency or organization for telecommunications services and facilities made available to them.

Initial capital of $9 million was appropriated by Public Law 88–25, approved May 17, 1963. Ths sum may be increased by donations of supplies and equipment.

Budget program.—The estimate provides for a continued increase in volume and quality of communications services provided to executive agencies of the Government. Total sales for 1968 were $97.7 million and are estimated at $114.1 million in 1969 and $122.9 million in 1970.

1. *Voice program.*—Provides for a telephonic system which will enable personnel in each Federal agency office to communicate directly on a machine-to machine or station-to-station basis with any other agency office in the Nation. The system will provide day-to-day service as well as incorporate features which would be necessary in emergency situations. The program for 1970 contemplates a sales level of $104.3 million, an increase of about 7.5 percent over 1969, and an anticipated traffic volume of 67 million intercity calls being handled by FTS.

2. *Record program.*—A common unified system to satisfy record communications requirements of all Federal civil agencies by providing machine-to-machine service for transmission of information by data, teletypewriter, facsimile, and other transmission media while at the same time providing message-processing capability required for peak-period traffic loads, time zone differences, machine code and language translation, and processing of multiple-address messages. The continued development of the records program is reflected in the projected sales increase of $1.5 million, or 13 percent in 1970 over 1969.

3. *Circuit procurement program.*—Provides for centralized procurement of circuits while at the same time permitting each agency to maintain operational control over its own circuits, thereby obtaining benefit of multiple-tariff offerings of the commercial carriers. The sales program increases from $5.1 million in 1969 to $5.2 million in 1970.

4. *Special programs.*—Provides for an effective communications security program for civil agencies in keeping with objectives of the U.S. communications security plan, and for a consolidated program of procurement and maintenance of equipment to implement such security plans. These programs insure that the

Federal telecommunications system will remain operational in the event any portion of the normal system is disabled or destroyed. (From the budget for 1970).

Operating Expenses, Property Management, and Disposal Service

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Property management:			
(a) Strategic and critical materials	11,703	12,820	12,990
(b) Industrial reserve	880	790	1,840
Total, property management	12,583	13,610	14,830
2. Real property disposal:			
(a) Utilization and disposal	1,446	1,540	1,540
(b) Appraisal	874	970	1,020
(c) Protection and maintenance	828	800	800
(d) Payments in lieu of taxes	136	140	
Total, real property disposal	3,284	3,450	3,360
3. Personal property disposal:			
(a) Utilization of donation	2,859	3,120	3,120
(b) Sales	1,369	1,450	1,450
(c) Property rehabilitation	662	700	750
(d) Strategic and critical materials disposal	1,293	2,100	2,250
Total, personal property disposal	6,183	7,370	7,570
4. Program support	771	960	960
5. Service direction	575	610	610
6 Administrative operations	1,860	2,000	1,950
Total program costs, funded [1]	25,257	28,000	29,280
Change in selected resources [2]	364	500	500
Total obligations	25,621	28,500	29,780
Financing: Unobligated balance lapsing	2,371		
Budget authority	27,992	28,500	29,780
Budget authority:			
Appropriation (special fund)	27,572	28,500	29,780
Transferred from other accounts	420		
Appropriation (adjusted)	27,992	28,500	29,780
Relation of obligations to outlays:			
Obligations incurred, net	25,621	28,500	29,780
Obligated balance, start of year		3,566	3,566
Obligated balance, end of year	−3,566	−3,566	−3,346
Outlays	22,055	28,500	30,000

[1] Includes capital outlay as follows: 1968, $100,000; 1969, $50,000; 1970, $50,000.

[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $1,853,000 (1968 adjustments, −$259,000); 1968, $1,958,000; 1969, $2,458,000; 1970, $2,958,000

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	10,091	10,569	10,844
Positions other than permanent	175	242	242
Other personnel compensation	29	47	47
Total personnel compensation	10,295	10,858	11,133
Personnel benefits: Civilian employees	791	869	891
Benefits for former personnel	38		
Travel and transportation of persons	275	380	380
Payment to interagency motor pool	110	111	111
Transportation of things	324	513	879
Rent, communications, and utilities	750	881	749
Printing and reproduction	277	279	279
Other services	11,584	13,398	14,267
Supplies and materials	941	1,021	1,041
Equipment	15	50	50
Lands and structures	85		
Grants, subsidies, and contributions	136	140	
Total obligations	25,621	28,500	29,780

PERSONNEL SUMMARY

Total number of permanent positions	1,120	1,100	1,100
Full-time equivalent of other positions	34	34	34
Average number of all employees	1,110	1,073	1,104
Average GS grade	8.6	8.7	8.7
Average GS salary	$9,881	$10,722	$10,745
Average salary of ungraded positions	$6,974	$6,974	$6,974

Mr. EVINS. The committee will come to order.

PROPERTY MANAGEMENT AND DISPOSAL SERVICE

We will take up this afternoon volume III of the budget justification of the General Services Administration, Property Management and Disposal Service.

We are somewhat familiar with the functions of the Property Management and Disposal Service. The text on III–1 is very interesting. This service performs a dual role as manager and custodian of most of the Nation's emergency defense supplies, and as property disposal agent for the Federal Government of excess and surplus supplies, both real and personal property, and you acquire, maintain, and manage the national and supplemental stockpiles in connection with the Office of Emergency Preparedness. You administer the national industrial equipment reserve in accordance with Department of Defense directives and policies.

You provide technical advice, storage, and other services to the Commodity Credit Corporation of the Department of Agriculture and you administer the lead and zinc mining stabilization program for the Department of the Interior for small producers of lead and zinc pursuant to delegation from the Department of the Interior.

You operate the civil defense depots for the Office of Civil Defense and certain other functions for the Department of HEW, Public Health Service.

You also administer the William Langer Jewel Bearing Plant at Rolla, N. Dak. So in the property disposal and property management service, you have a wide jurisdiction and have enormous responsibility, and you service many agencies of the Government.

Earlier I was talking to Mr. Wyman about the people concerned about the national debt, but on the other side of the table here we have the national assets.

Mr. Administrator, have you had time since you have been on board to give consideration to the total real estate and total assets of this Nation?

We talk about the national debt, but we never talk about the assets. I once tried to get the Library of Congress to make a report on the total assets of the realty of this country, the parks and dams and buildings. The 40- and 50-year loans for housing, for education, veteran loan programs, and the paper of this Nation must be an enormous amount. The physical assets are great. So when you look at the asset side of the ledger, we have an enormous amount of assets in the Nation.

I think it would be an interesting study for the Administrator to come up with a statement of the assets of the Nation to be shown against the liability.

PROPERTY VALUE

Mr. KUNZIG. Mr. Chairman, our latest real property inventory report shows $73 billion of the U.S. property value.

Mr. EVINS. Would this be the acquisition value?

Mr. KUNZIG. This is acquisition value. It would probably be much more at present-day value.

Mr. EVINS. What is the report you have?

Mr. KUNZIG. This is the "inventory report on real property owned by the United States throughout the world as of June 30, 1968."

Mr. EVINS. The parklands of the Nation are enormous.

Mr. JOHNSON. They are in there, too, Mr. Chairman.

Mr. WYMAN. That is just real property?

Mr. EVINS. There has never been an approximation of the assets of this great Nation. It would be an interesting study if it could be compiled.

We will place in the record III–1, III–2, and III–3.

(The pages follow:)

FUNCTIONS PERFORMED BY THE PROPERTY MANAGEMENT AND DISPOSAL SERVICE

The Property Management and Disposal Service (PMDS) performs a dual role as manager and custodian of the bulk of the Nation's emergency defense supplies, and as property disposal agent for the Federal Government, controlling and carrying out the disposition of most of the Government's excess and surplus supplies, equipment, and real property.

This includes the management of the National Stockpile of Strategic and Critical Materials; National Industrial Equipment Reserve; Civil Defense; Medical; Shelter; Chemical, Biological, Radiological, and Engineering Stockpiles; the disposal of materials determined to be excess to stockpile requirements; and the utilization of excess and the disposal of surplus personal and real property of the Federal Government.

The disposal activities of PMDS serve two important purposes, that is, to make available to Government agencies, excess property not needed by another agency thereby minimizing cash expense of new item purchases, and to bring maximum cash return on sale of stockpile material excess to requirements and on the sale of other personal property and real property surplus to the needs of the Federal Government. More specifically, the Service:

(1) Acquires, maintains, and manages the national and supplemental stockpiles and administers Defense Production Act metals, minerals, and machine tools expansion programs pursuant to Office of Emergency Preparedness policy and program directives; disposes of surplus S. & C.M. and DPA materials pursuant to approved disposal plans;

(2) Administers the National Industrial Equipment Reserve for use of defense-supporting industries in an emergency, in accordance with Department of Defense directives and policies;

(3) Provides for utilization of excess and disposal of surplus real and personal property, including national industrial reserve properties, protection and maintenance of excess and surplus properties, and national industrial reserve properties, rehabilitation of personal property, appraisal of real and related personal property, and payments in lieu of taxes on certain properties as required by law, and develops and administers Government-wide regulations in these areas;

(4) Provides technical advice, storage, and other services to the Commodity Credit Corporation, Department of Agriculture, in connection with acquisition of strategic and other materials under the CCC barter program, and maintains and manages these materials before and after transfer to the U.S. supplemental stockpile by CCC;

(5) Administers the lead-zinc mining stabilization program, which provides for stabilization payments to small domestic producers of leads and zinc pursuant to delegation from the Department of the Interior;

(6) Operates civil defense depots and provides complete supply support services in connection with medical, chemical biological, radiological, and engineering supplies and equipment for the Office of Civil Defense, Department of Defense, and the Public Health Service, Department of Health, Education, and Welfare;

(7) Provides storage and complete supply support services to the Department of Defense under the civil defense shelter provisioning program; and

(8) Administers the operation of the William Langer Jewel Bearing Plant, Rolla, N. Dak., pursuant to Public Law 90–469.

Operating expenses are financed from the appropriation "operating expenses, PMDS," Defense Production Act programs are financed under the Defense Production Act borrowing authority; selected contractual and force account operations are financed on a reimbursable basis through the general supply fund; certain real property activities, including services of appraisers, auctioneers, and all other programs are financed by transfers of funds or reimbursements from other agencies to GSA.

PROPERTY MANAGEMENT AND DISPOSAL SERVICE

[Summary of budget authority and related average employment]

	Budget authority		Average employment					
			Total		Central office		Field	
	1969	1970	1969	1970	1969	1970	1969	1970
Operating expenses, PMDS	$28,500,000	$29,780,000	1,072.5	1,103.8	190.0	190.9	882.5	912.9
1. Property management	13,346,100	14,434,600	390.6	418.0	38.5	38.5	352.1	379.5
2. Real property disposal	3,513,000	3,439,500	180.7	180.7	33.3	33.3	147.4	147.4
3. Personal property disposal	8,033,400	8,348,400	424.8	428.7	68.2	69.1	356.6	359.6
4. Program support	981,500	981,500	41.0	41.0	41.0	41.0		
5. Service direction	626,000	626,000	35.4	35.4	9.0	9.0	26.4	26.4
6. Administrative operations	2,000,000	1,950,000						

Summary reconciliation of 1970 estimate to comparable amounts for 1969

1969 Appropriation in annual act	$28,500,000
Decreases in 1970:	
Upgrading	83,000
Storage operations—recurring depot costs	244,000
Real property—payments in lieu of taxes	140,000
Administrative operations	50,000
Total	−517,000
Increases in 1970:	
Rotation	50,000
Relocation of stockpile material	300,000
Other storage operations	10,900
Industrial reserve	1,054,600
Real property—appraisal, utilization, and disposal	66,500
Personal property—strategic and critical materials	234,500
Personal property—other	80,500
Total	+1,797,000
1970 estimate	29,780,000

ANALYSIS BY ACTIVITIES

Activities	1969	Decreases	Increases	1970
1. Property management	$13,346,100	$327,000	$1,415,500	$14,434,600
2. Real property disposal	3,513,000	140,000	66,500	3,439,500
3. Personal property disposal	8,033,400		315,000	8,348,400
4. Program support	981,500			981,500
5. Services direction	626,000			626,000
6. Administrative operations	2,000,000	50,000		1,950,000
Total	28,500,000	517,000	1,797,000	29,780,000

NATIONAL AND SUPPLEMENTAL STOCKPILES

Mr. EVINS. Would you make a general statement on the condition of the stockpile and what is the total value of the national stockpile and the supplemental stockpile?

When did it reach its peak, how much has been disposed of in the last few years, and what is the current condition?

Mr. HARLAN. The total inventory value of all of the stockpiles today is $6,836,324,000; $3 billion of that is excess.

Mr. EVINS. At one time it was $9 billion. I remember some testimony before this committee a few years ago.

Mr. HARLAN. That is right.

Mr. EVINS. You have been selling some of the assets and it is now down to $6.8 billion?

Mr. HARLAN. Yes, sir.

Mr. EVINS. And you still have $3 billion excess to the national needs?

Mr. HARLAN. That is right, sir. I think the excess reached its peak in 1964.

Mr. EVINS. What are the items in excess in this $3 billion?

Mr. HARLAN. There are 70 materials containing excesses, of which 54 quantities are authorized for sale.

Mr. EVINS. Fifty-four items totaling $3 billion?

Mr. HARLAN. Fifty-four of them in excess which we have authority to dispose of and additional items which we do not have authority yet to dispose of.

Mr. EVINS. There cannot be any disposition of any material in the stockpile without act of Congress, is that correct?

Mr. HARLAN. Without specific authorization of the Congress.

Mr. EVINS. And Congress has authorized you to dispose of surplus of about 54 items?

Mr. HARLAN. That is right. We have disposed of just under $3 billion worth of material since 1960.

Mr. EVINS. That is 9 years ago and you have $3 billion more to go?

Mr. HARLAN. Yes, sir.

Mr. EVINS. What rate of disposal are you making?

Mr. HARLAN. Our disposal rate this year was estimated at $217 million. I think we will be close to $225 million this year.

Mr. WYMAN. When you sell this, do you sell at what it costs us to put it in the stockpile?

Mr. HARLAN. No; we sell it at current market price and we use various methods of sale, depending on what the practice of the particular trade is.

Mr. WYMAN. Do you sell it all at once or consider the effect on the market?

Mr. HARLAN. We have to carefully consider the effect on the market because the law requires none of it be sold unless it can be sold without undue market disruption.

Mr. EVINS. You are proceeding in an orderly way so there will not be an undue market disruption?

Mr. HARLAN. That is right. This is the result of long study and careful analysis by ourselves and the other interested agencies of the Government.

Mr. EVINS. And you are able to dispose of about $225 million a year?

Mr. HARLAN. That is right. At one time, 1966, we did a billion dollars.

RATE OF ACQUIREMENT OF STOCKPILE MATERIALS

Mr. EVINS. At what rate are you acquiring materials for the stockpile on an annual basis?

Mr. HARLAN. At the moment we are acquiring for cash only jewel bearings at the rate of about $600,000 a year.

Mr. EVINS. That is the only item?

Mr. HARLAN. We have been asked by OEP to acquire some four additional items in short supply by exchanging for other surplus materials, and the value would be roughly $30 million.

Mr. EVINS. Are you able to dispose of these materials at a reasonable fair value or taking an enormous loss?

Mr. HARLAN. The $6.8 billion value of the stockpile today, which is based on the prices we would expect to get and which the market is reflecting, is just about $200 million over what we paid for the stockpile.

Mr. EVINS. He testified, Mr. Jonas, he has about $3 billion in surplus the Congress has authorized him to dispose of.

Mr. HARLAN. There are $3 billion in excess, of which about $1.2 billion we have been authorized to dispose of, and another $1.4 billion we have not been authorized to dispose of.

Mr. EVINS. About $3.2 billion in excess and about half of it you have been authorized to dispose of?

Mr. HARLAN. That is about right.

Mr. JONAS. It might not be a bad idea to check this record pretty carefully and not let any public information get out through the hearings about any particular item you want to dispose of in any quantity or it might affect the price.

Mr. HARLAN. It could have an effect in the market.

Mr. EVINS. Surely.

Mr. JONAS. Revise the record so as avoid that.

Mr. WYMAN. I thought he just answered in response to one of my questions they were required by law not to dispose of it in a quantity that would adversely affect the market.

Mr. HARLAN. I think what Mr. Jonas means, if there is a rumor we are going to dispose of something, it could have an effect on the market. We had one example of that several years ago.

OPERATING EXPENSES, PMDS

Mr. EVINS. Take a look at the operating expense for property management and disposal service. You have some decreases and increases.

Mr. HARLAN. Yes, sir.

Mr. EVINS. And your decreases, upgrading, $83,000 less than the previous year.

Mr. HARLAN. That is right.

Mr. EVINS. Storage operation, $244,000 less than in the previous year. Real property payments in lieu of taxes, $140,000 less than last year. Is this because of the acquisition of——

Mr. HARLAN. That is because of the authority for payment in lieu of taxes expired and was not renewed by the Congress.

Mr. EVINS. Administrative operations, $50,000 less; $517,000 decreases estimated for 1970, and your increases are shown, $50,000 for rotation of materials.

Mr. HARLAN. Yes, sir.

Mr. EVINS. Three hundred thousands dollars for relocation of stockpiled materials.

Mr. HARLAN. Yes, sir.

Mr. EVINS. Why do you not go down the list and explain each of the increases?

Mr. HARLAN. Yes, sir.

INCREASES IN 1970

The $50,000 is to provide for handling costs of materials in connection with the rotation of cordage fiber. This year we will have to begin rotating fiber which is abaca and sisal at a rate of about 12 million pounds of abaca and 40 million pounds of sisal. We will pay most of the cost of that rotation by delivering additional quantities, the excess of that material. But there will be some handling costs, particularly in our own depots and at some of the plants where we will not be able to make arrangements to pay for it with materials.

So in order to take care of that possible cash expenditure we are asking for $50,000 which has not been in our budget previously.

SILVER RELOCATION

The $300,000 increase in the relocation costs is to take care of the movement of silver, which has recently been added to the stockpile; 165 million ounces of silver now included as a stockpile item will be transferred from mint storage to storages specified by the OEP in using areas.

Mr. EVINS. Why is it necessary to move it?

Mr. HARLAN. Because the present storage, of course, is for coinage purposes primarily, whereas the stockpile requirement will be for industrial use purposes.

The OEP follows a pattern of putting the material in storage as close to the using areas as possible in order to save transportation costs and time in the event of emergency. So while a large amount of material is now stored out West it will be moved eastward closer to the using areas.

Mr. JONAS. Are you going to have to rent additional warehouse space for that silver?

Mr. HARLAN. Yes. It will have to be vault space of course. The $300,000 is primarily moving costs.

Mr. EVINS. I wonder if it would not be cheaper to leave it in the vaults where it is rather than to put in commercial properties.

Mr. HARLAN. It would be cheaper, sir.

Mr. EVINS. You have to abide by the directive of OEP?

Mr. HARLAN. That is right, and their decisions are based on saving transportation and moving time in the event of an emergency.

Mr. EVINS. I do not see how you are saving transportation by moving from West to East.

Mr. HARLAN. Saving transportation at the time of the emergency, but not now of course.

Mr. JONAS. We have a lot of vacant space at Fort Knox now since the gold is gone.

Mr. HARLAN. This is where a good portion is going to go, Mr. Jonas.

MACHINE TOOLS

We have a fairly substantial increase requested—as a matter of fact, out of the $1,280,000 we have asked for overall in the way of an increase, $1,054,600 of that is to take care of a large increase in the number of machine tools which the Department of Defense estimates they will select for the national industrial equipment reserve in 1970, due primarily to tools coming back from defense contracts being cut back in connection with the Vietnam war.

Last year they selected 200 items; they expect to select 1,050 items this year.

Mr. EVINS. GSA is the agent that carries out the directives or requests of these agencies of Government and these obligations are placed upon you and they are mandatory, are they not?

Mr. HARLAN. Yes, sir; that is correct. We are not masters of our own destiny in very many of the situations.

In the case of the stockpile, the OEP makes all policy decisions and we carry them out. They determine what should be in the stockpile, quantities of it, quality of it, and it is our job to get these materials and put them in the stockpile and maintain them for emergencies.

Mr. EVINS. The largest increase is for building up the industrial reserve requested by the Department of Defense?

Mr. HARLAN. Right, sir. $1,054,600 is our estimate.

REAL PROPERTY DISPOSAL

Mr. EVINS. What is the increase for, real property disposal?

Mr. HARLAN. Actually, there is a net decrease of $73,500 in real property disposal. There is a slight increase in connection with our taking over the in-lease appraisal activities from PBS of $54,000, and another small increase of $12,500 for personnel costs. But we are decreasing $140,000 as a result of what I mentioned earlier, the lapse of the authority for payment in lieu of taxes.

By the way, I understand that legislation has been reintroduced.

PAYMENT IN LIEU OF TAXES

Mr. JOHNSON. With respect to the payment in lieu of taxes, if the Congress extends that for 2 years, which is now pending, we will have to come back for a supplemental on this item.

Mr. EVINS. What is the payment in lieu of taxes for? What does it cover?

Mr. HARLAN. Actually, it covers one property in New York leased to the National Lead Co. When the Government took it over from the RFC—we took over a number of properties from RFC and they had been paying taxes on these properties. At the time they were acquired, of course they would have automatically become exempt from taxes except for the fact there was a law passed to give these local bodies time to adjust their tax revenue projections, whereby the Government would actually pay to the local bodies the amount of taxes they would have otherwise collected.

Mr. EVINS. That has been going on for a long time then.

Mr. HARLAN. Yes, sir. It lapsed last year.

Mr. JOHNSON. The legislation expired as of December 31, 1968.

PERSONAL PROPERTY DISPOSAL

Mr. HARLAN. So we have not asked for funds to cover this item in this year's budget. I was showing an additional increase under personal property disposal of $315,000, which is primarily to——

Mr. EVINS. $234,500 is shown here.

Mr. HARLAN. That is right, but if you include in that the S & CM activities—that is right. That is the increase in the handling costs. Last year in 1969 we were moving out about 600,000 tons. Our estimate of out-movement from the stockpile in 1970 will be 900,000 tons, primarily bulk ores, moving on long term sales contracts. These are heavy, expensive items to move out. We are asking for an increase.

REHABILITATION PROGRAM

Mr. EVINS. Another increase of $80,500 for other items, personal property.

Mr. HARLAN. That is primarily the rehabilitation program, which is the program under which we take office equipment, desks, typewriters, and other personal property of numerous agencies and arrange contracts to have them rehabilitated and made reserviceable in lieu of purchasing new items.

OPERATING EXPENSES

Mr. EVINS. Your operating expense overall is $29,780,000, an increase of $1.280 million over last year?

Mr. HARLAN. Right.

Mr. EVINS. Property management goes up $1,415,500, is that right?

Mr. HARLAN. That is the total increase, but of course it is offset by a decrease of $327,000. The net increase is $1,088,500.

Mr. EVINS. How much will be returned to the Treasury from sales in 1970?

Mr. HARLAN. It will be roughly $270 million from the stockpile plus $75 million on the sale of real property and $13 million on other types of personal property. That is about it.

Mr. EVINS. About $358 million converted into the Treasury from all of your operations?

Mr. HARLAN. That is right.

Mr. EVINS. Can you give us for the record a summary of your stockpile sales for 1968?

Mr. HARLAN. Yes.

(The information follows:)

General Services Administration—Strategic and critical materials

Sales commitments, fiscal year 1968:	
Metals	$124,284,941
Minerals	2,605,590
Ores	42,386,036
Rubber, oils, and fibers	38,161,934
Total	207,438,501

Mr. EVINS. Place in the record III–4 and III–5.

(The pages follow:)

Operating expenses, PMDS

	Amount
1969 Appropriation	$28,500,000
Change	+1,280,000
1970 estimate	29,780,000

GENERAL STATEMENT

"The property management and disposal service has the responsibility for: (a) acquisition, administration, and disposal of national stockpile inventories pursuant to the Strategic and Critical Materials Stock Piling Act; (b) custody and disposal of the supplemental stockpile established by the Agricultural Trade Development and Assistance Act; (c) administration of utilization and disposal functions of the General Services Administration with respect to excess and surplus real and personal property; (d) rehabilitation of personal property;

and (e) administration of the inventory of machine tools and industrial manufacturing equipment established under the National Industrial Reserve Act.

"The estimate for 1970 provides for acquisition, handling, storage, maintenance, inspection, upgrading, and rotation of stockpiled materials and disposal of those stockpile materials excess to objectives, the administration of the industrial equipment reserve activities, the appraisal of real and personal property, and continuing emphasis on reuse of existing real and personal property to obviate new capital and procurement outlays, with prompt disposal of those items no longer required, and the rehabilitation of personal property to extend its useful life.

"The estimate for 1970 provides for conduct of these programs with an increase of $1,280,000 over the 1969 level." (From the budget for 1970.)

Program by activities	1968	1969	1970
1. Property management	$12,157,980	$13,346,100	$14,434,600
2. Real property disposal	3,285,906	3,513,000	3,439,500
3. Personal property disposal	6,842,511	8,033,400	8,348,400
4. Program support	897,349	981,500	981,500
5. Service direction	577,466	626,000	626,000
6. Administrative operations	1,860,000	2,000,000	1,950,000
Total obligations	25,621,212	28,500,000	29,780,000

APPROPRIATION LANGUAGE

For expenses, not otherwise provided for, necessary for carrying out the functions of the Administrator with respect to the utilization of excess property; the disposal of surplus property; the rehabilitation of personal property; the appraisal of real and personal property; the national stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98–98h); the supplemental stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 456, as amended by 73 Stat. 607); the national industrial reserve established by the National Industrial Reserve Act of 1948 (50 U.S.C. 451–462); including services as authorized by 5 U.S.C. 3109, and reimbursement for security guard services, [$28,500,000] *$29,780,000*, to be derived from proceeds from transfers of excess property, disposal of surplus property, and sales of stockpile materials: *Provided*, That during the current fiscal year the General Services Administration is authorized to acquire leasehold interests in property, for periods not in excess of 20 years, for the storage, security, and maintenance of strategic, critical, and other materials in the national and supplemental stockpiles provided said leasehold interests are at nominal cost to the Government: *Provided further*, That during the current fiscal year there shall be no limitation on the value of surplus strategic and critical materials which, in accordance with section 6 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98e), may be transferred without reimbursement to the national stockpile: *Provided further*, That during the current fiscal year materials in the inventory maintained under the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061–2166), and excess materials in the national stockpile and the supplemental stockpile, the disposition of which is authorized by law, shall be available, without reimbursement, for transfer at fair market value to contractors as pyment for expenses (including transportation and other accessorial expenses) of acquisition of materials, or of refining, processing, or otherwise beneficiating materials, or of rotating materials, pursuant to section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b), and of processing and refining materials purusant to section 303(d) of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2093(d)).

STOCKPILE MATERIALS

Mr. EVINS. You have given us a picture of the total dollar value of the stockpile. Tell us the number of items in the stockpile.

Mr. HARLAN. There are 90 different commodities in the stockpile which total up in value to that $6.8 billion I spoke of earlier. Seventy-

six different items are actually carried for what we call objective purposes.

In other words, there are stockpile requirements for 76 of those items. The excess of $3 billion consists of some 70 different commodities. As I told you earlier, there are 54 of those available for sale under our various disposal programs at the moment.

PROPERTY MANAGEMENT

Mr. EVINS. You are asking for 418 jobs for this activity?

Mr. HARLAN. That is right.

Mr. EVINS. This activity covers the cost of acquiring, handling, storing, upgrading, rotating, inspecting, maintaining materials in the national and supplemental stockpiles and administering the national industrial equipment reserve program. Rotation of abaca and sisal is planned in 1970 to exchange overage stocks with industry for fresh materials.

ROTATION OF MATERIALS

How does this exchange take place? How are they willing to take overage stock for fresh materials?

Mr. HARLAN. This is the rotation of cordage fiber I spoke about earlier. In the case of abaca and sisal, we make arrangements with the users of those materials who also are buying fresh materials from sources abroad to exchange the fresh materials on a pound-for-pound basis for our older materials. They blend the material and we deliver extra quantities to pay for the difference in the value of the fresh versus the older material.

GAO REPORT ON JEWEL BEARINGS

Mr. SHIPLEY. GAO just recently issued a report with regard to jewel bearings and said your management could be improved. Have you had a chance to look at this?

Mr. HARLAN. Yes. I think what they are referring to there is the use of the facility for supplying jewel bearings for the production of Government-purchased items. This is primarily something we work with the Defense Department on and that use of those bearings from that facility is improving.

Mr. SHIPLEY. Thank you very much.

STORAGE

Mr. EVINS. The chart on III–7 shows the storage space occupied and recurring storage costs. Space occupied is declining?

Mr. HARLAN. Yes, sir.

Mr. EVINS. The storage costs are going down with a slight increase. Is that because you have less material?

Mr. HARLAN. Yes, sir.

Mr. EVINS. Place this chart in the record, III–7, and the next two pages. Also pages III–6, III–10, and III–11.

(The pages follow:)

OPERATING EXPENSES, PMDS

	Amount	Average Employment C.O.	Field	Total
1969	$13,346,100	38.5	352.1	390.6
Change	+1,088,500	-	+27.4	+27.4
1970	$14,434,600	38.5	379.5	418.0

1. Property Management

HIGHLIGHT

"This activity covers the cost of acquiring, handling, storage, upgrading, rotating, inspecting, and maintaining materials in the national and supplemental stockpiles and administration of the national industrial equipment reserve. Rotation of abaca and sisal is planned in 1970 to exchange over age stocks with industry for fresh material. Pursuant to the Strategic and Critical Materials Stock Piling Act, cash receipts from sales of rotated materials would be available for application against the cost of replacement materials." (From The Budget for 1970.)

Summary of Performance Cost	1968	1969	1970
a. Strategic and Critical Materials	$11,257,854	$12,550,100	$12,584,000
b. Industrial Reserve	900,126	796,000	1,850,600
Total cost or estimate	$12,157,980	$13,346,100	$14,434,600

Fund increase in 1970 is due primarily to an increase in DOD tool selections for the National Industrial Equipment Reserve from a level of 200 in 1969 to 1,050 in 1970.

JUSTIFICATION

a. Strategic and Critical Materials. Strategic and critical materials applicable to the foregoing performance costs amounting to approximately 41.3 million tons and valued at $6.3 billion were stored at 143 locations as of June 30, 1968. The value of all stored materials (SCM, DPA, and other) for which this subactivity is responsible is $6.9 billion covering 47.1 million tons. This subactivity provides for acquisition of new materials, upgrading and rotation of present materials in inventory, depot storage operations and other storage costs such as inspection and stockpile management services, including protection and maintenance, relative to maintaining the national and supplemental stockpiles.

	1968	1969	1970
Total cost or estimate	$11,257,854	$12,550,100	$12,584,000

As of June 30, 1968, there were 77 materials having objectives valued at $4.2 billion on the stockpile list of which $3.6 billion is on hand. Objectives on 66 of these materials have been met. Acquisition of new materials is as follows:

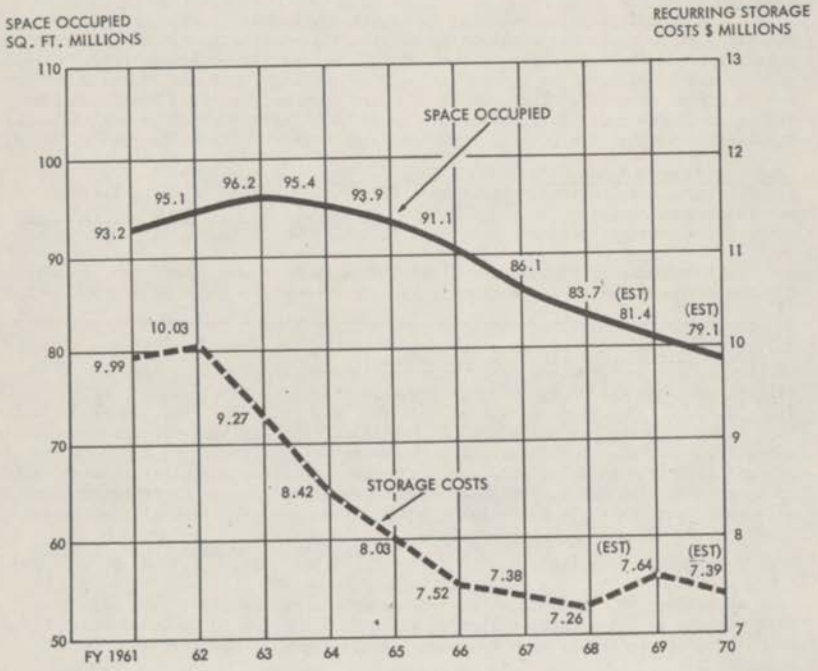
(1) For cash	1968	1969	1970
Total cost or estimate	$605,855	$610,000	$610,000

The cost estimate provides for the procurement in 1970 of jewel bearings only, in accordance with OEP program advice, the same as for 1969. The table on Exhibit A, Tab A, reflects the status of the materials for which stockpile objectives had not been reached as of June 30, 1968.

(2) By exchange	1968	1969	1970
Total cost or estimate	-	$184,000	$184,000

The estimate provides for cost of handling, sampling, and analysis of chrysotile asbestos, palladium, rutile, and titanium to be acquired per OEP directive. Acquisition is to be accomplished by transfer of excess materials at fair market value. The table on Exhibit A, Tab A, reflects the amounts and values of the materials to be acquired by this method.

PROPERTY MANAGEMENT AND DISPOSAL SERVICE
STORAGE SPACE OCCUPIED AND RECURRING STORAGE COSTS



FY	1961	62	63	64	65	66	67	68	69 (est.)	70 (est.)
Space Occupied										
Commercial	3.6	3.4	2.1	1.3	1.1	0.9	0.5	0.2	0.1	0.1
Military	29.5	29.6	27.7	27.5	24.7	23.1	20.1	17.9	17.1	16.3
GSA & Other	60.1	62.1	66.4	66.6	68.1	67.1	65.5	65.6	64.2	62.7
Total	93.2	95.1	96.2	95.4	93.9	91.1	86.1	83.7	81.4	79.1
Recurring Storage Costs	9.99	10.03	9.27	8.42	8.03	7.52	7.38	7.26	7.64	7.39
Number Storage Locations	213	208	165	158	152	152	148	143	139	134

(3) Rotation of materials	1968	1969	1970
Total cost or estimate	-	-	$50,000

A substantial portion of the abaca and sisal held in the stockpile to meet objectives has aged to such an extent that it no longer meets required standards for use in an emergency. These materials are, however, of a quality which can be used in industry in the production of many commercial products. Accordingly, it will be necessary to exchange these over-age stocks with industry for fresh material.

In order to maintain the quality of the abaca and sisal required to satisfy the stockpile objective, it is essential, beginning in 1970, that we endeavor to negotiate arrangements for such an exchange before the materials lose their usefulness to both Government and industry. Payments including transportation and price differential between over age and fresh fiber will be made in excess materials to the maximum possible extent. Funds requested in this estimate provide only for handling costs to initiate this program in FY 1970. Rotation schedules are shown on Exhibit B, Tab B.

(4) Upgrading of Materials	1968	1969	1970
Total cost or estimate	$31,243	$193,000	$110,000

Stockpile materials are upgraded to more usable forms to provide a minimum readiness inventory of materials in forms suitable for immediate use to meet the initial surge of demand and abnormal conditions of intensive mobilization. Materials are upgraded only to such a degree as not to impair flexibility of use, and all upgrading is within stockpile objectives which have been established by OEP after interagency advice and consultation. Materials in the stockpile are upgraded only when cost of upgrading is less than the cost of new materials.

Payment for all processing and transportation costs for upgrading materials will be made through the use of excess materials from stockpile inventories to the maximum extent possible. The estimate provides only for cost of handling, sampling and analysis of materials. Exhibit C, Tab C, shows the upgrading program and deliveries scheduled for fiscal years 1969 and 1970.

(5) Storage Operations	1968	1969	1970
(a) Storage costs	$8,821,185	$9,535,000	$9,591,000
(b) Other costs	1,799,571	2,028,100	2,039,000
Total cost or estimate	$10,620,756	$11,563,100	$11,630,000

Distribution of depot storage costs for strategic and critical materials is as follows:

	1968 (000)	1969 (000)	1970 (000)
Recurring costs	$7,259	$7,635	$7,391
Nonrecurring costs	1,361	1,300	1,300
Relocation, transportation, and handling	201	600	900
Total cost or estimate	$8,821	$9,535	$9,591

(Workload and unit costs for depot operations shown on Exhibit D, Tab D.)

This estimate provides for operating GSA depots, including maintenance, fire protection, security guarding, utilities, and supply management personnel; reimbursement to the Department of Defense for storage at military facilities; and storage costs at industrial plant sites, commercial warehouses, and miscellaneous leased sites. Also included are repairs and improvements of Government-owned facilities; protective coverings for ore piles and repackaging of materials in long-term containers in order to preserve the value of materials in storage; rehabilitation of sprinkler systems to properly protect inventories of Government-owned facilities as well as projects for relocating materials to effect long-term savings in storage costs or to improve the strategic security position of inventories, including the relocation of the silver stockpile acquired pursuant to P.L. 90-29.

The estimate also includes other related storage costs of inspection, stockpile management and contract operations. The inspection staff continues to emphasize qualitative maintenance of materials in storage, inventory verification, and inspection of materials prior to out-shipment under the disposal program. Technically qualified personnel are required due to the complex nature of the materials, variations in grades, and the precise nature of the materials called for by the contracts. In addition, this activity assures that the qualitative and quantitative contract provisions are met on (a) materials intended for delivery under procurement, upgrading and rotation contracts, and (b) containers and packaging materials. This staff also monitors performance against service-type contracts to assure proper application of protective coverings to ore piles or the processing of materials, and determines that quality assurance controls are exercised on upgrading projects including investigation of contractor's facilities, experience, product quality, and performance capability.

The stockpile management staff plans, directs, and coordinates, on a nationwide basis, activities relating to storage, handling, maintenance, protection and distribution of strategic materials. These activities include the operation of storage depots, acquisition, assignment, and utilization of storage space; site preparation; strategic dispersal planning; development and application of improved storage standards; qualitative maintenance of materials and facilities; and arranging for outloading and shipping materials sold under the disposal program.

The contract operations staff contracts for the procurement, beneficiation, rotation, upgrading, processing and refining of strategic and critical materials and for the procurement of services and operating supplies required in the stockpile operation. Administration of these contracts is also provided.

b. Industrial Reserve. Administration is provided by this subactivity of a National Industrial Equipment Reserve inventory of 9,362 tools as of June 30, 1968.

	1968	1969	1970
Total cost or estimate	$900,126	$796,000	$1,850,600

Increase in 1970 is due to an increase in DOD tool selections, including initial transporting, processing, and storage, which are expected to reach a level of 1,050 items in 1970 as compared to 200 in 1969 and to continue at this higher level for several years.

This estimate provides for the management, transportation, handling, processing, testing, storage, maintenance, field inspection, lending and leasing, of machine tools and industrial equipment involving a National Industrial Equipment Reserve inventory of 9,362 tools with an acquisition cost of $66.8 million as of June 30, 1968. The reserve of Government-owned machine tools and other industrial manufacturing equipment authorized by the National Industrial Reserve Act of 1948 consists of items selected by the Secretary of Defense from lists of such property declared excess to the needs of the three military departments and other executive agencies. Items in the National Industrial Equipment Reserve are intended primarily to assure availability of machine tools and industrial manufacturing equipment for immediate use to supply the needs of the armed forces in time of national emergency. It is also the intent of the reserve to support educational and vocational training institutions when it is determined that such programs are in the interest of national defense. Inventory changes, performance, and comparative costs are reflected in Exhibits E and F, Tabs E and F.

At the end of fiscal year 1968 lease and loan agreements with 240 vocational schools and three defense support industries covered 5,444 tools with an acquisition cost of $23.3 million. It is estimated that by the end of 1969 a total of approximately 5,819 tools will be on lease or loan to 265 schools and industries and by the end of 1970, a total of approximately 6,194 tools will be on lease or loan to 290 schools and industries. During 1968, the DOD authorized and GSA entered into 32 loan agreements with vocational schools for equipment in the NIER, where such loans were in the interest of national defense.

In addition, during the past year the Department of Defense has withdrawn 361 tools valued at $7.8 million from the NIER for the use of DOD prime contractors for defense production purposes. It is estimated that during 1969 and 1970 a total of 350 each year will be withdrawn for this purpose.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $3,669,800 for 404 permanent positions. Distribution between Central Office and field is as follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Total Permanent Positions	48	354	402	42	362	404	42	362	404
Average Empl.	44.2	362.7	406.9	38.5	352.1	390.6	38.5	379.5	418.0

12 Personnel Benefits.- $293,600. Includes $214,300 for direct contribution to retirement fund; $26,500 for health benefits; $28,600 for group insurance; and $24,200 reimbursement to Employees Compensation Fund.

21 Travel and Transportation of Persons.- $179,100. Includes $133,100 for 4,930 days travel; and $46,000 for motor pool services in connection with the management and operation of storage depots and to provide full utilization of personnel between depots in order to meet workload demands.

22 Transportation of Things.- $850,000 for relocation of materials; consolidation of inventories due to evacuation of depots; transportation of operating equipment between depots; and movement of NIER items.

23 Rents, Communications, and Utilities.- $134,500. Includes $84,500 for local and long distance telephone and teletype services; $25,000 for postage and fees; and $10,900 for utilities, machine and space rental and utilities required by warehousing and inspection; and $14,100 payment to GSF for depreciation of administrative furniture and equipment.

24 Printing and Reproduction.- $12,000 for printing and reproduction of inspection and qualitative maintenance reports, receiving and shipping documents at the depots, storage control reports, contracts, and purchase orders.

25 Other Services.- $5,856,500. $58,000 for commercial storage; $1,771,400 for expenses in connection with storage, special care and repackaging, repairs, improvements, site preparation, and tests and analyses not performed by GSA; $3,939,500 to BM Fund for protection and maintenance of warehouses; $23,000 for ADP costs for the programing and converting of S&CM inventory records to the ADP system; and $64,600 for miscellaneous administrative expenses.

25 Services of Other Agencies.- $2,418,500. $2,414,800 for reimbursement to DOD for custody and related servicing of materials and equipment including NIER at military depots and $3,700 for health room expenses.

26 Supplies and Materials.- $970,600. Includes $600,000 for acquisition of jewel bearings; $362,900 primarily for fuel and materials for dehumidification, packaging, lumber for boxing, crating and strapping materials, etc.; and $7,700 for office supplies.

31 Equipment.- $50,000. Primarily for handling, testing and processing equipment under the storage management and industrial equipment activities.

REAL PROPERTY DISPOSAL

Mr. EVINS. We will take a look at real property disposal.

How many items do you have for real property disposal? Tell us the value and then outline the procedure under which you are guided under law for real property disposal. This is for the record.

Mr. HARLAN. Our inventory of real property available for disposal now is roughly 560 pieces of property. Probably its value is about $200 million. Actually, until we appraise it, there is no way to come up with a real value figure.

Mr. EVINS. You have $200 million and about 560 pieces of realty?

Mr. HARLAN. Realty with improvements on it.

Mr. EVINS. This is a long procedure, somewhat involved procedure. You just cannot give away your real property. You have a statutory procedure to follow. Spell it out for the record. If you want to purchase an extra piece of property that is declared surplus by the Air Force, what is the procedure?

Mr. HARLAN. The first procedure when the property is declared to us is of course to screen it to see if there are any other Federal requirements for the property. This means we go out to the other agencies of the Government to find out if there is any legitimate requirement for the property.

After we get past that and it is determined there is no requirement for the property, we then make it known to local public bodies and to the Department of Health, Education, and Welfare that the property is available for disposal. Simultaneously, HEW, working with the universities, tries to determine whether there is a legitimate educational requirement or health requirement for the use of the property, and the local public bodies are given an opportunity to develop a plan which they would come to us with if they have an interest in procuring the property.

Mr. EVINS. It is a little hard to get by HEW, is it not?

Mr. HARLAN. Yes, sir, it is.

Mr. EVINS. I can understand why HEW would say, we need these desks and tables for schools for educational purposes, but why would they have a decision on real property, sort of veto over the decision of the Air Force and GSA.

Mr. HARLAN. Actually, the Administrator would have the final say-so as to whether or not the HEW recommendations for conveyance of property for educational purposes would be the best use of the property.

Mr. EVINS. This is statutory, is it?

Mr. HARLAN. Yes, sir.

Normally, if HEW is doing a decent job of developing this requirement and makes a good case for it, it is pretty generally recognized.

Mr. EVINS. Mr. Jonas?

Mr. JONAS. You are talking about cases where HEW recommends that some public body take this property?

Mr. HARLAN. No. Recommendations that they take the property over from us and in turn make it available to an educational institution.

Mr. JONAS. I thought if the Department of HEW claimed this property, it would never get to you in the first place.

Mr. HARLAN. No, it gets to us. We get the excess report.

Mr. WYMAN. One question?
Mr. BOLAND. Yes.

DEPRECIATION

Mr. WYMAN. This is a very small item but I don't quite understand it. There is $9,000 shown on page I–29, object 23 for the administrative furniture and equipment. That is not replacement. That is depreciation?

Mr. JOHNSON. On the basis of our cost accounting system approved by the Comptroller General, we buy administrative equipment from the general supply fund and then each year the using appropriation pays for the depreciation on that equipment which puts us on a cost basis in the consumer account.

Mr. WYMAN. This goes into a fund?

Mr. JOHNSON. Into the general supply fund for replacement. It gives us a more accurate picture of the cost.

PERSONNEL COMPENSATION

Mr. BOLAND. Returning to I–29, item 11, personnel compensation, we do appreciate that personnel costs would be reflected as a separate item so the committee has an opportunity to review it. This is a rather generalized statement. Will you put it in as a separate item next time?

Mr. SCHMIDT. Yes, sir; we can do that.

Mr. BOLAND. Turn to PBS, service direction, I–35 through 36.

(Page I–35 follows:)

4. SERVICE DIRECTION

	Amount	Average employment		
		Central office	Field	Total
1969	$1,531,800	41	50	91
Change	+60,000	+3	+1	+4
1970	1,591,800	44	51	95

JUSTIFICATION

General direction, short- and long-range planning, and administration of all programs assigned to the Public Buildings Service are provided in the central office by the Commissioner and an executive staff, and in the regions by 10 regional directors who have limited executive assistance. Postage fees totaling $16.000 are included, representing the amount chargeable to all activities under this appropriation, except buildings management.

The increase of $60,000 in fiscal year 1970 will permit the filling of positions on the executive staff which have remained vacant because of restrictions imposed by the Revenue and Expenditure Control Act of 1968, Public Law 90–364. Inability to staff at the level requested will continue to hinder the overall effectiveness of program direction, particularly the capability to undertake studies and systems analyses which are essential to effective management.

	1968	1969	1970
General supervision	$1,449,543	$1,515,800	$1,575,800
Postage fees	25,000	16,000	16,000
Total cost or estimate	1,474,543	1,531,800	1,591,800

EXPLANATION OF DISTRIBUTION BY OBJECTS

(See activity data sheet)

11 *Personnel compensation and staffing.*—$1,305,200 for 101 positions, distributed as follows:

	1968	1969	1970
Central office	51	47	47
Field offices	53	54	54
Total positions	104	101	101
Average employment	96.4	91	95

12 *Personnel benefits.*—$105,000, includes $91,000 for retirement contributions, $7,700 for health benefits, $4,300 for group insurance, as required by law in support of the above personnel, $1,000 for Employees Compensation Fund, and $1,000 for payments under the Federal Insurance Contribution Act.

21 *Travel and transportation of persons.*—$19,100, includes $17,200 for approximately 600 days travel and $1,900 for motor pool services. These amounts provide for travel performed by the Commissioner, Deputy Commissioner, and 10 regional directors in the overall direction and administration of all programs and projects assigned to the Public Buildings Service.

22 *Transportation of Things.*—$3,100, for transportation of general purpose printed material to 10 regional offices.

23 *Rent, communications, and utilities.*—$59,300, includes $16,000 postage fees for the OE–PBS activities except Buildings Management, $38,200 for payments to the Federal Telecommunications Fund for telephone and teletype service, and $5,100 for depreciation of administrative furniture and equipment.

24 *Printing and reproduction.*—$5,700, for cost of printing common-use GSA forms, letterheads, envelopes, and directories, and the reproduction of memorandums, letters, documents, and issuances required in the daily administration of the total PBS program at the Commissioner's level.

25. *Other services.*—$89,100, provides $58,000 to reimburse NARS for personnel assigned to PBS Management Information Systems Studies and $31,100 for health room services, security clearances for new employees, payments to the Working Capital Fund and other miscellaneous costs.

26 *Supplies and materials.*—$5,300, for day-to-day administrative supplies and materials.

SERVICE DIRECTION

Mr. Evins. For 1970 you are asking for this program $1,591,800, which is a $60,000 increase over last year.

Mr. Schmidt. This is to permit the filling of three positions in the central office staff and one in the field which will become vacant in this year under the limitations of the Expenditure Control Act.

Mr. Evins. In view of the administration's policy of holding down positions, couldn't the four new ones be taken out of the budget? You have to have these four new jobs?

Mr. Schmidt. Mr. Chairman, they are very essential to our carrying on the total direction of the program both in the central office and the field.

Mr. Evins. Take a look at the item of operating expense, administrative operations.

Place in the record pages I–37, I–38.

(The pages follow:)

5. Administrative Operations

HIGHLIGHT

This activity provides funds for administrative and staff support for real property activities that relate to the entire Public Buildings Service with specific

Mr. EVINS. After the HEW bypasses the request and the States and local governments decide they do not have a need for the property, then what are the next steps?

Mr. HARLAN. Then we are free to put it up for competitive sale.

Mr. EVINS. At auction?

Mr. HARLAN. Occasionally, but mostly we sell it by competitive bids. There are housing developments and things like that where the auction process is the better way of doing it.

Mr. JONAS. Do you not usually offer it at auction first and then——

Mr. HARLAN. It is the other way around.

Mr. EVINS. Auction is the last resort?

Mr. JONAS. Off the record.

(Off the record.)

Mr. EVINS. The auction is the last resort, is that corect?

Mr. HARLAN. No, when the type of property involved which is such that the auction procedure is the best way to sell it, we use the auction without first trying a sealed bid.

Mr. EVINS. Place in the record pages III–13 and III–14, Real Property Disposal. If no further questions on real property, we will look at personal property.

OPERATING EXPENSES, PMDS

	Amount	Average Employment C.O.	Field	Total
1969	$3,513,000	33.3	147.4	180.7
Change	-73,500	-	-	-
1970	$3,439,500	33.3	147.4	180.7

2. Real Property Disposal

HIGHLIGHT

"This activity provides for utilization of excess and disposal of surplus real property, including national industrial reserve properties. The estimate for 1970 provides for utilization transfers of 130 properties, sale of 285 surplus properties, and other surplus disposal (donations, etc.) totaling 250 properties. The selling price of real property and rental revenue in 1970 is estimated at $76 million.

"Physical care, protection, and maintenance of excess and surplus real and related personal property pending disposal are also provided. In addition, this activity is responsible for the appraisal of excess and surplus real property and inleasing as well as the establishment of specifications, standards, and methods governing such appraisals." (From The Budget for 1970.)

Summary of Performance Cost	1968	1969	1970
a. Utilization and Disposal	$1,447,336	$1,599,000	$1,611,500
b. Appraisal	874,220	974,000	1,028,000
c. Protection and Maintenance	827,814	800,000	800,000
d. Payments in lieu of taxes	136,536	140,000	-
Total cost or estimate	$3,285,906	$3,513,000	$3,439,500

JUSTIFICATION

a. Utilization and Disposal	1968	1969	1970
Total cost or estimate	$1,447,336	$1,599,000	$1,611,500

Utilization and disposal accomplishments estimated for 1970 are comparable to those projected for 1969. In 1970, it is estimated that the sale of 285 surplus properties originally costing $375 million will return to the Government $75 million in proceeds, the same as in 1969. FY 1970 utilization transfers and other surplus disposal actions (donations, etc.) are expected to remain at the same level as 1969--130 and 250 properties, respectively. Properties on hand at the end of 1970 are estimated to be reduced from 1969 by 40 with a related acquisition cost of $100 million.

A summary of the financing, workload, and proceeds for the Utilization and Disposal subactivity is shown on Exhibit G, Tab G.

b. Appraisal	1968	1969	1970
Total cost or estimate	$874,220	$974,000	$1,028,000

The minor increase in funds for 1970 is to cover contract appraisals for inleasing formerly paid from the "Operating Expenses, Public Buildings Service" appropriation. No increase in staff is projected. The subactivity is responsible for the appraisal of excess and surplus real property, provides for the appraisal of public buildings inleases, sites, and other related building programs for Government-owned or leased buildings, as well as for the establishment of specifications, standards, and methods governing such appraisals. These appraisals are made by staff personnel or under contract by qualified appraisers subject to review by GSA.

The following table reflects the estimated appraisal workload:

	1968	1969	1970
Number of Staff Appraisals	1,178	1,400	1,400
Number of Contract Appraisals	295	400	400
Total	1,473	1,800	1,800

2. Real Property Disposal
(Continued)

c. Protection and Maintenance	1968	1969	1970
Total cost or estimate	$827,814	$800,000	$800,000

Provides for the physical care, protection, and maintenance of excess and surplus real and related personal properties pending disposition. The funds requested for 1970 will provide only those minimum services necessary for the protection of the property, and to preserve the Government's interest therein, with due regard to the realizable value of the property. Exhibit H, Tab R lists the properties on which payments are anticipated.

d. Payments in lieu of taxes	1968	1969	1970
Total cost or estimate	$136,536	$140,000	-

FY 1969 provided for payments in lieu of taxes on one remaining property, National Lead Co., Tahawus, New York. Current authority: Act of Congress approved August 12, 1955 (69 Stat. 722), as amended (40 U.S.C. 523) expires in FY 1969.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $2,131,800 for 184 permanent positions, the same as 1969. Distribution between Central Office and field follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Total Permanent Positions	36	151	187	35	149	184	35	149	184
Average Employment	34.4	147.8	182.2	33.3	147.4	180.7	33.3	147.4	180.7

12 Personnel Benefits.- $170,400. Includes $133,900 for direct contribution to retirement fund; $15,300 for health benefits; $16,600 for group insurance in support of the above personnel; and $4,600 reimbursement to the Employees Compensation Fund.

21 Travel and Transportation of Persons.- $105,900. Includes $91,600 for travel based on 3,392 days; and $14,300 for motor pool services in connection with inspection of real properties, formulation of utilization and disposal plans, providing for further Federal use of excess property, conduct of sales and other disposal actions, and review of regional operations.

22 Transportation of Things.- $1,300. For movement of household goods in the transfer of personnel to new posts of duty.

23 Rents, Communications, and Utilities.- $82,000. $18,000 for postage and fees; $53,300 for telephone and teletype services; $7,000 payment to GSF for depreciation of administrative furniture and equipment; and $3,700 for commercial utilities.

24 Printing and Reproduction.- $13,100. For printing and reproduction of procedural and regulatory information.

25 Other Services.- $231,600. $57,100 for moving and maintenance expenses reimbursable to BM Fund; $1,100 for repair of office machines and equipment reimbursable to GS Fund; $18,400 for payment to the Working Capital Fund; $152,500 for contract appraisals, protection and maintenance reimbursable to BM Fund, and expenses connected with disposal sales; and $2,500 for miscellaneous administrative expenses.

25 Services of Other Agencies.- $689,900. $6,000 to Department of Interior in connection with the conveying of real property for park and recreation facilities; $4,600 for health room charges; and $679,300 for reimbursement to holding agencies for costs of protection and maintenance of excess and surplus properties pending disposal.

26 Supplies and Materials.- $13,500 for supplies and materials used in normal administrative operations.

How does this procedure differ from real property disposal? How much do you have for disposal?

Mr. HARLAN. We have been for some time screening personal property excess declarations from the agencies—this is all Government property—with an acquisition cost of around $3 billion a year.

Mr. EVINS. You mean the original cost of all of this property was $3 billion?

Mr. HARLAN. Right.

Mr. EVINS. And you dispose of about $3 billion each year?

Mr. HARLAN. We or the Department of Defense disposes of it. Actually, we screen it all and the reason is to try to find out if there are further Federal requirements for it. If we get past that point, we make it available through HEW and only after it has gone through those processes does it become available for sale.

The Department of Defense, which generates about 90 percent of the personal property excess is authorized by GSA to sell its own surplus.

Mr. EVINS. Do you dispose of the property or does DOD dispose of it?

Mr. HARLAN. They take care of the selling aspect of their surplus. If there is to be further Federal utilization, we do it. The way it is set up and located, it is more economical for them to make their own sales if it gets to that point.

Mr. EVINS. What are the principal items involved?

Mr. HARLAN. The biggest item in terms of dollars is the automobiles we have been talking about the last couple of days. Then it goes all over the map. Desks and tables and office equipment.

We are also getting a lot of glamorous materials coming to us from the missile program such as little computers that come out of missiles. Now we are exploring a way these can be sold without having to sell as much for scrap value.

Mr. EVINS. GSA disposes of about $3 billion annually of personal property?

Mr. HARLAN. Materials which originally cost $3 billion are screened; yes, sir.

Mr. EVINS. This is your own disposal?

Mr. HARLAN. This is the total volume subject to GSA screening

Mr. EVINS. How much does DOD dispose of in addition to that?

Mr. HARLAN. DOD sells the DOD property which we do not transfer to other Federal agencies or donate to States.

Mr. EVINS. Does this $3 billion encompas your sales and DOD both?

Mr. HARLAN. That is the total amount of excess generated by all Federal agencies.

Mr. EVINS. How much does GSA dispose of itself exclusive of DOD?

Mr. HARLAN. About $20 million per year.

Mr. EVINS. You do about $20 million?

Mr. HARLAN. Yes, sir. That is the selling end of it.

Mr. JONAS. You give most of yours away.

Mr. HARLAN. A lot of it goes to utilization of other Government

agencies in lieu of their purchasing this. In 1968 GSA arranged for the transfer of $644.5 million for further Federal use.

Mr. JONAS. You have given away fantastic amounts to the States.

Mr. HARLAN. Yes, sir; as provided for under the law. GSA donated $290.1 million in 1968 to States for schools, hospitals, airports, and civil defense organizations.

Mr. JONAS. That goes into the schools?

Mr. HARLAN. And the airports. Every one of the States has a surplus property disposal officer somewhere in their structure and they go through these lists and take the materials which they decide they need.

Mr. EVINS. I am trying to find out what you do and what DOD does in this real property disposal procedure.

Mr. HARLAN. In talking about selling personal property, they are doing about 90 percent.

Mr. EVINS. Disposal of strategic materials chart. Is this personal property?

Mr. HARLAN. That is listed as personal property; yes.

Mr. EVINS. It goes up from about $416.3 million in 1961.

Mr. HARLAN. You see at the end of 1968 is where the $3 billion we have disposed of that I mentioned earlier is shown. By 1969 it should be $3.135 billion, and by the end of 1970 we are estimating $3.405 billion. That is cumulative disposal.

Mr. EVINS. What percentage of cost is recoverable from the original purchase price of the material?

Mr. HARLAN. It ranges by commodity, but in the overall it is pretty much a Mexican standoff right now.

Market values are pretty high on most of these materials. I think out of the whole $6.8 billion there is only about $200 million——

Mr. EVINS. What causes us to have these huge excesses in the first place?

Mr. HARLAN. In 1958 the OEP changed the mobilization planning base from a 5-year war situation to a 3-year war situation and that created most of these excesses. A lot of them are also created by changes in technology.

Mr. EVINS. It was not GSA's fault, it was the agency that changed their base of needs, their estimates?

Mr. HARLAN. They have to authorize everything we dispose of and they authorize everything we put into the stockpile.

Mr. EVINS. For personal property disposal, you are asking for 428 jobs?

Mr. HARLAN. That is right.

Mr. EVINS. DOD, you said, is doing about 90 percent of it?

UTILIZATION OF PERSONAL PROPERTY

Mr. HARLAN. No; the biggest workload as far as the personnel in this area is concerned has to do with the utilization of excess personal property. We have field utilization staff around the country that are really in the job of persuading and finding places for further Federal requirements and use for excess properties. They pay their way.

Mr. EVINS. The estimate for 1970 provides for utilization transfers and proceeds from sale of surplus and exchange/sale of property totaling $14.5 million, an increase of $1.5 million over 1969.

REHABILITATION OF PERSONAL PROPERTY

Rehabilitation of personal property will amount to $140 million at replacement cost, an increase of $10 million. In other words, to get the material in condition for sale—rehabilitation.

Mr. HARLAN. That is to get it into condition so the agency can use it in lieu of purchasing new. In other words, we are rehabilitating $140 million which otherwise would have to be purchased.

PERSONAL PROPERTY

Mr. EVINS. How many items in property management? You told us about real property. I mean personal property. How many items do you dispose of? You show the amount in dollars. How many items have you disposed of?

Mr. HARLAN. I do not know whether there is a record of that, Mr. Evins. I can try and find out.

Mr. EVINS. What is the value?

Mr. HARLAN. The acquisition cost is the $3 billion.

Mr. EVINS. The recipients are all pleased and I think you do a good job. We will place in the record III–16 through III–19.

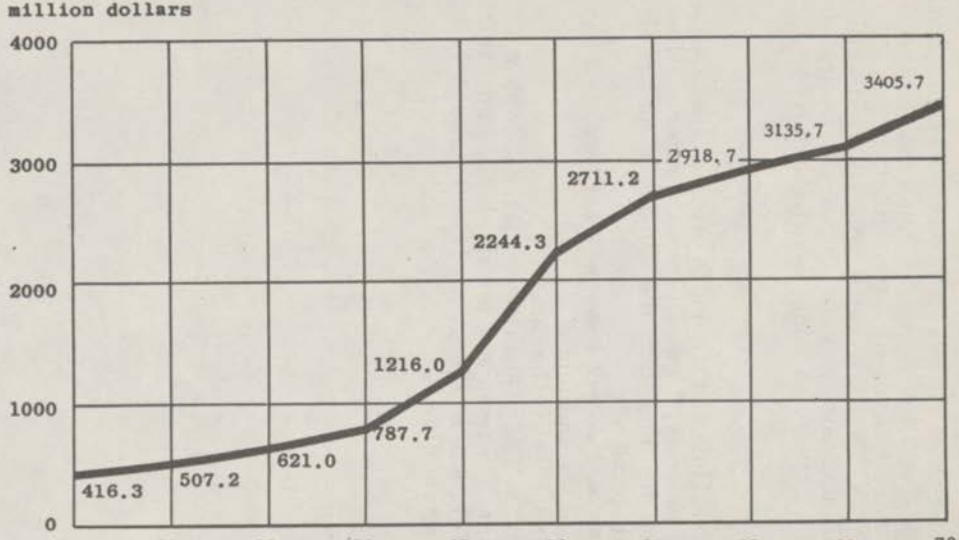
(The pages follow:)

Property Management and Disposal Service

DISPOSALS OF STRATEGIC MATERALS

CUMULATIVE SALES COMMITMENTS - SALES VALUE

Fiscal Years as of June 30, 1961-1970, inclusive



ANNUAL SALES COMMITMENTS - SALES VALUE:	61	62	63	64	65	66	67	68	69	70
S&CM	205.5	50.9	80.3	126.9	342.8	809.1	368.2	110.6	120.0	157.0
DPA	210.8	29.4	33.5	39.8	76.5	198.5	92.3	23.9	21.0	42.0
Other	-	10.6	-	-	9.0	20.7	6.4	73.0	76.0	71.0
TOTAL	416.3	90.9	113.8	166.7	428.3	1028.3	466.9	207.5	217.0	270.0

OPERATING EXPENSES, PMDS

	Amount	Average Employment C.O.	Field	Total
1969	$8,033,400	68.2	356.6	424.8
Change	+315,000	+.9	+3.0	+3.9
1970	$8,348,400	69.1	359.6	428.7

3. Personal Property Disposal

HIGHLIGHT

"This activity covers the cost of disposal of strategic materials excess to objectives, and the utilization, donation, rehabilitation, and sale of surplus and exchange/sale personal property.

"a-c. Non-stockpile. This activity provides for utilization of excess personal property, thereby reducing new procurement; donation of surplus personal property; and rehabilitation of personal property owned by the Government to extend its useful life. The estimate for 1970 provides for utilization transfers and donations totaling $1,020 million at acquisition cost, an increase of $20 million over 1969, and proceeds from sale of surplus and exchange/sale property totaling $14.5 million, an increase of $1.5 million over 1969. Rehabilitation of personal property will amount to $140 million at replacement cost, an increase of $10 million over 1969.

"d. Strategic and critical materials disposal. This activity provides for the disposal of excess strategic and critical materials. Sales commitments of strategic and critical materials are estimated at $120 million and $157 million in 1969 and 1970, respectively. The estimates are based on the assumption of a continuation of present economic conditions but with the passage of new disposal legislation." (From The Budget for 1970.)

Summary of Performance Cost	1968	1969	1970
a-c. Non-stockpile:			
(a) Utilization & Donation	$2,944,291	$3,148,600	$3,167,000
(b) Sales	1,376,231	1,476,600	1,484,000
(c) Property Rehabilitation	662,472	703,700	758,400
d. Strategic and Critical Materials:			
(d) Strategic and Critical Materials Disposal	1,859,517	2,704,500	2,939,000
Total cost or estimate	$6,842,511	$8,033,400	$8,348,400

JUSTIFICATION

a. Utilization and Donation	1968	1969	1970
Total cost or estimate	$2,944,291	$3,148,600	$3,167,000

Utilization transfers are projected at $670 million in 1970, an increase of $20 million over 1969. Donations are expected to remain at the 1969 level of $350 million. Property subject to screening is expected to increase from $3.2 billion in 1969 to $3.4 billion in 1970. This is primarily due to GSA requirement to develop an increased screening capability for the overseas excesses already accumulating in Europe and Southeast Asia.

b. Sales	1968	1969	1970
Total cost or estimate	$1,376,231	$1,476,600	$1,484,000

Sales of usable personal property are expected to increase in 1970 due to the assumption of the National Aeronautics and Space Administration sales of Government-owned surplus property at certain NASA contractors' plants. Proceeds from sale of surplus and exchange/sale property is expected to total $14.5 million, an increase of $1.5 million over 1969.

3. Personal Property Disposal
(Continued)

c. Property Rehabilitation	1968	1969	1970
Total cost or estimate	$662,472	$703,700	$758,400

The replacement cost of property rehabilitated is expected to rise from the 1969 level of $130 million to $140 million in 1970. This projection is predicated on increased Federal agency use of rehabilitation facilities and expansion of commodity coverage. This increase in level of activity is expected to be accomplished by increased employee productivity, maximum use of facilities and greater competition among small business firms performing rehabilitation work under contract.

d. Strategic and Critical Materials Disposal	1968	1969	1970
Total cost or estimate	$1,859,517	$2,704,500	$2,939,000

Sales at current market value, of excess strategic and critical materials (S&CM) are estimated at $120 million and $157 million in FY 1969 and 1970, respectively. In addition, sales of DPA material are estimated at $21 million in 1969 and $42 million in 1970. Sales of other stockpile materials including silver are estimated to be $76 and $71 million in 1969 and 1970, respectively, providing total estimated sales of $217 million in 1969 and $270 million in 1970.

The estimate covers transportation, handling, sampling, analysis and other costs in connection with disposals of excess strategic and critical stockpile materials (S&CM). The benefits from these disposals are many and varied: (1) removal of excess materials from Government inventories thus converting Government assets into cash in the U.S. Treasury; (2) recovery of the Government's investment in the material; (3) the reduction of gold outflow; and (4) removal of the stocks of Government inventories eliminates any depressant effect which the stocks may have on the economy, while at the same time placing needed stocks in the hands of consumers to permit continued growth in the economy.

The increase in costs is due primarily to the mixture of types of materials to be disposed of, namely, bulk and low value type materials which require more handling, and the handling of large quantities of these bulk type ores sold under previous years' long term contracts.

This activity is also responsible for analysis of market conditions including supply and demand; determining fair market value of materials available for disposal; maintaining continuous and highly complex industry contacts, establishing quantity and timing of disposals to avoid market disruption; preparing and mailing bid invitations; analyzing and evaluating bids and offers; recommending acceptances and preparing sales contracts; and all other sales documentation in connection with the disposal of excess stockpile materials.

Exhibit I, Tab I provides data on workload, accomplishments and performance cost for all personal property disposal activities.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing ..$4,372,700 for 439 permanent positions, the same as 1969. Distribution between Central Office and field follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Utilization & Donation	26	224	250	21	229	250	21	229	250
Sales	15	96	111	13	92	105	13	92	105
Rehabilitation	7	47	54	7	48	55	7	48	55
Strategic and Critical Materials	34	-	34	29	-	29	29	-	29
Total Positions	82	367	449	70	369	439	70	369	439
Average Employment	79.3	358.4	437.7	68.2	356.6	424.8	69.1	359.6	428.7

12 Personnel Benefits. - $349,900. - Includes $277,500 for direct contribution to retirement fund; $31,700 for health benefits; $34,000 for group insurance in support of the above personnel; and $6,700 reimbursement to the Employees Compensation Fund.

21 Travel and Transportation of Persons. - $187,000. Includes $137,500 for travel based on 5,093 days; and $49,500 for motor pool services in connection with formulation of utilization and disposal plans, providing for further Federal use of excess property, conduct of sales and other disposal actions, promoting rehabilitation of personal property, and review of regional operations.

22 Transportation of Things. - $26,300. Includes $20,300 for movement of household goods in the transfer of personnel to new posts of duty; and $6,000 for expenses connected with disposal sales.

23 Rents, Communications, and Utilities. - $434,600. $236,000 for postage and fees; $172,600 for telephone and teletype services; $21,100 payment to GSF for depreciation of administrative furniture and equipment; and $4,900 for machine rental.

24 Printing and Reproduction. - $247,800 for printing and reproduction of bid invitations under the disposal programs, excess property catalogs and bulletins, lists of donable surplus property and issuance of procedural and regulatory information.

25 Other Services. - $2,195,900. $34,400 for moving and maintenance expenses reimbursable to BM Fund; $1,700 for repair of office machines and equipment reimbursable to GS Fund; $69,000 for ADP costs relating primarily to screening of excess personal property and S&CM disposals; $80,200 for payment to the Working Capital Fund; $1,994,900 for commercial handling of contracts and expenses connected with stockpile disposal sales; and $15,700 for miscellaneous administrative expenses.

25 Services of Other Agencies. - $484,200. $4,600 for health room charges; and $479,600 for reimbursement to DOD for disposal handling and other expenses of stockpile materials and equipment at military depots.

26 Supplies and Materials. - $50,000 for supplies and materials used in normal administrative operations.

PROGRAM SUPPORT

Mr. EVINS. Program support; you are asking for $981,500 and 41 jobs.

Mr. HARLAN. These are the people that watch the market development, develop the economic background to go into the disposal planning, and also provide our administrative and operating support.

Mr. EVINS. Day-to-day operations of your sales program. Place in the record III–21 and III–22.

(The pages follow:)

OPERATING EXPENSES, PMDS

	Amount	Average Employment C.O.	Field	Total
1969	$981,500	41.0	-	41.0
Change	-	-	-	-
1970	$981,500	41.0	-	41.0

4. Program Support

HIGHLIGHT

"Program support, planning, and coordination are provided to all activities of the Property Management and Disposal Service. This activity is responsible for data collection and economic analysis of all factors bearing on stockpile materials, personal property, and real property, such as supply, demand, consumption, prices, etc. This area also serves the entire Property Management and Disposal Service in development of financial plans and operating schedules, long-range plans and programs, analysis of problem areas, and evaluation of actual program results in relation to approved plans and objectives. This activity is responsible for internal Service operations including personnel, property, space, etc., and serves as the central point for internal and external reports, and development and coordination of all procedures and regulatory material." (From The Budget for 1970.)

JUSTIFICATION	1968	1969	1970
Total cost or estimate	$897,349	$981,500	$981,500

The resources requested provide for overall program support for all activities of the Property Management and Disposal Service. This activity is responsible for the collection of technical, economic and marketing data, and the technical and economic research and analysis of all factors bearing on stockpile materials, other personal property, and real property. The analysis of these data, including such factors as supply, demand, consumption, prices, specifications, quality, etc., is a basis for management to form policy decisions in regard to long-range disposal programs and in day-to-day implementation of sales programs. This activity is essential to insure that disposals are carried out in accordance with legislative mandates that due regard be given to the protection of markets of producers, consumers, and processors, and to the protection of the United States against avoidable loss. In addition, professional engineering and economic assistance is provided to other activities of PMDS engaged in the acquisition of materials by purchase, exchange, or upgrading, in the rotation of materials and in storage of materials. The physical progress of construction of facilities under production expansion programs is also monitored by this group.

This area serves the entire Property Management and Disposal Service in the development, administration, and evaluation of financial plans, and long-range plans and programs, and in the analysis of problem areas and alternative methods of meeting program missions. It is the central source for internal and external reporting for the Service, and plans, develops, designs, and implements information systems that provide the Service with data to effectively carry out program objectives. The activity also develops and coordinates all procedures and regulatory material originating within the Service, and plans and directs all internal PMDS administrative management of personnel, property, space, etc. No increase in staff or average employment is projected.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $442,400 for 38 positions.

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Total Permanent Positions	42	-	42	38	-	38	38	-	38
Average Employment	43.8	-	43.8	41.0	-	41.0	41.0	-	41.0

12 Personnel Benefits.- $35,400. Includes $28,700 for direct contribution to retirement fund; $3,300 for health benefits; and $3,400 for group insurance, in support of the above personnel.

21 Travel and Transportation of Persons.- $6,800. Includes $6,700 for travel based on 248 days; and $100 for motor pool services.

22 Transportation of Things.- $1,000. For movement of household goods in the transfer of personnel to new posts of duty.

23 Rents, Communications and Utilities.- $58,100. $13,000 for postage and fees; $33,100 for telephone and teletype services; $10,300 to GSF for depreciation of administrative furniture and equipment; and $1,700 for equipment rental.

24 Printing and Reproduction.- $4,500. Includes special reports to program officials and coordinating agencies; inventory and disposal control reports; and technical publications and circulars.

25 Other Services.- $428,000. Includes $23,000 for ADP costs; $4,000 for health room charges; $19,900 for payments to commercial contractors and GSF for office equipment repair; $17,700 for payment to WCF; $13,400 for other miscellaneous services; and $350,000 for research and marketing contracts.

26 Supplies and Materials.- $5,300. For supplies and materials used in normal administrative operations necessary to support this program.

Mr. EVINS. What is the difference between service direction and program support?

Mr. HARLAN. Service direction is the Commissioner and a small group in the central office, and the regional directors in our 10 regional offices. The program support people are economists, market and technical specialists and administrative people.

Mr. EVINS. Place III–24 in the record.

(The page follows:)

OPERATING EXPENSES, PMDS

	Amount	Average Employment C.O.	Field	Total
1969	$626,000	9.0	26.4	35.4
Change	-	-	-	-
1970	$626,000	9.0	26.4	35.4

5. Service Direction

HIGHLIGHT

"General direction over all programs assigned to the Property Management and Disposal Service is provided by the Commissioner and his immediate staff, and in the regions by 10 regional directors who are responsible for carrying out program operations in these areas." (From The Budget for 1970.)

JUSTIFICATION	1968	1969	1970
Total cost or estimate	$577,466	$626,000	$626,000

General direction over all programs assigned to the Property Management and Disposal Service is provided by the Commissioner and his immediate staff, and in the regions by 10 regional directors who are responsible for providing direction, planning, control and management of PMDS programs. No increase in staffing is requested for 1970.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $516,600 for 35 positions distributed between Central Office and field as follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Total Permanent Positions	11	29	40	9	26	35	9	26	35
Average Employment	10.3	28.7	39.0	9.0	26.4	35.4	9.0	26.4	35.4

12 Personnel Benefits.- $41,400. Includes $33,600 for direct contribution to retirement fund; $3,800 for health benefits, and $4,000 for group insurance.

21 Travel and Transportation of Persons.- $11,800. Includes $11,100 for 370 travel days; and $700 for motor pool services for supervisory personnel in both Central Office and regional offices to provide direction, planning, control, and management of PMDS programs.

22 Transportation of Things.- $800. For movement of household goods in the transfer of personnel to new posts of duty.

23 Rents, Communications, and Utilities.- $39,500. $11,700 for postage fees; $23,100 for telephone and teletype services; $3,800 for depreciation of administrative furniture and equipment; and $900 for rental of equipment.

24 Printing and Reproduction.- $1,900. For issuance of procedural and regulatory matter; special reports to program officials and interested agencies; procedures, handbooks and regulations; general use items such as standard forms and letterheads; and other administrative matter.

25 Other Services.- $12,000. Provides $1,600 for health room expenses and security investigations; $3,000 for GSA's prorata share of costs connected with Council of Economic Advisers; $2,100 for payments to commercial contractors and GSF for office equipment repairs; and $5,300 for other miscellaneous services.

26 Supplies and Materials.- $2,000. Provides for supplies and materials incident to administration of the programs.

ADMINISTRATIVE OPERATIONS

Mr. EVINS. We will look at administrative operations. How does this differ from the other two?

Mr. HARLAN. This is what I contribute to Mr. Johnson's fund.

Mr. EVINS. You help keep Mr. Johnson liquid. You make the sales and have the receipts and you turn part of your appropriation over to the fund?

Mr. HARLAN. He cut down his bill $50,000 this year.

Mr. EVINS. Place in the record pages III–26 and III–27. These tabs are all interesting.

OPERATING EXPENSES, PMDS

6. Administrative Operations

HIGHLIGHT

This activity provides funds for administrative and staff support for property management and disposals programs financed under operating expenses, PMDS.

1. *Administration.*—Provides accounting and reporting, credit, insurance and related financial services including the cost of ADP servces for accountng, payrolling, and invoice processing, budget, personnel administration, management systems, and administrative and office services. In addition, maintains and controls stockpile inventory records to reflect acquisitons, disposals, upgrading, and rotation. Supplies basic data for issuance of internal and external stockpile reports.

2. *Audits and compliance.*—Provides property management and disposal functions with an independent and objective review and appraisal of GSA's responsibilities for (1) the national and supplemental stockpiles of strategc and critical materials and for the machine tool program, (2) utilization of excess and disposal of surplus real and personal property, and (3) rehabilitation of personal property.

3. *Legal services.*—Performs all legal services in connection with (1) utilization of excess by transfer between Federal agencies, or disposal of surplus by sale, lease, donation or otherwise, of surplus real and personal property; (2) acquisition, rotation, beneficiation, storage, and disposal of metals, minerals, and other materials for the national and supplemental stockpile; and (3) acquisition, storage, loan, lease, or disposal of industrial equipment and machine tools under the National Industrial Reserve Act.

JUSTIFICATION

The cost of AO support for PMDS is expressed in percentage relationship to the appropriation totals and comparative man-year equivalents as follows:

[Dollar amounts in thousands]

	1968	1969	1970
PMDS	$25,621	$28,500	$29,780
AO support	$1,860	$2,000	$1,950
Percentage relationship	7.3	7.0	6.5
Man-year equivalents	146.5	146.8	141.4

The estimate for 1970 reflects a reduction of $50,000 and 5.4 man-year equivalents from 1969.

SELECTED WORKLOAD STATISTICS

	1968	1969	1970
Vouchers processed	31,590	33,000	33,000
Billings prepared	29,544	31,000	31,000
Accounting documents processed	61,134	64,000	64,000
Personnel serviced and employees payrolled	1,109.6	1,072.5	1,103.8
Audits performed:			
Internal	16	25	36
Contract	6	13	16
Investigative cases	40	39	39
Security clearance requests	170	185	198
Civil rights cases		30	30

In addition to the above selected volumes, other significant staff support for PMDS is provided in (1) review of the financial provisions of contracts to minimize financial risk and servicing financial provisions of contracts, (2) planning and coordinating the development of Government-wide and agencywide policy and procedures incorporated in the "Federal Procurement Regulations," (3) providing mail, messenger, travel, library issuances and forms, property and supply services, (4) assistance in the development of organizational and operating relationships and management systems, (5) (a) legal review of legislation proposed by GSA and other agencies, (b) representation before GSA Board of Contract Appeals, and (c) claims by or against the Government involving PMDS programs.

Total AO fund support on an integrated basis for all GSA programs is justified under the heading "Administrative Operations" in volume III of GSA's "Congressional Estimates."

Mr. HARLAN. They are referred to in the text frequently in our backup material for some of the figures in the text.

Mr. EVINS. I do not believe we need to put them in the record. We will take a look at some of them.

Stockpiling strategic and critical materials. Status of objectives and 1969 and 1970 acquisition programs.

Mr. HARLAN. This is the $30 million of material which I told you we had been requested by OEP to get, most of which will be obtained by use of other excess materials in exchange.

STATUS OF TITANIUM OBJECTIVES

Mr. EVINS. Take titanium and explain the chart.

Mr. HARLAN. The total objective for titanium is 37,500 short tons.

Mr. EVINS. You are still acquiring titanium?

Mr. HARLAN. Right. We are below the objective.

Mr. EVINS. You have 12 items in short supply?

Mr. HARLAN. Eleven to be exact.

Mr. EVINS. Titanium is one of them and your objective is 37,500 short tons?

Mr. HARLAN. 37,500 tons.

Mr. EVINS. The inventory and on order?

Mr. HARLAN. 29,700 tons.

Mr. EVINS. Unit cost?

Mr. HARLAN. $2,640 a ton. That is an expensive material.

Mr. EVINS. It costs how much?

Mr. HARLAN. $2,640 a ton.

Mr. EVINS. It costs $2,640 a ton. What is titanium used for?

Mr. HARLAN. It is one of the exotic metals. One of the most recent and most noticeable uses is for space vehicles. It is also used in the missile program. It is a light metal, high resistance to heat.

Mr. JOHNSON. It is also used on jet airplanes.

Mr. HARLAN. At one time it was going to be the answer to all the airplane problems.

Mr. EVINS. You are in short supply on this and have an inventory and on order for 29.7 thousand tons.

Mr. HARLAN. 29,700 tons.

Mr. EVINS. And the cost will be $22,440,000?

Mr. HARLAN. That is right.

That is for the 1-year program of 8,500 tons, and the next year we are asked to get more.

Mr. EVINS. That is the biggest item you are acquiring?

Mr. HARLAN. Right. In value.

Mr. JONAS. Why do you need 17,000 tons?

Mr. HARLAN. Because some of the material in the 29.7 ——

Mr. JONAS. Some is on order?

Mr. HARLAN. And some is below grade. We have to replace it.

Mr. EVINS. Are all of these 12 items set by the Office of Emergency Preparedness?

Mr. HARLAN. Yes, sir.

Mr. EVINS. They say "These are national stockpile needs, we are short and ask you to acquire them?"

Mr. HARLAN. They give us a directive every year and ask us to have a program to acquire them.

Mr. EVINS. What will be your total costs for next year?

Mr. HARLAN. $29,557,500. That is not cash. Most of that will be done in the equivalent value of other excess materials.

Mr. EVINS. Without placing this in the record, the chart shows 12 items in short supply which the Office of Emergency Preparedness has requested GSA to acquire for next year.

Tab B, the rotation program.

Mr. HARLAN. Yes.

UPGRADING PROGRAM

Mr. EVINS. Tab C, the upgrading program.

How much does it cost to upgrade your materials on hand?

Mr. HARLAN. Our program for 1970 is valued at $6.5 million, but only $110,000 of that will be cash. The rest of it, again we expect to pay with excess materials.

Mr. EVINS. That does not sound too good. How much did you say the material value is you are upgrading?

Mr. HARLAN. It is going to cost us, if we had to pay in dollars, $6.5 million.

Mr. EVINS. You say the total cost of upgrading the program is $6.5 million?

Mr. HARLAN. Right.

Mr. EVINS. It costs you that to upgrade the materials?

Mr. HARLAN. Right.

Mr. EVINS. How much is the value of the material you are upgrading? It is going to cost you $6.5 million to upgrade it. What is the cost of the material you are upgrading?

Mr. JONAS. Is it not listed in your unit costs?

Mr. HARLAN. The $6.5 million is the total cost of the program. They upgrade it and return the upgraded material to us. The $6.5 million is what it costs to convert it.

In addition to that, you have to take into account, as the chairman is pointing out, the value of the material that you are transmitting to be upgraded and then the value of the material that is coming back.

Mr. EVINS. You do not have those figures?

Mr. HARLAN. I will have to supply those, Mr. Chairman.

Mr. EVINS. Are all of these items in short supply?

Mr. HARLAN. Yes, sir. They are in short supply in this particular form. In other words, we have the material to be upgraded in a lower grade form, but the OEP has decided we need a larger quantity of the upgraded form.

For instance, we take manganese ore and upgrade it to ferromanganese.

Mr. EVINS. You keep the refining mills going?

Mr. HARLAN. It helps.

Mr. EVINS. $6½ million to keep these ores in good condition?

Supply for the record the cost of the material and the value of it after it is upgraded.

Mr. HARLAN. Right.

(The information follows:)

CHANGES IN VALUE OF STOCKPILE MATERIALS AS A RESULT OF UPGRADING PROGRAMS BASED ON MARCH 1968 MARKET VALUES FOR RAW MATERIALS AND UPGRADED PRODUCTS

Raw materials	Upgraded form	A Market value of upgraded material	B Market value of raw material	C Processing plus transportation	D Total costs B plus C	Net return A minus D
Upgrading for fiscal year 1969:						
Columbium concentrates (547,913 lbs. dry)	Ferrocolumbium (186,000 lbs. cubic)	$773,760	$247,382	$404,200	$651,582	$122,178
Manganese ore (78,988,000 lbs. dry)	Silicomanganese (45,500,000 lbs PRDT)	3,685,500	440,000	3,239,600	3,679,600	5,900
Manganese ore (504,844 LTU)	Ferromanganese M. C. (9,900,000 lbs. MN)	1,683,000	136,307	1,544,400	1,680,707	2,293
Tungsten concentrates (327,437 lbs. wet)	Ferrotungsten (300,000 lbs. wet)	990,000	825,800	117,600	943,400	46,600
Palladium Subspecification (7,980 troy oz.)	Palladium specification (7,688 troy oz.)	303,676	287,280	15,900	303,180	496
Total, fiscal year 1969		7,435,936	1,936,769	5,321,700	7,258,469	177,467
Upgrading for fiscal year 1970:						
Columbium concentrates (820,000 lbs. dry)	Ferrocolumbium (279,000 lbs. cubic)	1,160,640	370,230	606,300	976,530	184,110
Manganese ore (78,988,800 lbs. dry)	Silicomanganese (45,500,000 lbs. product)	3,685,500	440,000	3,239,600	3,679,600	5,900
Manganese ore (841,407 LTU)	Ferromanganese M. C. (16,500,000 lbs. MN)	2,805,000	227,179	2,574,000	2,801,179	3,821
Total, fiscal year 1970		7,651,140	1,037,409	6,419,900	7,457,309	193,831
Total, fiscal years 1969 and 1970		15,087,076	2,974,178	11,741,600	14,715,778	371,298

STORAGE COSTS

Mr. EVINS. Your storage costs are up from $8.8 million in 1968 to $9.6 million in 1970 when you are disposing of instead of acquiring materials.

In other words, you are disposing of materials, but storage costs continue to rise.

Mr. HARLAN. $300,000 of that is relocation costs on the silver. We actually have a net decrease in our pure storage costs in 1970, from $7.6 million in 1969 to $7.4 million in 1970.

(Off the record.)

NIER COSTS

Mr. EVINS. Take a look at the next tab, "F." This is the "National industrial equipment reserve performance and comparative costs."

For 1968 it was $900,126, for 1969 it is $796,000, and for 1970 performance and comparative costs are $1,850,600. Why these increases when you are disposing of property?

Mr. HARLAN. This is because the Department of Defense has advised us that instead of the acquisition rate for new tools coming into the reserve storage in 1969 of 200, they expect to bring in 1,050 tools in 1970. So we have had to increase our estimate of what it is going to cost us.

Mr. EVINS. This is transporting the tools, loading the tools, processing and testing the tools, and keeping the machinery up.

Mr. HARLAN. Right.

Mr. EVINS. For the Department of Defense, it is going to cost $1,850,600?

Mr. HARLAN. Right.

Mr. EVINS. To do this service for DOD?

Mr. HARLAN. That is right.

REAL PROPERTY UTILIZATION AND DISPOSAL

Mr. EVINS. Tab "G." This is a chart showing real property utilization and disposal. "Financing, workload, and proceeds" Revenues are shown at $75 million, rentals at $1 million. That is $76 million.

Mr. HARLAN. Right.

Mr. EVINS. Explain this chart for us. It is an impressive figure.

Mr. HARLAN. This is a chart that shows the workload situation on the disposal of real property. It shows we expect to get 800 declarations of excess properties in 1970, the same rate we had in 1969. We expect to transfer 130 of those properties to other agencies for further Federal use. We expect to sell——

Mr. EVINS. The acquisition cost is $245 million?

Mr. HARLAN. Right.

Mr. EVINS. You are going to have sales of 285 properties?

Mr. HARLAN. Yes. The value of those sales as compared with the acquisition cost figure of $375 million is the $75 million.

Mr. EVINS. This is going to leave you on hand how many properties?

Mr. HARLAN. We will have at the end of 1969 roughly 480 and we expect—it is hard to judge, but our best guess is it will be 440 at the end of 1970.

Mr. EVINS. Your total income in 1970 is estimated to be how much?

Mr. HARLAN. $75 million the same as this year. There again this is a matter of difficulty in judging. Some big sales go through fast and some of them take a long time.

PROPERTIES AVAILABLE FOR DISPOSITION

Mr. EVINS. Put in the record some of the large items that are available for the sale at this time.

Mr. HARLAN. Yes.

Mr. EVINS. We have them right here, pages III–37 and III–38.

Lifeboat Station at Rockport, Mass.

Mr. HARLAN. Yes.

Mr. EVINS. And you have a naval shipyard in Brooklyn. We have been trying to sell that for several years.

Schenectady Army Depot. You have not sold Mount Alto residence in the District of Columbia?

Mr. HARLAN. The Mount Alto Reservation is the one we are trying to exchange with the Russians for an Embassy site. They want to use it for an Embassy here in exchange for a long-term leasehold interest for our Embassy site in Moscow.

Mr. EVINS. You make a good business deal with them.

Mr. HARLAN. Yes, sir.

Mr. EVINS. Region 5, you have Camp Breckinridge in Kentucky for sale.

Mr. HARLAN. That is pretty much done. It was a big one.

Mr. EVINS. GSA notified me one time they had 10 churches for sale. Did you sell them?

Mr. HARLAN. Yes. One of the big items we get volumewise now of course is various missile sites as they become obsolete.

Mr. EVINS. You have a post office in Hopkins, Minn. They built a new one and want to sell the old one; is that right?

Mr. HARLAN. That is right.

Mr. EVINS. A hospital in Waco, Tex. Did you build them a new one there?

Mr. HARLAN. Yes, sir.

Mr. EVINS. And you expect to sell that in 1970 for $18,000?

Mr. HARLAN. No; that is what it is going to cost us to maintain it.

Mr. EVINS. You had better sell it.

Mr. HARLAN. Yes, sir.

Mr. EVINS. We will place this list in the record. Some of Uncle Sam's assets, III–37 and III–38.

(The pages follow:)

EXHIBIT H

STATEMENT OF PROTECTION AND MAINTENANCE COSTS
EXCESS, SURPLUS, AND NATIONAL INDUSTRIAL RESERVE PROPERTIES

Name and Location of Property	P & M Costs 1968	1969	1970
REGION NO. 1			
Straitsmouth Lifeboat Sta., Rockport, Mass	$ 249	$ -	$ -
Fort Banks, Winthrop, Mass.	2,500	-	-
Long Island Fuel Farm, Casco Bay, Me.	-	1,000	-
Springfield Armory, Mass.	-	9,000	-
Ft. Rodman, New Bedford, Mass.	-	-	22,000
REGION NO. 2			
Mitchel AFB, Hempstead, N.Y.	44,694	15,000	15,000
Wallabout Housing Project, N.Y.	57,655	-	-
Naval Shipyard Brooklyn, N.Y.	168,000	240,000	-
Schenectady Army Depot, Guilderland, N.Y.	40,900	75,000	-
Schenectady Army Depot, Rotterdam, N.Y.	43,000	75,000	-
Naval Supply Depot, Scotia, N.Y.	-	17,000	35,000
Federal Office Bldg., Brooklyn, N.Y.	-	-	3,000
Ft. Totten, Queens County, N.Y.	-	-	33,000
Ft. Buchanan, San Juan, P.R.	-	30,000	40,000
Ramey Petroleum Annex, San Patricio, P.R.	-	4,000	-
Military Ocean Terminal, Brooklyn, N.Y.	-	13,000	60,000
U.S. Customhouse, Niagara Falls, N.Y.	-	-	9,000
REGION NO. 3			
Mt. Alto Res., D.C.	61,600	5,000	5,000
Nat'l. Training School, D.C.	-	10,000	30,000
REGION NO. 4			
Quarantine Sta., Fisher Island, Fla.	1,000	-	-
U.S. Penitentiary Honor Farm, Ga.	122	-	-
VA Hospital, Atlanta, Ga.	-	9,000	27,000
Brookley AFB, Mobile, Ala.	-	-	52,000
REGION NO. 5			
Camp Breckinridge, Ky.	5,579	-	-
Biological Lab., Northville, Mich.	1,956	-	-
Post Office, Pekin, Ill.	23	-	-
Post Office, Bellaire, Ohio	5	-	-
AF Plant #61, Terre Haute, Ind.	6,336	-	-
Post Office, Centralia, Ill.	106	-	-
Sault Ste. Marie Lower Base, Mich.	300	-	-
Camp Atterbury, Ind.	-	8,000	24,000
Army Support Center, Chicago, Ill.	-	30,000	65,000
Fort Custer, Mich.	-	30,000	60,000
Fort Wayne, Mich.	-	25,000	50,000
Selfridge Field, Mich.	-	9,000	18,000

EXHIBIT H
(Continued)

Name and Location of Property	P & M COSTS 1968	1969	1970
REGION NO. 6			
Grand Rapids AFS, Minn.	$ 7,491	$ -	$ -
VA Hospital, St. Cloud, Minn.	948	300	-
Oahe Subdivision, Pierre, S. D.	11,305	4,000	-
Naval Ammo. Depot, Hastings, Neb.	26,500	-	-
Nike Battery OF-60, Louisville, Neb.	484	-	-
Nike Battery OF-10, Treynor, Iowa	484	-	-
Post Office, Hopkins, Minn.	-	-	100
Otis Helium Plant, Otis, Kansas	-	-	40,000
Post Office, Marion, Iowa	-	-	200
REGION NO. 7			
Hdqtrs. Support Activity, New Orleans, La.	4,760	5,000	5,000
Naval Aux. Air Station, New Iberia, La.	5,661	5,000	5,000
Zapata AFB, Zapata, Texas	4,320	2,000	-
Eagle Pass AF Station, Texas	35,417	12,000	-
Army Air Field, Eagle Mt. Lake, Texas	58,391	43,000	35,000
VA Hospital, Waco, Texas	-	-	18,000
Post Office, Beaumont, Texas	-	-	200
REGION NO. 8			
Post Office, Sahda, Colo.	-	--	200
REGION NO. 9			
Stead AFB, Nev.	61,169	10,000	-
Independence Housing Proj., San Diego, Cal.	14,453	1,200	1,200
Richmond Shipyard, Cal.	18,327	-	-
Norwalk Dist. Station #1, Cal.	5,612	-	-
Nike Battery LA-73, Cal.	202	4,000	4,000
Alcatraz Prison, Alcatraz Island, Cal.	20,443	22,000	22,000
Nike Site LA-70, Cal.	1,630	-	-
Cape Esperance Housing Project, Cal.	2,497	1,200	1,200
AF Facility, Placer County, Cal.	150	-	-
AF Facility, Sutter County, Cal.	6,000	-	-
Preble-Sachem Housing Project, Cal.	-	1,000	1,000
Naval Net Depot, Tiburon, Cal.	-	4,000	16,000
Warren Housing Project, Cal.	-	1,000	1,000
Camp Parks, Cal.	-	22,000	-
Ft. Mason, Cal.	-	48,000	65,000
Cyane Navy Housing Project, Cal.	-	1,000	1,000
Old Mint Bldg., Cal.	-	2,500	10,000
Nike Battery LA-57, Cal.	-	1,000	2,500
Cheli AF Station, Cal.	-	2,400	2,400
REGION NO. 10			
Larson AFB, Wash.	106,903	2,000	2,000
Nike Batteries 32-33, Young Lake, Wash.	642	-	-
FAA Property, Susitna, Alaska	-	200	-
VA Hospital, Walla Walla, Wash.	-	200	400
VA Center, Vancouver, Wash.	-	-	600
Paine Field AFB, Wash.	-	-	18,000
TOTALS	$827,814 (40 props.)	$800,000 (42 props.)	$800,000 (42 props.)

EXPENSES, DISPOSAL OF SURPLUS REAL AND RELATED PERSONAL PROPERTY

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Appraisers' fees and surveying	562	700	700
2. Auctioneers' and brokers' fees	9	50	50
3. Advertising	61	250	250
Total program costs, funded [1]	632	1,000	1,000
Change in selected resources [2]	69		
Total obligations	701	1,000	1,000
Financing: Budget authority (appropriation) (permanent, indefinite, special fund)	701	1,000	1,000
Relation of obligations to outlays:			
Obligations incurred, net	701	1,000	1,000
Obligated balance, start of year	259	314	214
Obligated balance, end of year	−314	−214	−214
Adjustments in expired accounts	−11		
Outlays	635	1,100	1,000

[1] Excludes adjustment of prior year costs, −$1,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $244,000 (1968 adjustments, −$11,000; 1968, $302,000; 1969, $302,000; 1970, $302,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Printing and reproduction	15	15	15
Other services	686	985	985
Total obligations	701	1,000	1,000

EXPENSES, DISPOSAL OF SURPLUS REAL AND RELATED PERSONAL PROPERTY

Mr. EVINS. We will take a look at "Expenses, disposal surplus property."

Appraisers, auctioneers and brokers familiar with local markets are used to accelerate the disposal of surplus real and related personal property. Fees of appraisers, auctioneers and brokers and costs of advertising and surveying are paid out of the receipts from disposals.

You are asking for a million dollars to pay the auctioneers and pay the fees to the brokers. This is required by 40 United States Code 485(b).

Mr. JOHNSON. This is a permanent appropriation.

Mr. EVINS. Permanent appropriation for these appraisers and auctioneers.

Property sold by auctioneers and brokers totaled four in 1968 and are estimated to be 14 in 1969 and 1970.

I note that the advertising goes up from $75,000 in 1968 to $250,000 in 1970. Why the increased advertising costs?

Mr. HARLAN. It is for two reasons. One of them is the fact advertising costs more. The other is, we are trying to do a better and more thorough job of advertising when we are offering property for bid sale in order that we can get a wider scope of interest in the property.

Mr. EVINS. Brokers fees go up from $11,950 to $50,000 the last 2 years. More than double. It costs you about a million dollars a year to pay these fees and advertising?

Mr. HARLAN. We rarely reach a million, but in 1968 it did approach three-quarters of a million dollars.

Mr. EVINS. You need about $750,000 for that instead of a million?

Mr. HARLAN. Yes.

Mr. JONAS. This is a small item for brokers. You do not use them often?

Mr. HARLAN. No, sir. By using bidding procedure, we get out the invitations and analyze them ourselves.

Mr. JONAS. The only time you use a broker is where he has a purchaser?

Mr. HARLAN. Not necessarily. Where he has a clientele or specialty which will make for a better sale. And then, of course, at big auctions where you have a lot of houses being sold individually and so on, you need a professional auctioneer who does a better job.

Mr. JONAS. Once upon a time we were using a 5-year cycle for stockpile.

Mr. HARLAN. Yes.

Mr. JONAS. Then it was reduced to 3?

Mr. HARLAN. Yes.

Mr. JONAS. Is it still three?

Mr. HARLAN. It is still three.

Mr. JONAS. We are now stockpiling for a 3-year emergency?

Mr. HARLAN. Right.

Mr. EVINS. Place in the record page III–40.

(The page follows:)

	Amount
1969	$1,000,000
Change	-
1970	$1,000,000

EXPENSES, DISPOSAL OF SURPLUS REAL AND RELATED PERSONAL PROPERTY

HIGHLIGHT

"Appraisers, auctioneers, and brokers familiar with local markets are used to accelerate the disposal of surplus real and related personal property. Fees of appraisers, auctioneers, and brokers and costs of advertising and surveying are paid out of receipts from disposals within each year in accordance with 40 U.S.C.A. 485(b). Also paid from such proceeds is the direct expense in connection with utilization of excess real and related personal property (68 Stat. 1051). Properties sold by auctioneers and brokers totaled four in 1968 and are estimated at 14 in 1969 and 1970." (From The Budget for 1970.)

JUSTIFICATION

The use of contract appraisers, realty brokers and auctioneers, and the payment of advertising and surveying costs as a means of accelerating the utilization and/or disposal of excess and surplus real property is expected to be continued in 1970 at the 1969 rate.

Distribution of obligations by major category follows:

	1968	1969	1970
Surplus Property	$453,115	$800,000	$800,000
Excess Property	248,300	200,000	200,000
Total	$701,415	$1,000,000	$1,000,000

Obligations by Activity:

	1968	1969	1970
Appraisers' fees and surveying	$614,024	$700,000	$700,000
Auctioneers' and brokers' fees	11,950	50,000	50,000
Advertising	75,441	250,000	250,000
Total Obligations	$701,415	$1,000,000	$1,000,000

Salaries and Expenses, Office of Administrator

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Executive direction	806	877	877
2. Legislative and information services	253	287	287
3. Business services	687	762	762
Total program costs, funded—obligations	1,747	1,926	1,926
Financing:			
Unobligated balance lapsing	46		
Budget authority	1,793	1,926	1,926
Budget authority:			
Appropriation	1,793	1,820	1,926
Proposed supplemental for civilian pay act increases		106	
Relation of obligations to outlays:			
Obligations incurred, net	1,747	1,926	1,926
Obligated balance, start of year	80	77	81
Obligated balance, end of year	−77	−81	−77
Adjustments on expired accounts	−2		
Outlays, excluding pay increase supplemental	1,747	1,820	1,926
Outlays from civilian pay act supplemental		102	4

OBJECT CLASSIFICATION (In thousands of dollars)

Personnel compensation:			
Permanent positions	1,470	1,609	1,609
Positions other than permanent	6	6	6
Other personnel compensation	1	1	1
Total personnel compensation	1,477	1,616	1,616
Personnel benefits: Civilian employees	109	130	130
Travel and transportation of persons	19	34	34
Payment to interagency motor pools	6	6	6
Transportation of things		2	2
Rent, communications, and utilities	65	68	68
Printing and reproduction	15	15	15
Other services	45	45	45
Supplies and materials	11	11	11
Total obligations	1,747	1,926	1,926

PERSONNEL SUMMARY

Total number of permanent positions	132	127	127
Full-time equivalent of other positions	1	1	1
Average number of all employees	124	123	123
Average GS grade	9.4	9.5	9.5
Average GS salary	$11,733	$12,771	$12,955

General item, salaries and expenses, Office of the Administrator. We will place in the record III–42, III–43, III–44, III–45, III–47, III–49, and III–50.

(The pages follow:)

FUNCTIONAL STATEMENT FOR GENERAL ITEMS

This area of the budget covers programs which are not delegated to any of the five Services of the agency since they are agencywide, of special nature, or consist of unified services to all GSA operations and other agencies and commissions.

Included are items covering (1) The Administrator and his top assistants, financed by the appropriation "Salaries and Expenses, Office of Administrator"; (2) pensions, allowances and office staff for former Presidents financed by "Allowances and Office Staff for Former Presidents"; (3) refund and rebate payments due World War II contractors financed by "Refunds under Renegotiation Act"; (4) financial, administrative, investigative, legal and other staff services for all programs of GSA, funded by deposits or reimbursements from the benefiting appropriations and funds to the "Administrative Operations Fund"; (5) the liquidation of certain assets of the Reconstruction Finance Corporation; (6) operation of printing and duplicating plants financed by reimbursements to the "Working Capital Fund"; and (7) office staff, services, and facilities under the Presidential Transition Act of 1963, Public Law 88-277.

SALARIES AND EXPENSES, OFFICE OF ADMINISTRATOR

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in annual act	$1,820,000
	Proposed supplemental for pay act increases	106,000
	Total for 1969	$1,926,000
1970	Estimate	$1,926,000

ANALYSIS BY ACTIVITIES

Activities	1969	1970
1. Executive Direction	$876,600	$876,600
2. Legislative and Information Services	287,000	287,000
3. Business Services	762,400	762,400
Totals	$1,926,000	$1,926,000

SALARIES AND EXPENSES,
OFFICE OF ADMINISTRATOR

	Amount
1969 Appropriation	$1,820,000
Proposed supplemental	+106,000
1969 Adjusted	$1,926,000
Change	-
1970 Estimate	$1,926,000

GENERAL STATEMENT

"This appropriation provides for policy direction and coordination of all programs of the Administration; specialized review of appeals involving General Services Administration contractual actions; formulation of legislative programs and continuous liaison with Congress, heads of Government departments and agencies; and assistance to business concerns and the public interested in Government procurement and disposal." (From The Budget for 1970.)

APPROPRIATION LANGUAGE

For expenses of executive direction for activities under the control of the General Services Administration, [$1,820,000] $1,926,000: Provided, That not to exceed $500 shall be available for reception and representation expenses.

	Amount	Average Employment C.O.	Field	Total	
1969	$876,600	21.5	23.0	44.5	
Change	-	-	-	-	
1970	$876,600	21.5	23.0	44.5	1. Executive Direction

HIGHLIGHT

Policy direction and coordination of all programs of the Administration are provided by the Administrator and Deputy Administrator aided by a small Central Office staff, and by a Regional Administrator in each of the ten regional offices. A Board of Contract Appeals performs specialized review of appeals from decisions of contracting officers.

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
Central Office	$438,269	26.7	$420,800	21.5	$420,800	21.5
Field	368,222	20.5	455,800	23.0	455,800	23.0
Total	$806,491	47.2	$876,600	44.5	$876,600	44.5

JUSTIFICATION

The staff in the immediate office assists the Administrator with particular emphasis on (1) coordination of all major GSA programs and (2) performance of top policy assignments.

The Board of Contract Appeals acts as the representative of the Administrator in hearing, considering, and determining actions of GSA regarding appeals from decisions by contracting officers or other officials of GSA on disputed questions involving the award and administration of contracts.

The Regional Administrators provide direction and coordination of field activities, decentralized contact with the public and other Government agencies, and evaluation of the effectiveness of GSA operations at this level.

The estimate for 1970 provides for continuing the 1969 employment level.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $725,000 with positions distributed as follows:

	1968			1969			1970		
	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
Immediate Office of Administrator	13	-	13	7	-	7	7	-	7
Board of Contract Appeals	15	-	15	15	-	15	15	-	15
Regional Administrators	-	24	24	-	24	24	-	24	24
Total Positions	28	24	52	22	24	46	22	24	46
Average employment	26.7	20.5	47.2	21.5	23.0	44.5	21.5	23.0	44.5

12 Personnel Benefits.- $58,000. Includes $46,900 for retirement contributions, $7,800 for health benefits, and $3,300 for group insurance in support of the above employment.

21 Travel and Transportation of Persons.- $22,900. $4,000 for approximately 130 days travel for Administrator, Deputy Administrator, other assistants and members of Board of Contract Appeals, $14,000 for approximately 465 days for ten Regional Administrators to permit effective overall GSA inspection of facilities and supervision of operations in all 50 states; and $4,900 for motor pool services.

22 Transportation of Things.- $100 for normal commercial transportation services.

23 Rents, Communications and Utilities.- $33,900. $28,000 for telephone and teletype services; $400 for rental, and $5,500 for depreciation of administrative furniture and equipment payable to the GSF.

24 Printing and Reproduction.- $3,300 for orders, regulations, rules and decisions of the Board of Contract Appeals. A substantial portion of the expense is related to publication of formal decisions of the Board.

25 Other Services.- $30,100 for health room services, security clearances by the Civil Service Commission, commercial reporting services in connection with hearings of the Board of Contract Appeals, repairs to equipment and furniture, and other miscellaneous services.

26 Supplies and Materials.- $3,300 for normal administrative supplies and materials.

SALARIES AND EXPENSES, OFFICE OF ADMINISTRATOR

	Amount	Average Employment C.O.	Field	Total
1969	$287,000	16.2	-	16.2
Change	-	-	-	-
1970	$287,000	16.2	-	16.2

2. Legislative and Information Services

HIGHLIGHT

Legislative and information services are performed under the direction of the Assistant Administrator. This Office advises and assists the Administrator and all other principal officials of GSA concerning congressional relations and legislative affairs, and in the formulation, development, and presentation of the legislative program of GSA. It also directs GSA information programs, including dissemination of all informational releases, and provides technical assistance and advice to GSA officers on all aspects of information.

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
(All Central Office)	$252,791	15.4	$287,000	16.2	$287,000	16.2

JUSTIFICATION

The legislative liaison staff develops the legislative program of GSA, reviews all statements prepared for presentation to Congress, supervises preparation of proper and prompt answers to all congressional inquiries and maintains liaison with other Federal agencies and departments concerning congressional and legislative matters.

The information staff develops, coordinates and disseminates informational data on an agencywide basis, which will assist the business public including trade, manufacturing, and industry groups in transacting business with GSA.

The 1970 estimate continues the 1969 staffing level of 18 positions.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.-$230,000.

(All Central Office)	1968	1969	1970
Immediate Office	2	2	2
Legislative Liaison	8	8	8
Information	7	8	8
Total positions	17	18	18
Average employment	15.4	16.2	16.2

12 Personnel Benefits.-$18,500. Includes $15,400 for retirement contributions, $2,100 for health benefits, and $1,000 for group insurance.

21 Travel and Transportation of Persons.-$4,000 for approximately 130 days travel in connection with congressional affairs and liaison with Government agencies.

22 Transportation of Things.-$100 for normal commercial transportation services.

23 Rents, Communications and Utilities.-$16,600. $13,200 for telephone and teletype services, and $3,400 for depreciation of administrative furniture and equipment payable to GSF.

24 Printing and Reproduction.-$6,300 for printing orders, regulations, GSA news release letterheads, press releases, and photographs.

25 Other Services.-$8,400 for health room services, security clearances by the Civil Service Commission, repair to equipment and furniture; and other miscellaneous services.

26 Supplies and Materials.-$3,100 for normal administrative supplies and materials.

	Amount	Average Employment C.O.	Field	Total
1969	$762,400	4.0	58.0	62.0
Change	-	-	-	-
1970	$762,400	4.0	58.0	62.0

3. Business Services

HIGHLIGHT

This activity develops, coordinates, and administers the policies, plans and procedures for the GSA Business Services program. Assistance to business concerns interested in Government procurement and disposal is one of its principal functions. The development and coordination of policies and regulations for an effective GSA small business program, and coordination of GSA small business plans and programs with the Small Business Administration and other agencies is also a prime responsibility.

	1968		1969		1970	
	Amount	Avg. Empl.	Amount	Avg. Empl.	Amount	Avg. Empl.
Central Office	$63,870	4.0	$76,200	4.0	$76,200	4.0
Field	623,535	57.8	686,200	58.0	686,200	58.0
Total	$687,405	61.8	$762,400	62.0	$762,400	62.0

JUSTIFICATION

This program is designed to provide maximum opportunity for business concerns, particularly small business, to participate equally in the purchasing and disposal programs for GSA and other Federal agencies and, by this encouragement of business competition, enable GSA to carry out its mission as the Federal property management agency effectively and economically.

A Business Service Center is located in each GSA Regional Office to provide one-stop counseling services and assistance to businessmen, trade organizations and chambers of commerce, on procurement and disposal activities of GSA. These services include provision of information concerning what items are bought and sold, location of buying and selling offices, how to get on bidders' mailing lists, how to introduce new products into the GSA supply system, how to obtain Federal specifications, and how to keep currently informed on bidding opportunities. Bids for GSA contracts are received, recorded, safeguarded and opened in the Business Service Centers.

GSA Business Service Centers contact business firms which have not previously done business with GSA for the purpose of developing their Government business potential. As a result of the new competition, contract award prices have decreased with resultant savings to the Government. In fiscal year 1968 dollar savings totaling $2.7 million, averaging $3,201 per contract on 832 contracts covering $24 million worth of goods and services needed by Federal agencies throughout the country, were identified as resulting from this activity.

The following table reflects the continually expanding programs of GSA which result in a direct impact on workload and responsibility of Regional Business Service Centers. The 1970 estimate continues the 1969 staffing level of 63.

WORKLOAD STATISTICS

Work Area	1968	1969	1970
Businessmen counseled	157,784	173,562	190,918
Business-opportunity meetings attended	69	76	84
Businessmen counseled at meetings	3,996	4,396	4,836
Bid invitations issued	38,428	42,271	46,498
Bids received	162,361	178,597	196,457
Specifications issued	395,370	434,907	478,398
New product applications processed	740	814	895
Mailing list applications processed	10,770	11,847	13,032
News media inquiries answered	6,572	7,229	7,952
Advertising authorizations issued	1,913	2,104	2,314

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $661,000.

	1968	1969	1970
Central Office	4	4	4
Field	59	59	59
Total positions	63	63	63
Average employment	61.8	62	62

12 Personnel Benefits.- $53,100. Includes $44,500 retirement contributions, $6,600 health benefits and $2,000 group insurance.

21 Travel and Transportation of Persons.- $12,700. $12,000 for approximately 450 days travel for assistance to business concerns and the public interested in Government procurement and disposal, and $700 for motor pool services. Travel is conducted by Business Services personnel for participation in business opportunity meetings, upon request of Congressmen or State officials, at various locations throughout the country, to inform businessmen of business opportunities with GSA. Many of them are held in distressed labor areas and are of particular assistance to small business firms. In addition visits are made to stimulate those business firms who have a definite potential for doing business with GSA but who are currently not doing so. This increases competition and obtains better prices in GSA's procurement programs.

22 Transportation of Things.- $1,900 for normal commercial transportation services.

23 Rents, Communications and Utilities.- $17,900. $16,500 for telephone and teletype services; $400 for equipment rental; and $1,000 for depreciation of administrative furniture and equipment payable to GSF.

24 Printing and Reproduction.- $5,000 for orders, regulations and counseling guides for doing business with the Government.

25 Other Services.- $6,400 for health room services, security clearances by the Civil Service Commission, and repairs to equipment and furniture.

26 Supplies and Materials.- $4,400 for normal administrative supplies and materials.

ALLOWANCES AND OFFICE STAFF FOR FORMER PRESIDENTS

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Allowances and pensions	60	73	75
2. Office staff	142	181	365
Total program costs, funded—Obligations [1]	202	254	440
Financing: Unobligated balance lapsing	49		
Budget authority	251	254	440
Budget authority:			
Appropriation	251	307	440
Transferred to other accounts		−53	
Appropriation (adjusted)	251	254	440
Relation of obligations to outlays:			
71 Obligations incurred, net	202	254	440
72 Obligated balance, start of year	7	8	8
74 Obligated balance, end of year	−8	−8	−8
90 Outlays	201	254	440

OBJECT CLASSIFICATION (In thousands of dollars)

Personnel compensation: Other personnel compensation	84	130	240
Personnel benefits: Civilian employees	6	11	20
Benefits for former personnel	60	73	75
Travel and transportation of persons		40	105
Rent, communications, and utilities	27		
Other services	4		
Supplies and materials	19		
Equipment	2		
Total obligations	202	254	440

[1] Includes capital outlay as follows: 1968, $2 thousand; 1969, $0; 1970, $0.

Allowances and Office Staff for Former Presidents

If there are no questions we will pass on to allowances, for former Presidents. We discussed this matter.

Insert a statement giving complete accounting of the fund and programs for former Presidents. We will place in the record III–54 and III–55.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in Annual Act	$307,000
	Transfer to OE-PBS	-53,200
	Total for 1969	253,800
	Increases in 1970	
	Full-year cost for President Johnson's pension	12,500
	Maximum compensation and benefits for office staff of three former Presidents	118,700
	Full-year cost for travel for three former Presidents	65,000
	Decrease in 1970	
	Pension for a widow of a former President	-10,000
1970	Estimate	$440,000

ANALYSIS BY ACTIVITIES

	Activities	1969	Increase	Decrease	1970
1.	Allowances and pensions	$72,500	$12,500	-$10,000	$75,000
2.	Office staff	181,300	183,700	-	365,000
	Totals	$253,800	$196,200	-$10,000	$440,000

	Amount
1969	$253,800
Change	+186,200
1970	$440,000

ALLOWANCES AND OFFICE STAFF FOR FORMER PRESIDENTS

GENERAL STATEMENT

"This appropriation provides for allowances and office staff for three former Presidents." (From The Budget for 1970.)

APPROPRIATION LANGUAGE

ALLOWANCES AND OFFICE /FACILITIES/ STAFF FOR FORMER PRESIDENTS

For carrying out the provisions of the Act of August 25, 1958, as amended (/72 Stat. 838/, 3 U.S.C. 102 note) /$267,000/ $440,000: Provided, That the Administrator of General Services shall transfer to the Secretary of the Treasury such sums as may be necessary to carry out the provisions of section (a) and (e) of such Act.

/For an additional amount for "Allowances and Office Facilties for Former Presidents", $40,000, and funds appropriated under this head shall be available hereafter for travel and related expenses of former Presidents and not to exceed two members of their staffs./

The last paragraph is bracketed inasmuch as it is contained in the Supplemental Appropriation Act, 1969.

JUSTIFICATION

1. Allowances and Pensions.- $75,000. Provides for three former Presidents at $25,000 per annum. The $75,000 will be transferred to the Secretary of the Treasury who is responsible for making the payments under P.L. 85-745.

2. Office Staff.- $365,000. These items are paid for directly by GSA. The staff is selected and compensation fixed by each former President, within statutory limitation, who also specifies the location of office space and is consulted as to equipment and furniture requirements.

The "Former Presidents" Act of 1958, as amended, provides $80,000 per annum as the maximum aggregate compensation of a staff of a former President. This Act also provides "The annual rate of compensation payable to any such person shall not exceed the highest annual rate of basic pay now or hereafter provided by law for positions at level II of the Executive Schedule under section 5313 of title 5, United States Code."

The full $80,000 for staff is provided for each of the three eligibles in FY 1970, and a total of $20,000 for personnel benefits.

As authorized in the Supplemental Appropriation Act for 1969, approved October 21, 1968, provision is also made for the payment of travel expenses of former Presidents and their staffs in the amount of $105,000.

Thus, the increase of $186,200 over 1969 provides for the maximum compensation for office staffs of each former President, $118,700; full-year costs for travel to be incurred by the three eligibles and their staffs, $65,000; and a net increase of $2,500 for pensions.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $240,000 for the staff of the three former Presidents. These employees are selected by the former Presidents.

12 Personnel Benefits.- $20,000. Includes $17,100 for retirement contributions, $1,600 for health benefits, and $1,300 for group insurance. The staff of former Presidents are considered Government employees only in the sense that they are entitled to these benefits.

13 Allowances and Pensions.- $75,000. Includes pensions of $25,000 for each of three former Presidents.

21 Travel.- $105,000. Provides funds for the payment of travel expenses of former Presidents and their staffs.

Mr. JOHNSON. Mr. Chairman, we would like to revise the printed document you have in front of you because of the ex-President's death. I have here for the record a revised estimate on this account that reduces it from $440,000 to $335,000. That is on the premise that we close out the general's office between June 30 and the end of the first quarter of fiscal year 1970. That is somewhat still open to question.

Mr. EVINS. Revised statement will be inserted in the record at this point.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

1969	Appropriation in Annual Act	$307,000
	Transfer to OE-PBS	-53,200
	Total for 1969	253,800
	Increases in 1970	
	Full-year cost for President Johnson's pension	12,500
	Maximum compensation and benefits for office staff of former Presidents	53,700
	Full-year cost for travel for former Presidents	40,000
	Pension for the widow of former President Eisenhower	10,000
	Decrease in 1970	
	Pension for a former President	-25,000
	Pension for the widow of former President Kennedy	-10,000
1970	Estimate	$335,000

ANALYSIS BY ACTIVITIES

	1969	Increase	Decrease	1970
1. Allowances and pensions	$72,500	$22,500	-$35,000	$60,000
2. Office staff	181,300	93,700	-	275,000
Totals	$253,800	$116,200	-$35,000	$335,000

	Amount
1969	$253,800
Change	+81,200
1970	$335,000

GENERAL STATEMENT

"This appropriation provides for allowances and office staff for two former Presidents and a pension for a widow of a former President."

APPROPRIATION LANGUAGE

ALLOWANCES AND OFFICE [FACILITIES] STAFF FOR FORMER PRESIDENTS

For carrying out the provisions of the Act of August 25, 1958, as amended ([72 Stat. 838], 3 U.S.C. 102 note) [$267,000] $335,000: Provided, That the Administrator of General Services shall transfer to the Secretary of the Treasury such sums as may be necessary to carry out the provisions of section (a) and (e) of such Act.

[For an additional amount for "Allowances and Office Facilities for Former Presidents", $40,000, and funds appropriated under this head shall be available hereafter for travel and related expenses of former Presidents and not to exceed two members of their staffs,]

The last paragraph is bracketed inasmuch as it is contained in the Supplemental Appropriation Act, 1969.

JUSTIFICATION

1. Allowances and Pensions. - $60,000. Provides for two former Presidents at $25,000 per annum and a widow of a former President at $10,000 per annum. The $60,000 will be transferred to the Secretary of the Treasury who is responsible for making the payments under P. L. 85-745.

2. Office Staff. - $275,000. These items are paid for directly by GSA. The staff is selected and compensation fixed by each former President, within statutory limitation, who also specifies the location of office space and is consulted as to equipment and furniture requirements.

The "Former Presidents" Act of 1958, as amended, provides $80,000 per annum as the maximum aggregate compensation of a staff of a former President. This Act also provides "The annual rate of compensation payable to any such person shall not exceed the highest annual rate of basic pay now or hereafter provided by law for positions at level II of the Executive Schedule under section 5313 of title 5, United States Code."

The full $80,000 for staff is provided for each of the two eligibles in FY 1970, $20,000 for Former President Eisenhower's staff for a period of three months to provide for the orderly disposition of his papers and records to the Eisenhower Library, and a total of $15,000 for personnel benefits.

As authorized in the Supplemental Appropriation Act for 1969, approved October 21, 1968, provision is also made for the payment of travel expenses of former Presidents and their staffs in the amount of $80,000.

Thus, the increase of $81,200 over 1969 provides for the maximum compensation for office staffs of each former President, $53,700; full-year costs for travel to be incurred by the eligibles and their staffs, $40,000, and a net decrease of $12,500 for pensions.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing. - $180,000 for the staff of the former Presidents. These employees are selected by the former Presidents.

12 Personnel Benefits. - $15,000. Includes $12,965 for retirement contributions, $1,150 for health benefits, and $885 for group insurance. The staff of former Presidents are considered Government employees only in the sense that they are entitled to these benefits.

13 Allowances and Pensions. - $60,000. Includes pensions of $25,000 for each of two former Presidents and $10,000 for a widow of a former President.

21 Travel. - $80,000. Provides funds for the payment of travel expenses of former Presidents and their staffs.

Mr. EVINS. We note there is a decrease of $10,000 for pension of widow of a former President, is that for the former Mrs. John F. Kennedy?

Mr. JOHNSON. That is right.

Mr. EVINS. Now we have another widow of a President, Mrs. Eisenhower.

Mr. JOHNSON. In the amendment I gave you, the adjustment is made for her.

Mrs. Kennedy requested that we stop paying the $10,000.

Mr. EVINS. And you are picking up the payment to Mrs. Eisenhower?

Mr. JOHNSON. Yes, sir; immediately.

Mr. EVINS. Does your justification include a statement as to the allowances of the former Presidents? There have been some news reports that some thought it excessive, that President Johnson would receive his retirement for years of congressional service, funds for Presidential retirement, and the authorization by law, for the transition of Presidency.

I am asking, is all of this included in your statement?

Mr. JOHNSON. Yes, sir.

Mr. EVINS. Mr. Jonas.

PRESIDENTIAL TRANSITION

Mr. JONAS. Parade magazine a Sunday or so ago answered questions of a correspondent and I think gave some incorrect information which engendered a lot of mail for me. I do not know about other Members.

Have you totaled up the transitional costs? There was an appropriation of about $900,000.

Mr. JOHNSON. Yes, sir, Mr. Jonas.

Mr. JONAS. Is that divided, half to the incoming President and half to the outgoing?

Mr. JOHNSON. No, sir. That was divided half to the incoming President and Vice President and half to the outgoing President and Vice President. It covered two incoming officials and two outgoing officials.

Mr. JONAS. If the funds are not expended for that purpose, do they revert?

Mr. JOHNSON. Yes, sir.

Mr. JONAS. They are not funds that were granted to the President, but appropriated to GSA to pay certain costs?

Mr. JOHNSON. That is correct, and those costs were set out in the basic legislation that established this appropriation.

Mr. JONAS. The cost of the incoming President and Vice President included the hiring of a staff and the rental of quarters and telephones, and so forth?

Mr. JOHNSON. That is correct.

To give you an idea, for the incoming President and Vice President, through the end of March, GSA expended $434,737 of the $450,000. Of that total, $401,700 was for staff costs.

Mr. JONAS. What about the outgoing President?

Mr. JOHNSON. Up to the end of March we have expended on behalf of the former President $53,000 and the former Vice President $27,000.

Mr. JONAS. I sure wish Parade had had that information because they answered the question in a way as to indicate to a reader that

this was $370,000 given to President Johnson, and people write me and want to know what he needed it for.

Mr. EVINS. There has been a lot of misinformation.

Mr. JONAS. I think we ought to have it in this record.

Mr. EVINS. Summarize for the record and make it clear all the allowances, including Secret Service protection, how long it lasts, stenographic services, office allowances, whatever allowances are provided, pension fund or other benefits.

Mr. JOHNSON. We will be glad to.

(The information follows:)

ENTITLEMENTS OF THE FORMER PRESIDENT AND VICE PRESIDENT

The Presidential Transition Act of 1963 (Public Law 88–277, 3 U.S.C. 102 note) authorizes the Administrator of General Services to provide the following services and facilities for a former President and Vice President in connection with winding up the affairs of his office:

1. Office space, equipped with furniture, furnishings, office machines and equipment, and office supplies;

2. Payment of the compensation of members of the office staff designated by the former President and Vice President. Maximum rate of compensation is GS–18, now $30,239. With the consent of the head of the agency concerned, Federal employees may be detailed to the staff on a reimbursable or non-reimbursable basis;

3. Payment for services of experts or consultants or organizations thereof. Maximum rate for an individual expert or consultant is $100 a day;

4. Payment of travel expenses and subsistence allowances and rental of Government or hired motor vehicles;

5. Communications services;

6. Payment of expenses for printing and binding; and

7. Payment of postal expenses.

The distribution of the $900,000 appropriation available for administration of the Presidential Transition Act is split $450,000 for the President-elect and Vice President-elect and $450,000 for the former President and former Vice President. This equal distribution between the outgoing and incoming administrations is consistent with a statement in the Congressional Record, dated July 18, 1968, page S8913:

"Funds for these purposes during the current transition are available through June 30, 1970. (Public Law 90–550, approved Oct. 4, 1968, and Comptroller General's decision, dated Apr. 29, 1969, B–149372, B–158195.)"

As of Mar. 31, 1969, obligations under the Presidential Transition Act are as follows:

	President-elect Nixon and Vice President-elect Agnew	Former President Johnson	Former Vice President Humphrey	Total
Personnel compensation	$401,649	$39,421	$24,208	$465,278
Personnel benefits	20,975	2,594	1,710	25,279
Travel	1,939	9,332	248	11,519
Space rental, commercial	1,738			1,738
Equipment rental, commercial	894		539	1,433
Printing, general	6,026	1,660	14	7,700
Payments to commercial contractors			20	20
Office supplies	17		289	306
Operating supplies	59			59
Telephone, local service	4			4
Long distance, toll charges		75		75
Postage and fees	1,000			1,000
Administrative equipment	436			436
Total Obligations	$434,737	$53,082	$27,028	$514,847

The Former Presidents Act (Public Law 85–745, 3 U.S.C. 102 note) authorizes the following:

1. For each former President, $25,000 a year, payable monthly by the Secretary of the Treasury;

2. Effective 6 months after the expiration of the former President's term of office, provision by the Administrator of General Services of an office staff for each former President. Maximum annual rate of compensation for any member of the staff is the pay provided for level II of the Executive Schedule, now $42,500. Total basic compensation for the staff is limited to $80,000 a year;

3. Effective 6 months after the expiration of the former President's term of office, provision by the Administrator of General Services for each former President of office space, furnishings, and equipment. The Comptroller General has ruled that this includes office supplies and communications services; and

4. For each widow of a former President, a pension of $10,000 per year, payable monthly by the Secretary of the Treasury, provided the widow waives the right to any annuity or pension under any other act of Congress.

Title 39, United States Code, section 4165 authorizes a former President to send all his mail within the United States and its territories and possessions as franked mail.

The Supplemental Appropriation Act, 1969, Public Law 90–608, approved October 21, 1968, provided that funds appropriated under the heading Allowances and Office Facilities for Former Presidents "shall be available hereafter for travel and related expenses of former Presidents and not to exceed two members of their staffs."

GSA Order ADM 5440.33, dated October 11, 1968, transferred from the Office of the Administrator to the Public Buildings Service the functions under subsection (c) of the Former Presidents Act (act of August 25, 1958; 3 U.S.C. 102 note). This subsection authorized the Administrator to provide office space, furnished and equipped to former Presidents.

In connection with this transfer, the sum of $53,200 appropriated under the head "Allowances and Office Facilities for Former Presidents" in the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1969, was transferred to the "Operating Expenses, Public Buildings Service" appropriation. Future appropriations under this head will accordingly be used to finance the expense of providing office space, furnishings, and equipment under the Former Presidents Act.

Consistent with the above, the appropriation title "Allowances and Office Facilities for Former Presidents" was changed to "Allowances and Office Staff for Former Presidents" in the 1970 Budget estimates to the Bureau of the Budget and the Congress. The change in title reflects that only those expenses relating to allowances and pensions, salaries and personnel benefits of office staff, and travel expenses are provided for under this modified appropriation title.

FISCAL YEAR 1970—ALLOWANCES AND OFFICE STAFF FOR FORMER PRESIDENTS

	Former President Truman	Forme President Johnson	Former President Eisenhower [1]	Widow	Total allowance
Pensions	$25,000	$25,000		$10,000	$60,000
Personnel compensation	80,000	80,000	$20,000		180,000
Personnel benefits	6,500	6,500	2,000		15,000
Travel	35,000	35,000	10,000		80,000
Total	146,500	146,500	32,000	10,000	335,000

[1] Funds are required for a period of 3 months to enable the former President's staff to provide for the orderly disposition of his papers and records to the Eisenhower Library.

SECRET SERVICE PROTECTION, U.S. SECRET SERVICE, TREASURY DEPARTMENT

Secret Service protection 18 U.S.C. 3056. "Subject to the direction of the Secretary of the Treasury, the U.S. Secret Service, Treasury Department, is authorized to protect the person of the President of the United States, the members of his immediate family, the President-elect, the Vice President or other officer next in the order of succession to the office of President, and the Vice President-elect; protect the person of a former President and his wife during his lifetime, the person of the widow of a former President until her death or remarriage, and minor children of a former President until they reach 16 years of age, unless such protection is declined; * * *."

Public Law 90–331 approved June 6, 1968 * * *. Section 2. "Hereafter, when requested by the Director of the U.S. Secret Service, Federal Departments and agencies, unless such authority is revoked by the President, shall assist the Secret Service in the performance of its protective duties under section 3056 of title 18 of the United States Code and the first section of this joint resolution."

TRANSITION COST

Mr. JONAS. In a separate table, put this transitional cost.

Mr. JOHNSON. I will summarize that in the same statement, Mr. Jonas

Mr. JONAS. I want to use it to answer some mail.

Mr. KUNZIG. To be clear, you mentioned up to the end of March when referring to Mr. Nixon coming in. I presume that was obligated before January 20.

Mr. JOHNSON. Very much so, but we have not paid all the bills yet.

Mr. JONAS. There will be no further bills?

Mr. JOHNSON. Yes.

Mr. EVINS. A statement of all the benefits would be appropriate.

Mr. JOHNSON. Very well.

(The statement appears at page 791.)

Administrative Operations Fund

PROGRAM AND FINANCING (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Administration	18,878	20,567	20,554
2. Audits and compliance	2,586	3,140	3,191
3. Legal services	1,951	2,095	2,105
Total program costs, funded	23,415	25,802	25,850
Change in selected resources [1]	17		
Total obligations	23,432	25,802	25,850
Financing:			
Receipts and reimbursements from: Federal funds:			
Limitation	−12,815	−13,744	−13,833
Nonlimitation	−11,092	−12,058	−12,017
Unobligated balance lapsing	475		
Budget authority			
Relation of obligations to outlays:			
Obligations incurred, net	−475		
Obligated balance, start of year	780	916	1,316
Obligated balance, end of year	−916	−1,316	−1,416
Adjustments in expired accounts	6		
Outlays	−605	−400	−100

OBJECT CLASSIFICATION (In thousands of dollars)

Personnel compensation:			
Permanent positions	17,149	19,058	19,123
Positions other than permanent	269	166	171
Other personnel compensation	106	113	115
Total personnel compensation	17,524	19,337	19,409
Personnel benefits: Civilian employees	1,345	1,548	1,554
Travel and transportation of persons	186	231	268
Payment to interagency motor pools	25	25	25
Transportation of things	36	35	35
Rent, communications, and utilities	762	763	811
Printing and reproduction	203	210	210
Other services	3,199	3,503	3,388
Supplies and materials	151	150	150
Insurance claims and indemnities	1		
Total obligations	23,432	25,802	25,850

PERSONNEL SUMMARY

Total number of permanent positions	1,954	1,986	1,985
Full-time equivalent of other positions	53	37	37
Average number of all employees	1,883	1,893	1,893
Average GS grade	8.1	8.2	8.2
Average GS salary	$9,600	$10,253	$10,446
Average salary of ungraded positions	$6,120	$6,275	$6,275

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $70,000; 1968, $86,000; 1969, $86,000; 1970, $86,000. Excludes prior year adjustments of $12,000.

Mr. Evins. Administrative operations fund.

The basic mission of the administrative operations program is to provide GSA with a responsive, effective and modern management system. Within this system, the program is designed to provide professional capability in the specialized fields of legal advice and assistance, program and policy planning, budgetary and financial management, organizational and program management appraisal, personnel management, contract and internal audits, investigations, civil rights functions, and other related management services.

Mr. JOHNSON. This pays for common administrative services, personnel services, legal services, financial services, budgetary services, audit and compliance services, and centralized management services. This is a type activity which GSA funds in its budget on a central source rather than in separate appropriation. Each GSA account contributes to this fund a pro rata part based on their own workload. There is a total of $25.8 million in the fund for fiscal year 1969.

Mr. EVINS. Place in the record III–57 through III–61, and pages III–64 through III–71.

(The pages follow:)

SUMMARY RECONCILIATION OF 1970 ESTIMATE TO 1969 FUNDS

A. LIMITATION ITEMS

1969	Limitation in annual act			$13,700,000
	DOD Transfer (OE-FSS)		+$175,000	
	IRS Transfer (OE-NARS)		+40,000	
	Estimated nonutilization of availability		-171,000	+44,000
	1969 Limitation (Comparative)			$13,744,000
1970	Changes in program, net			+89,000
	Total estimate for 1970			$13,833,000

B. EXCLUDED FROM LIMITATION

1969	Allocations and Reimbursements	$12,058,000
1970	Change in program, net	-41,000
	Total estimate for 1970	$12,017,000

CHANGES IN 1970

Full year's cost of 1969 Pay Act costs, net	$48,000

ANALYSIS BY ACTIVITIES

Activities	1969 Estimate	Decrease	Increase	1970 Estimate
1. Administration	$20,567,000	$13,000		$20,554,000
2. Audits and Compliance	3,140,000		$51,000	3,191,000
3. Legal Services	2,095,000		10,000	2,105,000
Total	$25,802,000	$13,000	$61,000	$25,850,000

ADMINISTRATIVE OPERATIONS FUND

GENERAL STATEMENT

The basic mission of the Administrative Operations program is to provide GSA with a responsive, effective, and modern management system. Within this system, the program is designed to provide professional capability in the specialized fields of legal advice and assistance, program and policy planning, budgetary and financial management, organizational and program management appraisal, personnel management, contract and internal audits, investigations, civil rights functions, and other related management services.

The internal mission of the Administrative Operations program is to provide (a) staff assistance, support, and service to the Administrator, the Heads of Services and Staff Offices, and to the Regional Administrators, and (b) agencywide coordination of selected direct dealings with such external entities as GAO, BOB, Treasury, other executive agencies, and Congressional committees.

The external mission of the Administrative Operations program concerns GSA's role as a central management arm of the Government. In this regard, the program mission is to continuously improve property accounting systems throughout the Government; insure effective execution of Government-wide mobilization planning efforts; provide technical assistance to all Government agencies in the development of Federal Procurement Regulations and Federal Property Management Regulations; and provide financial and other administrative support to Presidential Boards and Commissions.

This management fund provides financing of administrative operations services on a centralized and integrated basis for all General Services Administration programs.

1. Administration.- Consisting of accounting and reporting, credit, insurance, and related financial services, program planning, budget, personnel administration, management systems and administrative services. Overall management of GSA's centralized field duplicating services is provided under this head; however, financing of these services is reflected in the working capital fund.

2. Audits and Compliance.- Provides management with an independent and objective review and appraisal of all GSA programs through the medium of contract and internal audits, investigations, and civil rights functions.

3. Legal Services.- In the fields of real property, personal property, including Federal Procurement Regulations and Federal Property Management Regulations, archives and records, transportation and communications, strategic and critical materials stockpiling, and finance and administration.

To underscore the growth of GSA's substantive programs for which AO support is essential, there are listed below the increases in workload of some of the more significant program areas in the eleven-year period (1957-1968) during which the Administrative Operations Fund has been in effect.

	(Millions except as otherwise indicated) 1957	1968	% Increase
FSS			
Stores stock shipments	$116.4	$512.9	341
Total procurement volume	$635.3	$1,525.0	140
PBS			
Sq. Ft. of space operated	103.5	195.7	89
Bldgs. Mgmt. Fund program costs	$187.5	$443.6	137
Construction and Repair & Improvement obligations	$51.3	$155.9	204

	(Millions except as otherwise indicated) 1957	1968	% Increase
PMDS			
Disposals of strategic materials	$7.6	$207.4	2,629
Sales of surplus property:			
Real property	$27.0	$78.0	189
Personal property	$2.0	$10.7	435
Transfers & donations (personal property)	$296.0	$934.6	216
TCS			
Motor pools in operation (No.)	22	99	350
Sales volume	$3.7	$51.4	1,289
Communication service sales	$15.5	$97.7	530
NARS			
Records administered in Regional Records Centers (thous. cu. ft.)	3,888	8,370	115

These program increases have an impact on all elements of staff services. Several of the directly affected workload factors are listed in the following table.

	1957 Actual	1968 Actual	1970 Estimate	1970 Inc. from 1957
(1) Vouchers	639,413	1,892,913	1,970,000	1,330,587
(2) Billings	232,688	857,735	875,000	642,312
(3) Accounting documents	872,101	2,750,648	2,845,000	1,972,899
(4) Mail handled (thous. lbs.)	1,800	5,777	6,100	4,300

Increased employee productivity and management improvements have enabled us to absorb the major portion of these workload increases. For example, in 1957 voucher production per man-year was 2,350 as compared to 7,161 in 1970, billings, 2,178 to 5,757, and accounting documents processed 3,018 to 18,029.

As an example of personnel and dollar savings, conversion of the productivity increases for vouchers (above) to employee requirements shows that in 1970, at a rate of 7,161 per man-year, GSA will need about 275 man-years to process 1,970,000 vouchers. Using the 1957 man-year production rate of 2,350 would have required 838 man-years, or 563 more than the 275 projected. This alone represents a savings over 1957 in excess of $4.8 million.

Justifications and narrative that follow are presented under the headings:

1. Administration
2. Audits and Compliance
3. Legal Services

APPROPRIATION LANGUAGE

Funds available to General Services Administration for administrative operations, in support of program activities, shall be expended and accounted for, as a whole, through a single fund: Provided, That costs and obligations for such administrative operations for the respective program activities shall be accounted for in accordance with systems approved by the General Accounting Office: Provided further, That the total amount deposited into said account for the current fiscal year from funds made available to General Services Administration in this Act shall not exceed ~~$13,700,000~~ $13,833,000: Provided further, That amounts deposited into said account for administrative operations for each program shall not exceed the amounts included in the respective program appropriations for such purposes.

ADMINISTRATIVE OPERATIONS
BY SOURCE FINANCING
($ thousands)

	1968 comparable	1969 comparable	1970 estimate
Source of funds:			
Operating expenses, public buildings service	$900	$915	$915
Repair and improvement of public buildings	800	821	900
Sites and expenses, public buildings projects	600	521	521
Operating expenses:			
Federal supply service	7,269	8,022	8,022
National archives and records service	760	840	900
Transportation and communications service	626	625	625
Property management and disposal service	1,860	2,000	1,950
Subtotal, limitation	$12,815	$13,744	$13,833
Expansion of defense production	270	300	300
Construction services fund	1,110	800	800
Buildings management fund	5,004	5,760	5,760
Federal telecommunications fund	1,235	1,275	1,275
General supply fund	1,885	1,950	1,950
Automatic data processing fund	-	445	445
Export packing operations	535	470	470
Working capital fund	263	280	280
Small commissions and agencies	485	464	464
Other various sources	305	314	273
Subtotal, nonlimitation	$11,092	$12,058	$12,017
Total financing	$23,907	$25,802	$25,850
Unobligated balance	-475	-	-
Total obligations	$23,432	$25,802	$25,850

ADMINISTRATIVE OPERATIONS
Man-Years Equated to
Sources of Financing

	1968 Comparable	1969 Comparable	1970 Estimate
Source of funds:			
Operating Expenses, Public Buildings Service...	70.9	67.1	67.1
Repair and Improvement of Public Buildings.....	63.0	60.2	65.9
Sites and Expenses, Public Buildings Projects..	47.3	38.2	38.2
Operating Expenses:			
Federal Supply Service.....	572.5	588.4	588.4
National Archives and Records Service.....	59.9	61.6	65.9
Transportation and Communications Service....	49.3	45.8	45.8
Property Management and Disposal Service.....	146.5	146.8	141.4
Subtotal, Limitation.....	1,009.4	1,008.1	1,012.7
Expansion of Defense Production.....	21.3	22.0	22.0
Construction Services Fund.....	87.4	58.7	58.7
Buildings Management Fund.....	394.1	422.5	422.5
Federal Telecommunications Fund.....	97.3	93.5	93.5
General Supply Fund.....	148.5	143.0	143.0
Automatic Data Processing Fund.....	-	32.6	32.6
Export Packing Operations.....	42.1	34.5	34.5
Working Capital Fund.....	20.7	20.5	20.5
Small Commissions and Agencies.....	38.2	34.0	34.0
Other Various Sources.....	24.0	23.2	18.6
Subtotal, Nonlimitation.....	873.6	884.5	879.9
Total.....	1,883.0	1,892.6	1,892.6

	Amount	Average Employment C.O.	Field	Total
1969	$20,567,000	327.0	1,233.2	1,560.2
Change	-13,000	+4.9	-4.9	-
1970	$20,554,000	331.9	1,228.3	1,560.2

1. Administration

HIGHLIGHT

The Office of Administration under the supervision of an Assistant Administrator is comprised of the following major components financed through the Administrative Operations Fund.

($ in Thousands)

Distribution by Subactivity	1968 Amount	1968 Avg. Empl.	1969 Amount	1969 Avg. Empl.	1970 Amount	1970 Avg. Empl.
a. Finance	$10,154	814.0	$10,973	809.9	$10,948	809.9
b. Personnel	3,378	305.1	3,683	306.0	3,692	306.0
c. Administrative Services	2,759	268.8	2,959	263.6	2,997	263.6
d. Budget	1,316	101.7	1,464	99.0	1,467	99.0
e. Supervision and Management	1,300	80.3	1,488	81.7	1,450	81.7
Total cost or estimate	$18,907	1,569.9	$20,567	1,560.2	$20,554	1,560.2
Total Positions		1,610		1,630		1,629
Central Office		336		338		338
Regions		1,274		1,292		1,291

Administration is performed in the Central Office and in each of the 10 regions. Each of the subactivities is discussed in the Justification which follows. It should be noted that the man-year figures for 1969 have been reduced due to the application of P.L. 90-364. This restrictive employment is projected for 1970, and the estimate for Administration reflects a reduction of $13,000 from 1969.

JUSTIFICATION

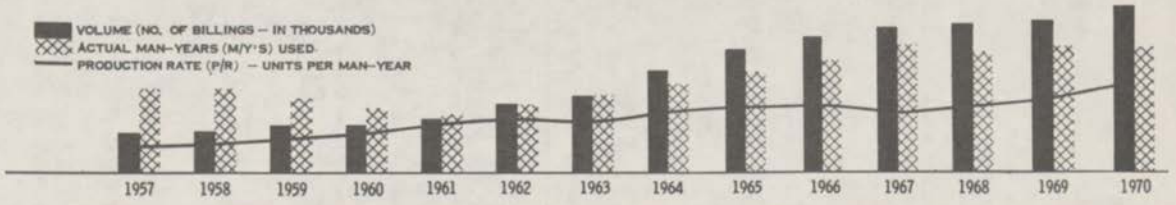
a. Office of Finance.- This subactivity covers the design, maintenance, and operation of GSA's Accounting and Financial Reporting System; participation in Government-wide property accounting surveys and in The Joint Financial Management Improvement Program; compiles and publishes a worldwide inventory of real property owned by and leased to the Federal Government; review of the financial provisions of contracts to minimize financial risk and otherwise protect the Government's interest; and the servicing of financial provisions of contracts and other obligations held by the Government.

Financial services are performed in the Central Office and 10 regional offices. Accounting is consolidated in five regional centers--New York, N.Y.; Washington, D.C.; Kansas City, Missouri; Fort Worth, Texas; and San Francisco, California.

	1968	1969	1970
Positions	836	855	854
Average employment	814.0	809.9	809.9
Performance cost (in $ thousands)	$10,154	$10,973	$10,948

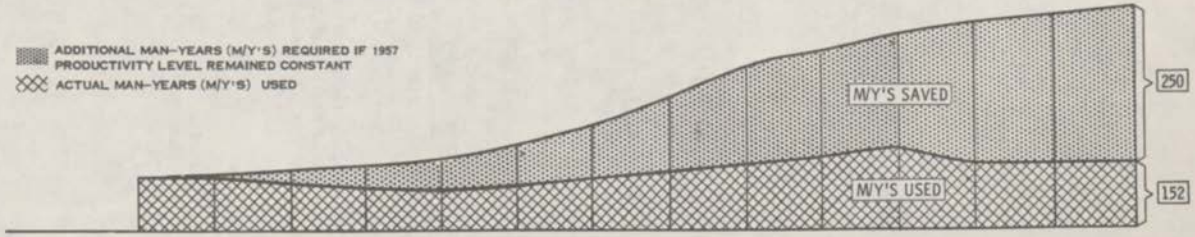
OFFICE OF ADMINISTRATION

BILLINGS
PRODUCTIVITY TREND



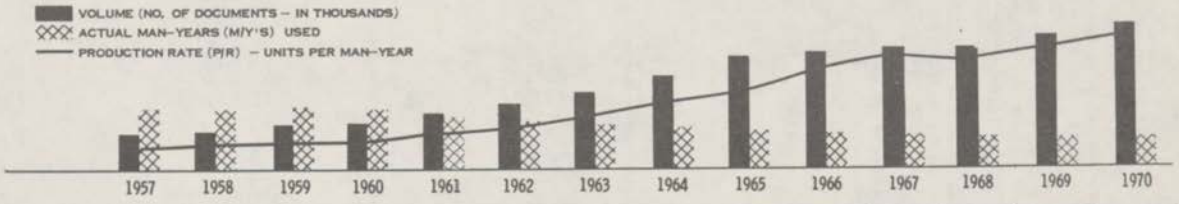
VOLUME	233	245	273	276	311	399	459	590	720	781	844	858	865	875
ACTUAL M/Y'S	107	107	94	82	76	86	102	114	130	141	161	151	152	152
P/R	2178	2290	2904	3366	4092	4640	4500	5176	5538	5539	5242	5677	5691	5757
P/R INCREASE	—	5%	33%	55%	88%	113%	107%	138%	154%	154%	140%	161%	161%	164%
M/Y'S SAVED	—	5	31	45	67	97	109	157	201	218	227	243	245	250

MAN-YEAR SAVINGS BASED ON INCREASED PRODUCTIVITY



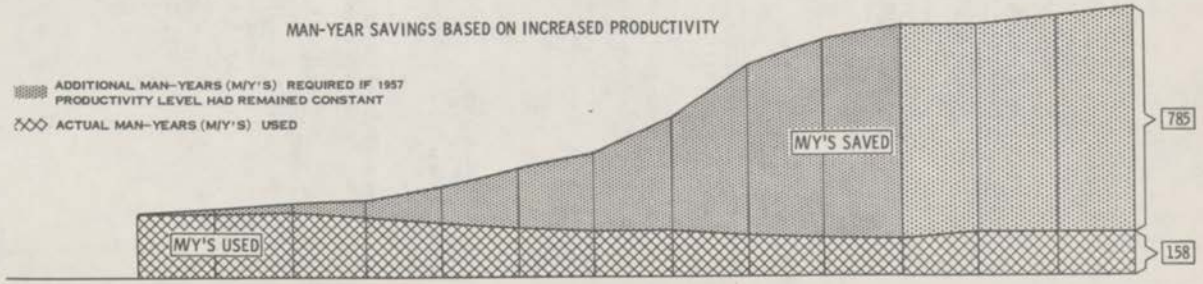
OFFICE OF ADMINISTRATION

ACCOUNTING DOCUMENTS
PRODUCTIVITY TREND



VOLUME	872	939	1047	1080	1270	1503	1738	2082	2520	2612	2751	2751	2815	2845
ACTUAL M/Y'S	289	287	293	278	241	216	206	196	176	167	159	160	158	158
P/R	3018	3272	3586	3885	5270	6958	8437	10623	14318	15641	17291	17192	17839	18029
P/R INCREASE	—	8%	19%	29%	75%	131%	180%	252%	374%	418%	473%	470%	491%	497%
M/Y'S SAVED	—	24	54	80	180	282	370	494	659	698	753	752	775	785

MAN-YEAR SAVINGS BASED ON INCREASED PRODUCTIVITY



Workload in the Office of Finance is related to the type of business in which GSA is engaged--payment of invoices, examining, certifying and scheduling of vouchers, processing bills and accounting documents, payrolling of employees, accounting for property under jurisdiction of GSA, reconciliation of accounts and preparation of financial reports--evaluation of financial aspects of contracts including development of financial terms and conditions, financial analyses to determine financial competence of prospective contractors, collecting of delinquent accounts, and the review of contracts for proper insurance coverage.

The total cost reflected for this subactivity includes the payment of $2,903,000 in 1970 to the ADP Revolving Fund, representing the cost of automatic data processing directly related to accounting functions.

The most significant workload factors are billings and receivables, accounting documents processed and vouchers processed.

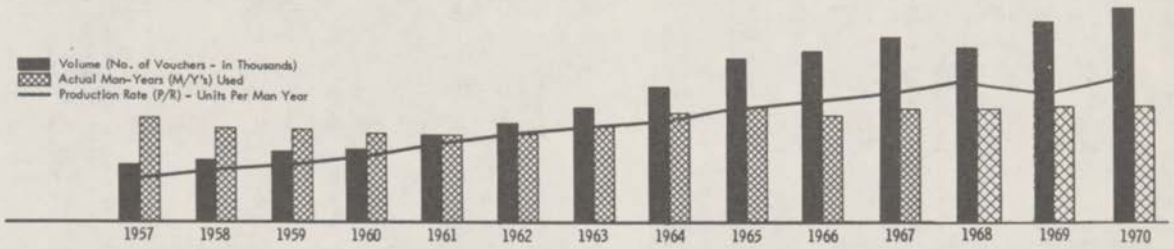
Billings and Receivables	1968	1969	1970	Change from 1969
Billings processed	857,735	865,000	875,000	+10,000
Unit cost	$1.49	$1.59	$1.58	-$0.01
Performance cost	$1,278,602	$1,376,900	$1,380,000	+$3,100
Employment (man-years)	151.1	152.0	152.0	-
Average processed per man-year	5,677	5,691	5,757	+66
Accounting				
Accounting documents processed	2,750,648	2,815,000	2,845,000	+30,000
Unit cost	$1.13	$1.19	$1.18	-$0.01
Performance cost	$3,093,628	$3,350,600	$3,356,000	+$5,400
Employment (man-years)	160.0	157.8	157.8	-
Average processed per man-year	17,192	17,839	18,029	+190

Increased efficiency in the processing of accounting documents during the period 1957 through the estimate year is as follows:

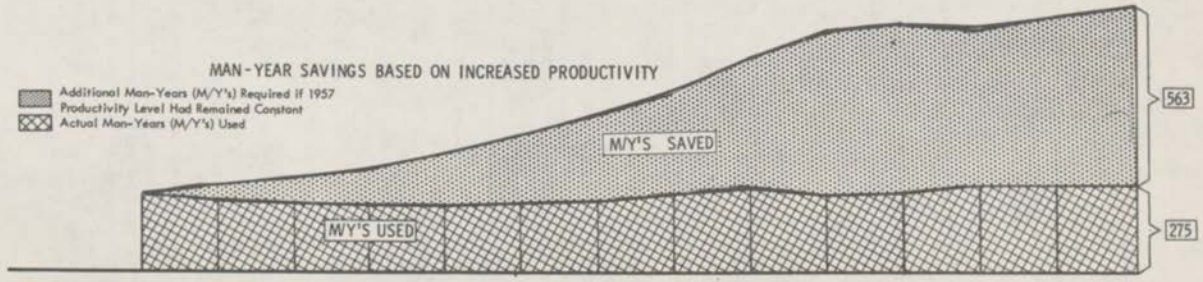
Year	Documents	Man-years	Production per man-year No.	Production per man-year % Increased from 1957
1957	872,101	289.0	3,018	-
1962	1,503,344	227.8	6,599	119
1968	2,750,648	160.0	17,192	470
1969	2,815,000	157.8	17,839	491
1970	2,845,000	157.8	18,029	497

OFFICE OF ADMINISTRATION

INVOICE PAYMENTS (VOUCHER PROCESSED)
PRODUCTIVITY TREND



VOLUME	639	694	774	804	959	1104	1279	1491	1800	1831	1907	1893	1950	1970
ACTUAL M/Y'S	272	247	245	234	229	237	253	283	304	266	272	276	275	275
P/R	2350	2809	3164	3439	4194	4665	5059	5271	5913	6881	7021	6856	7088	7161
P/R INCREASE	—	20%	35%	46%	78%	99%	115%	124%	152%	193%	199%	192%	202%	205%
M/Y'S SAVED	—	48	84	108	179	233	291	351	462	513	539	530	555	563



Invoice Payments	1968	1969	1970	Change from 1969
Vouchers processed	1,892,913	1,950,000	1,970,000	+20,000
Unit cost	$1.19	$1.23	$1.22	-$0.01
Performance cost	$2,259,832	$2,400,100	$2,403,000	+$2,900
Average employment	276.1	275.1	275.1	-
Vouchers processed per employee (average)	6,856	7,088	7,161	+73

Similar to increased production in processing accounting documents over the years the following tabulation reflects the continuing increased production per man-year in processing of vouchers during the period 1957 through 1970.

Year	Vouchers	Man-years	Production per man-year No.	% increased from 1957
1957	639,413	272.1	2,350	-
1962	1,104,194	236.7	4,665	99
1968	1,892,913	276.1	6,856	192
1969	1,950,000	275.1	7,088	202
1970	1,970,000	275.1	7,161	205

The estimate of $1.22 unit cost per voucher for 1970 compares to that of $2.20 which occurred in 1956 in spite of numerous intervening pay raises.

b. Office of Personnel.- Provides a comprehensive personnel program designed to attract and retain qualified employees. The personnel activity continuously evaluates and applies methods and procedures in recruitment, job classification, training, and processing to provide a more economical and efficient agency personnel program.

The GSA personnel program includes (1) recruitment, selection, placement, promotion, and separation; (2) compensation activities, such as position evaluation, position management, and wage and pay administration; (3) employee relations and equal opportunity activities, involving employee-management cooperation, equal opportunity, incentive awards, employee appraisal, employee grievances and appeals, etc; and (4) internal training and development activities as well as assistance to the Services in the conduct of interagency training programs.

Personnel management is performed in the Central Office and in each of GSA's ten regions.

Positions	1968	1969	1970	
Central Office	76	73	73	
Field	240	240	240	
Total positions	316	313	313	
Average employment	305.1	306	306	
Performance cost (in $ thousands)	$3,378	$3,683	$3,692	
Selected Workload Statistics	**1968**	**1969**	**1970**	**Change from 1969**
Employment actions	59,839	59,800	60,800	+1,000
Compensation actions	16,572	16,500	16,800	+300
Employee relations actions	8,201	8,200	8,300	+100
Man-hours - Internal Training (in thousands)	570	607	701	+94

Although there is no increase in positions, management improvements and increased employee productivity will make available additional resources which will be used to cope with increased workloads and expanding program requirements. The most essential of these requirements include: increased recruiting efforts to obtain high caliber candidates in shortage category occupations, assistance to supervisors in the structuring of positions to achieve maximum efficiency and

(Continued)

economy, the expansion of inhouse capabilities to better meet the training needs of GSA employees, a positive action program of equal opportunity, and increased consultation and negotiation with employee unions.

Employee union activity, for example, involved 213 recognized units as of June 30, 1968, representing approximately 18,000 GSA employees. Eighty-five basic and supplementary agreements had been approved with recognized locals and a number of additional agreements were in the process of negotiation. The continuing increase in the number of recognized units and employee membership places correspondingly heavier demands upon personnel offices for guidance and direction in the negotiation of agreements, the training of supervisors in dealing with union representatives, and other facets of union relationships.

This estimate reflects the minimum staffing required to meet program service demands for personnel support. GSA is significantly above the recognized 1:135 ratio (1:154 in 1970).

c. Office of Administrative Services.- This Office is responsible for the management of issuances and forms; records management, including mail, correspondence, files systems, and records disposition; and office services relating to administrative equipment, supplies, space, telecommunications, mail operations, library, travel, and similar activities. It also manages centralized printing and duplicating services provided to other agencies, as well as all components of GSA, on a reimbursable basis, funded through the Working Capital Fund. Administrative support and liaison services are provided for Presidential commissions and small agencies.

Administrative services are performed in the Central Office and in each of GSA's 10 Regions.

Positions	1968	1969	1970	
Central Office	53	55	55	
Field	217	218	218	
Total positions	270	273	273	
Average employment	268.8	263.6	263.6	
Performance Cost (in $ thous.)	$2,759	$2,959	$2,997	
Selected Workload Statistics				Change from 1969
Mail handled (thous. lbs.)	5,777	5,900	6,100	+200
Issuances	5,041	5,300	5,600	+300
Forms processed	8,174	7,900	8,100	+200
Library services	57,920	60,500	64,000	+3,500
Records retired or destroyed (cu. ft.)	59,265	50,000	56,000	+6,000
Travel services	7,011	7,000	7,100	+100
Supply requisitions processed (L/I)	153,921	155,000	156,000	+1,000
Equipment requisitions processed (L/I)	13,577	14,000	15,000	+1,000

Total positions and average employment will be held at the 1969 levels. The increases in workload will be accomplished by higher employee productivity and improved management practices.

d. Office of Budget.- Performs both budget formulation and execution functions for GSA and many small Presidential commissions and committees, including the preparation of annual and supplemental estimates submitted to the Bureau of the Budget and to the Congress. It establishes, develops and controls fund apportionments and allotments and related personnel controls on numbers, grades and salaries and other control documents; reviews and evaluates performance for consistency with program plans and objectives in both the Central and Regional Offices. The Office of Budget also carries out coordination of the agency cost reduction program.

Agency-wide budgetary procedures and instructions and effective maintenance of budgetary relationships with other agencies, the Bureau of the Budget and Congressional Appropriations Committees are the responsibility of this Office.

Budget functions are performed in the Central Office and in each of the 10 Regions as follows:

Positions	1968	1969	1970
Central Office	59	60	60
Field	46	46	46
Total positions	105	106	106
Average employment	101.7	99	99
Performance Cost (in $ Thous.)	$1,316	$1,464	$1,467

The 1970 estimate provides for a continuation of the 1969 staffing.

e. Supervision and Management.- Overall executive direction and general supervision of the Office of Administration is the responsibility of the Assistant Administrator for Administration. There is under the Assistant Administrator's technical supervision a Regional Director of Administration in each of the ten regions; a Program and Policy Planning Staff which provides planning and coordination of all aspects of GSA's implementation of the Government-wide planning-programing-budgeting system; and a Management Systems Staff which provides assistance to the Administrator and Heads of Services in the review and development of organizational and operating relationships, overall coordination of systems development, and systems maintenance in GSA.

Supervision and Management functions are distributed as follows:

	1968		1969		1970	
	Positions	Avg. Empl.	Positions	Avg. Empl.	Positions	Avg. Empl.
General Supervision	46	44.5	43	43.0	43	43.0
Program and Policy Planning	16	13.8	18	17.0	18	17.0
Management Systems	21	22.0	22	21.7	22	21.7
Total	83	80.3	83	81.7	83	81.7
Performance cost (in $ thousands)	$1,300		$1,488		$1,450	

The 1970 estimate provides for a continuation of the 1969 staffing for all areas under Supervision and Management.

EXPLANATION OF DISTRIBUTION BY OBJECTS (See Activity Data Sheet)

11 Personnel Compensation and Staffing.- $14,887,800. Provides for 1,629 positions distributed as follows:

	1968	1969	1970
Central Office	336	338	338
Field	1,274	1,292	1,291
Total Positions	1,610	1,630	1,629
Average Employment	1,569.9	1,560.2	1,560.2

12 Personnel Benefits.- $1,190,700. Includes $967,700 for retirement contributions, $169,700 health benefits, and $53,300 for group life insurance, as required by law in support of the above employment.

21 Travel and Transportation of Persons.- $116,500. Includes $99,800 for 3,696 travel days distributed as follows:

$37,300 for 1,381 days for Office of Finance are required in providing overall direction and coordination for 10 regions, reviewing financial systems and reports, assistance for physical inventorying, collection of delinquent accounts and performing financial surveys.

$16,000 for 593 days in connection with overall supervision and management of the 10 regional offices.

$2,000 for 74 days in connection with the overall supervision and direction of the 10 regional Budget Divisions.

$36,000 for 1,333 days for job evaluations, classifications, and personnel surveys in the Office of Personnel.

$8,500 for 315 days for operation and inspection of Administrative Services and field reproduction plants.

$16,700 for travel by motor pool for the following activities:

Finance, $2,400; Supervision and Management, $700; Personnel, $6,500; Administrative Services, $7,100.

22 Transportation of Things.- $30,700. Provides for shipping charges covering equipment, records, and transportation of household goods in connection with transfers of personnel.

23 Rents, Utilities, and Communication Services.- $707,200. Provides for $224,000 for postage and fees; $135,400 payment to GSF for depreciation of Administrative equipment; $146,200 for intercity service, and $201,600 for telephone and teletype service.

24 Printing and Reproduction.- $175,400. Provides for requirements for classification guides, wage board schedules, employee handbooks for forms control, inventory reports, and procedural guides and manuals.

25 Other Services.- $3,335,500. Provides $3,081,200 payment to Automatic Data Processing Fund for accounting, payrolling, invoice processing, personnel statistics and training reports. The balance of $254,300 is for repairs to equipment and furniture, reimbursements to Public Health Service for health room services, motor pool truck rentals, and other miscellaneous services.

26 Supplies and Materials.- $110,200. Provides $89,600 for administrative office supplies and materials at an average cost of $55 per position and $20,600 for operating supplies, materials, and technical publications.

Mr. EVINS. Then you have the breakdown of the three parts. The administration, audits and compliance, and legal services.

For the first, Administration, you are asking for $20,554,000, $13,000 less than the previous year. These are very large and impressive charts on vouchers processed, billings, productivity trend, black is volume, numbers of billings constantly increasing. How do you compute man-years saved, Mr. Johnson?

Mr. JOHNSON. The man years saved, Mr. Chairman, are by virtue of the productivity increase we can get from each man operating within the system. It is a benchmark of what it would have cost had we not been able to make savings in productivity.

Part of this is due to people, management. The other part is due in large measure to automating some of the normal everyday administrative functions.

Mr. JONAS. We used to call this the Medley fund. We will have to change the name.

OFFICE OF AUDITS AND COMPLIANCE

Mr. EVINS. Audits and compliance require $3,191,000, $51,000 increase, and 208 jobs.

We will place III–73 and III–74 in the record.

(The pages follow:)

2. AUDITS AND COMPLIANCE

	Amount	Average employment		
		Central office	Field	Total
1969	$3,140,000	208.0		208.0
Change	+51,000			
1970	3,191,000	208.0		208.0

HIGHLIGHT

The Office of Audits and Compliance under the Deputy Administrator is comprised of the following major components and is financed through the administrative operations fund.

AVERAGE EMPLOYMENT

Distribution by subactivity	1968		1969		1970	
	Positions	Average employment	Positions	Average employment	Positions	Average employment
Supervision	13	12.5	13	12.5	13	12.5
Audits	123	99.5	135	120.5	135	120.5
Investigations	76	74.0	61	60.0	61	60.0
Compliance			15	15.0	15	15.0
Total	212	186.0	224	208.0	224	208.0
Performance cost (in thousands)	$2,577		$3,140		$3,191	

JUSTIFICATION

The activities of this office provide top management with an independent and objective review and appraisal of all GSA programs and activities on a systematic and comprehensive basis and brings management problems to their attention early so that corrective action may be initiated. This is done for top management by: (1) locating opportunities for eliminating waste and inefficiency; (2) rec-

ommending improvements in plans, policies, procedures, and organizational structure; (3) providing independent evaluations on performance by individual and organizational units; (4) determining compliance with applicable statutory and other legal requirements; (5) testing for existence of unauthorized, fraudulent or otherwise illegal actions, identifying potential trouble spots in operations; and (6) determining that assigned responsibilities and planned objectives are being carried out in the manner and with the results intended. Financial records are verified; contractor's cost records examined; and investigations made of complaints, civil rights violations, employee misconduct, and thefts.

These functions have been consolidated in the Office of Audits and Compliance directly under the Deputy Administrator, thus placing the audit function at the appropriate organizational level. This has strengthened the functions and emphasized a preventive rather than an after-the-fact approach to these activities; incorporated the various disciplines into a single comprehensive program operating on an integrated basis; streamlined auditing and investigating techniques; and reduced the administrative and clerical cost of separate audit and investigation functions. As a result the function can be effectively carried out with the same position level in 1970 as in 1969 despite continually increasing scope. We have combined our previously separate audit and investigative field offices into single OAC offices in each region. This will result in the saving of clerical positions which will be converted into professional auditor positions. Another feature of the reorganization is the consolidation of Inspections and Evaluations and Special Audits efforts with Internal Audits. Combining of these interrelated activities precludes duplication of effort arising from repeated reviews of the same program areas and enables redirection of manpower to professional audit functions as reflected in the above distribution by subactivity.

SIGNIFICANT WORKLOAD STATISTICS

	1968	1969	1970
Audits:			
Internal	166	205	225
Contract	81	102	105
Investigative cases	540	550	550
Security clearance requests	6,116	6,300	6,600
Civil rights cases	503	660	675

EXPLANATION OF DISTRIBUTION BY OBJECTS (SEE ACTIVITY DATA SHEET)

11 *Personnel compensation and staffing, $2,705,500.*—Provides for 224 positions distributed as follows:

	1968	1969	1970
Central office	212	224	224
Average employment	186	208	208

12 *Personnel benefits, $216,700.*—Includes $175,900 for retirement contributions; $31,100 health benefits; and $9,700 group life insurance, as required by law in support of the above employment.

21 *Travel and transportation of persons, $158,400.*—Includes $150,000 for 5,556 travel days required in providing overall direction and coordination and performance of audits and investigations for the 10 regional offices. With the expanded concept of the audit and investigative operations, it is necessary for auditors and investigators to travel to the numerous locations where GSA performs its operations; $8,400 is for travel by motor pool.

22 *Transportation of things, $2,500.*—Provides for shipping charges covering equipment, records, and transportation of household goods in connection with transfers of personnel.

23 *Rents, utilities, and communication services, $53,400.*—Provides $21,000 for intercity service, $17,500 for telephone and teletype service, and $14,900 for depreciation of administrative equipment.

24 *Printing and reproduction, $7,600.*—Provides for audit and investigative reports.

25 *Other services, $30,500.*—Provides $1,800 payment to automatic data processing fund for audit and investigative reports. The balance of $28,700 is for repairs to equipment and furniture, reimbursements to Public Health Service for health room services, and other miscellaneous services.

26 *Supplies and materials, $16,400.*—Provides $12,300 for administrative office supplies and materials at an average cost of $55 per position and $4,100 for operating supplies, materials, and technical publications.

LEGAL SERVICES

Mr. EVINS. Legal services, $2.095,000 plus $10,000 change from last year, $2,105,000 and 70 jobs in the central office. With all of the contracts, all the property you manage, I would think you could use a legal staff of 70 lawyers down there.

Place pages III–76 and III–77 in the record.

(The pages follow:)

3. LEGAL SERVICES

	Amount	Average employment		
		Central office	Field	Total
1969	$2,095,000	70.3	54.1	124.4
Change	+10,000			
1970	2,105,000	70.3	54.1	124.4

JUSTIFICATION

The Office of General Counsel (1) directs, coordinates, and performs all legal services within GSA; (2) prepares legislation proposed by GSA; (3) furnishes legal advice on and reviews reports on other legislative proposals; (4) is responsible for the planning, development, and administration of the Federal procurement regulations, including the General Service procurement regulations and for monitoring the Federal property management regulations; (5) participates in the development of agency policy and assists in the acccomplishment and coordination of program objectives consistent with established policy.

The legal functions are performed under the direction of the General Counsel in the central office and in each of the 10 regions as set forth below. The regulatory functions are performed by the Federal procurement regulations staff in the central office, under the direction of the General Counsel.

	1968	1969	1970
Positions	132	132	132
Average employment	127.1	124.4	124.4
Performance cost (dollars in thousands)	$1,948	$2,095	$2,105

The Office of General Counsel in the central office and the regional counsels in each of the 10 regions, provides legal services for the services and staff offices in their accomplishment of program objectives, including the design, construction, management, maintenance, operations, repair and improvement of federally owned and leased buildings; supply management including procurement and distribution; coordinating and providing for the economic and efficient purchase, lease, and maintenance of automatic data processing equipment by Federal agencies; utilization and disposal of excess and surplus real and personal property; transportation, communications, and utility matters; disposal of metals and minerals from the national stockpile which were acquired for governmental use or resale; archival and records management; and financial and administrative management of the agency.

During fiscal year 1970, there will be a continuation of the existing level of technical assistance to the services and staff offices of GSA in the development of

Federal procurement regulations and Federal property management regulations as well as to all other Government agencies in their implementation and supplementation of the basic regulation.

In addition to the legal services being performed for GSA services and staff offices, the Office of General Counsel provides legal services to Presidential commissions and committees, as well as other small Federal agencies and activities on a reimbursable basis.

Service workload indicators as shown on pages III–58 and III–59 relate directly to the demand for corresponding legal services. The increased program workload in 1970 calls for corresponding increased legal services. The increased demand for legal services will generally be met through greater manpower utilization and improved management procedures.

There has been and there will continue to be a concerted effort by the Office of General Counsel not only to minimize the total number of employees, but also to keep the ratio of professional employees to administrative and stenographic personnel as high as possible.

EXPLANATION OF DISTRIBUTION BY OBJECTS

11. *Personnel Compensation and Staffing, $1,816,000.*—Provides for 132 positions distributed as follows:

	1968	1969	1970
Central office	76.0	76.0	76.0
Field	56.0	56.0	56.0
Total positions	132.0	132.0	132.0
Average employment	127.1	124.4	124.4

12 *Personnel Benefits, $146,000.*—Includes $118,000 for retirement contributions; $21,500 health benefits; and $6,500 group life insurance, as required by law in support of above employment.

21 *Travel and Transportation of Persons, $18,200.*—Includes $18,000 for 667 travel days incident to appearances at hearings before State regulatory bodies in traffic and public utility cases, inspection of regional legal activities, and attendance at conferences and trials; and $200 for travel by motor pool.

22 *Transportation of Things, $2,000.*—Provides for shipping charges covering equipment, records, and transportation of household goods in connection with transfers of personnel.

23 *Rents, Utilities, and Communication Services, $50,800.*—Provides $17,000 for intercity service, $18,000 for telephone and teletype service, and $15,800 for depreciation of administrative equipment.

24 *Printing and Reproduction, $27,000.*—For printing, reproduction, and issuance of procedures, manuals, revisions to Government-wide Federal Procurement Regulations, and other miscellaneous duplicating requirements.

25 *Other Services, $22,000.*—Provides for payment to GSF for repairs to equipment and furniture, reimbursement to Public Health Service for health room services, and for other miscellaneous services.

26 *Supplies and Materials, $23,000.*—For the purchase of law books required by the library and administrative office supplies and materials.

Gentlemen, in summary we hope these exercises have been helpful and worthwhile.

Summary of GSA Request

In 1969 there were appropriations to GSA of $524,914,500. For 1970 the original budget proposed $561,075,000. With the amendment, this was revised downward to $531,793,600, or $29,281,400 decrease over the previous budget.

Change from 1969 to 1970, however, is up $6,879,100. You made a reduction over the Johnson budget but your budget is still presented as $6,879,100 over last year.

Is this about the picture?

Mr. JOHNSON. That is right. The increase in the total is far less than the increase GSA needs simply to manage the new space that is coming into the inventory this year.

Mr. EVINS. More new building, more new space, and the sooner you can cut down your lease rental bill, the better.

Insert in the record a table of 1968, 1969, and 1970 obligations, expenditures, and carryover balances.

Mr. JOHNSON. We will be glad to, Mr. Chairman.

Mr. EVINS. Also a table of filled positions by appropriations and funds for each of these years.

Mr. JOHNSON. We will be glad to.

(The information follows:)

GENERAL SERVICES ADMINISTRATION
Statement on Budget Authority, Obligations,
Balances, and Outlays
FY 1968

(In Thousands)

Appropriation Items	Budget Authority*	Carryover balances into 1968		Obligations	Outlays
		Unobligated	Obligated		
Operating Expenses, PBS	$272,563	-	$2,342	$272,106	$271,699
Repairs and Improvements	80,000	$13,517	32,573	87,140	74,164
Construction, PB Projects	66,758	225,841	141,806	68,813	115,872
Sites & Expenses PB Proj.	20,285	40,222	9,953	18,984	16,871
Payments, PB Purch. Contracts	2,350	-	54	2,300	2,354
Expenses, U.S.Court Facilities	1,000	-	1,039	985	1,342
Operating Expenses, FSS	70,746	-	2,210	69,861	68,790
Operating Expenses, NARS	17,961	-	655	17,931	17,770
Nat'l. Hist.Publica. Grants	350	31	36	378	377
Operating Expenses, TCS	6,025	-	211	5,791	5,793
Operating Expenses, PMDS	27,992	-	-	25,621	22,055
Expenses, Disposal Surp.Prop.	701	-	259	701	635
Sal. & Exp., Office of Admin.	1,793	-	80	1,747	1,747
Allowances, Etc., Former Pres.	251	-	7	202	201
Total, Appropriation Items	$568,775	$279,611	$191,225	$572,560	$599,670
Other Accounts	10,000**				9,853
Totals	$578,775				$609,523

* Includes appropriations and transfers.
** Capital for Automatic Data Processing Revolving Fund

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GENERAL SERVICES ADMINISTRATION
Statement on Budget Authority, Obligations,
Balances, and Outlays
FY 1969

(In Thousands)

Appropriation Items	Budget Authority*	Carryover Balances into 1969		Obligations	Outlays
		Unobligated	Obligated		
Operating Expenses, PBS	$293,754	-	$1,694	$293,754	$292,847
Repair and Improvement	80,000	$7,276	44,651	73,419	87,000
Construction, PB Projects	-	223,786	94,746	89,000	88,500
Sites & Expenses, PB Projects	10,995	41,524	12,065	21,000	21,500
Payments, PB Purch. Contracts	2,400	-	-	2,400	2,400
Expenses, U.C.Court Facilities	750	-	663	750	1,000
Operating Expenses, FSS	77,515	-	3,042	77,515	77,200
Operating Expenses, NARS	20,408	-	847	20,408	20,328
Nat'l.Hist.Publica.Grants	350	3	37	353	325
Operating Expenses, TCS	6,150	-	220	6,150	6,100
Operating Expenses, PMDS	28,500	-	3,566	28,500	28,500
Expenses, Disp. Surplus Prop.	1,000	-	314	1,000	1,100
Sal. & Exp., Office of Admin.	1,939	-	77	1,939	1,935
Allowances Etc.,Former Pres.	254	-	8	254	254
Expenses, Presidential Trans.	900	-	-	900	800
Total, Appropriation Items	$524,915	$272,589	$161,930	$617,342	$629,789
Other Accounts					28,048
Total					$657,837

* Includes appropriations in annual act; proposed supplementals, and transfers.

GENERAL SERVICES ADMINISTRATION
Statement on Budget Estimates, Obligations,
Balances, and Outlays
FY 1970

(In Thousands)

Appropriation Items	Budget Estimates (as amended)	Carryover Balances into 1970		Obligations	Outlays (as amended)
		Unobligated	Obligated		
Operating Expenses, PBS	$309,119	-	$1,094	$309,119	$308,718
Repair and Improvement	61,600	$13,857	30,171	75,457	79,200
Construction, PB Projects	5,353	134,786	95,246	57,700	88,500
Sites & Expenses, PB Projects	11,000	31,519	11,565	21,000	20,000
Residence of the Vice Pres.	150	-	-	65	46
Payments, PB Purch.Contracts	2,400	-	-	2,400	2,400
Expenses, U.S.Court Facilities	1,500	-	413	1,500	1,600
Operating Expenses, FSS	78,873	-	3,357	78,873	78,873
Operating Expenses, NARS	22,153	-	927	22,153	22,080
Nat'l.Hist.Publica.Grants	350	-	65	350	350
Operating Expenses, TCS	6,150	-	270	6,150	6,100
Operating Expenses, PMDS	29,780	-	3,566	29,780	30,000
Expenses, Disp. Surplus Prop.	1,000	-	214	1,000	1,000
Sal. & Exp., Office of Admin.	1,926	-	81	1,926	1,930
Allowances Etc.,Former Pres.	335	-	8	335	335
Expenses, Presidential Trans.	-	-	100	-	100
Total, Appropriation Items	$531,689	$180,162	$147,077	$607,808	$641,232
Other Accounts					-3,761
Total					$637,471

GENERAL SERVICES ADMINISTRATION
FILLED PERMANENT POSITIONS

Appropriation or Fund (By Service)	June 30, 1968	March 31, 1969	Tentative Possible Distribution of Total Permanent On-Board Ceiling June 30, 1970
Public Buildings Service	22,343	21,482	21,614
Operating Expenses, PBS	514	512	514
Buildings Management Fund	20,587	19,803	19,920
Construction Services	1,242	1,167	1,180
Federal Supply Service	6,461	6,262	6,300
Operating Expenses, FSS	4,468	4,320	4,400
Adv. & Reimb., Pers. Prop. Activ.	1,212	1,175	1,100
ADP Fund	781	767	800
National Archives and Records Service	1,876	1,956	1,970
Operating Expenses, NARS	1,747	1,838	1,850
National Archives Trust Fund	75	68	68
National Archives Gift Fund	13	7	7
Adv. & Reimb., Records Activities	41	43	45
Transportation & Communications Service	2,836	2,706	2,685
Operating Expenses, TCS	371	369	365
Federal Telecommunications Fund	1,476	1,398	1,390
General Supply Fund	975	939	930
Adv. & Reimb., Transp. & Comm. Activ.	14	-	-
Property Management & Disposal Service	1,413	1,360	1,356
Operating Expenses, PMDS	1,060	1,000	1,000
General Supply Fund	29	30	30
DPA Revolving Fund	40	39	39
Lead and Zinc Program	2	2	2
Adv. & Reimb., Defense Matls. Activ.	282	289	285
Salaries & Expenses, Office of Admin.	126	122	125
Administrative Operations Fund	1,893	1,782	1,790
Working Capital Fund	497	466	460
Total GSA Employment (Permanent Positions)	37,445	36,136 1/	36,300

1/ Note: 892 fillable vacancies are available under BOB Circular 68-15 pursuant to Sec. 201, P.L. 90-364.

CARRYOVER BALANCES

Mr. EVINS. How much carryover balances does GSA expect to have in 1970?

Mr. JOHNSON. Mr. Chairman, we will not have any carryover balances unobligated except in the two accounts I discussed yesterday with Mr. McDade, in the construction area and sites and expenses area, amounting to $180 million.

Mr. EVINS. Any further questions, gentlemen?

Mr. BOLAND. I just wanted to make the observation, as the new Administrator and those who are standing behind him know, this is one of the favorite agencies of this committee. It is an agency which does a great service, we think, for the Government and for the taxpayers of the United States, and as Chairman Evins has pointed out, this year you will be charged with the responsibility for expending more than a half-billion dollars in taxpayers' funds to run this agency.

It is now some 20 years old and it has proved its worth many times over in the years it has been in existence, and I am sure under the direction of the new Administrator it will continue to prove its worth.

We have had some very good relationships. As the Administrator knows, as all of you who have been before this committee many times know. Relationships have been friendly and they have been frank I think over the years, and this is what is good for GSA and is good for the committee itself.

I might also indicate that we know that there have to be changes. Whenever changes in the administration occur you have a change in the congressional liaison. We enjoyed a very fine and real rapport with the GSA when Mr. Griffin was the congressional liaison with the agency. I am sure we will continue to.

Is Mr. Kreger the one?

Mr. KUNZIG. Mr. Kreger is in charge of it overall, but there will be a congressional liaison under him.

Mr. BOLAND. You have not appointed him yet?

Mr. KUNZIG. No.

Mr. BOLAND. Do you not give him a status of deputy or assistant?

Mr. KUNZIG. It has been under the Assistant Administrator in the past. I have not made any change.

Mr. BOLAND. The Assistant Administrator in the past has actually handled most of the congressional duties.

Mr. KUNZIG. That will probably be true this time.

Mr. BOLAND. I think that is fine, a good way to do it. I think this kind of service ought to be upgraded by the department.

As I say, there has been a fine working relationship during the Eisenhower, Kennedy, and Johnson administrations, and I am sure it will continue in this one. You have had great experience in this field yourself and your friend and colleague from Pennsylvania, Mr. McDade tells me as the head of what would be the GSA in Pennsylvania, you have done an outstanding job and your background shows it. I want to wish you well.

Mr. KUNZIG. Thank you, sir.

Mr. SHIPLEY. I would like to echo the remarks by Mr. Boland. I know we are looking forward to working with you as the new Administrator, and I know as you go over the budget you will have problems come up you have not had before. I say as one member of the commit-

tee, we have a great deal of confidence in you and in your staff and I think your presentation here has been superb.

Mr. KUNZIG. Thank you.

Mr. JONAS. I will just add, if you have not found out yet, we do not know whether you would rather have more compliments and less money. With the compliments we give you over here maybe we can make you pay for them.

I agree with all that has been said. We are looking forward to a very pleasant relationship with you as head of the agency and all of your staff. We are familiar with most of the people on board and have worked with them for years.

Mr. EVINS. I am sure we all join in the accolades and we thank you for your testimony and fine presentation and wish you good luck.

Mr. KUNZIG. Thank you.

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